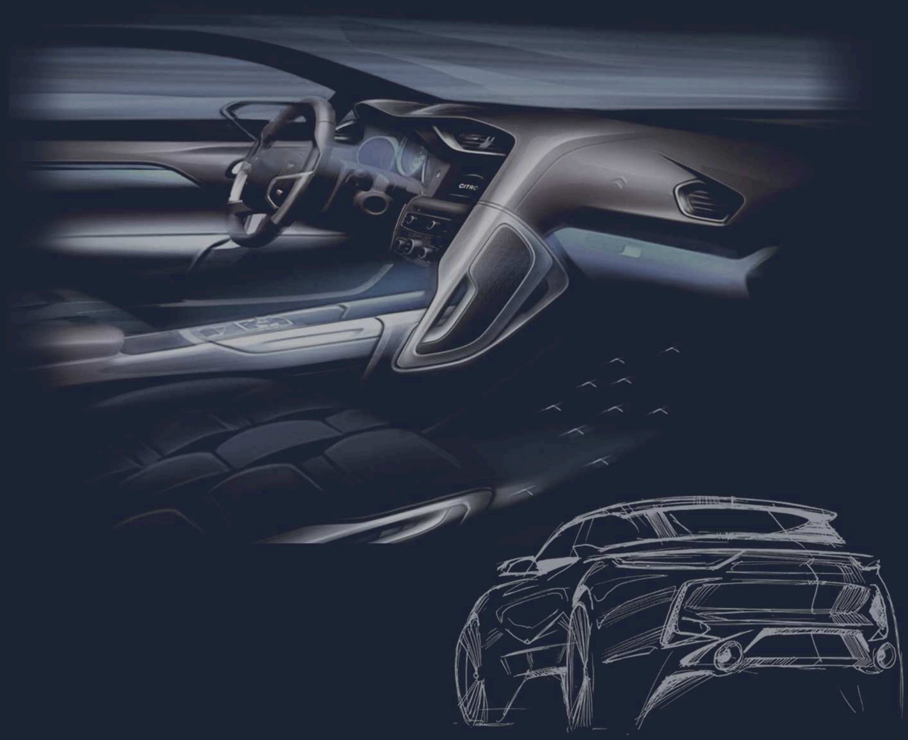
BANQUE

FRANCE



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Annual report

BOARD OF DIRECTORS

Rémy Bayle
Chairman
Member of the Audit and Risk Committee
Member of the Appointment Committee
Member of the Remuneration Committee

Jean-Paul Duparc
Director

Laurent Aubineau
Director

Ines Serrano-Gonzalez
Director
Chairman of the Audit and Risk Committee
Member of the Appointment Committee
Member of the Remuneration Committee

Arnaud de Lamothe
Director
Chairman of the Appointment Committee
Chairman of the Remuneration Committee
Member of the Audit and Risk Committee

Martin Thomas
Director
Member of the Audit and Risk Committee
Member of the Appointment Committee
Member of the Remuneration Committee

EXECUTIVE COMMITTEE

Jean-Paul Duparc
Chief Executive Officer

Laurent Aubineau
Deputy Chief Executive Officer

STATUTORY AUDITORS

PricewaterhouseCoopers Audit
Represented by Laurent Tavernier

Mazars
Represented by Matthew Brown

Situation at December 31, 2018

PSA BANQUE FRANCE

Société anonyme (limited company). Share capital: €144,842,528

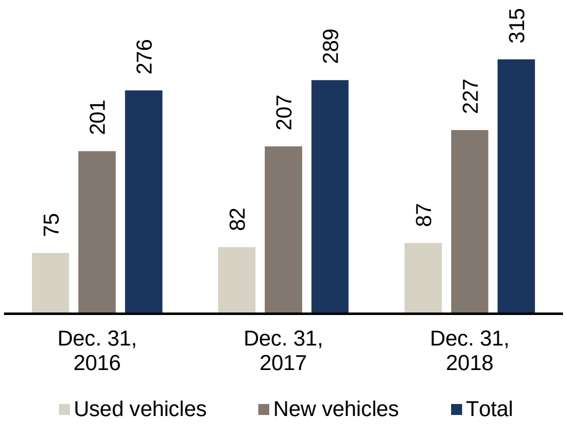
Registered office - 9 rue Henri Barbusse – 92230 GENNEVILLIERS
R.C.S. (Trade and Companies Register number) Nanterre 652 034 638 - Siret 652 034 638 00039
APE/NAF business identifier code: 6419Z
Interbank code: 14749

www.psa-banque-france.com
Tel. : + 33 (0) 1 46 39 65 55

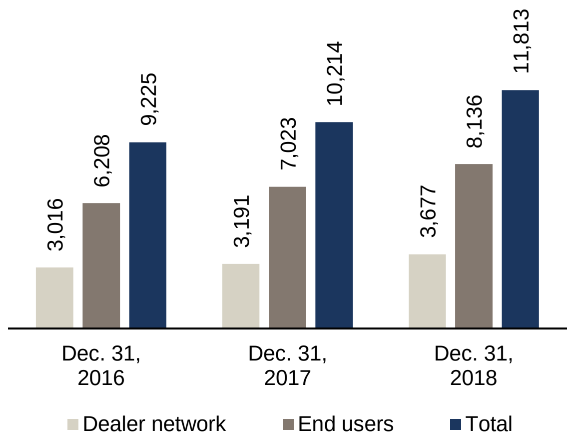
1 MANAGEMENT REPORT

1.1 Key figures

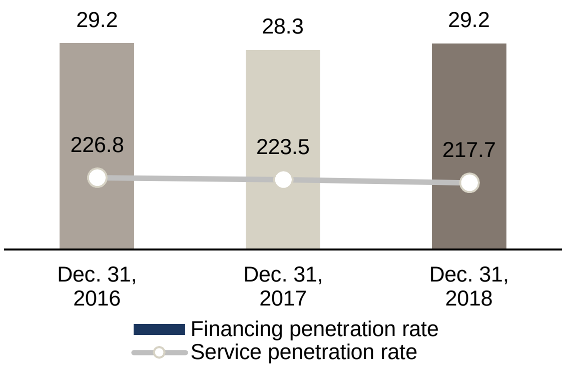
Evolution of vehicles financed for end users
(in thousands of vehicles)



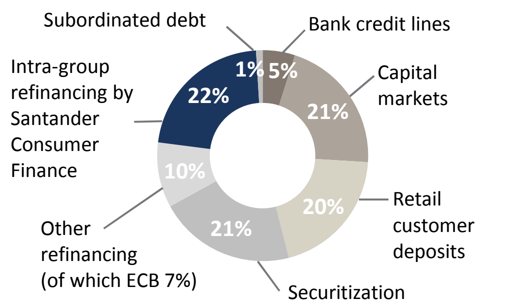
Evolution of outstanding loans to end users and dealer network
(in million euros)



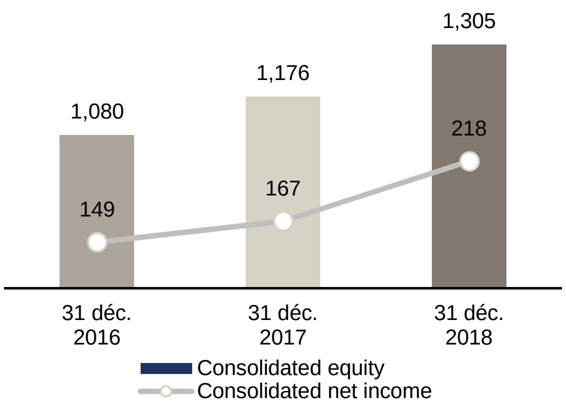
Financing and service penetration rates
(% of new vehicle sales for Peugeot, Citroën and DS / % of financing contracts)



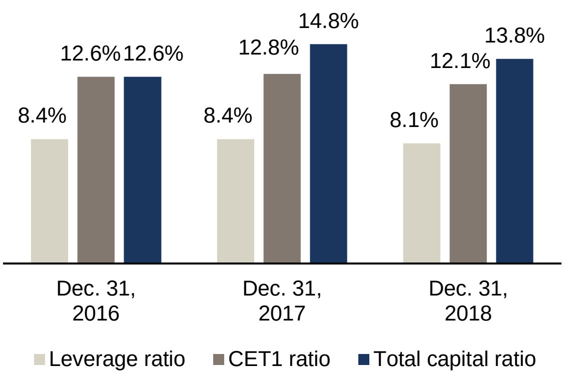
Sources of refinancing at December 31, 2018



Equity and net profit
(in million euros)



Capital ratios



1.2 Letter from the Chief Executive Officer

In 2018, Peugeot, Citroën and DS brands of the PSA Group outperformed expectations in a buoyant registrations market, up 3.3%. Indeed, sales of Peugeot, Citroën and DS vehicles were up by 6.3%, 5.9% and 12.3% respectively.

As a captive finance company for the brands, PSA Banque France has not been left behind and had a good year in 2018.

Revenues were up 14.7%, new vehicle financing penetration rates for end users was up by almost one point, 44% of vehicle sales to individuals were financed by the PSA Banque France Group, the corporate market share increased again and there were some 87,000 finance applications for used cars over the year.

More than ever, the PSA Banque France Group's strategy is paying off and continues to be based on four main ambitions:

- become established as the most mobile and innovative brand finance company ;
- prioritize customer retention and satisfaction;
- succeed with a motivated and committed team;
- deliver lasting, profitable growth.

In terms of refinancing diversification, the PSA Banque France Group has successfully continued to develop the "Distingo par PSA Banque" (online personal saving accounts). We have thus collected more than €2.2 billion and also issued our third EMTN bond as well as our first public securitization of leasing products with a purchase option and finance leases.

The level of risk is historically low and we have also benefited from a favorable market to sell an old loan portfolio worth €9 million.

With its special role as the finance company of the Peugeot, Citroën and DS brands, the PSA Banque France Group will continue its digital transformation and its support for the electrification strategy of the vehicle ranges, of mobility offerings and of customer retention. Our best asset for success, our staff: more attentive than ever to our customers.

Jean-Paul DUPARC

1.3 Activities of the PSA Banque France Group and its development

1.3.1 Summary of financial information

The financial information presented in this annual report has been prepared in accordance with "IFRS" (International Financial Reporting Standards) adopted by the European Union member countries. The consolidated financial statements were certified at December 31, 2018 by the Statutory Auditors of PSA Banque France, PricewaterhouseCoopers and Mazars.

CONSOLIDATED INCOME STATEMENT

(in million euros)	Dec. 31, 2018	Dec. 31, 2017	Change in %
Net banking revenue	492	451	+9.1
General operating expenses and equivalent	(156)	(147)	+6.1
Cost of risk	(14)	(32)	(56.3)
Operating income	**322**	**272**	**+18.4**
Other non-operating income	(1)	(10)	(90.0)
Pre-tax income	**321**	**262**	**+22.5**
Income taxes	(103)	(94)	+9.6
Net income	**218**	**167**	**+30.5**

CONSOLIDATED BALANCE SHEET

(in million euros)

Assets	Dec. 31, 2018	Dec. 31, 2017	Change in %
Cash, central banks, post office banks	329	365	(9.9)
Financial assets	2	2	0.0
Loans and advances to credit institutions	668	525	+27.2
Customer loans and receivables	11,813	10,214	+15.7
Tax assets	3	19	(84.2)
Other assets	329	255	+29.0
Property and equipment	9	10	(10.0)
Total assets	**13,153**	**11,390**	**+15.5**

Equity and liabilities	Dec. 31, 2018	Dec. 31, 2017	Change in %
Financial liabilities	3	0	-
Deposits from credit institutions	3,764	3,804	(1.1)
Due to customers	2,518	2,154	+16.9
Debt securities	4,574	3,334	+37.2
Tax liabilities	340	285	+19.3
Other liabilities	494	482	+2.5
Subordinated debt	155	155	-
Equity	1,305	1,176	+11.0
Total equity and liabilities	**13,153**	**11,390**	**+15.5**

OUTSTANDING LOANS BY CUSTOMER SEGMENT

(in million euros)	Dec. 31, 2018	Dec. 31, 2017	Change in %
Dealer network	3,677	3,191	+15.2
End users	8,136	7,023	+15.8
Total customer loans and receivables	**11,813**	**10,214**	**+15.7**

1.3.2 Activities of the PSA Banque France Group

1.3.2.1 Presentation

Banque PSA Finance, the captive finance company of PSA Group specialized in automotive financing, and Santander Consumer Finance, the division of Banco Santander specialized in consumer finance, signed a framework agreement on July 10, 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 for France, the United Kingdom, Spain and Switzerland, then in 2016 in Germany, Austria, Belgium, Italy, the Netherlands, and Poland, and a commercial partnership operational in Portugal since August 1, 2015.

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

The new PSA Banque France Group was founded in 2015 through the combination of the financing activities of 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.

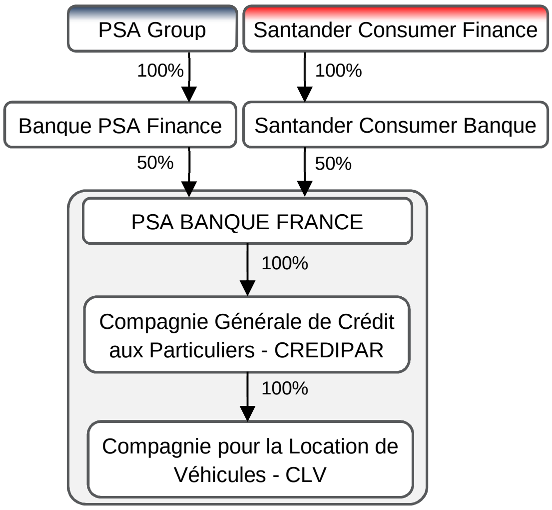
The cooperation with Santander Consumer Finance enhances the activities of the PSA Banque France Group, thanks to more competitive financial offers dedicated to the Peugeot, Citroën and DS customers and to dealer networks. These offers are accompanied by a complete range of insurance products and services 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 new and used vehicles, and spare parts, as well as other financing solutions such as working capital.

A. Organization

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 at 9 rue Henri Barbusse, Gennevilliers (92230), and its 3 agencies (Grand Paris, Lyon and Rennes).

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

The cooperation between Banque PSA Finance and Santander Consumer Finance is organized 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 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 adjust efficiently to the economic and financial context while maintaining a high level of performance.

As such, the main leverage factors used by the PSA Banque France Group are:

- ***An extended, structured and customized 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 relationship of proximity 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, PSA Banque France offer has been proposed in the Aramis network specialized 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 close and 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;

- ***A first-rate integrated sales point IT system.*** 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;

- ***An optimal use of digital tools to benefit the customer experience and relations with the point of sale.*** In order to support changes in customer habits when choosing a vehicle, PSA Banque France presents online solutions: calculators on the sites of the brands and of the dealer networks. Customers are also offered the option of purchasing their vehicle online with its finance whilst maintaining the relationship with the network;

- ***A diversified refinancing.*** Since 2015, the PSA Banque France Group has received intra-group financing directly from Santander Consumer Finance, in addition to the financing provided by debt securitization transactions, retail savings inflow from French customers, bilateral bank credit lines, and access to the refinancing operations of the European Central Bank (ECB). After the first issues of negotiable debt securities in 2016, the strategy to diversify refinancing sources continued in 2017 and 2018 through the development of access to capital markets, specifically with the first bond issues under the EMTN program, in January and September 2017 and then in April 2018, for €500 million each. In November 2018, a first public securitization transaction for leases with a purchase option was also placed on the markets for a total amount of €510 million.

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.

1.3.2.2 Products and services

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

- ***Financing for end users (69% of outstanding loans at December 31, 2018).*** Individuals and companies are offered a range of solutions including installment 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 leasing offer in 2018 in order to meet growing demand from individuals for leasing solutions;

- ***Financing for the dealer network (31% of outstanding loans at December 31, 2018).*** 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;

- ***Insurance products and services*** An extensive range of services and insurance products intended for end users can be proposed: 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. In addition, the Group also provides insurance policies related to the vehicle, such as car insurance or extensions of guarantees for new and used vehicles, assistance services including mobility solutions and additional related services, for example, to the maintenance of vehicles and to the "connected vehicle" offer;

- ***Retail savings.*** The "Distingo par PSA Banque" retail savings business consists of savings accounts and term deposits. 2018 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.

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 (outside the dealer network and their equivalents), either through installment 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 equipment used in their everyday activity, working capital, 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. Finance solutions include insurance and services that protect the customer and/or their vehicle.

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

In 2018, 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, using in particular leasing solutions. Free2Move Lease (F2ML) has enabled PSA Banque France to perfect its comprehensive offer through a specialized structure dedicated to Long-Term Leasing of vehicles for companies of all sizes.

Interest rates proposed to customers are generally fixed and administrative fees may be requested.

Promotional offers supported by the Peugeot, Citroën et DS brands may also be made 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 and Penetration rate

The PSA Banque France Group works closely in a privileged partnership with the Peugeot, Citroën and DS dealer networks. It financed 29.2% of new vehicles registered in France by the historic brands of the PSA Group in 2018.

Financing solutions are marketed through the Peugeot, Citroën and DS dealer networks, with a comprehensive approach in order to propose to end users financing, insurance, and service package with the sale of the vehicle.

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 90% of requests from individuals and nearly 70% of requests from companies are handled in less than four hours. This integrated information management system is also a key factor in driving down costs and application processing time. The introduction in 2018 of the electronic signature for individuals was part of these steps towards streamlining the customer experience and relations with the point of sale.

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, with the introduction of an online finance solution with in-built decision making for PSA Group vehicles in stock, in 2018, the offer for digital solutions is continuing with individuals now able to order their new vehicle and apply for finance online.

A comprehensive offering is 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. Active involvement in the success of Free2Move Lease is the perfect illustration.

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 vehicles registered includes vehicles purchased with cash, without financing. PSA Banque France Group's share in the total of financed Peugeot, Citroën and DS vehicles is significantly higher than the share financed by our competitors (full-service banks or banks specialized in consumer credit).

End-user installment loans for new and used vehicles

In the vast majority of cases, end-user installment loans propose fixed monthly payments covering accrued interest and the amortization of principal. 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, if a commitment to buy the vehicle back from them was 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. Repayments are generally monthly. In some cases it is, however, possible to delay the first installment for 60 to 90 days. The borrower may make early repayment 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 these 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. Lease contracts are mainly offered with one to five-year terms. The PSA Banque France Group remains the owner of the vehicle throughout the term of the lease. At the end of the 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 commits to repurchasing 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. The vehicle's buy-back value matches the vehicle's estimated residual value at the end of the lease 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 (provided that the dealer or manufacturer complies with the 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 generally bears the risk on the vehicle's resale value, if during the vehicle lease period, the customer stops making the lease payments as 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. Therefore, long-term leasing contracts include a clause to offset any loss 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 our internal databases created from detailed profiles of customers and their payment histories. Information on customers is verified using various databases made available by public organizations (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 solvency. When the PSA Banque France Group refuses financing applications, it maintains records for 6 months, which produce automatic alerts if the same customer re-applies for financing.

Installments 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 the 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 closed out, 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 close-out, the litigation teams ask for the intervention of specialized 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: in this case they are used vehicle lines of credit. 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 personal protection and financial loss insurance products;
- Insurance partners who market assistance, used vehicle warranty extension, and automobile insurance plans;
- 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 "Peugeot Perspective". 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 if that is their preference. This is the case, for example, with "Give Me 5" for Citroën and "Peugeot Perspectives Occasions".

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 2018, 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. PSA Banque France's insurance products and services are also included in the Free2Move Lease offer, the dedicated long-term lease solution for company vehicles.

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, which directly managed the activity until that date. Managing the retail savings business now 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.

1.3.2.3 Positioning

The status of the PSA Banque France Group, the French bank for Peugeot, Citroën, and DS brands, allows a close partnership 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 relationship with the business models 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.

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

1.3.2.4 Employees

At December 31, 2018, the overall workforce of the PSA Banque France Group stood at 805 employees (excluding work-study), or the full-time equivalent of 773.3 employees with an additional 45 apprentices on fixed-term contracts. Hiring continued in 2018 to support the company's development, particularly within the Finance and Risk departments. Many new hires were made in the Operations Division for the Rennes, Lyon, and Gennevilliers agencies following the Agencies Grouping Plan.

1.3.2.5 Real property

The PSA Banque France Group does not own any real estate, neither for its registered office nor for its agencies, which are rented.

1.3.2.6 Legal proceedings and investigations

The PSA Banque France Group complies with applicable laws and regulations. Most of legal proceedings consist of disputes relating to non-payments by end-user customers and, to a lesser extent, by dealers, in the course of its day-to-day financing activities.

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1.4 Analysis of operational results

The majority of 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 of 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 for 2018 stood at €322 million, compared to €272 million in 2017.

1.4.1 Vehicle sales for Peugeot, Citroën and DS

In 2018, sales of passenger vehicles and light utility vehicles by the PSA Group (excluding Opel) in France rose by 6.3% to 778,623 units, which makes the PSA Group the leader in the French market with a market share of 29.6% (32.5% with Opel).

Peugeot's growth is continuing with passenger vehicle sales up 6.2% compared with the previous year with a total of 389,518 units, thanks to four models among the top 10 best-selling models in France: the 208 (4.7% market share), which has remained the 2nd best-selling vehicle in France since 2016, the 3008 (3.9%) the 3rd best-selling vehicle in France and the top-ranking SUV, the 2008 (3.0%) and the 308 (2.9%). Meanwhile, Citroën registered 286,348 cars in France in 2018, a 5.9% increase on the previous year, breaking down into 213,844 passenger vehicles and 72,504 light-utility vehicles. In the passenger vehicle category, the C3 rose to 4th place in the year's best-selling cars in France with a 3.6% market share (up 2 places compared to 2017).

With 24,004 passenger vehicle registrations in 2018, DS posted a 12.6% increase in sales compared with 2017 and a market share of 1.1% for passenger cars.

1.4.2 Commercial activity of the PSA Banque France Group

1.4.2.1 End-user financing

Over the 2018 period, the PSA Banque France Group saw an increase of 8.9% in financing volumes for new and used vehicles to end users, rising from 289,006 to 314,639 financing contracts subscribed, for a total production of €4,219 million, up by 14.6% compared to 2017. The greater increase in new financing volumes compared to the number of vehicles financed is explained by an increase in the average amount financed of approximately €700. This growth is linked to PSA Group vehicles move upmarket, in particular for SUVs.

The new vehicle penetration rate was 29.2% in 2018, up 0.9 points from 2017 thanks to good performances on the retail market but a slight regression on the corporate and rental market.

The PSA Banque France Group financed 227,453 new PSA Group vehicles in 2018, through loans or lease contracts, an increase of 9.9% compared to 2017.

Financing to individuals increased compared to 2017 with a 44% market share. Refinancing conditions combined with the strategy of the PSA Group's brands as well as the strong interest of individuals in the new Peugeot, Citroën and DS models stimulated requests for the Group's financing solutions, particularly leases with a purchase option that exactly meets the expectations of this customer category

Lastly, used vehicle financing volumes were up 6.3% on 2017, with 87,186 units financed in 2018.

The tables below show the main indicators of the PSA Banque France Group's end-user financing activity in 2018.

PRODUCTION OF END-USER FINANCING FOR NEW AND USED VEHICLES

	Dec. 31, 2018	Dec. 31, 2017	Change in %
Number of new contracts	314,639	289,006	+8.9
Amount of production (in million euros)	4,219	3,680	+14.6

OUTSTANDING LOANS TO END USERS

(in million euros)	Dec. 31, 2018	Dec. 31, 2017	Change in %
Outstanding loans	8,136	7,023	+15.8

This increase in new loans is related to higher volumes of contracts subscribed than in 2017, as well as a higher average amount financed, up by +4.3% for new vehicles, notably thanks to the enhancement of the mix for lease products and a move upmarket in vehicles.

1.4.2.2 Dealer network financing

In 2018, the outstanding loans granted to Peugeot, Citroën, and DS dealer networks were up compared to 2017 thanks to a resolutely bullish car market and a favorable positioning for the PSA Group's vehicle models. In addition, 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 PSA Banque France, while dealers controlled by the PSA Group receive financing directly from the PSA Group.

Outstanding loans made to the dealer network rose by 15.2% in 2018 compared to 2017.

The table below shows the outstanding loans granted to dealers at the end of 2018 and 2017.

TOTAL OUTSTANDING LOANS TO DEALER NETWORK

(in million euros)	Dec. 31, 2018	Dec. 31, 2017	Change in %
Outstanding loans	3,677	3,191	+15.2

1.4.2.3 Insurance and services

In 2018, the number of insurance and service contracts increased by 6.0% compared to the previous year, with 697,709 new contracts subscribed compared to 657,941 in 2017.

The PSA Banque France Group sold an average of 2.2 insurance or service contracts to each customer having subscribed to a financing, which is comparable to the previous year.

The increase in the number of contracts sold was confirmed for both financial services and insurance products and services for the vehicle.

The tables below show the main indicators for the PSA Banque France Group's insurance and services business in 2018 and 2017.

PRODUCTION OF NEW INSURANCE AND SERVICE CONTRACTS

(in number of contracts)	Dec. 31, 2018	Dec. 31, 2017	Change in %
Financing-related insurances	339,006	328,031	+3.3
Car insurance and vehicle-related services	358,703	329,910	+8.7
Total	**697,709**	**657,941**	**+6.0**

PENETRATION RATE ON FINANCING

(in %)	Dec. 31, 2018	Dec. 31, 2017	Change in points
Financing-related insurances	105.8	111.4	-5.6
Car insurance and vehicle-related services	111.9	112.1	-0.2
Total	**217.7**	**223.5**	**-5.8**

1.4.2.4 Retail savings market

The "Distingo par PSA Banque" online savings activity was acquired by the PSA Banque France Group on April 1, 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 characterized 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.

Deposit outstanding increased by 18.7% over 2018, reaching €2,251 million at the end of the year, representing an increase of €354 million compared to the end of 2017.

Outlook for 2019 is based on a sound foundation which makes use of marketing techniques as well as efficient and reliable organization. Furthermore, customer satisfaction surveys continue to have excellent results.

SAVINGS BUSINESS

(in million euros)	Dec. 31, 2018	Dec. 31, 2017	Change in %
Outstandings	2,251	1,897	+18.7

1.4.3 Results of operations

NET INCOME

(in million euros)	Dec. 31, 2018	Dec. 31, 2017	Change in %
Net banking revenue	**492**	**451**	**+9.1**
of which end users	327	303	+7.9
of which dealer network	63	49	+28.6
of which insurance and services	110	97	+13.4
of which unallocated and other	(8)	2	-
General operating expenses and equivalent	**(156)**	**(147)**	**+6.1**
Cost of risk	**(14)**	**(32)**	**(56.3)**
of which end users	(23)	(19)	+21.1
of which dealer network	+9	(13)	-
Operating income	**322**	**272**	**+18.4**
Other non-operating income	(1)	(10)	(90.0)
Pre-tax income	**321**	**262**	**+22.5**
Income taxes	(103)	(94)	+9.6
Net income	**218**	**167**	**+30.5**

1.4.3.1 Net banking revenue

Net banking revenue increased by 9.1% to €492 million at December 31, 2018, compared to €451 million at December 31, 2017.

This increase is essentially the result of a significant increase in outstanding loans both to end users and to dealer networks as well as a reduced funding cost thanks to the partnership between Banque PSA Finance and Santander Consumer Finance as well as the diversification of sources of financing, the decrease in base rates and recognizing interest revenue on TLTRO-II transactions. Indeed the interest rate used for these long-term refinancing transactions led by the European Central Bank, takes into account the confirmation received in 2018 of the application of a negative interest rate of -0.40%, The margin obtained on insurance and services also helped to drive up net banking revenue which in 2018 gained €13 million against the previous year, to stand at €110 million.

1.4.3.2 General operating expenses

General operating expenses and equivalent reached €156 million at December 31, 2018, against €147 million at December 31, 2017. This increase, which was limited to €9 million, is a satisfactory result for 2018, given the increase in net banking revenue and the overall outstanding amount of financing. Indeed, cost to income ratio improves from 32.6% to 31.7%.

1.4.3.3 Cost of risk

The cost of risk in 2018 stood at €14 million, representing 0.13% of average net outstanding loans, against €32 million in 2017, representing 0.34% of average net outstanding loans. All of the performing and non-performing loans were provisioned.

The cost of risk on the end-user financing activities stood at €23 million in 2018 against €19 million in 2017 that benefited from a €6 million reversal of provisions coming from the update of the parameters for calculating provisioning rates. This figure also includes the sale in July 2018 of a portfolio of loans written off with a positive impact of €8.8 million to the cost of risk.

For dealer network financing activities, the cost of risk stood at a positive amount of €9.5 million. This level was due to close monitoring of existing defaults and the collection process applied as well as the low number of dealers in default during the period. This cost of risk is also due to the reversal of provisions of €12 million following the exit from non-performing status of a group of dealers who was bought out in the first half of 2018. Therefore, provisions recorded in 2017 have been entirely reversed during the first half of 2018.

1.4.3.4 Consolidated income

At December 31, 2018, the pre-tax income of the PSA Banque France Group stood at €321 million, up 22.5% from December 31, 2017. The consolidated net income for 2018 was €218 million.

The effective corporate tax rate decreased to 32.0% of taxable earnings, against 35.2% for 2017. In 2017, the tax burden was impacted due to the corporate income tax increase from 34.43% to 39.43%, related to the exceptional contribution of 15%, which was nevertheless offset in part by the refund of the contribution on distributed income. In 2018, the corporate income tax rate was 34.43% and the tax burden was reduced by the reassessment of the deferred tax liabilities inventory following the reduction in tax rate as per the 2018 French Finance Act (see Note 29.3 - PSA Banque France Group tax proof). The tax burden for 2018 was €103 million.

1.5 Financial situation

1.5.1 Assets

Total assets of the PSA Banque France Group at December 31, 2018 stood at €13,153 million, up by 15.5% compared to December 31, 2017.

Total outstanding financing came to €11,813 million, a 15.7% increase over December 31, 2017. End-user loans were up 15.8%, while dealer network financing increased by 15.2%.

1.5.2 Provisions for non-performing loans

Impairment losses are deducted from the carrying value of loans and receivables as they are recorded. The procedures for the recognition of impairment charges on outstanding loans are described in Note 2.C.4.4. When a loan or receivable is considered definitively unrecoverable, it is written off as a loss on the income statement. Any provision for previously-recognized 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 recognized in the income statement under the cost of risk heading.

The table shown in Note 28.1 details all loans, including sound loans with past-due installments (delinquent loans) and non-performing loans with their related impairment amounts, as at December 31, 2018 and 2017.

IFRS 9

On January 1, 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 risk parameters such as default probabilities (PD) and loss given default probabilities (LGD). Impairment is broken into 3 "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 after IFRS 9 implementation are:

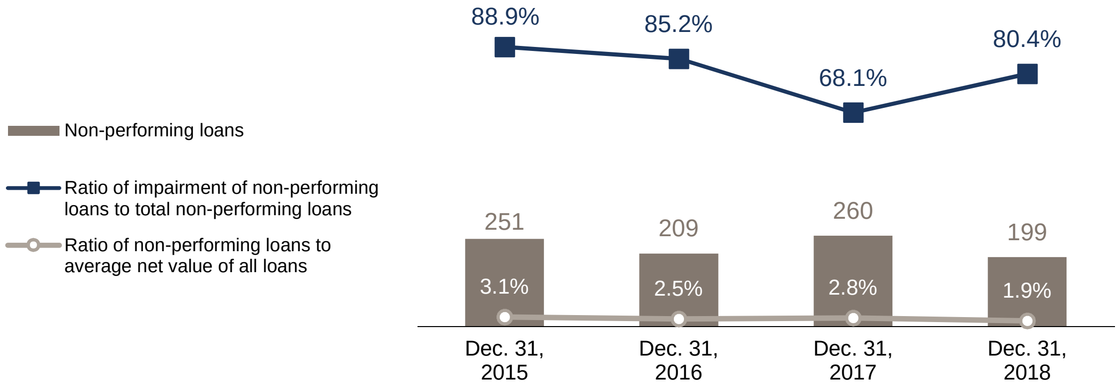
- Provisioning of assets throughout their residual life, once there is a significant risk deterioration;
- Creation of a Stage 2 assessing outstanding for Corporate loans, with the aim to define specific provision for assets whose credit risk was significantly downgraded. It should be noted that there 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. Thus, implementing IFRS 9 at January 1, 2018 had a positive impact of €3.6 million on PSA Banque France Group's equity.

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 analyzed 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)



In 2018, the decrease of non-performing loans is mainly due to the exit from non-performing status of a dealer bought out in March 2018. Aside from this event, entries of non-performing loans continue to decline in 2018, due to the improved customer risk profile.

The total coverage rate of non-performing loans increases compared to 2017 mainly due to the default of the aforementioned dealer mid-2017 and to its exit from non-performing status in March 2018. It should be noted that this rate is above 100% on retail and SME portfolios, whereas the loans resulting from financing for the dealer network do not require as high a provisioning rate, given that the PSA Banque France Group retains ownership of the vehicles in stock during the financing period and due to the dedicated monitoring of dealer network financing activities.

Furthermore, while only considering provisions on stage 3 receivables, the average coverage rate of total non-performing loans is 54.3% at December 31, 2018 compared to 49.5% at December 31, 2017.

1.5.3 Refinancing

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 the opportunity to secure different sources of funding:

- On February 2, 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 securitization transactions publically or privately placed among investors.
- On April 1, 2015, the "Distingo par PSA Banque" deposit business (retail savings accounts and term 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 programs 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 at the end of the first half of 2016. In January and again in September 2017 and in April 2018, the development of access to the capital markets continued with the first three bond issues under the EMTN program, for €500 million each;
- In July 2016, a securitization program was set up for leases with a purchase option, followed in July 2017 by a securitization program of long-term leases. In November 2018, a public securitization transaction for leases with purchase options was placed on the markets.

At December 31, 2018, the refinancing of the PSA Banque France Group was split as follows:

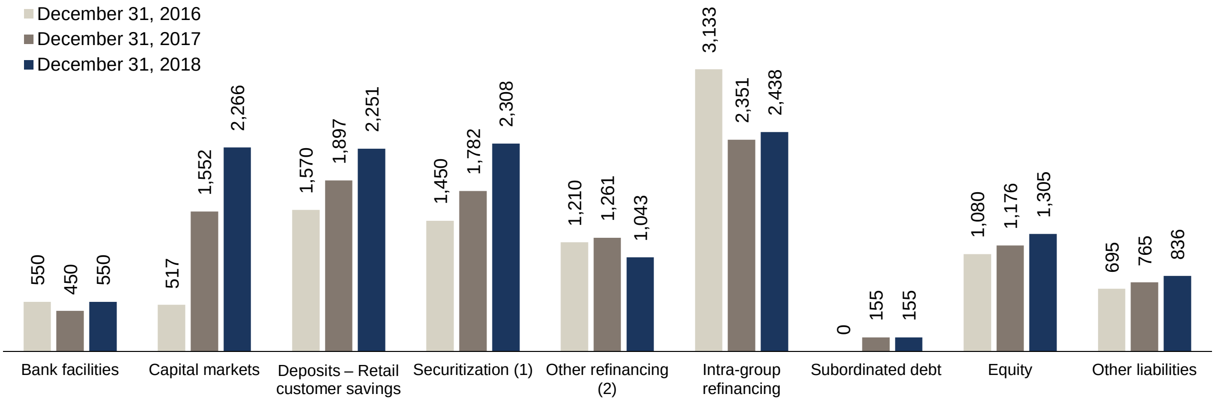
- 5% came from drawn bank loans;
- 21% from negotiable debt security issuances and the first three EMTN bond issues on the capital markets;
- 20% from repayable funds from the public in relation to deposit activity;
- 21% from securitization transactions;
- 10% from other external refinancing, of which 7% from the European Central Bank (participation in the TLTRO-II program);
- 22% from intra-group bank 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 financing sources at December 31, 2018 compared to December 31, 2017 and December 31, 2016.

SOURCES OF FINANCING

(in million euros)	Dec. 31, 2018		Dec. 31, 2017		Dec. 31, 2016	
Bank facilities	550	*5%*	450	*5%*	550	*7%*
Capital markets	2,266	*21%*	1,552	*16%*	517	*6%*
Deposits - Retail customer savings	2,251	*20%*	1,897	*20%*	1,570	*19%*
Securitization (1)	2,308	*21%*	1,782	*19%*	1,450	*17%*
Other refinancing (2)	1,043	*10%*	1,261	*13%*	1,210	*14%*
External refinancing	**8,418**	***77%***	**6,942**	***73%***	**5,297**	***63%***
Intra-group refinancing	**2,438**	***22%***	**2,351**	***25%***	**3,133**	***37%***
Subordinated debt	**155**	***1%***	**155**	***2%***	**-**	
Equity	**1,305**		**1,176**		**1,080**	
Other liabilities	**836**		**765**		**695**	
Balance sheet total	**13,153**		**11,390**		**10,206**	

Sources of financing (in million euros)



(1) securitization includes all of the securitizations placed on the market.
(2) of which refinancing through the ECB (participation in TLTRO-I and TLTRO-II) for a total of €771 million at December 31, 2018 and dealer deposits.

Outstanding bank loans (as bilateral bank credit lines fully drawn) stood at €550 million at December 31, 2018.

Outstanding debt on capital markets increased to €2,266 million at December 31, 2018 after the third bond issue under EMTN program in April 2018.

The assets of the retail savings activity stood at €2,251 million.

At December 31, 2018, the PSA Banque France Group's refinancing through securitization was based on 5 transactions totaling €4,467 million in receivables sold to securitization vehicles (see Note 8.4 of the consolidated financial statements):

- The Auto ABS French Loans Master monthly issue program, in its revolving period;
- The Auto ABS French Leases Master Compartment 2016 monthly issuance program, of which the revolving period was extended for 2 years in July 2018;
- The Auto ABS DFP Master Compartment France 2013 monthly issuance program, an amendment of which in December 2018 brought forward the end of the of its revolving period, initially scheduled for May 2019, to November 2019;
- The Auto ABS French LT Leases Master monthly issuance program, launched in July 2017, in its revolving period;
- The Auto ABS French LT Leases 2018 public offering having issued and placed in November 2018, 450 million securities, rated AAAsf / Aaasf and 60 million mezzanine securities rated A(high)sf / A1sf, with a 6-month revolving period.

Financing from securitization transactions in the market increased to €2,308 million at December 31, 2018.

Furthermore, the PSA Banque France Group benefits from collateralized financing obtained from the European Central Bank under the TLTRO-II refinancing operations, for a total of €771 million following the repayment at the end of September 2018 of €229 million for the TLTRO-I transactions (see Note 13 of the consolidated financial statements).

1.5.4 Liquidity security

The PSA Banque France Group is seeking the most relevant balance between security in terms of liquidity and optimization 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.

At December 31, 2018, financing with an original maturity of 12 months or more represented over 60% of financing.

The average maturity of medium and long-term financing raised during 2018 was about 2.6 years, thanks to the third EMTN bond issue in an amount of €500 million with a 5-year maturity.

Bank credit lines used as of December 31, 2018 do not require specific obligations in terms of the constitution of sureties, 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;
- Non-compliance with the regulatory level for the Common Equity Tier 1 ratio.

In addition, the PSA Banque France Group has:

- Sound financial security, which is based on the support of Santander Consumer Finance;
- A €300 million liquidity reserve at December 31, 2018, 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 €726 million based on assets brought as collateral (composed of senior securities of securitization, auto-subscribed by CREDIPAR and of eligible credit claims remitted through TRICP channel, see Note 21 of the consolidated financial statements).

At December 31, 2018, the PSA Banque France Group had €533 million in financing commitments granted to customers and €3 million in guarantee commitments to customers (see Note 21 of the consolidated financial statements).

1.5.5 Credit ratings

On March 8, 2017, Moody's Investors Service upgraded PSA Banque France's long-term credit rating to Baa1 with a stable outlook.

On December 28, 2018, Standard & Poor's Global Ratings upgraded PSA Banque France's credit rating from BBB to BBB+ along 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 update of this rating, 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 AT DECEMBER 31, 2018

(in million euros)		Active programs	Programs size at Dec.31, 2018	Outstanding at Dec. 31, 2018
Moody's	S&P	Short term		
P2	A-2	CD/NEU CP	1 000	571.5
		Long term		
Baa1	BBB+	BMTN/NEU MTN	1 000	196
Baa1	BBB+	EMTN	4 000	1 500

1.5.6 Capital and capital requirement

Under the application of the Basel III CRD IV reform, the PSA Banque France Group has a strong financial position. At December 31, 2018, the Basel III CRD IV Tier 1 capital ratio in respect of Pillar I stood at 12.1%, and the total capital ratio was 13.8%. Basel III Tier 1 regulatory capital amounted to €1,106 million at the end of 2018, taking into account the deduction of the difference between recognized impairment and expected actual losses on the IRB scope (€79 million), and the minimum capital requirement stood at €733 million.

Note that, in principle, relevant institutions must be subjected to a two-fold monitoring process, on a consolidated basis and on an individual basis. However, on January 29, 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.

Regulatory capital

Note that the regulatory scope used to calculate the solvency ratio is identical to the scope of consolidation as described in Note 1-C.

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. PSA Banque France 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 recognized directly in equity.

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

- Estimated amounts of projected dividend distributions;
- Negative difference between recognized impairment and the expected losses statistically calculated for the risk-weighted assets (RWA) stated using the IRB (internal rating based) 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.

TRANSITION TABLE FROM ACCOUNTING EQUITY TO REGULATORY CAPITAL

(in million euros)	Dec. 31, 2018	Dec. 31, 2017
Accounting Equity[1]	**1,305**	**1,176**
Distributable income	(116)	(93)
Negative amounts resulting from the calculation of the expected loss	(79)	(80)
Other prudential deductions	(4)	-
Tier 1 regulatory capital	**1,106**	**1,004**
Tier 2 subordinated loans	**155**	**155**
Tier 1 and Tier 2 regulatory capital	**1,261**	**1,159**

(1) Accounting and regulatory equity are equal.

Capital requirement

On April 6, 2009, the ACPR authorized Banque PSA Finance to use Internal Rating Based Advanced (IRBA) approaches to calculate the minimum regulatory capital requirement for the retail portfolio, and Internal Rating Based Foundation (IRBF) approaches for the corporate portfolio. This measure has been applied to the entities of the PSA Banque France Group since January 1, 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 authorization in 2017 to maintain the internal rating methods originally developed by Banque PSA Finance for calculating risk weighted assets (RWA).

All of the data used to model and calculate credit risk is 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 these central risk management databases feed the central capital management tool. 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 revenue and a 15% ratio to non-retail net banking revenue.

Group capital requirement and risk-weighted assets

(in million euros)	Dec. 31, 2018 Risk-Weighted Assets	Dec. 31, 2018 Capital requirements	Dec. 31, 2017 Risk-Weighted Assets	Dec. 31, 2017 Capital requirements
Credit risk	**8,444**	**676**	**7,156**	**572**
Standard method	**860**	**69**	**868**	**69**
Sovereigns, Banks, and Administrations	13	1	12	1
Institutions	137	11	113	9
Corporate	221	18	300	24
Retail	211	17	192	15
Other assets	278	22	251	20
Internal Rating Based Foundation approach (IRBF)	**3,944**	**316**	**3,191**	**255**
Corporate	3,944	316	3,191	255
Internal Rating Based Advanced approach (IRBA)	**3,640**	**291**	**3,097**	**248**
Retail	3,640	291	3,097	248
Operational risk (standard method)	**714**	**57**	**673**	**54**
Market risk	**0**	**0**	**0**	**0**
Total Risks	**9,158**	**733**	**7,829**	**626**

	Dec. 31, 2018	Dec. 31, 2017
Tier 1 regulatory capital	**1,106**	**1,004**
Tier 1 solvency ratio	**12.1%**	**12.8%**
Total regulatory capital	**1,261**	**1,159**
Total solvency ratio	**13.8%**	**14.8%**

Leverage ratio

The leverage ratio, which corresponds to the non- weighted ratio of the gross exposure to core capital (Tier 1), is particularly intended to control the excessive use of off-balance sheet items in banking activities. The PSA Banque France Group chose to manage its consolidated leverage ratio at a minimum level of 3% corresponding to the regulatory limit. A monitoring, control and warning system was established in order to manage any excessive leverage risks.

The leverage ratio is calculated according to the terms of Regulation (EU) No. 575/2013 Article 429, and for the PSA Banque France Group was 8.1% at December 31, 2018.

It should be noted that the exemption from monitoring on an individual basis received for the solvency ratio is extended to the leverage ratio under CRD IV. Requirements relating to the leverage ratio are therefore met solely on the consolidated basis.

Leverage ratio and details of leverage exposure at December 31, 2018

(in million euros)	Dec. 31, 2018	Dec. 31, 2017
Total assets according to the published financial statements (excluding derivatives)	**13,151**	**11,387**
Prudential deductions on CET1 capital	(83)	(80)
Total exposure on balance sheet	**13,067**	**11,307**
Exposure on derivatives	14	7
Replacement cost of derivatives transactions	2	2
Total exposure on derivatives	**16**	**9**
Exposure related to commitments given	1,459	1,588
Application of regulatory conversion factors	(954)	(1,052)
Total exposure to off-balance sheet items	**505**	**536**
Total other adjustments	**(6)**	**28**
Total leverage exposure	**13,582**	**11,880**
Tier 1 regulatory capital	**1,106**	**1,004**
Leverage ratio	**8.1%**	**8.4%**

1.5.7 2019 outlook

After a successful 2018 year, for the PSA Banque France Group, 2019 will be about consolidating its achievements by rolling out 4 ambitions that were agreed at the management convention:

- Ambition n°1 : become established as the most mobile and innovative brand finance company;
- Ambition n°2 : prioritize customer retention and satisfaction;
- Ambition n°3 : succeed with a motivated and committed team;
- Ambition n°4 : deliver lasting, profitable growth.

In 2019, the PSA Banque France Group foresees a new vehicle registration market that remains at a high standard, and its outlook remains positive thanks, in particular, to the actions that will be undertaken:

- Active support for the electrification of the range of Peugeot, Citroën and DS vehicles by offering dedicated products and financing solutions. Offering new mobility solutions with leasing. Extending e-signature to corporate customers;
- Developing leasing solutions with a purchase option on used vehicles so as to expand the product range, absorb loyalty-building product returns and support the network on this buoyant used vehicle market. From the start of the year there are plans to offer widespread training in new generation loyalty-building offerings to sales teams in the networks;
- In order to always better meet customer requirements, the reorganization of departments is set to continue. All employees, always at the heart of the company's success, will benefit from the opportunity to opt for remote working;
- Finally, drawing on a robust, diversified financing structure, the PSA Banque France Group will ensure the risk level is kept low, particularly through changes to the scoring of used vehicles and corporate customers.

It is by continuing its transformation that PSA Banque France will meet the technological and market challenges and respond to new customer requirements in terms of mobility and services.

1.6 Risk factors and risk management

1.6.1 Governance of risks

Identification, measurement, control and monitoring of the risks of the PSA Banque France Group is managed by the Risk Department, which was set up following the creation of the cooperation between Banque PSA Finance and Santander Consumer Finance. The Chief Risk Officer is a member of the Executive Committee and also reports to the Audit and Risk Committee.

The risk governance covers steering of risk control, validation of methods or measurement models and setting the desirable risk level. This governance primarily takes into account the list of risks and the evaluation of their potential criticality, given the management policies adopted, as well as the economic context.

These various elements are presented, analyzed and decided within committees chaired by the Risk Department: the Risk Committee, meeting monthly, the Credit Committee, meeting weekly; and the committees together with the Peugeot, Citroën and DS brands, meeting monthly.

The Risk Department also participates in the Asset/Liability Committees (ALCO) on a monthly basis in the Operations Committee as well as Collection and Recovery Committee, both on a bi-monthly basis. The members of the executive body either take part in these meetings or are informed of their content.

A fundamental pillar of the risk management model is the risk policies defined by the Risk Department and validated by the PSA Banque France Group's Board of Directors. In this context, risk management is based on the following principles:

- Integration of the culture of risk in the organization, so that all attitudes, values, skills and instructions related to the activity are included in all processes;
- Involvement of the bank's senior management in the management and control of risks;
- Independence of the Risk Department from the other professions and separation between departments generating risks and departments responsible for controlling and monitoring those risks. The latter having sufficient authority and direct access to the management and decision-making bodies responsible for defining the risk strategy;
- Overall inclusion of risks to prepare a complete picture of the risk borne. Understand the relationships between the different types of risks and provide their overall evaluation;
- Anticipation and predictability: the evaluation of risks is essentially a matter of anticipation;
- Decisions by the collegial bodies including, in the decision process, a variety of methodological points of view in proportion to the potential impact of the decision and the complexity of the factors that come into play;
- Limitation of the risks by establishing objective and verifiable limits with a management, control and reporting infrastructure which guarantees their effectiveness.

The PSA Banque France Group is subject to several risk factors for which the identification and evaluation are crucial in the risk management model.

1.6.2 Business risk

Risk Factors

Five main risk factors have an impact on the PSA Banque France Group's level of activity:

- External factors that influence vehicle purchases;
- Government policies to incentivize new vehicle purchases;
- Regulatory or tax changes which could lead to a modification of the activity or alter the profitability thereof;
- The sales volumes achieved by Peugeot, Citroën and DS, as well as their marketing policies, which may include joint financing operations carried out with the PSA Banque France Group;
- PSA Banque France Group's competitive positioning, in terms of both product range and price.

Risk measurement, control and monitoring

These risk factors are assessed at least on an annual basis as part of the process of preparing the budget and medium-term plan. The PSA Banque France Group reviews its budget forecasts on four occasions during the financial year. Business risk is also monitored through stress testing processes.

1.6.3 Credit risk

Risk Factors

Credit risk is the risk of loss arising from the failure of a customer to meet the payment or other obligations of a contract with the PSA Banque France Group. While the Group generally has the ability to recover and resell the financed vehicle following a customer default, the resale value of a recovered vehicle may not be sufficient to cover the default loss. Furthermore, contractually, the PSA Banque France Group does not assume the residual value risk on vehicles, because of the buy-back commitments from the car dealers or the manufacturer itself.

Regardless of the prudent customer-selection policy, credit risk is influenced by economic conditions, both in terms of defaults and the market value of recovered vehicles that are sold on the secondary market.

Risk measurement, control and monitoring

Risk is measured daily.

When granting financing, risk measurement is based on internal rating models developed and back- tested by risk experts. Customers are selected from rating models (for corporate customers) or scoring tools (for retail customers), both managed and controlled by the PSA Banque France Group with the support provided by shareholders, Banque PSA Finance, and Santander Consumer Finance. The decision-making systems are configured according to the specific characteristics of the French car market, thus optimizing its efficiency and ensuring its compliance. Monitoring is regularly carried out to measure the effectiveness of the tools used.

For financing to individual customers and small and medium-sized businesses (considered retail customers), loan applications are either automatically authorized or require additional assessment procedures, which are requested either by the risk expert systems or at the credit analyst’s own initiative. Inputs are obtained from external credit databases or from internal data, such as customer payment histories (in the case of a financing renewal following a new vehicle purchase).

All decisions are governed by strict delegation of authority rules on lending limits. For corporate portfolios (consisting of corporations and public entities as well as the Peugeot, Citroën, and DS dealer network), the approval decisions escalate up to the PSA Banque France Group's Credit Committees or shareholders’ Credit Committees.

Internal loan acceptance risk measurement models are developed and back-tested in coordination with the teams at Banque PSA Finance and checked by teams at Banco Santander. Every update must be validated by the PSA Banque France Group. The risk teams verify that all of the customer profiles are correctly managed by the risk measurement tools.

The Basel Internal Ratings Based Approach (IRBA) forms the basis for the models used for retail portfolio. The default and loss rates are calculated on the basis of risk classes, which are themselves modeled. The estimated default and loss given default probabilities used to calculate the capital adequacy requirements are modeled based on default rates and loss rates. For corporate business (outside the dealer network), a counterparty rating model (IRBF) is used and regularly back-tested. For corporate dealer financing, there is a model specific to the PSA Banque France Group's business (IRBF) that is used both for loan approvals and for contracts in the portfolio.

All of the models are regularly back-tested and submitted for technical approval carried out by Banque PSA Finance and Banco Santander. Since 2015, the PSA Banque France Group has also validated all models it uses as well as their evolutions.

Regarding the accounting measurement of credit risk, all retail loans are depreciated using the depreciation rate which is calculated, and reviewed based on the established governance, several times a year according to an estimated discounted future collections model, based on historical recovery data for impaired loans. Impairments for corporate loans in default are determined through an individual analysis that is specific to each customer's situation, taking into account the value of any surety underlying the loan. Impairments are made as soon as loans are reclassified as doubtful, if the individual analysis shows a non-zero estimated loss. Furthermore, outstanding performing corporate loans are depreciated.

Risk management is based on:

- A product range specifying the legal framework for the product and related securities, maximum term, minimum down payment, step-up amounts, if applicable, and residual values;
- Checking the risk of over-invoicing the financed amount and checking double financing;
- Conditions that may be attached to loan approvals;
- Strict delegation of authority rules governing loan applications and lending limits;
- Verification prior to the release of financing, of the supporting documents requested as part of the loan application process, including securities for conditional loan approvals.

In addition to the above for the corporate dealer portfolios:

- Setting lines of credit and the associated period of validity. Lines of credit are individualized by financial product and are not mutually fungible;
- Collective security packages or securities taken when the relationship is established, on renewal of credit lines or if creditworthiness is downgraded between renewal dates. Securities may be personal guarantees, related to identified assets, be provided by loan protection insurers or take the form of bank guarantees;
- Daily monitoring of payment incidents;
- A progressive alert system, from placing on watch to declaring a delinquent loan, including conditional delinquency, i.e. even if the loan is not past due;

- A system triggering a review of a dealer's credit rating, according to financial or sales indicators;
- Stock audits, scheduled based on the dealer's risk profile, retention of vehicle registration documents for some used vehicle or dealer financing, and dealer financing contracts providing for the pledging of the financed vehicles at any time, in accordance with legislation.

Risk monitoring in the retail activity mainly concerns:

- Trends in the quality of credit applications and the quality of new loan production;
- Indicators of payment history by financing type, customer segment, production year, etc.;
- Basel risk measurement indicators for the loan portfolio.

Risk monitoring indicators are analyzed by the PSA Banque France Group analysts. Risk areas detected may result in amending risk assessments or risk control measures.

Monitoring of risk for the corporate portfolio primarily consists of:

- Monitoring drawdowns of credit lines;
- Regular monitoring of the counterparty's financial situation and interim results;
- Tracking payment incidents and past-dues;
- Monitoring potentially serious incidents, such as winding up a business, restructuring or court- ordered liquidation;
- Tracking credit line drawdowns, payment incidents and reports from stock audits for dealer financing;
- Very close monitoring of dealers included in the watch list, or of those with delinquent or conditionally delinquent accounts;
- A monthly supervisory committee of the dealers, attended by non-voting representatives of Peugeot, Citroën and DS.

Cross-cutting risk monitoring is also performed on an ongoing basis by the risk oversight and control department. Very regular monitoring (quantitative and qualitative) of the credit risk is done on all portfolios and communicated within the PSA Banque France Group and to shareholders.

Credit risk exposure

PSA Banque France's exposure to credit risk, partially handled using the advanced method, relies on the carrying value of the financial assets plus off-balance sheet items, financing and guarantee commitments given, and the authorized lines not drawn down. These assets are restated of depreciation, as well as the assets that are not subject to credit risk and items that are directly deducted from equity.

BREAKDOWN OF GROSS EXPOSURES AT DECEMBER 31, 2018

(in million euros)	Bank and Administration	Corporate	*of which SME*	Retail	*of which SME*	Other categories	Total gross exposures	Distribution (%)
France	**1,131**	**5,770**	***1,158***	**7,591**	***2,367***	**278**	**14,770**	100%
Standard method	1,131	1,305	*139*	346	*178*	278	**3,059**	21%
Advanced method	-	4,465	*1,020*	7,244	*2,190*	-	**11,712**	79%
Europe (outside France)	**9**	**-**	**-**	**-**	**-**	**-**	**9**	0%
Standard method	9	-	-	-	-	-	**9**	0%
Advanced method	-	-	-	-	-	-		0%
Overall total	**1,140**	**5,770**	***1,158***	**7,591**	***2,367***	**278**	**14,779**	100%
Standard method	*1,140*	1,305	*139*	346	*178*	278	**3,068**	21%
Advanced method	-	4,465	*1,020*	7,244	*2,190*	-	**11,712**	79%
Distribution (%)	8%	39%	*8%*	51%	*16%*	2%	**100%**	

BREAKDOWN BY RESIDUAL MATURITY OF EXPOSURES AT DECEMBER 31, 2018 [1]

(in million euros)	Bank and Administration	Corporate	Retail	Other categories	Total Balance sheet exposures
Residual maturity lower than 3 months	1,016	3,146	328	341	**4,831**
3 months to 1 year	16	1,656	1,027	0	**2,699**
1 to 5 years	29	2,062	3,490	0	**5,580**
More than 5 years	0	28	15	0	**43**
Overall total	**1,061**	**6,892**	**4,859**	**341**	**13,153**

(1) This exposure is not restated for items deducted from regulatory capital. Breakdowns by residual maturity are based on NSFR regulatory reporting at the end of December 2018.

BREAKDOWN OF THE GROUP'S NET EXPOSURES AT DECEMBER 31, 2018 BY EXPOSURE CATEGORY

(in million euros)	Gross exposure	*of which Exposure in default*	Adjustments for general risk	Adjustments for specific risk	Net exposures of provisions
Bank and Administration	1,140	*2*	0	0	1,139
Corporate	5,770	*71*	6	25	5,739
Retail	7,591	*118*	46	81	7,464
Other categories	278	*0*	0	0	278
Overall total	**14,779**	***191***	**52**	**107**	**14,620**

ITEMIZED ADJUSTMENTS FOR CREDIT RISK AT DECEMBER 31, 2018

(in million euros)	Bank and Administration	Corporate	Retail	Other categories	Overall total
Gross exposure	1,140	5,770	7,591	278	**14,779**
Balance sheet exposures	1,137	4,602	7,302	278	**13,319**
Off-balance sheet exposures	3	1,168	289	0	**1,460**
Off-balance sheet average CCF[(1)]	100%	8%	82%	0%	**23%**
Value exposed to risk	**1,140**	**4,699**	**7,540**	**278**	**13,656**
Risk-Weighted Assets (RWA)	**150**	**4,165**	**3,851**	**278**	**8,444**
RWA conversion rate (RW)	**13%**	**89%**	**51%**	**100%**	**62%**

(1) The CCF or Credit Conversion Factor is the conversion rate of off-balance sheet positions to balance sheet exposure.

1.6.4 Financial risks and market risk

1.6.4.1 Liquidity risk

Risk Factors

The PSA Banque France Group refinances itself through bank credit lines, securitizations, customer deposit activity, participation in European Central Bank refinancing operations and issuances of short and medium-term negotiable debt securities as well as bond issues under EMTN program.

Liquidity risk is therefore one of the main financial risks to which the Group is exposed.

This risk arises from the possibility that, over a given period, the bank cannot fulfill its commitments in due time due to external factors (global financial market situation, inter-bank liquidity crises, etc.) or internal parameters (related, for example, to the Group's rating by the rating agencies).

As a result, the main objectives of liquidity risk management are:

- To reduce, as far as possible, the negative effects of any market developments which affect the Group's financing capacity;
- To manage seasonal variations in funding sources and customer loan request;
- To be able to quickly respond to variations in economic cycles which affect the availability and the demand for funds;
- To overcome the consequences of a given crisis situation.

These are accompanied by the following implementation principles:

- Establish stable liquidity requirements on the balance sheet in the medium and long term;
- Diversify the sources of financing in terms of instruments and markets;
- Respect the specific obligations established by the regulatory authorities.

The analysis and monitoring of the liquidity risk is based on the following assumptions:

- The end of period balance sheet with contractual or conventional outflow;
- And the inclusion of behavioral data, such as prepayment scenarios.

Risk measurement, control and monitoring

In reference to the standard methodology of both shareholder groups, the main liquidity risk evaluation indicators are calculated on a monthly basis:

- Liquidity gap: the liquidity gap is defined as the difference between asset flows and liability flows at a given period;
- Internal liquidity ratios: these ratios are indicators of structural liquidity requirements. Their analysis provides an estimated liquidity trend, taking into account the specific characteristics of the balance sheet;
- Basel liquidity ratios such as the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) per the requirements of the European Capital Requirements Regulation (CRR). The LCR ratio is mandatory and supervised by regulators, while the NSFR will not enter into force for a few more years. The average LCR for 2018 was 120%;
- In addition to the previous indicators, to increase the actual monitoring of liquidity and be in compliance with the European Commission's regulatory requirement, PSA Banque France has implemented additional liquidity monitoring through monthly reporting (Additional Liquidity Monitoring Metrics) since 2016;
- Liquidity stress tests are used to calculate liquidity requirements in various crisis scenarios.
- The liquidity risk control and management system was significantly enhanced in 2018. Particularly with the introduction of daily anticipation, control and management indicators. As such:
  - The system of advance warning liquidity indicators, made up of quantitative and qualitative indicators, is used to early identify situations of liquidity stress or potential weaknesses in liquidity or refinancing requirements. This system defines progressive levels of warning allowing specific action plans to be put in place where relevant;
  - Indicators for managing and monitoring intraday liquidity risk are now in place. The Minimum Intraday Liquidity Buffer is used to define and cover intraday liquidity risk. Monthly reporting is based on (hour by hour) cash flows.

AVERAGE LIQUIDITY COVERAGE RATIO (LCR) IN 2018

(in million euros)	**Weighted values** (monthly average)
Total HQLA	**262**
Total cash outflows	875
Total capped cash inflows	656
Total net cash outflows	**219**
LCR	**120%**

Publications relating to the encumbered assets

Encumbered assets are calculated and monitored within the context of liquidity management, pursuant to the Decree of December 19, 2014 from the *Ministre des Finances et des comptes publics* (French Minister of Finance and Public Accounts). The consolidated statement of encumbered assets at December 31, 2018 appears below:

TEMPLATE A – ASSETS

	(in million euros)	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of non-encumbered assets	Fair value of non-encumbered assets
		010	040	060	090
010	**Assets of the reporting institution**	**4,390**	**0**	**8,762**	**0**
020	Loans on demand	180		817	
030	Equity instruments	0	0	0	0
040	Debt securities	0	0	0	0
100	Loans and advances other than loans on demand	4,211		7,602	
120	Other assets	0	0	343	0

Not applicable for the fair value

TEMPLATE B - COLLATERAL RECEIVED

	(in million euros)	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
		010	040
110	**Collateral received by the reporting institution**	**0**	**0**
150	Equity instruments	0	0
160	Debt securities	0	0
230	Other collateral received	0	0
240	**Own debt securities issued, other than own covered bonds or asset backed securities**	**0**	**0**

TEMPLATE C - ENCUMBERED ASSETS/COLLATERAL RECEIVED AND ASSOCIATED LIABILITIES

	(in million euros)	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
		010	030
010	**Carrying amount of selected financial liabilities**	**3,081**	**4,390**
020	Derivatives	0	0
040	Deposits *(including: central banks)*	771	1,180
090	Debt securities issued *(including: securitizations)*	2,310	3,210
120	Other	0	0

TEMPLATE D - INFORMATION ON IMPORTANCE OF ASSET ENCUMBRANCE

The use of credit claims, as collateral for refinancing operations, allows the PSA Banque France Group to diversify its funding sources, specifically through the issuance of securitization securities.

It can also take part in the ECB monetary policy operations.

1.6.4.2 Interest rate risk

Risk Factors

The interest rate risk is the possibility of losses due to the impact of interest rate movements on the structure of the entity's equity (through revenues, expenses, assets, liabilities and other balance-sheet transactions).

The PSA Banque France Group's objective is to limit the negative effects of market rates evolution on its profits and economic value, and to increase its security and solidity. To adjust the borrowing rate structure to the customer loan structure, guided flexibility is allowed in hedging the interest rate risk.

The policy in terms of interest rate risk tends to be conservative and 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.

During the 2018 financial year, the portfolio of interest rate swaps was one of the main elements used to cover exposure to interest rate risk on the balance sheet.

Risk measurement, control and monitoring

Interest rate risk can essentially affect the net interest margin and the market value of the bank's equity. Management of the interest rate risk is governed by sensitivity limits in accordance with risk appetite.

The main risk evaluation indicators are calculated on a monthly basis:

- The interest rate gap: this is the difference between the assets and liabilities according to the type of rate (fixed or variable) over a given period;
- Sensitivity of the Net Interest Margin (NIM): a measure of the additional losses or profits on the bank's interest margins, caused by a change in interest rates over the next 36 months. Evaluation of the sensitivity of the Net Interest Margin is a short-term approach and is based on the analysis from interest rate gap tools;
- Sensitivity of the market value of equity (MVE): impact on the current value of the entity's assets and liabilities when the interest rate changes. The concept of the MVE refers to a long-term approach. The sensitivity of the market value of equity is also calculated using interest rate gap metrics;
- The interest rate risk measurement tool was updated to be in compliance with Directive EBA/GL/2015/08 on the structural interest rate risk in bank balance sheets.

The interest rate risk monitoring indicators are based on the following assumptions:

- Static balance sheet: the amounts that reach maturity are renewed by the new production of an identical quantity, such that the balances remain constant;
- The analysis is based on contractual and conventional maturity and repricing dates;
- The calculations take into account a zero coupon rate curve and various parallel and non-parallel interest rate change scenarios, such as:
  - parallel scenarios at +/- 100 bp; +/- 100 bp; +/- 75 bp; +/- 50 bp and +/- 25 bp;
  - non-parallel scenarios with steepening, levelling off or inversion of the rate curve.

The interest rate risk limits are set by reference to the interest rate risk indicators of NIM (Net Interest Margin) sensitivity or MVE (Market Value of Equity) sensitivity in compliance with risk appetite as defined by the PSA Banque France Group. These limits are formally approved by the bank's Board of Directors.

At the same time, as part of risk control, hedging efficiency tests are carried out when setting up new instruments with exposure to interest rate risk.

Lastly, the control of interest rate risk is ensured by the monthly monitoring of these indicators, control of compliance with established limits and any measures to be taken to even better measure, control or monitor this risk category. This monitoring is subject to monthly management reports to the Asset/Liability Committee (ALCO) and to the Risk Committee.

In 2018, all interest rate risk indicators remained compliant with the limits set by the Board of Directors of PSA Banque France.

The table below shows the interest rate gap at December 31, 2018 along with the various indicators' sensitivity to the worst-case risk scenario (parallel scenario).

INTEREST RATE GAP AT DECEMBER 31, 2018

(in million euros)

	Total	< 1 month	1-3 months	3 months - 1 year	<= 2 years	<= 5 years	Over 5 years	Not Sensitive
Assets	**13,153**	3,076	2,119	2,335	2,484	2,520	36	583
Equity and liabilities	**13,153**	3,701	2,008	2,011	1,731	1,498	-	2,204
Off-balance sheet	**0**	284	1,480	-645	-384	-737	1	0
Repricing gap	**0**	-341	1,591	-321	369	285	37	-1,621

- At the end of December 2018, the sensitivity of the NIM, in relation to the worst parallel scenario of +/- 100 bp; +/- 75 bp; +/- 50 bp and +/- 25 bp, stood at -€3.8 million.
- At the end of December 2018, the sensitivity of the MVE, in relation to the worst parallel scenario of +/- 100 bp; +/- 75 bp; +/- 50 bp and +/- 25 bp, stood at €8.6 million.

1.6.4.3 Counterparty risk

Risk Factors

Counterparty risk represents the potential loss incurred by the PSA Banque France Group in the event that one of its counterparties defaults in the future.

A. Bank counterparty risk

Risk Factors

This risk includes two components of different kinds: delivery risk and credit risk.

- Delivery risk concerns all market operations including a simultaneous exchange of currency, flow of interest, security or other. The risk arises from the non-simultaneity of the transactions;
- Credit risk may be defined as the total potential loss recorded by the PSA Banque France Group on a transaction following the default of the counterparty.

The PSA Banque France Group is therefore exposed to counterparty risk in several respects:

- Market transactions carried out to cover interest rate risk and a possible operational foreign exchange risk;
- In case of securitization operations, management by mandate of the placement of reserves of SPV (Special Purpose Vehicle) entities.

Risk measurement, control and monitoring

The Risk Department is responsible for validating changes to the system of measuring and monitoring counterparty risk.

Risk monitoring is based on the following principles:

- Each counterparty undergoes a financial analysis to make sure that it is sustainable and solvent, and is given an evaluation based on a rating from a rating agency;
- Allocation limits are fixed for each counterparty according to its external rating;
- Verifying compliance with regulatory limits, i.e. 25% of regulatory capital;
- Internal management limits by counterparty have been set. These internal limits reinforce the existing counterparty risk control procedure;
- Usage within limits is measured and checked daily as part of routine activity: any overruns are reported each day;
- Counterparty risk monitoring information is the subject of a monthly report to the Asset/Liability Committee (ALCO) concerning financial exposure, and to the Risk Committee for the other counterparties.

B. Corporate counterparty risk

Risk Factors

As regards loans granted to corporate customers (fleets and the Peugeot, Citroën, and DS dealer networks), the PSA Banque France Group is exposed to a credit risk characterized by a potential loss if the financed counterparty goes into default.

Risk measurement, control and monitoring

In order to control credit risk of corporate customers, the PSA Banque France Group, in particular its Risk Department, defines and implements risk management policies based on:

- An analysis, at least annually, of each corporate counterparty, to prepare a legal, economic and financial evaluation and assess the counterparty's solvency and ability to meet its commitments;
- A systematic rating based on an internal model whose relevance is regularly checked;
- The establishment of credit lines under a solid "products and guarantees" policy and according to the evaluation and rating of the counterparty;
- The declaration of default, usually before they become 90 days past due (conditional default).

The Risk Department constantly monitors the risk indicators of the portfolio through:

- Daily use of limits for the financing of stocks and bank credit lines granted to dealers;
- Monitoring of overruns and returns under the limits on a daily and weekly basis;
- Daily monitoring of past-dues, late payments, and stocks checks of the dealer network;
- Monitoring of defaults and provisions on a monthly basis;
- Verifying compliance with regulatory limits, i.e. 25% of the bank's regulatory capital.

For the governance of the PSA Banque France Group, the Risk Department:

- Holds bi-weekly meetings of credit committees, which are decision-making bodies on corporate counterparty risks;
- Informs management bodies of the performance of the portfolio in the context of monthly risk measurement committees: Risk Committee, Supervisory Committee, Buy-Back Committee, and Fleet Committee;
- Discusses with the PSA Group brands on corporate risk management policy and issues, on a monthly basis.

1.6.4.4 Currency risk

Risk Factors

The PSA Banque France Group does not have any activity in foreign currencies that could expose the bank to currency risk. Nevertheless, in case of foreign exchange positions, the hedging of transactions in currencies would be validated by the competent committee.

1.6.4.5 Market risk

Risk Factors

It is the PSA Banque France Group's policy not to be exposed to market risk, as defined by banking regulations.

Interest rate or currency derivative transactions are undertaken to hedge balance sheet items not intended for sale in the short term.

The PSA Banque France Group is not authorized to perform any speculative market activities, neither on behalf of its customers nor for its own account.

Risk measurement, control and monitoring

- The Group consistently ensures compliance with this rule and that the hedging instrument and hedged item are correctly matched.
- As applicable, governance bodies must be immediately notified of any market risk exposure through the main competent committees.

1.6.5 Risks related to securitization operations

Risk Factors

Securitization transactions initiated by the PSA Banque France Group are non-recourse sales by CREDIPAR to securitization vehicles, and CREDIPAR retains part of the risk by holding at least 5% of the securities issued by these funds, as well as through other credit enhancement mechanisms, including liquidity reserves.

Other than holding securities issued by securitization vehicles, the risks incurred by the Group are:

- An unexpected and exceptional downgrade in the quality of the assets sold;
- A sharp drop in the production of new financing having an impact on the ability to replenish securitization transactions with sufficient new additional receivables during the revolving period.

Above a certain level, these two risks may result in breaching triggers and possibly entering into an accelerated amortization, which could in turn produce a reputational risk and reduce the Group’s ability to issue on the Auto ABS market.

Risk measurement, control and monitoring

The PSA Banque France Group is advised by arranging banks when preparing a securitization transaction. Furthermore, the PSA Banque France Group has developed expertise over ten years of successful securitization programs. To ensure it can continually draw on in-depth knowledge of securitized receivables, each securitization transaction is constituted by a very consistent “portfolio”; namely, a financing type and a customer category. Receivables are always originated, held, and managed by CREDIPAR, a subsidiary of the PSA Banque France Group. The customer relationship management teams and the collections teams are given no specific information as to whether or not the receivables on which they are working are securitized. The funds' performance and the creditworthiness of the main counterparties are tracked in a monthly report that is available to the funds' investors. Tracking makes it possible to detect any deviations in the fund's performance that could trigger the amortization of a fund or the need of replacement of a counterparty whose rating would be becoming inadequate with regard to the (express or implied) rating of the fund's senior securities

1.6.6 Concentration risk

Risk Factors

The PSA Banque France Group is exposed to several types of concentration risk:

- Concentration risk related to the granting of credit to individuals;
- The sectorial concentration risk of credit transactions;
- Concentration risk related to bank refinancing.

Risk measurement, control and monitoring

Bank facilities

The PSA Banque France Group has a principle of respecting the diversification of interbank funding sources.

Thus, for the set-up of the financing lines required for its activity, there is a maximum borrowing threshold for each authorized bank counterparty, based on:

- A diversification level according to total outstanding loans;
- The total amount financed;
- Geographic criteria (French counterparty, Eurozone member outside France or outside the Eurozone);
- External ratings (rating agencies).

Once established, the monitoring and control of compliance with these thresholds are done as follows:

- When a bank counterparty exclusively controls one or more other bank counterparties, the Group thus constituted is considered as a single counterparty:
- The monitoring system that is implemented enables periodic checking, and during conclusion of a new loan, of compliance with the thresholds set;
- For each new financing transaction involving an overrun of the level set on one of the counterparties, before its implementation, it must be presented to the Asset/Liability Committee (ALCO), and a request for authorization must be made to the Risk Committee.

Credit transactions

The level of concentration risk is analyzed using concentration indices for sector and individual credit operations. The bank has set limits for concentration risks related to individuals, sectors and credit institutions granting banking lines to PSA Banque France and its entities.

Concentration risk limits are presented quarterly to the Risk Committee and the various monitoring bodies within the PSA Banque France Group.

The PSA Banque France Group closely monitors the level of its commitments in relation to the PSA Group.

At December 31, 2018, the outstanding loans of the PSA Banque France Group to the PSA Group stood at €144 million, representing 11% of regulatory capital.

At that same date, the 10 main outstanding loans of the PSA Banque France Group, other than those to the PSA Group, represented a total amount of €1,787 million. By counterparty category, the top 10 commitments break down as follows:

- Banks: €300 million;
- Dealer network (with no financial ties to the PSA Group): €1,328 million;
- Corporate (excluding dealer network): €159 million.

At December 31, 2018, there was no net exposure on a counterparty in excess of 25% of regulatory capital.

1.6.7 Operational risk

Definition of risk and risk factors

The PSA Banque France Group defines operational risk as "the risk resulting from a maladjustment or failure attributable to procedures, to personnel, internal systems, or to external events, including events with a low probability of occurrence but with substantial risk of loss or reputational risk".

Risk identification, assessment, control and monitoring

The PSA Banque France Group is exposed to the risk of incidents on all of the Basel families of operational risk:

- Internal and external fraud;
- Employment practices and workplace safety;
- Customers, products and business practices;
- Damage to physical assets;
- Business disruption and systems failures;
- Execution, delivery and process management.

The PSA Banque France Group is primarily exposed to "operational risks" linked to credit risk, market risk, external fraud and, to a much lesser extent, the risks inherent in outsourcing activities to contractors or partners. The PSA Banque France Group uses the PSA Group's information systems and warning and cyber-security risk prevention mechanism which guarantees that these risks are well managed.

The risk map covering all of the PSA Banque France Group's activities identifies and prioritizes three levels of operational risk and non-compliance, classified by activity, process and sub-process.

Risk control mechanisms are an integral part of working procedures or instructions and are subject to second-level controls by the bank's permanent control function. They may also take the form of decision and discretionary limits rules, as well as specific processes incorporated in IT systems. Business continuity plans have been defined and deployed for premises and information systems. These are tested at least once a year.

1.6.8 Non-compliance risk

Definition of risk and risk factors

Non-compliance risk is defined as the risk of legal, administrative or disciplinary sanction, significant financial loss, or damage to reputation arising from failure to comply with the provisions governing banking and financial services, including regulatory and statutory provisions, professional standards, ethical standards, or instructions from the executive body pursuant to guidelines issued by the Board.

Risk factors are related to incorrect interpretation of texts or failure to adequately reflect these texts in operating methods, procedures or internal instructions.

Risk measurement, control and monitoring

The risk is assessed through regulatory surveillance. The system implemented is aimed at identifying changes as well as the reasons for sanctions by supervisory authorities, analyzing the information thus collected and finally evaluating the impacts thereof on: customer relations, processes and organization, IT systems, the scope of business and, more generally, the economic model.

The risk of non-compliance is controlled by adapting procedures, instructions or operating methods, detecting people who are exposed politically or whose assets have been frozen, setting materiality criteria and thresholds to identify money-laundering and the financing of terrorism, as well as a report- compilation system. Risks of non-compliance are monitored through the implementation of a program of first-level controls by the Compliance Department and of second-line controls by the Permanent Control Department. The results of these checks are presented to the Compliance and Control Committee meetings, which are organized on a monthly basis.

1.6.9 Reputational risk

Definition of reputational risk and risk factors

The reputational risk to which the PSA Banque France Group is exposed can be broken down into:

- A specific "risk of damage to the Bank's reputation and image with end users; Peugeot, Citroën, and DS dealer customers; third-party banks; and supervisory authorities (excluding internal image risk)";
- Possible repercussions of an operational incident.

Reputational risk measurement, control and monitoring

The image and reputational risk is, to a large extent, related to the risks already identified, covered by the internal control systems: it is particularly true for the risks of internal or external fraud and the risk of non-compliance.

A number of systems are implemented to prevent the risk of reputational damage, including:

- Compliance with banking secrecy and professional reserve;
- Approval of standard letters to customers and advertising messages by the legal department;
- Monitoring of the quality of customer relations;
- Approval of new products by the risk management, legal, tax and compliance departments;
- The report compilation system.

1.6.10 Correlation between the PSA Banque France Group and its shareholders

Definition of correlation risk and risk factors

Because it belongs directly to Banque PSA Finance and Santander Consumer Banque (and consequently to the PSA and Santander groups), the activity and profitability of the PSA Banque France Group may be partially influenced by various factors arising at the level of its shareholders:

- Economic and financial factors: commercial performance, financial results, profitability prospects, and ratings of the PSA and Santander groups;
- Strategic factors: product development and geographical coverage;
- Factors related to the reputation and corporate identity of both shareholders.

Measurement, control, and monitoring of the correlation between the PSA Banque France Group and its shareholders

The main correlation risk concerns, due to the methodology used by ratings agencies, the link between the level of short and long term ratings of the PSA Banque France Group and the ones of its shareholders. The repercussion of the downgrade of the ratings of its shareholders on the PSA Banque France Group's ratings has been studied under liquidity stress scenarios, and is also included in the liquidity contingency plan.

1.7 Internal control

In line with the Decree of November 3, 2014 related to internal control levels of credit institutions, the PSA Banque France Group's internal control system is organized around the functions of permanent and periodic control, as well as a first level of responsibility inside the operating units.

The PSA Banque France Group's fundamental principles underpinning the organization and implementation of internal control are set out in an internal control charter. The internal control charter determines the organizations, resources, scopes of action and tasks, as well as the functioning procedures of the PSA Banque France Group's control system.

1.7.1 Permanent control system

1.7.1.1 First-level controls, the basis of the internal control system

These controls exist within the operating units. The controls are performed by all employees in the normal course of their work, in application of procedures that include various controls to carry out, or they are performed by dedicated employees within the operating units. The first-level controls are supervised by the units responsible for permanent control.

1.7.1.2 Permanent control

Second-level controls, this position is reporting to the Secretary General.

Permanent control is in charge of various missions:

- Compliance monitoring, which is responsible for preventing, controlling and overseeing compliance risks;
- The permanent control of the operational risks of the Group’s entities including those of the outsourced services.

Operational risk control tasks cover:

- The recurrent evaluation of the level of control of operational risks achieved by the systems used in the entities of the Group, as well as at service providers;
- The exercise of specific second-level controls in the whole organization;
- The application of a mechanism for certifying the self-assessment of first level controls, used by operations officers to certify the execution and outcome of key controls on major risks. This system covers the accounting, refinancing and treasury activities and security of access to the PSA Banque France Group's main IT applications;
- Issuance of written recommendations and follow-up of their implementation;
- The collection, analysis and monitoring of operational incidents.

The risk map, periodically revised by the risk management and control function, lists all of the risks to which the PSA Banque France Group is exposed. It contributes to checking the robustness of PSA Banque France Group's control system, by comparing the risks identified, the losses related to these risks as well as the result of second-level controls, and lastly the residual risk.

Pursuant to the Decree of November 3, 2014, the Annual Internal Control and Risk Measurement and Monitoring Report (*Rapport Annuel de Contrôle Interne et de Mesure et Surveillance des Risques* (RACI)) of 2018 will be shared with the directors and sent to the French Prudential Supervisory Authority (*Autorité de Contrôle Prudentiel et de Résolution* (ACPR)).

1.7.2 Periodic controls

Periodic - or third-level - controls consist of periodically checking, on an independent basis, performance, effectiveness and compliance of process and internal control procedures, risk management and governance.

They are performed by the internal Audit teams in ad hoc missions, now based on a four-year plan (three-year until 2018) covering all of PSA Banque France Group's units (including outsourced activities). Eleven audit missions were carried out in the PSA Banque France Group during 2018.

By reporting its activities to executive managers, to the Board of Directors and the Audit and Risk Committee, Internal Audit contributes to improving processes and controlling PSA Banque France Group's risks.

1.7.3 Oversight by Executive Management and the Board

The internal control system is overseen by Executive Management and the Board, supported by various committees.

The Board of Directors oversees the control of the main risks faced by the PSA Banque France Group and ensures that the internal control system is reliable. The Audit and Risk Committee reviews the lessons to be learned from risk monitoring activities and from periodic and permanent controls.

The PSA Banque France Group's Audit and Risk Committee prioritizes its tasks according to the risks identified. Its duties include the planning, supervision and review of internal audits and of permanent control, as well the ongoing monitoring and review of the work of the Statutory Auditors. It is responsible for the remediation of any major weaknesses in internal controls identified by external auditors.

The Audit and Risk Committee also ensures the Group's compliance with regulatory requirement, such as Basel III as well as the implementation of measures to comply with these requirements. Finally, the Audit and Risk Committee reviews the consolidated financial statements as well as the individual financial statements of all entities of the PSA Banque France Group in relation with the accounting methods used.

If necessary, the Audit and Risk Committee may consult with the PSA Banque France Chairman, Managing Directors, and Statutory Auditors and with any other person required for its work. Several times a year, the Chairman of the Audit and Risk Committee meets with the representatives of periodic and second-level controls and those of the Risk Department.

Executive Management is responsible for defining and implementing the internal control system. Through the Control and Compliance Committees, it monitors proper functioning and ensures that missions are matched with adequate resources.

1.7.4 Organization of internal control

The control process is built around a set of regular controls which are carried out through delegations of authority applicable to the operational entities. These delegations of authority determine the levels at which decisions must be made in the areas of banking and financial transactions, loan approvals, lending terms, new products and services and expenditure commitments.

The main policies of the bank are specified and implemented within the framework of the Audit and Risk Committee or of operational committees. These special committees focus on credit risks, where the evolution of past-dues and credit losses are analyzed, as is the performance of the risk selection systems for retail and corporate (vehicle fleet and dealer) loan books.

These committees also review and make decisions concerning:

- Developments in the Basel system;
- Lending margins;
- Products and processes, including associated risks;
- Financing applications for dealers and fleet are examined either at the level of a Santander Group Credit Committee or at the level of a PSA Banque France Group Credit Committee, according to the delegations of authority in force;
- Review of results of refinancing, liquidity and interest and exchange rate risk management policies;
- Review of IT security policy;
- Compliance and GDPR-related work.

1.8 Corporate governance - General information concerning PSA Banque France

1.8.1 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

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: PSA Banque France is registered in the Nanterre Trade and Companies Register under:

- Siren No.: 652 034 638
- Siret No.: 652 034 638 00039
- APE/NAF business identifier code: 6419Z
- LEI : 969500JK1O192KI3E882

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

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

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

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

As an Investment Service Provider (*Prestataire de Services d'Investissements*), PSA Banque France is subject to the General Regulation of the French Financial Market Authority (*Autorité des Marchés Financiers* (AMF)). The Deputy Chief Executive Officer of PSA Banque France, who is accredited by the AMF and holds the required license, serves as Investment Service Compliance Officer (RCSI) pursuant to Articles 313 et seq. of the AMF's General Regulation.

1.8.2 Shareholders - structure of share capital

Shareholders:
At December 31, 2018, 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, and
- 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 occurred in the distribution of capital during the last 3 years:

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

The shareholders' agreement entered into on February 2, 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.

1.8.3 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. A rotation occurred for the first time on August 28, 2017, and the office of Non-Executive Chairman has since been held by a director appointed by Banque PSA Finance, in this case Mr. Rémy Bayle.

The Chief Executive Officer has powers to act in all circumstances on behalf of PSA Banque France, except for actions expressly reserved for Shareholders Meetings or falling under the exclusive jurisdiction of the Board of Directors as listed in the shareholders' agreement signed between the two partners on February 2, 2015.

The Board of Directors has not placed any limits on the powers of the Chief Executive Officer.

Six meetings of the Board of Directors were held in 2018. The governance of the PSA Banque France Group results from the application of agreements concluded between both shareholders, which comply strictly with the legal and regulatory obligations in force. Thus, the Chairman with his Board and specialized committees monitor the activity of PSA Banque France controlled by the Chief Executive Officer, the Deputy Chief Executive Officer, the Executive Committee and the operational committees.

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.

PSA Banque France does not pay directors' fees.

There is no delegation currently valid or used during the 2018 period, 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 most 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.

1.8.4 Information about the administrative and management bodies

1.8.4.1 Board of Directors

List of mandates held and expired during the 2018 financial year by the Directors of PSA Banque France and the Permanent Representatives of Directors.

Rémy BAYLE

Chairman of the Board of Directors

First appointed to the Board on August 28, 2017

Current term expires in 2020

Director

First appointed to the Board on April 23, 2015

Current term expires in 2021

Born on December 26, 1961

<u>Other positions held during the 2018 financial year</u>

Chief Executive Officer and Director

• Banque PSA Finance (France)

Vice-Chairman of the Board of Directors and Director

• Opel Bank S.A. (France)

Chairman of the Board of Directors and Director

• Compagnie pour la location de véhicules – CLV (France)

Jean-Paul DUPARC

Chief Executive Officer

First appointed on September 1, 2017

Current term expires in 2020

Director

First appointed to the Board on August 28, 2017

Current term expires in 2018

Born on: May 16, 1968

<u>Other positions held during the 2018 financial year</u>

Chief Executive Officer 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)

Laurent AUBINEAU

Deputy Chief Executive Officer

First appointed on September 1, 2017

Current term expires in 2020

Director

First appointed to the Board on August 28, 2017

Born on December 29, 1962

First appointed: June 1, 2017

Other positions held during the 2018 financial year

Deputy Chief Executive Officer and Director

• Compagnie Générale de Crédit aux Particuliers – CREDIPAR (France)

Position terminated on December 13, 2017

Director

• PSA Finance Belux (Belgium)

Ines SERRANO-GONZALEZ

Director

First appointed to the Board on January 30, 2015

Current term expires in 2021

Born on July 31, 1965

Other positions held during the 2018 financial year

Deputy Managing Director, Member of the Executive Committee and Member of the Board of Directors

• Santander Consumer Finance S.A. (Spain)

Chairman and Member of the Supervisory Board

• Santander Consumer Banque S.A. (France)

Director

• Compagnie Générale de Crédit aux Particuliers – CREDIPAR (France)
• Financiera El Corte Ingles, E.F.C. S.A. (Spain)

Member of the Supervisory Board

• Santander Consumer Bank AG (Germany)
• Santander Consumer Holding GmbH (Germany)

Martin THOMAS

Director

First appointed to the Board on January 30, 2015

Current term expires in 2021

Born on February 22, 1974

Other positions held during the 2018 financial year

Director

• Compagnie Générale de Crédit aux Particuliers – CREDIPAR (France)

Chairman of the Managing Board

• Santander Consumer Banque S.A. (France)

Arnaud de LAMOTHE

Director

First appointed to the Board on February 8, 2017

Current term expires in 2021

Born on September 24, 1966

Other positions held during the 2018 financial year

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 CITROEN Leasing (Russian Federation)
• Banca PSA Italia SPA (Italy)
• PSA Finance UK Limited (United Kingdom)
• OPEL Bank SA (France)

1.8.4.2 Committees

A. Audit and Risk Committee

As at December 31, 2018, the Audit and Risk Committee had the following members

Name	Position within the PSA Banque France Group
Ines SERRANO-GONZALEZ, Chairman	Director of PSA Banque France
Rémy BAYLE	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

B. Appointment Committee

As at December 31, 2018, the Appointment Committee had the following members:

Name	Position within the PSA Banque France Group
Arnaud de LAMOTHE, Chairman	Director of PSA Banque France
Rémy BAYLE	Chairman of the Board of Directors of PSA Banque France
Martin THOMAS	Director of PSA Banque France
Ines SERRANO-GONZALEZ	Director of PSA Banque France

C. Remuneration Committee

As at December 31, 2018, the Remuneration Committee had the following members:

Name	Position within the PSA Banque France Group
Arnaud de LAMOTHE, Chairman	Director of PSA Banque France
Rémy BAYLE	Chairman of the Board of Directors of PSA Banque France
Martin THOMAS	Director of PSA Banque France
Ines SERRANO-GONZALEZ	Director of PSA Banque France

D. Executive Committee

As at December 31, 2018, 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
Joaquin BERRAL CHACON	Chief Risk Officer
Gregory BONNIN	Chief Human Resources Officer
Pedro CASTRO	Chief Financial Officer
Philippe CHAILLOUT	Chief Sales Officer
Carlos GARCIA HERRERO	Audit Director
Philippe MEOT	Chief Operations Officer
Catherine NOGUIER	Secretary General
Gilles PEREZ	Chief Collection Officer
Patrick POULETTY	Chief Marketing and Digital Officer

1.8.5 Remunerations

Executive officers' wages and salaries

Pursuant to Article L. 225-37-3 of the French Commercial Code, PSA Banque France states that the wages and salaries and benefits in kind paid to its corporate officers during the financial year, not by itself, but by an affiliate, stood at a grand total (gross tax amount) of €400,445.50, broken down as follows:

- fixed wages and salaries : €307,083.38
- variable wages and salaries: €67,677.45
- benefits in kind: €25,684.67
- non-recurring items: €0

PSA Banque France paid no compensation to its Chairman for the 2018 financial year, since he held a paid mandate in an entity with joint control of PSA Banque France. Information on his compensation for this other mandate may be published by that entity.

The same applies regarding the amount of wages and salaries paid to corporate officers of PSA Banque France who also hold an office within the entities of the Banco Santander Group and the PSA Group having joint control of the Company.

Wages and salaries of categories of employees whose professional activities have a significant impact on the PSA Banque France Group's risk profile

Pursuant to Article L. 511-73 of the French Monetary and Financial Code, the total budget for wages and salaries paid by the Company during the 2018 financial year, to the twenty-seven people meeting the criteria set in Article L.511-71 of that same Code, totaled (gross of tax) €3,080,182.22, broken down as €2,517,015.27 in fixed wages and salaries, €319,782.62 in variable wages and salaries, €157,606.67 in benefits in kind, and €85,777.66 in non-recurring items, with the clarification that no employee is paid a yearly wage or salary in excess of €1 million.

Regarding the amount of compensation paid to the individuals identified as "risk-takers" for the 2018 financial year, who are nonetheless not employees of the Company and who also hold a mandate within entities having control of the Company, this information may be published by them pursuant to their applicable regulations.

If variable wages and salaries do exceed a threshold set at €50,000 for 2018, they are spread over a three-year period and may be partially paid as financial instruments that cannot be converted during the first year in which they are held.

PSA Banque France allocates no shares or stock options.

1.8.6 Diversity policy applicable to the selection of members of the management body

PSA Banque France has a diverse management team that is a source of added value and performance for the company.

Indeed, by building on the representation on its Board of Directors and in its Executive Committee of different social and -demographic categories, which are appraised using objective performance criteria in an effort to achieve synergy, PSA Banque France turns these differences to its advantage, reflecting the richness generated by the partnership agreement between Banque PSA Finance and Santander Consumer Finance, which has been in place since February 2015.

By gradually extending these same practices throughout the company, PSA Banque France also aims to cultivate the commitment and motivation of every employee.

PSA Banque France's goal is to implement balanced representation of women and men on the Board of Directors.

Similarly, in the long term PSA Banque France is aiming for greater diversity, particular in terms of gender balance on its Executive Committee as well as in senior positions, with a target of 10% of these to be held by women.

PSA Banque France is an entity owned by two shareholders, Banque PSA Finance and Santander Consumer Banque, who have equal decision-making rights in appointing the three members of the Board of Directors which they are both responsible for appointing, with no specific rules on the Board of Directors' Diversity Policy stipulated in the agreement between the two shareholders.

However, as a credit institution regulated by the European Central bank and ACPR, for any new appointment to the Board of Directors PSA Banque France must secure the approval of its regulators who then assess the overall diversity of the Board based on the so-called "fit and proper" criteria, in particular in terms of the complementary nature of experience, expertise, age etc.

1.8.7 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 a capital of €2,510,460, entered in the R.C.S. (Trade and Companies Register number) of Nanterre under No. 652 034 638
Statutory Auditors member of the Compagnie régionale de Versailles
Duration of mandate: six years
Date of end of mandate: 2022 financial year
Represented at December 31, 2018 by Laurent Tavernier

Mazars
61 rue Henri Régnault,
92400 Courbevoie,
a limited-liability corporation (*société anonyme*) with share capital of €8,320,000, entered as no. 784 824 153 in the Nanterre Trade and Companies Register

Statutory Auditors member of the Compagnie régionale de Versailles
Duration of mandate: six years
Date of end of mandate: 2019 financial year
Represented at December 31, 2018 by Matthew Brown

1.8.8 Investments

MAIN INVESTMENTS MADE DURING THE LAST 5 YEARS

Years	Disposals – dissolutions – mergers	Acquisitions
2016 - 2018	-	-
2015	May 1, 2015: absorption merger of SOFIRA into CREDIPAR	January 30, 2015: acquisition of CREDIPAR and SOFIRA
2014	-	-

1.8.9 Intra-group agreements

The PSA Banque France Group benefits from support services supplied by Banque PSA Finance Group, particularly relating to accountancy and IT services. Furthermore, the PSA Banque France Group is also linked to Santander Consumer Banque and with other entities in the Santander Group concerning certain services such as internal audit, supervision, evaluation, and risk monitoring.

In addition to these service contracts entered into in 2015 by PSA Banque France with either of its shareholders or one of their affiliates, contracts which remained valid throughout 2018, no new agreement was made in 2018 between the Company and either of its shareholders or any of its corporate officers.

1.8.10 Resolutions adopted by the General Meeting of March 14, 2019, as proposed by the Board of Directors on February 26, 2019, concerning the statutory and consolidated financial statements of PSA Banque France

Ordinary resolutions

First resolution: Approval of the financial statements for the financial year ending at December 31, 2018

The General Meeting approves the financial statements for the financial year ending at December 31, 2018, as they are presented, which show net income of €116,492,261.46

Second resolution: Approval of the management report on statutory financial statements and the general report of the Statutory Auditors

The General Meeting, after having read the statutory financial statements for the 2018 financial year, the management report from the Board of Directors for this same financial year and the general report of the Statutory Auditors on these same financial statements, approves, in all of its provisions, the management report from the Board of Directors.

Third resolution: Approval of the consolidated financial statements at December 31, 2018

The General Meeting, after having read the consolidated financial statements for the 2018 financial year, prepared according to IFRS, which show net banking revenue of €491,678 thousand, approves these accounts as presented.

Fourth resolution: Approval of the management report on the consolidated financial statements and the general report of the Statutory Auditors

The General Meeting, after having read the consolidated financial statements for the 2018 financial year, the consolidated management report from the Board of Directors for this same financial year and the general report of the Statutory Auditors on these same financial statements, approves, in all of its provisions, the consolidated management report from the Board of Directors.

Fifth resolution: Appropriation of profit

The General Meeting, upon proposal by the Board of Directors, ascertains that the distributable net income is €452,176,127.05, consisting of net income for the 2018 financial year of €116,492,261.46 plus the balance of "Retained earnings" standing at €335,683,865.59.

It decides to appropriate this profit available for distribution as follows:

- To "retained earnings" €336,030,524.91
- To shares €116,145,602.14

A dividend of **€12.83** per share shall be paid after the General Meeting is held. In accordance with the law, the General Meeting ascertains that a dividend of €10.24 was distributed in respect of the 2017 financial year, a dividend of €7.92 was paid in respect of the 2016 financial year, and that a dividend of €16.58 was distributed in respect of the 2015 financial year.

Sixth resolution: Approval of the special report of the Statutory Auditors on regulated agreements and commitments

The General Meeting, after having heard the reading of the special report presented by the Statutory Auditors on regulated agreements and commitments approves this report.

Seventh resolution: Overall amount of wages and salaries of all kinds paid to directors, managers and certain categories of personnel

Pursuant to Article L. 511-73 of the French Monetary and Financial Code, the General Meeting is consulted on the total budget for wages and salaries of all kinds paid to people employed by the Company as set out in Article L. 511-71 of that same Code during the 2018 financial year.

The Company states that in 2018 it paid the people mentioned in Article L. 511-71 of the French Monetary and Financial Code, including its risk-takers, numbering 27 not by their own count but by that of an affiliate, a total (gross of tax) of €3,080,182.22, broken down as €2,517,015.27 in fixed wages and salaries, €319,782.62 in variable wages and salaries and €157,606.67 in benefits in kind.

The amount of wages and salaries paid to the people covered in Article L. 511-71 of the French Monetary and Financial Code who also hold an office within the parent entities controlling the Company is not included in the aforementioned amounts but is published by them in accordance with their applicable regulation.

Eighth resolution: Formalities

The General Meeting hereby grants all powers to the holders of a copy or extract of the minutes of this meeting to carry out all legal and administrative formalities, as well as all publicity measures, more particularly the registration at the Registry of the Commercial Court in compliance with the current legislation.

2

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2018

2.1 Consolidated Balance Sheet

(in million euros)	*Notes*	Dec 31, 2018	Dec. 31, 2017
Assets			
Cash, central banks	*4*	329	365
Financial assets at fair value through profit or loss	*5*	1	2
Hedging instruments	*6*	-	-
Financial assets at fair value through Equity	*3*	-	-
Debt securities at amortized cost	*3*	-	-
Loans and advances to credit institutions at amotized cost	*7*	668	525
Customer loans and receivables at amortized cost	*8 and 28*	11,813	10,214
Fair value adjustments to finance receivables portfolios hedged against interest rate risks	*25.1*	1	(3)
Current tax assets	*29.1*	2	19
Deferred tax assets	*29.1*	1	-
Accruals and other assets	*9*	329	258
Investments in associates and joint ventures accounted for using the equity method		-	-
Property and equipment	*10*	9	10
Intangible assets		-	-
Goodwill		-	-
Total assets		**13,153**	**11,390**

(in million euros)	*Notes*	Dec 31, 2018	Dec. 31, 2017
Equity and liabilities			
Central banks		-	-
Financial liabilities at fair value through profit or loss	*11*	3	-
Hedging instruments	*12*	-	-
Deposits from credit institutions	*13*	3,764	3,804
Due to customers	*14*	2,518	2,154
Debt securities	*15*	4,574	3,334
Fair value adjustments to debt portfolios hedged against interest rate risks	*25.1*	-	-
Current tax liabilities	*29.1*	11	4
Deferred tax liabilities	*29.1*	329	280
Accruals and other liabilities	*16*	473	458
Provisions		21	25
Subordinated debt		155	155
Equity		1,305	1,176
- Equity attributable to equity holders of the parent		1,305	1,176
- Share capital and other reserves		757	757
- Consolidated reserves		550	421
- Of which Net income - equity holders of the parent		*218*	*167*
- Gains and losses recognized directly in Equity		(2)	(2)
- Minority interests		-	-
Total equity and liabilities		**13,153**	**11,390**

2.2 Consolidated Income Statement

(in million euros)	*Notes*	Dec 31, 2018	Dec. 31, 2017 Proforma (1)
Interest and similar income	*22*	**418**	**388**
Interest and similar expenses	*23*	**(59)**	**(57)**
Fees and commissions income	*24*	**129**	**115**
Fees and commissions expenses	*24*	**(4)**	**(3)**
Net gains or losses on financial instruments at fair value through profit or loss	*25*	**1**	**5**
Net gains or losses on financial instruments at fair value through equity		**-**	**-**
Net gains or losses resulting from the derecognition of financial assets at amortized cost		**-**	**-**
Net gains or losses resulting from the reclassification of financial assets at amortized 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	*26*	**22**	**14**
Expenses on other activities	*26*	**(15)**	**(11)**
Net banking revenue		**492**	**451**
General operating expenses	*27*	**(154)**	**(145)**
- Personnel costs		(68)	(62)
- Other general operating expenses		(86)	(84)
Depreciation and amortization of intangible and tangible assets	*10*	**(2)**	**(2)**
Gains and losses on investments in companies that can be consolidated and other disposals of fixed assets		**-**	**-**
Gross operating income		**336**	**304**
Cost of risk	*28*	**(14)**	**(32)**
Operating income		**322**	**272**
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		(1)	(10)
Pre-tax income		**321**	**262**
Income taxes	*29.2 and 29.3*	(103)	(94)
Net income		**218**	**167**
- of which minority interests		-	-
- of which attributable to equity holders of the parent		218	167
Earnings per share (in euros)		*24.08 €*	*18.49 €*

(1) Changes in Net Banking Revenue presentation in the consolidated income statement are detailed in note 3.1.2

2.3 Net Income and Gains and Losses Recognized Directly in Equity

	Dec 31, 2018			Dec. 31, 2017		
(in million euros)	Before tax	Tax	After tax	Before tax	Tax	After tax
Net income	321	(103)	**218**	262	(94)	**167**
- 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 recognized directly in Equity	-	-	-	-	-	-
- of which minority interest						-
Total net income and gains and losses recognized directly in Equity	321	(103)	**218**	262	(94)	**167**
- of which minority interest			-			-
- of which attributable to equity holders of the parent			*218*			*167*

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
At December 31, 2016	**145**	**593**	**5**	**339**	**(2)**	**-**	**1,080**	**-**	**1,080**
Appropriation of profit from the previous financial year	-	-	13	(13)	-	-	-	-	-
Net income and gains and losses recognized directly in equity	-	-	-	167	-	-	167	-	167
Dividend paid to Santander Consumer Finance	-	-	-	(36)	-	-	(36)	-	(36)
Dividend paid to Banque PSA Finance	-	-	-	(36)	-	-	(36)	-	(36)
At December 31, 2017	**145**	**593**	**19**	**421**	**(2)**	**-**	**1,176**	**-**	**1,176**
IFRS 9 First time application Impact		-	-	4	-	-	4	-	4
At January 1, 2018	**145**	**593**	**19**	**425**	**(2)**	**-**	**1,180**	**-**	**1,180**
Appropriation of profit from the previous financial year	-		-	-	-	-	-	-	-
Net income and gains and losses recognized directly in equity	-	-	-	218	-	-	218	-	218
Dividend paid to Santander Consumer Finance		-	-	(46)	-	-	(46)	-	(46)
Dividend paid to Banque PSA Finance		-	-	(46)	-	-	(46)	-	(46)
At December 31, 2018	**145**	**593**	**19**	**550**	**(2)**	**-**	**1,305**	**-**	**1,305**

On legal terms:

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

On December 31, 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 January 30, 2015, the following operations were recognized 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 December 31, 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 "Capital and capital requirement" of the Management Report.

2.5 Consolidated Statement of Cash Flows

(in million euros)	Dec 31, 2018	Dec. 31, 2017 Proforma (1)
Pre-tax income	**321**	**262**
Non-cash items		
- Net depreciation and impairment of property and equipment and intangible assets	2	2
- Net depreciation and provisions	25	51
- Net gain/loss of investing activities	-	-
- Income/expenses of financing activities	2	-
- Other movements	27	7
Total of non-monetary items included in the pre-tax income and other adjustments	**57**	**60**
- Change in credit institutions items	(189)	(765)
- Change in customer items	(1,248)	(683)
- Change in financial assets and liabilities	1,240	1,369
- Change in non-financial assets and liabilities	(100)	(7)
- Tax paid	(34)	(94)
Net decrease/(increase) of assets and liabilities provided by operating activities	**(331)**	**(179)**
Net cash provided by operating activities (A)	**47**	**143**
Change in equity investements	-	-
- Inflows from disposals of shares in subsidiaries	-	-
- Outflows linked to acquisitions of shares in subsidiaries	-	-
Change in property and equipment and intangible assets	(1)	(2)
- Outflows from acquisitions of property and equipment and intangible assets	(3)	(4)
- Inflows from disposals of property and equipment and intangible assets	2	2
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 :	(93)	(72)
- Santander Consumer Finance	(46)	(36)
- Banque PSA Finance	(46)	(36)
- Inflows from issuance of equity instruments	-	-
Other net cash from financing activities		
Inflow/(outflow) linked to subordinated debt	(3)	155
Net cash used by financing activities (C)	**(96)**	**83**
Effect of changes in exchange rates (D)	-	-
Net increase/(decrease) of cash and cash equivalents (A+B+C+D)	**(50)**	**224**
Cash and cash equivalents at the beginning of the period	**820**	**596**
Cash, central banks (assets and liabilities)	365	261
Demand accounts (assets and liabilities) and loans/borrowing with credit institutions	456	336
Cash and cash equivalents at the end of the period	**771**	**820**
Cash, central banks (assets and liabilities)	329	365
Demand accounts (assets and liabilities) and loans/borrowing with credit institutions	442	456

(1) Changes in consolidated statement of cash flows presentation are detailed in Note 3.2

2.6 Notes to the Consolidated Financial Statements

Notes

Note 1 Main Events of the Financial Year and Group Structure

A. Main events of the Financial Year

Refinancing strategy

Since 2015, the PSA Banque France Group has received intra-group financing directly from Santander Consumer Finance, in addition to the financing provided by debt securitization transactions, retail savings inflow from French customers, bilateral bank credit lines, and access to the refinancing operations of the European Central Bank (ECB). After the first issues of negotiable debt securities in 2016, the strategy to diversify refinancing sources continued in 2017 and 2018 through the development of access to capital markets, specifically with the first bond issues under the EMTN program, in January and September 2017, then in April 2018 for €500 million each. In November 2018, a first public securitization transaction for leases with a purchase option was also placed on the markets for a total amount of €510 million.

B. Changes in Group structure

In November 2018, CREDIPAR sold receivables to FCT Auto ABS French Leases 2018 corresponding to future lease payment of leases with a purchase option. CREDIPAR retains the majority of the operating income attached to the receivables sold to the fund. Consequently, this latter has been fully consolidated since November 2018.

C. List of Consolidated Companies

Companies	Country ISO code	% Direct	PSA Banque France interest Indirect %	Indirect Held by	Dec 31, 2018 Consolidation method	Dec 31, 2018 % interest	Dec. 31, 2017 Consolidation method	Dec. 31, 2017 % 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	-	-

Note 2 Accounting Policies

In accordance with European Council Regulation 1606/2002/EC dated July 19, 2002 on the application of international accounting standards from January 1, 2005, PSA Banque France consolidated financial statements for the year ended December 31, 2018 have been prepared in accordance with the International Financial Reporting Standards (IFRSs) applicable and adopted by the European Union as of that date.

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

The presentation of PSA Banque France's consolidated financial statements for the year ended December 31, 2018 are prepared according to the recommendation of the French accounting standards setter, in particular the recommendation N°2017-02 of June 2, 2017 related to the presentation of the consolidated financial statements of banking institutions on January 1, 2018.

The standards and interpretations applied at December 31, 2018 were unchanged compared with December 31, 2017 except for the adoption of standards and interpretations whose application was compulsory for the first time in 2018.

New IFRSs and IFRIC Interpretations applicable compulsorily in the fiscal year commencing on January 1, 2018

The new texts, whose application is compulsory in the fiscal year commencing January 1, 2018 and applied by PSA Banque France are the following:

- IFRS 9 – Financial Instruments replaced IAS 39 - Financial Instruments. This standard was published by the IASB in July 2014 and was adopted by the European Union on November 22, 2016.

IFRS 9 groups together 3 phases:
- classification and measurement of financial instruments;
- impairment of financial assets;
- hedge accounting.

The package of improvements introduced by IFRS 9 includes:
- a logical and single approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held;
- a single, forward-looking 'expected loss' impairment model and;
- a substantially-reformed approach to hedge accounting.

According to the principles of IFRS 9, PSA Banque France decided not to restate prior periods as part of the first time application.

As a consequence, PSA Banque France recognised every difference between the previous carrying amount (2017) and the carrying amount at the beginning of the annual reporting period that includes the first time application (2018) in the opening equity of the same reporting period 2018.

IFRS 9 is applied by PSA Banque France in the following way as at January 1, 2018:

Phase 1 - Classification and Measurement of financial instruments

On the basis of the analysis performed for the phase 1- Classification and Measurement, it was concluded that the financial instruments booked at amortised cost (financing and customer loans) and at fair value through profit or loss according to IAS 39 continue, under IFRS 9, to correspond to the criteria of the booking at amortised cost and at fair value through profit or loss respectively and don't generate an impact for PSA Banque France at December 31, 2018.

The investments in companies that are not consolidated are booked at amortised cost under IAS 39 owing to a non-significant operational activity. They are classified at fair value through profit or loss according to IFRS 9 without any impact for PSA Banque France as at December 31, 2018.

Phase 2 – Impairment of financial instruments

For the calculation of the expected credit losses under IFRS 9, PSA Banque France applies the methodology of calculation of different risk parameters (data used, portfolio segmentation, individual or collective evaluation, modelling choice, in particular, default probability (PD) lifetime, exposure at default (EAD) lifetime, etc.) as well as the integration of the prospective data: definition of the macroeconomic scenarios and the expected credit losses.

The models set for the calculation of the expected credit loss under IFRS 9 were established in cooperation with Santander and Banque PSA Finance.

Otherwise, IFRS 9 distinguishes purchased or originated credit-impaired financial assets (POCI assets). These assets correspond to financial assets that are credit-impaired upon initial recognition. POCI assets are measured to reflect lifetime expected credit losses at the closing immediately after the initial recognition.

Phase 3 – Hedge accounting of financial instruments

According to the principles of IFRS 9, as well as the decision of Santander, PSA Banque France chose not to apply phase 3 – Hedge accounting of financial instruments on January 1, 2018. As a consequence, PSA Banque France will continue to book the operations related to the hedge accounting according to IAS 39.

- IFRS 15 – Revenue from Contracts with Customers.

The final version of this standard was published by the IASB in May 2014. IFRS 15 was adopted by the European Union on September 22, 2016.

IFRS 15 concerns requirements for the recognition of revenue from contracts with customers. Contracts that are within the scope of other standards are excluded from the scope of IFRS 15: Contracts on Leases, Insurance Contracts and Financial Instruments. Consequently, the major part of PSA Banque France's revenues is excluded from the scope of this new standard. Concerning other cases, no significant modifications concerning accounting methods are expected (fees of new business providers) for PSA Banque France.

Other standards do not have significant impacts on PSA Banque France.

New IFRSs and IFRIC Interpretations non applicable compulsorily in the European Union in the fiscal year commencing on January 1, 2018

Potential impact of texts or projects published by IASB and IFRIC with compulsory application in the European Union from the period after January 1st, 2014, or not yet adopted by the European Union is currently being analyzed; such is especially the case for:

- IFRS 16 – Leases.

During more than 10 years the IASB worked, jointly with the FASB, on the revision of IAS 17 which objective is to prescribe, to lessees and lessors, the appropriate accounting policies and disclosures to apply in relation to leases. On January 13, 2016, the IASB published the IFRS 16 definitive text. This standard was adopted by the European Union on November 9, 2017 and will be applicable starting from January 1, 2019.

This standard is not supposed to have a significant impact on PSA Banque France for the lessor accounting model, as the measures required by the standard on this issue are convergent with IAS 17.

However, impacts are mainly expected for the real estate leases concerning PSA Banque France, as a lessee.

According to the decision of Banque PSA Finance and Santander, PSA Banque France applies the IFRS 16 using the modified retrospective approach, permitting not to restate comparative figures.

The following options proposed by IFRS 16 were elected by PSA Banque France as per the decision of Group Banque PSA Finance and Santander:

Lease definition: application of IFRS 16 only to contracts classified as leases in accordance with IAS 17, without review of their classification in the light of the new definition.

Exemption to the compulsory recognition in the balance sheet of the leases with the following characteristics:
- short-term leases, namely contracts with a remaining term less or equal to 12 months;
- contracts referring to assets of low value.

Modified retrospective application:
PSA Banque France chose to recognize a right-of-use asset at the date of initial application for leases previously classified as an operating lease applying IAS 17 and to measure that right of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

The following practical expedients related to the modified retrospective application will be set:

- Leases for which the lease term ends within 12 months of the date of initial application will not be taken into account;
- Application of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- As an alternative to performing an impairment review, to rely on the assessment of whether leases are onerous applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application. Instead, the right-of-use asset is adjusted by any previous onerous lease provisions at the date of initial application by the amount of any provision for onerous leases recognised in the statement of financial position immediately before the date of initial application;
- To exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- To use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

As a consequence, the first time application will not generate an important impact for Group PSA Banque France.

Format of the Financial Statements:

As no template is provided in IFRS, the consolidated financial statements are presented largely in accordance with Autorité des Normes Comptables (ANC), recommendation N°2017-02 of June 2, 2017 related to the presentation of the consolidated financial statements of banking institutions. PSA Banque France's consolidated financial statements include prior year comparatives.

The consolidated financial statements include the financial statements of PSA Banque France and its subsidiaries, based on the consolidation methods described in section A below.

The individual statutory financial statements of PSA Banque France and its subsidiaries are prepared in accordance with the accounting principles in force in France. These statements are adjusted to comply with Group accounting policies for inclusion in the consolidated financial statements.

Significant accounting policies applied by the Group are described in sections B to G below.

Related entities correspond to entities which have control or joint control of the reporting entity or significant influence over the reporting entity according to the definition indicated by IAS 24R.

The annual consolidated financial statements and notes for PSA Banque France were approved by the Board of Directors on February 26, 2019.

A. Basis of Consolidation

A.1 Consolidation Methods

Companies in which PSA Banque France directly or indirectly holds a majority interest are fully consolidated.

All material intragroup transactions and balances between the entities of the Group are eliminated in consolidation.

A.2 Foreign Currency Transactions

Transactions in foreign currencies are measured and recognized in accordance with IAS 21 – The Effects of Changes in Foreign Exchange Rates. In compliance with this standard and also with banking regulations, transactions denominated in foreign currencies are recorded in the original currency. At each period-end, balance sheet items in foreign currencies are revalued at fair value at the ECB closing exchange rate. The corresponding revaluation differences are recognized in the income statement under “Currency instruments”. At December 31, 2018 there is no revaluation difference related to currency instruments at PSA Banque France.

A.3 Use of Estimates

The preparation of financial statements in accordance with IAS/IFRS requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Management believes that, in preparing the financial statements, it has applied the most appropriate and reasonable estimates and assumptions considering the Group's business environment and past experience.

Due to the uncertainty of these valuations, actual results may differ from these estimates.

To limit this uncertainty, estimates and assumptions are reviewed periodically and any changes to reported amounts are recognized immediately, in accordance with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors.

Estimates and assumptions are used in particular to measure the following:
- fair value of financial assets and liabilities at fair value through profit or loss;
- recoverable amount of customer loans and receivables,
- fair value adjustments to finance receivables and debt portfolios hedged against interest rate risks;
- deferred tax assets;
- value in use and useful lives of property and equipment;
- provisions;
- pension obligations.

A.4 Main Consolidation Adjustments

Recognition and Measurement of Derivative Instruments, Hedge Accounting IAS 39

In the financial statements prepared according to French standards, the fair value principle under IAS 39 – Financial Instruments: Recognition and Measurement is not applied. Measurement at fair value of derivative instruments, financial assets and certain financial liabilities at fair value through profit or loss, and application of hedge accounting in accordance with IAS 39 therefore give rise to certain consolidation adjustments. The underlying principles are described in section C "Financial assets and liabilities", below. The principles of valuation at fair value are applied in accordance with the IFRS 13 standard.

Deferred Taxes

Certain adjustments to the accounts of subsidiaries to comply with Group accounting policies, and timing differences between the recognition of certain items of income and expense for statutory financial reporting and tax purposes or arising from consolidation adjustments, can generate temporary differences between the tax base and adjusted income. In accordance with IAS 12 – Income Taxes, deferred taxes are recognized in the consolidated financial statements for these differences using the liability method, where they can reasonably be expected to be recovered. Similarly, deferred tax assets are recognized for tax loss carry forwards when sufficient taxable profit can reasonably be expected to be generated to permit their utilization.

No provision has been made for deferred taxes on the undistributed earnings of subsidiaries, as these earnings are considered as having been permanently reinvested.

B. Fixed Assets

B.1. Property and Equipment

In accordance with IAS 16 – Property, Plant and Equipment, property and equipment are stated at cost. Property and equipment other than land are depreciated by the straight-line method over the following estimated useful lives:

- Buildings	20 to 30 years
- Vehicles	4 years
- Other	4 to 10 years

The basis for depreciation is determined by deducting the assets' residual value, if any. The Group's assets are generally considered as having no residual value.

Estimated useful lives are reviewed at each year-end and adjusted where necessary.

B.2. Impairment of Long-lived Assets

In accordance with IAS 36 – Impairment of Assets, property and equipment and intangible assets are tested for impairment annually, or more frequently if events or changes in circumstances indicate that they might be impaired. Assets with indefinite useful lives must be tested for impairment at least once a year. Goodwill is the only indefinite-lived asset carried in the Group accounts.

Impairment tests are performed at the level of cash generating units (CGUs), which are defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill is allocated to the CGU to which it relates. The value in use of a CGU is measured as the net present value of estimated future cash flows. If this value is less than the CGU's net book value, an impairment loss is recognized in operating income. The impairment loss is first recorded as an adjustment to the carrying amount of any goodwill.

PSA Banque France as a whole corresponds to a unique CGU.

C. Financial Assets and Liabilities

Financial assets and liabilities are recognized and measured in accordance with IFRS 9 adopted by the European Commission in November 2016 (regulation (EU) 2016/2067).

As allowed under IFRS 9, the Group has elected to apply transaction date accounting to financial assets and liabilities. Consequently, when the transaction date (corresponding to the date when the commitment is entered into) is different from the settlement date, the purchase or sale of securities is recognized in the balance sheet on the transaction date (see section C.5.2 below).

PSA Banque France books passbook savings accounts in « Due to customers ».

C.1 Derivatives – Application of Hedge Accounting

C.1.1 Recognition and Measurement

All derivatives are recognized in the balance sheet at fair value. Except for instruments designated as cash flow hedges (see below), gains and losses arising from remeasurement at fair value are recognized in profit or loss.

Derivatives may be designated as hedging instruments in one of two types of hedging relationships:
- fair value hedge, corresponding to a hedge of the exposure to changes in fair value of an asset or liability due to changes in exchange rates or interest rates;
- cash flow hedge, corresponding to a hedge of the exposure to variability in cash flows from existing or future assets or liabilities.

Derivatives qualify for hedge accounting when:
- at the inception of the hedge there is formal designation and documentation of the hedging relationship;
- the effectiveness of the hedging relationship is demonstrated at its inception;
- the actual effectiveness of the hedging relationship is also demonstrated at each period end.

The effects of hedge accounting are as follows:
- for fair value hedges of existing assets and liabilities, the hedged portion of the asset or liability is recognized in the balance sheet and measured at fair value. Gains and losses arising from remeasurement at fair value are recognized in profit or loss, and are offset by the effective portion of the loss or gain arising from remeasurement at fair value of the hedging instrument. Fair value adjustments to hedged financial assets and liabilities are reported under "Fair value adjustments to portfolios hedged against interest rate risks", in assets for hedged finance receivables and in liabilities for hedged debt;
- for cash flow hedges, the effective portion of the gain or loss arising from remeasurement at fair value of the hedging instrument is recognized in equity. The cumulative gains and losses recognized in equity are included in profit or loss when the hedged item affects profit or loss. This strategy is not used for PSA Banque France for the moment.

The ineffective portion of the gain or loss arising from remeasurement at fair value of both fair value and cash flow hedges is recognized in profit or loss.

C.1.2 Derivatives – Financial Statement Presentation

Balance sheet:
- derivatives are stated in the balance sheet at fair value net of accrued interest;
- fair values of derivatives used as hedges are recognized under "Hedging instruments", in assets when the fair value is positive and in liabilities when it is negative;
- derivatives that do not qualify for hedge accounting are included in "Financial assets at fair value through profit or loss" when the fair value is positive, and in "Financial liabilities at fair value through profit or loss" when it is negative.

Income statement:
- gains and losses arising from remeasurement at fair value of fair value hedges are recognized under the same caption as the losses and gains on the hedged items;
- the ineffective portion of gains and losses arising from remeasurement at fair value of cash flow hedges is reported under "Hedging gains and losses";
- gains and losses arising from remeasurement at fair value of derivatives not designated as hedges are recognized under "Net gains (losses) on trading transactions", with the exception of:
  - derivatives used to hedge short-term cash investments: gains or losses are recognized under "Fair value adjustments to assets valued using the fair value option";
  - derivatives used to hedge certain liabilities valued using the fair value option: gains and losses are recognized under "Fair value adjustments to financing liabilities valued using the fair value option".

IFRS 13 requires to present the valuation methods of the financial assets and liabilities at fair value as well as their hierarchy (level 1, 2 or 3).
The valuation methods have to maximize the use of observable market data. These methods are classified according to the same three levels hierarchy (in descending order of priority) as IFRS 7 for financial instruments:
- level 1: quoted price (without adjustment) for similar instruments on an active market;
An active market is a market in which there are sufficiently frequent and large volumes on assets or liabilities to provide price information in a continuous way.
- level 2: valuation using only observable data for a similar instrument on an active market;
- level 3: valuation making significant use of at least one non-observable item of data.
In the balance sheet, the valuations are of level 1 or 2, presented in the related notes. Only the specific note "Fair Value of Financial Assets and Liabilities" uses valuation methods of level 3, detailed in Note 20.

C.2 Financial Assets at Fair Value through Profit or Loss

This caption includes:
- the positive fair value of other derivatives that do not qualify for hedge accounting under IFRS 9;
- securities receivable, which are recognized as from the transaction date.

C.3 Financial Liabilities at Fair Value through Profit or Loss

This item comprises liabilities valued using the fair value option. The Group has elected to use this option in certain instances to improve the presentation of its financial statements by recognizing fair value adjustments to the liabilities symmetrically with the fair value adjustments made to the derivatives used to hedge the interest rate risk on those liabilities. Accordingly, the fair value adjustments include any changes in PSA Banque France's issuer spread. At December 31, 2018, no liabilities were measured using the fair value option.

This caption also includes the negative fair value of other derivatives that do not qualify for hedge accounting under IFRS 9, including interest rate derivatives intended to hedge financial assets or liabilities at fair value through profit or loss.

C.4 Loans and Receivables

The different customer categories are presented in section "E. Segment information" (see below).

Customer loans and receivables are analysed by type of financing:

- **Financing in the following categories**, as defined by French banking regulation:
  - Installment contracts;
  - Buyback contracts;
  - Long-term leases.

As explained in section C.4.2 below, buyback contracts and long-term leases are adjusted to present each transaction as a loan.

These types of financing are mainly intended for the following customer segments:
- **Retail** (individuals, small to medium sized companies and larger companies not meeting the criteria for classification as Corporates, Sovereigns, Banks or Local Administrations),
- **Corporate and equivalent** (including Corporates other than dealers, Sovereigns, Banks and Local Administrations),
- and, in rare cases, **for Corporate dealers.**

- **Wholesale financing (i.e. financing of vehicle and spare part inventories)**, as defined by French banking regulations.

  Wholesale financing is primarily intended for **Corporate dealers** (mainly Peugeot and Citroën dealers, importers of new Peugeot and Citroën vehicles, certain used vehicle dealers).

- **Other customer loans and receivables**, including equipment loans and revolving credit, and ordinary accounts in debit.

C.4.1 Loans and Receivables Measured at Amortized Cost

Loans and receivables recognized in the balance sheet correspond to PSA Banque France's net commitment in respect of these receivables. Therefore, as well as the outstanding principal and accrued interest, the carrying value of finance receivables excluding the application of the hedge accounting (see section C.4.3 herein below) also includes:
- commissions paid to referral agents as well as external direct administrative expenses, which are added to the outstanding principal;
- contributions received from the brands and transaction fees to be spread out, which are deducted from the outstanding principal;
- guarantee deposits received at the inception of finance leases, which are deducted from the amount financed.

Measurement at amortized cost reflects the best estimate of the maximum credit risk exposure on loans and receivables.

Interest income is allocated by the effective interest method, with the effective interest rate being the rate that exactly discounts estimated future cash receipts through the expected life of the loan.

C.4.2 Lease Financing

In accordance with IAS 17 – Leases and IFRS 9, vehicles leased to customers are treated as in-substance loans because the risks and rewards of ownership of the vehicle do not lie with PSA Banque France.

Consequently, rental revenues and depreciation expenses on the vehicles are adjusted in order to present all of these transactions as loans outstanding.

C.4.3 Hedges of Interest Rate Risks on Outstanding Loans and Receivables

Outstanding loans can be hedged against interest rate risks, using fair value hedges that qualify for hedge accounting. Accordingly, gains and losses arising from remeasurement at fair value of the hedged portion of the loans are recognized in profit or loss (see section C.1.1 "Derivatives – recognition and measurement").

C.4.4 Impairment Losses

Impairment losses are identified separately under specific line items.

The different customer categories are presented in section "E. Segment information" (see below).

According to IFRS 9, all exposures Retail and Corporate are concerned by allowances based on expected credit losses since their initial recognition.

The financial instruments are classified in three stages depending on the evolution of the credit risk since their initial recognition. Impairment is booked on outstanding amount of each of these stages according to the following principles:

Stage 1:
Sound loans without significant deterioration in credit risk since initial recognition. The impairment for credit risk is recorded in the amount of 12-month expected credit losses. Interest income is recognized through profit or loss using the effective interest rate method applied to the gross carrying amount of the asset before impairment.

Stage 2:
In the event of a significant increase in credit risk since initial recognition, the sound loans are transferred from stage 1 to stage 2. The impairment for credit risk is determined on the basis of the instrument's expected credit losses at maturity. The interest income is recognized through profit or loss using the effective interest rate method applied to the gross carrying amount of the asset before impairment.

Stage 3:
The financial receivables called "impaired" under IFRS 9 are classified in stage 3. There is objective evidence of impairment arising from one or more events occurring after initial recognition of these loans. Stage 3 concerns financial receivables for which a default event was identified as determined in article 178 of the regulation of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms. The impairment for credit risk is calculated based on the instrument's expected credit losses at maturity. The interest income is recognized through profit or loss based on the effective interest method applied to the net carrying amount of the asset after impairment.

Classification in loss / Write off

The standards of PSA Banque France provide for the classification in loss / write off of Retail financing with past-due instalments of more than 48, 36, or 24 months, depending on the type of financing and country concerned as well as Corporate financing when a finance receivable is considered as irrecoverable. The loss is recognised through profit or loss on the individual financial statements. The previously-recognized impairment loss is also reversed through profit or loss. Any subsequent recoveries are credited to the income statement under "Cost of risk".

C.5 Financing Liabilities

Upon initial recognition, financing liabilities are measured at the amount of the net proceeds received. Their carrying amount therefore comprises the outstanding principal and accrued interest, plus:
- debt issuance and set-up costs;
- issue or redemption premiums, if any.

Interest expense is allocated by the effective interest method, with the effective interest rate being the rate that exactly discounts estimated future cash outflows through the expected life of the debt.

C.5.1 Hedges of Interest Rate Risks on Financing Liabilities

Financing liabilities hedged by interest rate swaps are remeasured at fair value in accordance with hedge accounting principles applicable to fair value hedges. Gains and losses arising from remeasurement at fair value of the hedged portion of the liability are recognized in profit or loss and are offset by the effective portion of changes in the fair value of the swaps (see section C.1.1 “Derivatives – recognition and measurement”).

C.5.2 Debt Securities

Debt securities include certificates of deposit, bonds, interbank instruments and money market securities, other than subordinated securities which are reported under "Subordinated debt".

This caption also includes securities to be delivered, which are recognized as from the transaction date.

D. Provisions

In accordance with IAS 37 – Provisions, Contingent Liabilities and Contingent Assets, a provision is recorded when the Group has a present obligation towards a third party as a result of a past event, it is probable or certain that an outflow of resources embodying economic benefits will be required to settle the obligation, and no inflow of resources representing an equivalent amount is expected. Restructuring provisions are recorded only when the restructuring has been announced and the Group has drawn up or started to implement a detailed formal plan.

Provisions are discounted only when the impact is material.

E. Segment Information

In application of IFRS 8, PSA Banque France has identified the following three operating segments meeting Basel II guidelines (portfolios):

- **Retail**, mainly corresponding to individuals and to small or medium-sized companies.

- **Corporate dealers**, corresponding to captive and independent Peugeot and Citroën dealers, importers of new Peugeot and Citroën vehicles and certain used vehicle dealers.

- **Corporate and equivalent**, referring to:
  - company belonging to a multi-national group or for which aggregate loans exceed a fixed ceiling per country (Corporates other than dealers),
  - national governments and government-backed agencies (Sovereigns),
  - banking company or investment firms regulated and supervised by the banking authorities (Banks),
  - local or regional governments and government-backed agencies (Local Administrations).

An analysis of balance sheet and income statement items by segment is provided in the Segment Information note.

F. Pension Obligations

In addition to standard pensions payable under local legislation, Group employees receive supplementary pension benefits and retirement bonuses (see Note 17). These benefits are paid either under defined contribution or defined benefit plans.

The contributions paid under defined contribution plans are in full discharge of the Group's liability and are recognized as an expense.

In accordance with IAS 19 - Employee Benefits, obligations under defined benefit plans are measured by independent actuaries using the projected unit credit method. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation, which is then discounted to present value. The calculations mainly take into account:
- an assumed retirement date;
- a discount rate;
- an inflation rate;
- assumptions concerning future salary levels and staff turnover rates.

Actuarial valuations are performed twice a year at each half year and annual closing for the main plans, and once every three years for the other plans, with more frequent valuations conducted if necessary to take account of changes in actuarial assumptions or significant changes in demographic data.

Changes in actuarial assumptions and experience adjustments - corresponding to the effects of differences between the previous actuarial assumptions and what has actually occurred - give rise to actuarial gains and losses on the benefit obligation or on the plan assets. These gains and losses are recorded in the “Income and expenses recognized directly in equity” statement, and will not be recycled in the income statement.

In the event of modification of the benefits defined in a plan, the impact of changes to pension plans after January 1, 2012 is fully recognized under “Operating income” in the income statement for the period in which they occurred.

As a result, for each defined benefit plan, the Group records a provision in an amount equal to the projected benefit obligation less the fair value of the plan assets.

In the case of plans that are subject to a minimum funding requirement under the law or the plan rules, if the Group does not have an unconditional right to a refund of a surplus within the meaning of IFRIC 14, this affects the asset ceiling. Regardless of whether the plan has a deficit or a surplus, a liability is recognized for the portion of the present value of the minimum funding in respect of services already received that, once paid and after covering the shortfall resulting from applying IAS 19, would generate a surplus in excess of the asset ceiling determined in accordance with IAS 19.

The net cost of defined benefit pension plans for the period therefore corresponds to the sum of the following:
- the service cost (recognized in “Operating income” in “Other general operating expenses”);
- the finance cost less the expected yield on plan assets (recognized in “Non-operating income” in “Pension obligation expense or income”). These two items (finance cost and expected yield on assets) are measured based on the rate used to discount the obligations.
- any adjustment to the IFRIC 14 minimum funding requirement liability (recognized in “Non-operating income in “Pension obligation expense or income”).

Other employee benefits covered by provisions concern mainly long-service awards payable by the subsidiaries.

There are no obligations corresponding to the residual debt contracted in France at the Banking Industry Pension Fund (CRPB), the payments received to this date cover the entirety of the benefit plans according to the latest estimations of the experts.

G. Signature Commitments

Irrevocable commitments given or received by Group companies (irrevocable customer financing commitments, corresponding to the period between the loan offer and the date when the funds are released, guarantees; other commitments received or given…) are recognized in the balance sheet at fair value in accordance with IFRS 9. As these commitments are made on market terms, they have a zero fair value.

Provisions are taken for impairment of financing or guarantee commitments in accordance with IAS 37. These signature commitments are reported at their nominal amount in Note 21 – Other commitments.

Derivative financial instrument commitments (rate or currency instruments) are described in note C.1 above and are reported at their nominal amount in note 25 – Derivatives.

Note 3 Changes in the Financial Statements Presentation at December 31, 2017 and starting January 1st, 2018

3.1 IFRS 9 Impacts on the Financial Statements

IFRS 9 - Financial Instruments, which replaces IAS 39 – Financial Instruments, published by the IASB in July 2014 then adopted by the European Union on November 22, 2016, came into force on January 1, 2018. As permitted by the regulation, PSA Banque France chose to not restate the prior periods (see Note 2 - Accounting Policies).

The implementation of IFRS 9 led to the changes outlined below.

3.1.1 Balance Sheet Impacts

(in million euros)	**Jan. 1st, 2018**	**IFRS 9 FTA Impact** Reclassification	Revaluation	**Dec. 31, 2017**
Assets				
Cash, central banks	365	-	-	365
Financial assets at fair value through profit or loss	2	-	-	2
Hedging instruments	-	-	-	-
Available-for-sale financial assets		-	-	-
Financial assets at fair value through Equity	-	-	-	
Debt securities at amortized cost	-	-	-	
Loans and advances to credit institutions at amortized cost	525	-	-	525
Customer loans and receivables at amortized cost	10,222	-	7.7	10,214
Fair value adjustments to finance receivables portfolios hedged against interest rate risks	(3)	-	-	(3)
Current tax assets	19	-	-	19
Deferred tax assets (1)	-	-	(0.4)	-
Accruals and other assets	258	-	-	258
Investments in associates and joint ventures accounted for using the equity method	-	-	-	-
Property and equipment	10	-	-	10
Intangible assets	-	-	-	-
Goodwill	-	-	-	-
Total assets	**11,397**	**-**	**7.3**	**11,390**

(in million euros)	**Jan. 1st, 2018**	**IFRS 9 FTA Impact** Reclassification	Revaluation	**Dec. 31, 2017**
Equity and liabilities				
Central banks	-	-	-	-
Financial liabilities at fair value through profit or loss	-	-	-	-
Hedging instruments	-	-	-	-
Deposits from credit institutions	3,804	-	-	3,804
Due to customers	2,154	-	-	2,154
Debt securities	3,334	-	-	3,334
Fair value adjustments to debt portfolios hedged against interest rate risks	-	-	-	-
Current tax liabilities	4	-	-	4
Deferred tax liabilities	281	-	1.5	280
Accruals and other liabilities	458	-	-	458
Provisions (1)	27	-	2.2	25
Subordinated debt	155	-	-	155
Equity	1,180	-	3.6	1,176
- Equity attributable to equity holders of the parent	1,180	-	*3.6*	1,176
- Share capital and other reserves	757	-	-	757
- Consolidated reserves	424	-	*3.6*	421
- Of which Net income - equity holders of the parent	*167*	-	-	*167*
- Gains and losses recognized directly in Equity	(2)	-	-	(2)
- Minority interests	-	-	-	-
Total equity and liabilities	**11,397**	**-**	**7.3**	**11,390**

(1) These amounts correspond to impairment on commitments which are recognized as liability provisions in the balance sheet.

3.1.2 Income Statement impacts

In accordance with the ANC 2017-02 recommendation on the format of banking sector consolidated statements, PSA Banque France has changed the income statement presentation at the Net Banking Revenue level. The following transition table (2017.12 published vs 2017.12 Proforma) presents the main modifications made on the Net Banking Revenue presentation.

Transition table of the Net Banking Revenue at 31.12.2017

		31.12.2017 Proforma M€															
	31.12.2017 published	Interest and similar income			Interest and similar expenses					Commissions			Net gains / losses on financial instruments at fair value through profit or loss	Net Income or expense of other activities			
										Income		Expenses					
		Customer transactions	Commissions paid to referral agents	Other business acquisition costs	Customer transactions	Interbank transactions	Debt securities	Accrued interest receivable on hedging instruments	Other interest expenses	Incidental commissions from finance contracts	Commissions on sales of service activities	Commissions on sales of service activities	Gains / losses from hedge accounting	Gains / losses on sales of used vehicles	Share of joint venture operations	Banking operating expenses	Other income/expenses of other activities
Net interest revenue on customer transactions	**404,376**																
- Interest and other revenue on assets at amortized cost	387,225	544	-144	-12	-												
- Fair value adjustments to finance receivables hedged against interest	2,503												2				
- Interest on hedging instruments	-4,316							-4									
- Fair value adjustments to hedging instruments	3,025												3				
- Interest expense on customer transactions	-174				-												
- Other revenue and expense	16,113								-2	15				13	-5	-4	-1
Net investment revenue	**60**																
- Interest and dividends on marketable securities	58																
- Fair value adjustments to assets valued using the fair value option	-																
- Gains and losses on sales of marketable securities	2																
- Investment acquisition costs	-																
Net refinancing cost	**(49,714)**																
- Interest and other revenue from loans and advances to credit institutions	5																
- Interest on deposits from credit institutions	-12,088					-12											
- Interest on debt securities	-9,243						-9										
- Interest on savings accounts	-22,783				-23												
- Expenses related to financing commitments received	-996	-			-1												
- Fair value adjustments to financing liabilities hedged against interest rate risks	350												-				
- Interest on hedging instruments	462																
- Fair value adjustments to hedging instruments	-350												-				
- Fair value adjustments to financing liabilities valued using the fair value option	-																
- Debt issuing costs	-4,457					-3	-1		-1								
- Other revenue and expense	-614					-1											
Net gains and losses on trading transactions	**-**																
- Interest rate instruments	-																
- Currency instruments	-																
Net gains and losses on available-for-sale financial assets	-301								-								
Margin on sales of services	**96,952**																
- Revenues	99,921										100						
- Expenses	-2,969											-3					
Net Banking Revenue €K	**451,373**																
		544	**(144)**	**(12)**	**(24)**	**(16)**	**(10)**	**(4)**	**(3)**	**15**	**100**	**(3)**	**5**	**13**	**(5)**	**(4)**	**(1)**
Net Banking Revenue Proforma €M	**451**	**388**			**(57)**					**112**			**5**	**3**			

3.2 Changes on the Statement of Cash Flows

In accordance with the ANC 2017-02 recommendation on the format of banking sector consolidated statements, PSA Banque France has changed the presentation of the consolidated statement of cash flows. The following restatement table (2017.12 published vs 2017.12 Proforma) presents the main changes made on the presentation of the consolidated statement of cash flows.

Cash and cash equivalents :

- The line "Cash and cash equivalents" is now presented net of liabilities accounts and demand loans to credit institutions (an impact of € -136 millions to the opening and €-68 millions to the closing in 2017, representing an impact of €+68 millions on the cash and cash equivalents variation on 2017). This impact is presented on the column "Net Cash" of the transition table between the new and old cash flow statement presentation.

Change of presentation :

- The line"Net income attributable to equity holders of the parent" is replaced by "Pre-tax income". As a result, the restatement of "Change in deferred taxes " (€-30 million) does not appear anymore in the cash flows statement. Moreover, changes in current tax provision (€-81 million) are not anymore included in the "Cash from other activities affecting non financial assets or liabilities". The payment of current tax is now isolated on a new line "Tax paid" (€-94 million).
- The line "Profit/loss on disposals of assets" is divided in 2 new lines: "Net gain/loss of investing activities" and "Income/expenses of financing activities".
- The line "Change in depreciation, amortization and other provisions" is divided in 2 new lines : "Net Depreciation and amortization of property and equipment and intangible assets" and "Net depreciation and provisions".
- The line" Funds from operations" is replaced by a new line "Total of non-monetary items included in the pre-tax income and other adjustments".

Restatement of non monetary items included in pre-tax income :

- Changes in current tax provision (€-94 millions at December 31, 2017) are not anymore included in "Change in non-financial assets and liabilities".
- Depreciations on customers loans and losses are restated on line "Net depreciation and provisions".
- Items without cash outflow are now included in "Other movements", they include :
  - Changes in fair value through profit or loss;
  - Changes in accrued interests;
  - Changes in accrued expense and accrued income;
  - Changes from items at amortized cost.

Restatement table between the new and old presentation of the statement of cash flows

(in million euros)	**Dec. 31, 2017**	Net cash	Current and deferred taxes	Non monetary items		**Dec. 31, 2017 Proforma**
Net income attributable to equity holders of the parent	**167**	**-**	**94**	**-**	**Pre-tax income**	**262**
Elimination of income without cash effect:						
- change in depreciation, amortization and other provisions	12	-	-	(12)		
	-	-	-	2	Net depreciation and impairment of property and equipment and intangible assets	2
	-	-	-	51	Net depreciation and provisions	51
- change in deferred taxes	30	-	(30)	-		
- (profit)/loss on disposals of assets	-	-	-	-		
		-	-	-	Net gain/loss of investing activities	-
		-	-	-	Income/expenses of financing activities	-
		-	-	7	Other movements	7
Funds from operations	**209**					
	41	**-**	**(30)**	**49**	**Total of non-monetary items included in the pre-tax income and other adjustments**	**60**
Increase/decrease in:					Change in credit institutions items	(765)
- loans and advances to credit institutions	-	-	-	-		
- deposits from credit institutions	(834)	68	-	1		
		-	-		Change in customer items	(683)
Change in customer loans and receivables	(990)			(23)		
Increase/decrease in:						
- amounts due to customers	328			4		
					Change in financial assets and liabilities	1,369
- financial assets at fair value through profit or loss	2	-	-	(2)		
- financial liabilities at fair value through profit or loss	(3)	-	-	3		
- hedging instruments	(1)	-	-	1		
- debt securities	1,367	-	-	2		
		-	-		Change in non-financial assets and liabilities	(7)
Change in working capital: assets	(102)	-	77	(3)		
Change in working capital: liabilities	98	-	(48)	(30)		
			(94)		Tax paid	(94)
	(134)	**68**	**(65)**	**(48)**	**Net decrease/(increase) of assets and liabilities provided by operating activities**	**(179)**
Net cash provided by operating activities	**75**	**68**	**(0)**	**0**	**Net cash provided by operating activities (A)**	**142**

(in million euros)	**Dec. 31, 2017**	Net cash	Current and deferred taxes	non monetary items		**Dec. 31, 2017 Proforma**
					Change in equity investements	
Proceeds from disposals of shares in subsidiaries	-				- Inflows from disposals of shares in subsidiaries	-
Acquisitions of shares in subsidiaries	-				- Outflows linked to acquisitions of shares in subsidiaries	-
					Change in property and equipment and intangible assets	(2)
Investments in fixed assets	(4)				- Outflows from acquisitions of property and equipment and intangible assets	(4)
Proceeds from disposals of fixed assets	2				- Inflows from disposals of property and equipment and intangible assets	2
Effect of changes in scope of consolidation	-				Effect of changes in scope of consolidation	
Net cash used by investing activities	**(2)**	**-**	**-**	**-**	**Net cash used by investing activities (B)**	**(2)**
					Cash flows from or to shareholders	
					Outflows for the dividends paid to :	(72)
Dividends paid to Santander Consumer Finance	(36)				- Santander Consumer Finance	(36)
Dividends paid to Banque PSA Finance	(36)	-	-	-	- Banque PSA Finance	(36)
Capital increase / (decrease)	-	-	-	-	Inflows from issuance of equity instruments	-
					Other net cash from financing activities	
Inflow/Outflow linked to subordinated debt	155	-	-	-	Inflow/(outflow) linked to subordinated debt	155
Net cash used by financing activities	**83**	**-**	**-**	**-**	**Net cash used by financing activities (C)**	**83**
Effect of changes in exchange rates	-				Effect of changes in exchange rates (D)	
Net change in cash and cash equivalents	**156**	**68**	**(0)**	**0**	**Net increase/(decrease) of cash and cash equivalents (A+B+C+D)**	**224**
Cash and cash equivalents at the beginning of the period	**733**	**(136)**	**-**	**-**	**Cash and cash equivalents at the beginning of the period**	**596**
Cash, central banks	261	-			Cash, central banks (assets and liabilities)	261
		(136)		(1)	Demand accounts (assets and liabilities) and loans/borrowing with credit institutions	336
Treasury Bonds	-					
Current account advances and loans and advances at overnight rates	473					
Cash and cash equivalents at the end of the period	**890**	**(68)**	**-**	**-**	**Cash and cash equivalents at the end of the period**	**820**
Cash, central banks	365	-			Cash, central banks (assets and liabilities)	365
		(68)		(1)	Demand accounts (assets and liabilities) and loans/borrowing with credit institutions	456
Treasury Bonds	-					
Current account advances and loans and advances at overnight rates	525					
Net change in cash and cash equivalents	**156**	**68**	**-**	**-**	**Net change in cash and cash equivalents**	**224**

Note 4 Cash, Central Banks

(in million euros)	Dec 31, 2018	Dec. 31, 2017
Cash and post office banks	-	-
Central bank (1)	329	365
- of which compulsory reserves deposited with the Banque de France	*28*	*25*
Total	**329**	**365**

(1) *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 5 Financial Assets at Fair Value through Profit or Loss

5.1 Analysis by Nature

(in million euros)	Dec 31, 2018	Dec. 31, 2017
Fair value of trading derivatives (1)	2	2
- of which related companies with Santander Consumer Finance Group	-	-
Offsetting positive fair value and received margin calls	(1)	-
Accrued interest on trading derivatives	-	-
- of which related companies with Santander Consumer Finance Group	-	-
- Equity securities at fair value through profit or loss (2)	-	
Total	**1**	**2**

(1) *The swaps classified as held for trading are related to securitization activities. Except for the intermediation fees, the fair value changes of these swaps are offset by the fair value changes of the swaps in opposite direction before clearing marging calls at CREDIPAR. Indeed, the swap implemented in the securitizing entity (CREDIPAR) since July 2018 includes intermediation fees while this is not the case for the swap set up in the opposite direction in the securitization entity (FCT) (see Note 11.1 and 25.1).*

(2) *Since January 1, 2018, securities are accounted as Financial assets at fair value through profit or loss in application of the IFRS 9 norm. At December 31, 2017, they were classified in Available-for-sale financial asset for 3 thousand euros.*

5.2 Offsetting Swaps with Margin Call Designated as Trading - Assets

For 2018

(in million euros)	Asset gross amount				
Positive valued swaps	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	**2.1**	**-**	**2.1**	**-**	**2.1**
- Swaps with margin call	2.1	-	2.1	-	2.1
- Swaps without margin call	-			-	-
Offsetting	-	-	-	(1.1)	**(1.1)**
Accrued income	**0.3**	**(0.2)**	**0.1**	**-**	**0.1**
- Swaps with margin call	0.3	(0.2)	0.1	-	0.1
- Swaps without margin call	-	-	-	-	-
Total assets	**2.4**	**(0.2)**	**2.2**	**(1.1)**	**1.1**
Margin calls received on swaps designated as trading (deferred income - see Note 16)	-	-	1.1	(1.1)	-
Total liabilities	**-**	**-**	**1.1**	**(1.1)**	**-**

For 2017

(in million euros)	Asset gross amount				
Positive valued swaps	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	**2.4**	**-**	**2.4**	**-**	**2.4**
- Swaps with margin call	-	-	-	-	-
- Swaps without margin call	2.4	-	2.4	-	2.4
Offsetting	-	-	-	-	-
Accrued income	**-**	**-**	**-**	**-**	**-**
- Swaps with margin call	-	-	-	-	-
- Swaps without margin call	-	-	-	-	-
Total assets	**2.4**	**-**	**2.4**	**-**	**2.4**
Margin calls received on swaps designated as trading (deferred income - see Note 16)	-	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**	**-**

Note 6 Hedging Instruments - Assets

6.1 Analysis by Nature

(in million euros)	Dec 31, 2018	Dec. 31, 2017
Positive fair value of instruments designated as hedges of:	**-**	**-**
- Bonds	-	-
- Borrowings	-	-
- Customer loans (Installment contracts, Leasing with a purchase option and Long-term leases)	-	-
Offsetting positive fair value and received margin calls (see Note 6.2)	**-**	**-**
Accrued income on swaps designated as hedges	**-**	**-**
Total	**-**	**-**

Fair value is determined by applying valuation techniques based on observable market data (level 2).
Fair Value Hedge effectiveness is analysed in Note 25.

6.2 Offsetting Swaps With Margin Call Designated as Hedges - Assets

For 2018

(in million euros) Positive valued swaps	Asset gross amount		Asset net amount before offsetting	Offsetting with received margin calls	Balance sheet amount after offsetting
	Swap's winning leg	Swap's losing leg			
Positive fair value	**-**	**-**	**-**	**-**	**-**
- Swaps with margin call			-	-	-
- Swaps without margin call	-	-	-	-	-
Offsetting	-	-	-		**-**
Accrued income	**-**	**-**	**-**	**-**	**-**
- Swaps with margin call			-	-	-
- Swaps without margin call	-	-	-	-	**-**
Total assets	**-**	**-**	**-**	**-**	**-**
Margin calls received on swaps designated as hedges (deferred income - see Note 16)	-	-			**-**
Total liabilities	**-**	**-**	**-**	**-**	**-**

For 2017

(in million euros) Positive valued swaps	Asset gross amount		Asset net amount before offsetting	Offsetting with received margin calls	Balance sheet amount after offsetting
	Swap's winning leg	Swap's losing leg			
Positive fair value	**1.2**	**(0.9)**	**0.2**	**-**	**0.2**
- Swaps with margin call	1.2	(0.9)	0.2	-	0.2
- Swaps without margin call	-	-	-	-	-
Offsetting	-	-	-	(0.2)	**(0.2)**
Accrued income	**-**	**-**	**-**	**-**	**-**
- Swaps with margin call	-	-	-	-	-
- Swaps without margin call	-	-	-	-	**-**
Total assets	**1.2**	**(0.9)**	**0.2**	**(0.2)**	**-**
Margin calls received on swaps designated as hedges (deferred income - see Note 16)	-	-	0.2	(0.2)	**-**
Total liabilities	**-**	**-**	**0.2**	**(0.2)**	**-**

Note 7 Loans and Advances to Credit Institutions at Amortized Cost

Analysis of Demand and Time Accounts

(in million euros)	Dec 31, 2018	Dec. 31, 2017
Demand accounts (non-group companies)	**668**	**525**
- Ordinary accounts in debit	667	523
- of which held by securitization funds	*191*	*187*
- Amounts to receive on bank accounts	-	-
- Current accounts and overnight loans	1	2
- of which related companies with Santander Consumer Finance Group (1)	*1*	*2*
Time accounts	**-**	**-**
Accrued interest	**-**	**-**
Total	**668**	**525**

(1) *This amount corresponds to the cash collateral excess deposited with the clearing member Santander for the clearing of interest rate derivatives since the implementation of EMIR regulation at the beginning of 2017.*

Note 8 Customer Loans and Receivables at Amortized Cost

8.1 Customer Loans and Receivables by Type of Financing

(in million euros)	Dec 31, 2018	Dec. 31, 2017
Installment contracts	**2,297**	**2,069**
- of which securitized (1)	*1,139*	*1,180*
Leasing with a purchase option (2)	**3,295**	**2,631**
Principal and interest	3,677	2,947
- of which securitized (1)	*1,660*	*1,048*
Unaccrued interest on leasing with a purchase option	(382)	(316)
- of which securitized (1)	*(172)*	*(107)*
Long-term leases (2)	**2,581**	**2,316**
Principal and interest	2,799	2,549
- of which securitized (1)	*1,122*	*965*
Unaccrued interest on long-term leases	(218)	(233)
- of which securitized (1)	*(113)*	*(97)*
Leasing deposits	-	-
- of which securitized (1)	-	-
Trade receivables	**2,723**	**2,325**
- Related companies with PSA Group	1	3
- Non-Group companies	2,722	2,322
- of which securitized (1)	*831*	*864*
Other finance receivables (including equipment loans, revolving credit)	**602**	**611**
Ordinary accounts in debit	**154**	**119**
- Related companies with PSA Group	1	1
- Non-Group companies	153	118
Deferred items included in amortized cost - Customers loans and receivables	**161**	**143**
- Deferred acquisition costs	253	219
- Deferred loan set-up costs	(26)	(25)
- Deferred manufacturer and dealer contributions	(66)	(51)
Total Loans and Receivables at Amortized Cost (3)	**11,813**	**10,214**
- of which securitized (1)	*4,467*	*3,853*

(1) *The PSA Banque France Group has set up several securitization programs (see Note 8.4).*

(2) *The PSA Banque France Group purchases vehicles from Peugeot, Citroën and DS dealers and leases them to end customers. Leases are mainly proposed 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 contract. 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. Although the customer may be required to pay a fee if the vehicle is not returned in satisfactory condition or if its mileage is greater than that set in the rental agreement, the amount the dealer or manufacturer pays to the PSA Banque France Group is not affected. On the other hand, 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. 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 PSA Banque France analyzes 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, the 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 purchase option and long-term lease) are considered and accounted as finance leases and are presented in the accounts as outstanding loans.

(3) *All of the Customers Loans and Receivables are denominated in euro.*

8.2 Customer Loans and Receivables by Segment

IFRS 8 Segment / Type of financing	Corporate Dealers (A - see B Note 28.1)		End user: Retail (B - see A Note 28.1)		End user: Corporate and equivalent (C - see C Note 28.1)		Total	
(in million euros)	Dec 31, 2018	Dec. 31, 2017	Dec 31, 2018	Dec. 31, 2017	Dec 31, 2018	Dec. 31, 2017	Dec 31, 2018	Dec. 31, 2017
Installment contracts	10	3	2,286	2,064	1	2	2,297	2,069
Leasing with a purchase option	8	9	3,249	2,588	38	34	3,295	2,631
Long-term leases	193	148	1,550	1,355	838	813	2,581	2,316
Trade Receivables	2,723	2,325	-	-	-	-	2,723	2,325
Other finance receivables	588	587	12	21	2	3	602	611
Ordinary accounts in debit	154	119	-	-	-	-	154	119
Deferred items included in amortized cost	1	-	137	121	23	22	161	143
Total customer loans by segment (based on IFRS 8)	**3,677**	**3,191**	**7,234**	**6,149**	**902**	**874**	**11,813**	**10,214**

8.3 Analysis by Maturity

For 2018

(in million euros)	Not broken down	0 to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Total at Dec. 31, 2018
Installment contracts	**12**	**169**	**168**	**322**	**1,611**	**15**	**2,297**
Gross	55	169	168	322	1,611	15	2,340
Total impairment	(43)	-	-	-	-	-	(43)
Leasing with a purchase option	**12**	**204**	**202**	**450**	**2,427**	**-**	**3,295**
Gross	49	204	202	450	2,427	-	3,332
Total impairment	(37)	-	-	-	-	-	(37)
Long-term leases	**25**	**414**	**279**	**479**	**1,383**	**1**	**2,581**
Gross	57	414	279	479	1,383	1	2,613
Guarantee deposits	-	-	-	-	-	-	-
Total impairment	(32)	-	-	-	-	-	(32)
Trade receivables	**34**	**2,137**	**364**	**186**	**2**	**-**	**2,723**
Gross	38	2,137	364	186	2	-	2,727
Guarantee deposits							-
Total impairment	(4)	-	-	-	-	-	(4)
Other finance receivables	**33**	**166**	**34**	**208**	**133**	**28**	**602**
Gross	75	166	34	208	133	28	644
Total impairment	(42)	-	-	-	-	-	(42)
Ordinary accounts in debit	**154**	**-**	**-**	**-**	**-**	**-**	**154**
Gross	156	-	-	-	-	-	156
Total impairment	(2)	-	-	-	-	-	(2)
Deferred items included in amortized cost	**161**	-	-	-	-	-	**161**
Total net loans and receivables	**431**	**3,090**	**1,047**	**1,645**	**5,556**	**44**	**11,813**
Gross	430	3,090	1,047	1,645	5,556	44	11,812
Guarantee deposits	-	-	-	-	-	-	-
Total impairment	(160)	-	-	-	-	-	(160)
Deferred items included in amortized cost	161	-	-	-	-	-	161

For 2017

(in million euros)	Not broken down	0 to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Total at Dec. 31, 2017
Installment contracts	**9**	**160**	**157**	**300**	**1,433**	**11**	**2,069**
Gross	62	160	157	300	1,433	11	2,123
Total impairment	(54)	-	-	-	-	-	(54)
Leasing with a purchase option	**7**	**154**	**155**	**345**	**1,969**	**-**	**2,631**
Gross	40	154	155	345	1,969	-	2,664
Total impairment	(34)	-	-	-	-	-	(34)
Long-term leases	**23**	**352**	**266**	**471**	**1,204**	**1**	**2,316**
Gross	51	352	266	471	1,204	1	2,344
Guarantee deposits	-	-	-	-	-	-	-
Total impairment	(28)	-	-	-	-	-	(28)
Trade receivables	**76**	**1,781**	**325**	**141**	**2**	**-**	**2,325**
Gross	89	1,781	325	141	2	-	2,339
Guarantee deposits	-	-	-	-	-	-	-
Total impairment	(14)	-	-	-	-	-	(14)
Other finance receivables	**17**	**180**	**25**	**216**	**139**	**34**	**611**
Gross	64	180	25	216	139	34	658
Total impairment	(48)	-	-	-	-	-	(48)
Ordinary accounts in debit	**119**	**-**	**-**	**-**	**-**	**-**	**119**
Gross	119	-	-	-	-	-	119
Total impairment	-	-	-	-	-	-	-
Deferred items included in amortized cost	**143**	-	-	-	-	-	**143**
Total net loans and receivables	**393**	**2,627**	**929**	**1,473**	**4,747**	**46**	**10,214**
Gross	426	2,627	929	1,473	4,747	46	10,248
Guarantee deposits	-	-	-	-	-	-	-
Total impairment	(177)	-	-	-	-	-	(177)
Deferred items included in amortized cost	143	-	-	-	-	-	143

8.4 Securitization Programs

			Sold net receivables		
Fund	**Closing, ie first date of sale**	**Type of Financing**	**at Dec 31, 2018**	**at Dec. 31, 2017**	**at the origin**
FCT Auto ABS French Loans Master	Dec. 13, 2012 (2)	Installment contracts	1,139	1,180	N/A
FCT Auto ABS DFP Master - Compartment France 2013	May 03, 2013 (2)	Trade receivables	831	864	N/A
FCT Auto ABS French Leases Master - Compartment 2016	July 28, 2016 (2)	Buyback contracts (1)	904	941	N/A
FCT Auto ABS French LT Leases Master	July 27, 2017 (2)	Long-term leases (3)	1,009	868	N/A
FCT Auto ABS French Leases 2018	Nov. 23, 2018	Buyback contracts (1)	584	-	N/A
Total			**4,467**	**3,853**	

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 income) generated by the special entities.

The credit enhancement techniques used by the PSA Banque France Group as part of its securitization transactions retain on its books the financial risks inherent in these transactions. The Group also finances all the 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 in consideration for the placing of the senior tranches on the majority of the transactions is concerned.

The group does not carry out any securitization transactions which transfer all or part of its financial risk (such as synthetic securitization transactions).

(1) *Sold receivables correspond to future lease payment 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 grow up or decrease) up to the maximum programme size.*

(3) *Sold receivables correspond to future long-term lease revenues and residual value.*

Note 9 Accruals and Other Assets

(in million euros)	**Dec 31, 2018**	**Dec. 31, 2017**
Other receivables	**146**	**131**
- of which related companies with PSA Group	*102*	*78*
Prepaid and recoverable taxes	**65**	**50**
Accrued income	**7**	**8**
- of which related companies with PSA Group	*6*	*8*
Prepaid expenses	**4**	**3**
- of which margin calls paid on swaps (1)	*-*	*1*
- of which related companies with Santander Consumer Finance Group	*4*	*1*
- of which non-group companies	*(4)*	*-*
Other	**107**	**65**
- of which related companies with Santander Consumer Finance Group	*11*	*-*
Total	**329**	**258**

(1) *At December 31, 2018, margin calls paid on swaps were offset with the negative fair value for an amount of €3.2 million, compared to €4.1 million at December 31, 2017 (see Notes 11.2 & 12.2).*

Note 10 Property and Equipment and Intangible Assets

(in million euros)	Dec 31, 2018 Cost	Dec 31, 2018 Depreciation/ amortization	Dec 31, 2018 Net	Dec. 31, 2017 Cost	Dec. 31, 2017 Depreciation/ amortization	Dec. 31, 2017 Net
Property and equipment	**13**	**(4)**	**9**	**13**	**(3)**	**10**
- Land and buildings	-	-	-	-	-	-
- Vehicles	6	(2)	4	6	(1)	5
- Other	7	(2)	5	7	(2)	5
Intangible assets	**-**	**-**	**-**	**-**	**-**	**-**
Total	**13**	**(4)**	**9**	**13**	**(3)**	**10**

Changes in gross values

(in million euros)	Dec. 31, 2017	Additions	Disposals	Dec 31, 2018
Property and equipment	**13**	**3**	**(3)**	**13**
- Land and buildings	-	-	-	-
- Vehicles	6	3	(3)	6
- Other	7	-	-	7
Intangible assets	**-**	**-**	**-**	**-**
Total	**13**	**3**	**(3)**	**13**

Changes in amortization

(in million euros)	Dec. 31, 2017	Charges	Reversals	Other movements	Dec 31, 2018
Property and equipment	**(3)**	**(2)**	**1**	**-**	**(4)**
- Land and buildings	-	-	-	-	-
- Vehicles	(1)	(2)	1	-	(2)
- Other	(2)	-	-	-	(2)
Intangible assets	**-**	**-**	**-**	**-**	**-**
Total	**(3)**	**(2)**	**1**	**-**	**(4)**

Note 11 Financial Liabilities at Fair Value through Profit or Loss

11.1 Analysis by Nature

(in million euros)	Dec 31, 2018	Dec. 31, 2017
Fair value of trading derivatives	**3**	**2**
- of which related companies with Santander Consumer Finance Group	-	-
Offsetting negative fair value and paid margin calls	**-**	**(2)**
Accrued expense on trading derivatives	**-**	**-**
- of which related companies with Santander Consumer Finance Group	-	-
Total	**3**	**-**

The swaps classified as held for trading are related to securitization activities. Except for the intermediation fees, the fair value changes of these swaps are offset by the fair value changes of the swaps in opposite direction before clearing marging calls at CREDIPAR. Indeed, the swap implemented in the securitizing entity (CREDIPAR) since July 2018 includes intermediation fees while this is not the case for the swap set up in the opposite direction in the securitization entity (FCT) (see Note 5.1 and 25.1).

11.2 Offsetting Swaps with Margin Call Designated as Trading - Liabilities

For 2018

(in million euros) Negative valued swaps	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	**-**	**2.8**	**2.8**	**-**	**2.8**
- Swaps with margin call	-		-	-	-
- Swaps without margin call	-	2.8	2.8	-	2.8
Offsetting	-	-	-	-	**-**
Accrued expense	**(0.2)**	**0.3**	**0.1**	**-**	**0.1**
- Swaps with margin call	-	-	-	-	-
- Swaps without margin call	(0.2)	0.3	0.1	-	0.1
Total liabilities	**(0.2)**	**3.1**	**2.9**	**-**	**2.9**
Margin calls paid on swaps designated as trading (prepaid expenses - see Note 9)	-	-			-
Total assets	**-**	**-**	**-**	**-**	**-**

For 2017

(in million euros) Negative valued swaps	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	**-**	**2.4**	**2.4**	**-**	**2.4**
- Swaps with margin call	-	2.4	2.4	-	2.4
- Swaps without margin call	-	-	-	-	-
Offsetting	-	-	-	(2.3)	**(2.3)**
Accrued expense	**-**	**-**	**-**	**-**	**-**
- Swaps with margin call	-	-	-	-	-
- Swaps without margin call	-	-	-	-	-
Total liabilities	**-**	**2.4**	**2.4**	**(2.3)**	**0.1**
Margin calls paid on swaps designated as trading (prepaid expenses - see Note 9)	-	-	2.3	(2.3)	**-**
Total assets	**-**	**-**	**2.3**	**(2.3)**	**-**

Note 12 Hedging Instruments - Liabilities

12.1 Analysis by Nature

(in million euros)	Dec 31, 2018	Dec. 31, 2017
Negative fair value of instruments designated as hedges of:	**3**	**1**
- Borrowings	-	-
- EMTNs/BMTNs	-	-
- Bonds	-	-
- Certificates of deposit	-	-
- Customer loans (Installment contracts, Leasing with a purchase option and Long-term leases)	3	1
- of which related companies with Santander Consumer Finance Group	*-*	*1*
Offsetting negative fair value and paid margin calls (see Note 12.2)	**(3)**	**(2)**
Accrued expenses on swaps designated as hedges	**-**	**1**
- of which related companies with Santander Consumer Finance Group	*-*	*1*
Total	**-**	**-**

Fair value is determined by applying valuation techniques based on observable market data (level 2).
Fair Value Hedge effectiveness is analysed in Note 25.

12.2 Offsetting Swaps with Margin Call Designated as Hedges - Liabilities

For 2018

(in million euros) Negative valued swaps	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	**(4.8)**	**7.7**	**2.9**	**-**	**2.9**
- Swaps with margin call	(4.8)	7.7	2.9	-	2.9
- Swaps without margin call	-	-	-	-	-
Offsetting	-	-	-	(3.2)	**(3.2)**
Accrued expense	**(0.3)**	**0.7**	**0.3**	**-**	**0.3**
- Swaps with margin call	(0.3)	0.7	0.3	-	0.3
- Swaps without margin call	-	-	-	-	-
Total liabilities	**(5.1)**	**8.4**	**3.2**	**(3.2)**	**-**
Margin calls paid on swaps designated as hedges (prepaid expenses - see Note 9)	-	-	3.6	(3.2)	**0.4**
Total assets	**-**	**-**	**3.6**	**(3.2)**	**0.4**

For 2017

(in million euros) Negative valued swaps	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	**(3.3)**	**4.6**	**1.3**	**-**	**1.3**
- Swaps with margin call	(3.3)	4.6	1.3	-	1.3
- Swaps without margin call	-	-	-	-	-
Offsetting	-	-	-	(1.8)	**(1.8)**
Accrued expense	**(0.2)**	**0.8**	**0.6**	**-**	**0.6**
- Swaps with margin call	(0.2)	0.8	0.6	-	0.6
- Swaps without margin call	-	-	-	-	-
Total liabilities	**(3.5)**	**5.4**	**1.9**	**(1.8)**	**0.1**
Margin calls paid on swaps designated as hedges (prepaid expenses - see Note 9)	-	-	2.5	(1.8)	**0.7**
Total assets	**-**	**-**	**2.5**	**(1.8)**	**0.7**

Note 13 Deposits from Credit Institutions

Analysis of Demand and Time Accounts

(in million euros)	Dec 31, 2018	Dec. 31, 2017
Demand deposits	**226**	**69**
- Ordinary accounts in credit	13	3
- of which related companies with PSA Group		-
- Accounts and deposits at overnight rates	212	65
- of which related companies with Santander Consumer Finance Group	*212*	*65*
- Other amounts due to credit institutions	1	1
Accrued interest	**-**	**-**
Time deposits (non-group institutions)	**3,546**	**3,735**
- Conventional bank deposits	2,775	2,735
- of which related companies with Santander Consumer Finance Group	*2,225*	*2,285*
- Deposits from the ECB (see Note 21)	771	1,000
Deferred items included in amortized cost of deposits from credit institutions	**(1)**	**(1)**
- Debt issuing costs (deferred charges)	(1)	(1)
Accrued interest	**(7)**	**1**
- of which related companies with Santander Consumer Finance Group	*1*	*1*
Total deposits from credit institutions at amortized cost (1)	**3,764**	**3,804**

(1) *Total debt is denominated in euro.*

Note 14 Due to Customers

(in million euros)	Dec 31, 2018	Dec. 31, 2017
Demand accounts	**2,151**	**1,808**
- ordinary accounts in credit	199	182
- Related companies with PSA Group	102	89
- Non-group companies	98	93
- Passbook savings accounts	1,897	1,573
- Other amounts due to Customers	55	52
- Related companies with PSA Group	-	-
- Non-group companies	55	52
Accrued interest	**14**	**10**
- of which passbook savings accounts	14	*10*
Time deposits	**348**	**331**
- Term deposit accounts	336	308
- Other	12	23
- Related companies	-	-
- Non-group companies	12	2
Accrued interest	**5**	**6**
- of which time deposits	*5*	*6*
Total (1)	**2,518**	**2,154**

(1) *Total debt is denominated in euro.*
In the segment information, "Customer ordinary accounts", "Passbook savings accounts" and "Term deposit accounts" are classified in "Refinancing" (see Note 30.1).

Note 15 Debt Securities

15.1 Analysis by Nature

(in million euros)	Dec 31, 2018	Dec. 31, 2017
Interbank instruments and money-market securities	**2,267**	**1,554**
- EMTNs and BMTNs (1)	1,696	1,354
- of which paper in the process of being delivered	-	-
- Certificates of deposit	571	200
- of which paper in the process of being delivered	-	-
Securities issued by securitization funds (see Note 15.3)	**2,310**	**1,783**
Accrued interest	**6**	**3**
- Securitization	-	-
Deferred items included in amortized cost of debt securities	**(9)**	**(6)**
- Debt issuing costs and premiums (deferred charges)	(9)	(6)
Total debt securities at amortized cost (2)	**4,574**	**3,334**

(1) *In 2017, PSA Banque France has issued two bonds (EMTN) of €500 million each, a first one in January and a second one in September. A new issuance of €500 million has been done in April 2018.*

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

15.2 Analysis by Maturity of Debt Securities (Excluding Accrued Interest)

(in million euros)	Dec 31, 2018			Dec. 31, 2017		
	Securitizations	Money-market securities	Other	Securitizations	Money-market securities	Other
0 to 3 months	-	177	-	-	15	-
3 to 6 months	16	93	-	-	55	-
6 months to 1 year	900	301	-	109	430	-
1 to 5 years	1,394	1,696	-	1,674	1,054	-
Over 5 years	-	-	-	-	-	-
Total	**2,310**	**2,267**	**-**	**1,783**	**1,554**	**-**

15.3 Securitization Programs

Securities issued by securitization funds

(in million euros)			Issued Bonds		
Fund	**Bonds**	**Rating (1)**	**at Dec 31, 2018**	**at Dec. 31, 2017**	**at the origin**
		Fitch/Moody's			
FCT Auto ABS French Loans Master	Class A	AAA/Aaa	1,055	1,101	N/A
	Class B	-	128	133	N/A
		Not Rated			
FCT Auto ABS DFP Master - Compartment France 2013	Class A	-	600	600	N/A
	Class B	-	259	258	N/A
		Not Rated			
FCT Auto ABS French Leases Master - Compartment 2016	Class A	-	600	635	N/A
	Class B	-	340	336	N/A
		Not Rated			
FCT Auto ABS French LT Leases Master	Class A	-	600	548	N/A
	Class B	-	442	341	N/A
		Moody's/DBRS			
FCT Auto ABS French Leases 2018	Class A	Aaa/AAA	450	N/A	N/A
	Class B	A1/A (high)	60	N/A	N/A
	Class C	*Not Rated*	90	N/A	N/A
Elimination of intercompany transactions (2)			(2,314)	(2,169)	
Total			**2,310**	**1,783**	

(1) *Rating obtained at closing of the transaction.*

(2) *CREDIPAR purchases subordinated securities and can also purchase senior securities, in order to use them as collateral at the ECB.*

Note 16 Accruals and Other Liabilities

(in million euros)	Dec 31, 2018	Dec. 31, 2017
Trade payables	**182**	**187**
- Related companies	145	161
- *of which related companies with PSA Group*	*145*	*161*
- *of which related companies with Santander Consumer Finance Group*	-	-
- Non-group companies	37	26
Accrued payroll and other taxes	**37**	**36**
Accrued charges	**181**	**139**
- Related companies	24	22
- *of which related companies with PSA Group*	*20*	*20*
- *of which related companies with Santander Consumer Finance Group*	*4*	*2*
- Non-group companies	157	117
Other payables	**28**	**34**
- Related companies	15	12
- *of which related companies with PSA Group*	*15*	*12*
- Non-group companies	13	22
Deferred income	**15**	**13**
- *of which margin calls received on swaps (1)*	-	-
- Related companies	8	8
- *of which related companies with PSA Group*	*8*	*8*
- *of which related companies with Santander Consumer Finance Group*	-	-
- Non-group companies	7	5
Other	**30**	**49**
- Non-group companies	30	49
Total	**473**	**458**

(1) *At December 31, 2018, margin calls paid on swaps were offset with the positive fair value for an amount of €1.1 million, compared to €0.2 million at December 31, 2017 (see Notes 5.2 & 6.2).*

Note 17 Provisions

(in million euros)	Dec. 31, 2017	Charges	Reversals Utilized	Reversals Unutilized	Equity	Reclassifi-cations and other	Dec 31, 2018
Provisions for pensions and other post-retirement benefits	11	1	-	-	-	-	12
Provisions for doubtful commitments:							
- Corporate dealers	4	-	(3)	-	-	-	1
- Corporate and equivalent	-	-	-	-	-	2	2
Provisions for commercial and tax disputes	-	1	-	-	-	-	1
Other provisions	10	-	(5)	-	-	-	5
Total	**25**	**2**	**(8)**	**-**	**-**	**2**	**21**

17.1 Pension Obligations

Residual commitments of the Banking Industry Pension Fund plan
The provision for the residual commitments of the Banking Industry Pension Fund plan is constituted, if necessary, based on the probable current value of annual payments intended to supplement the resources necessary to the payment of pensions by AGIRC and ARRCO. There is no longer any provision for this commitment as payments made to date cover all acquired rights.

Commitments for retirement benefits and supplementary pensions specific to the Group
As well as the pensions that comply with current legislation, employees of the PSA Banque France Group receive supplementary pensions and retirement benefits when they retire. The company provides these benefits either through a defined contribution plan or a defined benefits plan.

Under the defined contribution plan, the company has no obligation other than the payment of contributions; the charge that corresponds to contributions paid is included in the profit/loss of the financial year.

Concerning the supplementary pensions paid to personnel who have left the group, the insurance company has received the necessary funds and is responsible for paying the annuities. The supplementary pension rights acquired for personnel in employment are fully covered by the funds paid to the insurance company.

For the defined benefits plans, the pension and equivalent commitments are evaluated by independent actuaries, according to the projected credit unit method. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. This final obligation is then discounted to present value. The calculations mainly take into account:
- an assumed retirement date;
- a discount rate;
- an inflation rate;
- assumptions concerning future salary levels and staff turnover rates.

It concerns retirement benefits, for which the acquired rights are fully covered.

These evaluations are performed every year. Changes in actuarial assumptions and experience adjustments - corresponding to the effects of differences between the previous actuarial assumptions and what has actually occurred - give rise to actuarial gains and losses on the benefit obligation or on the plan assets. These differences are shown in profit/loss on the year of their recognition.

17.2 Long-service Awards

Long-service award commitments
The latent debt covering future charges for long service awards is fully covered by a provision.

Note 18 Subordinated Debt

(in million euros)	**Dec 31, 2018**	**Dec. 31, 2017**
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**

18.1 Changes in Subordinated Debt

		Cash flows			
(in million euros)	**Opening**	**Inflows**	**Outflows**	**P&L variation**	**Dec 31, 2018**
Subordinated debt	**155**	-	-	-	**155**
Accrued Interest	**-**	-	(3)	3	**-**
Total	**155**	**-**	**(3)**	**3**	**155**

		Cash flows			
(in million euros)	**Opening**	**Inflows**	**Outflows**	**P&L variation**	**Dec. 31, 2017**
Subordinated debt	**-**	155	-	-	**155**
Accrued Interest	**-**	-	-	-	**-**
Total	**-**	**155**	**-**	**-**	**155**

Note 19 Analysis by Maturity and Liquidity Risks

The Liquidity Risk Management is described in the "Security of Liquidity" section of the Management Report.
The following liquidity risk presentation is based on a detailed breakdown of assets and liabilities analysed by maturity. As a consequence, future interest cash flows are not included in installments.
Derivative instruments designated as hedges of future contractual interest payments are not analysed by maturity.
The analysis by maturity is based on the following principles:
- Non-performing loans and accrued interest are reported in the "not broken down" column;
- Overnight loans and borrowings are reported in the "0 to 3 months" column.

Equity, which has no fixed maturity, is considered repayable beyond five years, except for dividends which are paid in the second quarter of the following annual closing. The fifth resolution adopted by the General Meeting on March 14, 2019 expects €116 millions of dividend payments.

For 2018

(in million euros)	Not broken down	0 to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Dec 31, 2018
Assets							
Cash, central banks, post office banks	-	329	-	-	-	-	**329**
Financial assets at fair value through profit or loss	1	-	-	-	-	-	**1**
Hedging instruments	-	-	-	-	-	-	**-**
Loans and advances to credit institutions	-	668	-	-	-	-	**668**
Customer loans and receivables	431	3,090	1,047	1,645	5,556	44	**11,813**
Fair value adjustments to finance receivables portfolios hedged against interest rate risks	1	-	-	-	-	-	**1**
Other assets	341	-	-	-	-	-	**341**
Total assets	**774**	**4,087**	**1,047**	**1,645**	**5,556**	**44**	**13,153**
Equity and liabilities							
Central banks, post office banks	-	-	-	-	-	-	**-**
Financial liabilities at fair value through profit or loss	3	-	-	-	-	-	**3**
Hedging instruments	-	-	-	-	-	-	**-**
Deposits from credit institutions	(7)	649	562	500	2,060	-	**3,764**
Due to customers	18	2,194	44	48	214	-	**2,518**
Debt securities	(3)	177	109	1,201	3,090	-	**4,574**
Fair value adjustments to debt portfolios hedged against interest rate risks	-	-	-	-	-	-	**-**
Subordinated debt	-	-	-	-	-	155	**155**
Other liabilities	834	-	-	-	-	-	**834**
Equity	-	-	116	-	-	1,189	**1,305**
Total equity and liabilities	**845**	**3,020**	**831**	**1,749**	**5,364**	**1,344**	**13,153**

For 2017

(in million euros)	Not broken down	0 to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Dec. 31, 2017
Assets							
Cash, central banks, post office banks	-	365	-	-	-	-	**365**
Financial assets at fair value through profit or loss and other financial assets	2	-	-	-	-	-	**2**
Hedging instruments	-	-	-	-	-	-	**-**
Available-for-sale financial assets	-	-	-	-	-	-	**-**
Loans and advances to credit institutions	-	525	-	-	-	-	**525**
Customer loans and receivables	392	2,627	929	1,473	4,747	46	**10,214**
Fair value adjustments to finance receivables portfolios hedged against interest rate risks	(3)	-	-	-	-	-	**(3)**
Other assets	287	-	-	-	-	-	**287**
Total assets	**678**	**3,517**	**929**	**1,473**	**4,747**	**46**	**11,390**
Equity and liabilities							
Central banks, post office banks	-	-	-	-	-	-	**-**
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	**-**
Hedging instruments	-	-	-	-	-	-	**-**
Deposits from credit institutions	1	898	210	379	2,316	-	**3,804**
Due to customers	16	1,882	52	86	119	-	**2,155**
Debt securities	(3)	15	55	539	2,727	-	**3,334**
Fair value adjustments to debt portfolios hedged against interest rate risks	-	-	-	-	-	-	**-**
Subordinated debt	-	-	-	-	-	155	**155**
Other liabilities	765	-	-	-	-	-	**765**
Equity	-	-	93	-	-	1,083	**1,176**
Total equity and liabilities	**779**	**2,795**	**409**	**1,005**	**5,163**	**1,238**	**11,390**

Covenants

The loan agreements signed by the PSA Banque France Group, including in some cases issues of debt securities, include the customary acceleration clauses requiring the Group to give certain covenants to lenders. They include:

- negative pledge clauses whereby the borrower undertakes not to grant any collateral to any third parties. These clauses nevertheless comprise exceptions allowing the Group to carry out securitization programs or to give assets as collateral;
- material adverse change clauses in the case of a significant negative change in the economic and financial conditions;
- pari passu clauses which ensure that lenders enjoy at least the same treatment as the borrower’s other creditors;
- cross default clauses whereby if one loan goes into default, all other loans from the same lender automatically become repayable immediately;
- clauses whereby the borrower undertakes to provide regular information to the lenders;
- clauses whereby the borrower undertakes to comply with the applicable legislation;
- no change of control meaning that Banque PSA Finance and Santander Consumer Finance no longer each hold 50% of the shares of PSA Banque France, directly or indirectly.

Furthermore, agreements include three specific acceleration clauses requiring:

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

Note 20 Fair Value of Financial Assets and Liabilities

(in million euros)	Fair value		Book value		Difference	
	Dec 31, 2018	Dec. 31, 2017	Dec 31, 2018	Dec. 31, 2017	Dec 31, 2018	Dec. 31, 2017
Assets						
Cash, central banks	329	365	329	365	-	-
Financial assets at fair value through profit or loss (1)	1	2	1	2	-	-
Hedging instruments (1)	-	-	-	-	-	-
Loans and advances to credit institutions at amortized cost (2)	668	525	668	525	-	-
Customer loans and receivables at amortized cost (3)	11,857	10,298	11,814	10,211	43	87
Equity and liabilities						
Central banks	-	-	-	-	-	-
Financial liabilities at fair value through profit or loss (1)	3	-	3	-	-	-
Hedging instruments (1)	-	-	-	-	-	-
Deposits from credit institutions (4)	3,741	3,808	3,764	3,805	23	(3)
Debt securities (4)	4,549	3,343	4,574	3,334	25	(9)
Due to customers (2)	2,518	2,154	2,518	2,154	-	-
Subordinated debt (4)	128	160	155	155	27	(5)

The balance sheet value is kept for all the lines except for customers 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 amortized cost.*

In accordance with IFRS 13, the calculation of the fair value is presented below:
- for Customer loans and receivables see footnote (4),
- for Debts see footnote (5).

(3) *Customer loans and receivables are stated at amortized cost. If necessary, they are hedged against interest rate risks (fair value hedge) in order to frame interest rate risks positions in accordance with sensitivity limits defined by PSA Banque France. 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 amortized 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 amortized 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 amortized cost.*

The fair value presented above therefore corresponds mainly to the change in the spread (premium over the risk-free rate) paid by PSA Banque France 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 21 Other Commitments

(in million euros)	Dec 31, 2018	Dec. 31, 2017
Financing commitments		
Commitments received from credit institutions	-	-
Commitments given to credit institutions	-	-
Commitments given to customers (1)	533	504
Guarantee commitments		
Commitments received from credit institutions	132	30
- guarantees received in respect of customer loans	132	30
- guarantees received in respect of securities held	-	-
- other guarantees received from credit institutions	-	-
Guarantees given to credit institutions	-	-
Commitments given to customers	3	6
- of which related companies with PSA Group	-	-
Other commitments received		
Securities received as collateral	-	-
Others	-	52
Other commitments given		
Assets given as collateral for own account, remains available (2)	820	1
- to the ECB	820	1

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

(2) It is the remaining amount available at the ECB. CREDIPAR has remitted €1,055 million as ABS securities and €635 million as credit claims on its collateral account, that Banque de France has valuated for a total amount of €1,496 million. PSA Banque France has drawn €770.8 million of financing (see note 13). €820 million remain available, given a non-used authorized financing of €725.6 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 22 Interest and Similar Income

(in million euros)	Dec 31, 2018	Dec. 31, 2017
On financial assets at amortized cost	**418**	**388**
Customer transactions	**409**	**388**
Installment contracts	**149**	**152**
- of which related companies with PSA Group	*1*	*2*
- of which securitized	*71*	*76*
Leasing with a purchase option	**221**	**179**
- of which related companies with PSA Group	*32*	*22*
- of which securitized	*66*	*56*
Long-term leases	**162**	**157**
- of which related companies with PSA Group	*-*	*-*
- of which securitized	*70*	*35*
Trade receivables	**46**	**43**
- of which related companies with PSA Group	*35*	*34*
Other finance receivables (including equipment loans, revolving credit)	**11**	**14**
- of which related companies with PSA Group	-	-
Ordinary accounts	**-**	**-**
Guarantee commitments	**-**	**-**
Commissions paid to referral agents	**(167)**	**(145)**
- Installment contracts	(31)	(55)
- Leasing with a purchase option / Long-term leases	(136)	(89)
- Other financing	-	-
- of which related companies with PSA Group	(35)	(30)
Other acquisition costs	**(13)**	**(12)**
Interbank transactions (1)	**8**	**-**
Debt securities	**1**	**-**
On financial assets recognised at fair value through other comprehensive income	**-**	-
Accrued interest receivable on hedging instruments	**-**	**-**
Other interest income	**-**	**-**
Total	**418**	**388**

(1) 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). Indeed, the increase of the loans granted to individuals and non financial companies by PSA Banque France during the reference period (January 2016 to January 2018) has been higher than the 2.5% required.

Note 23 Interest and Similar Expenses

23.1 Analysis by Nature

(in million euros)	*Notes*	Dec 31, 2018	Dec. 31, 2017
On financial liabilities at amortized cost		**(54)**	**(50)**
Customer transactions		**(25)**	**(24)**
- Installment contracts			
- Leasing with a purchase option		-	-
- Long-term leases		-	-
- Trade receivables		-	-
- Other finance receivables (including equipment loans, revolving credit)			
- Ordinary accounts		-	-
- Savings accounts	*23.2*	(24)	(23)
- Expenses related to financing commitments received		(1)	(1)
Interbank transactions	*23.3*	**(11)**	**(16)**
Debt securities	*23.4*	**(18)**	**(10)**
Accrued interest receivable on hedging instruments	*23.5*	**(3)**	**(4)**
Other interest expenses		**(2)**	**(3)**
Total		**(59)**	**(57)**

23.2 Interest on Savings Accounts

(in million euros)	Dec 31, 2018	Dec. 31, 2017
Interest on savings accounts	(24)	(23)
- on passbook savings accounts	(19)	(17)
- on term deposits	(5)	(6)
Total	**(24)**	**(23)**

23.3 Interest on Deposits from Credit institutions

(in million euros)	Dec 31, 2018	Dec. 31, 2017
Interest on treasury and interbank transactions	(8)	(12)
- of which related companies with PSA Group		
- of which related companies with Santander Consumer Finance Group	*(5)*	*(8)*
Interest expenses of assets	(1)	(1)
Interest expenses comparable to debt issuing costs	(2)	(3)
Total	**(11)**	**(16)**

23.4 Interest on Debt Securities

(in million euros)	Dec 31, 2018	Dec. 31, 2017
Interest expenses on debt securities	(13)	(9)
- of which securitization: placed bonds	*(5)*	*(6)*
Interest expenses on subordinated debts	(3)	-
Interest expenses comparable to debt issuing costs	(2)	(1)
Total	**(18)**	**(10)**

23.5 Interest on Hedging Instruments

(in million euros)	Dec 31, 2018	Dec. 31, 2017
Swaps hedging (Fair Value Hedge)	(3)	(4)
- of which related companies with PSA Group		
- of which related companies with Santander Consumer Finance Group	-	*(4)*
Total	**(3)**	**(4)**

Note 24 Fees and Commissions

(in million euros)	Dec 31, 2018	Dec. 31, 2017
Income	**129**	**115**
- Incidental commissions from finance contracts	15	15
- Commissions on sales of service activities	114	100
- Other	-	-
Expenses	**(4)**	**(3)**
- Commissions on sales of service activities	(4)	(3)
- Other	-	-
Total	**125**	**112**

Note 25 Net Gains or Losses on Financial Instruments at Fair Value through Profit or Loss

25.1 Analysis by Nature

(in million euros)	*Notes*	Dec 31, 2018	Dec. 31, 2017
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 (1)		(1)	-
Gains / losses from hedge accounting	*25.2*	**2**	**5**
Fair value hedges : change in value of hedging instruments of customer loans		(2)	3
Fair value hedges : change in value of hedged customer loans		4	2
Fair value hedges : change in value of hedging instruments of debt		-	-
Fair value hedges : change in value of hedged debt		-	-
Total		**1**	**5**

(1) The swaps classified as held for trading are related to securitization activities. Except for the intermediation fees, the fair value changes of these swaps are offset by the fair value changes of the swaps in opposite direction before clearing marging calls at CREDIPAR. Indeed, the swap implemented in the securitizing entity (CREDIPAR) since July 2018 includes intermediation fees while this is not the case for the swap set up in the opposite direction in the securitization entity (FCT) (see Note 5.1 and 11.1).

25.2 Gains / Losses from Hedge Accounting

PSA Banque France Group Interest Rate Management Policy

(See the "Financial Risks and Market Risk" section of the Management Report)

Interest rate risk:

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

At December 31, 2018, nominal amount of interest rate swaps is €2.448 million.

Currency risk:

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

Counterparty risk:

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 28.

The PSA Banque France Group limits the exposure at the minimum from the implementation of its investment policy. Available cash other than interbank loans 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)	Dec 31, 2018	Dec 31, 2017	Fair value adjustments	Ineffective portion recognized in profit or loss
Fair value adjustments to customer loans (Installment contracts, Leasing with purchase option and Long-term leases)				
- Installment contracts	0.3	(0.9)		
- Leasing with purchase option	0.4	(1.2)		
- Long-term leases	0.3	(1.0)		
Total valuation, net	**0.9**	**(3.1)**	**4.0**	
Derivatives designated as hedges of customer loans				
- Assets (Note 6)	-	-		
- Liabilities (Note 12)	(2.9)	(1.3)		
Total valuation, net	**(2.9)**	**(1.3)**	**(1.6)**	**2.4**
Ineffective portion of gain and losses on outstanding hedging transactions	**(2.0)**	**(4.4)**		**2.4**
Fair value adjustments to hedged debt				
- Valuation, net	-	(0.2)		
Total valuation, net	**-**	**(0.2)**	**0.2**	
Derivatives designated as hedges of debt				
- Assets (Note 6)	-	0.2		
- Liabilities (Note 12)	-	-		
Total valuation, net	**-**	**0.2**	**(0.2)**	**-**
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 (Note 6)	-	-		
- Liabilities (Note 12)	-	-		
Total valuation, net	**-**	**-**	**-**	**-**
Ineffective portion of gain and losses on outstanding hedging transactions	**-**	**-**		**-**

Note 26 Net Income or Expense of Other Activities

(in million euros)	Dec 31, 2018			Dec. 31, 2017		
	Income	Expenses	Net	Income	Expenses	Net
Gains / losses on sales of used vehicles	17	-	17	13	-	13
Share of joint venture operations	-	(9)	(9)	-	(5)	(5)
Other banking operating income/expenses	-	(5)	(5)	-	(4)	(4)
Other operating income/expenses	5	(1)	4	1	(2)	(1)
Total	**22**	**(15)**	**7**	**14**	**(11)**	**3**

Note 27 General Operating Expenses

(in million euros)	Dec 31, 2018	Dec. 31, 2017
Personnel costs	**(68)**	**(62)**
- Wages and salaries	(43)	(38)
- Payroll taxes	(19)	(18)
- Employee profit sharing and profit-related bonuses	(6)	(6)
Other general operating expenses	**(86)**	**(84)**
- of which related companies with PSA Group	*(40)*	*(38)*
- of which related companies with Santander Consumer Finance Group	*(2)*	*(1)*
Total	**(154)**	**(145)**

Information concerning the compensations of the main executive officers is given in the "Remunerations" section of the Management Report.
In 2018, the average headcount of the PSA Banque France Group is 870,2 employees composed by 468.9 technicians (including 42,1 student apprentices) and 401.3 executives.

Note 28 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.

28.1 Changes in Loans

(in million euros)	Balance at Dec 31, 2017	IFRS 9 FTA Impact	Net new loans	Cost of risk: Charges	Cost of risk: Reversals	Cost of risk: Credit losses	Cost of risk: Recoveries on loans written off in prior periods	Cost of risk for the period at Dec 31, 2018	Balance at Dec 31, 2018
Retail									
Stage 1 loans	5,976		897	-	-	-	-	-	6,873
Stage 2 loans	61		165	-	-	-	-	-	226
Guarantee deposits (lease financing)	-		-	-	-	-	-	-	-
Stage 3 loans	126		38	-	-	(39)	-	(39)	125
Total	**6,163**		**1,100**	**-**	**-**	**(39)**	**-**	**(39)**	**7,224**
Impairment of Stage 1 loans	(32)	11	-	(4)	-	-	-	(4)	(25)
Impairment of Stage 2 loans	(9)	(8)	-	(6)	2	-	-	(4)	(21)
Impairment of Stage 3 loans	(94)	4	-	(13)	22	-	-	9	(81)
Total impairment	**(135)**	**7**	**-**	**(23)**	**24**	**-**	**-**	**1**	**(127)**
Deferred items included in amortized cost	**121**		**16**			**-**	**-**	**-**	**137**
Net book value (A - see B Note 8.2)	**6,149**	**7**	**1,116**	**(23)**	**24**	**(39)**	**-**	**(38)**	**7,234**
Recoveries on loans written off in prior periods							17	17	
Impairment of other customers transactions				-	-	-	-	-	
Retail cost of risk				**(23)**	**24**	**(39)**	**17**	**(21)**	
Corporate dealers									
Stage 1 loans	3,100		100	-	-	-	-	-	3,200
Stage 2 loans	-		443	-	-	-	-	-	443
Guarantee deposits	-		-	-	-	-	-	-	-
Stage 3 loans (1)	128		(70)	-	-	-		-	58
Total	**3,228**		**473**	**-**	**-**	**-**	**-**	**-**	**3,701**
Impairment of Stage 1 loans	(6)	5	-	(3)	3	-	-	-	(1)
Impairment of Stage 2 loans	-	(2)	-	(1)	-	-	-	(1)	(3)
Impairment of Stage 3 loans	(31)	-	-	(23)	33	-	-	10	(21)
Total impairment	**(37)**	**3**	**-**	**(27)**	**36**	**-**	**-**	**9**	**(25)**
Deferred items included in amortized cost	**-**		**1**		**-**	**-**	**-**	**-**	**1**
Net book value (B - see A Note 8.2)	**3,191**	**3**	**474**	**(27)**	**36**	**-**	**-**	**9**	**3,677**
Recoveries on loans written off in prior periods			-	-	-	-	-	-	
Impairment of other customers transactions				-	-	-	-	-	
Corporate dealers cost of risk				**(27)**	**36**	**-**	**-**	**9**	
Corporate and equivalent									
Stage 1 loans	851		(141)	-	-	-	-	-	710
Stage 2 loans	-		161	-	-	-	-	-	161
Guarantee deposits	-		-	-	-	-	-	-	-
Stage 3 loans	6		11	-	-	(1)	-	(1)	16
Total	**857**		**31**	**-**	**-**	**(1)**	**-**	**(1)**	**887**
Impairment of Stage 1 loans	(1)	-	-	-	-	-	-	-	(1)
Impairment of Stage 2 loans	-	(2)	-		1	-	-	1	(1)
Impairment of Stage 3 loans	(4)	-	-	(3)	1	-	-	(2)	(6)
Total impairment	**(5)**	**(2)**	**-**	**(3)**	**2**	**-**	**-**	**(1)**	**(8)**
Deferred items included in amortized cost	**22**		**1**	**-**	**-**	**-**	**-**	**-**	**23**
Net book value (C - see C Note 8.2)	**874**	**(2)**	**32**	**(3)**	**2**	**(1)**	**-**	**(2)**	**902**
Recoveries on loans written off in prior periods				-	-	-	-	-	
Impairment of other customers transactions				-	-	-	-	-	
Corporate and equivalent cost of risk				**(3)**	**2**	**(1)**	**-**	**(2)**	
Total loans									
Stage 1 loans	9,927		856	-	-	-	-	-	10,783
Stage 2 loans	61		769	-	-	-	-	-	830
Guarantee deposits	-		-	-	-	-	-	-	-
Stage 3 loans	260		(21)	-	-	(40)	-	(40)	199
Total	**10,248**		**1,604**	**-**	**-**	**(40)**	**-**	**(40)**	**11,812**
Impairment of Stage 1 loans	(39)	16	-	(7)	3	-	-	(4)	(27)
Impairment of Stage 2 loans	(9)	(12)	-	(7)	3	-	-	(4)	(25)
Impairment of Stage 3 loans	(129)	4	-	(39)	56	-	-	17	(108)
Total impairment	**(177)**	**8**	**-**	**(53)**	**62**	**-**	**-**	**9**	**(160)**
Deferred items included in amortized cost	**143**	**-**	**18**	**-**	**-**	**-**	**-**	**-**	**161**
Net book value	**10,214**	**8**	**1,622**	**(53)**	**62**	**(40)**	**-**	**(31)**	**11,813**
Recoveries on loans written off in prior periods							17	17	
Impairment of other customers transactions				-	-	-	-	-	
Total cost of risk				**(53)**	**62**	**(40)**	**17**	**(14)**	

(1) In certain cases, PSA Banque France 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 €53 million end of December 2018 (€112 million end of December 2017). 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).

28.2 Change in Cost of Risk

(in million euros)	Retail	Corporate dealers	Corporate and equivalent	Dec 31, 2018	Dec. 31, 2017 (1)
Stage 1 loans					
Allowances	(4)	(3)	-	(7)	(14)
Reversals	-	3	-	3	11
Stage 2 loans					
Allowances	(6)	(1)	-	(7)	(3)
Reversals	2	-	1	3	3
Stage 3 loans					
Allowances	(13)	(23)	(3)	(39)	(56)
Reversals	22	33	1	56	60
Stage 3 commitments (2)					
Allowances					(2)
Reversals					1
Stage 3 other customers transactions (1)					
Allowances	-	-	-	-	
Reversals	-	-	-	-	
Credit losses	(39)	-	(1)	(40)	(42)
Recoveries on loans written off in prior periods	17	-	-	17	10
Cost of risk	**(21)**	**9**	**(2)**	**(14)**	**(32)**

The Bank's credit management policy is described in the "Credit Risk" section of the Management Report.

(1) In accordance with IFRS 9, published by IASB in July 2014 and adopted by the EU on November 22, 2016, PSA Banque France chose not to restate prior period. Hence, the loans and impairments at December 31, 2017 have been classified in 3 stages as follow:
- Sound loans with no past-due installments = Stage 1
- Sound loans with past-due installments = Stage 2
- Non-performing loans = Stage 3.

Impairment of other customers transactions were included in non-performing loans until January 1st, 2018.

(2) In 2018, the impairments on commitments are accounted as net income or expense of other activities instead of cost of risk.

28.3 IFRS 9 methodology

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). In accordance with accounting principles, the calculation of risk parameters used to estimate the expected loss takes into account both historical data on a short-term average at a given moment ("Point in Time" approach) and forward-looking data through an assessment of the risk of future deterioration of the receivables (forward looking models). The latter calculation is based on statistical models which allow current and future economic conditions to be included in the estimated expected loss (5 macroeconomic scenarios taken into account, from the most favorable to the most unfavorable).
The results are put to a number of control bodies and committees. Regular monitoring is carried out to confirm the relevance of the PSA Banque France Group impairment model and to ensure the best possible estimate of the loss at the closing date.
Depreciations are classified into 3 "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 classification by stage is based on quantitative criteria (for example the age of past due items) and qualitative criteria (for example the application of conditional default).
The main criteria showing a significant risk of credit deterioration (Stage 2) are:
- The presence of past due installments over a short period (not exceeding the default threshold);
- The deterioration of the risk class since contract originiation;
- Bringing under supervision certain contracts that no longer show any objective indication of loss (such as, for example, settling a long-term outstanding amount or a period of observation after implementing certain measures to restructure receivables following financial difficulties faced by customers (application of forbearance)). Indeed, as part of its financing activities, PSA Banque France may, in certain cases, implement measures to restructure receivables following financial difficulties faced by its customers ("forbearance"). These transactions are subject to strict rules, regularly controlled and monitored and, in all cases, considered at least as an indicator of a significant increase in credit risk. In accordance with regulations, monitoring periods are implemented for all "forbearance" type restructuring to be able to accurately monitor the level of risk of these receivables.

Contracts in default are exclusively classified as "stage 3". Default is based on:
- Quantitative criteria relating to the age of past-dues;
- Qualitative criteria such as bankruptcies or receiverships.

The main sensitivity factors in calculating expected credit losses (ECL) are:
- Update of forward-looking scenarios;
- Changes associated with the significant deterioration of credit risk, particularly in relation to changes between risk classes;
- Entries and exits from non-performing status.

The breakdown of outstanding loans by PSA Banque France is relatively stable over time. In addition, the gradual transitions between stages allow a gradual evaluation of the risk and a confirmation of the correct identification by PSA Banque France of factors indicating a significant increase in risk. Transfers between stages in 2018 are presented in the table below:

(in million euros)	Stage 1	Stage 2	Stage 3	Total
Impairment stock at Dec 31, 2017 before the implementation of IFRS 9	**39**	**9**	**129**	**177**
FTA impact of the transition to IFRS 9	(16)	12	(4)	(8)
Impairment stock at Jan 1, 2018	**23**	**21**	**125**	**169**
Transfers				
Transfer from Stage 1 to Stage 2	(1)	10	-	9
Transfer from Stage 1 to Stage 3	-	-	14	14
Transfer from Stage 2 to Stage 3	-	(4)	11	7
Transfer from Stage 2 to Stage 1	-	(5)	-	(5)
Transfer from Stage 3 to Stage 2	-	1	(4)	(3)
Transfer from Stage 3 to Stage 1	-	-	(1)	(1)
Changes of PD/LGD on the assets remaining on the same stage	(3)	(2)	3	(2)
Methodology changes	-	-	-	-
Derecognized financial assets not in loss (1)	(6)	(5)	(14)	(25)
New financial assets : (new production)	14	9	7	30
Losses: additional impairment made before the loss	-	-	10	10
Losses : impairment impact on assets in loss	-	-	(43)	(43)
Impairment stock at Dec 31, 2018	**27**	**25**	**108**	**160**

(1) These are amounts related to the amortization of the asset and do not take into account amounts in loss (for example: end of contract, monthly amortization of the contract)

The main movements between Stages are:
- The transitions from stage 1 to stage 2 (impact of 10 million euros from 94% of the Retail portfolio) and from stage 2 to stage 3 (impact of 11 million euros from 87% of the Retail portfolio) are linked to the daily activity of PSA Banque France Group. The transfers from stage 1 to 2 come mainly from a significant deterioration of the risk classes since the origination of the contracts as well as entries in past due installement between 1 and 90 days. Transfers from Stage 2 to 3 come mainly from defaults due to past due payments.
- The transitions from Stage 1 to Stage 3 have an impact of €14 million in provisions, including €13 million related to the Retail business and € 1 million related to the Corporate Fleet business. The majority of the contracts concerned went through stage 2 in 2018 before being on stage 3 on 31/12/2018.
- Derecognised financial assets that are not written off are composed of the amortization of the contracts, stage 3 being mainly affected by the exit of the portfolio of a dealer who was in default at the beginning of the period. New financial assets are composed of new production.

Note 29 Income Taxes

29.1 Evolution of Balance Sheet Items

(in million euros)	Balance at Dec 31, 2017	Income	Equity (1)	Payment	Dec 31, 2018
Current tax					
Assets	19				2
Liabilities	(4)				(11)
Total	**14**	**(57)**	**-**	**34**	**(9)**
Deferred tax					
Assets	-				1
Liabilities	(280)				(329)
Total	**(280)**	**(46)**	**(2)**	**-**	**(328)**

(1) *FTA impact of the IFRS 9 implementation (see Note 3)*

29.2 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 dedicated to deferred taxes.

In France, the standard corporate income tax rate is 33.33%.

The Social Security Financing Act (no. 99-1140) dated December 29, 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%.

The 2018 French Finance Act (published in the Official Journal on December 28, 2017) introduced an exceptional corporate income tax contribution of 15%, applicable to the PSA Banque France Group. This surtax has the effect of raising PSA Banque France group income tax by 5% at December 31, 2017. As a result, the income tax rate to which PSA Banque France is subject to is 39.43%. This rise doesn't have to be applied at December 31, 2018.

At the end of December 2017, deferred taxes was measured at 34.43%. Deferred taxes assets and liabilities that will reverse from January 1st, 2019 are evaluated based on the gradual reduction in french tax rate introduced in the 2018 French Finance Act.

(in million euros)	Dec 31, 2018	Dec. 31, 2017
Current tax		
Income taxes	(57)	(64)
Deferred tax		
Deferred taxes arising in the year	(46)	(30)
Unrecognized deferred tax assets and impairment losses	-	-
Total	**(103)**	**(94)**

29.3 PSA Banque France Group Tax Proof

(in million euros)	Dec 31, 2018	Dec. 31, 2017
Pre-tax income	321	262
Permanent differences	2	6
Taxable Income	**323**	**268**
Theoretical tax	(111)	(106)
Theoretical rate	*34.43%*	*39.43%*
Deferred Taxes evaluation without exceptional contribution of 15%	12	7
Of which effect of revaluation of deferred taxes assets and liabilities reversed from January,1st 2019	*12*	*2*
Special tax contribution on dividend distributed (1)	-	5
Reclassification of the contribution on added value of incomes taxes (CVAE) as current tax (IAS12)	(4)	(1)
Other	-	1
Income taxes	**(103)**	**(94)**
Group effective tax rate	*32.0%*	*35.2%*

(1) *The French Constitutional Council censored the 3% contribution on dividends. This decision has given right to the restitution of the amount of €4.5 millions paid by PSA Banque France in 2016 as well as the interest estimated at €0.4 millions as at December 31, 2017.*

29.4 Deferred Tax Assets on Tax Loss Carryforwards

In the absence of tax loss carryforwards, there is no deferred tax assets on tax loss carryforwards.

Note 30 Segment Information

30.1 Key Balance Sheet Items

For 2018

(in million euros)	Financing activities: Corporate dealers	Financing activities – End user: Retail	Financing activities – End user: Corporate and equivalent	Unallocated	Total at Dec 31, 2018
Assets					
Customer loans and receivables	3,677	7,234	902	-	11,813
Cash, central banks	96	188	45	-	329
Financial assets at fair value through profit or loss	-	-	1	-	1
Loans and advances to credit institutions	24	148	496	-	668
Other assets				342	342
Total Assets					**13,153**
Liabilities					
Refinancing (1)	2,841	7,083	877	-	10,801
Due to customers (1)	18	33	4	-	55
Other liabilities				992	992
Equity				1,305	1,305
Total Liabilities					**13,153**

For 2017

(in million euros)	Financing activities: Corporate dealers	Financing activities – End user: Retail	Financing activities – End user: Corporate and equivalent	Unallocated	Total at Dec. 31, 2017
Assets					
Customers loans and receivables	3,191	6,149	874	-	10,214
Cash, central banks	106	205	54	-	365
Financial assets at fair value through profit or loss	-	-	2	-	2
Loans and advances to credit institutions	23	144	359	-	525
Other assets				284	284
Total Assets					**11,390**
Liabilities					
Refinancing (1)	2,308	6,063	869	-	9,240
Due to customers (1)	13	33	6	-	52
Other liabilities				922	922
Equity				1,176	1,176
Total Liabilities					**11,390**

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

30.2 Key Income Statement Items

At December 31, 2018

	Financing activities					
		End user				
(in million euros)	Corporate dealers	Retail	Corporate and equivalent	Unallocated	Insurance and services	Total at Dec 31, 2018
Interest and similar income	59	314	36	9		418
Interest and similar expenses	(5)	(43)	(7)	(4)		(59)
Fees and commissions income	4	7	4	-	114	129
Fees and commissions expenses	-	-	-	-	(4)	(4)
Net gains or losses on financial instruments at fair value through profit or loss (1)	-	-	-	1		1
Income on other activities	5	15	2	-		22
Expenses on other activities	-	(1)	-	(14)		(15)
Net banking revenue	**63**	**292**	**35**	**(8)**	**110**	**492**
Credit Cost of risk	9	(21)	(2)			(14)
Net income after cost of risk	**72**	**271**	**33**	**(8)**	**110**	**478**
General operating expenses and equivalent				(156)		(156)
Operating Income	**72**	**271**	**33**	**(164)**	**110**	**322**

At December 31, 2017

	Financing activities					
		End user				
(in million euros)	Corporate dealers	Retail	Corporate and equivalent	Unallocated	Insurance and services	Total at December 31, 2017
Interest and similar income	57	289	42			388
Interest and similar expenses	(9)	(45)	(9)	6		(57)
Fees and commissions income	3	8	4	-	100	115
Fees and commissions expenses	-	-	-	-	(3)	(3)
Net gains or losses on financial instruments at fair value through profit or loss (1)	-	-	-	5		5
Income on other activities	(2)	11	3	2		14
Expenses on other activities	0	-	-	(11)		(11)
Net banking revenue	**49**	**263**	**40**	**2**	**97**	**451**
Credit Cost of risk	(13)	(18)	-			(32)
Net income after cost of risk	**36**	**245**	**40**	**2**	**97**	**419**
General operating expenses and equivalent				(147)		(147)
Operating Income	**36**	**245**	**40**	**(146)**	**97**	**272**

(1) *Unallocated interest revenue on customer transactions corresponds for a part to the ineffective portion of gains or losses on hedging instruments recognized in the income statement in accordance with IAS 39 for €2,4 million at December 31, 2018 (compared to €5.5 million at December 31, 2017) (See Note 25). The other part corresponds to other revenue and expense.*

Note 31 Auditors' Fees

For 2018 financial year	**Mazars**		**PricewaterhouseCoopers Audit**	
Pre-tax values, in million euros	**Amount**	**%**	**Amount**	**%**
Statutory audit services	**0.41**	**92%**	**0.53**	**93%**
- *PSA Banque France*	0.12		0.22	
- *Fully-consolidated companies*	0.29		0.31	
Services except statutory audit services	**0.04**	**8%**	**0.04**	**7%**
- *PSA Banque France (1)*	0.02		0.02	
- *Fully-consolidated companies (2)*	0.01		0.01	
Total	**0.44**		**0.57**	

For 2017 financial year	**Mazars**		**PricewaterhouseCoopers Audit**	
Pre-tax values, in million euros	**Amount**	**%**	**Amount**	**%**
Statutory audit services	**0.43**	**93%**	**0.53**	**95%**
- *PSA Banque France*	0.15		0.22	
- *Fully-consolidated companies*	0.28		0.31	
Services except statutory audit services	**0.03**	**7%**	**0.03**	**5%**
- *PSA Banque France (1)*	0.03		0.03	
- *Fully-consolidated companies*	-		-	
Total	**0.46**		**0.55**	

(1) In 2017 and 2018, these costs correspond to comfort letters established by auditors for PSA Banque France in relation to its debt issuance program.

(2) For 2018, it is the auditors' attestation concerning the credit data declared in the context of the second serie of targeted longer-term refinancing operations (TLTRO II) for the periods from February 1, 2015 to January 31, 2016 and from February 1, 2016 to January 31, 2018.

Note 32 Subsequent Events

No event occurred between December 31, 2018 and the Board of Directors' meeting to review the financial statement on February 26, 2019 that could have a material impact on economic decisions made on the basis of these financial statements.

2.7 Report of the Statutory Auditors on the consolidated financial statements

For the year ended December 31, 2018

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,

Opinion

In compliance with the engagement entrusted to us by your General Meeting, we have audited the accompanying consolidated financial statements of PSA Banque France for the year ended December 31, 2018.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group at December 31, 2018 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under these standards are further described in the "Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements" section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules applicable to us, for the period from January 1, 2018 to the date of our report, and, in particular, we did not provide any non-audit services prohibited by article 5(1) of Regulation (EU) No 537/2014 or the French Code of Ethics (Code de déontologie) for Statutory Auditors.

Emphasis of matter

Without qualifying our opinion, we draw your attention to:

- Note 2 to the consolidated financial statements which describes the change in the accounting policies applied by the Group as a result of the adoption of IFRS 9 – Financial Instruments as from January 1, 2018;
- Note 3 to the consolidated financial statements which presents the impacts on the consolidated financial statements of the adoption of IFRS 9 and explains that the published comparative data have not been restated, as authorized by the standard's transitional provisions.

Justification of assessments – Key audit matters

In accordance with the requirements of articles L.823-9 and R.823-7 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to the risks of material misstatement that, in our professional judgment, were the most significant in our audit of the consolidated financial statements, as well as how we addressed those risks.

These matters were addressed as part of our audit of the consolidated financial statements as a whole, and therefore contributed to the opinion we formed as expressed above. We do not provide a separate opinion on specific items of the consolidated financial statements.

Application of IFRS 9 in the calculation of impairment of customer loans

See Notes 2 and 28 to the consolidated financial statements

Description of risk

Assessing the existence of a risk of non-recovery and the amount of the allowance set aside requires the Bank's management to exercise judgment. This primarily takes into account potential risk indicators such as payments that are contractually past-due, a deterioration in the financial condition and outlook of borrowers affecting their ability to pay, business sectors experiencing economic stress and the viability of the customer's business model.

As 2018 was the first year of adoption of IFRS 9, the information available on observed losses compared to expected losses is limited. In addition, under the new methods for assessing allowances for asset impairment introduced by IFRS 9, the number of inputs used to calculate expected losses has significantly increased, which increases the risk regarding the reliability of the data used to determine relevant assumptions and to apply the model.

The credit environment has remained relatively favorable for a long period, partly as a result of low interest rates and the relative strength of the European economy. However, even if the current level of outstandings and payment defaults remains low, there is still a significant impairment risk.

Given the material nature of the outstandings for the Bank, the significance of management's judgment, particularly in the context of a change in measurement method as a result of the adoption of IFRS 9, and the multitude of assumptions in estimating the allowances, we deemed this to be a key audit matter.

How our audit addressed this risk

Management has put in place controls designed to ensure the reliability of the calculation of expected losses. In this context, we tested the existing controls in order to validate the relevance of the impairment losses recorded.

Accordingly, we tested the following controls:

- the monitoring and validation of the models' performance, including the revision of the documentation and independent reviews of the models;
- the entering of critical data into the source system, as well as the flow and transformation of the data between the source systems, the engine for calculating the expected loss and the financial accounts.

Regarding the impairment of individual loans, our tests concerned the controls in place for monitoring loans, regularly reviewing credit files and approving individual impairment.

Additionally, we performed tests on:

- the risk-adjusted models, including the independent calculation of certain assumptions;
- the multiple scenarios and economic variables by using our experts to assess their reasonableness;
- the consistency of the impairment calculations compared to the standard's requirements and the quality of the data used to calculate losses.

Specific verifications

As required by legal and regulatory provisions and in accordance with professional standards applicable in France, we have also verified the information presented in the Board of Directors' Group management report.

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

We attest that the management report includes the consolidated non-financial information statement required under article L.225-102-1 of the French Commercial Code. However, in accordance with article L.823-10 of the French Commercial Code, we have not verified the fair presentation and consistency with the consolidated financial statements of the information given in that statement, which will be the subject of a report by an independent third party.

Report on other legal and regulatory requirements

Appointment of the Statutory Auditors

We were appointed Statutory Auditors of PSA Banque France by the General Meetings held on March 15, 2017 for PricewaterhouseCoopers Audit and May 10, 2005 for Mazars.

At December 31, 2018, PricewaterhouseCoopers Audit and Mazars were in the second and the fourteenth consecutive year of their engagement, respectively, of which two years since the Company's securities were admitted to trading on a regulated market.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for preparing consolidated financial statements giving a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for implementing the internal control procedures it deems necessary for the preparation of consolidated financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting, unless it expects to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems, as well as, where applicable, any internal audit systems, relating to accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements

Objective and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions taken by users on the basis of these consolidated financial statements.

As specified in article L.823-10-1 of the French Commercial Code, our audit does not include assurance on the viability or quality of the Company's management.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditors exercise professional judgment throughout the audit.
They also :

- identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of the internal control procedures relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the related disclosures in the notes to the consolidated financial statements;
- assess the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures

in the consolidated financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion;

- evaluate the overall presentation of the consolidated financial statements and assess whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The Statutory Auditors are responsible for the management, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed thereon.

Report to the Audit Committee

We submit a report to the Audit Committee which includes, in particular, a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report any significant deficiencies in internal control that we have identified regarding the accounting and financial reporting procedures.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were the most significant for the audit of the consolidated financial statements and which constitute the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in article 6 of Regulation (EU) No 537/2014, confirming our independence within the meaning of the rules applicable in France, as defined in particular in articles L.822-10 to L.822-14 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. Where appropriate, we discuss any risks to our independence and the related safeguard measures with the Audit Committee.

Neuilly-sur-Seine and La Défense, March 14, 2019

The Statutory Auditors

PricewaterhouseCoopers Audit	MAZARS
Laurent Tavernier	Matthew Brown

Statement by the person responsible for the 2018 annual report

Person responsible for the annual report

Jean-Paul Duparc
Chief Executive Officer of PSA Banque France

Statement by the person responsible for the annual report

I hereby certify that, to my knowledge, the 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 management report of this document also presents a fair review of the business development, results and financial situation of the company and all companies included in the consolidation as well as a description of the main risks and uncertainties they are exposed to.

Drawn up in Gennevilliers, March 14, 2019

Jean-Paul Duparc
Chief Executive Officer of PSA Banque France

PSA BANQUE FRANCE

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