PSA BANQUE FRANCE

# 2020 HALF-YEAR REPORT

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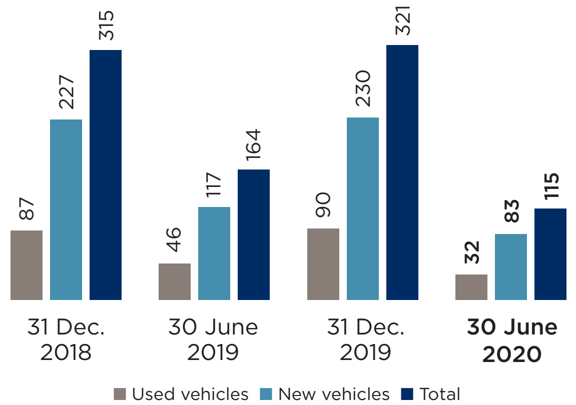
# 30 JUNE 2020 KEY FIGURES

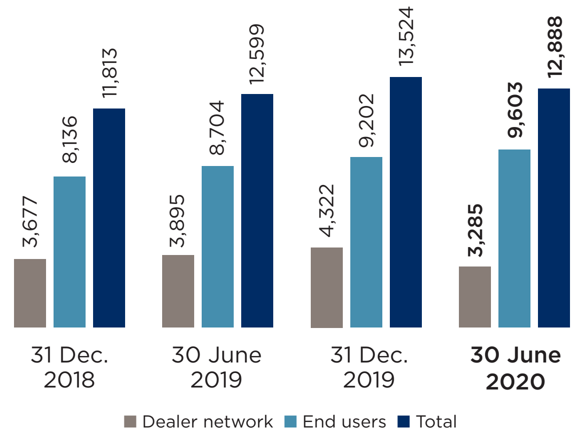
## EVOLUTION OF VEHICLES FINANCED FOR END USERS

*(in thousands of vehicles)*



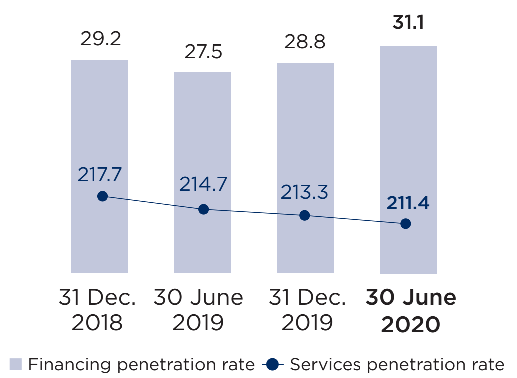

## EVOLUTION OF OUTSTANDING LOANS TO END USERS AND DEALER NETWORK

*(in million euros)*

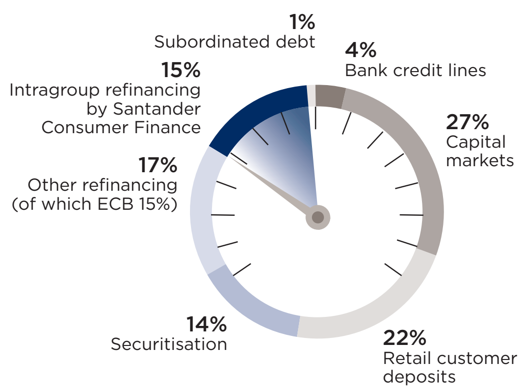



## FINANCING AND SERVICE PENETRATION RATES

*(in % of new vehicle sales for Peugeot, Citroën and DS / in % of financing contracts)*

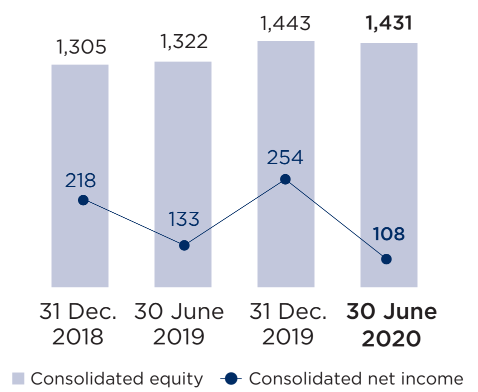



## FUNDING SOURCES AS AT 30 JUNE 2020



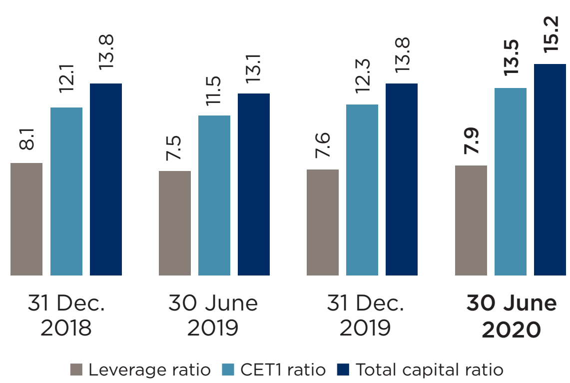

## EQUITY AND NET PROFIT

*(in million euros)*




## CAPITAL RATIOS

*(in %)*




# 1. HALF-YEAR MANAGEMENT REPORT

# 1.1 ACTIVITIES OF THE PSA BANQUE FRANCE GROUP

## 1.1.1 Summary of financial information

The financial information presented in this half-year report has been prepared in accordance with "IFRS" (International Financial Reporting Standards) adopted by the European Union member countries. The consolidated financial statements were reviewed as at 30 June 2020 by the Statutory Auditors of the PSA Banque France Group, PricewaterhouseCoopers and Mazars.

### CONSOLIDATED INCOME STATEMENT

| *(in million euros)* | 30 June 2020 | 30 June 2019 | Change |
|---|---|---|---|
| Net banking revenue | 274 | 259 | +5.8% |
| General operating expenses and equivalent | (82) | (81) | +1.2% |
| Cost of risk | (31) | (14) | +121.4% |
| **Operating income** | **161** | **164** | **(1.8%)** |
| Other non-operating income | (5) | - | - |
| **Pre-tax income** | **156** | **164** | **(4.9%)** |
| Income taxes | (48) | (31) | +54.8% |
| **NET INCOME** | **108** | **133** | **(18.8%)** |

### CONSOLIDATED BALANCE SHEET

*(in million euros)*

| Assets | 30 June 2020 | 31 December 2019 | Change |
|---|---|---|---|
| Cash, central banks, post office banks | 396 | 453 | (12.6%) |
| Financial assets | - | 1 | (100.0%) |
| Loans and advances to credit institutions | 1,218 | 979 | +24.4% |
| Customer loans and receivables | 12,888 | 13,524 | (4.7%) |
| Tax assets | 17 | 10 | +70.0% |
| Other assets | 378 | 377 | +0.3% |
| Property and equipment | 26 | 18 | +44.4% |
| **TOTAL ASSETS** | **14,923** | **15,362** | **(2.9%)** |

| Liabilities | 30 June 2020 | 31 December 2019 | Change |
|---|---|---|---|
| Financial liabilities | 1 | 2 | (50.0%) |
| Deposits from credit institutions | 4,074 | 3,738 | +9.0% |
| Due to customers | 3,099 | 2,877 | +7.7% |
| Debt securities | 4,972 | 5,971 | (16.7%) |
| Tax liabilities | 425 | 377 | +12.7% |
| Other liabilities | 766 | 799 | (4.1%) |
| Subordinated debt | 155 | 155 | - |
| Equity | 1,431 | 1,443 | (0.8%) |
| **TOTAL LIABILITIES** | **14,923** | **15,362** | **(2.9%)** |

### OUTSTANDING LOANS BY CUSTOMER SEGMENT

| *(in million euros)* | 30 June 2020 | 31 December 2019 | Change |
|---|---|---|---|
| Dealer network | 3,285 | 4,322 | (24.0%) |
| End users | 9,603 | 9,202 | +4.4% |
| **TOTAL CUSTOMER LOANS AND RECEIVABLES** | **12,888** | **13,524** | **(4.7%)** |

## 1.1.2 Activities of the PSA Banque France Group

### 1.1.2.1 PRESENTATION

Banque PSA Finance, the finance company of the PSA Group specialised in automotive financing, and Santander Consumer Finance, the subsidiary of Banco Santander specialised in consumer finance, signed a framework agreement on 10 July 2014 on setting up a banking partnership covering 11 countries in Europe.

This partnership between Banque PSA Finance and Santander Consumer Finance takes the form of joint ventures constituted in 2015 in France, the United Kingdom, Spain and Switzerland, then in 2016 in Germany, Austria, Belgium, Italy, the Netherlands, and Poland, and a commercial partnership in Portugal since August 2015.

On 2 February 2015, Banque PSA Finance and Santander Consumer Finance, after having received the authorisation of the European Central Bank on 28 January 2015, formalised their cooperation to jointly perform banking operations in France through the SOFIB Group whose legal name changed to PSA Banque France on 18 July 2016.

The new PSA Banque France Group was founded in 2015 through the combination of the financing activities from the PSA Group in France operated by CREDIPAR, CLV, SOFIRA, and SOFIB. In May 2015 the subsidiary CREDIPAR absorbed the subsidiary SOFIRA. This operation had no impact on the consolidated financial statements of the PSA Banque France Group.

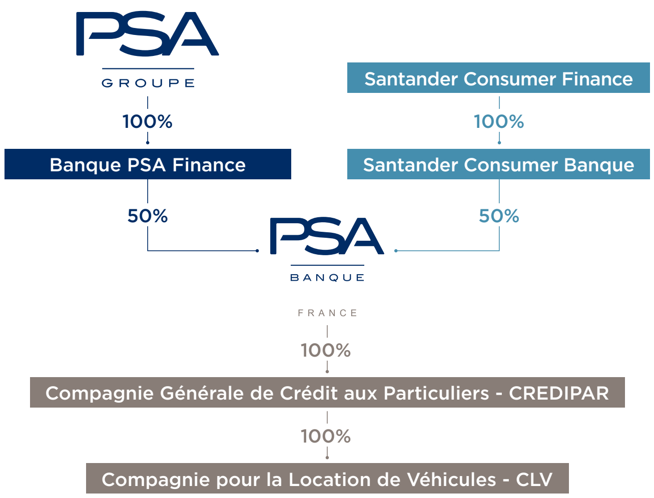
The cooperation with Santander Consumer Finance enhances the activities of the PSA Banque France Group, thanks to more competitive financial offers dedicated to Peugeot, Citroën and DS customers and dealer networks. These offers are accompanied by a complete range of insurance products and services that enable customers to benefit from a global and coherent product range at the sales point. The PSA Banque France Group also provides the dealer networks of the three brands, with financing for their stock of vehicles (new and used) and spare parts, as well as other financing solutions such as working capital.

#### A. Organisation

PSA Banque France is 50/50 controlled by Banque PSA Finance and by Santander Consumer Banque, the French subsidiary of Santander Consumer Finance, and is fully consolidated into the Santander Group.

PSA Banque France is a credit institution and 100% parent company of CREDIPAR, which itself holds 100% of CLV. All financing activities are therefore carried out by PSA Banque France and its CREDIPAR and CLV subsidiaries.

STRUCTURE OF THE PSA BANQUE FRANCE GROUP




The PSA Banque France Group is established and operates across the French territory from its registered office, which was located at 9, rue Henri-Barbusse, Gennevilliers (92230) until 17 July 2020, and is now located at 2-10 Boulevard de l'Europe, Poissy (78300), and its 3 agencies (Grand Paris, Lyon and Rennes).

## B. Organisation of the cooperation between Banque PSA Finance and Santander Consumer Finance

The cooperation between Banque PSA Finance and Santander Consumer Finance is organised within the PSA Banque France Group through a shared governance.

The governance rule of the committees implemented in the context of the cooperation in all areas (sales, risk, finance, etc.) is compatible with the corporate governance regulatory framework.

## C. Business model and strategy

Backed by its economic model based on its proximity with the three historic brands of the PSA Group and their dealer network, and by the financial support of the Santander Group, the PSA Banque France Group has demonstrated its ability to respond efficiently in the context of the COVID-19 pandemic. While maintaining a high level of performance, the PSA Banque France Group has implemented instalment deferrals and rescheduling for its customers and the distribution network. These solutions, which are in line with the FBF-ASF market protocol of 17 June 2020, to which the PSA Banque France Group has adhered, have enabled business and corporate customers in particular to face this exceptional period under the best possible conditions.

The main levers implemented by the PSA Banque France Group are:

- **an extended, structured and customised selection of financing solutions.** A comprehensive offering has been developed to meet the needs of the Peugeot, Citroën and DS dealer networks and their customers. A close relationship with the commercial networks allows the PSA Banque France Group to develop financing solutions and services packages specifically designed to address their needs. Since 2017, the PSA Banque France offer has been proposed in the Aramis network specialised in the purchase of new vehicles (all brands) or refurbished used vehicles, either on line, by phone, or from its own network. Aramis is a PSA Group company;
- **a privileged relationship with Peugeot, Citroën and DS and their dealer networks.** Financing, insurance and services solutions are marketed through the Peugeot, Citroën and DS distribution networks, with a global approach by packaging the financing proposal with the sale of the vehicle. Vehicle renewal rates for these brands are usually higher when customers finance their vehicles *via* the PSA Banque France Group. Today, PSA Banque France is tailoring its solutions following the arrival of electric models in its brands' ranges;
- **a cutting-edge information system integrated into the point of sale which will evolve in the coming months enabling it to be as close as possible to ongoing business in the networks.** The PSA Banque France Group's information systems are integrated with those of the Peugeot, Citroën and DS brands, enabling the dealers of these brands to make a global commercial proposal that encompasses the vehicle, its financing solution as well as any ancillary services. Eligible customers can thus obtain a decision concerning their financing application directly from the vehicle's dealer;
- **diversified insurance and service offerings with a high added value.** End users have various insurance options and services related to the vehicle or ancillary to its financing, proposed either at the same time as the financing offers or during the period of vehicle detention. The idea of a "one-stop-shopping" approach is to make financing, insurance, and services overall more attractive for customers. This offering will factor in the changing nature of customer behaviour in terms of greater mobility;
- **an optimal use of digital tools for the benefit of the customer experience and the relationship with the point of sale.** In order to support changes in customer habits when choosing a vehicle, the PSA Banque France Group proposes online solutions such as calculators on the websites of the brands and of the dealer networks. Customers are also offered the option of purchasing their vehicle online with its financing whilst maintaining the relationship with the network. In the context of the COVID-19 pandemic, the PSA Group and the PSA Banque France Group have launched for the first time in France a complete 100% online solution for the selling and financing of new vehicles. The three historic brands of the PSA Group benefit from this new distribution channel;
- **a diversified refinancing policy.** The PSA Banque France Group benefits from funding raised on capital markets (negotiable debt securities and bond issues under EMTN programme), provided by debt securitisation transactions, retail savings inflow from French customers, access to the refinancing operations of the European Central Bank (ECB) and bilateral bank credit lines, in addition to intra-group financing provided directly by Santander Consumer Finance. This model has demonstrated its responsiveness in the context of the COVID-19 pandemic by continuing to ensure still optimised refinancing conditions for the PSA Banque France Group. The financing offers have thus remained competitive in the complex car sales environment.

Although it fully benefits from its status as a dedicated financial partner of the PSA Group, the PSA Banque France Group operates according to an independent management structure which aims for the success of its activities while ensuring a rigorous control of its own risks. As for commercial policy, it is closely aligned with the marketing and business strategy of the Peugeot, Citroën, and DS brands.

The asset management system includes a robust retail credit acceptance policy based on an internally-developed credit scoring method, and high standards of credit analysis for corporate financing.

### 1.1.2.2 PRODUCT AND SERVICE OFFER

In France, the PSA Banque France Group offers financing, insurance and services, as well as savings for retail customers:

- **financing for end users represents 75% of outstanding loans as at 30 June 2020.** Individuals and companies are offered a range of solutions including instalment loans for the purchase of new and used vehicles, as well as leasing solutions with or without a purchase option. Free2Move Lease (F2ML), created in 2017 is the dedicated PSA Group's internal long-term lease business unit which is part of the "Free2Move" global mobility initiative for all. PSA Banque France is one of the operational and financial pillars of this solution for companies of all sizes. It provides the financial package for service and insurance solutions offered by F2ML, and its dedicated teams provide field support and customer management. PSA Banque France continued to enhance its offer during the first half of 2020 in view to adapting to the new behaviour of individuals and corporate customers who want comprehensive mobility solutions. Cars are at the heart of their mobility. But it must be part of their ecosystem which encompasses all means of transport at their disposal. PSA Banque France intends to put in place offers providing solutions for this new behaviour;
- **financing for the dealer network represents 25% of outstanding loans as at 30 June 2020.** Financing solutions are available to the Peugeot, Citroën and DS dealer networks for financing their stock of new and used vehicles, spare parts, as well as other solutions for financing their working capital and their investments. The flexibility of the solutions enabled the network to weather the health crisis under the best conditions;
- **insurance products and services.** An extensive range of services and insurance products intended for end users can be offered:
  - insurance policies related to financing, such as death/invalidity insurance, unemployment insurance, or financial loss insurance which covers the total loss of the financed vehicle,
  - insurance policies relating to the vehicle, such as car insurance or guarantee extensions for new and used vehicles: assistance services including mobility solutions and additional services relating, for example, to the maintenance of vehicles and to the "connected vehicle" offer.

  In order to support corporate customers, new insurance products covering their business (transported equipment or business interruption guarantees) were put in place in 2019. The "Pay How You Drive" solution is proving to be an outstanding success with individuals. With a view to supporting the arrival of new electric vehicles, a savings of days for car hire solution topped up by the Group is proposed as a financing contract option: Mobility pass. It enables a customer with an electric vehicle to rent a combustion-powered vehicle for long trips and for a defined period;
- **public retail savings.** The *"Distingo par PSA Banque"* retail savings business consists of savings accounts and term deposits. The first half of 2020 was marked by a consolidation of PSA Banque France's position on the online savings market. This commercial success also proves the confidence of savers in the growth outlook for both the PSA Group and PSA Banque France, and demonstrates its ability to retain customers.

1.

#### A. Loan Portfolios

Financing activities and outstanding loans by portfolio are based on the following customer segments:

- end-user loans primarily consist of financing for the acquisition of vehicles by individuals, small and medium-sized businesses and corporate customers, either through instalment loans or leasing contracts;
- corporate dealer loans consist of financing the stock of new vehicles, used vehicles, and spare parts granted to the Peugeot, Citroën and DS brand dealer networks. In this segment are also included loans and leases provided to dealers to finance vehicles and equipments used in their everyday activity, financing of working capital requirement, treasury loans, property loans to finance their premises and other types of products, including current accounts.

#### B. End-user financing

The PSA Banque France Group finances the purchase and leasing, with or without a purchase option, of new and used vehicles by individual customers and companies through Peugeot, Citroën and DS dealer networks. Financing solutions include insurance and services that protect the customer and/or its vehicle.

The majority of financing is for new vehicles. Financing are also proposed for the purchase of used vehicles of any automotive brand.

In the first half of 2020, the PSA Banque France Group supported the launch of the new Peugeot, Citroën and DS models by providing dedicated loyalty offers including financing, insurance, and service packages, in particular through leasing solutions. Free2Move Lease (F2ML) has enabled PSA Banque France to perfect its comprehensive offer through a specialised structure dedicated to long-term leasing of vehicles for companies of all sizes.

Interest rates proposed to customers are generally fixed.

Promotional offers supported by the Peugeot, Citroën and DS brands may also be proposed to customers in order to boost vehicle sales or encourage the marketing of certain models. The usual credit-scoring and pricing procedures are also applied to this type of financing.

### Marketing policy and penetration rate

The PSA Banque France Group works closely in a privileged partnership with the Peugeot, Citroën and DS dealer networks. It financed 31.1% of new vehicles registered in France by the historic brands of the PSA Group in the first half of 2020.

Financing solutions are marketed through these dealer networks, with a comprehensive approach in order to propose to end users financing, insurance, and service package with the sale of the vehicle. These solutions are being upgraded based on customers' needs for simple and easy mobility.

To support customers at the end of the health crisis, in collaboration with the brands, solutions for payment deferral and renewal of their new or used vehicle, without overloading their monthly budget, have been put in place.

The PSA Banque France Group's information systems are integrated with that of the brands, allowing the dealer network to conduct the negotiation and customer contracting processes with strong responsiveness. This "one-stop shopping" ability is definitely an advantage that is appreciated by customers. Eligible customers can thus obtain a decision on their financing application directly from the dealer. About 80% of requests from individuals and over 40% of requests from companies are handled in less than one hour. This integrated information management system is also a key factor in driving down costs and application processing time. The implementation in 2019 of the electronic signature for corporate customers that use finance leasing completes the solution already offered to individuals. This approach designed to simplify the customer journey and the interface with the point of sale shows the determination of the PSA Banque France Group to be the partner of choice for its customers.

To support the communication and offers of Peugeot, Citroën and DS on their websites, the PSA Banque France Group has developed tools for simulating available financing on the PSA Group and distribution network sites. Started in 2017, by putting in place an online financing solution and in 2019 with a built-in decision for ordering vehicles available in PSA Group's stock, the offer of digital solutions has evolved so as to meet the needs of customers during the COVID-19 pandemic. The possibility was given to individual customers to configure and to order their new vehicle and obtain a loan for it online while also maintaining the relationship with a point of sale in the brands' networks.

A diversified range of offers has been developed to meet the needs of the Peugeot, Citroën and DS networks and their customers. Its privileged partnership with these brands' commercial networks enables the PSA Banque France Group to develop financing solutions that also include insurance and services, to meet the expectations of end users as closely as possible. The PSA Banque France Group assists Peugeot, Citroën and DS in identifying and designing solutions that will satisfy the expectations of the different targeted market segments, ahead of market trends. The PSA Group is set to become the major partner of its customers' mobility.

Penetration rates are measured by dividing the number of new financing contracts for new Peugeot, Citroën and DS vehicles by the number of passenger cars and utility vehicles registered by the PSA Group for these three brands. The number of new registered vehicles includes vehicles purchased with cash, without financing. The PSA Banque France Group's share in the total of financed Peugeot, Citroën and DS vehicles is significantly higher than the share financed by its competitors (full-service banks or banks specialised in consumer credit).

### End-user instalment loans for new and used vehicles

End-user instalment loans mainly consist of fixed monthly payments covering the amortisation of principal and accrued interest. In some cases, customers may also be offered balloon loans, which feature a final monthly payment that is larger than the previous ones. In such cases, the owner of the vehicle financed by the loan has the option to sell his vehicle back to the dealer at the end of the contract for an amount equal to the last "balloon" payment in accordance with the commitment to buy back the vehicle signed by the dealer when the vehicle was sold.

The vehicle may be totally or partially financed. The borrower has the option of making a personal contribution covering a portion of the vehicle price and using financing for the remaining amount. In all cases, the amount of financing cannot exceed 100% of the price of the vehicle, including options and accessories. Many customers (mainly individuals) choose to partially finance the purchase price of their vehicle.

Loan terms typically range from one to six years. Instalments are generally monthly. In some cases it is, however, possible to delay the first instalment for 60 to 90 days. The borrower may early prepay at any time. The customer may be charged a fee in such cases.

Vehicle financing granted by the PSA Banque France Group may come with guarantees, depending on the type of vehicle financed and/or the risk profile of the customer, whether an individual or a company.

The PSA Banque France Group may request a third-party surety. For corporate customers, a pledge on the company or business assets may also be required to secure the financing.

### Lease activities to end users

Lease activities include long-term leasing, which is being promoted to corporate customers by Free2Move Lease since 2017; leasing with a purchase option; and finance leases, depending on whether they are retail or corporate customers. All of these different types of leases are recorded as financial leases in the PSA Banque France Group's consolidated financial statements and are included in customer loans and receivables. Leased vehicles are not recorded as fixed assets in the consolidated financial statements prepared according to international accounting standards.

The PSA Banque France Group purchases vehicles from Peugeot, Citroën and DS dealers and leases them to end-user customers. Leases are mainly offered for one to five years. The PSA Banque France Group remains the owner of the vehicle throughout the term of the lease. At the end of the lease with a purchase option or finance lease contract, the customer has the choice of returning the vehicle or exercising his purchase option. For long-term lease contracts, the dealer or, in some cases, the manufacturer itself is committed to repurchase the vehicle from the PSA Banque France Group when it is returned by the customer at the end of the contract, at a price determined at the inception of the contract. This buy-back value of the vehicle corresponds to the estimated residual value of the vehicle at the end of the rental period. As a result of the vehicle buy-back commitment, the PSA Banque France Group does not bear risk linked to buy-back or any change in its value at the end of the lease (the dealer or manufacturer complying with their buy-back obligation). The amount that the dealer or manufacturer pays to the PSA Banque France Group is not affected by any fees the customer may incur if the vehicle is not in a satisfactory condition or has exceeded its agreed mileage. However, the

PSA Banque France Group will generally bear the risk on the resale value of the vehicle if during the rental period of the vehicle, the customer interrupts the payment of his rents. The vehicle's buy-back amount set in advance by the dealer or manufacturer may not be enough to offset the loss of payments not made by the customer. The long-term lease contracts therefore include a clause to compensate for the damage caused by the early termination of the contract.

### Underwriting, payments and collection

The PSA Banque France Group has established differentiated credit scores for:

- financing on new vehicles or used vehicles;
- financing granted to individuals or corporate customers; and
- different types of financing solutions: loans or leasing.

The data used to assess borrowers' counterparty risk are taken from information and/or documents provided directly by customers and, as applicable, enhanced with data from internal databases set up from detailed profiles of customers and their payment histories. Information on customers is verified using various databases made available by public organisations (such as the Banque de France). For corporate customers, the PSA Banque France Group uses various sources of public and commercial information to verify their creditworthiness. When the PSA Banque France Group refuses financing applications, it maintains records for six months, that will result in automatic alerts if the same customer re-applies for financing.

Instalments and lease payments are generally settled by direct debit or transfer. In cases of non-payment, a second debit order is triggered in order to automatically deal with as many arrears as possible. For residual non-payments, reminder notices are issued or the customer is called within few days after the payment incident, and this process is routinely repeated until the incident is resolved. The PSA Banque France Group uses both in-house amicable collection teams to attempt to resolve such incidents, and an external service provider who supports the in-house team by managing the first steps of the process.

If any unpaid amounts remain outstanding after 65 days, the pre-litigation collection teams take over the management of these payment incidents. Letters are sent to customers, and backed up by phone calls. According to the elements of the case and the information reported by the customer, the collection teams determine the most appropriate solution for the customer's situation in order to collect the unpaid amounts. They may request a specialist to intervene on the field or establish consolidated debt arrangements, and if no other solution is possible, take back possession of the financed vehicle with or without a court order, thereby terminating the contract.

After recovering the vehicle, the PSA Banque France Group implements existing legal procedures (*e.g.* auctions) to sell the vehicle.

For any past-dues exceeding 150 days, the contract is accelerated and the litigation teams will attempt to recover the total financing balance by first attempting an ultimate amicable arrangement with the customers, before launching more binding procedures or repossessing the vehicle if that could not be done previously.

When past-dues remain beyond 48 months, (in case of credit loans), or 24 months, (in case of leasing) after the acceleration of the contract, the litigation teams ask for the intervention of specialised external suppliers to recover the past-dues or, as applicable, proceed with the assignment of the receivables.

## C. Financing for the dealer network

The PSA Banque France Group provides financing solutions for stocks of new, demonstration and used vehicles, as well as spare parts, held by dealers in the Peugeot, Citroën and DS networks. In addition to this main activity, other types of financing are also offered to dealers of these brands, to meet their operating (working capital, current accounts, etc.) or investment requirements.

Credit lines may also be granted to dealers to finance their vehicle buy-back obligations in the case of leases and balloon loans. The financing covers the full buy-back price of the vehicle for the dealers, within the limit of an aggregate amount set for each dealer. Regular and at least annual reviews of the solvency and overall financial position of the dealers are carried out by the PSA Banque France Group so that credit limits can be adjusted if necessary.

## D. Insurance products and services

Over the years, the PSA Banque France Group has expanded its range of solutions by offering insurance products and services developed with:

- "PSA Insurance", the insurance business line that has been 50/50 held by Banque PSA Finance and Santander Consumer Finance since 2015. PSA Insurance, in particular, markets loan and financial loss insurance products;
- "PSA Assurance", the automobile insurance of the PSA Group, is supporting the launch of the CITROËN AMI quadricycle, the Group's first vehicle sold 100% online. An adapted offer presented via the dedicated website offers buyers the choice to insure CITROËN AMI under the best market conditions;
- insurance partners who market assistance, used vehicle warranty extension;
- Peugeot, Citroën and DS for vehicle-related services developed and distributed by the PSA Banque France Group, such as maintenance contracts and connected services.

Thus, the PSA Banque France Group offers to its end users, whether alone or jointly with the financing, a full range of personal and vehicle-related insurance products and services.

The integrated approach to the vehicle's sale, financing, and additional services that are proposed during a single encounter at the vehicle's point of sale makes the automobile offer more appealing to customers. Sales offers that can be bundled, in addition to the services being offered individually, allow for even more competitive terms while providing the customer and the vehicle with optimal protection.

Highly targeted offers have been developed that include financing, insurance, and additional services, such as "Smile & Go" at Citroën and "Pack Perspectives" at Peugeot. Special products have also been designed for used vehicles that include financing, warranty extension, or a maintenance contract, to best meet the customer's need for an "all-in-one" product, with the option of subscribing to each of the items individually. This is the case, for example, with "Give Me 5" for Citroën and "Pack Perspectives Occasions" for Peugeot.

As for car insurance, the PSA Banque France Group is also building on its offer in line with this "one-stop shopping" strategy by allowing its customers to buy all the vehicle's products & services, maintenance, and insurance at the vehicle's point of sale. In 2019, the "Pay How You Drive" connected automotive insurance offer was developed; becoming a genuine sales argument for the sales forces. It is available for the three brands.

In early 2020, on the strength of its different lines of insurance products and services, the PSA Banque France Group continued to build on its offer of ancillary products, which play a big part in customer satisfaction and retention as well as its overall profitability. The PSA Banque France Group's insurance products and services are also included in the Free2Move Lease offer, the dedicated long-term lease solution for company vehicles. PSA Banque France Group started to tailor its insurance and services offer in 2019 to meet the mobility needs of PSA Group customers.

## E. Retail savings market

In 2015, the PSA Banque retail savings activity targeted to French customers was transferred to the PSA Banque France Group by Banque PSA Finance. Managing the retail savings business enables PSA Banque France to compete in the online savings market while at the same time diversifying its sources of financing. Passbooks and fixed-rate term deposits are intended only for savers who are private individuals and tax residents of France.

## F. Management and measures in the context of COVID-19

In the context of the COVID-19 coronavirus pandemic, the PSA Banque France Group decided from March 2020 to implement support measures for its customers. These measures have been defined and are framed by the guidelines published by the EBA under the reference EBA/ GL/2020/02 concerning moratoria on payment of loan instalments. They are also in line with the measures defined in the market protocol of the French Banking Federation (*FBF*) and the French Association of Financial Companies (*ASF*) of 17 June 2020 to which the PSA Banque France Group has adhered. The eligibility criteria are applied in compliance with the prudential treatment of moratoria and validated by the cooperation bodies between Banque PSA Finance and Santander Consumer Finance.

The support measures on the moratoria consisted of one or more deferrals of instalments for end-user customers and also for certain financing activities of the dealer network.

For financing activities to end-user customers, the PSA Banque France Group has applied the following measures:

- to proactively and systematically defer instalments by a 90-day period for eligible Small and Medium-sized Enterprises (SMEs) and corporates using finance leasing;
- to postpone upon request the due date by 30 days for the April instalment and certain subsequent instalments, renewable up to two times, for individuals and other SMEs not eligible for systematic deferral referred to above.

For dealer network financing activities and in agreement with the three brands of the PSA Group, the PSA Banque France Group has decided to increase the free of charge period by :

- 30 days for new vehicles and demo cars;
- 60 days for used cars and spare parts in storage at the onset of the COVID-19 pandemic.

Specific support measures have also been implemented, pursuant to the dealers' request, in order to postpone certain instalments of their amortising loans, in particular during the lockdown period. In addition, specific financial conditions were decided jointly with the three brands of the PSA Group as regards the post-lockdown period in order to facilitate the restarting of activities.

Management and monitoring of moratorium measures are implemented and monitored by the Executive Management. Their impacts are also measured and monitored by the various departments concerned, in particular the Risk, Finance, Operations and Collection departments.

In addition, a support plan intended to give customers flexibility in exit conditions from deferrals was set up and implemented as from June, again with the objective of limiting the impacts and adapting reimbursements to specific customer situations.

### 1.1.2.3 POSITIONING

The status of the PSA Banque France Group, the financial partner for Peugeot, Citroën, and DS brands in France, allows a close relationship with their dealer network and naturally gives it a privileged positioning. Consequently, the Group is able to meet the financing needs of customers at the sales points, in close connection with the sales policy of the PSA Group's historic brands. Furthermore, the PSA Banque France Group stands apart from its competitors by virtue of the specific nature of the products and services it offers to end users through its "one-stop shopping" solutions. With these products and services, designed cooperatively with Peugeot, Citroën, and DS, each customer's needs can instantly be met at the point of sale. This close relationship with the brands enables the PSA Banque France Group to support PSA Group deploying its policy as a major player in its customers' mobility.

Peugeot, Citroën and DS dealers are not contractually bounded to use the PSA Banque France Group for their own needs or customer financing. This means that the PSA Banque France Group must compete with its main competitors, being commercial banks, consumer credit institutions and professional hire companies, in these two business segments. Moreover, the option given to end-user customers to purchase their vehicle in cash or with an unsecured loan (such as a personal loan) is another form of competition.

# 1.2 ANALYSIS OF OPERATIONAL RESULTS

The majority of the PSA Banque France Group's business consists in providing financing solutions for the acquisition of new and used vehicles of Peugeot, Citroën and DS brands by retail and corporate customers, and financing vehicles and spare parts inventory for Peugeot, Citroën and DS dealers. The PSA Banque France Group's net banking revenue is derived primarily from net interest income on customer loans and leases. The sale of insurance products and other services offered to customers of the three automotive brands also contributes to its net banking revenue.

The PSA Banque France Group's operating income in the first half of 2020 stood at €161 million, compared to €164 million in the first half of 2019, due to the decline in activity owing to the lockdown period at the beginning of the COVID-19 pandemic.

## 1.2.1 Vehicle sales of Peugeot, Citroën and DS

In the first half of 2020, sales of passenger vehicles and light utility vehicles by the PSA Group (excluding Opel) in France fell by 37.3% to 268,044 units as a result of the closure of sales points and plants of PSA Group during the lockdown period, while PSA Group remains the leader in the French market with a market share of 30.1% (32.7% including Opel).

Peugeot is down on the previous year with a decrease in passenger vehicles sales by 37.4% for a total of 127,912 units, despite three models among the 10 best-selling models in France: the Peugeot 208 (5.8% market share) was the second best-selling vehicle in France in the first half of 2020, the Peugeot 2008 (3.4%) ranked in the fifth position and the Peugeot 3008 (2.9%) in seventh position. Light utility vehicles sales represent 30,464 units, down by 32% compared to the first half of 2019.

Meanwhile, Citroën registered 98,470 cars in France, a 40.4% decrease compared to the first half of the previous year, breaking down into 73,768 passenger vehicles and 24,702 light utility vehicles. In the passenger car category, the C3 is in third place in France for cars sold in the first six months of the year with a market share of 3.4%.

Finally, with 11,089 passenger vehicle registrations, DS records the smallest decrease with a decline of 16% compared to the first half of 2019 and a slightly rising market share of 1.5% for passenger cars.

## 1.2.2 Commercial activity of the PSA Banque France Group

### 1.2.2.1 END-USER FINANCING

As at end of June 2020, the PSA Banque France Group saw a decline of 29.6% in financing volumes for new and used vehicles to end users, decreasing from 163.770 to 115.236 financing contracts subscribed, for a total production of €1,782 million, down by 22% compared to the end of June 2019 due to the two-month lockdown.

New vehicle penetration stood at 31.1% as at end of June 2020, up by 3.6 points compared to the end of June 2019.

The PSA Banque France Group financed 83,299 new vehicles of PSA Group as at end of June 2020, through loans or lease contracts, a decrease of 29.1% compared to the end of June 2019.

The penetration rate on new financing to individuals increased to 47.5% as at end of June 2020 against 44.3% as at end of June 2019.

Refinancing conditions combined with the strategy of the PSA Group's brands as well as the strong interest of individual customers in the new Peugeot, Citroën and DS models and the government policy implemented to support the automotive sector following the lockdown period stimulated requests for the Group's financing solutions, particularly leases with a purchase option that perfectly meet expectations of this customer category.

Due to the lockdown period, used vehicle financing decreased by 31% compared to the end of June 2019 with 31,937 financings as at end of June 2020.

The tables below show the main indicators of the PSA Banque France Group's end-user financing activity as at end of June 2020.

PRODUCTION OF NEW END-USER FINANCING FOR NEW AND USED VEHICLES

| | 30 June 2020 | 30 June 2019 | Change |
|---|---|---|---|
| Number of new contracts | 115,236 | 163,770 | (29.6%) |
| Amount of production *(in million euros)* | 1,782 | 2,285 | (22.0%) |

OUTSTANDING LOANS TO END USERS

| *(in million euros)* | 30 June 2020 | 31 December 2019 | Change |
|---|---|---|---|
| Outstanding loans | 9,603 | 9,202 | +4.4% |

## 1.2.2.2 DEALER NETWORK FINANCING

As at end of June 2020, the outstanding loans granted to Peugeot, Citroën, and DS dealer network were down by 24% compared to December 2019 as a result of the closure of sales points and plants of PSA Group during the lockdown period.

The PSA Group's brand policy was to transfer a growing number of outlets or dealerships held directly by the PSA Group to independent investors. The latter are financed by the PSA Banque France Group, while dealers controlled by the PSA Group receive financing directly from the PSA Group.

The table below shows the outstanding loans granted to dealers.

### TOTAL OUTSTANDING LOANS TO DEALER NETWORK

| *(in million euros)* | **30 June 2020** | **31 December 2019** | **Change** |
|---|---|---|---|
| Outstanding loans | 3,285 | 4,322 | (24.0%) |



## 1.2.2.3 INSURANCE AND SERVICES

As at end of June 2020, the number of insurance and service contracts decreased by 30.9%, compared to the end of June 2019, with 247,080 new contracts subscribed compared to 357,493 in the first half of 2019.

The PSA Banque France Group sold an average of 2.1 insurance or service contracts to each customer having subscribed to a financing.

Sales of insurance contracts linked to financing continued to fall. A change in customer behaviour towards insurance is identified; the PSA Banque France Group will propose offers that will be tailored to meet these new expectations.

The tables below show the main indicators for the PSA Banque France Group's insurance and services business.

### PRODUCTION OF NEW INSURANCE AND SERVICE CONTRACTS

| *(in number of contracts)* | **30 June 2020** | **30 June 2019** | **Change** |
|---|---|---|---|
| Financing-related insurances | 115,635 | 169,815 | (31.9%) |
| Car insurance and vehicle-related services | 131,445 | 187,678 | (30.0%) |
| **TOTAL** | **247,080** | **357,493** | **(30.9%)** |

### PENETRATION RATE ON FINANCING

| *(in %)* | **30 June 2020** | **30 June 2019** | **Change** |
|---|---|---|---|
| Financing-related insurances | 98.9 | 102.0 | (3.1 pts) |
| Car insurance and vehicle-related services | 112.5 | 112.7 | (0.2 pts) |
| **TOTAL** | **211.4** | **214.7** | **(3.3 PTS)** |

### 1.2.2.4 RETAIL SAVINGS MARKET

The *"Distingo par PSA Banque"* online savings activity was acquired by the PSA Banque France Group on 1 April 2015, demonstrating the Group's intention to diversify its sources of funding. This activity used to be managed directly by Banque PSA Finance (50% shareholder of PSA Banque France). It is characterised by a high propensity to win new customers and retain existing ones, particularly through the success of the term deposit account and the objective of financing the real economy.

Outstanding deposits have increased by 6.3% since the end of 2019, reaching €2,747 million as at end of June 2020, representing an increase of €162 million.

Despite the unprecedented context of the COVID-19 pandemic, the organisation set up enabled to achieve the outstanding target, in particular through maintaining a quality customer service, and the different marketing actions performed. Since the beginning of the year, over 10,300 accounts have been opened, customer satisfaction surveys continue to show excellent results and many journalists promote the Distingo offer in the press.

SAVINGS BUSINESS

| *(in million euros)* | 30 June 2020 | 31 December 2019 | Change |
|---|---|---|---|
| Outstanding amounts | 2,747 | 2,585 | +6.3% |

## 1.2.3 Results of operations

NET INCOME

| *(in million euros)* | 30 June 2020 | 30 June 2019 | Change |
|---|---|---|---|
| **Net banking revenue** | **274** | **259** | **+5.8%** |
| of which end users | 193 | 174 | +10.9% |
| of which dealer network | 26 | 30 | (13.3%) |
| of which insurance and services | 62 | 59 | +5.1% |
| of which unallocated and other | (7) | (4) | +75.0% |
| **General operating expenses and equivalent** | **(82)** | **(81)** | **+1.2%** |
| **Cost of risk** | **(31)** | **(14)** | **+121.4%** |
| of which end users | (31) | (14) | +121.4% |
| of which dealer network | - | - | - |
| **Operating income** | **161** | **164** | **(1.8%)** |
| Other non-operating income | (5) | - | - |
| **Pre-tax income** | **156** | **164** | **(4.9%)** |
| Income taxes | (48) | (31) | +54.8% |
| **NET INCOME** | **108** | **133** | **(18.8%)** |

### 1.2.3.1 NET BANKING REVENUE

Net banking revenue increased by 5.8% to €274 million as at 30 June 2020, compared to €259 million as at 30 June 2019.

This increase is essentially the result of a increase in outstanding loans to end users since June 2019. The margin obtained on insurance and services also helped to drive up net banking revenue which gained €3 million against the first half of the previous year, to stand at €62 million.

### 1.2.3.2 GENERAL OPERATING EXPENSES

General operating expenses and equivalent reached €82 million as at 30 June 2020, against €81 million as at end of June 2019. This increase, which was limited to €1 million in the first half of 2020, is a satisfactory result, given the increase in net banking revenue and the overall outstanding amount of financing since June 2019. Indeed, cost to income ratio improves from 31.2% to 29.8%.

### 1.2.3.3 COST OF RISK

The cost of risk in the first half of 2020 stood at €31 million, representing 0.49% of average net outstanding loans, against €14 million in the first half of 2019, representing 0.24% of average net outstanding loans. All of the performing and non-performing loans were provisioned.

As at end of June 2020, in the context of the COVID-19 pandemic, an exceptional post-model adjustment of €12.7 million was recorded in the accounts. This provision is intended to cover the estimated impacts of the crisis on future non-performing loans.

The difference of provisioning rates between the two periods mainly stem from this post-model adjustment and from the increase in Retail provisions related to the implementation of the default contagion from first euro to sound contracts put in place as at end of 2019.

The cost of risk on the end-user financing activities stood at €31 million as at 30 June 2020 against €14 million as at 30 June 2019, for reasons referred to above.

For dealer network financing activities, the cost of risk is zero as it was as at end of June 2019.

### 1.2.3.4 CONSOLIDATED INCOME

As at 30 June 2020, the pre-tax income of the PSA Banque France Group stood at €156 million, down 4.9% compared to 30 June 2019. The consolidated net income as at 30 June 2020 was €108 million.

The effective corporate tax rate increased to 29.9% of taxable earnings, against 18.4% for the first half of 2019. In 2020, the corporate income tax rate has been 31% increased by 1.1%. The tax burden is reduced by the reassessment of the deferred tax liabilities inventory (impact of €5.2 million in 2020) following the reduction in tax rate as per the 2020 French Finance Act (see Note 24.2 – PSA Banque France Group tax proof). The tax burden as at 30 June 2020 was €48 million.

# 1.3 FINANCIAL SITUATION

## 1.3.1 Assets

Total assets of the PSA Banque France Group as at 30 June 2020 stood at €14,923 million, down by 2.9% compared to 31 December 2019.

Total outstanding financing amounted to €12,888 million, a 4.7% decrease compared to 31 December 2019. End-user loans were up by 4.4%, while dealer network financing decreased by 24%.

## 1.3.2 Provisions for non-performing loans

Impairment losses are deducted from the carrying value of loans and receivables as they are recorded, as soon as there is a revealing index of risk. The procedures for the recognition of impairment charges on outstanding loans are described in Note 2.C.4.4. of the 2019 Annual Report. When a loan or receivable is considered definitively unrecoverable, it is written off as a loss on the income statement. Any provision for previously-recognised impairment loss is then also reversed through the income statement. If collections are made on receivables after their write-off, these will also be entered as revenue on the income statement. All of these transactions are recognised in the income statement under the cost of risk heading.

The table shown in Note 23 details all loans, including sound loans with past-due instalments (delinquent loans) and non-performing loans with their related impairment amounts, as at 30 June 2020 and 31 December 2019.

### IFRS 9

On 1 January 2018, PSA Banque France adopted IFRS 9, which changed its financial asset impairment method.

The current impairment model is based on an estimate of "expected credit losses". This model is based on the risk parameters such as probability of default (PD) or loss given default (LGD). Impairments are classified into three levels or "stages" in accordance with the principles of the IFRS 9 standard:

- "Stage 1" contains assets without risk deterioration or with an insignificant risk deterioration since origination. Impairment of receivables in stage 1 is the amount of one-year expected losses;
- "Stage 2" contains assets with a significant risk deterioration since origination. Therefore, the amount of allocated provisions will be the amount of expected losses over the remaining term of the assets;
- "Stage 3" contains assets with an objective evidence of loss as for example non-performing loans. Impairment of these assets will aim at covering expected losses over the remaining term.

The main changes impacting PSA Banque France Group after IFRS 9 implementation are:

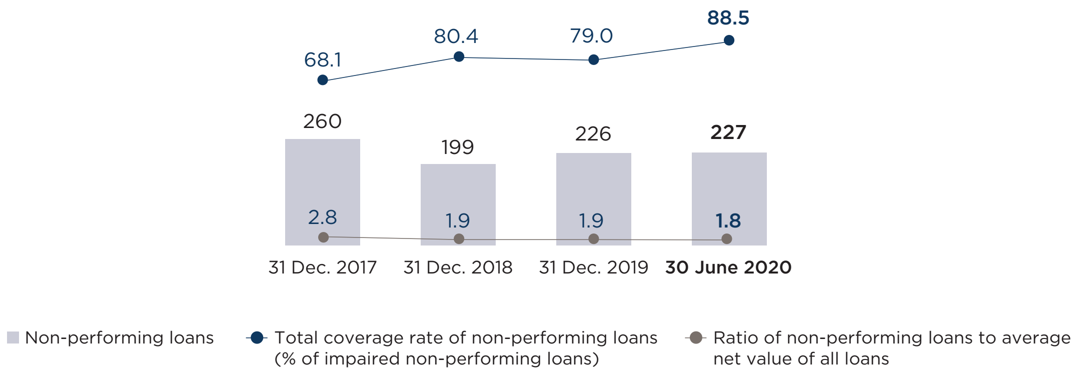
- provisioning of assets throughout their residual life, once there is a significant risk deterioration;
- creation of a "stage 2" assessing outstanding for Corporate loans, with the aim to define specific provision for assets whose credit risk was significantly downgraded. It should be noted that there was already a similar approach, though based exclusively on the age of the past-due items, to the retail and SME loan portfolio;
- the use of a forward-looking approach, for estimating the expected loss.

Even though, conceptually and operationally, IFRS 9 makes many changes, the financial impact remains relatively limited, mainly because the PSA Banque France Group's sound loans were already subject of impairments, booking the corresponding expected loss amounts.

For financing to individuals and small and medium-sized businesses, statistical impairment charges are recorded in respect of all debt categories (sound, delinquent, and non-performing) according to the impairment model based on an estimate of expected credit losses. This estimate is based on the classification of receivables by "stage" and the associated risk parameters.

In addition, for dealer network financing and corporate financing, each delinquent loan is analysed to determine if it presents an aggravated risk situation. If so, the loan is classified as non-performing (stage 3) and impairment charges are recorded on the income statement. Statistical impairment of sound or delinquent loans is also carried out on all corporate portfolios in order to cover the expected losses as per the risk assessment model.

**NON-PERFORMING LOANS ON THE TOTAL PORTFOLIO**
*(in million euros, except percentage)*




As at end of June 2020, non-performing loans rose by €1 million compared to December 2019, including:

- €11 million for end users, explained by the application of the default contagion rule to sound contracts from the first euro in compliance with an ECB recommendation; and
- -€10 million exposure for a dealer in default.

The customer profile risk remains favourable with the non-performing loan ratio to average value of loans decreasing from 1.9% to 1.8%. The total coverage rate of non-performing loans increases by 9 pts compared to December 2019 mainly due the application of the default contagion rule whereas exposures on a dealer in default decreased by €10 million and accordingly no longer require provisioning for the same amount.

The IFRS 9 provisions related to the COVID-19 impacts have been restated from the end of March 2020 to the end of June 2020. In compliance with the regulatory guidelines and those of the cooperation between Banque PSA Finance and Santander Consumer Finance, this restatement consists in freezing the automatic downgrading to Stage 2 or Stage 3 of customer contracts subject to payment moratoria granted by the PSA Banque France Group.

## 1.3.3 Refinancing policy

The PSA Banque France Group has an adequate capital structure which results in a solid capital ratio strengthened by the quality of its assets.

The refinancing strategy of the PSA Banque France Group is based on diversifying its sources of liquidity, while ensuring that the maturities of its assets and liabilities are consistent. Since the creation of the partnership between Banque PSA Finance and Santander Consumer Finance in early 2015, the PSA Banque France Group had secured different sources of funding:

- on 2 February 2015, the day of the joint venture establishment in France, the financing granted by Banque PSA Finance to the entities of the PSA Banque France Group has been substituted by that provided by Santander Consumer Finance, in addition to the current financing provided by securitisation transactions publicly placed among investors;
- on 1 April 2015, the *"Distingo par PSA Banque"* deposit business (retail savings accounts and term deposit accounts) covering French customers has been transferred by Banque PSA Finance to PSA Banque France;
- from June 2015, bilateral credit lines were established with various banks;
- since September 2015, the PSA Banque France Group as an approved credit institution has access (through the remittance of assets as collateral by its subsidiary CREDIPAR) to the refinancing operations of the European Central Bank (ECB);
- in June 2016, issuance programmes of negotiable debt securities (short and medium-term) and medium-term notes (EMTN) were launched to allow access to the capital markets. The first negotiable debt securities of the PSA Banque France Group were issued as at end of the first half of 2016 and the first EMTN bond issue was launched in January 2017. Five bonds issued in an amount of €500 million each have been placed so far, four of which are still outstanding after the redemption of the first issue in January 2020;
- in July 2016, a securitisation programme of leases with a purchase option was set up, followed in July 2017 by a securitisation programme of long-term leases. In November 2018, a public securitisation transaction for leases with a purchase option was placed on the markets.

As at 30 June 2020, the refinancing of the PSA Banque France Group was split as follows:

- 4% from drawn bank loans;
- 27% from negotiable debt security and EMTN bond issuances on the capital markets;
- 22% from repayable funds from the public in relation to deposit activity;
- 14% from securitisation transactions placed;
- 17% from other external refinancing, of which 15% from the European Central Bank (participation in the TLTRO-II and TLTRO-III programmes);
- 15% from intra-group credit lines granted by Santander Consumer Finance;
- 1% of subordinated debt subscribed in equal parts by each of the two shareholders.

The following table and graphs show a breakdown of the funding sources as at 30 June 2020 compared to 31 December 2019 and 30 June 2019.

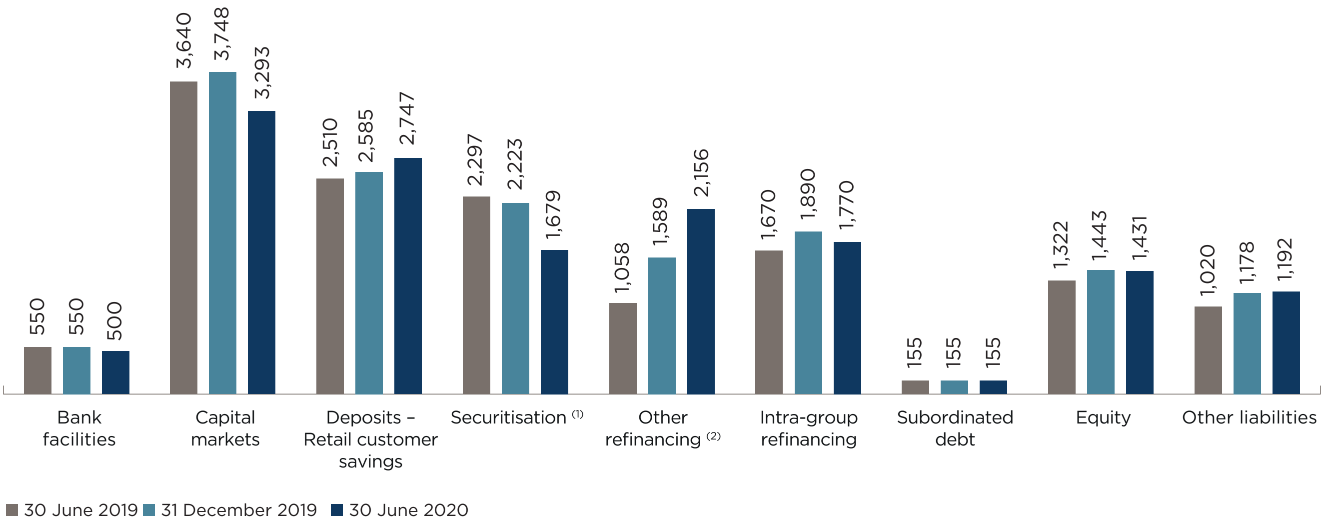
## FUNDING SOURCES

| *(in million euros)* | 30 June 2020 | | 31 December 2019 | | 30 June 2019 | |
|---|---|---|---|---|---|---|
| Bank facilities | 500 | 4% | 550 | 4% | 550 | 5% |
| Capital markets | 3,293 | 27% | 3,748 | 29% | 3,640 | 31% |
| Deposits – Retail customer savings | 2,747 | 22% | 2,585 | 20% | 2,510 | 21% |
| Securitisation(1) | 1,679 | 14% | 2,223 | 18% | 2,297 | 19% |
| Other refinancing(2) | 2,156 | 17% | 1,589 | 13% | 1,058 | 9% |
| **External funding** | **10,375** | **84%** | **10,695** | **84%** | **10,055** | **85%** |
| **Intra-group refinancing** | **1,770** | **15%** | **1,890** | **15%** | **1,670** | **14%** |
| **Subordinated debt** | **155** | **1%** | **155** | **1%** | **155** | **1%** |
| **Equity** | **1,431** | | **1,443** | | **1,322** | |
| **Other liabilities** | **1,192** | | **1,178** | | **1,020** | |
| **BALANCE SHEET TOTAL** | **14,923** | | **15,362** | | **14,222** | |

*(1) Securitisation only includes the securitisations placed.*

*(2) Of which refinancing through the ECB (participation in TLTRO-II and TLTRO-III) for a total of €1,800 million as at 30 June 2020 and dealer deposits.*

## FUNDING SOURCES
*(in million euros)*




Outstanding bank loans (as bilateral credit lines fully drawn) stood at €500 million as at 30 June 2020.

Outstanding debt on capital markets decreased to €3,293 million as at 30 June 2020 following the redemption in January 2020 of the first EMTN bond issued in 2017.

Outstanding deposits of the retail savings activity stood at €2,747 million.

As at 30 June 2020, the PSA Banque France Group's refinancing through securitisation was based on four transactions with receivables sold to securitisation vehicles for a total amount of €4,966 million (see Note 6.3 of the consolidated financial statements):

- the Auto ABS French Loans Master monthly issuance programme, restructured in June 2019 with a AAsf/Aa2sf rating for an additional 4-year revolving period;
- the Auto ABS French Leases Master Compartment 2016, monthly issuance programme, restructured in June 2020 for an additional 18-month revolving period with a funding increased from €600 million to €900 million by a pool of investors;
- the Auto ABS French LT Leases Master monthly issuance programme (STS qualification notified), restructured in June 2019, of which the revolving period was extended for 2 years. This programme was amended in June 2020 so as to take into account the instalment deferrals granted by CREDIPAR to its corporate customers in the context of the COVID-19 pandemic;
- the Auto ABS French Leases 2018 public offering having issued and placed in November 2018, €450 million senior Notes rated AAAsf/Aaasf and €60 million mezzanine Notes rated AA(low)sf/A1sf as at 30 June 2020, in its amortisation period since June 2019. In May and June 2020, the senior Notes of this transaction were amortised quicker than expected due to the repurchase by CREDIPAR of the receivables on which instalment deferrals have been granted in the context of the COVID-19 pandemic.

The Auto ABS DFP Master Compartment France 2013 monthly issuance programme no longer provides funding, following the full repayment of senior Notes. Since 25 May 2020, the securitisation fund has been kept alive by the issuance of junior Notes fully subscribed by CREDIPAR, pending a complete restructuring of this programme.

Financing from securitisation transactions in the market was thus down to €1,679 million as at 30 June 2020.

Furthermore, the PSA Banque France Group benefits from collateralised financing obtained from the European Central Bank under the TLTRO-II and TLRO-III refinancing operations, for a total of €1,800 million (see Note 10 of the consolidated financial statements).

## 1.3.4 Liquidity security

The PSA Banque France Group is seeking the most relevant balance between security in terms of liquidity and optimisation of its refinancing costs. It borrows the resources required for its business continuity and balances assets and liabilities by managing exposure to interest rate risk through the use of interest rate swaps.

Nearly 70% of financing as at 30 June 2020 had an original maturity of 12 months or more.

The average maturity of medium and long-term financing raised in the first half of 2020 was about 2.7 years, in particular with the participation in the TLTRO-III refinancing transactions with a maturity term of three years.

Bank credit lines outstanding as at 30 June 2020 do not require specific obligations in terms of the constitution of securities, default event and similar terms, beyond standard market practices. Three events could trigger the cancellation of these credit lines:

- if Banque PSA Finance and Santander Consumer Finance do no longer directly or indirectly hold 50% each of the shares of PSA Banque France;
- the loss by the PSA Banque France Group of its status as a bank;
- the non-compliance with the regulatory level for the Common Equity Tier One ratio.

In addition, the PSA Banque France Group has:

- sound financial security, which is based on the support of Santander Consumer Finance;
- a €360 million liquidity reserve as at 30 June 2020, in the form of high-quality liquid assets, composed exclusively of reserves with the Central Bank, and thus Level 1, under the Liquidity Coverage Ratio (LCR) classification;
- the possibility of additional drawing from the European Central Bank of €535 million based on assets deposited as collateral (composed of senior notes of securitisation, self-retained by CREDIPAR and of eligible credit claims remitted through TRICP channel, see Note 16 of the consolidated financial statements).

As at 30 June 2020, the PSA Banque France Group had granted to customers €648 million in financing commitments and €5 million in guarantee commitments (see Note 16 of the consolidated financial statements).

1.

## 1.3.5 Credit ratings

On 28 December 2018, Standard & Poor's Global Ratings upgraded PSA Banque France's credit rating from BBB to BBB+ along with a stable outlook. On 15 April 2020, Standard & Poor's Global Ratings revised the outlook on the PSA Banque France's credit rating to negative from stable and affirmed the BBB+ rating.

On 29 May 2019, Moody's Investors Service upgraded PSA Banque France's long-term credit rating to A3, with a stable outlook.

The rating of the PSA Banque France Group takes into account the support of both Santander Consumer Finance and PSA Group as well as the level of activity and profitability, and its own financial structure.

Any rating update, whether positive or negative, may affect the bank's ability to obtain financing on the market in the short, medium, and long term.

CREDIT RATINGS AS AT 30 JUNE 2020

| *(in million euros)* | | Active Programmes | Programme sizes as at 30 June 2020 | Outstanding as at 30 June 2020 |
|---|---|---|---|---|
| **Moody's** | **S&P** | **Short term** | | |
| P2 | A-2 | CD/NEU CP | 2,000 | 684 |
| | | **Long term** | | |
| A3 | BBB+ | BMTN/NEU MTN | 1,000 | 613 |
| A3 | BBB+ | EMTN | 4,000 | 2,000 |

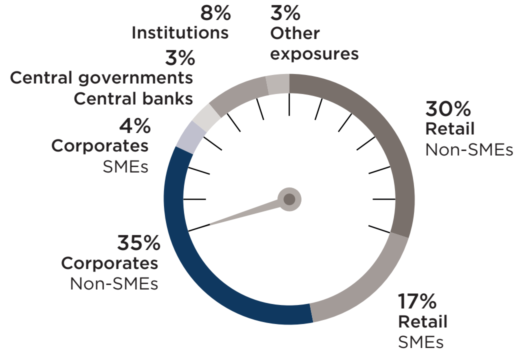
# 1.4 REGULATORY CAPITAL ADEQUACY – PILLAR III INFORMATION

The Pillar III information is published annually, but key indicators are to be reported half-yearly (Article 492 of the CRR). No significant, sensitive or confidential information is omitted in this respect (Article 432 of the CRR).

The main categories of risks specific to the PSA Banque France Group's business activities can be assessed using weighted assets or specific indicators, as for liquidity risk.

**REGULATORY CAPITAL REQUIREMENT BY TYPE OF RISK**
*(as a % of total 30 June 2020 RWA: €9,148 million)*


**CREDIT RISK EXPOSURES BY TYPE OF COUNTERPARTY**
*(as a % of total 30 June 2020 net exposures: €15,817 million)*




| Prudential ratios | 30/06/2020 |
|---|---|
| > **CET1 ratio** | 13.5% |
| > **Total capital ratio** | 15.2% |
| > **Leverage ratio** | 7.9% |
| | **12-month average** |
| > **Short-term liquidity coverage ratio (LCR)** | 127% |

| Profitability | 30/06/2020 |
|---|---|
| > **Return on assets (ROA)*** | 1.4% |

* *ROA calculated by dividing annualised net income by the balance sheet total (Article 90.4 CRD IV)*

## 1.4.1 Capital management and regulatory capital adequacy

### 1.4.1.1 SCOPE AND APPLICATION

The prudential scope used to calculate the solvency ratio is identical to the scope of consolidation described in the notes to the IFRS Financial Statements (Note 1.C) of the 2019 Annual Report.

Since 1 January 2014, the PSA Banque France Group has been subject to compliance with the prudential regulations defined by the Basel III agreements: Regulation (EU) No. 575/2013 of the European Parliament and of the Council (CRR) and Directive 2013/36/EU (CRD IV).

Note that, in principle, banking institutions must be subjected to a two-fold monitoring process, on a consolidated basis and on an individual basis. However, on 29 January 2015, the French Prudential Supervisory Authority (*Autorité de Contrôle Prudentiel et de Résolution* (ACPR)) endorsed the application for exemption that was submitted to it for prudential supervision on an exclusively consolidated basis, as per Regulation CRR Article 7. There are no obstructions to the transfer of regulatory capital between PSA Banque France and its subsidiaries.



TRANSITION TABLE FROM ACCOUNTING EQUITY TO REGULATORY CAPITAL

| *(in million euros)* | 30 June 2020 | 31 December 2019 |
|---|---|---|
| **Accounting Equity*** | **1,431** | **1,443** |
| Distributable income | 108 | 120 |
| Negative amounts resulting from the calculation of the expected loss | 65 | 90 |
| Other prudential deductions | 25 | 24 |
| **Tier 1 regulatory capital** | **1,233** | **1,209** |
| Tier 2 subordinated loans | 155 | 155 |
| **Tier 1 and Tier 2 regulatory capital** | **1,388** | **1,364** |

* *Accounting and regulatory equity are equal.*

### 1.4.1.2 REGULATORY CAPITAL AND REGULATORY CAPITAL REQUIREMENTS

The regulatory capital is broken down into three tiers (core Tier 1 capital, additional Tier 1 capital, and Tier 2 capital) composed of equity or debt instruments, which are subjected to regulatory adjustments. The PSA Banque France Group has Tier 1 and 2 capital instruments.

Tier 1 capital instruments are composed of the following:

- share capital and the corresponding issuance premiums;
- retained earnings and other reserves;
- components of income recognised directly in equity.

Regulatory deductions made to this regulatory capital include the following items:

- estimated amounts of projected dividend distributions;
- negative difference between recognised impairment and the expected losses statistically calculated for Risk Weighted Assets (RWA) stated using the Internal Rating Based (IRB) method;
- other prudential deductions corresponding to the contributions of the PSA Banque France Group to the *Fonds de Garantie des Dépôts et de Résolution* (FGDR) and the *Fonds de Résolution Unique* (FRU) deducted from Tier 1 regulatory capital.

Tier 2 capital instruments are composed exclusively of subordinated debt.

A total of three levels of solvency ratio are calculated:

- the Tier 1 core capital ratio or CET1 ratio;
- Tier 1 capital ratio or T1 ratio;
- the total capital ratio.

These ratios are calculated by dividing each category of the Group's regulatory capital by the sum of risk-weighted assets.

In response to the COVID-19 pandemic, the banking supervision of the European Central Bank has decided to temporarily reduce capital requirements by lowering to 0% the countercyclical capital buffer rate with entry into force as of 2 April 2020.

TABLE CC1 – COMPOSITION OF REGULATORY CAPITAL

This table provides a breakdown of the constituent elements of the institution's capital.

| | *(in million euros)* | Amounts | Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation | Regulation (UE) No. 575/2013 reference |
|---|---|---|---|---|
| | **Common Equity Tier 1 capital: instruments and reserves** | | | |
| 1 | Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus | 738 | (h) | 26 (1), 27, 28, 29 |
| 2 | Retained earnings | 470 | | 26 (1) (c) |
| 3 | Accumulated other comprehensive income (and other reserves) | 115 | | 26 (1) |
| 4 | *Directly issued capital subject to phase-out from CET1 capital (only applicable to non-joint stock companies)* | | | *486 (2)* |
| 5 | Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1 capital) | | | 84 |
| **6** | **Common Equity Tier 1 capital before regulatory adjustments** | **1,323** | | **Sum of lines 1 to 5** |
| | **Common Equity Tier 1 capital: regulatory adjustments** | | | |
| 7 | Prudent valuation adjustments | | | 34, 105 |
| 8 | Goodwill (net of related tax liability) | | (a) minus (d) | 36 (1) (b), 37 |
| 9 | Other intangibles other than mortgage servicing rights (MSR) (net of related tax liability) | | (b) minus (e) | |
| 10 | Deferred tax assets (DTA) that rely on future profitability, excluding those arising from temporary differences (net of related tax liability) | | | 36 (1) (c), 38 |
| 11 | Cash flow hedge reserve | | | 33 (1) (a) |
| 12 | Shortfall of provisions to expected losses | (65) | | 36 (1) (d), 40, 159 |
| 13 | Securitisation gain on sale (as set out in paragraph 36 of Basel III securitisation framework) | | | 32 (1) |
| 14 | Gains and losses due to changes in own credit risk on fair valued liabilities | | | 33 (1) (b) |
| 15 | Defined benefit pension fund net assets | | | 36 (1) (e), 41 |
| 16 | Investments in own shares (if not already subtracted from paid-in capital on reported balance sheet) | | | 36 (1) (f), 42 |
| 17 | Reciprocal cross-holdings in common equity | | | 36 (1) (g), 44 |
| 18 | Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold) | | | 36 (1) (h), 43, 45, 46, 49 (2) (3), 79 |
| 19 | Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold) | | | 36 (1) (i), 43, 45, 47, 48 (1) (b), 49, (1) à (3), 79 |
| 20 | Charges MSR (amount above 10% threshold) | | (c) minus (f) minus the 10% threshold | |
| 21 | DTA arising from temporary differences (amount above 10% threshold, net of related tax liability) | | | 36 (1) (c), 38, 48 (1) (a) |
| 22 | Amount exceeding the 15% threshold | | | 48 (1) |

| | *(in million euros)* | **Amounts** | **Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation** | **Regulation (UE) No. 575/2013 reference** |
|---|---|---|---|---|
| 23 | of which: significant investments in the common stock of financials | | | 36 (1) (i), 48 (1) (b) |
| 24 | of which: MSR | | | |
| 25 | of which: DTA arising from temporary differences | | | 36 (1) (c), 38, 48, (1) (a) |
| 26 | National specific regulatory adjustments | | | |
| 27 | Regulatory adjustments applied to Common Equity Tier 1 capital due to insufficient Additional Tier 1 and Tier 2 capital to cover deductions | (25) | | 36 (1) (j) |
| **28** | **Total regulatory adjustments to Common Equity Tier 1 capital** | **(90)** | | |
| **29** | **Common Equity Tier 1 capital (CET1)** | **1,233** | | |
| | **Additional Tier 1 capital: instruments** | | | |
| 30 | Directly issued qualifying additional Tier 1 instruments plus related stock surplus | | (i) | 51, 52 |
| 31 | of which: classified as equity under applicable accounting standards | | | |
| 32 | of which: classified as liabilities under applicable accounting standards | | | |
| 33 | *Directly issued capital instruments subject to phase-out from additional Tier 1 capital* | | | *486 (3)* |
| 34 | Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1) | | | 85, 86 |
| 35 | *of which: instruments issued by subsidiaries subject to phase-out* | | | *486 (3)* |
| **36** | **Additional Tier 1 capital before regulatory adjustments** | **-** | | **Sum of lines 30, 33 and 34** |
| | **Additional Tier 1 capital: regulatory adjustments** | | | |
| 37 | Investments in own additional Tier 1 instruments | | | 52 (1) (b), 56 (a), 57 |
| 38 | Reciprocal cross-holdings in additional Tier 1 instruments | | | 56 (b), 58 |
| 39 | Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold) | | | 56 (c), 59, 60, 79 |
| 40 | Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation | | | 56 (d), 59, 79 |
| 41 | National specific regulatory adjustments | | | |
| 42 | Regulatory adjustments applied to additional Tier 1 capital due to insufficient Tier 2 capital to cover deductions | | | 56 (e) |
| **43** | **Total regulatory adjustments to additional Tier 1 capital** | **-** | | **Sum of lines 37 to 42** |
| **44** | **Additional Tier 1 capital (AT1)** | **-** | | **Line 36 minus line 43** |
| **45** | **Tier 1 capital (T1 = CET1 + AT1)** | **1,233** | | **Sum of lines 29 to 44** |

| *(in million euros)* | | Amounts | Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation | Regulation (UE) No. 575/2013 reference |
|---|---|---|---|---|
| | **Tier 2 capital: instruments and provisions** | | | |
| 46 | Directly issued qualifying Tier 2 instruments plus related stock surplus | 155 | | 62, 63 |
| 47 | *Directly issued capital instruments subject to phase-out from Tier 2 capital* | | | *486 (4)* |
| 48 | Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2) | | | 87, 88 |
| 49 | *of which: instruments issued by subsidiaries subject to phase-out* | | | *484 (4)* |
| 50 | Provisions | | | 62 (c) & (d) |
| **51** | **Tier 2 capital before regulatory adjustments** | **155** | | |
| | **Tier 2 capital: regulatory adjustments** | | | |
| 52 | Investments in own Tier 2 instruments | | | 63 (b) (i), 66 (a), 67 |
| 53 | Reciprocal cross-holdings in Tier 2 instruments and other TLAC liabilities | | | 66 (b), 68 |
| 54 | Investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold) | | | 66 (c), 69, 70, 79 |
| 54a. | Investments in the other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation and where the bank does not own more than 10% of the issued common share capital of the entity: amount previously designated for the 5% threshold but that no longer meets the conditions (for G-SIBs only) | | | |
| 55 | Significant investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions) | | | 66 (d), 69, 79 |
| 56 | National specific regulatory adjustments | | | |
| **57** | **Total regulatory adjustments to Tier 2 capital** | **-** | | |
| **58** | **Tier 2 capital (T2)** | **155** | | |
| **59** | **Total regulatory capital (TC = T1 + T2)** | **1,388** | | **Sum of lines 45 and 58** |
| **60** | **Total risk-weighted assets** | **9,148** | | |
| | **Capital adequacy ratios and buffers** | | | |
| **61** | **Common Equity Tier 1 capital (as a percentage of risk-weighted assets)** | **13.5%** | | **92 (2) (a)** |
| **62** | **Tier 1 capital (as a percentage of risk-weighted assets)** | **13.5%** | | **92 (2) (b)** |
| **63** | **Total capital (as a percentage of risk-weighted assets)** | **15.2%** | | **92 (2) (c)** |
| **64** | **Institution-specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets)** | **7.8%** | | **CRD 128, 129, 130, 131, 133** |
| 65 | of which: capital conservation buffer requirement | 2.5% | | |

| *(in million euros)* | | Amounts | Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation | Regulation (UE) No. 575/2013 reference |
|---|---|---|---|---|
| 66 | of which: bank-specific countercyclical buffer requirement | | | |
| 67 | of which: higher loss absorbency requirement | | | |
| **68** | **Common Equity Tier 1 capital (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirements** | **6.2%** | | **CRD 128** |
| | **National minima (if different from Basel III)** | | | |
| 69 | National Common Equity Tier 1 capital adequacy minimum ratio (if different from Basel III minimum) | | | |
| 70 | National Tier 1 capital adequacy minimum ratio (if different from Basel III minimum) | | | |
| 71 | National Total capital adequacy minimum ratio (if different from Basel III minimum) | | | |
| | **Amounts below the thresholds for deduction (before risk weighting)** | | | |
| 72 | Non-significant investments in the capital and other TLAC liabilities of other financial entities | | | 36 (1) (h), 46, 45 56 (c), 59, 60 66 (c), 69, 70 |
| 73 | Significant investments in the common stock of financial entities | | | 36 (1) (i), 45, 48 |
| 74 | MSR (net of related tax liability) | | | |
| 75 | DTA arising from temporary differences (net of related tax liability) | | | 36 (1) (c), 38, 48 |
| | **Applicable caps on the inclusion of provisions in Tier 2 capital** | | | |
| 76 | Provisions eligible for inclusion in Tier 2 capital in respect of exposures subject to standardised approach (prior to application of cap) | | | 62 |
| 77 | Cap on inclusion of provisions in Tier 2 capital under standardised approach | 14 | | 62 |
| 78 | Provisions eligible for inclusion in Tier 2 capital in respect of exposures subject to internal ratings-based approach (prior to application of cap) | | | 62 |
| 79 | Cap for inclusion of provisions in Tier 2 capital under internal ratings-based approach | | | 62 |
| | **Capital instruments subject to phase-out arrangements (only applicable between 1 January 2018 and 1 January 2022)** | | | |
| 80 | *Current cap on CET1 instruments subject to phase-out arrangements* | | | *484 (3), 486 (2) & (5)* |
| 81 | *Amount excluded from CET1 capital due to cap (excess over cap after redemptions and maturities)* | | | *484 (3), 486 (2) & (5)* |
| 82 | *Current cap on AT1 instruments subject to phase-out arrangements* | | | *484 (4), 486 (3) & (5)* |
| 83 | *Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)* | | | *484 (4), 486 (3) & (5)* |
| 84 | *Current cap on T2 instruments subject to phase-out arrangements* | | | *484 (5), 486 (4) & (5)* |
| 85 | *Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)* | | | *484 (5), 486 (4) & (5)* |

### 1.4.1.2.1 Regulatory capital

As at 30 June 2020, the Basel III CRD IV Tier 1 capital ratio in respect of Pillar I stood at 13.5%, and the total capital ratio was 15.2%. Basel III Tier 1 regulatory capital amounted to €1,233 million as at end of June 2020, taking into account the deduction of the difference between recognised impairment and expected actual losses of -€65 million for the IRB scope. The regulatory capital requirement stood at €732 million as at 30 June 2020.

GROUP CAPITAL REQUIREMENT AND RISK-WEIGHTED ASSETS

| | RWA | Capital requirements | RWA | Capital requirements |
|---|---|---|---|---|
| *(In million euros)* | 30 June 2020 | | 31 December 2019 | |
| **Credit risk** | **8,169** | **654** | **8,880** | **711** |
| **Standard method** | **1,128** | **90** | **1,087** | **87** |
| Sovereigns, Central Banks, and Administrations | 13 | 1 | 14 | 1 |
| Institutions | 244 | 19 | 198 | 16 |
| Corporate | 277 | 22 | 311 | 25 |
| Retail | 236 | 19 | 230 | 18 |
| Other assets | 358 | 29 | 334 | 27 |
| **Foundation Internal Ratings-Based approach (F-IRB)** | **3,432** | **275** | **4,338** | **347** |
| Corporate | 3,432 | 275 | 4,338 | 347 |
| **Advanced Internal Ratings-Based approach (A-IRB)** | **3,609** | **289** | **3,455** | **277** |
| Retail | 3,609 | 289 | 3,455 | 277 |
| **Securitisation exposures in the banking book (after cap)** | **203** | **16** | **203** | **16** |
| **Operational risk (standard method)** | **776** | **62** | **776** | **62** |
| **Market risk** | **-** | **-** | **-** | **-** |
| **TOTAL RISKS** | **9,148** | **732** | **9,859** | **789** |
| | | | | |
| **Tier 1 regulatory capital** | **1,233** | | **1,209** | |
| **Tier 1 capital ratio** | **13.5%** | | **12.3%** | |
| **Total regulatory capital** | **1,388** | | **1,364** | |
| **Total capital ratio** | **15.2%** | | **13.8%** | |

#### CET1 core capital

Core capital corresponds to the share capital and associated issue premiums, reserves, income net of taxes before allocation and other items of accumulated comprehensive income and minority interests after application of the transitional provisions for the prudential filters.

The CET1 core capital of the PSA Banque France Group accounted for 89% of total regulatory capital as at end of June 2020 and totalled €1,233 million.

#### AT1 regulatory capital

AT1 regulatory capital consists of equity instruments net of any repayment incentives or obligations in accordance with Articles 51 and 52 of the CRR. The PSA Banque France Group does not hold any of these instruments.

#### T2 regulatory capital

T2 regulatory capital consists of subordinated debt instruments with a minimum duration of five years with no early repayment during the first five years, in accordance with Articles 62 and 63 of the CRR. It totalled €155 million as at 30 June 2020 in the subordinated loan category after two loans which must be handled identically and simultaneously (impairment and/or conversion).

### 1.4.1.2.2 Regulatory capital requirements

Regulatory requirements are determined in accordance with the laws and transitional provisions applicable as of 1 January 2014 to credit institutions and investment companies as published in the Official Journal of the European Union on 26 June 2013: Regulation (EU) No. 575/2013 (CRR) and Directive 2013/36/EU (CRD IV).

On 6 April 2009, the ACPR authorised Banque PSA Finance to use the Advanced Internal Ratings-Based Approach (A-IRB) to calculate the regulatory capital requirement for the Retail portfolio, and the Foundation Internal Ratings-Based Approach (F-IRB) for the Corporate portfolio. This measure has been applied to the entities of the PSA Banque France Group since 1 January 2009.

In the context of the implementation of the cooperation between Banque PSA Finance and Santander Consumer Finance in 2015, the two partners aimed to keep using the internal ratings models developed by Banque PSA Finance, after review and validation of these models by Santander Group's Internal Validation Team, and after approval by the competent supervisory authorities.

As such, the PSA Banque France Group's internal rating system was inspected by the European Central Bank, further to which PSA Banque France received authorisation in 2017 to maintain the internal rating methods originally developed by Banque PSA Finance for calculating risk-weighted assets (RWA). Since 2019, following the implementation of a synthetic risk transfer transaction, the senior securities held by CREDIPAR have been assessed using the SEC IRB approach.

All of the data used to model and calculate credit risk are extracted from the management accounting systems. The latter feed into the common risk databases: BRC (the central risk database for Retail customers) and BUIC (the Corporate customer database) that are used to uniformly track all risk parameters applicable to the PSA Banque France Group. The information from the risk management databases feed the central regulatory capital management tool (Risk Authority).

At the same time, some accounting data are also integrated with this central tool. After reconciling management and statutory accounting data, the minimum capital requirement is calculated using the aforementioned tools, and regulatory capital reports are produced.

Operational risk is measured using the standard approach. Thus, the minimum capital requirement is calculated by applying a 12% ratio to retail net banking income and a 15% ratio to non-retail net banking income from other asset segments.

TABLE OV1 – OVERVIEW OF RWAS

The table provides an overview of total RWA forming the denominator of the risk-based capital requirements.

| *(in million euros)* | RWA | | Minimum capital requirements |
|---|---|---|---|
| | **30 June 2020** | **31 December 2019** | **30 June 2020** |
| **Credit risk (excluding CCR)** | **8,168** | **8,876** | **654** |
| of which the standardised approach | 1,127 | 1,083 | 90 |
| of which the foundation IRB (F-IRB) approach | 3,432 | 4,338 | 275 |
| of which the advanced IRB (A-IRB) approach | 3,609 | 3,455 | 289 |
| of which equity IRB under the simple risk-weighted approach or the internal model approach (IMA) | | | |
| **CCR** | **1** | **4** | **-** |
| of which mark to market | | | |
| of which original exposure | | | |
| of which the standardised approach | 1 | 4 | - |
| of which internal model method (IMM) | | | |
| of which risk exposure amount for contributions to the default fund of a CCP | | | |
| of which CVA | | | |
| Settlement risk | | | |
| **Securitisation exposures in the banking book (after cap)** | **203** | **203** | **16** |
| of which IRB approach | 203 | 203 | 16 |
| of which IRB supervisory formula approach (SFA) | | | |
| of which internal assessment approach (IAA) | | | |
| of which standardised approach | | | |
| **Market risk** | **-** | **-** | **-** |
| of which the standardised approach | | | |
| of which IMA | | | |
| Large exposures | | | |
| **Operational risk** | **776** | **776** | **62** |
| of which basic indicator approach | | | |
| of which standardised approach | 776 | 776 | 62 |
| of which advanced measurement approach | | | |
| Amounts below the thresholds for deduction (subject to 250% risk weight) | | | |
| Floor adjustment | | | |
| **TOTAL** | **9,148** | **9,859** | **732** |

Risk Weighted Assets (RWA) for credit risk, market risk and operational risk were €9,148 million as at 30 June 2020 compared to €9,859 million as at 31 December 2019.

The decrease in RWA is due to the COVID-19 pandemic that affects production and sale activities of the PSA Group. Indeed, the PSA Banque France Group registered a decline in outstanding loans, mainly due to the decline of the dealer network activity during the lockdown period.

### 1.4.1.2.3 Management of internal capital

The capital policy, approved by the Group's two shareholders, determines the criteria to be applied to define the internal capital objectives of the PSA Banque France Group and identify the share capital required to comply with regulatory ratios (Pillar I and Pillar II) and the return on equity (ROE).

The internal capital requirement corresponds to the minimum capital threshold the management of the PSA Banque France Group believes it needs to manage its risk profile and strategy.

The dividend distribution policy defines the criteria to establish the profit which can be distributed by the PSA Banque France Group to its two shareholders: Banque PSA Finance and Santander Consumer Finance.

It is proposed and approved by the ALCO Committee as part of internal capital management. It is consistent with the risk profile of the Group and is intended to meet regulatory requirements.

## 1.4.2 Leverage ratio



The leverage ratio compares Tier 1 regulatory capital (the numerator) to an exposure consisting of the balance sheet items and off-balance sheet items which are not risk-weighted (denominator).

The leverage ratio is not sensitive to risk factors and, as a result, it is considered to be a measurement which completes the solvency and liquidity management system and enables the management of balance sheet growth.

The ratio is currently calculated for information purposes. It will become a regulatory limit with the entry into effect of "CRR II" which will be applicable as of 30 June 2021.

Excessive leverage risk can lead to corrective measures which were not provided for by the financial and capital plan and, notably to asset disposals. The leverage ratio is part of the risk management system.

The leverage ratio as at 30 June 2020 was 7.9%, well above the regulatory threshold of 3%. In addition, given that the PSA Banque France Group's balance sheet and off-balance sheet exposures are relatively stable due to the nature of its activities, this ratio is not very volatile.

The ratio is included in the risk dashboard provided to the Audit and Risk Committee and the Board of Directors on a quarterly basis. Although the ratio is higher than the regulatory requirements, the internal limit targets a level above 6%.

TABLE LRSUM: SUMMARY RECONCILIATION OF ACCOUNTING ASSETS AND LEVERAGE RATIO EXPOSURES

This model was developed in application of Article 451(1)(b) of the CRR to reconcile the total exposure calculation with the related information in the published financial statements.

| *(in million euros)* | **Applicable Amount** |
|---|---|
| **Total assets as per published financial statements** | **14,923** |
| Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation | |
| (Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429(13) of Regulation (EU) No. 575/2013) | |
| Adjustments for derivative financial instruments | 7 |
| Adjustment for securities financing transactions (SFTs) | |
| Adjustment for off-balance sheet items (*ie* conversion to credit equivalent amounts of off-balance sheet exposures) | 678 |
| (Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No. 575/2013) | |
| (Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) No. 575/2013) | |
| Other adjustments | (32) |
| **LEVERAGE RATIO TOTAL EXPOSURE MEASURE** | **15,576** |

## TABLE LRCOM – LEVERAGE RATIO COMMON DISCLOSURE

The table below provides a detailed breakdown of the components of the leverage ratio denominator and information about the current leverage ratio, the minimum requirements and the buffers.

| *(in million euros)* | | CRR leverage ratio exposures |
|---|---|---|
| | **On-balance sheet exposures (excluding derivatives and SFTs)** | |
| 1 | On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral) | 14,976 |
| 2 | (Asset amounts deducted in determining Tier 1 capital) | (85) |
| **3** | **Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)** | **14,891** |
| | **Derivative exposures** | |
| 4 | Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin) | |
| 5 | Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method) | 7 |
| EU(5)a | Exposure determined under Original Exposure Method | |
| 6 | Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework | |
| 7 | (Deductions of receivables assets for cash variation margin provided in derivatives transactions) | |
| 8 | (Exempted CCP leg of client-cleared trade exposures) | |
| 9 | Adjusted effective notional amount of written credit derivatives | |
| 10 | (Adjusted effective notional offsets and add-on deductions for written credit derivatives) | |
| **11** | **Total derivatives exposures (sum of lines 4 to 10)** | **7** |
| | **SFT exposures** | |
| 12 | Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions | |
| 13 | (Netted amounts of cash payables and cash receivables of gross SFT assets) | |
| 14 | Counterparty credit risk exposure for SFT assets | |
| EU(14)a | Derogation for SFTs : Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of Regulation (EU) No. 575/2013 | |
| 15 | Agent transaction exposures | |
| EU(15)a | (Exempted CCP leg of client-cleared SFT exposure) | |
| **16** | **Total securities financing transaction exposures (sum of lines 12 to 15a)** | **-** |
| | **Other off-balance sheet exposures** | |
| 17 | Off-balance sheet exposures at gross notional amount | 2,316 |
| 18 | (Adjustments for conversion to credit equivalent amounts) | (1,638) |
| **19** | **Other off-balance sheet exposures (sum of lines 17 and 18)** | **678** |
| | **Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No. 575/2013 (on and off balance sheet)** | |
| EU(19)a | (Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No. 575/2013 (on and off balance sheet)) | |
| **EU(19)b** | **(Exposures exempted in accordance with Article 429(14) of Regulation (EU) No. 575/2013 (on and off balance sheet))** | |
| | **Capital and total exposure measure** | |
| **20** | **Tier 1 capital** | **1,233** |
| **21** | **Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)** | **15,576** |
| | **Leverage ratio** | |
| **22** | **Leverage ratio** | **7.9%** |
| | **Choice on transitional arrangements and amount of derecognised fiduciary items** | |
| EU(23) | Choice on transitional arrangements for the definition of the capital measures | |
| EU(24) | Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No. 575/2013 | |

TABLE LRSPL – SPLIT-UP OF ON BALANCE SHEET EXPOSURES (EXCLUDING DERIVATIVES, SFTS AND EXEMPTED EXPOSURES)

This model was developed in application of Article 451(1)(b) of the CRR to provide a breakdown of the total exposures on the balance sheet of institutions.

| *(in million euros)* | **CRR leverage ratio exposures** |
|---|---|
| **TOTAL ON-BALANCE SHEET EXPOSURES (EXCLUDING DERIVATIVES, SFTS, AND EXEMPTED EXPOSURES), OF WHICH:** | **14,976** |
| Trading book exposures | |
| Banking book exposures, of which: | 14,976 |
| Covered bonds | |
| Exposures treated as sovereigns | 482 |
| Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns | 51 |
| Institutions | 221 |
| Secured by mortgages of immovable properties | |
| Retail exposures | 7,039 |
| Corporate | 4,272 |
| Exposures in default | 83 |
| Other exposures (eg equity, securitisations, and other non-credit obligation assets) | 2,828 |

## 1.4.3 Information relating to liquidity risk

### 1.4.3.1 LIQUIDITY RESERVE

| *(in million euros)* | **30 June 2020** | **31 December 2019** |
|---|---|---|
| Central bank deposits (excluding mandatory reserves) | 360 | 420 |
| HQLA securities available (after haircut) | 0 | 0 |
| Other available central bank-eligible assets (after haircut) | 535 | 835 |
| **TOTAL LIQUIDITY RESERVE** | **895** | **1,255** |

### 1.4.3.2 LIQUIDITY COVERAGE RATIO (LCR)

The average LCR ratio stood at 127% over the 12-month period ending as at 30 June 2020.

TABLE EU LIQ1 – LCR DISCLOSURE TEMPLATE AND THE TABLE ON QUALITATIVE INFORMATION ON THE LCR

| **Scope of consolidation (consolidated)** *(in million euros)* | **Total unweighted value (average)** | | | | **Total weighted value (average)** | | | |
|---|---|---|---|---|---|---|---|---|
| **Quarter ending on** | **09/2019** | **12/2019** | **03/2020** | **06/2020** | **09/2019** | **12/2019** | **03/2020** | **06/2020** |
| **Number of data points used in the calculation of averages** | **12** | **12** | **12** | **12** | **12** | **12** | **12** | **12** |
| **HIGH-QUALITY LIQUID ASSETS** | | | | | | | | |
| **Total high-quality liquid assets (HQLA)** | | | | | **301** | **314** | **310** | **340** |
| **CASH – OUTFLOWS** | | | | | | | | |
| **Retail deposits and deposits from small business customers, of which:** | **2,124** | **2,285** | **2,449** | **2,585** | **250** | **272** | **295** | **316** |
| *Stable deposits* | | | | | | | | |
| *Less stable deposits* | *2,124* | *2,285* | *2,449* | *2,585* | *250* | *272* | *295* | *316* |
| **Unsecured wholesale funding** | | | | | | | | |
| *Operational deposits (all counterparties) and deposits in networks of cooperative banks* | *235* | *249* | *254* | *273* | *56* | *57* | *58* | *64* |
| *Non-operational deposits (all counterparties)* | *296* | *259* | *191* | *114* | *296* | *259* | *191* | *114* |
| *Unsecured debt* | *66* | *108* | *120* | *185* | *66* | *108* | *120* | *185* |
| **Secured wholesale funding** | | | | | | | | |
| **Additional requirements** | | | | | | | | |
| *Outflows related to derivative exposures and other collateral requirements* | *33* | *36* | *35* | *31* | *33* | *36* | *35* | *31* |
| *Outflows related to loss of funding on debt products* | | | | | | | | |
| *Credit and liquidity facilities* | *533* | *553* | *597* | *572* | *60* | *55* | *52* | *48* |
| **Other contractual funding obligations** | **269** | **283** | **285** | **274** | **231** | **248** | **249** | **233** |
| **Other contingent funding obligations** | | | | | | | | |
| **TOTAL CASH OUTFLOWS** | | | | | **991** | **1,035** | **1,000** | **992** |
| **CASH – INFLOWS** | | | | | | | | |
| **Secured lending (e.g. reverse repos)** | | | | | | | | |
| **Inflows from fully performing exposures** | **2,137** | **2,205** | **2,299** | **2,315** | **750** | **763** | **775** | **803** |
| **Other cash inflows** | **358** | **364** | **374** | **365** | **256** | **262** | **269** | **268** |
| **(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)** | | | | | | | | |
| **(Excess inflows from a related specialised credit institution)** | | | | | | | | |
| **TOTAL CASH INFLOWS** | **2,496** | **2,569** | **2,674** | **2,681** | **1,006** | **1,025** | **1,044** | **1,071** |
| *Fully exempt inflows* | | | | | | | | |
| *Inflows subject to 90% cap* | | | | | | | | |
| *Inflows subject to 75% cap* | *2,496* | *2,569* | *2,674* | *2,681* | *1,006* | *1,025* | *1,044* | *1,071* |
| **TOTAL ADJUSTED VALUE** | | | | | | | | |
| **LIQUIDITY BUFFER** | | | | | **301** | **315** | **310** | **315** |
| **TOTAL NET CASH OUTFLOWS** | | | | | **248** | **259** | **250** | **248** |
| **LIQUIDITY COVERAGE RATIO (%)** | | | | | **122%** | **122%** | **125%** | **127%** |

## 1.4.4 Information relating to interest rate risk

As at end of June 2020, NIM sensitivity compared to the worst increase or decrease scenario for parallel rates of +/-100 bp; +/-75 bp; +/-50 bp and +/-25 bp, was -€4 million.

As at end of June 2020, MVE sensitivity compared to the worst increase or decrease scenario for parallel rates of +/-100 bp; +/-75 bp; +/-50 bp and +/-25 bp, was -€28 million.

## 1.4.5 Information on exposures subject to measures applied in response to the COVID-19 pandemic

The three following tables provide information on exposures subject to legislative and non-legislative moratoria on loan repayments applied in the specific context of the COVID-19 pandemic, on newly originated exposures subject to public guarantee schemes and the relating provisions.



### 1.4.5.1 Information on loans and advances subject to legislative and non-legislative moratoria

| | Gross carrying amount | | | | | | |
|---|---|---|---|---|---|---|---|
| | | Performing | | | Non-performing | | |
| *(in million euros)* | | | of which: exposures with forbearance measures | of which: instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2) | | of which: exposures with forbearance measures | of which: unlikely to pay that are not past-due or past-due ≤ 90 days |
| Loans and advances subject to moratorium | 2,358 | 2,342 | 1 | 90 | 16 | - | 7 |
| of which: Households | 194 | 194 | - | 3 | - | - | - |
| of which: Collateralised by residential immovable property | - | - | - | - | - | - | - |
| of which: Non-financial corporations | 2,164 | 2,148 | 1 | 87 | 16 | - | 7 |
| of which: Small and Medium-sized Enterprises | 1,851 | 1,844 | 1 | 52 | 7 | - | 4 |
| of which: Collateralised by commercial immovable property | - | - | - | - | - | - | - |

| | Accumulated impairment, accumulated negative changes in fair value due to credit risk | | | | | | | Gross carrying amount |
|---|---|---|---|---|---|---|---|---|
| | | Performing | | | Non-performing | | | |
| *(in million euros)* | | | of which: exposures with forbearance measures | of which: instruments with significant increase in credit risk since initial recognition but not credit-impaired (stage 2) | | of which: exposures with forbearance measures | of which: unlikely to pay that are not past-due or past-due ≤ 90 days | Inflows to non-performing exposures |
| Loans and advances subject to moratorium | 19 | 14 | - | 4 | 5 | - | 2 | 15 |
| of which: Households | - | - | - | - | - | - | - | - |
| of which: Collateralised by residential immovable property | - | - | - | - | - | - | - | 15 |
| of which: Non-financial corporations | 19 | 14 | - | 4 | 5 | - | 2 | 6 |
| of which: Small and Medium-sized Enterprises | 16 | 13 | - | 3 | 3 | - | 2 | - |
| of which: Collateralised by commercial immovable property | - | - | - | - | - | - | - | |

### 1.4.5.2 Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria

| *(in million euros)* | Number of obligors | Gross carrying amount | of which: legislative moratoria | of which: expired | Residual maturity of moratoria ≤ 3 months | > 3 months ≤ 6 months | > 6 months ≤ 9 months | > 9 months ≤ 12 months | > 1 year |
|---|---|---|---|---|---|---|---|---|---|
| Loans and advances for which moratorium was offered | 134,832 | 3,003 | | | | | | | |
| Loans and advances subject to moratorium (granted) | 112,073 | 2,548 | - | 190 | 2,297 | 53 | - | - | 8 |
| of which: Households | | 229 | - | 35 | 184 | 3 | - | - | 7 |
| of which: Collateralised by residential immovable property | | - | - | - | - | - | - | - | - |
| of which: Non-financial corporations | | 2,319 | - | 155 | 2,113 | 50 | - | - | 1 |
| of which: Small and Medium-sized Enterprises | | 1,992 | - | 140 | 1,804 | 47 | - | - | 1 |
| of which: Collateralised by commercial immovable property | | - | - | - | - | - | - | - | - |

### 1.4.5.3 Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 pandemic

| *(in million euros)* | Gross carrying amount | Gross carrying amount – of which: forbone | Maximum amount of the guarantee that can be considered – Public guarantees received | Gross carrying amount – Inflows to non-performing exposures |
|---|---|---|---|---|
| Newly originated loans and advances subject to public guarantee schemes | - | - | - | - |
| of which: Households | - | | | - |
| of which: Collateralised by residential immovable property | - | | | - |
| of which: Non-financial corporations | - | - | - | - |
| of which: Small and Medium-sized Enterprises | - | | | - |
| of which: Collateralised by commercial immovable property | - | | | - |

The PSA Banque France Group has not granted any loans and advances guaranteed by the French State (*PGE*).

# 1.5 CORPORATE GOVERNANCE – GENERAL INFORMATION CONCERNING PSA BANQUE FRANCE

## 1.5.1 PSA Banque France overview

**Company name:** PSA Banque France

**Nationality:** French

**Registered office:** 9, rue Henri-Barbusse,
92230 Gennevilliers, France
Tel.: +33 (0) 1 46 39 65 55

**As from 17 July 2020, the registered office of PSA Banque France was transferred to Poissy :**
2-10 Boulevard de l'Europe
78300 Poissy, France
Tel.: +33 (0) 1 46 39 65 55

**Legal form:** Limited liability corporation *(société anonyme)* with a Board of Directors whose shares are not tradable on a regulated market.

**Registry and identification number:** as from 17 July 2020, PSA Banque France is registered in the Trade and Companies Register of Versailles:

> **Siren No.: 652 034 638**

> **Siret No.: 652 034 638 00047**

> **APE/NAF business identifier code: 6419Z**

> **LEI: 969500JK1O192KI3E882**

**Date of incorporation and duration:** PSA Banque France (originally SOFIB) was incorporated on 24 June 1965 and has been registered since 20 July 1965. The expiry date of the Company is 31 December 2064.

The corporate purpose of the Company is the one of a fully-fledged bank.

**Financial year:** the corporate financial year begins on 1 January and closes as at 31 December of each year.

PSA Banque France is a credit institution approved under the supervision of the European bank regulator, the European Central Bank since 2015, while continuing to send the required information to the French regulator, the *Autorité de Contrôle Prudentiel et de Résolution*.

## 1.5.2 Shareholders – Structure of share capital

**Shareholders**

As at 30 June 2020, the share capital of PSA Banque France stood at €144,842,528 divided into 9,052,658 shares with a value of €16 each, fully paid-up, with equal distribution between:

- Banque PSA Finance, which holds 4,526,329 shares and the same number of voting rights;
- Santander Consumer Banque, which holds 4,526,329 shares and the same number of voting rights.

Banque PSA Finance is a directly and indirectly wholly owned subsidiary of Peugeot SA, and Santander Consumer Banque is an indirectly wholly owned subsidiary of Banco Santander; Peugeot SA and Banco Santander are entities whose shares are traded on a regulated market.

**Changes in the distribution of capital during the last three years**

No change has occurred since the 50% entry of Santander Consumer Banque in the capital of PSA Banque France on 2 February 2015.

The shareholders' agreement entered into on 2 February 2015, when the joint venture of PSA Banque France was created, sets out restrictions on the exercise of the transfer of shares by both shareholders. Such exercise is not free but is subject to a lock-up period for the duration of the cooperation period.

**Listing of securities**

PSA Banque France's equity securities are not listed on the stock exchange. Nonetheless, certain debt securities (EMTN) are listed on Euronext Paris.

## 1.5.3 Board of Directors and Management Bodies

The Board of Directors of PSA Banque France has six members appointed for a renewable term of six years. Three members are chosen by each of the two shareholders. Every three years the office of Chair of the Board of Directors held by a non-executive director rotates between the two shareholders in PSA Banque France, i.e. Banque PSA Finance and Santander Consumer Banque. The same applies to the positions of Chief Executive Officer and Deputy Chief Executive Officer:

- a first rotation occurred on 28 August 2017 which expired on 31 August 2020. Accordingly, during that period the office of Non-Executive Chairman was held by a director appointed by Banque PSA Finance, in this case Mr. Rémy Bayle. The position of Chief Executive Officer was held by a director appointed by Santander Consumer Banque, in this case Mr. Jean-Paul Duparc and the position of Deputy Chief Executive Officer was held by a director appointed by Banque PSA Finance, namely Mr. Laurent Aubineau;
- a second rotation became effective on 1 September 2020 with the office of Non-Executive Chairman held this time by a director appointed by Santander Consumer Banque, Mr. David Turiel Lopez, the position of Chief Executive Officer held by a director appointed by Banque PSA Finance, Mr. Laurent Aubineau and the position of Deputy Chief Executive Officer held by a director appointed by Santander Consumer Banque, Mr. Jean-Paul Duparc.

The Chairman with his Board of Directors and specialised committees monitor the activity of PSA Banque France, run by the Chief Executive Officer, the Deputy Chief Executive Officer, the Executive Committee, and the operational committees.

Three meetings of the Board of Directors were held in the first half of 2020.

The mandate of director of PSA Banque France does not give rise to payment of directors' fees.

Currently, there is no conflict of interest between the obligations of the members of the management bodies and their private interests with regard to the PSA Banque France Group. No agreements have been entered into, either directly or *via* a third party, between any of the Company officers or any of the directors or shareholders, with the exception of agreements about usual transactions and entered into under normal conditions.

There is no delegation currently valid or used in the first half of 2020, granted by the General Meeting to the Board of Directors, for any capital increase, capital issuance, or redemption of shares.

PSA Banque France does not use a corporate governance code. However, PSA Banque France voluntarily applies some of the recommendations of the AFEP-MEDEF Code on the corporate governance of listed companies.

Pursuant to Article L. 225-37-4.1 of the French Commercial Code, the following is a list of all mandates or positions held during the past financial year by each of the members of the Board of Directors of PSA Banque France.

## 1.5.4 Information about the Administrative and Management Bodies

### 1.5.4.1 BOARD OF DIRECTORS

**List of positions held during the first half of 2020 by the directors of PSA Banque France and the Permanent Representatives of directors, and positions that expired during the first half year.**

| RÉMY BAYLE | | | Committees |
|---|---|---|---|
|  Born on 26 December 1961 | **Chairman of the Board of Directors**<br>**First appointed to the Board on** 28 August 2017<br>**Current term expires on** 31 August 2020 | **Director**<br>**First appointed to the Board on** 23 April 2015<br>**Current term expires in** 2021 | > Audit and Risk<br>> Appointment<br>> Remuneration |
| | **Other positions held in the first half of 2020**<br>**Chief Executive Officer and director**<br>> Banque PSA Finance (France)<br>**Vice-Chairman of the Board of Directors and director**<br>> Opel Bank SA (France)<br>**Chairman of the Board of Directors and director**<br>> Compagnie pour la Location de Véhicules – CLV (France) | | |

## JEAN-PAUL DUPARC

**Committees**

Born on
16 May 1968

**Chief Executive Officer**
**First appointed on**
1 September 2017
**Current term expires on**
31 August 2020

**Director**
**First appointed to the Board on**
28 August 2017
**Current term expires in** 2024

> Executive

**Other positions held in the first half of 2020**

**Chief Executive Officer** (current term expires on 31 August 2020)
**and director**
> Compagnie Générale de Crédit aux Particuliers – CREDIPAR (France)

**Permanent Representative of the Compagnie Générale de Crédit aux Particuliers – CREDIPAR (France)**
> Board of Directors of the Compagnie pour la Location de Véhicules – CLV (France)

1.

## LAURENT AUBINEAU

**Committees**

Born on
29 December 1962

**Deputy Chief Executive Officer**
**First appointed on**
1 September 2017
**Current term expires on**
31 August 2020

**Director**
**First appointed to the Board on**
28 August 2017
**Current term expires in** 2021

> Executive

**Other positions held in the first half of 2020**

**Deputy Chief Executive Officer** (current term expires on 31 August 2020)
**and director**
> Compagnie Générale de Crédit aux Particuliers – CREDIPAR (France)

## DAVID TURIEL LOPEZ

**Committees**

Born on
20 January 1965

**Director**
**First appointed to the Board on** 27 June 2019
**Current term expires in** 2021

> Audit and Risk
> Appointment
> Remuneration

**Other positions held in the first half of 2020**

**Deputy Managing Director, Member of the Executive Committee and Member of the Board of Directors**
> Santander Consumer Finance SA (Spain)

**Member and Chairman of the Supervisory Board**
> Santander Consumer Banque SA (France)

**Director**
> Compagnie Générale de Crédit aux Particuliers – CREDIPAR (France)

**Member of the Supervisory Board**
> Santander Consumer Bank Spolka Akcyjna (Poland)

**Chairman of the Board of Directors and director**
> Banco Santander Consumer SA (Portugal)

**Director**
> Santander Consumer Bank Spolka Akcyjna (Poland)

## MARTIN THOMAS

Born on
22 February 1974

**Director**
**First appointed to the Board on** 2 February 2015
**Current term expires in** 2021

**Committees**
> Audit and Risk
> Appointment
> Remuneration

**Other positions held in the first half of 2020**

**Director**
> Compagnie Générale de Crédit aux Particuliers – CREDIPAR (France)

**Chairman of the Managing Board**
> Santander Consumer Banque SA (France)

## ARNAUD DE LAMOTHE

Born on
24 September 1966

**Director**
**First appointed to the Board on** 8 February 2017
**Current term expires in** 2021

**Committees**
> Audit and Risk
> Appointment
> Remuneration

**Other positions held in the first half of 2020**

**Deputy Chief Executive Officer**
> Banque PSA Finance (France)

**Chairman of the Board of Directors and director**
> Compagnie Générale de Crédit aux Particuliers – CREDIPAR (France)
> Bank PSA Finance Rus (Russian Federation)
> PSA Financial Services Spain, E.F.C., SA (France)

**Director**
> PSA Bank Deutschland GmbH (Germany)
> Peugeot Citroën Leasing (Russian Federation)
> Banca PSA Italia SPA (Italy)
> PSA Finance UK Limited (United Kingdom)
> Opel Bank SA (France)

**Member of the Supervisory Board**
> PSA Bank Deutschland GmbH (Germany)

**List of positions held as from 1 September 2020**

## DAVID TURIEL LOPEZ

Born on
20 January 1965

**Chairman of the Board of Directors**
**First appointed to the Board on** 1 September 2020
**Current term expires in** 2023

**Director**
**First appointed to the Board on** 27 June 2019
**Current term expires in** 2021

**Committees**
- Audit and Risk
- Appointment
- Remuneration

**Other positions held**

**Deputy Managing Director, Member of the Executive Committee and Member of the Board of Directors**
> Santander Consumer Finance SA (Spain)

**Member and Chairman of the Supervisory Board**
> Santander Consumer Banque SA (France)

**Director**
> Compagnie Générale de Crédit aux Particuliers – CREDIPAR (France)

**Member of the Supervisory Board**
> Santander Consumer Bank Spolka Akcyjna (Poland)

**Chairman of the Board of Directors and director**
Banco Santander Consumer SA (Portugal)

**Director**
> Santander Consumer Bank Spolka Akcyjna (Poland)

## LAURENT AUBINEAU

Born on
29 December 1962

**Chief Executive Officer**
**First appointed on** 1 September 2020
**Current term expires in** 2023

**Director**
**First appointed to the Board on** 28 August 2017
**Current term expires in** 2021

**Committees**
- Executive

**Other positions held**

**Chief Executive Officer** (since 1 September 2020)
**and director**
> Compagnie Générale de Crédit aux Particuliers – CREDIPAR (France)

## JEAN-PAUL DUPARC

Born on
16 May 1968

**Deputy Chief Executive Officer**
**First appointed on** 1 September 2020
**Current term expires in** 2023

**Director**
**First appointed to the Board on** 28 August 2017
**Current term expires in** 2024

**Committees**
- Executive

**Other positions held**

**Deputy Chief Executive Officer** (since 1 September 2020)
**and director**
> Compagnie Générale de Crédit aux Particuliers – CREDIPAR (France)

**Permanent Representative of the Compagnie Générale de Crédit aux Particuliers – CREDIPAR (France)**
> Board of Directors of the Compagnie pour la Location de Véhicules – CLV (France)

## RÉMY BAYLE

**Committees**
> Audit and Risk
> Appointment
> Remuneration

Born on
26 December 1961

**Director**
**First appointed to the Board on** 23 April 2015
**Current term expires in** 2021

**Other positions held**

**Chief Executive Officer and director**
> Banque PSA Finance (France)

**Vice-Chairman of the Board of Directors and director**
> Opel Bank SA (France)

**Chairman of the Board of Directors and director**
> Compagnie pour la Location de Véhicules – CLV (France)

## MARTIN THOMAS

**Committees**
> Audit and Risk
> Appointment
> Remuneration

Born on
22 February 1974

**Director**
**First appointed to the Board on** 2 February 2015
**Current term expires in** 2021

**Other positions held**

**Chairman of the Board of Directors** (since 1 September 2020) **and director**
> Compagnie Générale de Crédit aux Particuliers – CREDIPAR (France)

**Chairman of the Managing Board**
> Santander Consumer Banque SA (France)

## ARNAUD DE LAMOTHE

**Committees**
> Audit and Risk
> Appointment
> Remuneration

Born on
24 September 1966

**Director**
**First appointed to the Board on** 8 February 2017
**Current term expires in** 2021

**Other positions held**

**Deputy Chief Executive Officer**
> Banque PSA Finance (France)

**Chairman of the Board of Directors and director**
> Bank PSA Finance Rus (Russian Federation)
> PSA Financial Services Spain, E.F.C., SA (France)

**Director**
Compagnie Générale de Crédit aux Particuliers – CREDIPAR (France)
> PSA Bank Deutschland GmbH (Germany)
> Peugeot Citroën Leasing (Russian Federation)
> Banca PSA Italia SPA (Italy)
> PSA Finance UK Limited (United Kingdom)
> Opel Bank SA (France)

**Member of the Supervisory Board**
> PSA Bank Deutschland GmbH (Germany)

## 1.5.4.2 COMMITTEES

### A. Audit and Risk Committee

As at 30 June 2020, the Audit and Risk Committee had the following members:

| Name | Position within the PSA Banque France Group |
|---|---|
| **David TURIEL LOPEZ, Chairman** | Director of PSA Banque France |
| **Rémy BAYLE** | Director and Chairman of the Board of Directors of PSA Banque France |
| **Martin THOMAS** | Director of PSA Banque France |
| **Arnaud de LAMOTHE** | Director of PSA Banque France |

As from 1 September 2020:

| Name | Position within the PSA Banque France Group |
|---|---|
| **David TURIEL LOPEZ, Chairman** | Director and Chairman of the Board of Directors of PSA Banque France |
| **Rémy BAYLE** | Director of PSA Banque France |
| **Martin THOMAS** | Director of PSA Banque France |
| **Arnaud de LAMOTHE** | Director of PSA Banque France |

### B. Appointment Committee

As at 30 June 2020, the Appointment Committee had the following members:

| Name | Position within the PSA Banque France Group |
|---|---|
| **Martin THOMAS, Chairman** | Director of PSA Banque France |
| **Rémy BAYLE** | Director and Chairman of the Board of Directors of PSA Banque France |
| **David TURIEL LOPEZ** | Director of PSA Banque France |
| **Arnaud de LAMOTHE** | Director of PSA Banque France |

As from 1 September 2020:

| Name | Position within the PSA Banque France Group |
|---|---|
| **Martin THOMAS, Chairman** | Director of PSA Banque France |
| **David TURIEL LOPEZ** | Director and Chairman of the Board of Directors of PSA Banque France |
| **Rémy BAYLE** | Director of PSA Banque France |
| **Arnaud de LAMOTHE** | Director of PSA Banque France |

### C. Remuneration Committee

As at 30 June 2020, the Remuneration Committee had the following members:

| Name | Position within the PSA Banque France Group |
|---|---|
| **Martin THOMAS, Chairman** | Director of PSA Banque France |
| **Rémy BAYLE** | Director and Chairman of the Board of Directors of PSA Banque France |
| **David TURIEL LOPEZ** | Director of PSA Banque France |
| **Arnaud de LAMOTHE** | Director of PSA Banque France |

As from 1 September 2020:

| Name | Position within the PSA Banque France Group |
|---|---|
| **Martin THOMAS, Chairman** | Director of PSA Banque France |
| **David TURIEL LOPEZ** | Director and Chairman of the Board of Directors of PSA Banque France |
| **Rémy BAYLE** | Director of PSA Banque France |
| **Arnaud de LAMOTHE** | Director of PSA Banque France |

## D. Executive Committee

As at 30 June 2020, the Executive Committee had the following members:

| Name | Position |
|---|---|
| **Jean-Paul DUPARC** | Chief Executive Officer |
| **Laurent AUBINEAU** | Deputy Chief Executive Officer |
| **Johnny AUDEBOURG** | Responsible Person for I.T. Systems |
| **Jean-Charles BATTAGLIA** | Chief Risk Officer |
| **Gregory BONNIN** | Chief Human Resources Officer |
| **Pedro CASTRO** | Chief Financial Officer |
| **Philippe CHAILLOUT** | Chief Sales Officer |
| **Charles DUMAS ALONSO** | Audit Director |
| **Laure DURAND** | Chief Operations Officer |
| **Catherine NOGUIER** | Secretary General |
| **Gilles PEREZ** | Chief Collection Officer |
| **Patrick POULETTY** | Chief Marketing and Digital Officer |

As from 1 September 2020:

| Name | Position |
|---|---|
| **Laurent AUBINEAU** | Chief Executive Officer |
| **Jean-Paul DUPARC** | Deputy Chief Executive Officer |
| **Johnny AUDEBOURG** | Responsible Person for I.T. Systems |
| **Jean-Charles BATTAGLIA** | Chief Risk Officer |
| **Gregory BONNIN** | Chief Human Resources Officer |
| **Pedro CASTRO** | Chief Financial Officer |
| **Philippe CHAILLOUT** | Chief Sales Officer |
| **Charles DUMAS ALONSO** | Audit Director |
| **Laure DURAND** | Chief Operations Officer |
| **Catherine NOGUIER** | Secretary General |
| **Gilles PEREZ** | Chief Collection Officer |
| **Patrick POULETTY** | Chief Marketing and Digital Officer |

## 1.5.5 Persons responsible for auditing the accounts

**PricewaterhouseCoopers Audit**

Crystal Park, 63, rue de Villiers,

92200 Neuilly-sur-Seine,

a simplified joint stock company *(société par actions simplifiée)* with capital of €2,510,460, entered in the R.C.S. (Trade and Companies Register number) of Nanterre under No. 672 006 483.

Statutory Auditors member of the Compagnie régionale de Versailles.

Term of mandate: six years.

Date of end of mandate: 2022 financial year.

Represented as at 30 June 2020 by Isabelle Gallois Mollat and Laurent Tavernier.

**Mazars**

61, rue Henri-Régnault,

92400 Courbevoie,

a limited-liability corporation *(société anonyme)* with capital of €8,320,000, entered in the Trade and Companies Register of Nanterre under No. 784 824 153.

Statutory Auditors and member of the Compagnie régionale de Versailles.

Term of mandate: six years.

Date of end of mandate: 2026 financial year.

Represented as at 30 June 2020 by Matthew Brown.


# CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2020

# 2.

# 2.1 CONSOLIDATED BALANCE SHEET

| *(in million euros)* | Notes | 30/06/2020 | 31/12/2019 |
|---|---|---|---|
| **Assets** | | | |
| Cash, central banks | 3 | 396 | 453 |
| Financial assets at fair value through profit or loss | 4 | - | - |
| Hedging instruments | | - | - |
| Financial assets at fair value through Equity | | - | - |
| Debt securities at amortised cost | | - | - |
| Loans and advances to credit institutions at amortised cost | 5 | 1,218 | 979 |
| Customer loans and receivables at amortised cost | 6 | 12,888 | 13,524 |
| Fair value adjustments to finance receivables portfolios hedged against interest rate risks | 20.1 | - | - |
| Current tax assets | 24.1 | 15 | 9 |
| Deferred tax assets | 24.1 | 2 | 1 |
| Accruals and other assets | 7 | 378 | 377 |
| Investments in associates and joint ventures accounted for using the equity method | | - | - |
| Property and equipment | | 26 | 18 |
| Intangible assets | | - | - |
| Goodwill | | - | - |
| **TOTAL ASSETS** | | **14,923** | **15,362** |

| *(in million euros)* | Notes | 30/06/2020 | 31/12/2019 |
|---|---|---|---|
| **Equity and liabilities** | | | |
| Central banks | | - | - |
| Financial liabilities at fair value through profit or loss | 8 | 1 | 2 |
| Hedging instruments | 9 | - | - |
| Deposits from credit institutions | 10 | 4,074 | 3,738 |
| Due to customers | 11 | 3,099 | 2,877 |
| Debt securities | 12 | 4,972 | 5,971 |
| Fair value adjustments to debt portfolios hedged against interest rate risks | 20.1 | - | - |
| Current tax liabilities | 24.1 | 5 | 3 |
| Deferred tax liabilities | 24.1 | 420 | 374 |
| Accruals and other liabilities | 13 | 738 | 776 |
| Provisions | | 28 | 23 |
| Subordinated debt | 14 | 155 | 155 |
| Equity | | 1,431 | 1,443 |
| Equity attributable to equity holders of the parent | | 1,431 | 1,443 |
| Share capital and other reserves | | 757 | 757 |
| Consolidated reserves | | 676 | 688 |
| *of which Net income - equity holders of the parent* | | *108* | *254* |
| Gains and losses recognised directly in Equity | | (2) | (2) |
| Minority interests | | - | - |
| **TOTAL EQUITY AND LIABILITIES** | | **14,923** | **15,362** |

# 2.2 CONSOLIDATED INCOME STATEMENT

| *(in million euros)* | Notes | 30/06/2020 | 30/06/2019 | 31/12/2019 |
|---|---|---|---|---|
| Interest and similar income | 17 | 250 | 227 | 475 |
| Interest and similar expenses | 18 | (43) | (37) | (78) |
| Fees and commissions income | 19 | 70 | 68 | 139 |
| Fees and commissions expenses | 19 | (2) | (2) | (4) |
| Net gains or losses on financial instruments at fair value through profit or loss | 20 | - | - | (2) |
| Net gains or losses on financial instruments at fair value through equity | | - | - | - |
| Net gains or losses resulting from the derecognition of financial assets at amortised cost | | - | - | - |
| Net gains or losses resulting from the reclassification of financial assets at amortised cost to financial assets at fair value through profit or loss | | - | - | - |
| Net gains or losses resulting from the reclassification of financial assets at fair value through other comprehensive income to financial assets at fair value through profit or loss | | - | - | - |
| Net income of insurance activities | | - | - | - |
| Income on other activities | 21 | 10 | 12 | 23 |
| Expenses on other activities | 21 | (11) | (9) | (24) |
| **Net banking revenue** | | **274** | **259** | **529** |
| **General operating expenses** | 22 | **(79)** | **(78)** | **(154)** |
| Personnel costs | | (32) | (33) | (66) |
| Other general operating expenses | | (47) | (45) | (88) |
| **Depreciation and amortisation of intangible and tangible assets** | | **(3)** | **(3)** | **(5)** |
| **Gains and losses on investments in companies that can be consolidated and other disposals of fixed assets** | | **-** | **-** | **-** |
| **Gross operating income** | | **192** | **178** | **370** |
| **Cost of risk** | 23 | **(31)** | **(14)** | **(37)** |
| **Operating income** | | **161** | **164** | **333** |
| Share in net income of associates and joint ventures accounted for using the equity method | | - | - | - |
| Impairment on goodwill | | - | - | - |
| Pension obligation - expenses | | - | - | - |
| Pension obligation - income | | - | - | - |
| Other non-operating items | | (5) | - | - |
| **Pre-tax income** | | **156** | **164** | **333** |
| Income taxes | 24.2 et 24.3 | (48) | (31) | (79) |
| **Net income** | | **108** | **133** | **254** |
| *of which minority interests* | | - | - | - |
| *of which attributable to equity holders of the parent* | | *108* | *133* | *254* |
| **Earnings per share** *(in euros)* | | **€11.93** | **€14.69** | **€28.06** |

2.

## 2.3 NET INCOME AND GAINS AND LOSSES RECOGNISED DIRECTLY IN EQUITY

| | 30/06/2020 | | | 30/06/2019 | | | 31/12/2019 | | |
|---|---|---|---|---|---|---|---|---|---|
| *(in million euros)* | Before tax | Tax | After tax | Before tax | Tax | After tax | Before tax | Tax | After tax |
| **Net income** | **156** | **(48)** | **108** | **164** | **(31)** | **133** | **333** | **(79)** | **254** |
| *of which minority interest* | | | - | | | - | | | - |
| **Recyclable in profit and loss elements** | | | | | | | | | |
| Fair value adjustments to hedging instruments | - | - | - | - | - | - | - | - | - |
| *of which revaluation reversed in net income* | - | - | - | - | - | - | - | - | - |
| *of which revaluation directly in equity* | - | - | - | - | - | - | - | - | - |
| **Not recyclable in profit and loss elements** | | | | | | | | | |
| Actuarial gains and losses on pension obligations | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - | - |
| **Total gains and losses recognised directly in Equity** | **0.4** | **(0.2)** | **0.2** | **-** | **-** | **-** | **(0.7)** | **0.4** | **(0.3)** |
| *of which minority interest* | | | - | | | - | | | - |
| **Total net income and gains and losses recognised directly in Equity** | **156** | **(48)** | **108** | **164** | **(31)** | **133** | **332** | **(79)** | **254** |
| *of which minority interest* | | | - | | | - | | | - |
| *of which attributable to equity holders of the parent* | | | *108* | | | *133* | | | *254* |

# 2.4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Share capital and other reserves | | | | Fair value adjustments - equity holders of the parent | | | | |
|---|---|---|---|---|---|---|---|---|---|
| *(in million euros)* | Share capital | Issue, share and merger premiums | Legal reserve and other reserves | Consolidated reserves | Actuarial gains and losses on pension obligations | Financial assets at fair value through equity: revaluation | Equity attributable to equity holders of the parent | Minority interests | Total equity |
| **As at 31 December 2018** | **145** | **593** | **19** | **550** | **(2)** | **-** | **1,305** | **-** | **1,305** |
| Appropriation of profit from the previous financial year | - | - | - | - | - | - | - | - | - |
| Net income and gains and losses recognised directly in equity | - | - | - | 133 | - | - | 133 | - | 133 |
| Dividend paid to Santander Consumer Finance | - | - | - | (58) | - | - | (58) | - | (58) |
| Dividend paid to Banque PSA Finance | - | - | - | (58) | - | - | (58) | - | (58) |
| **As at 30 June 2019** | **145** | **593** | **19** | **567** | **(2)** | **-** | **1,322** | **-** | **1,322** |
| Appropriation of profit from the previous financial year | - | - | - | - | - | - | - | - | - |
| Net income and gains and losses recognised directly in equity | - | - | - | 121 | - | - | 121 | - | 121 |
| Dividend paid to Santander Consumer Finance | - | - | - | - | - | - | - | - | - |
| Dividend paid to Banque PSA Finance | - | - | - | - | - | - | - | - | - |
| **As at 31 December 2019** | **145** | **593** | **19** | **688** | **(2)** | **-** | **1,443** | **-** | **1,443** |
| Appropriation of profit from the previous financial year | - | - | - | - | - | - | - | - | - |
| Net income and gains and losses recognised directly in equity | - | - | - | 108 | - | - | 108 | - | 108 |
| Dividend paid to Santander Consumer Finance | | - | - | (60) | - | - | (60) | - | (60) |
| Dividend paid to Banque PSA Finance | | - | - | (60) | - | - | (60) | - | (60) |
| **As at 30 June 2020** | **145** | **593** | **19** | **676** | **(2)** | **-** | **1,431** | **-** | **1,431** |

***On legal terms:***

*On 31 December 2014, PSA Banque France's share capital was €9,600,000, fully paid-up; it was divided into 600,000 shares.*

*On 31 December 2015, PSA Banque France's share capital was €144,842,528 fully paid-up; it was divided into 9,052,658 shares.*

*As a reminder, on 30 January 2015, the following operations were recognised at PSA Banque France:*

- *a capital increase for an amount of €131,627,216, through the issue of 8,226,701 new ordinary shares with a value of €16 each in payment for contributions in kind (contribution of SOFIRA and CREDIPAR shares by Banque PSA Finance);*
- *share premium of an amount of €722,082,615.23 corresponding to the difference between the value of the contributions, representing €853,709,831.23, and the nominal value of the shares issued in payment for the contributions, representing €131,627,216;*
- *a cash capital increase of a nominal amount of €3,615,312 through the issue, with maintaining of preferential right to subscribe, of 225,957 shares of €16 nominal value each associated with a total premium of €19,832,904.52.*

*Since 31 December 2016, PSA Banque France's share capital is €144,842,528 fully paid-up; it is divided into 9,052,658 shares.*

*In accordance with the Amendment to IAS 1 - Presentation of Financial Statements - Capital Disclosures, the necessary information is given in the paragraph "Regulatory capital and regulatory capital requirements" of the Half-Year Management Report.*

2.

## 2.5 CONSOLIDATED STATEMENT OF CASH FLOWS

| *(in million euros)* | 30/06/2020 | 30/06/2019 | 31/12/2019 |
|---|---|---|---|
| **Pre-tax income** | **156** | **164** | **333** |
| Non-cash items | | | |
| Net depreciation and impairment of property and equipment and intangible assets | 3 | 2 | 4 |
| Net depreciation and provisions | 44 | 17 | 56 |
| Net gain/loss of investing activities | - | - | - |
| Income/expenses of financing activities | 1 | 2 | 3 |
| Other movements | (262) | (65) | (12) |
| **Total of non-monetary items included in the pre-tax income and other adjustments** | **(214)** | **(44)** | **51** |
| Change in credit institutions items | 330 | (935) | 194 |
| Change in customer items | 1,036 | (508) | (1,367) |
| Change in financial assets and liabilities | (995) | 1,368 | 1,395 |
| Change in non-financial assets and liabilities | - | 103 | 220 |
| Tax paid | (7) | (37) | (50) |
| **Net decrease/increase of assets and liabilities provided by operating activities** | **364** | **(9)** | **392** |
| **Net cash provided by operating activities (A)** | **306** | **111** | **776** |
| **Change in equity investments** | **-** | **-** | **-** |
| Inflows from disposals of shares in subsidiaries, net of cash transferred | - | - | - |
| Outflows linked to acquisitions of shares in subsidiaries, net of cash transferred | - | - | - |
| **Change in property and equipment and intangible assets** | **-** | **(1)** | **(2)** |
| Outflows from acquisitions of property and equipment and intangible assets | (1) | (1) | (3) |
| Inflows from disposals of property and equipment and intangible assets | 1 | - | 1 |
| **Effect of changes in scope of consolidation** | **-** | **-** | **-** |
| **Net cash used by investing activities (B)** | **-** | **(1)** | **(2)** |
| **Cash flows from or to shareholders** | | | |
| Outflows for the dividends paid to: | (120) | (116) | (116) |
| Santander Consumer Finance | (60) | (58) | (58) |
| Banque PSA Finance | (60) | (58) | (58) |
| Inflows from issuance of equity instruments | - | - | - |
| **Other net cash from financing activities** | | | |
| Inflow/(outflow) linked to subordinated debt | (3) | (3) | (5) |
| **Net cash used by financing activities (C)** | **(123)** | **(119)** | **(121)** |
| **Effect of changes in exchange rates (D)** | **-** | **-** | **-** |
| **Net increase/(decrease) of cash and cash equivalents (A + B + C + D)** | **183** | **(9)** | **653** |
| **Cash and cash equivalents at the beginning of the period** | **1,424** | **771** | **771** |
| Cash, central banks (assets and liabilities) | 453 | 329 | 329 |
| Demand accounts (assets and liabilities) and loans/borrowing with credit institutions | 971 | 442 | 442 |
| **Cash and cash equivalents at the end of the period** | **1,607** | **762** | **1,424** |
| Cash, central banks (assets and liabilities) | 396 | 432 | 453 |
| Demand accounts (assets and liabilities) and loans/borrowing with credit institutions | 1,211 | 330 | 971 |

# 2.6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Contents

# NOTE 1 Main events of the period and Group structure

## A. MAIN EVENTS OF THE PERIOD

The worldwide COVID-19 coronavirus pandemic has affected the production and sales activities of PSA Group. To face this unprecedented health crisis situation imposing a period of national lockdown from 17 March to 11 May 2020, the PSA Banque France Group has implemented numerous temporary emergency measures to specifically respond to the threat of the proliferation of the coronavirus and to the uninterrupted support of the activity of its customers.

Among these, the main measures taken were:

- For financing activities to end-user customers:
  - the proactive and systematic deferral of instalments for a 90-day period for a target of Small and Medium-sized Enterprises and corporate customers,
  - the 30-day deferral of the due date for the April instalment upon request and certain subsequent instalments for individuals and other SMEs not eligible for systematic deferral.
- For dealer network financing activities and in agreement with the brands of the PSA Group, the extension of the free of charge period by:
  - 30 days for new vehicles and demo cars,
  - 60 days for used cars and spare parts in storage at the onset of the COVID-19 pandemic.

A more detailed description is given in chapter F of paragraph 1.1.2.2 of the Half-Year Management Report.

## B. CHANGES IN GROUP STRUCTURE

There was no change in the PSA Banque France Group structure in the first half of 2020.

## C. LIST OF CONSOLIDATED COMPANIES

| Companies | Country ISO code | PSA Banque France interest % Direct | Indirect % | Indirect Held by | 30/06/2020 Consolidation method | 30/06/2020 % interest | 31/12/2019 Consolidation method | 31/12/2019 % interest |
|---|---|---|---|---|---|---|---|---|
| **Subsidiaries** | | | | | | | | |
| *Sales financing* | | | | | | | | |
| CREDIPAR | FR | 100 | - | | FC | 100 | FC | 100 |
| CLV | FR | - | 100 | CREDIPAR | FC | 100 | FC | 100 |
| **Special purpose entities** | | | | | | | | |
| FCT Auto ABS French Loans Master | FR | - | - | | FC | 100 | FC | 100 |
| FCT Auto ABS DFP Master – Compartment France 2013 | FR | - | - | | FC | 100 | FC | 100 |
| FCT Auto ABS French Leases Master – Compartment 2016 | FR | - | - | | FC | 100 | FC | 100 |
| FCT Auto ABS French LT Leases Master | FR | - | - | | FC | 100 | FC | 100 |
| FCT Auto ABS French Leases 2018 | FR | - | - | | FC | 100 | FC | 100 |

# NOTE 2 Accounting policies

The interim consolidated financial statements for the six months ended 30 June 2020 have been prepared in accordance with IAS 34 – Interim Financial Reporting, which allows to present a selection of explanatory notes. These condensed interim consolidated financial statements should be read in conjunction with the 2019 consolidated financial statements.

The accounting principles applied to prepare the interim consolidated financial statements for the six months ended 30 June 2020, are identical to those used for the financial year ended 31 December 2019, with the exception of the application of new compulsory standards and interpretations, see the section below: "New IFRS and IFRIC Interpretations compulsorily applicable to the financial year commencing on 1 January 2020".

In accordance with European Council Regulation 1606/2002/EC dated 19 July 2002 on the application of international accounting standards from 1 January 2005, PSA Banque France's consolidated financial statements for the year ended 31 December 2019 have been prepared in accordance with the International Financial Reporting Standards (IFRS) applicable and adopted by the European Union as of that date.

As of 30 June 2020, the presentation of PSA Banque France Group's consolidated financial statements are prepared according to the recommendation of the French accounting standards (ANC) setter, in particular the recommendation ANC No. 2017-02 of 2 June 2017 related to the presentation of the consolidated financial statements of banking institutions as of 1 January 2018.

International Financial Reporting Standards (IFRS) also include International Accounting Standards (IAS) and related interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC).

## New IFRS and IFRIC Interpretations compulsorily applicable to the financial year commencing on 1 January 2020

**There are no new mandatory texts on 1 January 2020, applied by PSA Banque France Group.**

However, on 24 April 2020, in the context of extraordinary economic developments linked to the pandemic, the International Accounting Standards Board (IASB) urgently published an exposure draft entitled "COVID-19-Related Rent Concessions (Proposed amendment to IFRS 16)", which proposes to amend IFRS 16 in such a way that lessees can benefit from the exemption from assessing whether a reduction in rent corresponds to a modification of the rental contract. The comment period ended on 8 May 2020. The amendment is effective for reporting periods beginning on or after 1 June 2020, subject to its adoption by the European Commission.

**"Covid-19-Related Rent Concessions (Amendment to IFRS 16)":**

This amendment seeks to amend the standard to:

- provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification;
- require lessees that apply the exemption to account for COVID-19-related rent concessions as if they were not lease modifications;
- require lessees that apply the exemption to disclose the related information;
- require lessees to apply the exemption retrospectively in accordance with IAS 8, but not require them to restate prior period figures.

**The amendment does not affect lessors and has no impact on the PSA Banque France Group.**

# NOTE 3 Cash, central banks

| *(in million euros)* | 30/06/2020 | 31/12/2019 |
|---|---|---|
| Cash and post office banks | - | - |
| Central bank* | 396 | 453 |
| *of which compulsory reserves deposited with the Banque de France* | *36* | *33* |
| **TOTAL** | **396** | **453** |

* *Apart from compulsory reserves, the supplementary deposits on the Banque de France account correspond to a high-quality liquidity asset type investment in order to comply with the Liquidity Coverage Ratio (LCR).*

# NOTE 4 Financial assets at fair value through profit or loss

## 4.1 ANALYSIS BY NATURE

| *(in million euros)* | 30/06/2020 | 31/12/2019 |
|---|---|---|
| **Fair value of trading derivatives*** | **1** | **2** |
| *of which related companies with Santander Consumer Finance Group* | - | - |
| **Offsetting positive fair value and received margin calls** | **(1)** | **(2)** |
| **Accrued interest on trading derivatives** | **-** | **-** |
| *of which related companies with Santander Consumer Finance Group* | - | - |
| **Equity securities at fair value through profit or loss** | **-** | **-** |
| **TOTAL** | **-** | **-** |

* *The swaps classified as held for trading are related to securitisation activities. With the exception of intermediation fees, changes in the fair value of these swaps are offset by changes in the fair value of swaps in the opposite direction before offsetting margin calls at CREDIPAR. In fact, the rate of the swap set up in the securitising entity (CREDIPAR) since 2018 includes intermediation costs, whereas this is not the case for the swap set up in the opposite direction in the securitisation vehicle (FCT) (see Notes 9.1 and 20.1).*

## 4.2 OFFSETTING SWAPS WITH MARGIN CALL DESIGNATED AS TRADING - ASSETS

FOR 2020

| | Asset gross amount | | | | |
|---|---|---|---|---|---|
| **Positive valued swaps** *(in million euros)* | **Swap's winning leg** | **Swap's losing leg** | **Asset net amount before offsetting** | **Offsetting with received margin calls** | **Balance sheet amount after offsetting** |
| **Positive fair value** | **1.0** | **-** | **1.0** | **-** | **1.0** |
| *Swaps with margin call* | *1.0* | - | *1.0* | - | *1.0* |
| *Swaps without margin call* | - | - | - | - | - |
| **Offsetting** | **-** | **-** | **-** | **(1.0)** | **(1.0)** |
| **Accrued income** | **-** | **-** | **-** | **-** | **-** |
| *Swaps with margin call* | - | - | - | - | - |
| *Swaps without margin call* | - | - | - | - | - |
| **Total assets** | **1.0** | **-** | **1.0** | **(1.0)** | **-** |
| Margin calls received on swaps designated as trading (deferred income - see Note 13) | - | - | 1.0 | (1.1) | (0.1) |
| **Total liabilities** | **-** | **-** | **1.0** | **(1.1)** | **(0.1)** |

FOR 2019

| Positive valued swaps *(in million euros)* | Asset gross amount Swap's winning leg | Swap's losing leg | Asset net amount before offsetting | Offsetting with received margin calls | Balance sheet amount after offsetting |
|---|---|---|---|---|---|
| **Positive fair value** | **1.9** | **-** | **1.9** | **-** | **1.9** |
| *Swaps with margin call* | *1.9* | *-* | *1.9* | *-* | *1.9* |
| *Swaps without margin call* | *-* | *-* | *-* | *-* | *-* |
| **Offsetting** | **-** | **-** | **-** | **(1.7)** | **(1.7)** |
| **Accrued income** | **0.1** | **-** | **0.1** | **-** | **0.1** |
| *Swaps with margin call* | *0.1* | *-* | *0.1* | *-* | *0.1* |
| *Swaps without margin call* | *-* | *-* | *-* | *-* | *-* |
| **Total assets** | **1.9** | **-** | **1.9** | **(1.7)** | **0.2** |
| Margin calls received on swaps designated as trading (deferred income - see Note 13) | - | - | 2.1 | (1.7) | 0.4 |
| **Total liabilities** | **-** | **-** | **2.1** | **(1.7)** | **0.4** |

# NOTE 5 Loans and advances to credit institutions at amortised cost

## ANALYSIS OF DEMAND AND TIME ACCOUNTS

| *(in million euros)* | 30/06/2020 | 31/12/2019 |
|---|---|---|
| Demand accounts | 1,218 | 979 |
| Ordinary accounts in debit | 1,218 | 979 |
| *of which held by securitisation funds* | *158* | *170* |
| *of which pledged for the SRT transaction** | *126* | *126* |
| Amounts to receive on bank accounts | - | - |
| Current accounts and overnight loans | - | - |
| *of which related companies with Santander Consumer Finance Group* | - | - |
| **Time accounts** | **-** | **-** |
| **Accrued interest** | **-** | **-** |
| **TOTAL** | **1,218** | **979** |

* *For the benefit of the Auto ABS Synthetic French Loans 2019 securitisation Special Purpose Vehicle.*

2.

# NOTE 6 Customer loans and receivables at amortised cost

## 6.1 ANALYSIS BY TYPE OF FINANCING

| *(in million euros)* | 30/06/2020 | 31/12/2019 |
|---|---|---|
| **Loans** | **2,420** | **2,484** |
| *of which securitised (1)* | *1,869* | *1,887* |
| **Leasing with a purchase option (2)** | **4,123** | **3,862** |
| Principal and interest | 4,587 | 4,318 |
| *of which securitised (1)* | *2,335* | *1,565* |
| Unaccrued interest on leasing with a purchase option | (464) | (456) |
| *of which securitised (1)* | *(250)* | *(153)* |
| **Long-term leases (2)** | **3,137** | **2,926** |
| Principal and interest | 3,388 | 3,182 |
| *of which securitised (1)* | *1,004* | *1,059* |
| Unaccrued interest on long-term leases | (251) | (256) |
| *of which securitised (1)* | *(86)* | *(102)* |
| Leasing deposits | - | - |
| *of which securitised (1)* | - | - |
| **Trade receivables** | **2,359** | **3,352** |
| Related companies with PSA Group | - | - |
| Non-group companies | 2,359 | 3,352 |
| *of which securitised (1)* | *94* | *843* |
| **Other finance receivables (including equipment loans, revolving credit)** | **558** | **574** |
| **Ordinary accounts in debit** | **107** | **141** |
| Related companies with PSA Group | 6 | 2 |
| Non-group companies | 101 | 139 |
| **Deferred items included in amortised cost - customers loans and receivables** | **184** | **185** |
| Deferred acquisition costs | 274 | 285 |
| Deferred loan set-up costs | (23) | (27) |
| Deferred manufacturer and dealer contributions | (67) | (72) |
| **TOTAL LOANS AND RECEIVABLES AT AMORTISED COST (3)** | **12,888** | **13,524** |
| *of which securitised (1)* | *4,966* | *5,099* |

*(1) The PSA Banque France Group has set up several securitisation programmes (see Note 6.3).*

*(2) The PSA Banque France Group purchases vehicles from Peugeot, Citroën and DS dealers and leases them to end-user customers. Leases are mainly offered for one to five years. The PSA Banque France Group remains holder of the vehicle's papers throughout the rental period. At the end of a lease with a purchase option, the customer has the choice of returning the vehicle or exercising his purchase option. For long-term lease contracts, the dealer or, in certain cases, the manufacturer himself undertakes to buy the vehicle from the PSA Banque France Group when it is returned by the lessee at the end of the contract at a price determined at the time of the establishment of the lease. This recovery value of the vehicle corresponds to the estimated residual value of the vehicle at the end of the rental period. This commitment to take back the vehicle allows the PSA Banque France Group to avoid being exposed to the risk associated with the vehicle's recovery and any change in its value at the end of the lease. The amount that the dealer or manufacturer pays to the PSA Banque France Group is not affected by any fees the customer may incur if the vehicle is not in a satisfactory condition or has exceeded its agreed mileage. On the other hand, PSA Banque France Group will generally bear the risk on the resale value of the vehicle if during the rental period of the vehicle, the customer interrupts the payment of his rents. In fact, the predetermined amount of recovery of the vehicle by the dealer or manufacturer may not be sufficient to compensate for the loss of rents not paid by the customer in the event of an early termination, which the PSA Banque France Group analyses as an integral part of the credit risk on the customer. The long-term lease contracts therefore include a clause to compensate for the damage caused by the early termination of the contract.*

*Consequently, given the commitments received from the dealers or the manufacturer, on the recovery and the residual values of the vehicles at the end of the contract, and these commitments being considered enforceable although the manufacturer is a related party in the sense of IAS24, PSA Banque France Group considers that it does not bear the risks and advantages related to the value and the ownership of the vehicle. For this reason, lease transactions (lease with a purchase option and long-term lease) are considered and accounted for as finance leases and are presented in the accounts as outstanding loans.*

*(3) All of the Customer Loans and Receivables are denominated in euros.*

## 6.2 CUSTOMER LOANS AND RECEIVABLES BY SEGMENT

| IFRS 8 Segment | Corporate Dealers | | End user - Retail | | End user - Corporate and equivalent | | Total | |
|---|---|---|---|---|---|---|---|---|
| Type of financing | (A - see B Note 23.1) | | (B - see A Note 23.1) | | (C - see C Note 23.1) | | | |
| *(in million euros)* | 30/06/2020 | 31/12/2019 | 30/06/2020 | 31/12/2019 | 30/06/2020 | 31/12/2019 | 30/06/2020 | 31/12/2019 |
| Loans | 12 | 12 | 2,407 | 2,470 | 1 | 2 | 2,420 | 2,484 |
| Leasing with a purchase option | 8 | 8 | 4,072 | 3,815 | 43 | 39 | 4,123 | 3,862 |
| Long-term leases | 247 | 241 | 1,955 | 1,761 | 935 | 924 | 3,137 | 2,926 |
| Trade Receivables | 2,359 | 3,352 | - | - | - | - | 2,359 | 3,352 |
| Other finance receivables | 550 | 565 | 5 | 6 | 3 | 3 | 558 | 574 |
| Ordinary accounts in debit | 107 | 141 | - | - | - | - | 107 | 141 |
| Deferred items included in amortised cost | 2 | 3 | 156 | 155 | 26 | 27 | 184 | 185 |
| **TOTAL CUSTOMER LOANS BY SEGMENT (BASED ON IFRS 8)** | **3,285** | **4,322** | **8,595** | **8,207** | **1,008** | **995** | **12,888** | **13,524** |

## 6.3 REFINANCING PROGRAMMES BY SECURITISATION

| | | | Sold net receivables | |
|---|---|---|---|---|
| Fund | Closing, i.e. first date of sale | Type of financing | As at 30/06/2020 | As at 31/12/2019 |
| FCT Auto ABS French Loans Master | 13/12/2012 (2) | Loans | 1,869 | 1,887 |
| FCT Auto ABS DFP Master - Compartment France 2013 | 03/05/2013 (2) | Trade receivables | 94 | 843 |
| FCT Auto ABS French Leases Master - Compartment 2016 | 28/07/2016 (2) | Leasing with a purchase option (1) | 1,762 | 910 |
| FCT Auto ABS French LT Leases Master | 27/07/2017 (2) | Long-term leases (3) | 918 | 957 |
| FCT Auto ABS French Leases 2018 | 23/11/2018 | Leasing with a purchase option (1) | 323 | 502 |
| **TOTAL** | | | **4,966** | **5,099** |

*(1) Sold receivables correspond to future lease payments and sales receivables of the vehicle or purchase option (leases with a purchase option or finance leases).*
*(2) The monthly issuances of these funds enable the adjustment of the liabilities of the fund towards the portfolio to be refinanced (portfolio that can increase or decrease) up to the maximum programme size.*
*(3) Sold receivables correspond to future long-term lease revenues and residual value.*

When CREDIPAR is refinanced through securitisation, it uses Special Purpose Vehicles (SPV) to which it assigns its receivables. The funds are special purpose entities that are fully consolidated by the PSA Banque France Group as its CREDIPAR subsidiary retains the majority of the risks (mainly credit risk) and rewards (net banking revenue) generated by the special entities.

The credit enhancement techniques used by the PSA Banque France Group as part of its securitisation transactions retain on its books the financial risks inherent in these transactions. The Group also finances all liquidity reserves which enable it to manage specific risks. Lastly, the Group remains the exclusive beneficiary of the benefits which derive from these transactions, particularly where the remuneration received as counterparty for the placing of the senior tranches on the majority of the transactions is concerned.

# NOTE 7 Accruals and other assets

| *(in million euros)* | 30/06/2020 | 31/12/2019 |
|---|---|---|
| **Other receivables** | **249** | **163** |
| *of which related companies with PSA Group* | *187* | *115* |
| **Prepaid and recoverable taxes** | **63** | **67** |
| **Accrued income** | **7** | **11** |
| *of which related companies with PSA Group* | *6* | *9* |
| **Prepaid expenses** | **6** | **5** |
| *of which margin calls paid on swaps** | - | - |
| *of which related companies with Santander Consumer Finance Group* | *4* | *5* |
| *of which non-group companies* | *(4)* | *(5)* |
| **Other** | **53** | **131** |
| *of which related companies with Santander Consumer Finance Group* | *9* | *6* |
| **TOTAL** | **378** | **377** |

* *As at 30 June 2020, margin calls paid on swaps were offset with the negative fair value for an amount of €3.9 million, compared to €4.9 million as at 31 December 2019 (see Notes 8.2 & 9.2).*

# NOTE 8 Financial liabilities at fair value through profit or loss

## 8.1 ANALYSIS BY NATURE

| *(in million euros)* | 30/06/2020 | 31/12/2019 |
|---|---|---|
| **Fair value of trading derivatives** | **1** | **2** |
| *of which related companies with Santander Consumer Finance Group* | - | - |
| **Offsetting negative fair value and paid margin calls** | **-** | **-** |
| **Accrued expense on trading derivatives** | **-** | **-** |
| *of which related companies with Santander Consumer Finance Group* | - | - |
| **TOTAL** | **1** | **2** |

The swaps classified as held for trading are related to securitisation activities. With the exception of intermediation fees, changes in the fair value of these swaps are offset by changes in the fair value of swaps in the opposite direction before offsetting margin calls at CREDIPAR.

In fact, the rate of the swap set up in the securitising entity (CREDIPAR) since 2018 includes intermediation costs, whereas this is not the case for the swap set up in the opposite direction in the securitisation vehicle (*FCT*) (see Notes 4.1 and 20.1).

## 8.2 OFFSETTING SWAPS WITH MARGIN CALL DESIGNATED AS TRADING - LIABILITIES

FOR 2020

| Negative valued swaps *(in million euros)* | Liability gross amount: Swap's winning leg | Liability gross amount: Swap's losing leg | Liability net amount before offsetting | Offsetting with paid margin calls | Balance sheet amount after offsetting |
|---|---|---|---|---|---|
| **Negative fair value** | **-** | **1.1** | **1.1** | **-** | **1.1** |
| Swaps with margin call | - | - | - | - | - |
| Swaps without margin call | - | 1.1 | 1.1 | - | 1.1 |
| **Offsetting** | **-** | **-** | **-** | **-** | **-** |
| **Accrued expense** | **-** | **-** | **-** | **-** | **-** |
| Swaps with margin call | - | - | - | - | - |
| Swaps without margin call | | | - | - | - |
| **Total liabilities** | **-** | **1.1** | **1.1** | **-** | **1.1** |
| Margin calls paid on swaps designated as trading (prepaid expenses - see Note 7) | - | - | - | - | - |
| **Total assets** | **-** | **-** | **-** | **-** | **-** |

FOR 2019

| Negative valued *(in million euros)* | Liability gross amount: Swap's winning leg | Liability gross amount: Swap's losing leg | Liability net amount before offsetting | Offsetting with paid margin calls | Balance sheet amount after offsetting |
|---|---|---|---|---|---|
| **Negative fair value** | **-** | **2.2** | **2.2** | **-** | **2.2** |
| Swaps with margin call | - | | - | - | - |
| Swaps without margin call | - | 2.2 | 2.2 | - | 2.2 |
| **Offsetting** | **-** | **-** | **-** | **-** | **-** |
| **Accrued expense** | **-** | **0.1** | **0.1** | **-** | **0.1** |
| Swaps with margin call | - | 0.1 | 0.1 | - | 0.1 |
| Swaps without margin call | - | - | - | - | - |
| **Total liabilities** | **-** | **2.3** | **2.3** | **-** | **2.3** |
| Margin calls paid on swaps designated as trading (prepaid expenses - see Note 7) | - | - | - | - | - |
| **Total assets** | **-** | **-** | **-** | **-** | **-** |

# NOTE 9 Hedging instruments - Liabilities

## 9.1 ANALYSIS BY NATURE

| *(in million euros)* | 30/06/2020 | 31/12/2019 |
|---|---|---|
| **Negative fair value of instruments designated as hedges of:** | **4** | **5** |
| Borrowings | - | - |
| EMTNs/NEU MTNs | - | - |
| Bonds | - | - |
| NEU CP - Other debts securities | - | - |
| Customer loans (loans, leasing with a purchase option and long-term leases) | 4 | 5 |
| *of which related companies with Santander Consumer Finance Group* | - | - |
| **Offsetting negative fair value and paid margin calls (see Note 9.2)** | **(4)** | **(5)** |
| **Accrued expenses on swaps designated as hedges** | **-** | **-** |
| *of which related companies with Santander Consumer Finance Group* | - | - |
| **TOTAL** | **-** | **-** |

Fair value is determined by applying valuation techniques based on observable market data (level 2).

Fair Value Hedge effectiveness is analysed in Note 20.

## 9.2 OFFSETTING SWAPS WITH MARGIN CALL DESIGNATED AS HEDGES - LIABILITIES

FOR 2020

| | Liability gross amount | | | | |
|---|---|---|---|---|---|
| **Negative valued swaps** *(in million euros)* | **Swap's winning leg** | **Swap's losing leg** | **Liability net amount before offsetting** | **Offsetting with paid margin calls** | **Balance sheet amount after offsetting** |
| **Negative fair value** | **(9.3)** | **13.1** | **3.8** | **-** | **3.8** |
| Swaps with margin call | (9.3) | 13.1 | 3.8 | - | 3.8 |
| Swaps without margin call | - | - | - | - | - |
| **Offsetting** | **-** | **-** | **-** | **(3.9)** | **(3.9)** |
| **Accrued expense** | **(0.2)** | **0.3** | **0.1** | **-** | **0.1** |
| Swaps with margin call | (0.2) | 0.3 | 0.1 | - | 0.1 |
| Swaps without margin call | - | - | - | - | - |
| **Total liabilities** | **(9.5)** | **13.4** | **3.9** | **(3.9)** | **-** |
| Margin calls paid on swaps designated as hedges (prepaid expenses - see Note 7) | - | - | 4.1 | (3.9) | 0.2 |
| **Total assets** | **-** | **-** | **4.1** | **(3.9)** | **0.2** |

FOR 2019

| **Negative valued swaps** *(in million euros)* | **Liability gross amount** | | **Liability net amount before offsetting** | **Offsetting with paid margin calls** | **Balance sheet amount after offsetting** |
|---|---|---|---|---|---|
| | **Swap's winning leg** | **Swap's losing leg** | | | |
| **Negative fair value** | **(1.9)** | **6.5** | **4.6** | **-** | **4.6** |
| Swaps with margin call | (1.9) | 6.5 | 4.6 | - | 4.6 |
| Swaps without margin call | - | - | - | - | - |
| **Offsetting** | **-** | **-** | **-** | **(4.9)** | **(4.9)** |
| **Accrued expense** | **(0.1)** | **0.5** | **0.3** | **-** | **0.3** |
| Swaps with margin call | (0.1) | 0.5 | 0.3 | - | 0.3 |
| Swaps without margin call | - | - | - | - | - |
| **Total liabilities** | **(2.0)** | **6.9** | **4.9** | **(4.9)** | **-** |
| Margin calls paid on swaps designated as hedges (prepaid expenses - see Note 7) | - | - | 5.0 | (4.9) | 0.1 |
| **Total assets** | **-** | **-** | **5.0** | **(4.9)** | **0.1** |

# NOTE 10 Deposits from credit institutions

ANALYSIS OF DEMAND AND TIME ACCOUNTS

| *(in million euros)* | **30/06/2020** | **31/12/2019** |
|---|---|---|
| **Demand deposits** | **7** | **9** |
| Ordinary accounts in credit | 6 | 7 |
| *of which related companies with PSA Group* | - | - |
| Accounts and deposits at overnight rates | - | - |
| *of which related companies with Santander Consumer Finance Group* | - | - |
| Other amounts due to credit institutions | 1 | 2 |
| **Accrued interest** | **-** | **-** |
| **Time deposits (non-group institutions)** | **4,070** | **3,740** |
| Conventional bank deposits | 2,270 | 2,440 |
| *of which related companies with Santander Consumer Finance Group* | *1,770* | *1,890* |
| Deposits from the ECB (see Note 16) | 1,800 | 1,300 |
| **Deferred items included in amortised cost of deposits from credit institutions** | **-** | **-** |
| Debt issuing costs (deferred charges) | - | - |
| **Accrued interest** | **(3)** | **(11)** |
| *of which related companies with Santander Consumer Finance Group* | - | - |
| **TOTAL DEPOSITS FROM CREDIT INSTITUTIONS AT AMORTISED COST*** | **4,074** | **3,738** |

* *Total debt is denominated in euros.*

# NOTE 11 Due to customers

| *(in million euros)* | 30/06/2020 | 31/12/2019 |
|---|---|---|
| **Demand accounts** | **2,658** | **2,435** |
| Ordinary accounts in credit | 290 | 222 |
| Related companies with PSA Group | 86 | 110 |
| Non-group companies | 205 | 112 |
| Passbook savings accounts | 2,317 | 2,155 |
| Other amounts due to customers | 51 | 58 |
| Related companies with PSA Group | - | - |
| Non-group companies | 51 | 58 |
| **Accrued interest** | **10** | **15** |
| *of which passbook savings accounts* | *10* | *15* |
| **Time deposits** | **425** | **420** |
| Term deposit accounts | 414 | 408 |
| Other | 11 | 12 |
| Related companies | - | - |
| Non-group companies | 11 | 12 |
| **Accrued interest** | **6** | **6** |
| *of which time deposits* | *6* | *6* |
| **TOTAL*** | **3,099** | **2,877** |

* *Total debt is denominated in euros.*

*In the segment information, "Customer ordinary accounts in credit", "Passbook savings accounts" and "Term deposit accounts" are classified in "Refinancing" (see Note 25.1).*

# NOTE 12 Debt securities

## 12.1 ANALYSIS BY NATURE

| *(in million euros)* | 30/06/20120 | 31/12/2019 |
|---|---|---|
| **Interbank instruments and money-market securities (non-group institutions)** | **3,297** | **3,748** |
| EMTNs and NEU MTNs (1) | 2,613 | 2,833 |
| *of which paper in the process of being delivered* | - | *10* |
| NEU CP | 684 | 915 |
| *of which paper in the process of being delivered* | - | - |
| **Securities issued by securitisation funds (see Note 12.3)** | **1,681** | **2,225** |
| **Accrued interest** | **3** | **9** |
| Securitisation | - | - |
| **Deferred items included in amortised cost of debt securities** | **(9)** | **(11)** |
| Debt issuing costs and premiums (deferred charges) | (9) | (11) |
| **TOTAL DEBT SECURITIES AT AMORTISED COST (2)** | **4,972** | **5,971** |

*(1) In January 2020, the PSA Banque France Group reimbursed its first EMTN issued in 2017 with a 3 year maturity in an amount of €500 million.*

*(2) Total debt is denominated in euros.*

## 12.2 ANALYSIS BY MATURITY OF DEBT SECURITIES (EXCLUDING ACCRUED INTEREST)

| | 30/06/2020 | | | 31/12/2019 | | |
|---|---|---|---|---|---|---|
| *(in million euros)* | **Securitisations** | **Money-market securities** | **Other** | **Securitisations** | **Money-market securities** | **Other** |
| 0 to 3 months | 22 | 666 | - | 29 | 595 | - |
| 3 to 6 months | 26 | 237 | - | 630 | 484 | - |
| 6 months to 1 year | 105 | 237 | - | 234 | 520 | - |
| 1 to 5 years | 1,528 | 2,157 | - | 1,332 | 2,149 | - |
| Over 5 years | - | - | - | - | - | - |
| **TOTAL** | **1,681** | **3,297** | **-** | **2,225** | **3,748** | **-** |

## 12.3 SECURITISATION PROGRAMMES

SECURITIES ISSUED BY SECURITISATION FUNDS

| *(in million euros)* | | | Issued bonds | | |
|---|---|---|---|---|---|
| **Fund** | **Bonds** | **Rating (1)** | **As at 30/06/2020** | **As at 31/12/2019** | **At the origin** |
| FCT Auto ABS French Loans Master | | Fitch/Moody's | | | |
| | Class A | AA/Aa2 | 1,790 | 1,804 | N/A |
| | Class B | - | 157 | 155 | N/A |
| FCT Auto ABS DFP Master - Compartment France 2013 | | Not Rated | | | |
| | Class A | - | - | 600 | N/A |
| | Class B | - | 98 | 272 | N/A |
| FCT Auto ABS French Leases Master - Compartment 2016 | | Not Rated | | | |
| | Class A | - | 947 | 600 | N/A |
| | Class B | - | 845 | 343 | N/A |
| FCT Auto ABS French LT Leases Master | | Not Rated | | | |
| | Class A | - | 538 | 600 | N/A |
| | Class B | - | 379 | 393 | N/A |
| FCT Auto ABS French Leases 2018 | | Moody's/DBRS | | | |
| | Class A | Aaa/AAA | 183 | 365 | 450 |
| | Class B | A1/AA (low) | 60 | 60 | 60 |
| | Class C | Not Rated | 90 | 90 | 90 |
| Elimination of intragroup transactions (2) | | | (3,406) | (3,057) | |
| **TOTAL** | | | **1,681** | **2,225** | |

(1) *Rating obtained at closing or at last restructuring date of the transaction.*
(2) *CREDIPAR purchases subordinated securities and can also purchase senior securities, in order to use them as collateral at the European Central Bank.*

2.

## NOTE 13 Accruals and other liabilities

| *(in million euros)* | **30/06/2020** | **31/12/2019** |
|---|---|---|
| **Trade payables** | **227** | **298** |
| Related companies | 179 | 248 |
| *of which related companies with PSA Group* | *179* | *248* |
| *of which related companies with Santander Consumer Finance Group* | - | - |
| Non-group companies | 48 | 50 |
| **Financial debt** (1) | **19** | **10** |
| Non-group companies | 19 | 10 |
| **Accrued payroll and other taxes** | **86** | **41** |
| **Accrued charges** | **153** | **201** |
| Related companies | 30 | 25 |
| *of which related companies with PSA Group* | *25* | *21* |
| *of which related companies with Santander Consumer Finance Group* | *5* | *4* |
| Non-group companies | 123 | 176 |
| **Other payables** | **172** | **156** |
| Related companies | 34 | 16 |
| *of which related companies with PSA Group* | *34* | *16* |
| Non-group companies | 138 | 140 |
| **Deferred income** | **15** | **18** |
| *of which margin calls received on swaps* (2) | - | - |
| Related companies | 9 | 7 |
| *of which related companies with PSA Group* | *9* | *7* |
| *of which related companies with Santander Consumer Finance Group* | - | - |
| Non-group companies | 6 | 11 |
| **Other** | **66** | **52** |
| Non-group companies | 66 | 52 |
| **TOTAL** | **738** | **776** |

*(1) Impact following the application of IFRS16 as at 1 January 2019, recognised as well in property and equipment on the asset side of the balance sheet.*

*(2) As at 30 June 2020, margin calls paid on swaps were offset with the positive fair value for an amount of €1 million, compared to €1.7 million as at 31 December 2019 (see Note 4.2).*

# NOTE 14 Subordinated debt

| *(in million euros)* | 30/06/2020 | 31/12/2019 |
|---|---|---|
| Subordinated debt | 155 | 155 |
| *of which related companies with PSA Group* | *77.5* | *77.5* |
| *of which related companies with Santander Consumer Finance Group* | *77.5* | *77.5* |
| Accrued interest | - | - |
| *of which related companies with PSA Group* | - | - |
| *of which related companies with Santander Consumer Finance Group* | - | - |
| **TOTAL** | **155** | **155** |

## 14.1 CHANGES IN SUBORDINATED DEBTS

| | | Cash flows | | | |
|---|---|---|---|---|---|
| *(in million euros)* | Opening | Inflows | Outflows | Through Profit or Loss | 30/06/2020 |
| Subordinated debt | 155 | - | - | - | 155 |
| Accrued Interest | - | - | (1) | 1 | - |
| **TOTAL** | **155** | **-** | **(1)** | **1** | **155** |

| | | Cash flows | | | |
|---|---|---|---|---|---|
| *(in million euros)* | Opening | Inflows | Outflows | Through Profit or Loss | 31/12/2019 |
| Subordinated debt | - | 155 | - | - | 155 |
| Accrued Interest | - | - | (2) | 2 | - |
| **TOTAL** | **-** | **155** | **(2)** | **2** | **155** |

2.

# NOTE 15 Fair value of financial assets and liabilities

| | Fair value | | Book value | | Difference | |
|---|---|---|---|---|---|---|
| *(in million euros)* | **30/06/2020** | **31/12/2019** | **30/06/2020** | **31/12/2019** | **30/06/2020** | **31/12/2019** |
| **Assets** | | | | | | |
| Cash, central banks | 396 | 453 | 396 | 453 | - | - |
| Financial assets at fair value through profit or loss (1) | - | - | - | - | - | - |
| Hedging instruments (1) | - | - | - | - | - | - |
| Loans and advances to credit institutions at amortised cost (2) | 1,218 | 979 | 1,218 | 979 | - | - |
| Customer loans and receivables at amortised cost (3) | 12,915 | 13,572 | 12,888 | 13,524 | 27 | 48 |
| **Equity and liabilities** | | | | | | |
| Central banks | - | - | - | - | - | - |
| Financial liabilities at fair value through profit or loss (1) | 1 | 2 | 1 | 2 | - | - |
| Hedging instruments (1) | - | - | - | - | - | - |
| Deposits from credit institutions (4) | 4,057 | 3,735 | 4,074 | 3,738 | 17 | 3 |
| Debt securities (4) | 4,925 | 5,996 | 4,972 | 5,971 | 47 | (25) |
| Due to customers (2) | 3,099 | 2,877 | 3,099 | 2,877 | - | - |
| Subordinated debt (4) | 128 | 150 | 155 | 155 | 27 | 5 |

*The balance sheet value is kept for all the lines except for customer loans and receivables and debts.*

*(1) The fair values of financial assets at fair value through profit or loss and hedging instruments are measured based on Euribor or other interbank market rates and on the daily exchange rates set by the European Central Bank.*

*(2) The fair value of loans and advances to credit institutions and of customer loans and receivables, mainly short-term operations at adjustable rate, are accordingly close to their amortised cost.*

*In accordance with IFRS 13, the calculation of the fair value is presented below:*

*> for customer loans and receivables see footnote (3);*

*> for debts see footnote (4).*

*(3) Customer loans and receivables are stated at amortised cost. If necessary, they are hedged against interest rate risks (fair value hedge) in order to frame interest rate risks positions within the sensitivity limits defined by the PSA Banque France Group. They are therefore remeasured at the hedging rate (swap rate), in accordance with hedge accounting principles. Cumulative gains and losses arising from remeasurement are added to or deducted from their amortised cost.*

*The fair value presented above has been estimated by discounting future cash flows at the average customer rate of the three last months. In this case, the fair value is determined by applying valuation making significant use of at least one non-observable item of data (level 3).*

*(4) Financing liabilities are stated at amortised cost. Hedge accounting is applied to liabilities hedged by interest rate swaps (fair value hedge), leading to their remeasurement at the discounted financing cost. Cumulative gains and losses arising from remeasurement are added to or deducted from their amortised cost.*

*The fair value presented above corresponds mainly to the change in the spread (premium over the risk-free rate) paid by the PSA Banque France Group on its financial market borrowings. It is determined according to two following cases:*

*> for debt securities, by applying valuation based on available market quotations (level 1);*

*> for debt to credit institutions and subordinated debt, by applying valuation based on information collected from our financial partners. In this case, the fair value is determined based on valuation techniques using observable market data (level 2).*

## NOTE 16 Other commitments

| *(in million euros)* | 30/06/2020 | 31/12/2019 |
|---|---|---|
| **Financing commitments** | | |
| Commitments received from credit institutions | - | - |
| Commitments given to credit institutions | - | - |
| Commitments given to customers (1) | 648 | 677 |
| **Guarantee commitments** | | |
| Commitments received from credit institutions (2) | 289 | 305 |
| guarantees received in respect of customer loans | 289 | 305 |
| guarantees received in respect of securities held | - | - |
| other guarantees received from credit institutions | - | - |
| Guarantees given to credit institutions | - | - |
| Commitments given to customers | 5 | 6 |
| *of which related companies with PSA Group* | - | - |
| **Other commitments received** | | |
| Securities received as collateral | - | - |
| Others (3) | 126 | 126 |
| **Other commitments given** | | |
| Assets given as collateral for own account, remains available (4) | 584 | 942 |
| to the European Central Bank | 584 | 942 |

*(1) Commitments on preliminary credit offers made to customers are taken into account. Approved wholesale lines of credit that can be cancelled at any time are not taken into account, except for specific contracts.*

*(2) As at 30 June 2020, CHUBB guarantees stood at €171 million compared to €187 million as at end of December 2019. The amount of COFACE guarantees remained unchanged at €118 million as at 30 June 2020.*

*(3) Financial guarantee received in respect of the SRT transaction.*

*(4) This is the remaining amount of collateral available at the ECB. CREDIPAR has remitted €1,701 million as ABS securities and €848 million as credit claims on its collateral account, that Banque de France has evaluated for a total amount of €2,335 million.*
*The PSA Banque France Group has drawn €1,800 million of financing (see Note 10), therefore €584 million remain available, given a non-used authorised financing of €535 million after haircut.*

The PSA Banque France Group does not record the guarantees received from customers and does not include them in the calculation of credit risk exposure.

# NOTE 17 Interest and similar income

| *(in million euros)* | 30/06/2020 | 30/06/2019 | 31/12/2019 |
|---|---|---|---|
| **On financial assets at amortised cost** | **250** | **227** | **475** |
| **Customer transactions** | **246** | **225** | **470** |
| **Loans** | **75** | **76** | **152** |
| *of which related companies with PSA Group* | - | - | - |
| *of which securitised* | *52* | *32* | *78* |
| **Leasing with a purchase option** | **146** | **129** | **268** |
| *of which related companies with PSA Group* | *21* | *19* | *40* |
| *of which securitised* | *46* | *47* | *93* |
| **Long-term leases** | **93** | **84** | **174** |
| *of which related companies with PSA Group* | - | - | - |
| *of which securitised* | *31* | *35* | *67* |
| **Trade receivables** | **32** | **28** | **60** |
| *of which related companies with PSA Group* | *19* | *19* | *42* |
| **Other finance receivables (including equipment loans, revolving credit)** | **5** | **5** | **10** |
| *of which related companies with PSA Group* | - | - | - |
| **Ordinary accounts** | **-** | **-** | **-** |
| **Guarantee commitments** | **-** | **-** | **-** |
| **Commissions paid to referral agents** | **(97)** | **(92)** | **(188)** |
| Loans | (36) | (35) | (73) |
| Leasing with a purchase option / Long-term leases | (61) | (57) | (115) |
| Other financing | - | - | - |
| *of which related companies with PSA Group* | *(18)* | *(18)* | *(32)* |
| **Other business acquisition costs** | **(8)** | **(5)** | **(6)** |
| **Interbank transactions*** | **4** | **2** | **5** |
| **Debt securities** | **-** | **-** | **-** |
| **On financial assets recognised at fair value through other comprehensive income** | **-** | **-** | **-** |
| **Accrued interest receivable on hedging instruments** | **-** | **-** | **-** |
| **Other interest income** | **-** | **-** | **-** |
| **TOTAL** | **250** | **227** | **475** |

* *Corresponds to interest income on TLTRO operations. The interest rate retained for targeted longer-term refinancing operations (TLTRO II) driven by the ECB takes into account the confirmation received in 2018 of the negative interest rate of -0.40% (Deposit facility rate). For the TLTRO-III, a rate of -0.50% (deposit facility rate from mid-September 2019) was used, but for the one-year period beginning on 24 June 2020, a rate of -1% will apply following the decisions of the ECB in the specific context of the COVID-19 pandemic.*

# NOTE 18 Interest and similar expenses

## 18.1 ANALYSIS BY NATURE

| *(in million euros)* | Notes | 30/06/2020 | 30/06/2019 | 31/12/2019 |
|---|---|---|---|---|
| **On financial liabilities at amortised cost** | | **(40)** | **(33)** | **(70)** |
| **Customer transactions** | | **(24)** | **(17)** | **(35)** |
| Loans | | - | - | - |
| Leasing with a purchase option | | - | - | - |
| Long-term leases | | - | - | - |
| Trade receivables | | (4) | (2) | (6) |
| Other finance receivables (including equipment loans, revolving credit) | | - | - | - |
| Ordinary accounts | | - | - | - |
| Savings accounts | 18.2 | (13) | (14) | (26) |
| Expenses related to financing commitments received | | (7) | (1) | (3) |
| **Interbank transactions** | 18.3 | **(5)** | **(6)** | **(12)** |
| **Debt securities** | 18.4 | **(11)** | **(10)** | **(23)** |
| **Accrued interest receivable on hedging instruments** | 18.5 | **(1)** | **(2)** | **(4)** |
| **Other interest expenses** | | **(2)** | **(2)** | **(4)** |
| **TOTAL** | | **(43)** | **(37)** | **(78)** |

## 18.2 INTEREST ON SAVINGS ACCOUNTS

| *(in million euros)* | 30/06/2020 | 30/06/2019 | 31/12/2019 |
|---|---|---|---|
| Interest on savings accounts | (13) | (14) | (26) |
| on passbook savings accounts | (10) | (12) | (21) |
| on term deposits | (3) | (2) | (5) |
| **TOTAL** | **(13)** | **(14)** | **(26)** |

## 18.3 INTEREST ON DEPOSITS FROM CREDIT INSTITUTIONS

| *(in million euros)* | 30/06/2020 | 30/06/2019 | 31/12/2019 |
|---|---|---|---|
| Interest on treasury and interbank transactions | (3) | (4) | (7) |
| *of which related companies with PSA Group* | - | - | - |
| *of which related companies with Santander Consumer Finance Group* | - | *(2)* | *(4)* |
| Interest expenses of assets | - | - | (1) |
| Interest expenses comparable to debt issuing costs | (2) | (2) | (4) |
| **TOTAL** | **(5)** | **(6)** | **(12)** |

## 18.4 INTEREST ON DEBT SECURITIES

| *(in million euros)* | 30/06/2020 | 30/06/2019 | 31/12/2019 |
|---|---|---|---|
| Interest expenses on debt securities | (8) | (8) | (18) |
| *of which securitisation: placed bonds* | *(2)* | *(3)* | *(5)* |
| Interest on subordinated debts | (1) | (1) | (2) |
| Interest expenses comparable to debt issuing costs | (2) | (1) | (3) |
| **TOTAL** | **(11)** | **(10)** | **(23)** |

### 18.5 INTEREST ON HEDGING INSTRUMENTS

| *(in million euros)* | 30/06/2020 | 30/06/2019 | 31/12/2019 |
|---|---|---|---|
| Swaps hedging (Fair Value Hedge) | (1) | (2) | (4) |
| *of which related companies with PSA Group* | - | - | - |
| *of which related companies with Santander Consumer Finance Group* | - | - | - |
| **TOTAL** | **(1)** | **(2)** | **(4)** |

## NOTE 19 Fees and commissions

| *(in million euros)* | 30/06/2020 | 30/06/2019 | 31/12/2019 |
|---|---|---|---|
| **Income** | **70** | **68** | **139** |
| Incidental commissions from finance contracts | 6 | 7 | 15 |
| Commissions on sales of service activities | 64 | 61 | 124 |
| Other | - | - | - |
| **Expenses** | **(2)** | **(2)** | **(4)** |
| Commissions on sales of service activities | (2) | (2) | (4) |
| Other | - | - | - |
| **TOTAL** | **68** | **66** | **135** |

## NOTE 20 Net gains or losses on financial instruments at fair value through profit or loss

### 20.1 ANALYSIS BY NATURE

| *(in million euros)* | Notes | 30/06/2020 | 30/06/2019 | 31/12/2019 |
|---|---|---|---|---|
| Dividends and net income on equity investments | | - | - | - |
| Interest and dividends on marketable securities designated at fair value through profit or loss | | - | - | - |
| Gains / losses on sales of marketable securities | | - | - | - |
| Gains / losses on derivatives classified in trading securities* | | - | - | - |
| **Gains / losses from hedge accounting** | 20.2 | **-** | **-** | **(2)** |
| Fair value hedges: change in value of hedging instruments of customer loans | | 1 | (6) | (2) |
| Fair value hedges: change in value of hedged customer loans | | (1) | 6 | - |
| Fair value hedges: change in value of hedging instruments of debt | | - | - | - |
| Fair value hedges : change in value of hedged debt | | - | - | - |
| **TOTAL** | | **-** | **-** | **(2)** |

* *The swaps classified as held for trading are related to securitisation activities. With the exception of intermediation fees, changes in the fair value of these swaps are offset by changes in the fair value of swaps in the opposite direction before offsetting margin calls at CREDIPAR. In fact, the rate of the swap set up in the securitising entity (CREDIPAR) since 2018 includes intermediation costs, whereas this is not the case for the swap set up in the opposite direction in the securitisation vehicle (FCT) (see Notes 4.1 and 9.1).*

## 20.2 GAINS AND LOSSES FROM HEDGE ACCOUNTING

### PSA Banque France Group interest rate management policy

#### Interest rate risk

The policy in terms of interest rate risk tends to be conservative and it avoids any speculation. Its purpose is to control and supervise interest rate risk positions within sensitivity limits in accordance with the defined risk appetite. The management of interest rate risk consists of compliance with this policy and subjecting it to regular controls and hedging measures.

As at 30 June 2020, the nominal amount of hedging swaps was €1,950 million.

#### Currency risk

The PSA Banque France Group does not take currency positions. The currency risk is nonexistent.

#### Counterparty risk

The PSA Banque France Group's exposure to counterparty risk is limited to its use of derivatives governed by standard FBF or ISDA agreements and very short term cash investments with leading counterparties. Following EMIR regulation, new CDEA framework agreements (Cleared Derivatives Execution Agreement) have been set up. Customer credit risk is discussed in Note 23.

The PSA Banque France Group limits the exposure at the minimum from the implementation of its investment policy. Available cash other than interbank accounts and reserves deposited with central banks is invested solely in HQLA type investments.

ANALYSIS OF INTEREST RATE RISK HEDGING EFFECTIVENESS (FAIR VALUE HEDGE)

| *(in million euros)* | 30/06/2020 | 31/12/2019 | Fair value adjustments | Ineffective portion recognised in profit or loss |
|---|---|---|---|---|
| **Fair value adjustments to customer loans (loans, leasing with a purchase option and long-term leases)** | | | | |
| Loans | (0.1) | 0.1 | | |
| Leasing with a purchase option | (0.2) | 0.1 | | |
| Long-term leases | (0.1) | 0.1 | | |
| **Total valuation, net** | **(0.4)** | **0.4** | **(0.8)** | |
| **Derivatives designated as hedges of customer loans** | | | | |
| Assets | - | - | | |
| Liabilities (Note 9) | (3.8) | (4.6) | | |
| **Total valuation, net** | **(3.8)** | **(4.6)** | **0.8** | **0.0** |
| **Ineffective portion of gain and losses on outstanding hedging transactions** | **(4.2)** | **(4.2)** | **-** | **0.0** |
| **Fair value adjustments to hedged debt** | | | | |
| Valuation, net | - | - | | |
| **Total valuation, net** | **-** | **-** | **-** | |
| **Derivatives designated as hedges of debt** | | | | |
| Assets | - | - | | |
| Liabilities (Note 9) | - | - | | |
| **Total valuation, net** | **-** | **-** | **-** | **-** |
| **Ineffective portion of gain and losses on outstanding hedging transactions** | **-** | **-** | **-** | **-** |
| **Fair value adjustments to hedged bonds** | | | | |
| Valuation, net | - | - | | |
| **Total valuation, net** | **-** | **-** | **-** | |
| **Derivatives designated as hedges of bonds** | | | | |
| Assets | - | - | | |
| Liabilities (Note 9) | - | - | | |
| **Total valuation, net** | **-** | **-** | **-** | **-** |
| **Ineffective portion of gain and losses on outstanding hedging transactions** | **-** | **-** | **-** | **-** |

# NOTE 21 Net income or expense of other activities

| | 30/06/2020 | | | 30/06/2019 | | | 31/12/2019 | | |
|---|---|---|---|---|---|---|---|---|---|
| *(in million euros)* | **Income** | **Expenses** | **Net** | **Income** | **Expenses** | **Net** | **Income** | **Expenses** | **Net** |
| Gains / losses on sales of used vehicles | 9 | - | 9 | 11 | - | 11 | 22 | - | 22 |
| Share of joint venture operations | - | (5) | (5) | - | (4) | (4) | - | (9) | (9) |
| Other banking operating income/expenses | - | (5) | (5) | - | (4) | (4) | - | (4) | (4) |
| Other operating income/expenses | 1 | (1) | - | 1 | (1) | - | 1 | (11) | (10) |
| **TOTAL** | **10** | **(11)** | **(1)** | **12** | **(9)** | **3** | **23** | **(24)** | **(1)** |

# NOTE 22 General operating expenses

| *(in million euros)* | **30/06/2020** | **30/06/2019** | **31/12/2019** |
|---|---|---|---|
| **Personnel costs** | **(32)** | **(33)** | **(66)** |
| Wages and salaries | (20) | (21) | (41) |
| Payroll taxes | (9) | (9) | (18) |
| Employee profit sharing and profit-related bonuses | (3) | (3) | (7) |
| **Other general operating expenses** | **(47)** | **(45)** | **(88)** |
| *of which related companies with PSA Group* | *(20)* | *(19)* | *(42)* |
| *of which related companies with Santander Consumer Finance Group* | *(1)* | *(1)* | *(2)* |
| **TOTAL** | **(79)** | **(78)** | **(154)** |

# NOTE 23 Cost of risk

The tables below present the cost of risk by customer category, as no significant loss has been incurred on other financial assets.

## 23.1 CHANGES IN LOANS

| | | | Cost of risk | | | | | |
|---|---|---|---|---|---|---|---|---|
| *(in million euros)* | **Balance as at 31/12/2019** | **Net new loans** | **Charges** | **Reversals** | **Credit losses** | **Recoveries on loans written off in prior periods** | **Cost of risk for the period as at 30/06/2020** | **As at 30/06/2020** |
| **Retail** | | | | | | | | |
| Stage 1 loans | 7,871 | 341 | - | - | - | - | - | 8,212 |
| Stage 2 loans | 179 | 57 | - | - | - | - | - | 236 |
| Guarantee deposits (lease financing) | - | - | - | - | - | - | - | - |
| Stage 3 loans | 146 | 24 | - | - | (12) | - | (12) | 158 |
| **Total** | **8,196** | **422** | **-** | **-** | **(12)** | **-** | **(12)** | **8,606** |
| Impairment of Stage 1 loans | (26) | - | (16) | 3 | - | - | (13) | (39) |
| Impairment of Stage 2 loans | (19) | - | (5) | 6 | - | - | 1 | (18) |
| Impairment of Stage 3 loans | (99) | - | (33) | 22 | - | - | (11) | (110) |
| **Total impairment** | **(144)** | **-** | **(54)** | **31** | | **-** | **(23)** | **(167)** |
| **Deferred items included in amortised cost** | **155** | **1** | **-** | **-** | **-** | **-** | **-** | **156** |
| **Net book value (A - see B Note 6.2)** | **8,207** | **423** | **(54)** | **31** | **(12)** | **-** | **(35)** | **8,595** |
| Recoveries on loans written off in prior periods | | | - | - | - | 3 | 3 | |
| Impairment of other customer transactions | | | - | - | - | - | - | |
| **Retail cost of risk** | | | **(54)** | **31** | **(12)** | **3** | **(32)** | |

| | | | Cost of risk | | | | | |
|---|---|---|---|---|---|---|---|---|
| *(in million euros)* | **Balance as at 31/12/2019** | **Net new loans** | **Charges** | **Reversals** | **Credit losses** | **Recoveries on loans written off in prior periods** | **Cost of risk for the period as at 30/06/2020** | **As at 30/06/2020** |
| **Corporate dealers** | | | | | | | | |
| Stage 1 loans | 3,657 | (817) | - | - | - | - | - | 2,840 |
| Stage 2 loans | 628 | (211) | - | - | - | - | - | 417 |
| Guarantee deposits | - | - | - | - | - | - | - | - |
| Stage 3 loans [1] | 58 | (10) | - | - | - | | - | 48 |
| **Total** | **4,343** | **(1,038)** | **-** | **-** | **-** | **-** | **-** | **3,305** |
| Impairment of Stage 1 loans | (1) | - | (2) | 3 | | - | 1 | - |
| Impairment of Stage 2 loans | (5) | - | (2) | 2 | - | - | - | (5) |
| Impairment of Stage 3 loans | (18) | - | (8) | 8 | - | - | - | (18) |
| **Total impairment** | **(24)** | **-** | **(12)** | **13** | **-** | **-** | **-** | **(23)** |
| **Deferred items included in amortised cost** | **3** | **-** | **-** | **-** | **-** | **-** | **-** | **3** |
| **Net book value (B - see A Note 6.2)** | **4,322** | **(1,038)** | **(12)** | **13** | **-** | **-** | **-** | **3,285** |
| Recoveries on loans written off in prior periods | | | - | - | - | - | - | |
| Impairment of other customer transactions | | | (1) | - | - | - | (1) | |
| **Corporate dealers cost of risk** | | | **(13)** | **13** | **-** | **-** | **-** | |
| | | | | | | | | |
| **Corporate and equivalent** | | | | | | | | |
| Stage 1 loans | 828 | (92) | - | - | - | - | - | 736 |
| Stage 2 loans | 128 | 108 | - | - | - | - | - | 236 |
| Guarantee deposits | - | - | - | - | - | - | - | - |
| Stage 3 loans | 22 | (1) | - | - | - | - | - | 21 |
| **Total** | **978** | **15** | **-** | **-** | **-** | **-** | **-** | **993** |
| Impairment of Stage 1 loans | - | - | - | - | - | - | - | - |
| Impairment of Stage 2 loans | (1) | - | - | - | - | - | - | (1) |
| Impairment of Stage 3 loans | (10) | - | (1) | 2 | - | - | 1 | (9) |
| **Total impairment** | **(11)** | **-** | **(1)** | **2** | **-** | **-** | **1** | **(10)** |
| **Deferred items included in amortised cost** | **28** | **(2)** | **-** | **-** | **-** | **-** | **-** | **25** |
| **Net book value (C - see C Note 6.2)** | **995** | **13** | **(1)** | **2** | **-** | **-** | **1** | **1,008** |
| Recoveries on loans written off in prior periods | | | - | - | - | - | - | |
| Impairment of other customer transactions | | | - | - | - | - | - | |
| **Corporate and equivalent cost of risk** | | | **(1)** | **2** | **-** | **-** | **1** | |
| | | | | | | | | |
| **Total loans** | | | | | | | | |
| Stage 1 loans | 12,356 | (568) | - | - | - | - | - | 11,788 |
| Stage 2 loans | 935 | (46) | - | - | - | - | - | 889 |
| Guarantee deposits | - | - | - | - | - | - | - | - |
| Stage 3 loans | 226 | 13 | - | - | (12) | - | (12) | 227 |
| **Total** | **13,517** | **(601)** | **-** | **-** | **(12)** | **-** | **(12)** | **12,904** |
| Impairment of Stage 1 loans | (28) | - | (18) | 6 | - | - | (12) | (40) |
| Impairment of Stage 2 loans | (25) | - | (7) | 8 | - | - | - | (25) |
| Impairment of Stage 3 loans | (126) | - | (42) | 32 | - | - | (10) | (136) |
| **Total impairment [2]** | **(179)** | **-** | **(67)** | **46** | **-** | **-** | **(22)** | **(201)** |
| **Deferred items included in amortised cost** | **186** | **(1)** | **-** | **-** | **-** | **-** | **-** | **185** |
| **Net book value (A + B + C)** | **13,524** | **(603)** | **(67)** | **46** | **(12)** | **-** | **(33)** | **12,888** |
| Recoveries on loans written off in prior periods | | | - | - | - | 3 | 3 | |
| Impairment of other customer transactions | | | (1) | - | - | - | (1) | |
| **TOTAL COST OF RISK** | | | **(68)** | **46** | **(12)** | **3** | **(31)** | |

*(1) In certain cases, the PSA Banque France Group can finance vehicles bought by dealers in stage 3 so that they are not forced to stop their activities. Under IFRS 9, these receivables are considered as Purchased or Originated Credit Impaired (POCI) for €44 million as at end of June 2020 (€54 million as at end of December 2019). It has to be noted that while a financing line had been originally granted, these dealers were not in default. Furthermore, these financing are done in a dedicated limit depending on the risk associated to each dealer and under a close monitoring of Risks Department. Risk exposure is not increasing for these dealers as a new financing can only be granted in the disposal limit (thus after the refund of another financing).*

*(2) An additional provision (post-model adjustment) of €12.7 million was recorded to prevent estimated impacts of the COVID-19 crisis on future non-performing loans.*

### 23.2 CHANGE IN COST OF RISK

| *(in million euros)* | Retail | Corporate dealers | Corporate and equivalent | 30/06/2020 | 30/06/2019 | 31/12/2019 |
|---|---|---|---|---|---|---|
| **Stage 1 loans** | | | | | | |
| Allowances | (16) | (2) | - | (18) | (4) | (9) |
| Reversals | 4 | 2 | - | 6 | 6 | 8 |
| **Stage 2 loans** | | | | | | |
| Allowances | (5) | (2) | - | (7) | (5) | (8) |
| Reversals | 6 | 2 | - | 8 | 6 | 8 |
| **Stage 3 loans** | | | | | | |
| Allowances | (33) | (8) | (1) | (42) | (24) | (36) |
| Reversals | 22 | 8 | 2 | 32 | 16 | 18 |
| **Stage 3 other customer transactions** | | | | | | |
| Allowances | - | (1) | - | (1) | (1) | (1) |
| Reversals | - | - | - | - | - | - |
| **Credit losses** | **(12)** | **-** | **-** | **(12)** | **(12)** | **(27)** |
| **Recoveries on loans written off in prior periods** | **3** | **-** | **-** | **3** | **3** | **10** |
| **COST OF RISK** | **(32)** | **-** | **1** | **(31)** | **(14)** | **(37)** |

The Bank's credit management policy is described in the "Credit Risk" section of the Management Report as at 31 December 2019.

# NOTE 24 Income taxes

### 24.1 EVOLUTION OF BALANCE SHEET ITEMS

| *(in million euros)* | Balance at 31/12/2019 | Income | Equity | Payment | 30/06/2020 |
|---|---|---|---|---|---|
| **Current tax** | | | | | |
| Assets | 9 | | | | 15 |
| Liabilities | (3) | | | | (5) |
| **TOTAL** | **6** | **(3)** | **-** | **7** | **10** |
| **Deferred tax** | | | | | |
| Assets | 1 | | | | 2 |
| Liabilities | (374) | | | | (420) |
| **TOTAL** | **(373)** | **(45)** | **-** | **-** | **(418)** |

## 24.2 INCOME TAXES OF FULLY-CONSOLIDATED COMPANIES

Deferred income taxes relate to timing differences between the recognition of certain items of income and expense for consolidated financial reporting and tax purposes. These differences relate principally to the accounting treatment of leasing and long-term rental transactions.

Deferred taxes are determined as described in Note 2.A, last paragraph of the 2019 Annual Report, dedicated to deferred taxes.

In France, the standard corporate income tax rate is 31%.

The Social Security Financing Act (No. 99-1140) dated 29 December 1999, introduced a surtax equal to 3.3% of the corporate income tax liability of French companies. This surtax had the effect of raising the French corporate income tax rate by 1.1%.

As at end of December 2019 and end of June 2020, deferred taxes are evaluated based on the rates of the 2019 French Finance Act, and the 2020 finance law published on 28 December 2019, for the following years.

| *(in million euros)* | **30/06/2020** | **30/06/2019** | **31/12/2019** |
|---|---|---|---|
| **Current tax** | | | |
| Income taxes | (3) | (21) | (34) |
| **Deferred tax** | | | |
| Deferred taxes arising in the period | (45) | (10) | (45) |
| Unrecognised deferred tax assets and impairment losses | - | - | - |
| **TOTAL** | **(48)** | **(31)** | **(79)** |

## 24.3 PSA BANQUE FRANCE GROUP TAX PROOF

| *(in million euros)* | **30/06/2020** | **30/06/2019** | **31/12/2019** |
|---|---|---|---|
| Pre-tax income | 156 | 164 | 333 |
| Permanent differences | 4 | 4 | 3 |
| **Taxable Income** | **160** | **168** | **336** |
| Theoretical tax | (51) | (58) | (116) |
| *Theoretical rate* | *32.02%* | *34.43%* | *34.43%* |
| Deferred Taxes evaluation without exceptional contribution of 15% | 5 | 28 | 40 |
| *of which effect of revaluation of deferred taxes assets and liabilities reversed from 1 January 2021* | *5* | *28* | *40* |
| Special tax contribution on dividend distributed | - | - | - |
| Reclassification of the contribution on added value of incomes taxes (CVAE) as current tax (IAS12) | (2) | (1) | (3) |
| Other | - | - | - |
| **Income taxes** | **(48)** | **(31)** | **(79)** |
| *Group effective tax rate* | *29.9%* | *18.4%* | *23.4%* |

## 24.4 DEFERRED TAX ASSETS ON TAX LOSS CARRY FORWARDS

| *(in million euros)* | **31/12/2019** | **New tax losses** | **Taxe losses used** | **impairment accruals / Reversals** | **30/06/2020** |
|---|---|---|---|---|---|
| Deferred tax assets on tax loss carry forwards | - | 1 | - | | 1 |
| Impairments | - | | | - | - |
| **TOTAL** | **-** | **1** | **-** | **-** | **1** |

2.

# NOTE 25 Segment information

## 25.1 KEY BALANCE SHEET ITEMS

FOR 2020

| | Financing activities | | | | |
|---|---|---|---|---|---|
| | | End user | | | |
| *(in million euros)* | **Corporate dealers** | **Retail** | **Corporate and equivalent** | **Unallocated** | **Total as at 30/06/2020** |
| **Assets** | | | | | |
| Customer loans and receivables | 3,285 | 8,595 | 1,008 | - | 12,888 |
| Cash, central banks | 96 | 250 | 51 | - | 397 |
| Financial assets at fair value through profit or loss | - | - | - | - | - |
| Loans and advances to credit institutions | 1 | 141 | 1,076 | - | 1,218 |
| Other assets | | | | 420 | 420 |
| **TOTAL ASSETS** | | | | | **14,923** |
| **Liabilities** | | | | | |
| Refinancing* | 2,594 | 8,511 | 989 | - | 12,094 |
| Due to customers* | 3 | 44 | 4 | - | 51 |
| Other liabilities | | | | 1,347 | 1,347 |
| Equity | | | | 1,431 | 1,431 |
| **TOTAL LIABILITIES** | | | | | **14,923** |

FOR 2019

| | Financing activities | | | | |
|---|---|---|---|---|---|
| | | End user | | | |
| *(in million euros)* | **Corporate dealers** | **Retail** | **Corporate and equivalent** | **Unallocated** | **Total as at 31/12/2019** |
| **Assets** | | | | | |
| Customers loans and receivables | 4,322 | 8,207 | 995 | - | 13,524 |
| Cash, central banks | 138 | 262 | 53 | - | 453 |
| Financial assets at fair value through profit or loss | - | - | - | - | - |
| Loans and advances to credit institutions | 30 | 125 | 824 | - | 979 |
| Other assets | | | | 406 | 406 |
| **TOTAL ASSETS** | | | | | **15,362** |
| **Liabilities** | | | | | |
| Refinancing* | 2,824 | 8,665 | 1,039 | - | 12,528 |
| Due to customers* | 17 | 37 | 4 | - | 58 |
| Other liabilities | | | | 1,333 | 1,333 |
| Equity | | | | 1,443 | 1,443 |
| **TOTAL LIABILITIES** | | | | | **15,362** |

* *In the segment information, "Customer ordinary accounts in credit", "Passbook savings accounts" and "Term deposit accounts" are classified in "Refinancing".*

## 25.2 KEY INCOME STATEMENT ITEMS

AS AT 30 JUNE 2020

| (in million euros) | Financing activities | | | | Insurance and services | Total as at 30/06/2020 |
|---|---|---|---|---|---|---|
| | Corporate dealers | End user: Retail | End user: Corporate and equivalents | Unallocated | | |
| Interest and similar income | 38 | 189 | 18 | 5 | | 250 |
| Interest and similar expenses | (13) | (25) | (4) | (1) | | (43) |
| Fees and commissions income | 1 | 3 | 2 | - | 64 | 70 |
| Fees and commissions expenses | - | - | - | - | (2) | (2) |
| Net gains or losses on financial instruments at fair value through profit or loss | - | - | - | - | | - |
| Income on other activities | - | 9 | 1 | - | | 10 |
| Expenses on other activities | - | - | - | (11) | | (11) |
| **Net banking revenue** | **26** | **176** | **17** | **(7)** | **62** | **274** |
| Cost of credit risk | - | (32) | 1 | | | (31) |
| **Net income after cost of risk** | **26** | **144** | **18** | **(7)** | **62** | **243** |
| General operating expenses and equivalent | | | | (82) | | (82) |
| **Operating Income** | **26** | **144** | **18** | **(89)** | **62** | **161** |

AS AT 30 JUIN 2019

| (in million euros) | Financing activities | | | | Insurance and services | Total as at 30/06/2019 |
|---|---|---|---|---|---|---|
| | Corporate dealers | End user: Retail | End user: Corporate and equivalent | Unallocated | | |
| Interest and similar income | 35 | 172 | 18 | 2 | | 227 |
| Interest and similar expenses | (7) | (28) | (4) | 2 | | (37) |
| Fees and commissions income | 2 | 3 | 2 | - | 61 | 68 |
| Fees and commissions expenses | - | - | - | - | (2) | (2) |
| Net gains or losses on financial instruments at fair value through profit or loss | - | - | - | - | | - |
| Income on other activities | 1 | 10 | 1 | - | | 12 |
| Expenses on other activities | (1) | - | - | (8) | | (9) |
| **Net banking revenue** | **30** | **157** | **17** | **(4)** | **59** | **259** |
| Credit cost of risk | - | (15) | 1 | | | (14) |
| **Net income after cost of risk** | **30** | **142** | **18** | **(4)** | **59** | **245** |
| General operating expenses and equivalent | | | | (81) | | (81) |
| **Operating Income** | **30** | **142** | **18** | **(85)** | **59** | **164** |

2.

# NOTE 26 Subsequent events

No event occurred between 30 June 2020, and the Board of Directors' meeting to review the financial statements on 22 September 2020, that could have a material impact on economic decisions made on the basis of these financial statements.

Note however that, post closing, a rotation of the office of the Chair of the Board of Directors entered into force on 1 September 2020, in accordance with the partnership agreement between Banque PSA Finance and Santander Consumer Banque.

# 2.7 STATUTORY AUDITORS' REVIEW REPORT ON THE HALF-YEAR FINANCIAL INFORMATION

## PERIOD FROM 1 JANUARY TO 30 JUNE 2020

*This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report includes information specifically required by European regulations or French law, such as information about the appointment of Statutory Auditors. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

To the Shareholders,

In compliance with the assignment entrusted to us by your General meetings and in accordance with the requirements of article L. 451-1-2 III of the French Monetary and Financial Code (*Code monétaire et financier*) , we hereby report to you on:

- the review of the accompanying condensed half-year consolidated financial statements of PSA Banque France, for the six months ended 30 June 2020;
- the verification of the information contained in the half year management report.

These condensed half-year consolidated financial statements were prepared under the responsibility of the Board of Directors on 22 September 2020, based on information available at that date in the evolving context of the COVID-19 crisis and difficulties in understanding its impacts and future prospects. Our role is to express a conclusion on these financial statements based on our review.

### Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France.

A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-year consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34, the standard of IFRS as adopted by the European union applicable to interim financial information.

### Specific verification

We have also verified the information given in the half-year management report on the half-year consolidated financial statements prepared on 22 September 2020 subject to our review.

We have no matters to report as to its fair presentation and consistency with the condensed half-year consolidated financial statements.

Neuilly-sur-Seine and La Défense, 22 September 2020

The Statutory Auditors
French original signed by

| PricewaterhouseCoopers Audit | | Mazars |
|---|---|---|
| Laurent Tavernier | Isabelle Gallois Mollat | Matthew Brown |

# Statement by the person responsible for the 2020 Half-Year Report

## PERSON RESPONSIBLE FOR THE 2020 HALF-YEAR REPORT

**Laurent Aubineau**

Chief Executive Officer of PSA Banque France

## STATEMENT BY THE PERSON RESPONSIBLE FOR THE HALF-YEAR REPORT

I hereby certify that, to my knowledge, the half-year financial statements have been prepared in accordance with the applicable accounting standards and give a fair view of the assets, financial situation and results of PSA Banque France and all companies included in the consolidation and that the half-year management report of this document presents a fair review of the significant events of the first six months of the year, their impact on the financial statements, and that it provides a description of the main risks and uncertainties for the remaining six months of the year.

Drawn up in Poissy, 30 September 2020

**Laurent AUBINEAU**

Chief Executive Officer of PSA Banque France

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