

FINANCE RECEIVABLES

Current Accounting Practice

Finance receivables recognized in the balance sheet correspond to outstanding loans including accrued interest.

The direct costs incurred by Banque PSA Finance in connection with lending transactions are recognized on a separate line of the balance sheet and written off to operating expense over the life of the loan by the yield-to-maturity method.

The interest recognized in a given period corresponds to the amounts billed to the customer during that period plus any accrued interest not yet billed.

IFRS

The recognition and measurement of finance receivables is governed by IAS 39 – Financial Instruments: Recognition and Measurement. Finance receivables are recognized in the IFRS balance sheet for an amount corresponding to Banque PSA Finance's net financial investment. The carrying amount therefore includes not only the outstanding principal plus accrued interest and the effects of hedge accounting, but also:

- Commissions due to referral agents, which increase the carrying amount of the outstanding receivable;
- Contributions received from the marques, which decreases the outstanding receivable;
- Unamortized transaction fees (recognized as deferred income under French GAAP), which decrease the outstanding receivable;
- Guarantee deposits received at the inception of finance leases, which decrease the outstanding receivable.

Interest recognized in the income statement correspond to the yield to maturity arising from cash flows to be recovered in future periods, measured by the effective interest rate method.

Loans are generally hedged against interest rate risks. The effect of the hedges is described in Fact Sheet no.15 – Interest Rate Hedging. In accordance with hedge accounting principles, loans are remeasured at fair value based on the applicable swap rate.

Impact On The Group Accounts

Application of IFRS has no impact on future earnings. In terms of income statement presentation, revenues from finance receivables is presented net of amortization (by the yield-to-maturity method) of direct costs incurred by the bank, which were previously recognized directly in operating expense.