PSA BANQUE FRANCE

2019

Half-year 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

David Turiel
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 June 30, 2019

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

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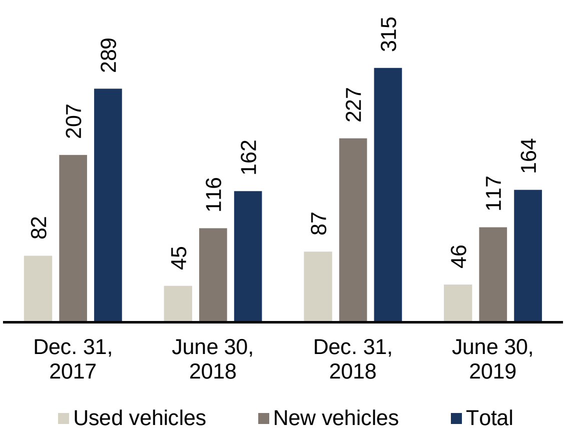
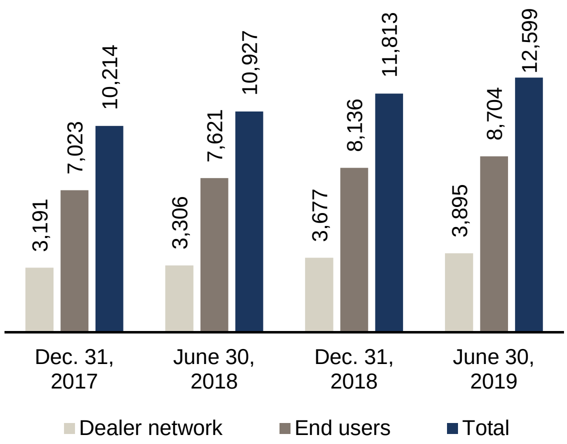
1.1 Key figures

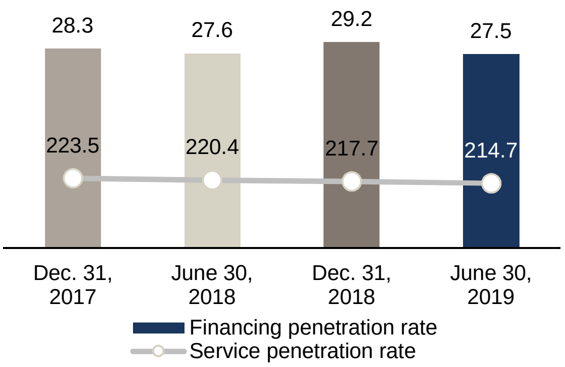
EVOLUTION OF VEHICLES FINANCED FOR END USERS
(in thousands of vehicles)



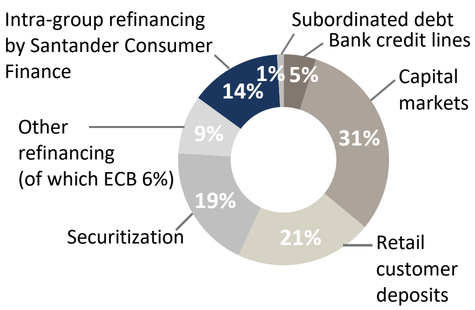
EVOLUTION OF OUTSTANDING LOANS TO END USERS AND DEALER NETWORK
(in million euros)



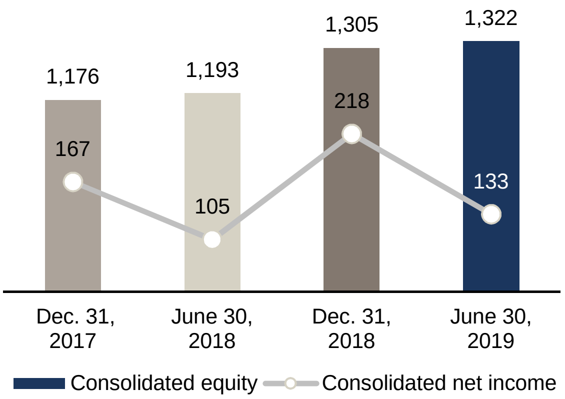
FINANCING AND SERVICE PENETRATION RATES
(% of new vehicle sales for Peugeot, Citroën and DS / % of financing contracts)



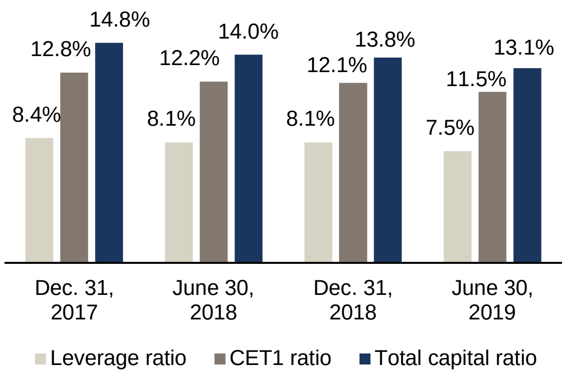
SOURCES OF REFINANCING AT JUNE 30, 2019



EQUITY AND NET PROFIT
(in million euros)



CAPITAL RATIOS



1.2 Activities of the PSA Banque France Group and its development

1.2.1 Summary of financial information

The financial information presented in this half-year report has been prepared in accordance with "IFRS" (International Financial Reporting Standards) adopted by the European Union member countries.

The consolidated financial statements were reviewed at June 30, 2019 by the Statutory Auditors of PSA Banque France, PricewaterhouseCoopers Audit and Mazars.

CONSOLIDATED INCOME STATEMENT

(in million euros)	June 30, 2019	June 30, 2018	Change (%)
Net banking revenue	259	239	+8.4
General operating expenses and equivalent	(81)	(80)	+1.3
Cost of risk	(14)	(5)	+180.0
Operating income	**164**	**154**	+6.5
Other non-operating income	0	0	+0.0
Pre-tax income	**164**	**154**	+6.5
Income taxes	(31)	(49)	(36.7)
Net income	**133**	**105**	**+26.7**

CONSOLIDATED BALANCE SHEET

(in million euros)

Assets	June 30, 2019	Dec. 31, 2018	Change (%)
Cash, central banks, post office banks	432	329	+31.3
Financial assets	1	1	+0.0
Loans and advances to credit institutions	725	668	+8.5
Customer loans and receivables	12,599	11,813	+6.7
Tax assets	9	3	+200,0
Other assets	436	330	+32.1
Property and equipment	20	9	+122.2
Total assets	**14,222**	**13,153**	**+8.1**

Equity and liabilities	June 30, 2019	Dec. 31, 2018	Change (%)
Financial liabilities	4	3	+33.3
Deposits from credit institutions	2,997	3,764	(20.4)
Due to customers	2,791	2,518	+10.8
Debt securities	5,938	4,574	+29.8
Tax liabilities	341	340	+0.3
Other liabilities	674	494	+36.4
Subordinated debt	155	155	+0.0
Equity	1,322	1,305	+1.3
Total equity and liabilities	**14,222**	**13,153**	**+8.1**

OUTSTANDING LOANS BY CUSTOMER SEGMENT

(in million euros)	June 30, 2019	Dec. 31, 2018	Change (%)
Dealer network	3,895	3,677	+5.9
End users	8,704	8,136	+7.0
Total customer loans and receivables	**12,599**	**11,813**	**+6.7**

1.2.2 Activities of the PSA Banque France Group

1.2.2.1 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 in 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 from the PSA Group in France operated by CREDIPAR, CLV, SOFIRA, and SOFIB. In May 2015 the subsidiary CREDIPAR absorbed the subsidiary SOFIRA. This operation had no impact on the consolidated financial statements of the PSA Banque France Group.

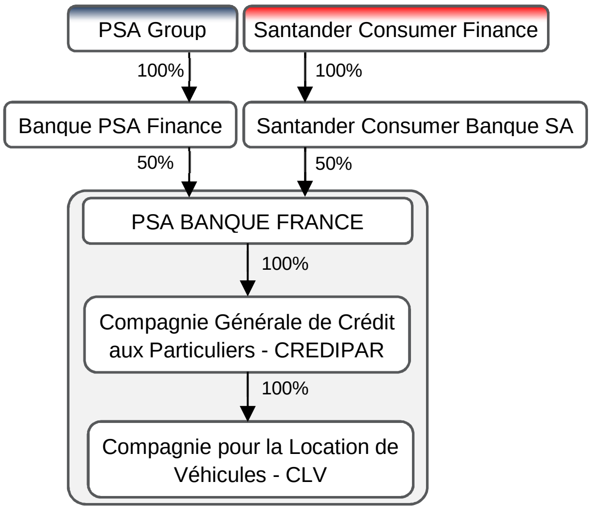
The cooperation with Santander Consumer Finance enhances the activities of PSA Banque France Group, thanks to more competitive financial offers dedicated to the Peugeot, Citroën and DS customers and dealer networks. These offers are accompanied by a complete range of insurance products and services that enable customers to benefit from a global and coherent product range at the sales point. The PSA Banque France Group also provides the dealer networks of the three brands, with financing for their stock of 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 accross 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 close relationship with the commercial networks allows the PSA Banque France Group to develop financing solutions and services packages specifically designed to address their needs. Since 2017, 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 relationship 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 websites of the brands and of the dealer networks. Customers are also offered the option of purchasing their vehicle online with its financing whilst maintaining the relationship with the network;

- ***A diversified refinancing policy.*** The PSA Banque France group benefits from financing raised on capital markets (negotiable debt securities and bond issues under EMTN program), provided by debt securitization transactions, retail savings inflow from French customers, access to the refinancing operations of the European Central Bank (ECB) and bilateral bank credit lines, in addition to intra-group financing provided directly by Santander Consumer Finance.

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.

1.2.2.2 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 June 30, 2019).*** 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 has continued to enhance its leasing offer during the first half-year 2019 in order to meet growing demand from individuals for leasing solutions for both new and used cars. For the latter, this situation is new and is following the trend of renting a car instead of buying it.

- ***Financing for the dealer network (31% of outstanding loans at June 30, 2019)***. 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. To support companies in the management of their vehicle(s) and the safeguard of their business, guarantees on transported equipment or operating loss have been proposed since the beginning of the year.

- ***Retail savings.*** The "Distingo par PSA Banque" retail savings business consists of savings accounts and term deposits. The first half-year 2019 was marked by a consolidation of PSA Banque France’s position on the online savings market. This commercial success also proves the confidence of savers in the growth outlook for both the PSA Group and PSA Banque France, and demonstrates its ability to retain customers.

1.3 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 the first half-year 2019 stood at €164 million, compared to €154 million for the first half-year 2018.

1.3.1 Vehicle sales of Peugeot, Citroën and DS

During the first half-year 2019, sales of passenger vehicles and light utility vehicles by the PSA Group (excluding Opel brand) in France rose by 1.4% to 427,454 units, which makes the PSA Group the leader in the French car market with a market share of 30.1% (33.2% with Opel).

Peugeot is slightly down at the end of June 2019 with passenger vehicles sales down 4.4% compared to the previous year for a total of 204,247 units, despite four models among the 10 best-selling models in France: the Peugeot 208 (4.8% market share), which has remained the second best-selling vehicle in France since 2016, the Peugeot 3008 (3.4% market share) dropping one place, is ranked in the fourth position in the best-selling vehicle in France, the Peugeot 2008 (3.1%) and the Peugeot 308 (2.6%). Light-utility vehicles sales reached 44,807 units, up 8.0%.

Meanwhile, Citroën registered 165,222 cars in France for the first half-year 2019, a 7.9% increase on the previous year, breaking down into 127,103 passenger vehicles and 38,119 light-utility vehicles.

In the passenger vehicle category, the Citroën C3 rose to the third place in the best-selling vehicles in France with a 3.7% market share (up 1 place compared to 2018).

With 13,199 passenger vehicle registrations during the first half-year 2019, DS posted a 1.5% decrease in sales compared with the first half-year 2018 and a market share of 1.1% for passenger cars.

1.3.2 Commercial activity of the PSA Banque France Group

1.3.2.1 End-user financing

At the end of June 2019, the PSA Banque France Group saw an increase of 1.4% in financing volumes for new and used vehicles to end users, rising from 161,505 to 163,770 financing contracts subscribed for a total production of €2,285 million up by 6.4% compared to the end of June 2018. The greater increase in new financing amounts compared to the number of vehicles financed is explained by an increase in the average amount financed of about €600. This growth is linked to PSA Group vehicles move upmarket, in particular for SUVs.

The new vehicles financing penetration rate stood at 27.5% at the end of June 2019, down 0.1 point from end of June 2018.

The PSA Banque France Group financed 117,499 new PSA Group vehicles at the end of June 2019 through loan and lease contracts, an increase of 1% compared to the end of June 2018.

Financing to individuals increased compared to 2018, with a 44.3% 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 2.5% compared to end of June 2018, with 46,271 units financed in the end of June 2019.

The tables below show the main indicators of the PSA Banque France Group's end-user financing activity at the end of June 2019.

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PRODUCTION OF END-USER FINANCING FOR NEW AND USED VEHICLES

	June 30, 2019	June 30, 2018	Change (%)
Number of new contracts	163,770	161,505	+1.4
Amount of production (in million euros)	2,285	2,147	+6.4

OUTSTANDING LOANS TO END USERS

(in million euros)	June 30, 2019	Dec. 31, 2018	Change (%)
Outstanding loans	8,704	8,136	+7.0

This increase in new loans is related to higher volumes of contracts subscribed than in 2018, as well as a higher average amount financed, up by +4.9% for new vehicles, notably thanks to the enhancement of the mix for lease products and a move upmarket in vehicles.

1.3.2.2 Dealer network financing

At the end of June 2019, the outstanding loans granted to Peugeot, Citroën, and DS dealer networks were up compared to 2018 thanks to 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 5.9% at the end of June 2019 compared to the end of December 2018.

The table below shows the outstanding loans granted to dealers at the end of the end of June 2019 and 2018.

TOTAL OUTSTANDING LOANS TO DEALER NETWORK

(in million euros)	June 30, 2019	Dec. 31, 2018	Change (%)
Outstanding loans	3,895	3,677	+5.9

1.3.2.3 Insurance and services

At the end of June 2019, the number of insurance and service contracts decreased by 1.1% compared to the end of June 2018, with 357,493 new contracts subscribed compared to 361,559 in the first half-year 2018.

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

The decrease in the number of contracts sold is confirmed especially for financing-related insurances. A change in customer behavior towards insurance is identified; PSA Banque France will propose offers that will adapt to these new expectations.

The tables below show the main indicators for the PSA Banque France Group's insurance and services business at the end of June 2019 and at the end of June 2018.

PRODUCTION OF NEW INSURANCE AND SERVICE CONTRACTS

(in number of contracts)	June 30, 2019	June 30, 2018	Change (%)
Financing-related insurances	169,815	175,965	(3.5)
Car insurance and vehicle-related services	187,678	185,594	+1.1
Total	**357,493**	**361,559**	**(1.1)**

PENETRATION RATE ON FINANCING

(in %)	June 30, 2019	June 30, 2018	Change (pts)
Financing-related insurances	102.0	107.3	(5.3)
Car insurance and vehicle-related services	112.7	113.1	(0.4)
Total	**214.7**	**220.4**	**(5.7)**

1.3.2.4 Retail savings market

"Distingo par PSA Banque", the 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 11.5% over the first half-year 2019, reaching €2,510 million at the end of June 2019, representing an increase of €259 million compared to the end of 2018.

Outlook for end of year 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)	June 30, 2019	Dec. 31, 2018	Change (%)
Outstandings	2,510	2,251	+11.5

1.3.3 Results of operations

NET INCOME

(in million euros)	June 30, 2019	June 30, 2018	Change (%)
Net banking revenue	**259**	**239**	**+8.4**
of which end users	174	160	+8.8
of which dealer network	30	29	+3.4
of which insurance and services	59	52	+13.5
of which unallocated and other	(4)	(2)	100.0
General operating expenses and equivalent	**(81)**	**(80)**	**+1.3**
Cost of risk	**(14)**	**(5)**	**+180.0**
of which end users	(14)	(14)	+0.0
of which dealer network	0	9	(100.0)
Operating income	**164**	**154**	**+6.5**
Other non-operating income	0	0	-
Pre-tax income	**164**	**154**	**+6.5**
Income taxes	(31)	(49)	(36.7)
Net income	**133**	**105**	**+26.7**

1.3.3.1 Net banking revenue

Net banking revenue increased by 8.4% to €259 million at June 30, 2019, compared to €239 million at June 30, 2018.

This increase is essentially the result of a significant increase in outstanding loans both to end users and to dealer networks, 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 and the decrease in base rates. The margin obtained on insurance and services also helped drive up net banking revenue, which in the first half of 2019 gained €7 million against the first half of the previous year, to stand at €59 million.

1.3.3.2 General operating expenses

General operating expenses and equivalent reached €81 million at June 30, 2019, against €80 million at June 30, 2018. Given the growth of the net banking revenue and of the overall outstanding amount of financing, this contained increase of 1 million euros in the first half of 2019 is satisfactory. Indeed, cost to income ratio improves from 33.3% to 31.2%.

1.3.3.3 Cost of risk

The cost of risk at the end of June 2019 stood at €14 million, representing 0.24% of average net outstanding loans, versus €5 million at the end of June 2018, representing 0.10% of average net outstanding loans.

The cost of risk on the end-user financing activities remained stable at €14 million compared to the end of June 2018. The end of June 2019 result benefited from a €2 million reversal of provisions coming from the update of the parameters for calculating provisioning rates.

For dealer network financing activities, the cost of risk is null, whereas it stood at a positive amount of €9 million at the end of June 2018 thanks to a 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. This current 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.

1.3.3.4 Consolidated income

At June 30, 2019, the pre-tax income of the PSA Banque France Group stood at €164 million, up 6.5% compared to June 30, 2018. The consolidated net income at June 30, 2019 was €133 million.

The effective corporate tax rate decreased to 18.4% of taxable earnings, against 31% for the first half year of 2018. In 2019, 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 23.3 - PSA Banque France Group tax proof). The tax burden at June 30, 2019 was €31 million.

1.4 Financial situation

1.4.1 Assets

Total assets of the PSA Banque France Group at June 30, 2019 stood at €14,222 million, up by 8.1% compared to December 31, 2018.

Total outstanding financing came to €12,599 million, a 6.7% increase over December 31, 2018. End-user loans were up 7%, while dealer network financing increased by 5.9%.

1.4.2 Provisions for non-performing loans

Impairment losses are deducted from the carrying value of loans and receivables as they are recorded, as soon as there is a revealing index of risk. The procedures for the recognition of impairment charges on outstanding loans are described in Note 2.C.4.4. of the 2018 annual report. When a loan or receivable is considered definitively unrecoverable, it is written off as a loss on the income statement. Any provision for previously-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 22 details all loans, including sound loans with past-due installments (delinquent loans) and non-performing loans with their related impairment amounts, as at June 30, 2019 and December 31, 2018.

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 Group after IFRS 9 implementation are:

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

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

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

In addition, for dealer network financing and corporate financing, each delinquent loan is 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.

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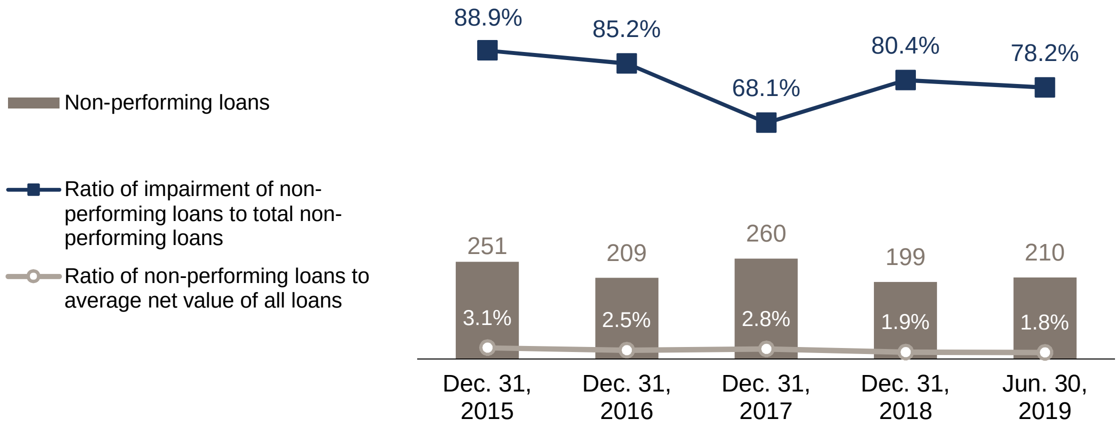
NON-PERFORMING LOANS ON THE TOTAL PORTFOLIO (IN MILLIONS OF EUROS, EXCEPT PERCENTAGE)



In 2019, the increase of non-performing loans is mainly due to the seasonal increase in the outstanding of a dealer in default since 2011 and under a safeguard procedure since. Aside from this event, entries of non-performing loans continue to decline in 2019, due to the improved customer risk profile.

The total coverage rate of non-performing loans decreases compared to 2018 mainly due to the outstanding increase of the aforementioned dealer in default. 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 55.4% at June 30, 2019 compared to 54.3% at December 31, 2018.

1.4.3 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 refinancing, 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 deposit accounts) covering French customers has been transferred by Banque PSA Finance to PSA Banque France.

- From June 2015, bilateral credit lines were established with various banks.

- Since September 2015, the PSA Banque France Group as an approved credit institution has access (through the remittance of assets as collateral by its subsidiary CREDIPAR) to the refinancing operations of the European Central Bank (ECB).

- In June 2016, issuance 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 and the first EMTN bond issue was launched in January 2017. 5 bonds issuances in an amount of €500 million each have been placed so far.

- 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 June 30, 2019, the refinancing of the PSA Banque France Group was split as follows:

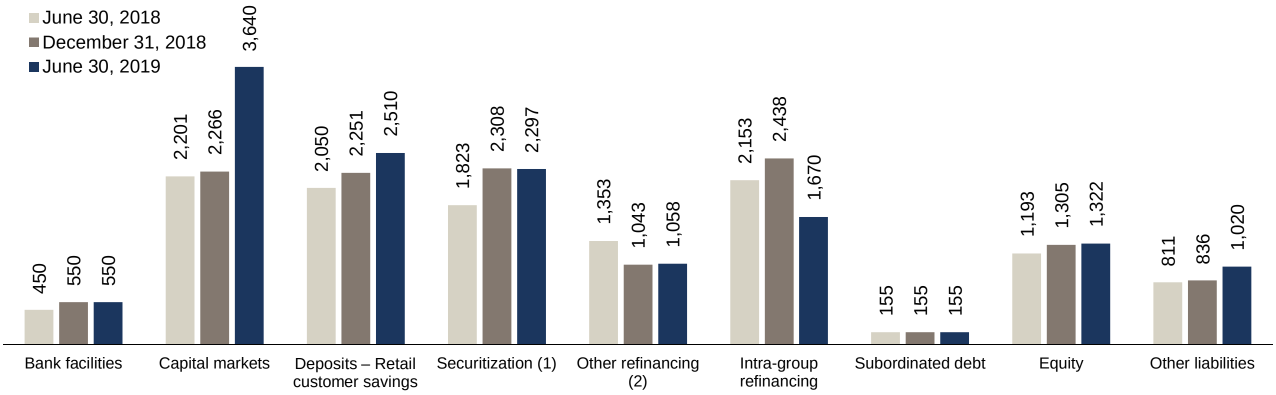
- 5% came from drawn bank loans;
- 31% from negotiable debt security issuances and the first five EMTN bond issues on the capital markets;
- 21% from repayable funds from the public in relation to deposit activity;
- 19% from securitization transactions;
- 9% from other external refinancing, of which 6% from the European Central Bank (participation in the TLTRO-II program);
- 14% 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 graph show a breakdown of the financing sources at June 30, 2019 compared to December 31, 2018 and June 30, 2018.

SOURCES OF REFINANCING

(in million euros)	June 30, 2019		Dec. 31, 2018		June 30, 2018	
Bank facilities	550	*5%*	550	*5%*	450	*4%*
Capital markets	3,640	*31%*	2,266	*21%*	2,201	*22%*
Deposits - Retail customer savings	2,510	*21%*	2,251	*20%*	2,050	*20%*
Securitization (1)	2,297	*19%*	2,308	*21%*	1,823	*18%*
Other refinancing (2)	1,058	*9%*	1,043	*10%*	1,353	*13%*
External refinancing	**10,055**	***85%***	**8,418**	***77%***	**7,877**	***77%***
Intra-group refinancing	**1,670**	***14%***	**2,438**	***22%***	**2,153**	***21%***
Subordinated debt	**155**	***1%***	**155**	***1%***	**155**	***2%***
Equity	**1,322**		**1,305**		**1,193**	
Other liabilities	**1,020**		**836**		**811**	
Balance sheet total	**14,222**		**13,153**		**12,188**	

SOURCES OF REFINANCING (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 June 30, 2019 and dealer deposits.

Outstanding bank loans (as bilateral bank credit lines fully drawn) stood at €550 million at June 30, 2019.

Outstanding debt on capital markets increased to €3,640 million at June 30, 2019 after the fourth and fifth bond issues under EMTN program in April and June 2019.

Retail saving deposits grew to €2,510 million.

At June 30, 2019, the PSA Banque France Group's refinancing through securitization was based on 5 transactions totaling €4,902 million in receivables sold to securitization vehicles (see Note 6.3 of the consolidated financial statements):

- The Auto ABS French Loans Master monthly issuance program, restructured in June 2019 with a AAsf / Aa2sf rating target for an additional 4-year revolving period.
- The Auto ABS French Leases Master Compartment 2016 monthly issuance program, in its revolving period.
- The Auto ABS DFP Master Compartment France 2013 monthly issuance program, in its revolving period.
- 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, in its amortization period since June 2019.

Financing from securitization transactions in the market stood at €2,297 million at June 30, 2019.

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 (see Note 10 of the consolidated financial statements).

1.4.4 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 June 30, 2019, financing with an original maturity of 12 months or more represented almost 70% of financing.

The average maturity of medium and long-term financing raised during the first half-year 2019 was over 3 years, thanks to the fourth and fifth EMTN bond issues with a respective 3 and 5-year maturity.

Bank credit lines used as of June 30, 2019 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 €400 million liquidity reserve at June 30, 2019, 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 €517 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 15 of the consolidated financial statements).

At June 30, 2019, the PSA Banque France Group had €540 million in financing commitments granted to customers and €5 million in guarantee commitments to customers (see Note 15 of the consolidated financial statements).

1.4.5 Credit ratings

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.

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

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

Any 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 JUNE 30, 2019

(in million euros)		Active programs	**Programs size at June 30, 2019**	**Outstanding at June 30, 2019**
Moody's	S&P	Short term		
P2	A-2	CD/NEU CP	1,000	871.5
		Long term		
A3	BBB+	BMTN/NEU MTN	1,000	275
A3	BBB+	EMTN	4,000	2,500

1.4.6 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 June 30, 2019, the Basel III CRD IV Tier 1 capital ratio in respect of Pillar I stood at 11.5%, and the total capital ratio was 13.1%. Basel III Tier 1 regulatory capital amounted to €1,099 million at June 30, 2019, taking into account the deduction of the difference between recognized impairment and expected actual losses on the IRB scope (€85 million), and the minimum capital requirement stood at €763 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)	June 30, 2019	Dec. 31, 2018
Accounting Equity[1]	**1,322**	**1,305**
Distributable income	(133)	(116)
Negative amounts resulting from the calculation of the expected loss	(86)	(79)
Other prudential deductions	(4)	(4)
Tier 1 regulatory capital	**1,099**	**1,106**
Tier 2 subordinated loans	155	155
Tier 1 and Tier 2 regulatory capital	**1,254**	**1,261**

(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 are extracted from the management accounting systems. The latter feed into the common risk databases: BRC (the central risk database for retail customers) and BUIC (the corporate customer database) that are used to uniformly track all risk parameters applicable to the PSA Banque France Group.

The information from 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

	June 30, 2019		Dec. 31, 2018	
(in million euros)	Risk-Weighted Assets	Capital requirements	Risk-Weighted Assets	Capital requirements
Credit risk	**8,827**	**706**	**8,444**	**676**
Standard method	**994**	**79**	**860**	**69**
Sovereigns, Banks, and Administrations	14	0	13	1
Institutions	147	12	137	11
Corporate	234	19	221	18
Retail	227	18	211	17
Other assets	372	30	278	22
Internal Rating Based Foundation approach (IRBF)	**4,010**	**321**	**3,944**	**316**
Corporate	4,010	321	3,944	316
Internal Rating Based Advanced approach (IRBA)	**3,823**	**306**	**3,640**	**291**
Corporate	1	0	0	0
Retail	3,822	306	3,640	291
Operational risk (standard method)	**714**	**57**	**714**	**57**
Market risk	**0**	**0**	**0**	**0**
Total Risks	**9,542**	**763**	**9,158**	**733**
Tier 1 regulatory capital		**1,099**		**1,106**
Tier 1 solvency ratio		**11.5%**		**12.1%**
Total regulatory capital		**1,254**		**1,261**
Total solvency ratio		**13.1%**		**13.8%**

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 7.5% at June 30, 2019.

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 JUNE 30, 2019

(in million euros)	June 30, 2019	Dec. 31, 2018
Total assets according to the published financial statements (excluding derivatives)	**14,221**	**13,151**
Prudential deductions on CET1 capital	(89)	(83)
Total exposure on balance sheet	**14,132**	**13,067**
Exposure on derivatives	14	14
Replacement cost of derivatives transactions	1	2
Total exposure on derivatives	**15**	**16**
Exposure related to commitments given	1,499	1,459
Application of regulatory conversion factors	(978)	(954)
Total exposure to off-balance sheet items	**521**	**505**
Total other adjustments	**(1)**	**(6)**
Total leverage exposure	**14,667**	**13,582**
Tier 1 regulatory capital	**1,099**	**1,106**
Leverage ratio	**7.5%**	**8.1%**

1.5 Risk factors and risk management

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 (related to its activity and its regulatory environment, credit and counterparty risks, financial risks and operational risks) for which the identification and evaluation are crucial in the risk management model.

1.6 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.

1.6.1 Permanent control system

1.6.1.1 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.

1.6.1.2 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 was shared with the directors and sent to the French Prudential Supervisory Authority (*Autorité de Contrôle Prudentiel et de Résolution* (ACPR).

1.6.2 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 covering all of PSA Banque France Group's units (including outsourced activities). Four audit missions were carried out in the PSA Banque France Group during the first half-year 2019.

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.

1.6.3 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.

1.6.4 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.

1.7 Corporate governance - General information concerning PSA Banque France

1.7.1 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.

1.7.2 Shareholders - structure of share capital

Shareholders:
At June 30, 2019, 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.

1.7.3 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. The Chairman, with his Board of Directors 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.

Three Boards of Directors were held in the first half of 2019, on February 26, April 24 and June 27.

At the end of the June 2019 Board meeting, a director, Ms. Ines SERRANO, resigned from her mandate. The Board, on a proposal of the Appointment Committee, co-opted M. David TURIEL to replace Ms. SERRANO for her remaining term of office, ie until the Ordinary General Meeting to be called in 2021 to approve the 2020 financial statements. M. David TURIEL said that there was no obstacle to his appointment and that he agreed to accept this mandate within PSA Banque France. The mandate of M. David TURIEL, like that of the other Directors of PSA Banque France, does not give rise to payment of directors' fees.

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

1.7.4 Information about the administrative and management bodies

1.7.4.1 Board of Director

List of mandates held and expired during the first half-year 2019 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

Other positions held during the first half-year 2019

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 2024

Born on May 16, 1968

Other positions held during the first half-year 2019

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

Current term expires in 2021

Born on December 29, 1962

Other positions held during the first half-year 2019

Deputy Chief Executive Officer and Director

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

David TURIEL LOPEZ

Director

First appointed to the Board on June 27, 2019

Current term expires in 2021

Born on January 20, 1965

Other positions held during the first half-year 2019

Director

• Santander Consumer Finance S.A. (Spain)

Director

• Santander Consumer Banque S.A. (France)

Director

Compagnie Générale de Crédit aux Particuliers – CREDIPAR (France), appointment on 27 June 2019, following the resignation of Ms. Ines SERRANO

Member of the Supervisory Board

• Santander Consumer Bank SPOLKA AKCYJNA (Poland)

Chairman of the Board of Directors

• Banco Santander Consumer S.A. (Portugal)

Martin THOMAS

Director

First appointed to the Board on February 2, 2015

Current term expires in 2021

Born on February 22, 1974

Other positions held during the first half-year 2019

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 first half-year 2019

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)

Ines SERRANO-GONZALEZ	Other positions held during the first half-year 2019
Director First appointed to the Board on February 2, 2015 End of the mandate (resignation): June 27, 2019 Born on July 31, 1965	***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) Term terminated on June 27, 2019 by resignation • 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)

1.7.4.2 Committees

A. Audit and Risk Committee

At June 30, 2019, the Audit and Risk Committee had the following members

Name	Position within the PSA Banque France Group
David TURIEL LOPEZ, Chairman	Director of PSA Banque France
Rémy BAYLE	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

At June 30, 2019, 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
David TURIEL LOPEZ	Director of PSA Banque France

C. Remuneration Committee

At June 30, 2019, 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
David TURIEL LOPEZ	Director of PSA Banque France

D. Executive Committee

At June 30, 2019, the Executive Committee had the following members:

Name	Position
Jean-Paul DUPARC	Chief Executive Officer
Laurent AUBINEAU	Deputy Chief Executive Officer
Johnny AUDEBOURG	Responsible Person for I.T. Systems
Jean-Charles BATTAGLIA	Chief Risk Officer
Gregory BONNIN	Chief Human Resources Officer
Pedro CASTRO	Chief Financial Officer
Philippe CHAILLOUT	Chief Sales Officer
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

1.7.4.3 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 share capital of €2,510,460, entered as no. 672 006 483 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: 2022 financial year
Represented at June 30, 2019 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 June 30, 2019 by Matthew Brown

2 CONDENSED FINANCIAL STATEMENTS AT JUNE 30, 2019

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2.1 Consolidated Balance Sheet

(in million euros)	*Notes*	June 30, 2019	Dec. 31, 2018
Assets			
Cash, central banks	*3*	432	329
Financial assets at fair value through profit or loss	*4*	1	1
Hedging instruments		-	-
Financial assets at fair value through Equity		-	-
Debt securities at amortized cost		-	-
Loans and advances to credit institutions at amortized cost	*5*	725	668
Customer loans and receivables at amortized cost	*6*	12,599	11,813
Fair value adjustments to finance receivables portfolios hedged against interest rate risks	*19.1*	6	1
Current tax assets	*23.1*	7	2
Deferred tax assets	*23.1*	2	1
Accruals and other assets	*7*	430	329
Investments in associates and joint ventures accounted for using the equity method		-	-
Property and equipment		20	9
Intangible assets		-	-
Goodwill		-	-
Total assets		**14,222**	**13,153**

(in million euros)	*Notes*	June 30, 2019	Dec. 31, 2018
Equity and liabilities			
Central banks		-	-
Financial liabilities at fair value through profit or loss	*8*	4	3
Hedging instruments	*9*	-	-
Deposits from credit institutions	*10*	2,997	3,764
Due to customers	*11*	2,791	2,518
Debt securities	*12*	5,938	4,574
Fair value adjustments to debt portfolios hedged against interest rate risks	*19.1*		-
Current tax liabilities	*23.1*	2	11
Deferred tax liabilities	*23.1*	339	329
Accruals and other liabilities	*13*	651	473
Provisions		23	21
Subordinated debt		155	155
Equity		1,322	1,305
- Equity attributable to equity holders of the parent		1,322	1,305
- Share capital and other reserves		757	757
- Consolidated reserves		567	550
- Of which Net income - equity holders of the parent		*133*	*218*
- Gains and losses recognized directly in Equity		(2)	(2)
- Minority interests		-	-
Total equity and liabilities		**14,222**	**13,153**

2.2 Consolidated Income Statement

(in million euros)	*Notes*	June 30, 2019	June 30, 2018 Proforma (1)	Dec. 31, 2018
Interest and similar income	*16*	**227**	**205**	**418**
Interest and similar expenses	*17*	**(37)**	**(29)**	**(59)**
Fees and commissions income	*18*	**68**	**62**	**129**
Fees and commissions expenses	*18*	**(2)**	**(2)**	**(4)**
Net gains or losses on financial instruments at fair value through profit or loss	*19*	**-**	**1**	**1**
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		**-**	**-**	**-**
Net income of insurance activities		-	-	-
Income on other activities	*20*	**12**	**9**	**22**
Expenses on other activities	*20*	**(9)**	**(7)**	**(15)**
Net banking revenue		**259**	**239**	**492**
General operating expenses	*21*	**(78)**	**(79)**	**(154)**
- Personnel costs		(33)	(33)	(68)
- Other general operating expenses		(45)	(46)	(86)
Depreciation and amortization of intangible and tangible assets		**(3)**	**(1)**	**(2)**
Gains and losses on investments in companies that can be consolidated and other disposals of fixed assets		**-**	**-**	**-**
Gross operating income		**178**	**159**	**336**
Cost of risk	*22*	**(14)**	**(5)**	**(14)**
Operating income		**164**	**154**	**322**
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)
Pre-tax income		**164**	**154**	**321**
Income taxes	*23.2 and 23.3*	(31)	(49)	(103)
Net income		**133**	**105**	**218**
- of which minority interests		-	-	-
- of which attributable to equity holders of the parent		133	105	218
Earnings per share (in euros)		*14.69 €*	*11.65 €*	*24.08 €*

(1) Changes in Net Banking Revenue presentation are detailed in the 2018 annual report.

2.3 Net Income and Gains and Losses Recognized Directly in Equity

(in million euros)	June 30, 2019 Before tax	June 30, 2019 Tax	June 30, 2019 After tax	June 30, 2018 Before tax	June 30, 2018 Tax	June 30, 2018 After tax	Dec. 31, 2018 Before tax	Dec. 31, 2018 Tax	Dec. 31, 2018 After tax
Net income	164	(31)	**133**	154	(49)	**105**	321	(103)	**218**
- 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	164	(31)	**133**	154	(49)	**105**	321	(103)	**218**
- of which minority interest			-			-			-
- of which attributable to equity holders of the parent			*133*			*105*			*218*

2.4 Consolidated Statement of Changes in Equity

(in million euros)	Share capital and other reserves: Share capital	Share capital and other reserves: Issue, share and merger premiums	Share capital and other reserves: Legal reserve and other reserves	Consolidated reserves	Fair value adjustments - equity holders of the parent: Actuarial gains and losses on pension obligations	Fair value adjustments - equity holders of the parent: Financial assets at fair value through equity: revaluation	Equity attributable to equity holders of the parent	Minority interests	Total equity
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	-	-	-	105	-	-	105	-	105
Dividend paid to Santander Consumer Finance	-	-	-	(46)	-	-	(46)	-	(46)
Dividend paid to Banque PSA Finance	-	-	-	(46)	-	-	(46)	-	(46)
At June 30, 2018	**145**	**593**	**19**	**437**	**(2)**	**-**	**1,193**	**-**	**1,193**
Net income and gains and losses recognized directly in equity	-	-	-	113	-	-	113	-	113
Dividend paid to Santander Consumer Finance	-	-	-	-	-	-	-	-	-
Dividend paid to Banque PSA Finance	-	-	-	-	-	-	-	-	-
At December 31, 2018	**145**	**593**	**19**	**550**	**(2)**	**-**	**1,305**	**-**	**1,305**
Appropriation of profit from the previous financial year	-	-	-	-	-	-	-	-	-
Net income and gains and losses recognized directly in equity	-	-	-	133	-	-	133	-	133
Dividend paid to Santander Consumer Finance		-	-	(58)	-	-	(58)	-	(58)
Dividend paid to Banque PSA Finance		-	-	(58)	-	-	(58)	-	(58)
At June 30, 2019	**145**	**593**	**19**	**567**	**(2)**	**-**	**1,322**	**-**	**1,322**

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)	June 30, 2019	June 30, 2018 Proforma (1)	Dec. 31, 2018
Pre-tax income	**164**	**154**	**321**
Non-cash items			
- Net depreciation and impairment of property and equipment and intangible assets	2	1	2
- Net depreciation and provisions	17	8	25
- Net gain/loss of investing activities	-	-	-
- Income/expenses of financing activities	2	-	2
- Other movements	(65)	(25)	27
Total of non-monetary items included in the pre-tax income and other adjustments	**(44)**	**(16)**	**57**
- Change in credit institutions items	(935)	(190)	(189)
- Change in customer items	(508)	(507)	(1,248)
- Change in financial assets and liabilities	1,368	692	1,240
- Change in non-financial assets and liabilities	103	45	(100)
- Tax paid	(37)	(25)	(34)
Net decrease/increase of assets and liabilities provided by operating activities	**(9)**	**15**	**(331)**
Net cash provided by operating activities (A)	**111**	**153**	**47**
Change in equity investments	-	-	-
- Inflows from disposals of shares in subsidiaries, net of cash transferred	-	-	-
- Outflows linked to acquisitions of shares in subsidiaries, net of cash transferred	-	-	-
Change in property and equipment and intangible assets	(1)	(1)	(1)
- Outflows from acquisitions of property and equipment and intangible assets	(1)	(2)	(3)
- Inflows from disposals of property and equipment and intangible assets	-	1	2
Effect of changes in scope of consolidation	-	-	-
Net cash used by investing activities (B)	**(1)**	**(1)**	**(1)**
Cash flows from or to shareholders			
- Outflows for the dividends paid to :	(116)	(93)	(93)
- Santander Consumer Finance	(58)	(46)	(46)
- Banque PSA Finance	(58)	(46)	(46)
- Inflows from issuance of equity instruments	-	-	-
Other net cash from financing activities			
Inflow/(outflow) linked to subordinated debt	(3)	-	(3)
Net cash used by financing activities (C)	**(119)**	**(93)**	**(96)**
Effect of changes in exchange rates (D)	-	-	-
Net increase/(decrease) of cash and cash equivalents (A+B+C+D)	**(9)**	**59**	**(50)**
Cash and cash equivalents at the beginning of the period	**771**	**820**	**820**
Cash, central banks (assets and liabilities)	329	365	365
Demand accounts (assets and liabilities) and loans/borrowing with credit institutions	442	456	456
Cash and cash equivalents at the end of the period	**762**	**880**	**771**
Cash, central banks (assets and liabilities)	432	298	329
Demand accounts (assets and liabilities) and loans/borrowing with credit institutions	330	582	442

(1) Changes in consolidated statement of cash flows presentation are detailed in 2018 Annual Report.

2.6 Notes to the Consolidated Financial Statements

Notes

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Note 1 Main Events of the Period and Group Structure

A. Main events

Refinancing strategy

Since 2015, 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 since 2017 through the development of access to capital markets, specifically with the bond issues under EMTN program, the last two in April and June 2019 for €500 million each.

B. Changes in Group structure

There was no change in Group structure during the first half-year 2019.

C. List of Consolidated Companies

		PSA Banque France interest			June 30, 2019		Dec. 31, 2018	
			Indirect					
Companies	**Country ISO code**	**% Direct**	**%**	**Held by**	**Consolidation method**	**% interest**	**Consolidation method**	**% 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	IG	100

Note 2 Accounting Policies

The interim consolidated financial statements for the six months ended June 30, 2019 have been prepared in accordance with IAS 34 – Interim Financial Reporting, which allows to present a selection of explanatory notes. The condensed interim consolidated financial statements should be read and understood in conjunction with the 2018 consolidated financial statements.

The accounting principles applied to prepare the interim consolidated financial statements for the six months ended June 30, 2019, are identical to those used to prepare the 2018 consolidated financial statements, with the exception of the application of new compulsory standards and interpretations, see section: “New compulsory standards and interpretations applicable on January 1, 2019”.

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’s 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.

The presentation of PSA Banque France’s interim consolidated financial statements for the six months ended June 30, 2019 is prepared according to 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.

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).

New IFRSs and IFRIC Interpretations applicable compulsorily in the fiscal year commencing on January 1, 2019

The new texts, whose application is compulsory in the fiscal year commencing January 1, 2019 and applied by PSA Banque France Group are the following:

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 the appropriate accounting policies for buy-back/finance and operating 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 is applicable since 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 mainly concern the leases related to the offices of PSA Banque France, as a lessee.

According to the decision of Banque PSA Finance and Santander Consumer Finance, 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 Banque PSA Finance and Santander Consumer Finance:

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:
Recognition of 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 recognized in the statement of financial position immediately before the date of initial application.

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

- Leases for which the lease term ends within 12 months of the date of initial application are not 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 recognized 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.

The right-of-use asset for the first time application of PSA Banque France amounts to 12.5 million euros without impact on Equity.
Consequently, the first time application did not generate an important impact for PSA Banque France.

IFRIC 23 - Uncertainty over income tax treatments

IFRIC 23 clarifies how to apply the recognition and measurement requirements in IAS 12 “Income Taxes” concerning the recognition and measurement while there is uncertainty on the treatment of income taxes.

This text does not impact significantly PSA Banque France group.

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

Note 3 Cash, Central Banks

(in million euros)	June 30, 2019	Dec. 31, 2018
Cash and post office banks	-	-
Central bank (1)	432	329
- of which compulsory reserves deposited with the Banque de France	*32*	*28*
Total	**432**	**329**

(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 4 Financial Assets at Fair Value Through Profit or Loss

4.1 Analysis by Nature

(in million euros)	June 30, 2019	Dec. 31, 2018
Fair value of trading derivatives (1)	3	2
- of which related companies with Santander Consumer Finance Group	-	-
Offsetting positive fair value and received margin calls	(2)	(1)
Accrued interest on trading derivatives	-	-
- of which related companies with Santander Consumer Finance Group	-	-
- Equity securities at fair value through profit or loss	-	-
Total	**1**	**1**

(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 rate 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 8.1 and 19.1).

4.2 Offsetting Swaps with Margin Call Designated as Trading - Assets

For 2019

(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	**3.3**	**-**	**3.3**	**-**	**3.3**
- Swaps with margin call	3.3	-	3.3	-	3.3
- Swaps without margin call	-			-	-
Offsetting	-	-	-	(2.2)	**(2.2)**
Accrued income	**-**	**-**	**-**	**-**	**-**
- Swaps with margin call		-	-	-	-
- Swaps without margin call	-	-	**-**	-	**-**
Total assets	**3.3**	**-**	**3.3**	**(2.2)**	**1.1**
Margin calls received on swaps designated as trading (deferred income - see Note 13)	-	-	2.2	(2.2)	**-**
Total liabilities	**-**	**-**	**2.2**	**(2.2)**	**-**

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 13)	-	-	1.1	(1.1)	**-**
Total liabilities	**-**	**-**	**1.1**	**(1.1)**	**-**

Note 5 Loans and Advances to Credit Institutions at Amortized Cost

Analysis of Demand and Time Accounts

(in million euros)	June 30, 2019	Dec. 31, 2018
Demand accounts	**725**	**668**
- Ordinary accounts in debit	725	667
- of which held by securitization funds	*147*	*191*
- Amounts to receive on bank accounts	-	-
- Current accounts and overnight loans	-	1
- of which related companies with Santander Consumer Finance Group (1)	-	*1*
Time accounts	-	-
Accrued interest	-	-
Total	**725**	**668**

(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 6 Customer Loans and Receivables at Amortized Cost

6.1 Analysis by Type of Financing

(in million euros)	June 30, 2019	Dec. 31, 2018
Installment contracts	**2,403**	**2,297**
- of which securitized (1)	*1,582*	*1,139*
Leasing with a purchase option (2)	**3,592**	**3,295**
Principal and interest	4,012	3,677
- of which securitized (1)	*1,643*	*1,660*
Unaccrued interest on leasing with a purchase option	(420)	(382)
- of which securitized (1)	*(165)*	*(172)*
Long-term leases (2)	**2,731**	**2,581**
Principal and interest	2,969	2,799
- of which securitized (1)	*1,129*	*1,122*
Unaccrued interest on long-term leases	(238)	(218)
- of which securitized (1)	*(111)*	*(113)*
Leasing deposits	-	-
- of which securitized (1)	-	-
Trade receivables	**2,952**	**2,723**
- Related companies with PSA Group	24	1
- Non-group companies	2,928	2,722
- of which securitized (1)	*824*	*831*
Other finance receivables (including equipment loans, revolving credit)	**615**	**602**
Ordinary accounts in debit	**130**	**154**
- Related companies with PSA Group	1	1
- Non-group companies	129	153
Deferred items included in amortized cost - Customers loans and receivables	**176**	**161**
- Deferred acquisition costs	272	253
- Deferred loan set-up costs	(26)	(26)
- Deferred manufacturer and dealer contributions	(70)	(66)
Total Loans and Receivables at Amortized Cost (3)	**12,599**	**11,813**
- of which securitized (1)	*4,902*	*4,467*

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

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

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

6.2 Customer Loans and Receivables by Segment

IFRS 8 Segment	Corporate Dealers		End user				Total	
			Retail		Corporate and equivalent			
Type of financing	(A - see B Note 22.1)		(B - see A Note 22.1)		(C - see C Note 22.1)			
(in million euros)	June 30, 2019	Dec. 31, 2018	June 30, 2019	Dec. 31, 2018	June 30, 2019	Dec. 31, 2018	June 30, 2019	Dec. 31, 2018
Installment contracts	12	10	2,389	2,286	2	1	2,403	2,297
Leasing with a purchase option	8	8	3,545	3,249	39	38	3,592	3,295
Long-term leases	201	193	1,652	1,550	878	838	2,731	2,581
Trade Receivables	2,952	2,723	-	-	-	-	2,952	2,723
Other finance receivables	604	588	8	12	3	2	615	602
Ordinary accounts in debit	130	154	-	-	-	-	130	154
Deferred items included in amortized cost	(12)	1	164	137	24	23	176	161
Total customer loans by segment (based on IFRS 8)	**3,895**	**3,677**	**7,758**	**7,234**	**946**	**902**	**12,599**	**11,813**

6.3 Securitization Programs

			Sold net receivables		
Fund	**Closing, ie first date of sale**	**Type of Financing**	**at June 30, 2019**	**at Dec. 31, 2018**	**at the origin**
FCT Auto ABS French Loans Master	Dec. 13, 2012 (2)	Installment contracts	1,582	1,139	N/A
FCT Auto ABS DFP Master - Compartment France 2013	May 03, 2013 (2)	Trade receivables	824	831	N/A
FCT Auto ABS French Leases Master - Compartment 2016	July 28, 2016 (2)	Buyback contracts (1)	901	904	N/A
FCT Auto ABS French LT Leases Master	July 27, 2017 (2)	Long-term leases (3)	1,018	1,009	N/A
FCT Auto ABS French Leases 2018	Nov. 23, 2018	Buyback contracts (1)	577	584	N/A
Total			**4,902**	**4,467**	

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.

To date, the group did 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 7 Accruals and Other Assets

(in million euros)	**June 30, 2019**	**Dec. 31, 2018**
Other receivables	**189**	**146**
- of which related companies with PSA Group	*116*	*102*
Prepaid and recoverable taxes	**89**	**65**
Accrued income	**8**	**7**
- of which related companies with PSA Group	*7*	*6*
Prepaid expenses	**5**	**4**
- of which margin calls paid on swaps (1)	*-*	*-*
- of which related companies with Santander Consumer Finance Group	*9*	*4*
- of which non-group companies	*(4)*	*(4)*
Other	**139**	**107**
- of which related companies with Santander Consumer Finance Group	*8*	*11*
Total	**430**	**329**

(1) *At June 30, 2019, margin calls paid on swaps were offset with the negative fair value for an amount of €8.8 million, compared to €3.2 million at December 31, 2018 (see Notes 8.2 & 9.2).*

Note 8 Financial Liabilities at Fair Value Through Profit or Loss

8.1 Analysis by Nature

(in million euros)	June 30, 2019	Dec. 31, 2018
Fair value of trading derivatives	**4**	**3**
- of which related companies with Santander Consumer Finance Group	-	-
Offsetting negative fair value and paid margin calls	**-**	**-**
Accrued expense on trading derivatives	**-**	**-**
- of which related companies with Santander Consumer Finance Group	-	-
Total	**4**	**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 rate 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 4.1 and 19.1).

8.2 Offsetting Swaps with Margin Call Designated as Trading - Liabilities

For 2019

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

For 2018

(in million euros)	Liability gross amount				
Negative valued swaps	Swap's winning leg	Swap's losing leg	**Liability net amount before offsetting**	**Offsetting with paid margin calls**	**Balance sheet amount after offsetting**
Negative fair value	**-**	**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 7)	-	-			**-**
Total assets	**-**	**-**	**-**	**-**	**-**

Note 9 Hedging Instruments - Liabilities

9.1 Analysis by Nature

(in million euros)	June 30, 2019	Dec. 31, 2018
Negative fair value of instruments designated as hedges of:	**9**	**3**
- Borrowings	-	-
- EMTNs/BMTNs	-	-
- Bonds	-	-
- Certificates of deposit	-	-
- Customer loans (Installment contracts, Leasing with a purchase option and Long-term leases)	9	3
- of which related companies with Santander Consumer Finance Group	-	-
Offsetting negative fair value and paid margin calls (see Note 9.2)	**(9)**	**(3)**
Accrued expenses on swaps designated as hedges	**-**	**-**
- of which related companies with Santander Consumer Finance Group	-	-
Total	**-**	**-**

Fair value is determined by applying valuation techniques based on observable market data (level 2).
Fair Value Hedge effectiveness is analysed in Note 19.

9.2 Offsetting Swaps with Margin Call Designated as Hedges - Liabilities

For 2019

(in million euros)	Liability gross amount		Liability net amount before offsetting	Offsetting with paid margin calls	Balance sheet amount after offsetting
Negative valued swaps	Swap's winning leg	Swap's losing leg			
Negative fair value	**(3.0)**	**11.6**	**8.6**	**-**	**8.6**
- Swaps with margin call	(3.0)	11.6	8.6	-	8.6
- Swaps without margin call	-	-	-	-	-
Offsetting	-	-	-	(8.8)	**(8.8)**
Accrued expense	**(0.3)**	**0.5**	**0.2**	**-**	**0.2**
- Swaps with margin call	(0.3)	0.5	0.2	-	0.2
- Swaps without margin call	-	-	-	-	-
Total liabilities	**(3.3)**	**12.1**	**8.8**	**(8.8)**	**-**
Margin calls paid on swaps designated as hedges (prepaid expenses - see Note 7)	-	-	8.9	(8.8)	**0.1**
Total assets	**-**	**-**	**8.9**	**(8.8)**	**0.1**

For 2018

(in million euros)	Liability gross amount		Liability net amount before offsetting	Offsetting with paid margin calls	Balance sheet amount after offsetting
Negative valued swaps	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 7)	-	-	3.6	(3.2)	**0.4**
Total assets	**-**	**-**	**3.6**	**(3.2)**	**0.4**

Note 10 Deposits from Credit Institutions

Analysis of Demand and Time Accounts

(in million euros)	June 30, 2019	Dec. 31, 2018
Demand deposits	**396**	**226**
- Ordinary accounts in credit	14	13
- of which related companies with PSA Group	-	-
- Accounts and deposits at overnight rates	380	212
- of which related companies with Santander Consumer Finance Group	*380*	*212*
- Other amounts due to credit institutions	1	1
Accrued interest	**-**	**-**
Time deposits (non-group institutions)	**2,611**	**3,546**
- Conventional bank deposits	1,840	2,775
- of which related companies with Santander Consumer Finance Group	*1,290*	*2,225*
- Deposits from the ECB (see Note 15)	771	771
Deferred items included in amortized cost of deposits from credit institutions	**(1)**	**(1)**
- Debt issuing costs (deferred charges)	*(1)*	*(1)*
Accrued interest	**(9)**	**(7)**
- of which related companies with Santander Consumer Finance Group	*-*	*1*
Total deposits from credit institutions at amortized cost (1)	**2,997**	**3,764**

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

Note 11 Due to Customers

(in million euros)	June 30, 2019	Dec. 31, 2018
Demand accounts	**2,430**	**2,151**
- ordinary accounts in credit	226	199
- Related companies with PSA Group	*87*	102
- Non-group companies	*139*	98
- Passbook savings accounts	2,161	1,897
- Other amounts due to Customers	43	55
- Related companies with PSA Group	-	-
- Non-group companies	*43*	55
Accrued interest	**12**	**14**
- of which passbook savings accounts	*12*	*14*
Time deposits	**344**	**348**
- Term deposit accounts	332	336
- Other	12	12
- Related companies	-	-
- Non-group companies	*13*	12
Accrued interest	**5**	**5**
- of which time deposits	*5*	*5*
Total (1)	**2,791**	**2,518**

(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 24.1).

Note 12 Debt Securities

12.1 Analysis by Nature

(in million euros)	June 30, 2019	Dec. 31, 2018
Interbank instruments and money-market securities (non-group institutions)	**3,647**	**2,267**
- EMTNs and BMTNs	2,775	1,696
- of which paper in the process of being delivered	-	-
- Certificates of deposit	872	571
- of which paper in the process of being delivered	-	-
Securities issued by securitization funds (see Note 12.3)	**2,299**	**2,310**
Accrued interest	**4**	**6**
- Securitization	-	-
Deferred items included in amortized cost of debt securities	**(12)**	**(9)**
- Debt issuing costs and premiums (deferred charges)	(12)	(9)
Total debt securities at amortized cost (1)	**5,938**	**4,574**

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

12.2 Analysis by Maturity of Debt Securities (excluding Accrued Interest)

(in million euros)	June 30, 2019 Securitizations	June 30, 2019 Money-market securities	June 30, 2019 Other	Dec. 31, 2018 Securitizations	Dec. 31, 2018 Money-market securities	Dec. 31, 2018 Other
0 to 3 months	131	187	-	-	177	-
3 to 6 months	729	185	-	16	93	-
6 months to 1 year	257	1,005	-	900	301	-
1 to 5 years	1,182	2,270	-	1,394	1,696	-
Over 5 years	-	-	-	-	-	-
Total	**2,299**	**3,647**	**-**	**2,310**	**2,267**	**-**

12.3 Securitization Programs

Securities issued by securitization funds

(in million euros)			Issued Bonds		
Fund	**Bonds**	**Rating (1)**	**at June 30, 2019**	**at Dec. 31, 2018**	**at the origin**
		Fitch/Moody's			
FCT Auto ABS French Loans Master	Class A	AA/Aa2	1,500	1,055	N/A
	Class B	-	125	128	N/A
		Not Rated			
FCT Auto ABS DFP Master - Compartment France 2013	Class A	-	600	600	N/A
	Class B	-	259	259	N/A
		Not Rated			
FCT Auto ABS French Leases Master - Compartment 2016	Class A	-	600	600	N/A
	Class B	-	336	340	N/A
		Not Rated			
FCT Auto ABS French LT Leases Master	Class A	-	600	600	N/A
	Class B	-	451	442	N/A
		Moody's/DBRS			
FCT Auto ABS French Leases 2018	Class A	Aaa/AAA	439	450	N/A
	Class B	A1/A (high)	60	60	N/A
	Class C	*Not Rated*	90	90	N/A
Elimination of intercompany transactions (2)			(2,761)	(2,314)	
Total			**2,299**	**2,310**	

(1) *Rating obtained at closing or at last retructuring date 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 13 Accruals and Other Liabilities

(in million euros)	**June 30, 2019**	**Dec. 31, 2018**
Trade payables	**356**	**182**
- Related companies	319	145
- of which related companies with PSA Group (1)	*319*	*145*
- of which related companies with Santander Consumer Finance Group	*-*	*-*
- Non-group companies	37	37
Financial Debt (2)	**11**	**-**
- Non-group companies	*11*	-
Accrued payroll and other taxes	**29**	**37**
Accrued charges	**149**	**181**
- Related companies	18	24
- of which related companies with PSA Group	*14*	*20*
- of which related companies with Santander Consumer Finance Group	*4*	*4*
- Non-group companies	131	157
Other payables	**51**	**28**
- Related companies	15	15
- of which related companies with PSA Group	*15*	*15*
- Non-group companies	36	13
Deferred income	**17**	**15**
- of which margin calls received on swaps (3)	*-*	*-*
- Related companies	10	8
- of which related companies with PSA Group	*10*	*8*
- of which related companies with Santander Consumer Finance Group	*-*	*-*
- Non-group companies	7	7
Other	**38**	**30**
- Non-group companies	38	30
Total	**651**	**473**

(1) *Impact of the seasonal end-of-month deliveries.*

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

(3) *At June 30, 2019, margin calls paid on swaps were offset with the positive fair value for an amount of €2.2 million, compared to €1.1 million at December 31, 2018 (see Note 4.2).*

Note 14 Fair Value of Financial Assets and Liabilities

(in million euros)	Fair value		Book value		Difference	
	June 30, 2019	Dec. 31, 2018	June 30, 2019	Dec. 31, 2018	June 30, 2019	Dec. 31, 2018
Assets						
Cash, central banks	432	329	432	329	-	-
Financial assets at fair value through profit or loss (1)	1	1	1	1	-	-
Hedging instruments (1)	-	-	-	-	-	-
Loans and advances to credit institutions at amortized cost (2)	725	668	725	668	-	-
Customer loans and receivables at amortized cost (3)	12,625	11,857	12,605	11,814	20	43
Equity and liabilities						
Central banks	-	-	-	-	-	-
Financial liabilities at fair value through profit or loss (1)	4	3	4	3	-	-
Hedging instruments (1)	-	-	-	-	-	-
Deposits from credit institutions (4)	2,996	3,741	2,997	3,764	1	23
Debt securities (4)	5,963	4,549	5,938	4,574	(25)	25
Due to customers (2)	2,791	2,518	2,791	2,518	-	-
Subordinated debt (4)	152	128	155	155	3	27

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 15 Other Commitments

(in million euros)	June 30, 2019	Dec. 31, 2018
Financing commitments		
Commitments received from credit institutions	-	-
Commitments given to credit institutions	-	-
Commitments given to customers (1)	540	533
Guarantee commitments		
Commitments received from credit institutions (2)	121	132
- guarantees received in respect of customer loans	-	132
- guarantees received in respect of securities held	-	-
- other guarantees received from credit institutions	121	-
Guarantees given to credit institutions	-	-
Commitments given to customers	5	3
- of which related companies with PSA Group	-	-
Other commitments received		
Securities received as collateral	-	-
Others	-	-
Other commitments given		
Assets given as collateral for own account, remains available (3)	583	820
- to the ECB	583	820

(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) *Since May 2019, Santander Guarantees of 132 million euros are replaced by COFACE Guarantees of 121 million euros.*

(3) *It is the remaining amount available at the ECB. CREDIPAR has remitted €878 million as ABS securities and €573 million as credit claims on its collateral account, that Banque de France has valuated for a total amount of €1,288 million. PSA Banque France has drawn €771 million of financing (see note 10). €583 million remain available, given a non-used authorized financing of €517 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 16 Interest and Similar Income

(in million euros)	June 30, 2019	June 30, 2018 Proforma	Dec. 31, 2018
On financial assets at amortized cost	**227**	**205**	**418**
Customer transactions	**225**	**199**	**409**
Installment contracts	**76**	**75**	**149**
- of which related companies with PSA Group	*-*	*-*	*1*
- of which securitized	*32*	*37*	*71*
Leasing with a purchase option	**129**	**104**	**221**
- of which related companies with PSA Group	*19*	*15*	*32*
- of which securitized	*47*	*31*	*66*
Long-term leases	**84**	**79**	**162**
- of which related companies with PSA Group	*-*	*(1)*	*-*
- of which securitized	*35*	*34*	*70*
Trade receivables	**28**	**22**	**46**
- of which related companies with PSA Group	*19*	*17*	*35*
Other finance receivables (including equipment loans, revolving credit)	**5**	**6**	**11**
- of which related companies with PSA Group	*-*	*-*	*-*
Ordinary accounts	**-**	**-**	**-**
Guarantee commitments	**-**	**-**	**-**
Commissions paid to referral agents	**(92)**	**(80)**	**(167)**
- Installment contracts	(35)	(31)	(31)
- Leasing with a purchase option / Long-term leases	(57)	(49)	(136)
- Other financing	-	-	-
- of which related companies with PSA Group	(18)	(19)	(35)
Other business acquisition costs	**(5)**	**(7)**	**(13)**
Interbank transactions (1)	**2**	**6**	**8**
Debt securities	**-**	**-**	**1**
On financial assets recognized at fair value through other comprehensive income	**-**	**-**	**-**
Accrued interest receivable on hedging instruments	**-**	**-**	**-**
Other interest income	**-**	**-**	**-**
Total	**227**	**205**	**418**

(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 17 Interest and Similar Expenses

17.1 Analysis by Nature

(in million euros)	*Notes*	June 30, 2019	June 30, 2018 Proforma	Dec. 31, 2018
On financial liabilities at amortized cost		**(33)**	**(27)**	**(54)**
Customer transactions		**(17)**	**(12)**	**(25)**
- Installment contracts		-	-	-
- Leasing with a purchase option		-	-	-
- Long-term leases		-	-	-
- Trade receivables		(2)	-	-
- Other finance receivables (including equipment loans, revolving credit)		-	-	-
- Ordinary accounts		-	-	-
- Savings accounts	*17.2*	(14)	(12)	(24)
- Expenses related to financing commitments received		(1)	(1)	(1)
Interbank transactions	*17.3*	**(6)**	**(6)**	**(11)**
Debt securities	*17.4*	**(10)**	**(9)**	**(18)**
Accrued interest receivable on hedging instruments	*17.5*	**(2)**	**(1)**	**(3)**
Other interest expenses		**(2)**	**(1)**	**(2)**
Total		**(37)**	**(29)**	**(59)**

17.2 Interest on Savings Accounts

(in million euros)	June 30, 2019	June 30, 2018 Proforma	Dec. 31, 2018
Interest on savings accounts	(14)	(12)	(24)
- on passbook savings accounts	(12)	(9)	(19)
- on term deposits	(2)	(3)	(5)
Total	**(14)**	**(12)**	**(24)**

17.3 Interest on Deposits from Credit Institutions

(in million euros)	June 30, 2019	June 30, 2018 Proforma	Dec. 31, 2018
Interest on treasury and interbank transactions	(4)	(4)	(8)
- of which related companies with PSA Group	*-*	*-*	*-*
- of which related companies with Santander Consumer Finance Group	*(2)*	*(3)*	*(5)*
Interest expenses of assets	-	-	(1)
Interest expenses comparable to debt issuing costs	(2)	(1)	(2)
Total	**(6)**	**(5)**	**(11)**

17.4 Interest on Debt Securities

(in million euros)	June 30, 2019	June 30, 2018 Proforma	Dec. 31, 2018
Interest expenses on debt securities	(8)	(6)	(13)
- of which securitization: placed bonds	*(3)*	*(3)*	*(5)*
Interest on subordinated debts	(1)	(1)	(3)
Interest expenses comparable to debt issuing costs	(1)	(1)	(2)
Total	**(10)**	**(8)**	**(18)**

17.5 Interest on Hedging Instruments

(in million euros)	June 30, 2019	June 30, 2018 Proforma	Dec. 31, 2018
Swaps hedging (Fair Value Hedge)	(2)	(1)	(3)
- of which related companies with PSA Group	*-*		
- of which related companies with Santander Consumer Finance Group	*-*	*-*	*-*
Total	**(2)**	**(1)**	**(3)**

Note 18 Fees and Commissions

(in million euros)	June 30, 2019	June 30, 2018 Proforma	Dec. 31, 2018
Income	**68**	**62**	**129**
- Incidental commissions from finance contracts	7	8	15
- Commissions on sales of service activities	61	54	114
- Other	-	-	-
Expenses	**(2)**	**(2)**	**(4)**
- Commissions on sales of service activities	(2)	(2)	(4)
- Other	-	-	-
Total	**66**	**60**	**125**

Note 19 Net gains or losses on Financial Instruments at Fair Value Through Profit or Loss

19.1 Analysis by Nature

(in million euros)	*Notes*	June 30, 2019	June 30, 2018 Proforma	Dec. 31, 2018
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	*19.2*	**-**	**1**	**2**
Fair value hedges : change in value of hedging instruments of customer loans		(6)	-	(2)
Fair value hedges : change in value of hedged customer loans		6	1	4
Fair value hedges : change in value of hedging instruments of debt		-	-	-
Fair value hedges : change in value of hedged debt		-	-	-
Total		**-**	**1**	**1**

(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 rate 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 4.1 and 8.1).

19.2 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 June 30, 2019, nominal amount of interest rate swaps is €1,830 million.

Currency risk:

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 22.

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)	June 30, 2019	Dec. 31, 2018	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	1.9	0.3		
- Leasing with purchase option	2.6	0.4		
- Long-term leases	1.9	0.3		
Total valuation, net	**6.4**	**0.9**	**5.5**	
Derivatives designated as hedges of customer loans				
- Assets	-	-		
- Liabilities (Note 9)	(8.6)	(2.9)		
Total valuation, net	**(8.6)**	**(2.9)**	**(5.7)**	**(0.2)**
Ineffective portion of gain and losses on outstanding hedging transactions	**(2.2)**	**(2.0)**		**(0.2)**
Fair value adjustments to hedged debt				
- Valuation, net	-	-		
Total valuation, net	**-**	**-**	**-**	
Derivatives designated as hedges of debt				
- Assets	-	-		
- Liabilities (Note 9)	-	-		
Total valuation, net	**-**	**-**	**-**	**-**
Ineffective portion of gain and losses on outstanding hedging transactions	**-**	**-**		**-**
Fair value adjustments to hedged bonds				
- Valuation, net	-	-		
Total valuation, net	**-**	**-**	**-**	
Derivatives designated as hedges of bonds				
- Assets	-	-		
- Liabilities (Note 9)	-	-		
Total valuation, net	**-**	**-**	**-**	**-**
Ineffective portion of gain and losses on outstanding hedging transactions	**-**	**-**		**-**

Note 20 Net Income or Expense of Other Activities

(in million euros)	June 30, 2019			June 30, 2018 Proforma			Dec. 31, 2018		
	Income	Expenses	Net	Income	Expenses	Net	Income	Expenses	Net
Gains / losses on sales of used vehicles	11	-	11	7	-	7	17	-	17
Share of joint venture operations	-	(4)	(4)	-	(3)	(3)	-	(9)	(9)
Other banking operating income/expenses	-	(4)	(4)	-	(3)	(3)	-	(5)	(5)
Other operating income/expenses	1	(1)	-	2	(1)	1	5	(1)	4
Total	**12**	**(9)**	**3**	**9**	**(7)**	**2**	**22**	**(15)**	**7**

Note 21 General Operating Expenses

(in million euros)	June 30, 2019	June 30, 2018	Dec. 31, 2018
Personnel costs	**(33)**	**(33)**	**(68)**
- Wages and salaries	(21)	(20)	(43)
- Payroll taxes	(9)	(10)	(19)
- Employee profit sharing and profit-related bonuses	(3)	(3)	(6)
Other general operating expenses	**(45)**	**(45)**	**(86)**
- of which related companies with PSA Group	*(19)*	*(19)*	*(40)*
- of which related companies with Santander Consumer Finance Group	*(1)*	*(1)*	*(2)*
Total	**(78)**	**(78)**	**(154)**

Note 22 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.

22.1 Changes in Loans

(in million euros)	Balance at Dec. 31, 2018	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 June 30, 2019	Balance at June 30, 2019
Retail								
Stage 1 loans	6,873	532	-	-	-	-	-	7,405
Stage 2 loans	226	(35)	-	-	-	-	-	191
Guarantee deposits (lease financing)	-	-	-	-	-	-	-	-
Stage 3 loans	125	18	-	-	(12)	-	(12)	131
Total	**7,224**	**515**	**-**	**-**	**(12)**	**-**	**(12)**	**7,727**
Impairment of Stage 1 loans	(25)	-	(3)	4	-	-	1	(24)
Impairment of Stage 2 loans	(21)	-	(3)	5	-	-	2	(19)
Impairment of Stage 3 loans	(81)	-	(16)	6	-	-	(10)	(91)
Total impairment	**(127)**	**-**	**(22)**	**16**	**-**	**-**	**(6)**	**(133)**
Deferred items included in amortized cost	**137**	**27**			**-**	**-**	**-**	**164**
Net book value (A - see B Note 6.2)	**7,234**	**542**	**(22)**	**16**	**(12)**	**-**	**(18)**	**7,758**
Recoveries on loans written off in prior periods						3	3	
Impairment of other customers transactions			-	-	-	-	-	
Retail cost of risk			**(22)**	**16**	**(12)**	**3**	**(15)**	
Corporate dealers								
Stage 1 loans	3,200	225	-	-	-	-	-	3,425
Stage 2 loans	443	1	-	-	-	-	-	444
Guarantee deposits	-	-	-	-	-	-	-	-
Stage 3 loans (1)	58	4	-	-	-		-	62
Total	**3,701**	**230**	**-**	**-**	**-**	**-**	**-**	**3,931**
Impairment of Stage 1 loans	(1)	-	(1)	2	-	-	1	-
Impairment of Stage 2 loans	(3)	-	(2)	-	-	-	(2)	(5)
Impairment of Stage 3 loans	(21)	-	(7)	9	-	-	2	(19)
Total impairment	**(25)**	**-**	**(10)**	**11**	**-**	**-**	**1**	**(24)**
Deferred items included in amortized cost	**1**	**(13)**	**-**	**-**	**-**	**-**	**-**	**(12)**
Net book value (B - see A Note 6.2)	**3,677**	**217**	**(10)**	**11**	**-**	**-**	**1**	**3,895**
Recoveries on loans written off in prior periods		-	-	-	-	-	-	
Impairment of other customers transactions			(1)	-	-	-	(1)	
Corporate dealers cost of risk			**(11)**	**11**	**-**	**-**	**-**	
Corporate and equivalent								
Stage 1 loans	710	19	-	-	-	-	-	729
Stage 2 loans	161	21	-	-	-	-	-	182
Guarantee deposits	-	-	-	-	-	-	-	-
Stage 3 loans	16	1	-	-	-	-	-	17
Total	**887**	**41**	**-**	**-**	**-**	**-**	**-**	**928**
Impairment of Stage 1 loans	(1)	-	-	-	-	-	-	(1)
Impairment of Stage 2 loans	(1)	-	-	1	-	-	1	-
Impairment of Stage 3 loans	(6)	-	(1)	1	-	-	-	(6)
Total impairment	**(8)**	**-**	**(1)**	**2**	**-**	**-**	**1**	**(7)**
Deferred items included in amortized cost	**23**	**2**	**-**	**-**	**-**	**-**	**-**	**25**
Net book value (C - see C Note 6.2)	**902**	**43**	**(1)**	**2**	**-**	**-**	**1**	**946**
Recoveries on loans written off in prior periods			-	-	-	-	-	
Impairment of other customers transactions			-	-	-	-	-	
Corporate and equivalent cost of risk			**(1)**	**2**	**-**	**-**	**1**	
Total loans								
Stage 1 loans	10,783	776	-	-	-	-	-	11,559
Stage 2 loans	830	(13)	-	-	-	-	-	817
Guarantee deposits	-	-	-	-	-	-	-	-
Stage 3 loans	199	23	-	-	(12)	-	(12)	210
Total	**11,812**	**786**	**-**	**-**	**(12)**	**-**	**(12)**	**12,586**
Impairment of Stage 1 loans	(27)	-	(4)	6	-	-	2	(25)
Impairment of Stage 2 loans	(25)	-	(5)	6	-	-	1	(24)
Impairment of Stage 3 loans	(108)	-	(24)	16	-	-	(8)	(116)
Total impairment	**(160)**	**-**	**(33)**	**29**	**-**	**-**	**(4)**	**(165)**
Deferred items included in amortized cost	**161**	**16**	**-**	**-**	**-**	**-**	**-**	**177**
Net book value	**11,813**	**802**	**(33)**	**29**	**(12)**	**-**	**(16)**	**12,599**
Recoveries on loans written off in prior periods						3	3	
Impairment of other customers transactions			(1)	-	-	-	(1)	
Total cost of risk			**(34)**	**29**	**(12)**	**3**	**(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 June 2019 (€53 million end of December 2018). 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).

22.2 Change in Cost of Risk

(in million euros)	Retail	Corporate dealers	Corporate and equivalent	June 30, 2019	June 30, 2018	Dec. 31, 2018
Stage 1 loans						
Allowances	(3)	(1)	-	(4)	(5)	(7)
Reversals	4	2	-	6	2	3
Stage 2 loans						
Allowances	(3)	(2)	-	(5)	(6)	(7)
Reversals	5	-	1	6	3	3
Stage 3 loans						
Allowances	(16)	(7)	(1)	(24)	(33)	(39)
Reversals	6	9	1	16	47	56
Stage 3 other customers transactions						
Allowances	-	(1)	-	(1)	(1)	-
Reversals	-	-	-	-	-	-
Credit losses	(12)	-	-	(12)	(17)	(40)
Recoveries on loans written off in prior periods	3	-	-	3	5	17
Cost of risk	**(15)**	**-**	**1**	**(14)**	**(5)**	**(14)**

The Bank's credit management policy is described in the "Credit Risk" section of the Management Report at December 31, 2018.

22.3 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.

Note 23 Income Taxes

23.1 Evolution of Balance Sheet Items

(in million euros)	Balance at Dec. 31, 2018	Income	Equity	Payment	June 30, 2019
Current tax					
Assets	2				7
Liabilities	(11)				(2)
Total	**(9)**	**(21)**	**-**	**35**	**5**
Deferred tax					
Assets	1				2
Liabilities	(329)				(339)
Total	**(328)**	**(10)**	**1**	**-**	**(337)**

23.2 Income Taxes of Fully-Consolidated Companies

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

Deferred taxes are determined as described in Note 2.A, last paragraph of the 2018 annual report, 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%.

At the end of December 2018 and June 2019, deferred taxes are evaluated based on the rates of the 2018 French Finance Act except for the rate used for 2019.

(in million euros)	June 30, 2019	June 30, 2018	Dec. 31, 2018
Current tax			
Income taxes	(21)	(36)	(57)
Deferred tax			
Deferred taxes arising in the period	(10)	(13)	(46)
Unrecognized deferred tax assets and impairment losses	-	-	-
Total	**(31)**	**(49)**	**(103)**

23.3 PSA Banque France Group Tax Proof

(in million euros)	June 30, 2019	June 30, 2018	Dec. 31, 2018
Pre-tax income	164	154	321
Permanent differences	4	3	2
Taxable Income	**168**	**157**	**323**
Theoretical tax	(58)	(54)	(111)
Theoretical rate	*34.43%*	*34.43%*	*34.43%*
Deferred Taxes evaluation without exceptional contribution of 15%	28	7	12
Of which effect of revaluation of deferred taxes assets and liabilities reversed from January,1st 2019	*28*	*7*	*12*
Special tax contribution on dividend distributed	-	-	-
Reclassification of the contribution on added value of incomes taxes (CVAE) as current tax (IAS12)	(1)	(2)	(4)
Other	-	-	-
Income taxes	**(31)**	**(49)**	**(103)**
Group effective tax rate	*18.4%*	*31.0%*	*32.0%*

23.4 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 24 Segment Information

24.1 Key Balance Sheet Items

For 2019

(in million euros)	Financing activities				
		End user			
	Corporate dealers	Retail	Corporate and equivalent	Unallocated	Total at June 30, 2019
Assets					
Customer loans and receivables	3,895	7,758	946	-	12,599
Cash, central banks	127	253	52	-	432
Financial assets at fair value through profit or loss	-	-	1	-	1
Loans and advances to credit institutions	27	107	591	-	725
Other assets				465	465
Total Assets					**14,222**
Liabilities					
Refinancing (1)	3,201	7,565	917	-	11,683
Due to customers (1)	16	22	5	-	43
Other liabilities				1,174	1,174
Equity				1,322	1,322
Total Liabilities					**14,222**

For 2018

(in million euros)	Financing activities				
		End user			
	Corporate dealers	Retail	Corporate and equivalent	Unallocated	Total at Dec. 31, 2018
Assets					
Customers 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**

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

24.2 Key Income Statement Items

At June 30, 2019

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

At June 30, 2018

(in million euros)	Corporate dealers	Retail	Corporate and equivalent	Unallocated	Insurance and services	Total at June 30, 2018 Proforma
	Financing activities					
		End user				
Interest and similar income	29	152	18	6		205
Interest and similar expenses	(3)	(19)	(3)	(4)		(29)
Fees and commissions income	2	4	2	-	54	62
Fees and commissions expenses	-	-	-	-	(2)	(2)
Net gains or losses on financial instruments at fair value through profit or loss (1)	-	-	-	1		1
Income on other activities	1	7	-	1		9
Expenses on other activities	-	(1)	-	(6)		(7)
Net banking revenue	**29**	**143**	**17**	**(2)**	**52**	**239**
Credit Cost of risk	9	(14)	-			(5)
Net income after cost of risk	**38**	**129**	**17**	**(2)**	**52**	**234**
General operating expenses and equivalent				(80)		(80)
Operating Income	**38**	**129**	**17**	**(82)**	**52**	**154**

(1) *Unallocated interest revenue on customer transactions for the part corresponds to the ineffective portion of gains or losses on hedging instruments recognized in the income statement in accordance with IAS 39 for -€0,2 million at June 30, 2019 (compared to €1 million at June 30, 2018) (See Note 19). The other part corresponds to other revenue and expense.*

Note 25 Subsequent Events

No event occurred between June 30, 2019 and the Board of Directors' meeting to review the financial statement on September 24, 2019 that could have a material impact on economic decisions made on the basis of these financial statements. It should be noted, however, that after the closing, Law No. 2019-759 of July 24, 2019, creating a tax on digital services and modifying the trajectory of the drop in corporate tax was published in the Official Journal of July 25, 2019. The tax rate on companies was voted at 33.1/3% for 2019.

2.7 Statutory Auditors' review report on the 2019 half-year financial information

For the period from January 1st to June 30th, 2019

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,

PSA Banque France
9, rue Henri Barbusse
92623 Gennevilliers Cedex

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

- the review of the accompanying condensed half-year consolidated financial statements of PSA Banque France, for the six months ended June 30, 2019;
- the verification of the information contained in the half year management report.

These condensed half-year consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

I - Conclusion on the financial statements

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

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

Without qualifying our conclusion, we draw your attention to note 2, which sets out the requirements and the evolution of accounting principles resulting from the adoption of IFRS 16 "Leases" as from 1 January 2019.

II - Specific verification

We have also verified the information given in the half-year management report on the condensed half-year consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and consistency with the condensed half-year consolidated financial statements.

Neuilly sur Seine and La Défense, September 24, 2019

The Statutory Auditors
French original signed by

PricewaterhouseCoopers Audit	Mazars
Laurent Tavernier	Matthew Brown

Statement by the person responsible for the 2019 half-year report

Person responsible for the half-year report

Jean-Paul Duparc
Chief Executive Officer of PSA Banque France

Certification of the person responsible for the half-year report

I hereby certify, to my knowledge, that the financial statements for the first half of the year have been prepared in accordance with the applicable accounting standards and provide a true image of PSA Banque France assets, financial situation and earnings and of all of the companies included in the consolidation, and that the management report hereof presents a true picture of the business, the earnings and of the financial situation of the company during the first six months of the year of the company and of all of the companies included in the consolidation as well as a description of the main risks and uncertainties for the remaining six months of the year.

Drawn up in Gennevilliers, September 24, 2019

Jean-Paul Duparc
Chief Executive Officer of PSA Banque France

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 business identifier code: 6419Z
Interbank code: 14749

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