BANQUE PSA FINANCE



2010
Annual Report

BOARD OF DIRECTORS

Frédéric Saint-Geours
Chairman

Philippe Varin
Director

Philippe Alexandre
Director

PEUGEOT S.A.
Represented by:
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Managing Director

AUDITORS

Pricewaterhousecoopers Audit
Mazars

SUBSTITUTE AUDITORS

Etienne Boris
Guillaume Potel

At December 31, 2010

BANQUE PSA FINANCE

Société anonyme. Share capital: €177,408,000 euros

Registered office - 75, avenue de la Grande Armée – 75116 Paris - France
Registered in Paris under no. 325 952 224 - Siret 325 952 224 00013
APE business identifiered code: 6419Z
Interbank code: 13168N

Phone: + 33 (1) 46 39 66 33 – Fax: + 33 (1) 46 39 54 03
Registered in the Orias insurance broker register under no. 07 008 501
(www.orias.fr.)

Annual Shareholder's Meeting of April 19, 2011

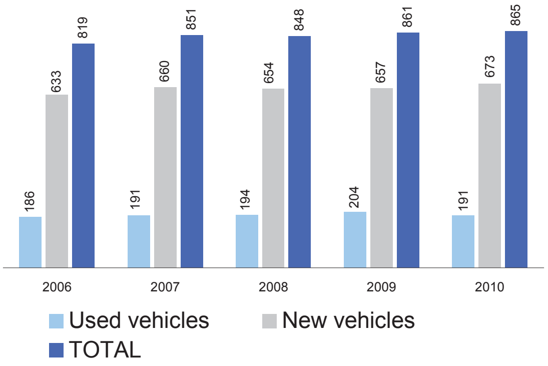
Wholly-owned by Peugeot S.A., Banque PSA Finance provides financing for sales of Peugeot and Citroën cars and light commercial vehicles in 23 countries. It supports the brands' growth by offering retail and fleet customers a diversified range of financing solutions and related services, and by providing Peugeot and Citroën dealers with financing for new and used vehicles and spare parts inventories.

1 ANNUAL REPORT

1.1. Key Figures

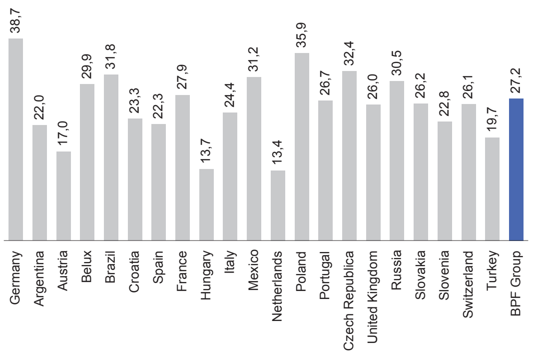
• Number vehicles financed, Retail loans

(in thousand vehicles)



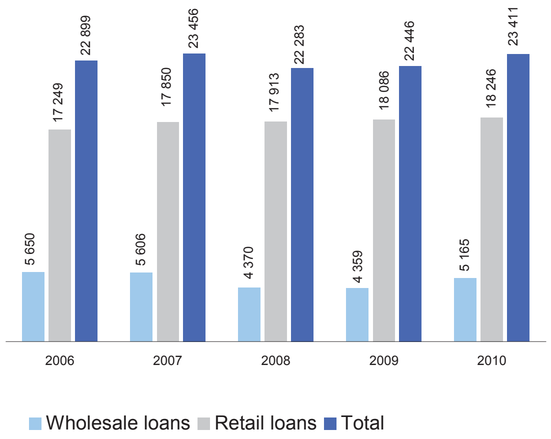
• Penetration rate by country at Dec. 31,2010

(as a %)(new vehicles financed/PSA PEUGEOT CITROEN new vehicle registrations)

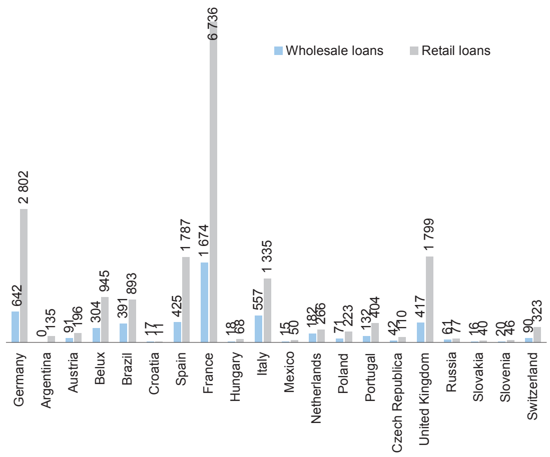


• Outstanding Retail and Wholesale loans at Dec.31, 2010

(in million euros)

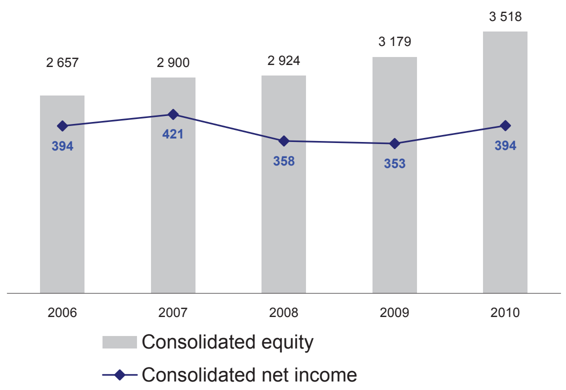


• Outstanding Retail and Wholesale loans by country at Dec.31, 2010 *(in million euros)*



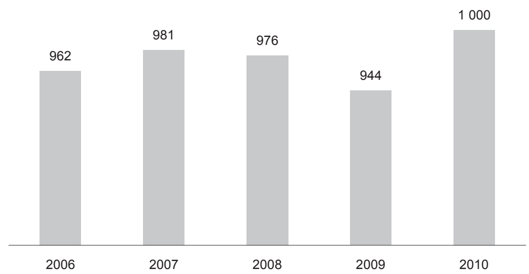
• Equity and net income at Dec.31, 2010

(in million euros)



• Net banking revenue

(in million euros)



1.2. Chairman's Message

Global automobile markets rose by an aggregate 10% in 2010. As in 2009, growth was led by China (up 30%) and Latin America (up 14%). In this environment, PSA Peugeot Citroën sold 3,602,200 new vehicles and CKD units, an increase of 13% from 2009.

In its markets, Banque PSA Finance continued to actively support the carmakers' sales during the year by financing 27.2% of all new Peugeot and Citroën vehicles sold, versus 27.5% in 2009. In all, the Bank financed the acquisition of more than 672,000 new vehicles, up 1.7% from the year before.

While dedicated to strengthening synergies with the brands and partnerships with the dealer networks, the Bank's marketing strategy was also driven by a strong team effort in developing innovative services, diversifying them and rolling them out to as many Bank entities as possible. 2010 was a record year for service and insurance contracts, with more than 1,320,000 contracts written, for a penetration rate of 152.9%.

Nevertheless, in meeting its objectives, the Bank was careful to maintain the credit quality of its loan book. By pursuing a more selective approach towards highest-risk customers and firming up its collection and recovery processes, the Bank succeeded in keeping the cost of risk at a manageable 0.56% of average net outstanding loans.

On the refinancing side, Banque PSA Finance adopted a responsive strategy aligned with the extremely tight market, diversifying its sources to actively secure the liquidity needed to conduct its business. In addition, the Bank has €8,375 million in undrawn lines of credit.

As a major part of its growth strategy and reflection of its even greater global scope, Banque PSA Finance accelerated its international expansion in 2010, setting up Retail lending in Russia and expanding its partnership in China.

The Russian Retail loan business, launched in June 2010, originated more than 16,000 loans for the full year. In China, Banque PSA Finance increased its interest in its local financing subsidiary to 75% by acquiring Bank of China's stake in the venture.

Lastly, Banque PSA Finance continued to enhance its internal control system.

The combination of all these factors, which represent highly compelling indicators of its teams' operational efficiency, enabled the Bank to report consolidated pre-tax income of €534 million, a very satisfactory performance given the risk created by heavy market turbulence.

While it remains difficult to predict how the economic environment will evolve in the coming year, Banque PSA Finance has clearly demonstrated the robustness of its business model and once again turned in a marketing and financial performance in line with the expectations of the PSA Peugeot Citroën Group. The Bank can draw on considerable strengths to continue delivering in all areas of performance in 2011, where automotive consumption behaviors evolve more and more towards diversified mobility offers.

Frédéric Saint-Geours

1.3. Group Overview

New financing

	2010	2009	% change
Retail loans			
Number of vehicles financed	864 670	860 509	+ 0,5
Amount of financing (in million euros, excluding interests)	8 627	8 459	+ 2,0
Wholesale loans			
Number of vehicles financed	2 146 386	2 144 444	+ 0,1
Amount of vehicles financing (in million euros)	37 104	35 118	+ 5,7
Amount of spare parts financing (in million euros)	4 544	4 618	- 1,6

Balance sheet

(in million euros)

Outstanding loans at December 31	2010	2009	% change
Retail loans	18 246	18 086	+ 0,9
Wholesale loans	5 165	4 359	+ 18,5
Total loans	**23 411**	**22 445**	**+ 4,3**
Consolidated stockholders' equity before income appropriation	3 518	3 179	+ 10,7
Total assets	**26 862**	**26 026**	**+ 3,2**

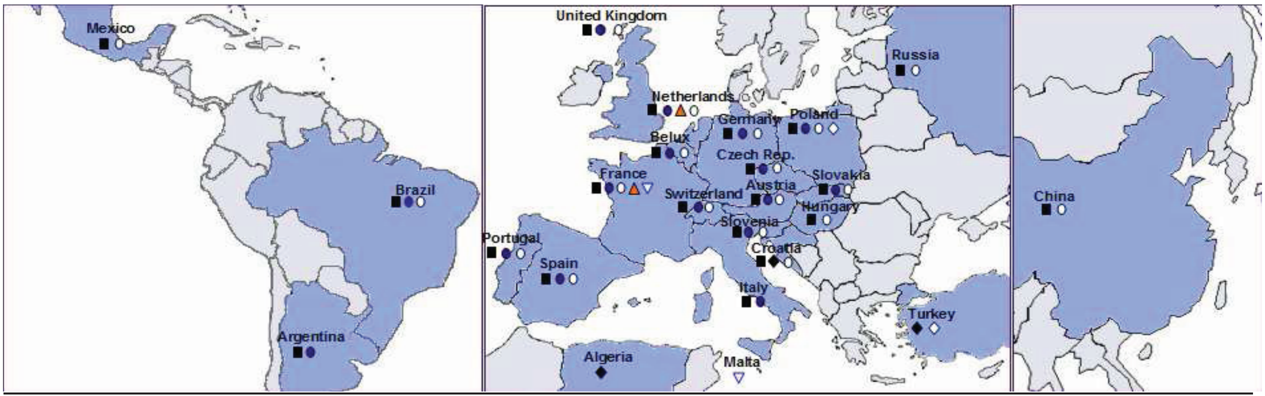
Income statement

(in million euros)	2010	2009	% change
Net banking revenue	1 000	944	+ 5,9
Gross operating profit	636	610	+ 4,3
Cost of risk	-129	-112	+ 15,2
Pre-tax income	534	495	+ 7,9
Net income for the year	**394**	**353**	**+ 11,6**
- of which minority interests	6	3	+ 100,0
- of which attributable to equity holders of the parent	388	350	+ 10,8

Net banking revenue by portfolio

(in million euros)	2010	2009	% change
Retail	644	602	+ 7,0
Corporate dealers	121	106	+ 14,2
Corporate and equivalent	32	33	- 3,0
Others	203	203	- 0,1
Total	**1 000**	**944**	**+ 5,9**

1.4. Businesses of the Main Banque PSA Finance Companies and its Branches



Country	%*	Company	Automotive financing	Refinancing	Services
Algeria	100%	BPF Algérie	◆		
Argentina	50%	PSA Finance Argentina Compania Financiera S.A.	■ ●		
Austria		Banque PSA Finance SA Niederlassung Österreich	■ ● ○		
Belgium Luxembourg	100%	PSA Finance Belux	■ ● ○		
Brazil	100%	Banco PSA Finance Brazil S.A.	■ ○		
	100%	PSA Finance Arrendamento Mercantil S.A.	●		
China	75%	Dongfeng Peugeot Citroën Auto Finance Co Ltd	■ ○		
Croatia	100%	PSA Financial d.o.o.	■ ◆ ○		
Czech Republic	100%	PSA Finance Ceska Republika S.r.o.	■ ● ○		
France		Banque PSA Finance		▲	
	100%	Groupe Crédipar	■ ● ○		
	98%	Sofira	○		
	100%	Sofib	○		
	90%	PSA Assurances S.A.S.			▽
Germany		Banque PSA Finance SA Niederlassung Deutschland	■ ● ○		
Hungary	100%	PSA Finance Hungaria Zrt.	■ ○		
Italy		Banque PSA Finance – Succursale in Italia	■ ● ○		
	100%	PSA Renting Italia S.p.A.	●		
Malta	90%	PSA Services Ltd			▽
	90%	PSA Insurance Ltd			▽
	90%	PSA Life Insurance Ltd			▽
Mexico	100%	Banque PSA Finance Mexico, S.A. de C.V. SOFOL	■ ○		
Netherlands	100%	PSA Finance Nederland B.V.	■ ● ○		
	100%	Peugeot Finance International N.V.		▲	
Poland		Banque PSA Finance SA Oddzial w Polsce	■ ○		
	100%	PSA Finance Polska Sp.zo.o	●◇ ○		
Portugal		Banque PSA Finance – Succursal em Portugal	■ ●		
	98%	PSA Gestao Comercio E Aluguer de Veiculos	● ○		
Russia	98%	Bank PSA Finance Rus	■ ○		
Slovakia	100%	PSA Finance Slovakia S.r.o.	■ ● ○		
Slovenia	50%	BPF Financiranje d.o.o.	■ ● ○		
Spain		Banque PSA Finance – Sucursal en España	■ ● ○		
Switzerland	100%	PSA Finance Suisse S.A.	■ ● ○		
Turkey	100%	BPF Pazarlama A.H.A.S.	◆ ◇		
United Kingdom		Banque PSA Finance – Branch in UK	■ ●		
	100%	PSA Wholesale Ltd	○		

■ Retail financing: installment loans
● Retail financing: lease financing
○ Wholesale financing
▲ Refinancing of Banque PSA Finance units
◇ Retail ALD broker
◆ Retail financing broker
▽ Insurance activity
* % interests Group BPF

1.5. Business Review

→ 1.5.1 Peugeot and Citroën sales in 2010

Global automobile markets rose by an aggregate 10% in 2010. As in 2009, growth was led by China (up 30%) and Latin America (up 14%). Demand in Europe was down 4% overall, reflecting very uneven performances across the region, as follows:

- France: 0%
- Germany: -22%
- Spain: +4%
- Italy: -8%
- United Kingdom: +3%
- CEEC: -4%

In this environment, worldwide sales of PSA Peugeot Citroën assembled vehicles and CKD units increased by 13% to 3,602,200 during the year.

- Sales of assembled vehicles alone rose 9.8% to 3,125,100 units.
- CKD sales climbed 39.4% to 477,000 units, lifted by strong demand for the Peugeot brand.

In 2010, Peugeot confirmed its position as the world's leading French car brand, while in Europe, Peugeot and Citroën rose in the brand league tables to rank fourth and sixth respectively.

In a European car and light commercial vehicle market that declined by 4% in 2010, registrations of PSA Peugeot Citroën vehicles contracted by 0.9% to 2,195,000 units. The Group's market share further improved to 14.2%, up 0.4 point compared with 2009.

In 2010, the car market was affected by an additional scale-back in scrappage incentives in France and the elimination of similar schemes in Germany and Spain. As expected, demand declined by 5.1% for the year, with wide variances between the first half (up 0.5%) and the second (down 11.1%).

In the light commercial vehicle segment, which grew by 9.9% in 2010, PSA Peugeot Citroën retained its leadership position with market share of 21.9%.

Sales outside Europe accounted for 39% of the consolidated 2010 total, compared with 32% in 2009. The trend grew even stronger as the year unfolded, with 43% of sales generated outside Europe in the second half. This sustained expansion confirms PSA Peugeot Citroën's commitment to its priority growth regions of Latin America, China and Russia, while demonstrating that its ambition of becoming more global is being realized.

Demand in Latin America pursued its upward trajectory in the second half, enabling the region's markets to end the year with a combined 14% gain, led by Brazil (up 10%) and Argentina (up 29%). Consolidated sales rose 26.7% to 294,300 units, raising market share to a historic record 5.4% in volume terms, from 5.2% in 2009. Faster expansion in the Group's regional operations was driven by introduction of the Citroën C3 Aircross (in September) and the Peugeot Hoggar pick-up (in May), along with a more aggressive sales strategy adapted to local markets.

With 1,906,000 registrations and a 30% rise in demand over the year, the Russian market sustainably entered a new period of fast growth in 2010. In this environment, the Group maintained its positions over the full year, with sales up 37% to 55,500 units and a 2.8% market share. However, it made stronger gains following start-up of local production of the Peugeot 308 and 4007 and the Citroën C4 and C-Crosser, whose combined sales surged 85% in the second half.

The Chinese market was again the leading driver of global automobile sales in 2010, with local demand rising by 30% over the year. PSA Peugeot Citroën's sales rose to a new record high, surging 38% to 375,600 vehicles, for a market share of 3.4%. By strengthening its cooperative venture with Dong Feng and signing a new joint venture agreement with Chang'An (subject to approval by Chinese authorities), the Group has laid the groundwork for achieving its ambitious growth objectives.

The Group's model range strategy is designed to increase the value of the Peugeot and Citroën brands.

Successful launches during the year included the new Citroën DS distinctive line, which debuted in March with the Citroën DS3, and the new Peugeot RCZ, introduced in May following the Peugeot 3008 launch in April 2009.

The Group's technological advances in conventional engine technology led to a further reduction in corporate average emissions to 132.4g of CO_2/km versus 135.4g in 2009.

→ 1.5.2 Banque PSA Finance - A Broader Geographic Footprint

In June 2010, as part of its strategy of expanding international, Banque PSA Finance launched the Retail financing activity in Russia (more than 30.5% of penetration rate for 2010) after developping the dealer's inventory financing activity.

The subsidiary in China financed 275,000 vehicles on 2010 in the network, (an increase of 17% compared with 2009) and 15,000 contracts were entered into with end users.

In China, where Banque PSA Finance has had operations since 2004, the purchase of the shares held by Bank of China enabled us to strengthen our international footprint. BPF now owns 75% of the Chinese subsidiary.

Banque PSA Finance's operations now span 23 countries, covering 91% of PSA Peugeot Citroën's business base. The Bank is pursuing an aggressive marketing strategy in these markets, with an unflagging commitment to offering customers financing products and services fully aligned with their management practices, protection needs and, more generally, all of their wide-ranging expectations. Of course, this dynamic isn't done in a manner which would have a detrimental effect on our risk control.

→ 1.5.3 Retail Financing

Strong Momentum maintained in a Persistent Recession

Despite wide variances from one country to another depending on the effect of the crisis on the local car markets, Banque PSA Finance's sales performance remained stable in new and used vehicle financing volume in 2010, with 864,670 against 860,509 in 2009.

This performance was rendered possible by the implementation of Banque PSA Finance's business model which blends local initiatives with ongoing training of sales staff, Retail offers targeted to specific market segments, supported by strong synergies with the brands programmes together with constant innovative products and packages.

Thus after an atypical first six monthes of the year (25.6% of penetration rate), the second one was very well driven (29,0% of penetration rate).

In this context, technics for sales on credit have been favoured compared with rental financing technics (+4,4% against -7,3%).

New Vehicle Financing

The global performance of the finance companies was driven by the dedication of their teams, their increased dealership presence, and their continuously enhanced product and service offering.

Strengthening synergies with the brands' marketing organizations is an essential factor in Banque PSA Finance's sales strategy.

This economic environment helped to lift the Bank's penetration rate among Peugeot and Citroën buyers (to 27.2% in 2010 from 27.5% in 2009).

In turn, this drove an increase in the number of new vehicles financed to 672,280 units for the year, an increase of 2.5%.

The contribution from new markets (without the European market) continued to grow, accounting for 16% of new vehicle financing versus 14.8% in 2009. Brazil and Argentina were the main contributors. But one should also note the spectacular growth from Banque PSA Finance in China and in Russia.

Western Europe

The number of new vehicles financed by the Bank decreased by 2.9% in 2010, to 542,710. This decreased the bank's penetration rate by 0.7 point.

Given the highly uncertain economic environment, market share performance was positive for the year, with significant gains in Germany (+1.7 points), Italy (+1.1 points), Belgium (+0.3 point); but declined in Spain (-3.9 points), United Kingdom (-3.5 points), Switzerland (-2.0 points).

In a French market shaped by scrappage incentives that encouraged many carbuyers to pay cash, Crédipar's share of new Peugeot and Citroën financing rose by 0.5% to 242,991 in 2010 thanks to a broad range of products. Crédipar also launched targeted initiatives to support the brands (buy-backs, fostering of customer loyalty, conquest).

In Germany, with the decision to stop the scrappage scheme mid-year, the market declined by 22% and the local branch reported a decrease by 27.2% in financing volumes. Led by marketing campaigns undertaken jointly with the brands, its penetration rate contracted to a high 38.7%. The active partnership with the brands also led to the development of packages (*Easydrive* for Peugeot and *Doppel Flat* for Citroën) including financing, maintenance services and a flat-rate auto insurance option (i.e. with the same monthly premium throughout the financing term).

In Spain, the VIVE government-subsidized loan plan (offering 0% interest for 60 months on loans of up to €10,000, which have strongly increased sales volume in 2009) expired. But the Spanish branch reacted strongly during the second semester, its penetration rate decreased only by 3.9 points with a drop of 16.2% in its volume.

In the United Kingdom, in a highly competitive market shaped by extensive promotional activity, the local branch's close cooperation with the brands and the «balloon» financing campaigns limited the impact of the market decline on business volumes. One must also note the success of the *Just Add Fuel* operation organised by Peugeot Automobile.

In Italy, despite a decrease of the market, operations led jointly with the brands strongly helped the Bank to face up the situation. Its volume only decreased by 0.5%, the penetration increasing by 1.1 points.

In Belgium, Banque PSA Finance's sales volume increased (+13.5%) in a 13% upward trend market, as did its penetration rate (+0.3 point), lifted by the success of offers launched and extended during the Brussels Auto Show in 2010.

Central and Eastern Europe

Although worsening conditions in automobile markets, particularly in Hungary and Croatia, impacting PSA Peugeot Citroën registrations, improvements in the penetration rates of all of Banque PSA Finance's regional subsidiaries helped to contain the fall-off in Retail financing volumes. Croatia and Slovenia are particularly different in term of sales volume with respective increase by 41.8% and 14.6%.

Financing, personal insurance and automotive insurance ranges are active in most of countries and the high penetration rates are the result of a significant interest from customers for these offers.

We also note the high level of penetration rate in Poland (35.9%) and Czech Republic (32.4%).

Latin America

In Brazil, where market growth was spurred by the government's sharp reduction in new vehicle sales taxes, the local BPF subsidiaries recorded a 4.9% increase in financing volume, but its market share decreased by 3.1%. Increased competition from credit banks within dealerships hase been a heavy reality. Excellent marketing performance and the improvement in dealer loyalty during the year were driven by the subsidiaries' close cooperation with the brands, initiated in 2008, and their support for dealers in both Retail and Wholesale financing.

In Argentina, the market grew significantly by 29% in 2010 compared with 2009. In this favorable context, PSA Peugeot Citroën company increased by 21% with 20,238 vehicles financed by its Bank in 2010 against 7,586 in 2009.

Rest of World

In Turkey, although financing volume increased significantly with 54.3% of growth, the subsidiary's penetration rate decreased slightly by 1.3 points. During 2010, the subsidiary worked differently, due to new partnership arrangements and many actions have been launched to attract new customers.

Used Vehicle Financing

Used vehicle financing expanded less rapidly in 2010 compared with 2009. In Europe, this decrease in sales volumes can be explained, first, by the decline of car rental companies' buy-backs, second, by the weight of sales impelled by scrappage incentives, and third, by a higher level of selection from Banque PSA Finance.

However, international markets became more normal for the last three months, but one notes the important variance between the strong decrease in Europe and the high growth from the international market.

New Retail Financing

	2010	2009	% change
Number of contracts			
Instalment sales	598 574	573 578	+ 4,4
Leasing activity and other financing	266 096	286 931	- 7,3
TOTAL	**864 670**	**860 509**	**+ 0,5**
of which outside Western Europe	140 828	107 054	+ 31,5
In million euros (excluding interests)			
Instalment sales	5 105	4 836	+ 5,6
Leasing activity and other financing	3 522	3 624	- 2,8
TOTAL	**8 627**	**8 459**	**+ 2,0**
of which outside Western Europe	1 079	764	+ 41,2
Average outstanding retail	17 452	17 371	+ 0,5

Number of New and Used Vehicles financed by Banque PSA Finance

	2010	2009	% change
Algeria *	N/A	1 359	N/A
Germany	92 855	116 746	- 20,5
Argentina	20 238	7 586	+ 166,8
Austria	8 727	9 156	- 4,7
Belux	41 134	36 465	+ 12,8
Brazil	60 881	58 448	+ 4,2
Croatia	1 335	924	+ 44,5
Spain	54 269	70 896	- 23,5
France	325 016	320 274	+ 1,5
Hungary	846	1 794	- 52,8
Italy	61 772	62 791	- 1,6
Mexico	2 057	4 372	- 53,0
Netherlands	13 257	10 897	+ 21,7
Poland	14 537	11 800	+ 23,2
Portugal	14 864	13 169	+ 12,9
Czech Republic	5 123	6 260	- 18,2
United Kingdom	101 436	103 094	- 1,6
Russia **	16 306	-	+ 100,0
Slovakia	2 493	2 689	- 7,3
Slovenia	2 689	2 503	+ 7,4
Switzerland	10 512	9 967	+ 5,5
Turkey	14 323	9 319	+ 53,7
Total	**864 670**	**860 509**	**+ 0,5**

* The car financing for private people stopped at end 2009, given the governmental measures.
** Opening of the activity in 2010.

Banque PSA Finance Market Share by Country

	PSA Peugeot Citroën registrations *		New vehicles financed *		Banque PSA Finance penetration rate	
Countries	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Algeria **	N/A	20 043	N/A	1 359	N/A	6,8
Germany	173 895	249 776	67 228	92 408	38,7	37,0
Argentina	79 657	66 132	17 546	6 342	22,0	9,6
Austria	32 208	32 068	5 485	5 706	17,0	17,8
Belux	124 833	110 980	37 337	32 896	29,9	29,6
Brazil	174 413	151 186	55 418	52 834	31,8	34,9
Croatia	5 337	7 441	1 245	878	23,3	11,8
Spain	202 968	205 625	45 185	53 920	22,3	26,2
France	871 875	850 743	242 991	233 109	27,9	27,4
Hungary	3 886	4 913	531	1 209	13,7	24,6
Italy	238 718	251 041	58 299	58 592	24,4	23,3
Mexico	6 195	7 243	1 935	4 052	31,2	55,9
Netherlands	70 686	56 420	9 484	6 966	13,4	12,3
Poland	35 753	29 604	12 827	10 475	35,9	35,4
Portugal	43 641	31 995	11 672	7 694	26,7	24,0
Czech Republic	15 185	16 571	4 919	5 950	32,4	35,9
United Kingdom	217 437	204 040	56 605	60 212	26,0	29,5
Russia ***	53 081	-	16 189	-	30,5	-
Slovakia	9 089	12 922	2 381	2 633	26,2	20,4
Slovenia	10 261	9 305	2 337	2 040	22,8	21,9
Switzerland	32 316	27 037	8 424	7 597	26,1	28,1
Turkey	72 257	43 922	14 242	9 233	19,7	21,0
Total	**2 473 691**	**2 389 007**	**672 280**	**656 105**	**27,2**	**27,5**

* Car and light commercial vehicles
** The car financing for private people stopped at end 2009, given the governmental measures.
*** Opening of the activity in 2010.

Marketing Strategy

A Dynamic Partnership with the Brands

The partnership with the Peugeot and Citroën brands was further strengthened in 2010, leading to greater integration within their sales and marketing policies. For example, Banque PSA Finance's financing products are now systematically promoted in sales and marketing support, joint mobility offers, etc. The growing proportion of joint campaigns in the marketing mix helped boost Banque PSA Finance's business momentum and maintain its market share during the year.

To support Peugeot and Citroën's online marketing messages and offerings, simulation and presentation applications have been developed to enable customers to explore Banque PSA Finance's financing solutions. Credit simulators, personalized customer service area, online customer relation management have been introduced in France, Germany, Italy, United Kingdom, Spain, Portugal, Belgium, Switzerland, Poland and Czech Republic.

Banque PSA Finance is also taking part in the work done by the brands to identify the specific products likely to appeal to target customer segments, well ahead of a new vehicle's market launch. For example, the Bank takes part directly in the selling of the first electric cars.

The Bank is strategically committed to building customer loyalty to the two brands and their financing partner, with dedicated campaigns being deployed in a number of countries.

Finally, the performance of the networks was enhanced by greater training and by working more closely with them.

A Sustained Drive to Develop New Products, Services and Insurance Offerings

The Bank has substantially extended the geographic reach of its packaged offerings, which are based on a broad choice of complementary financing and service options.

In 2010, the finance companies continued to extend their service and insurance offerings, such as instalment loans and service contracts in Belgium; variable and fixed rates combination, specific leasing for B to B with offered contracts in Austria; automotive insurance, financing, assistance and maintenance combination with the *Just Add Fuel c*ampaign in the United Kingdom; diverse combinations with 0%-rate and flat rate insurances in Germany; 0%-rate and packages in Spain...

Banque PSA Finance also continued to developp its life and nonlife insurance companies, which now write payment protection insurance and complementary insurance for several entities and will continue to extend their geographic and commercial footprint in 2011.

Otherwise, the automotive insurance development is accelerated (+33,9% compared with 2009) by the setting up of ambitious development plans, giving priority to innovation on packages and on new consumption use (such as electrical vehicles).

Banque PSA Finance plays an essential role in PSA Peugeot Citroën’s strategic vision. As a creative force and an enabler of future customer mobility, it is continuing to pursue its ambitious innovation strategy, designed to keep one step ahead in terms of products, services and insurances.

Growth in the Retail Loan Book

The outstandings on Banque PSA Finance's end customers increased 0.9% at December 31, 2010 and amounts to €18,246 million.

The average net outstandings increased by 0.5%.

Oustanding Loans

(in million euros)	2010	2009	% change
Retail loans outstanding			
Net of differed income allowances for credit losses	**18 246**	**18 086**	***+ 0,9***
of which outside Western Europe	*1 653*	*1 354*	*+ 22,1*

Outstanding Loan by Country

(In million euros)	Outstanding loans at December 31, 2010 Wholesale loans	Retail loans	TOTAL	Outstanding loans at December 31, 2009 Wholesale loans	Retail loans	TOTAL
Germany	642	2 802	3 444	537	2 931	3 468
Argentina	-	135	135	-	74	74
Austria	91	196	287	78	197	276
Belux	304	945	1 249	275	839	1 114
Brazil	391	893	1 284	292	755	1 047
Croatia	17	11	28	15	7	22
Spain	425	1 787	2 212	425	2 044	2 469
France	1 674	6 736	8 410	1 308	6 828	8 137
Hungary	18	68	86	13	84	97
Italy	557	1 335	1 892	605	1 330	1 935
Mexico	15	50	65	15	57	72
Netherlands	182	266	448	165	277	441
Poland	71	223	294	63	194	257
Portugal	132	404	536	119	385	504
Czech Republic	42	110	152	37	113	150
United Kingdom	417	1 799	2 216	320	1 639	1 958
Russia	61	77	138	-	-	-
Slovakia	16	40	56	14	39	53
Slovenia	20	46	66	16	31	47
Switzerland	90	323	413	61	262	323
Total	**5 165**	**18 246**	**23 411**	**4 359**	**18 086**	**22 446**

Services

Sales of services and insurance increased to an historical level of 1,322,401 contracts. As a result, their penetration rate is also to a significant level of 152.9% (a growth of 18.5%), reflecting the global widening of the package offers satisfying real needs on all markets. Within its services, warranty extentions, maintenance and insurance grew strongly.

Automotive insurances has increased strongly as well by 33,9%.

Services

(In number of contracts)	2010	2009	% change
Financial services	585 397	576 208	+ 1,6
Car insurance	242 758	181 266	+ 33,9
Vehicle-related services	494 246	398 873	+ 23,9
Total	**1 322 401**	**1 156 347**	+ 14,4

→ 1.5.4 Wholesale Financing: Conservative Inventory and Liquidity Management Policies

Banque PSA Finance principally provides financing for new and demonstration vehicles and spare parts for the two brands' dealer networks.

In 2010, 2,146,386 vehicles were financed, which shows a stability compared with 2009. This stability in financed inventory, in a background of an increase in registrations of 3.5%, reflects the positive effects of conservative inventory management within Peugeot and Citroën's networks.

On the other hand, amounts financed were slightly up due to the impact of a favorable mix on the average value of vehicles taken into inventory.

New Wholesale Financing

	2010	2009	% change
Number of vehicles	**2 146 386**	**2 144 444**	**+ 0,1**
Amount (in million euros)			
Vehicles	37 104	35 118	+ 5,7
Spare parts	4 544	4 618	- 1,6
Total	**41 648**	**39 736**	**+ 4,8**

Wholesale Outstanding Loans

	2010	2009	% change
Outstanding loans at December 31			
Vehicles	4 633	3 878	+ 19,5
Spare parts	532	481	+ 10,6
Total	**5 165**	**4 359**	**+ 18,5**

Wholesale Financing by Country

(in number of vehicles financed)	2010	2009	% change
Germany	209 375	270 381	- 22,6
Austria	30 993	32 170	- 3,7
Belux	106 695	96 636	+ 10,4
Brazil	179 269	157 876	+ 13,6
Croatia	3 713	4 441	- 16,4
Spain	159 338	178 041	- 10,5
France	773 599	763 716	+ 1,3
Hungary	3 677	4 943	- 25,6
Italy	212 354	238 618	- 11,0
Mexico	5 933	6 730	- 11,8
Netherlands	79 781	60 731	+ 31,4
Poland	33 410	25 913	+ 28,9
Portugal	44 939	34 428	+ 30,5
Czech Republic	14 636	16 365	- 10,6
United Kingdom	223 445	208 598	+ 7,1
Russia	17 145	-	+ 100,0
Slovakia	8 811	13 004	- 32,2
Slovenia	9 694	7 710	+ 25,7
Switzerland	29 579	24 143	+ 22,5
Total	**2 146 386**	2 144 444	+ 0,1

1.6. Results and Outlook

→ 1.6.1 Results for the Year

Despite an economic environment impacted by crisis effects, Banque PSA Finance ended the year with pre-tax income of €534 million, an increase of 7.9% which, under the circumstances, demonstrated the robustness of Banque PSA Finance's economic model.

Net banking revenue amounts to €1 000 million against €944 million in 2009 (a growth of 5.9%), which is a record for the Bank, partly as a result of a €18 million positive currency effect in the Bank’s three biggest markets outside the euro zone, the United Kingdom, Brazil and Poland. At constant exchange rates, net banking revenue would have been €982 million. Year-on-year comparisons were negatively affected by €7 million of non-recurring items (especially related exceptional items in 2009). Excluding exchange and non-recurring items, net banking revenue came to €989 million versus €944 million. The increase of 4.8% reflected the quality of Banque PSA Finance's current production in retail financing, the maintaining of wholesale financing margins and further services and insurances activities growth.

General operating expenses are at €364 in 2010. It contains a negative change and inflation effect valued at €12 million. Excluding change and inflation, growth in charges was due mainly to a €7 million increase of Banque PSA Finance's geographic footprint (Russia and Malta) and to €10 million in information system investments.

Banque PSA Finance achieved to compensate unfavorable evolutions in other sections of general operating expenses by productivity gains and savings rendered possible by processus management around PSA Excellence System.

Cost of risk is valued at €129 million, which represents 0.56% of the average net outstandings in total against 0.50% in 2009.

Cost of risk integrates net non-recurring items of €21 million in 2010 (whereas it beneficiated from favorable items for €10 million in 2009), which mainly corresponds to the adjustment of impairment rate on the Retail outstanding in Southern Europe, where crisis would be longer than the other countries in which Banque PSA Finance has its activities.

Excluding these non-recurring items, cost of risk would be valued to €108 million and 0.47% of the average net outstandings (against 0.55% in 2009). The current cost of risk is in continuous downward trend from the first semester of 2009, which shows the efficiency of risks selection actions associated with recovery actions from Banque PSA Finance in a context of crisis.

Consolidated net income amounted to €394 million versus €353 million in 2009, an increase of 11.6% (bigger than operating income's one). This increase includes gains coming from a €24 million French property disposal and €29 million of allowances reversals on differed tax assets.

→ 1.6.2 Capital Management

As a wholly-owned subsidiary of PSA Peugeot Citroën, Banque PSA Finance's disciplined capital management policies are constantly focused on preserving the strength of its balance sheet. The dividend policy remains unchanged and Banque PSA Finance only pays out 40% of its net income to PSA Peugeot Citroën. This unwavering capital management strategy is one of the Bank's management strengths.

The Bank's capital adequacy ratio and other capital ratios comply with the applicable banking regulations.

→ 1.6.3 Tier One Capital

In line with Banque PSA Finance's policy of regularly increasing Tier One capital to support business growth, and particularly international expansion, at the Annual Meeting, shareholders will be asked to approve a recommendation to reinvest 60% of net income for the year, leading to a €233.5 million increase in equity, and to pay out €155.2 million in dividends.

After taking into account the recommended appropriation of income, regulatory capital will amount to €3,104 million, up 8.7%. This will put the Bank's European capital adequacy ratio at 12.35% versus 11.23% at December 31, 2009.

At June, 30, 2010, solvability ratio was 13.44% against 13.76 at the end of 2009.

→ 1.6.4 Outlook

From the onset of the crisis, Banque PSA Finance has acted to motivate its teams, strengthen its risk prevention processes and ensure that any occurrence of risk is handled effectively in order to keep profitability high and maintain the cost of risk at a benchmark level.

Banque PSA Finance will continue to capitalize on its business model whilst developing a policy directed towards the globalisation of the brands, to reinforce the innovation of its products and services, to embed the PSA Excellence System with the Bank and to continue to reinforce the internal controls.

1.7. Refinancing Policy

Banque PSA Finance has a strong capital base in line with regulatory requirements. Each year, a significant proportion of the year's net income is transferred to reserves, leading to robust regulatory ratios that reflect the quality of the asset base.

Its refinancing strategy consists in diversifying liquidity sources as broadly as possible, matching the maturities of assets and liabilities, and hedging all of its exposure to currency and interest rate risks. The Bank also endeavors to maintain a liquidity cushion in the form of undrawn confirmed syndicated lines of credit.

This strategy enabled the Bank to finance its operations during the turmoil in the financial markets, due to the banking and financial crisis. This ongoing use of this strategy enabled Banque PSA Finance to pursue its growth in 2010.

→ 1.7.1 Diversifying Sources of Financing

The Bank's refinancing strategy focuses on consistently maintaining a good balance among the various sources of financing.

At December 31 2010, 22% of financing was provided by bank facilities, 55% by the capital markets, 16% by loan securitizations and 7% from public sources (such as SFEF* and the European Central Bank). At December 31, 2009 the ratios were respectively 26%, 45%, 19% and 10%.

Banque PSA Finance has obtained the renewal of its maturing bilateral bank credit lines.

These renewals enabled to maintain the high level of the banking resources of Banque PSA Finance. These ressources amount to €4,668 million in December, 2010 against the €5,256 million in December 31, 2009.

The outstanding finance on capital markets rose from €9,481 million at December 31, 2009 to €11,160 million at December 31, 2010.

The outstandings of short-term issues, commercial papers issued by Sofira and deposit bonds issued by Banque PSA Finance have increased from €3,434 million at December 31, 2009 to €4,053 million at December 31, 2010.

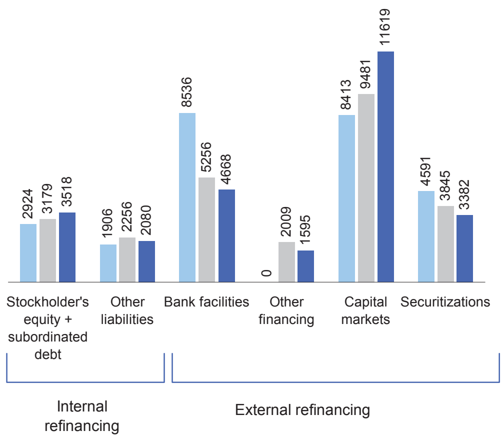
In 2010, Banque PSA Finance has benefited from the opening of capital markets in the medium term carrying out seven bond offerings totalling €4,100 million with an average maturity higher than 3 years. These operations have increased the outstanding of EMTN to over one billion euros at €7,270 million, to lengthen the funding's maturity and to tighten spreads at issue.

A new securitization operation has been organized in Brazil (FIDC) at the beginning of 2010, followed by one for German outstanding leasing using an innovative structure to monetize residual values. The securitizations outstanding has gone from €3,845 million at December 31, 2009 to €3,382 million at December 31, 2010 due to the amortization of the existing securitizations.

* Société de Financement de l'Economie Française (agency for the financing of the French economy)

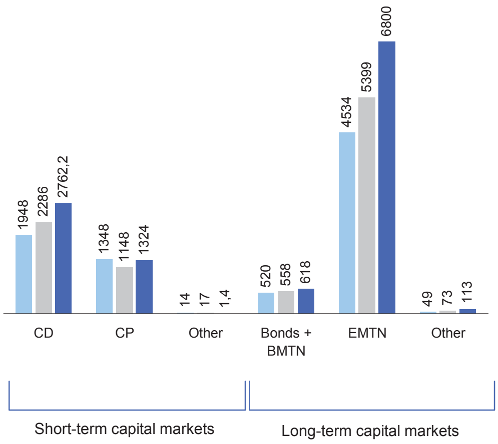
• **Sources of refinancing** *(in million euros)*
(excluding non-drawn confirmed bank credit lines)

	Dec-08	Dec-09	Dec-10
Total assets	26 370	26 026	**26 862**
o/w external refinanci	21 540	20 591	**21 264**



• **Capital markets** *(in million euros)*

	Dec-08	Dec-09	Dec-10
Long-term capital markets	5 103	6 030	**7 531**
Short-term capital markets	3 310	3 451	**4 088**
Total	8 413	9 481	**11 619**

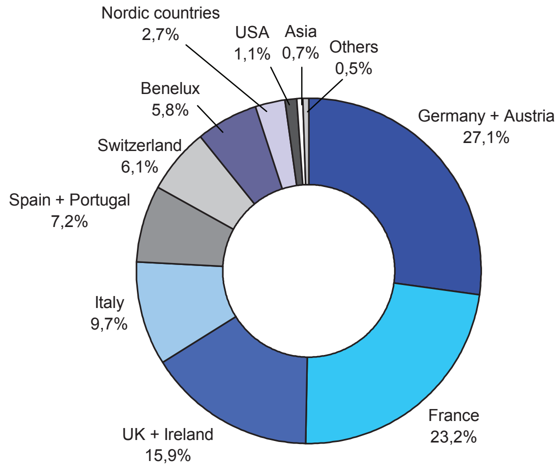


➔ 1.7.2 Diversifying the Lender Base

The geographical diversification of the lender base is important in Banque PSA Finance's refinancing policy. A geographical breakdown shows the broad diversification of Banque PSA Finance’s financing sources.

The Bank’s bond issues was well recovered among foreign investors, particularly investors in Germany, in the United Kingdom and in Switzerland.

Geographic breakdown of the lender base
(Bank facilities and capital market over 1 year, in 2010)



→ 1.7.3 Liquidity Reserves

Banque PSA Finance is constantly looking for an appropriate balance between safeguarding its liquidity position, the Bank's number one priority, and a refinancing cost optimization.

At December 31, 2010, financing with an original maturity of twelve months or more represented 71% of the total (versus 72% at December 31, 2009), providing continued solid coverage of potential liquidity risk.

The maturities of refinancing comfortably exceed the maturities of the Retail financing loan book.

At December 31, 2010 excess liquidity represented €305 million. Apart from the company's financing, Banque PSA Finance still has lines of credit amounting to €8,375 million of which €5,755 million are syndicated credits.

These syndicated lines of credit are spread out over three terms, June 2012, June 2013 and June 2014 respectively for €2,000 million, €1,755 million and €2,000 million and were agreed with syndicates of leading banks. These backup syndicated lines were not used at December 31, 2010.

In total these facilities assure more than seven months of activity without requiring any further financing.

Banque PSA Finance has also reviewed its management arrangements for its liquidity in order to meet the new requirements from the French banking supervisor ACP (Autorité de Contrôle Prudentiel) regarding its liquidity ratio.

1.8. Capital Markets Program Ratings and Issuer Financial Strength Ratings

Visit www.banquepsafinance.com to find out more about Banque PSA Finance's debt issuance programs, program documentation, credit rating and outstandings. Information is updated monthly.

Credit rating		Issuer (active programs)	Type	Limit at Dec. 31, 2010	Utilized at Dec. 31, 2010
S&P	Moody's	Short-term		*(In million)*	
A2	P2	Banque PSA Finance	CD	EUR 4 000	EUR 2 762
A2	P2	Sofira	BT	EUR 1 800	EUR 1 324
		Long-term			
BBB	Baa1	Banque PSA Finance	BMTN	EUR 1 000	EUR 15
BBB	Baa1	Banque PSA Finance (et PFI NV)	EMTN	EUR 14 000	EUR 7 785(*)

(1) Excluding accrued interest and debt issuance costs; including €985 million in intragroup financing eliminated in consolidation.

The two rates are staying at an *investment grade* level. They are also higher by 2 points than Peugeot S.A.'s ratings.

1.9. Financial Risk Management

→ 1.9.1 Currency Risk

Banque PSA Finance does not take operational currency positions. The assets and liabilities of each entity are matched through the use – where necessary – of appropriate financial instruments.

Structural currency positions (investments in subsidiaries and branches' dotation capital) and future profits and losses are not hedged using derivative financial instruments. As the businesses of subsidiaries and branches will, by definition, continue for an indefinite period, any such hedges would represent long-term open positions. At December 31, 2010, the structural currency position amounted to €525 million.

→ 1.9.2 Interest Rate Risk

General policy: Banque PSA Finance policy consists of neutralizing the effect of changes in interest rates on each entity's recurring operating income by using appropriate financial instruments to match interest rate structures of assets and liabilities.

Interest rate risk management: The implementation of this policy is supervised by the Refinancing Committee. Interest rate risks on outstanding loans are attenuated through an assertive hedging policy, with a 3% ceiling on unhedged exposures (by country and by half-yearly maturity band) arising from the difficulty of precisely matching loan balances with the notional amounts of derivatives. In 2010, the Group's average annual sensitivity to a 1% increase in interest rates remained below €6.7 million throughout the year.

Fair value hedges: Concerning assets, fixed rate instalment loans are either hedged by interest rate swaps that are purchased on the market as soon as the financing is granted or – in countries where there is no liquid market for interest rate instruments – financed by fixed rate debt. In practice, the swaps are purchased at ten-day intervals. Wholesale loans are granted at short-term rates. This fair value hedging strategy means that all of the Bank's interest-bearing assets are at short-term rates.

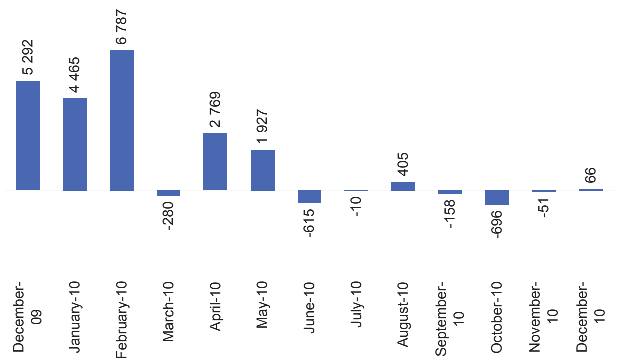
Concerning liabilities, all new interest-bearing debt is converted to a rate based on a 3-month or shorter benchmark using appropriate hedging instruments.

These management techniques serve to neutralize interest rate risks on the Banque PSA Finance's balance sheet.

Cash flow hedges: In order to ensure an optimal cost of refinancing for the new credit granted to final customers, Banque PSA Finance allows itself to set up optional covers. At December 31, 2010, a part of the production of future credits is covered by swaptions with a €3,540 million nominal value.

• **Sensitivity to a 1-point increase in interest rate**

(in thousand euros)



1.9.3 Counterparty Risk

Banque PSA Finance is consistently in a net borrower position.

As a result, its exposure to counterparty risk is limited to the investment of the liquidity reserve and to the use of derivatives (swaps and swaptions) to hedge interest rate and currency risks.

The liquidity reserve is invested in money market securities and in mutual funds with a capital guarantee and guaranteed yields issued and managed by leading banks.

An internal rating is assigned to each counterparty, based on issuer financial strength and capital adequacy analyses. These ratings are used to set exposure limits. Exposure limits cover both amounts and periods, by counterparty and by type of transaction (investments and derivatives). Actual exposures are checked and compared with the corresponding limits on a daily basis.

Derivatives are governed by standard ISDA or FBF agreements and contracts with the most frequently used counterparties provide for regular margin calls. Counterparties for derivatives contracts are all rated A or higher.

1.9.4 Concentration of Credit Risks

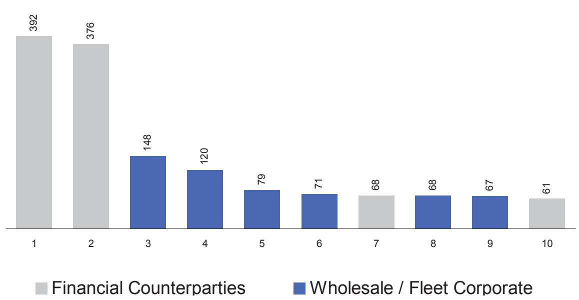
Banque PSA Finance pays close attention to maintaining concentrations of credit risk within limits considered internally as being acceptable, which are below the regulatory limits.

At December 31, 2010, risk-weighted assets corresponding to loans to PSA Peugeot Citroën Group entities amounted to €384.3 million or 12.4% of regulatory capital.

In the ten largest risk-weighted exposures, risks on Corporate counterparts are €533 million, representing 17.8% of prudential capital.

• **Top ten risk-weighted exposures to credit risk**

(in million euros excluding financing extended to PSA Peugeot Citroën Group entities)



1.10. Credit Risk Management

Cost of risk for 2010 is at €129.2 million or 0.56% of average net outstanding loans, versus 0.50% the previous year. The year-on-year increase of €17.4 million was fairly limited given the environment and despite the sharp decrease in positive non-recurring items.

These represented a €21 million charge in 2010, against a €10 million profit in 2009, explained by an increase in impairment rates on Retail doubtful outstanding, in Southern Europe, where crisis would be longer than in other countries. Without these items, the cost of risk would have represented 0.47% of average net outstanding loans against 0.55% in 2009.

Cost of risk on Corporate dealer financing has grown to €13 million, mainly with impairment on importers from France's overseas territories and departments, and a large caution policy in Hungary. The dealer networks showed excellent resilience to the effects of the crisis, helped by increased supervision and strict monitoring of wholesale financing commitments.

As regards Retail risk, throughout 2010 we ramped up the actions initiated in 2008. These included:

- a more selective approach to the riskier customer segments;
- tighter acceptance criteria for higher risk products, mainly by increasing the required deposit;
- strengthened collection processes, mainly through increased staffing.

All these measures helped control the increase in cost of risk over the year. In countries from Southern Europe, Banque PSA Finance increased the coverage level of its Retail outstandings because of the macroeconomic context and its consequences on the recovery procedure, even if the sinistrality rate is in a downward trend. Cost of risk for retail exposure therefore came to €108 million versus €97 million in 2009.

Cost of risk for corporate and equivalents exposures remained stable in spite of defaults by corporate customers in Spain and Hungary, two countries that were badly affected by the crisis. Cost of risk on this portfolio was limited to €8.5 million.

Despite the difficult environment, Banque PSA Finance organization and systems proved effective, and the same was true of the organization and systems of the partners in some countries of Latin America and Central Europe, which the Bank’s local entities help to manage.

→ 1.10.1. Retail Credit Risk Management

Retail loan acceptance processes are based on a centralized decision-aid system that is managed and overseen by a dedicated expert unit at the Bank’s headquarters. To enhance its effectiveness, the system is adapted according to the specific characteristics of each local market. The headquartersbased credit risk control unit regularly assesses the system’s effectiveness, working closely with the operating units in France and abroad which undertake regular credit analyses.

Common applications are deployed in the main European entities to manage the first level of unpaid contracts. The strategy is to represent automatically the unpaid payment or to carry out a phone contact with customers in an unpaid situation.

Phone calls management in Europe is done with two recovery platforms, each covering a specific group of countries. For example, the Eastern platform covers France, Germany, the United Kingdom, Austria and Poland, and the Southern platform covers Spain, Portugal and Italy. In 2010, Banque PSA Finance focused on recovery process improvement dedicated to litigation cases. Modernization of the IT systems used for the main subsidiaries has started. These subsidiaries receive real-time assistance and support from the headquarters team tasked with overseeing all collection operations.

1.10.2. Corporate Credit Risk Management

Reporting to the Corporate commitments and management Department, the Corporate unit is responsible for controlling wholesale and fleet credit risks throughout the life of the loans. It uses credit rating systems, developed to Basel II specifications, which determine discretionary lending limits and define clear risk management and control rules. The performance of these systems is measured regularly. Their effectiveness is underpinned by high quality credit analyses and operational monitoring performed by local units and headquarters teams, as well as by warning systems designed to ensure that incurred risks are identified and dealt with on a timely basis.

1.10.3. Basel II

Banque PSA Finance has received approval on March 8, 2010 from the French banking supervisor ACP (Autorité de Contrôle Prudentiel) to use internal ratings approaches of credit risk in Italy for the calculation of regulatory capital requirements. This brings to six the number of countries for which Banque PSA Finance is authorized to use such approaches by the prudential supervisor under the Basel 2 operative part. The Bank therefore uses its own internal methods to calculate risk parameters in France, Germany, Spain, the United Kingdom, Portugal and Italy for the Retail portfolio and probabilities of default for the Corporate portfolio.

The approval by ACP covers the main markets and activities of Banque PSA Finance. This approach will be deployed gradually in other subsidiaries. Belgium is in progress currently and extension to the Netherlands and Brazil is planned for 2011.

With the inclusion of Italy, 80% of eligible IRB outstandings are covered by internal notes.

Country	Company	Portfolio	Method
		Retail	IRBA
	CREDIPAR	Corporate	IRBF
	SOFIB	Corporate	IRBF
France	SOFIRA	Corporate	IRBF
		Retail	IRBA
Germany	BPF - Niederlassung S.A	Corporate	IRBF
		Retail	IRBA
Spain	BPF Sucursal en España	Corporate	IRBF
		Retail	IRBA
	BPF Branch in UK/PFG	Corporate	IRBF
		Retail	IRBA
United Kingdom	PSA Wholesale Ltd	Corporate	IRBF
		Retail	IRBA
	Banque Psa Finance succursal em Portugal	Corporate	IRBF
		Retail	IRBA
Portugal	PSA Gestao E Aluguer de veiculos	Corporate	IRBF
		Retail	IRBA
Italy	BPF Succursale in Italia	Corporate	IRBF

Pillar I Capital Requirement

Banque PSA Finance's consolidated equity is calculated in accordance with French bank accounting standard CRBF 90-02. The minimum capital requirement and the capital adequacy ratio are calculated in accordance with a government order dated February 20, 2007, which stipulates that the negative difference between recognized impairment losses and expected actual losses should be deducted from Tier One capital, while any positive difference is added to Tier Two capital subject to a limit of 6% of risk-weighted assets as calculated using the internal ratings-based approach.

The Bank's total consolidated equity qualifies as Tier One capital. The most recent capital adequacy ratio was calculated at June 30, 2010, in light of the publication date of this report.

Before adjustment for the difference between expected actual losses and recognized impairment losses, Tier One capital (in the amount of €3,052 million) exceeded required capital by €1,399 million. After deducting this difference, Tier One capital stood at €2,777 million and the minimum capital requirement at €1,653 million. The Pillar I capital adequacy ratio was therefore 13.44%, attesting to our Bank's strong capital base and the significant amount of capital available to cover unforeseen losses.

Operational risk is measured using the standard approach, and the minimum capital requirement is calculated by applying a 15% ratio to net banking revenue.

Currency risk concerns the dotation capital of the Polish and UK branches.

Capital Adequacy Ratio

Calculation of the Minimum Capital Requirement (MCR)

Banque PSA Finance COREP* *(in million euros)*	**6 countries IRB 30/06/2010**	**5 countries IRB 31/12/2009**
Credit risk		
Standardised Approach	607	640
Foundation Internal Ratings Based Approach	389	295
Advanced Internal Ratings Based Approach	501	413
Subtotal	**1 497**	**1 348**
MCR for operational risk (standardised Approach)	137	137
MCR for currency risk (structural currency position)	19	17
MCR for credit risk (A)	**1 653**	**1 502**
Equivalent risk base (A)/0,08=(B)	20 663	18 775
Prudential equity	3 052	2 855
Regulatory adjustment / IRB : Expected loss vs. depreciation	-275	-271
Regulatory capital (C)	2 777	2 584
Solvency ratio (Basel II) : (C)/(B)	**13,44%**	**13,76%**

** COmmon REPorting*

The figures at December 31, 2010 are not available considering the issuing date of this document.

The system developed by Banque PSA Finance is based on the following principles:

General System

All the data used to model and calculate credit risks is extracted from the Bank's management accounting systems. For the six markets covered by the internal ratings-based approach, data is transferred from these systems to the following shared risk databases:

- the Central Risk Database (BRC) for Retail exposures;
- the Corporate Risk Database (BUIC) for corporate exposures;
- to track all risk parameters on a consistent basis.

Data from these two central risk databases is then fed into the FERMAT capital management system, while statutory accounting data is integrated in OGFP. After reconciling management and statutory accounting data, the minimum capital requirement is calculated by OGFP and the regulatory reports are produced.

Rating Systems

• Classes of Retail assets

The Retail rating models are used to measure credit risk for the Retail segment, particularly for the calculation of the capital adequacy ratio, and to group counterparties together in consistent risk classes.

Internal scores have been assigned to retail counterparties since 1984 and the experience gained since then helped Banque PSA Finance in establishing a Basel II-compliant scoring system. Loan acceptance and collection methods have been standardized, by centralizing scoring, rulesetting and management system parameterization processes.

Risk selection processes in each finance company are based on scores that reflect the type of counterparty, the type of asset to be financed and the type of transaction. Risks are assessed using a rating matrix that simulates default probabilities over a two-year period. At each month-end, for each accepted loan application, a probability of default (PD) – or behavior score – is calculated. The PD is determined by applying criteria that identify the type of counterparty, asset and transaction, which naturally vary from one country to another.

The behavior scores are stored in the facility file and updated monthly throughout the life of the facility, taking into account the occurrence of any material event such as observed defaults and changes in the principal outstanding principal.

The score determines the risk class assigned to the facility. A specific classification system is used for each Retail entity that apply the IRB approach. It comprises classes for sound loans plus one class for non-performing loans. A probability of default (PD) is assigned to each risk class, calculated by reference to historical default data for the portfolio. This PD is used to determine the facility's risk weighting for the calculation of the capital adequacy ratio.

For all risk classes, the loss given default (LGD) is calculated by consistent risk segment.

The PD and LGD parameters are estimated at the level of each country at least twice a year.

• Building the internal rating model

The model used to attribute behavior scores to facilities is a statistical model. It was developed using logistic regression which explains a default event according to qualitative criteria such as the original credit score, the customer's risk profile, the characteristics of the asset being financed and information concerning the life of the facility. This modeling methodology was applied to the loan book in each country concerned, to develop a suite of countryspecific rating models comprising models specific to each type of exposure (Retail/Corporate).

These rating models were then used to assign a class of risk to each facility in the loan books of the six countries that apply the IRB approach.

In accordance with Article 132 of French Government Order dated February 20, 2007, loss given default (LGD) is expressed as a percentage of exposure at default (EAD) and corresponds to an estimate of the final economic loss that will be incurred by the Bank in the event of default. LGD is calculated based on facility loss rates. The facility LGD is then segmented to obtain LGD estimates aligned with each country's businesses.

LGD for each segment is estimated using two models:

– historical model based on a theoretical curve adjusted to reflect the series of average loss rates observed over 60 months;

– prospective model based on the EAD-weighted average of the average loss rates observed over 60 recovery months by default year and 60-month extrapolations of average loss rates observed for each default year.

• Retail model backtesting

Each Retail model is backtested annually. These tests are designed to provide assurance that the model's discriminating properties and the PD and LGD calibrations ensure that credit risks are properly assessed by the rating system.

Backtesting of PD calibrations consists in checking, for each risk class, that expected risk levels are aligned with actual risk levels. To this end, a confidence interval is determined around estimated PD for each asset class and a check is performed to ensure that the observed default rate is within this interval.

LGD backtesting consists in checking estimation accuracy by comparing actual loss rates to forecast rates and checking the segments' stability and the discrimination they provide.

• Classes of corporate assets

The corporate models used by the Bank concern two types of business:

– fleet financing;
– wholesale financing, corresponding to the financing provided to Peugeot and Citroën dealers.

To assess the credit risk generated by corporate customers (fleet and wholesale), the Bank uses its own risk assessment systems which focus on experts' analyses of counterparties' credit position. The analysis is used to assign an internal rating to the counterparty. The rating is determined according to various criteria (corresponding to qualitative information, experts' assessments or quantified data) and is updated at least once a year. The methodology takes into account both internal data, such as the credit analyst's opinion and the counterparty's payment behavior, and external data such as the counterparty's external credit rating, balance sheets and ownership structure.

The internal rating is based on the alignment between the grading assigned to each counterparty by the internal credit risk analysts and the associated PD. The PD associated with a grading is determined either by reference to the Bank's historical default data or, when necessary, by reference to external statistics obtained from recognized bodies. This may be necessary because default rates on Banque PSA Finance's corporate loan book are very low and the number of fleet customers outside France is limited.

Two risk scales are used, one for Fleet financing and the other for wholesale financing. Once rated, counterparties are categorized according to a grid comprising eight risk classes, seven for sound facilities (A+ to D+ for wholesale financing and 1 to 7 for fleet financing) and one for facilities in default (D- for wholesale financing and 8 for fleet financing). For each of these sub-classes, the PD for each risk class corresponds to the arithmetical average of the PDs of the counterparties included in the class concerned.

Counterparties are classified as in default upon issue of a Flash Report by the account manager responsible for processing the facility. The reasons for issuing a Flash Report depend on the type of financing (fleet or wholesale).

1.11. Internal Control

In line with standard CRBF 97-02 dealing with internal control systems of credit institutions, Banque PSA Finance's internal control system is organized around two lines of responsibility – for recurring controls and periodic controls – and the first-tier controls performed by the operating units.

The fundamental principles underpinning the organization and implementation of internal control are set out in an internal control charter that describes the system's organization, resources, scope, missions and processes.

→ 1.11.1. Recurring Controls

First-tier Controls, the Lynchpin of the Internal Control System

First-tier controls are either embedded in procedures and performed by all employees in the normal course of their work, or they are performed by dedicated employees within the operating units. They are supervised by the structures responsible for recurring controls.

Second-tier Controls

Second-tier controls include compliance controls and controls over operational risks within the finance companies and corporate units, including those arising from refinancing, cash management and IT services performed by the PSA Peugeot Citroën Group on the Bank's behalf. Responsibility for second-tier controls is therefore divided among three units:

• Compliance control;
• Operational risk control of finance companies and central structures;
• Accounting and outsourcing operational risk control.

In 2010, reccuring control reinforced the animation within entities and central structures, more precisely on the monitoring of recommandations expressed by all the control and compliance services (anti-money laundering policy and new products conformity as a priority).

The Compliance unit is responsible for preventing, controlling and overseeing compliance risks. It ensures compliance with obligations regarding data protection, prevention of money laundering and compliance of new or significantly modified products. It uses the appropriate systems and training. It also provides regulatory intelligence and ensures that regulatory developments are taken into account, particularly in information systems.

Controls over operational risks include:

• recurring assessments of the effectiveness of controls over operational risks within the corporate functions, subsidiaries and branches as well as for outsourced services;

• specific second-tier controls, performed across the entire organization;

• issuance of written recommendations and follow-up of their implementation;

• collecting, analyzing and monitoring operational losses and incidents identified in the risk mapping process.

The unit ensures that first-level controls over risks identified as material are properly carried out.

The unit responsible for controls over operational risks connected with accounting, refinancing, cash management and IT processes performs regular controls over all these activities. It has developed compliance certificates for the accounting function, which are signed by the finance managers of our subsidiaries and branches certifying at the end of each reporting period that the key controls over material accounting risks have been performed and presenting their results.

These departments have a risk map that identifies all the risks to which the Bank is exposed. The risk map helps verify the robustness of its control systems, by highlighting identified gross risks, the related losses, first-tier control systems and the results of those controls, as well as the results of second tier controls and any residual risk.

Risk Management Function

The Risk Management unit of the Management Control Department is responsible for measuring and overseeing the Bank's financial risks on a consolidated basis and participating in their overall management.

It incorporates in the Bank's risk management system the second and third pillars of Basel II.

→ 1.11.2. Periodic Controls

Periodic – or third-tier – controls consist in periodically checking transaction compliance, risk levels, compliance with procedures and the effectiveness of recurring controls.

They are performed by the internal auditors, based on an internal audit plan that provides for all of the Bank's units and processes (including those that are outsourced) to be audited at least once every three years.

→ 1.11.3. Oversight by Executive Management and the Board

The internal control system is overseen by executive management and by the Board of directors, supported by various committees.

The Board of Directors ensures that the Bank's main risks are properly managed and obtains assurance about the system's reliability, through the Audit Committee. The Audit Committee reviews the lessons to be learnt from risk monitoring activities and from recurring and periodic controls. It meets at least four times a year.

Executive management is responsible for defining and implementing the system of internal control. It oversees the system's efficiency and effectiveness, and ensures that adequate resources are assigned to internal control. It is supported in this task by an Internal Control meeting, which has front-line responsibility for the operational management of the internal control system.

→ 1.11.4. Organization of Internal Control

The internal control system is built around regular first-tier controls backed by an organization structure in which each individual's authority and responsibilities are clearly defined, primarily through delegations of authority applicable to all operating units and corporate departments. 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.

At Group level, committees have been set up to determine and implement Bank policies in the areas of internal control and decision-making processes during regular meetings. These committees are as follows:

• the Credit Risks Committee, which monitors changes in troubled loans and credit losses, and analyzes the performance of the risk selection systems for Retail and Corporate (Fleet and Wholesale) loan books. The committee also reviews and makes decisions concerning developments in the Basel II system;

• the Lending Margins Committee;

• the Products and Processes Committee;

• the Group Credit Committee, which reviews wholesale and fleet financing applications;

• the Refinancing Committee, which reviews the results of the Bank's refinancing and interest rate risk management policies;

• the IT Security Committee;

• the Compliance Committee.

1.12. Banque PSA Finance in 2010

In 2009, Banque PSA Finance, the Group's parent company, reported a net income of €225,910,733.68. Its income statement is presented and discussed in the appendix to this report.

→ Proposed Resolutions

At the Annual Meeting, Shareholders will be asked to approve the financial statements of the Bank and the Group, as presented, and to set the 2010 dividend at €14.00 per share. If approved, the dividend will be paid as from April 19, 2011. Shareholders will also be asked to approve the Auditors' Special Report on related party agreements.

First Resolution

Approval of the Management Report and the Financial Statements of the Bank

The Annual Meeting, having considered the financial statements of the Bank, the Board of Directors' Management Report for 2010 and the Auditor's Report, approves the Board of Directors' Management report in its entirety.

The Annual Meeting approves the financial statements of the Bank for 2010, which show net income of €225,910,733.68.

Second Resolution

Approval of the consolidated financial statements

The Annual Meeting, having considered the consolidated financial statements of the Banque PSA Finance Group, as well as the Board of Directors' comments and the Auditors' Report on the consolidated financial statements, approves the consolidated financial statements for 2010 as presented.

Third Resolution

Appropriation of Income

The Annual Meeting notes that income available for distribution, consisting of net income for the year of €225,910,733.68 and retained earnings of €915,148,949.39 brought forward from the previous year, amounts to €1,141,059,683.07.

The Annual Meeting resolves to appropriate income available for distribution as follows:

- to the payment of a dividend	€155,232,000.00
- of which dividends paid out of reserves	€3,543,851.51
- to retained earnings	€982,283,831.56

The dividend of €14.00 per share will be paid after the Annual Meeting on April 19, 2011.

The Annual Meeting notes that dividends for 2007, 2008 and 2009 amounted to €15.10, €12.90 and €12.60 respectively. All of these dividends qualified for a 40% tax rebate.

Fourth Resolution

Nomination of an Auditor

The Annual Meeting, acting the PRICEWATERHOUSECOOPERS's resignation, the titular Auditor, and that of its substitute Mr Etienne BORIS, decides to engage the firm ERNST & YOUNG and others, headquartered in 92576 Neuilly-sur-Seine Cedex, 41 rue Ybry, as titular Auditor until the next General Meeting in 2012, as well as the firm AUDITEX, headquartered in 92037 PARIS-LA DEFENSE Cedex, Faubourg de l'Arche, as substitute Auditor.

Fifth Resolution

The Annual Meeting, having considered the Auditors' Special Report on related party agreements, approves the report to therein.

1.13. Information about the administrative and management bodies

Compensation paid for 2010

As required by law, in particular Article L225-102-1 of the French Commercial Code relating to the disclosure of compensation paid to corporate officers, Banque PSA Finance hereby states that no remuneration or benefits of any kind have been provided by the company or its affiliates to any of its corporate officers or during the past year, and that the remunerations and benefites granted to those officers by the controlling company, Peugeot S.A., are the following:

Total direct and indirect salaries and benefits granted for 2010 by the company or its affiliates to the Bank's Board of Directors

Philippe VARIN	Amounts during the 2009 financial year from 01/06/2009 to 31/12/2009		Amounts during the 2010 financial year	
	Earned	Paid	Earned	Paid
Salary	758 333	758 333	1 300 000	1 300 000
Bonus	-	-	1 651 000	-
Exceptional salary	-	-	300 000	-
Director's Fees (1)	18 000	18 000	-	-
Company Car	1 497	1 497	2 700	2 700
TOTAL	**777 830**	**777 830**	**3 253 700**	**1 302 700**

(1) M. Philippe VARIN received a €18.000 compensation for the 2009 financial year as administrator for the Faurecia Company

Jean-Marc GALES	Amounts during the 2009 financial year from 21/04/2009 to 31/12/2009		Amounts during the 2010 financial year	
	Earned	Paid	Earned	Paid
Salary	430 727	430 727	618 000	618 000
Bonus	-	-	525 300	-
Exceptional salary	-	-	120 000	-
Director's Fees	-	-	-	-
Company Car	1 842	1 842	2 700	2 700
TOTAL	**432 569**	**432 569**	**1 266 000**	**620 700**

Frédéric SAINT-GEOURS	Amounts during the 2009 financial year from 17/06/2009 to 31/12/2009		Amounts during the 2010 financial year	
	Earned	Paid	Earned	Paid
Salary	332 409	332 409	618 000	618 000
Bonus	-	-	525 300	-
Exceptional salary	-	-	120 000	-
Director's Fees (1)	16 500	16 500	-	-
Company Car	1 178	1 178	2 700	2 700
TOTAL	350 087	350 087	1 266 000	620 700

(1) M. Frédéric SAINT-GEOURS received a €16.500 compensation for the 2009 financial year as administrator for the Faurecia Company.

➨ *Total direct and indirect salaries and benefits granted for 2010 by the company or its affiliates to the managing board's members*

Frédéric SAINT GEOURS
Chairman and Chief Executuive Officer of Banque PSA Finance — period from 03/07/2009 to 31/12/2010

Philippe ALEXANDRE
Deputy Chief Executive Officer — period from 25/03/2009 to 31/12/2010

Bernard DARRIEUTORT
Deputy Chief Executive Officer — period from 01/01/2009 to 31/12/2010

	Amounts during the 2009 financial year		Amounts during the 2010 financial year	
	Earned	Paid	Earned	Paid
Salary	815 020	815 020	1 005 000	1 005 000
Bonus	89 488	215 537	670 290	107 141
Exceptional salary or bonus	13 978	13 978	161 682	41 682
Director's Fees	33 750	33 750	-	-
Fringe benefit (Car)	7 582	7 582	8 100	8 100
TOTAL	959 818	1 085 867	1 845 072	1 161 923

Compensation policy

The compensation policy has been defined by the PSA Peugeot Citroën Managing Board, to whom Banque PSA Finance is affiliated.

The compensation of Banque PSA Finance Chief Executive Officer, member of the PSA Peugeot Citroën Managing Board, but also Finance and Strategic Development Director, takes into account his activities as executive member of PSA's Executive Board.

The compensation policy considers:

- the company's targets and the context of activities ;
- individual and collective performances.

The compensation structure is as follows :

- A base salary;
- An incentive bonus equivalent to 66.70% of the base salary.

These compensations take into account the benefit of a company car for each member of the Managing Board.

➡ Meeting officers list at December 31, 2010

Names	Directorship	Term from	Term expires	Other Functions and Directorships
Frédéric SAINT-GEOURS Born on April 20, 1950	Chairman and Chief Executive Officer	July 03, 2009	2014	*Chairman of the Supervisory Board* • Peugeot Finance International N.V. *Vice Chairman and Chief Executive Officer* • PSA International S.A. *Vice Chairman* • Dongfeng Peugeot Citroën Automobiles Company Ltd *Member of the Managing Board* • Peugeot S.A. *Director* • Automobiles Citroën • Gefco • Institut pour la Ville en Mouvement • Peugeot Citroën Automobiles SA • PCMA Holding B.V. (Netherlands) • Casino Guichard-Perrachon *Chairman* • Union des Industries et des Métiers de la Métallurgie *Permanent Representative of Peugeot SA* • Board of Directors of Automobiles Peugeot
Philippe ALEXANDRE Born on August 10, 1956	Director and Substitute Chief Executive Officer	March 25, 2009	2015	*Director* • Crédipar *Chairman of the Board of Directors* • Dongfeng Peugeot Citroën Automobiles Company Ltd • PSA Wholesale Limited (United Kingdom) *Permanent Representative of Peugeot SA* • Board of Directors of Sofib • Board of Directors of PSA Finance Belux
Bernard DARRIEUTORT Born on January 5, 1949	Deputy Chief Executive Officer	November 19, 2007	2014	*Chairman and Chief Executive Officer, Director* *Chairman of the Supervisory Board* • PSA Financial Holding B.V. • PSA Finance Nederland B.V. *President and Director* • Banco PSA Finance Brasil S.A. (Brasil) • PSA Finance Arrendamento Mercantil S.A (Brasil) • PSA Finance Suisse S.A. • PSA Finance Belux *Chairman* • PSA Finance Argentina Compania Financiera S.A. (Argentina) *Member of Supervisory Board* • Peugeot Finance International N.V. *Prokurist* • BPF Pazarlama Ve Acentelik Hizmetleri Anonim Sirketi (Turkey) *Director* • PSA Wholesale Limited
Philippe VARIN Born on August 08,1952	Director	July 20, 2009	2015	*Chairman of the Managing Board* • Peugeot S.A. *Chairman of the Board of Directors and Director* • Peugeot Citroën Automobiles *Président and Director* • Institut pour la ville en mouvement *Director* • Faurecia • Gefco • PCMA Holding B.V. (Netherlands) *Non-Executive Director* • BG Group PLC

Peugeot S.A	Director	December 15, 1982	2012	*Director* • Automobiles Peugeot • Gefco • GIE PSA Trésorerie • GIE PSA Peugeot Citroen • Peugeot Motocycles • Membre de l'Institut pour la Ville en Mouvement • ANSA
Jean-Claude HANUS Born on January 14, 1947	Peugeot S.A. Permanent Representative Officer			*Chairman* • DJ6 • Grande Armée Participations *Director* • Automobiles Peugeot • Automobiles Citroën • Compagnie Générale de Crédit aux Particuliers-Crédipar • Faurecia • Peugeot Citroën Automoviles Espana S.A. • PCMA Holding B.V. (Pays-Bas) • Comité des Constructeurs Français Automobiles *Permanent Representative of Peugeot S.A.* • Board of Directors of Gefco
Automobiles Peugeot	Director	December 15, 1982	2014	*Director* • Football Club Sochaux-Montbéliard S.A. • GLM1 • Institut pour la Ville en Mouvement • Peugeot Saint-Denis Automobiles • Société Financière de Banque – Sofib • Peugeot Algérie • Peugeot España S.A. • SOPRIAM • SOMACA • Société Tunisienne Automobile Financière Immobilière et Maritime *Managing Partner* • Peugeot Média Production
Jean-Marc GALES Born on August 16, 1962	Automobiles Peugeot Permanent Representative Officer	October 19, 2009		*Chairman of the Managing Board and Director* • Automobiles Citroën • Automobiles Peugeot • Citer • Peugeot Motocycles *President* • Citroën (Suisse) S.A. • Citroën Italia Spa • Peugeot Automobili ItaliaSpa *President and Member of the Supervisory Board* • Citroën Deutschland GmbH • Citroën Nederland B.V. • Peugeot Deutschland GmbH *Member of the Managing Board* • Peugeot S.A. *President and Director* • Citroën UK Limited • Peugeot Suisse S.A. *Director* • Institut pour la Ville en Mouvement • Automoviles Citroën España S.A. • Citroën Belux • Dongfeng Peugeot Citroën Automobiles Company Ltd • Peugeot España S.A. • Peugeot Algérie
Automobiles Citroën	Director	December 15, 1982	2013	*Director* • Société Financière de Banque – Sofib • Automoviles Citroën España S.A. • Société Tunisienne des Automobiles Citroën • Membre de l'Institut pour la Ville en Mouvement

Frédéric BANZET Born on September 16, 1958	Automobiles Citroën Permanent Representative	October 19, 2009	*Chief Executive Officer and Director* • Automobiles Citroën *Chairman and Director* • Citroën Sverige AB *Member of the Supervisory Board* • Citroën Deutschland GmbH • Citroën Nederland B.V. • Citroën Polska *Director* • Société Foncière, Financière de Participations-FFP • Automoveis Citroën • Citroën Belux • Citroën Danmark A/S • Citroën Norge AS • Etablissements Peugeot Frères

2 CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

2.1. Statutory auditors' report on the consolidated financial statements

➔ For the year ended December 31, 2010

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 users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders

In compliance with the assignment entrusted to us by your Annual General Shareholders' Meeting, we hereby report to you, for the year ended December 31, 2010, on:

- the audit of the accompanying consolidated financial statements of Banque PSA Finance ;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2010 and of the results of its operations for the year then ended in accordance with IFRS as adopted by the European Union.

II - Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code (*code de commerce*) relating to the justification of our assessments, we bring to your attention the following matter: for all companies with banking operations and specifically in the current economic crisis context, significant accounting estimates have to be used when provisioning for credit risks. Banque PSA Finance sets aside provisions to cover credit risks that are inherent to its business (Note 2 par C.6.4, Note 8 and Note 33). As part of our assessment of theses estimates, we have examined the control procedures used for monitoring credit risks, for assessing the risk of non-recovery, and for covering these risks by provisions. These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III - Specific verification

As required by law, we have also verified in accordance with professional standards applicable in France the information presented in the Group's management report. We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Neuilly-sur-Seine and Courbevoie, February 11, 2011

The Statutory Auditors

Pricewaterhousecoopers Audit	Mazars
Patrice Morot	Hervé Helias

2.2. Consolidated Balance Sheet

(in million euros)	Dec. 31, 2010	Dec. 31, 2009
Assets		
Cash, central banks, post office banks (Note 3)	20	99
Financial assets at fair value through profit or loss (Note 4)	788	769
Hedging instruments (Note 5)	183	239
Available-for-sale financial assets (Note 6)	2	9
Loans and advances to credit institutions (Note 7)	1 391	1 262
Customer loans and receivables (Notes 8 and 33)	23 411	22 445
Fair value adjustments to finance receivables portfolios hedged against interest rate risks (Note 9)	80	208
Held-to-maturity investments	-	-
Current tax assets	27	27
Deferred tax assets	174	145
Accruals and other assets (Note 10)	543	598
Investments in associates and joint ventures accounted for using the equity method (Note 11)	54	14
Property and equipment (Note 12)	14	35
Intangible assets (Note 12)	92	95
Goodwill (Note 13)	83	81
Total assets	**26 862**	**26 026**

(in million euros)	Dec. 31, 2010	Dec. 31, 2009
Equity and liabilities		
Central banks, post office banks	-	-
Financial liabilities at fair value through profit or loss (Note 14)	21	9
Hedging instruments (Note 15)	214	417
Deposits from credit institutions (Notes 16 and 35)	6 263	7 265
Due to customers (Note 17)	339	368
Debt securities (Notes 18 and 36)	15 001	13 326
Fair value adjustments to debt portfolios hedged against interest rate risks (Note 19)	46	52
Current tax liabilities	60	30
Deferred tax liabilities	502	516
Accruals and other liabilities (Note 20)	824	804
Liabilities related to insurance contracts (Note 21.1)	17	7
Provisions (Note 22)	57	53
Subordinated debt	-	-
Equity	3 518	3 179
- Equity attributable to equity holders of the parent	3 493	3 163
- Share capital and capital in excess of par value of stock	835	835
- Reserves	2 341	2 131
- Net income and gains and losses recognized directly in Equity	(71)	(153)
- Net income for the year	388	350
- Minority interests	25	16
Total equity and liabilities	**26 862**	**26 026**

2.3. Consolidated Statement of Income

(in million euros)	Dec. 31, 2010	Dec. 31, 2009
Net interest revenue on customer transactions (Note 36)	**1 398**	**1 366**
- Interest and other revenue on assets at amortized cost (Notes 27 and 36)	1 591	1 582
- Fair value adjustments to finance receivables hedged against interest rate risks (Note 23.4)	(128)	(8)
- Net interest revenue from hedging instruments (Note 28)	(242)	(262)
- Fair value adjustments to hedging instruments (Notes 23.2 and 23.4)	128	6
- Interest expense on customer transactions	(3)	(2)
- Other revenue and expense (Note 29)	52	50
Net investment revenue	**8**	**9**
- Interest and dividends on marketable securities	8	7
- Fair value adjustments to assets valued using the fair value option (Note 23.5)	-	-
- Gains and losses on sales of marketable securities	-	2
- Investment acquisition costs	-	-
Net refinancing cost	**(567)**	**(584)**
- Interest and other revenue from loans and advances to credit institutions	17	21
- Interest on deposits from credit institutions (Note 30)	(179)	(266)
- Interest on debt securities (Note 31)	(379)	(339)
- Expenses related to financing commitments received (Note 26)	(71)	(26)
- Fair value adjustments to financing liabilities hedged against interest rate risks (Note 23.4)	6	(26)
- Interest on hedging instruments	64	38
- Fair value adjustments to hedging instruments (Note 23.4)	(7)	27
- Fair value adjustments to financing liabilities valued using the fair value option (Note 23.5)	-	-
- Debt issuing costs	(18)	(13)
Net gains and losses on trading transactions	**-**	**3**
- Interest rate instruments (Note 23.5)	(1)	-
- Currency instruments	1	3
Margin on sales of Insurance services (Note 21.3)	**45**	**14**
- Earned premiums	58	22
- Paid claims and change in liabilities related to insurance contracts	(13)	(8)
Margin on sales of services	**116**	**136**
- Revenues	143	160
- Expenses	(27)	(24)
Net banking revenue (Note 36)	**1 000**	**944**
General operating expenses (Notes 32 and 36)	**(347)**	**(317)**
- Personnel costs	(140)	(131)
- Other general operating expenses	(207)	(186)
Depreciation and amortization of intangible and tangible assets	(16)	(16)
Gains and losses on disposals of fixed assets	(1)	(1)
Gross operating income	**636**	**610**
Cost of risk (Notes 33 and 36)	(129)	(112)
Operating income (Note 36)	**507**	**498**
Share in net income of associates and joint ventures accounted for using the equity method	2	-
Impairment on goodwill	-	-
Pension obligation - expense (Note 22.1.E)	(3)	(6)
Pension obligation - income (Note 22.1.E)	5	2
Other non-operating items (Note 34)	23	1
Pre-tax income	**534**	**495**
Income taxes (Note 35)	(140)	(142)
Net income for the year	**394**	**353**
- of which minority interests	6	3
- of which attributable to equity holders of the parent	388	350
Earnings per share (in €)	*35,1*	*31,5*

2.4. Net Income and Gains and Losses Recognized Directly in Equity

(in million euros)	Dec. 31, 2010	Dec. 31, 2009
Net income	**394**	**353**
Exchange difference	80	62
- of which minority interest	-	-
Fair value adjustments to hedging instruments	3	(20)
Deferred taxes	(1)	7
Total gains and losses recognized directly in Equity after tax	**82**	**49**
Total net income and gains and losses recognized directly in Equity after tax	**476**	**402**
- of which minority interest	*6*	*3*
- of which attributable to equity holders of the parent	*470*	*399*

2.5. Consolidated Statement of Changes in Equity Attributable to Equity Holders of the Parent and Minority Interests

	Share capital and other reserves (1)								
(in million euros)	Share capital	Issue, share and merger premiums	Legal reserve and other reserves	Consolidated reserves	Gains and losses recognized directly in Equity	Profit attributable to equity holders of the parent	Equity attributable to equity holders of the parent	Minority interests	Total equity
Equity at December 31, 2008	**177**	**340**	**318**	**1 919**	**(202)**	**356**	**2 908**	**16**	**2 924**
Effect of changes in group structure (2)(3)				(1)			(1)	(3)	(4)
Appropriation of prior-year income				213		(356)	(143)	-	(143)
Income for the period				-		350	350	3	353
Exchange difference					62		62	-	62
Fair value adjustments to hedging instruments (4)					(20)		(20)	-	(20)
Deferred taxes on fair value adjustments to hedging instruments					7		7	-	7
Equity at December 31, 2009	**177**	**340**	**318**	**2 131**	**(153)**	**350**	**3 163**	**16**	**3 179**
Capital increase (5)				-			-	3	3
Appropriation of prior-year income				210		(350)	(140)	-	(140)
Income for the period				-		388	388	6	394
Exchange difference					80		80	-	80
Fair value adjustments to hedging instruments (4)					3		3	-	3
Deferred taxes on fair value adjustments to hedging instruments					(1)		(1)	-	(1)
Equity at December 31, 2010	**177**	**340**	**318**	**2 341**	**(71)**	**388**	**3 493**	**25**	**3 518**

Share capital amounts to €177 million, made up of 11,088,000 common shares, all fully paid. There were no changes in capital during the period.

(1) *Including share capital, premiums and reserves of the parent company.*

(2) *Corresponding to the first-time consolidation of the Croatian subsidiary BPF Financial d.o.o., (negative impact of €0.5 million), the Maltese subsidiaries PSA Services Ltd, PSA Life Insurance Ltd and PSA Insurance Ltd, and the French subsidiary PSA Assurances S.A.S. (negative impact of €0.4 million €), all created in 2008 and 100%-owned by Banque PSA Finance in 2009.*

(3) *Corresponding to the removal from the scope of consolidation at January 1, 2009 of the UK subsidiary PSA Finance P.L.C., 50%-owned by Banque PSA Finance (negative impact of €2.8 million).*

(4) *Including fair value adjustments to cash flow hedges. The intrinsic value of swaptions at maturity is recognized over the life of the corresponding external swap purchased as a hedge of outstanding loans (fair value hedge). The income recognized during the period ended at December 31, 2010 amounted to €6.8 million (see Note 23.2).*

(5) *Capital increases by the subsidiary PSA Assurances S.A.S. First increase of €6 million in January 2010 (€5.3 million taken up by Banque PSA Finance and €0.7 million by Peugeot S.A.) and second increase of €11 million in December 2010 (€9.2 million taken up by Banque PSA Finance and €1.8 million by Peugeot S.A.). PSA Assurances S.A.S. was 90%-owned in 2010 vs 99.99% in 2009.*

In accordance with the Amendment to IAS 1 - Presentation of Financial Statements - Capital Disclosures, the necessary information is given in the paragraph “Capital Management” of the Management Report.

Consolidated regulatory capital calculated in accordance with regulation 90-02 of the Comité de la Réglementation Bancaire et Financière:

(in millions of euros)	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008
Tier 1 capital			
Published consolidated equity	3 518	3 179	2 924
Insurance companies accounted for using the equity method: minority interests	(5)	-	-
Regulatory consolidated equity (1)	3 513	3 179	2 924
Unrealized capital gains on cash flow hedges	(7)	(5)	(18)
Proposed dividend, PSA Peugeot Citroën Group	(155)	(140)	(143)
Proposed dividend, minority interests	-	-	-
Intangible assets	(59)	(62)	(63)
Goodwill	(83)	(81)	(81)
Total Tier 1 capital	**3 209**	**2 891**	**2 619**
Tier 2 capital			
Equity interests in credit institutions	(2)	(9)	(3)
Equity interests in insurance companies	-	-	(9)
Investments in associates and joint ventures accounted for using the equity method	(103)	(27)	(14)
- of which insurance companies	*(48)*	*(13)*	-
Total Tier 2 capital	**(105)**	**(36)**	**(26)**
Regulatory Capital (before Expected loss vs. depreciation) (see sheet "Capital Adequacy Ratio" in Note 1.10.3 Bâle II of the Management Report)	**3 104**	**2 855**	**2 593**

(1) To calculate regulatory equity, insurance companies are accounted for using the equity method.

2.6. Consolidated Statement of Cash Flows

(in million euros)	Dec. 31, 2010	Dec. 31, 2009
Income attributable to equity holders of Banque PSA Finance	**388**	**349**
Minority interests in income of subsidiaries	6	3
Net income of associates accounted for using the equity method, net of dividends received	(2)	-
Change in depreciation, amortization and other provisions	28	14
Change in deferred taxes	(47)	(3)
(Profit)/loss on disposals of assets	(23)	-
Funds from operations	**350**	**363**
Increase/decrease in:		
- loans and advances to credit institutions (1)	(22)	12
- deposits from credit institutions	(1 212)	(1 633)
Change in customer loans and receivables	(514)	237
Increase/decrease in:		
- amounts due to customers	(31)	106
- financial assets at fair value through profit or loss (1)	(55)	364
- financial liabilities at fair value through profit or loss	54	9
- hedging instruments	(152)	285
- debt securities	1 637	354
Change in working capital: assets	(8)	(117)
Change in working capital: liabilities	110	128
Net cash provided by operating activities	**157**	**108**
Acquisitions of subsidiaries	(39)	(6)
Purchases of fixed assets	(25)	(20)
Proceeds from disposals of fixed assets	57	16
Effect of changes in scope of consolidation	3	10
Net cash used by investing activities	**(4)**	**-**
Dividends paid to PSA Peugeot Citroën Group	(140)	(143)
Dividends paid to minority interests	-	-
Capital increase	3	-
Net cash used by financing activities	**(137)**	**(143)**
Effect of changes in exchange rates	11	46
Net change in cash and cash equivalents	**27**	**11**
Cash and cash equivalents at beginning of year	**1 289**	**1 278**
Cash, central banks, post office banks	99	9
Current account advances and loans and advances at overnight rates	1 190	1 269
Cash and cash equivalents at end of period	**1 316**	**1 289**
Cash, central banks, post office banks	20	99
Current account advances and loans and advances at overnight rates	1 296	1 190

(1) *In the published financial statement at December 31, 2009, interbank deposits related to the Spanish securitization (€65 million) were included in "Financial assets at fair value through profit or loss". They are now included in "Deposits from credit institutions"(see Notes 4 and 7).*

2.7. Notes to the Consolidated Financial Statements

Notes

Note 1 Group Structure

A. Changes in Group Structure

UK-based PSA Finance Plc, which is in the process of being liquidated, was removed from the scope of consolidation in January 2009.

On July 18, 2008, PSA Financial d.o.o. was set up in Croatia to develop Banque PSA Finance’s financing business in the local market. The company is wholly-owned by PSA Financial Holding B.V., the Dutch subsidiary of Banque PSA Finance. It has been fully consolidated since February 2009.

In order to prepare the legal structures that will house the insurance business, in June 2008, Banque PSA Finance increased the capital of its subsidiary PSA Assurance S.A.S. This subsidiary acts as the French holding company of PSA Services Ltd, an entity in Malta that owns two local insurance companies, one for the life business PSA Life Insurance Ltd and the other for the non-life business PSA Insurance Ltd. Having started up operations in the first quarter of 2009, these companies have been fully consolidated since April 2009.

On April 21, 2009, Banque PSA Finance’s Spanish branch sold €1,180 million worth of automobile loans to the Auto ABS 2009-1 Asset Securitization Fund. The fund issued €1,050 million worth of AAA-rated preferred bonds, €82.6 million worth of A-rated subordinated bonds and €47.2 million worth of B-rated subordinated bonds. The branch is entitled to the bulk of the operating income generated by the receivables after payment of interest on the preferred and subordinated bonds. As a consequence, the fund has been fully consolidated since April 2009.

France-based Dicoma was liquidated and removed from the scope of consolidation in December 2009. This event had no impact on the consolidated financial statements of Banque PSA Finance.

On February 24, 2010, Banque PSA Finance's German branch repurchased the loans sold in 2004 to the Auto ABS 2004-1 fund, representing less than €100 million on the repurchase date, and the fund was wound up in advance. As the fund was consolidated, the transaction had no impact on the consolidated financial statements of Banque PSA Finance Group.

On September 11, 2009, Banque PSA Finance bought 98% of AIG Bank Rus, of which 50% through PSA Financial Holding B.V., its Dutch subsidiary. Named Bank PSA Finance Rus, this new subsidiary is responsible for developing Banque PSA Finance's financing business in Russia. It has been fully consolidated since March 2010, leading to the recognition of €1.7 million of goodwill. In May, 2010, Banque PSA Finance purchased 15% of Bank PSA Finance Rus from its Dutch subsidiary, increasing its direct interest to 63% from 48%. The shares were transferred at their historic value and the transaction therefore had no impact on the consolidated financial statements of Banque PSA Finance Group.

On April 13, 2010, both of Banque PSA Finance's Brazilian subsidiaries began to sell automobile loans and future finance lease revenues to a "Fonds d'Investissement en Droits de Créances" (FIDC). At the end of December 2010, the total amounted to €551 million. The FIDC is an open-end fund that can purchase successive packages of loans, in line with the agreement entered into with Banco Santander. The Brazilian subsidiaries are entitled to the bulk of the operating income generated by the receivables sold to the fund. As a consequence, the fund has been fully consolidated since April 2010.

On May 25, 2010, Banque PSA Finance acquired a further 50% of its Chinese subsidiary Dongfeng Peugeot Citroën Auto Finance Company Ltd., through its Dutch subsidiary PSA Finance Nederland B.V. Although it is now 75%-owned, Banque PSA Finance shares control with its Chinese partner and does not have full control of the subsidiary, and it therefore continues to be accounted for using the equity method.

On November 25, 2010, Banque PSA Finance's German branch sold €680.3 million worth of future finance lease revenues and related VAT to the Auto ABS 2010-1 fund. The fund issued €500 million worth of AAA-rated A bonds, €79.9 million worth of B bonds and €100.4 million worth of C bonds. The branch is entitled to the bulk of the operating income generated by the receivables after payment of interest on the bonds. As a consequence, the fund has been fully consolidated since November 2010.

In order to develop the insurance business in Malta, Banque PSA Finance increased the capital of its French subsidiary PSA Assurance S.A.S. in two stages, first by €6 million in January 2010 (€5.3 million taken up by Banque PSA Finance and €0.7 million by Peugeot S.A.) and then by €11 million in December 2010 (€9.2 million taken up by Banque PSA Finance and €1.8 million by Peugeot S.A.). Following these share issues, PSA Assurances S.A.S. was 90%-owned by Banque PSA Finance in 2010 vs 99.99% in 2009.

Following the disposal of the building held and managed by GIE Foncier Crédipar at Levallois-Perret, the GIE was liquidated in December 2010.

B. List of Consolidated Companies

Companies	Country	% Direct interest	Banque PSA Finance Indirect interest %	Held by	% interest at December 31 2010	2009
Branches						
German branch	Germany	-	-		-	-
Austrian branch	Austria	-	-		-	-
Spanish branch	Spain	-	-		-	-
Italian branch	Italy	-	-		-	-
Polish branch	Poland	-	-		-	-
Portuguese branch	Portugal	-	-		-	-
United Kingdom branch	United Kingdom	-	-		-	-
Fully Consolidated Companies						
Sales financing in France						
Crédipar	France	100	-		100	100
CLV	France	-	100	Crédipar	100	100
Sofib	France	100	-		100	100
Sofira	France	98	-		98	98
Sales financing outside France						
BPF Algérie	Algeria	2	98	PSA Financial Holding B.V.	100	100
PSA Finance Argentina Compania Financiera S.A.	Argentina	50	-		50	50
PSA Finance Belux	Belgium	5,25	94,75	PSA Financial Holding B.V.	100	100
Banco PSA Finance Brasil S.A.	Brazil	100	-		100	100
PSA Finance Arrendamento Mercantil S.A.	Brazil	100	-		100	100
PSA Financial d.o.o.	Croatia	-	100	PSA Financial Holding B.V.	100	100
PSA Finance Hungaria Zrt.	Hungary	2,50	97,50	PSA Financial Holding B.V.	100	100
PSA Renting Italia S.p.A.	Italy	100	-		100	100
Banque PSA Finance Mexico SA de CV SOFOL	Mexico	2,52	97,48	PSA Financial Nederland B.V.	100	100
PSA Finance Nederland B.V.	Netherlands	-	100	PSA Financial Holding B.V.	100	100
PSA Finance Polska Sp.zo.o.	Poland	100	-		100	100
PSA Gestao Comercio E Aluguer de Veiculos	Portugal	97	1	PSA Financial Holding B.V.	98	98
PSA Finance Ceska Republika S.r.o.	Czech Republic	0,05	99,95	PSA Financial Holding B.V.	100	100
PSA Wholesale Ltd	United Kingdom	100	-		100	100
Bank PSA Finance Rus	Russia	63	35	PSA Financial Holding B.V.	98	-
PSA Finance Slovakia S.r.o.	Slovakia	0,16	99,84	PSA Financial Holding B.V.	100	100
BPF Financiranje d.o.o.	Slovenia	-	50	PSA Financial Holding B.V.	50	50
PSA Finance Suisse S.A.	Switzerland	82,35	17,65	PSA Financial Holding B.V.	100	100
BPF Pazarlama A.H.A.S.	Turkey	100	-		100	100
Insurance						
PSA Assurance S.A.S.	France	90	-		90	99,99
PSA Services Ltd	Malta	0,01	99,99	PSA Assurance S.A.S.	90	99,99
PSA Insurance Ltd	Malta	0,01	99,99	PSA Services Ltd	90	99,99
PSA Life Insurance Ltd	Malta	0,01	99,99	PSA Services Ltd	90	99,99
Other companies						
Financière Greffulhe S.A.S.	France	-	100	Crédipar	100	100
GIE Foncier Crédipar	France	-	-		-	100
SNDA	France	100	-		100	100
PSA Factor Italia S.p.A.	Italy	-	94,54	Succursale en Italie	94,54	94,54
PSA Finance S.C.S.	Luxembourg	100	-		100	100
PSA Financial Holding B.V.	Netherlands	100	-		100	100
Peugeot Finance International N.V.	Netherlands	100	-		100	100
Vernon Wholesale Investment Company Ltd	United Kingdom	-	100	PSA Wholesale Ltd	100	100
Special purpose entities						
Auto ABS 2004-1 Fund	France	-	-		-	100
Auto ABS 2006-1 Fund	France	-	-		100	100
Auto ABS 2007-1 Fund	France	-	-		100	100
Auto ABS S.r.l. 2007-2 Fund	Italy	-	-		100	100
Auto ABS 2008-1 Fund	France	-	-		100	100
Auto ABS 2009-1 Fund	Spain	-	-		100	100
FIDC	Brazil	-	-		100	-
Auto ABS 2010-1 Fund	France	-	-		100	-
Investments in Associates						
Dongfeng Peugeot Citroën Auto Finance Company Ltd	China	-	75	PSA Finance Nederland B.V.	75	25

Note 2 – Accounting Policies

In accordance with European Council Regulation 1606/2002/EC dated July 19, 2002 on the application of international accounting standards from January 1, 2005, Banque PSA Finance's consolidated financial statements for the year ended December 31, 2010 have been prepared in accordance with the International Financial Reporting Standards (IFRSs) applicable and adopted by the European Union as of that date.

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

The standards and interpretations applied at December 31, 2010 were unchanged compared with December 31, 2009 except for the adoption of standards and interpretations whose application was compulsory for the first time in 2010.

New IFRSs and IFRIC Interpretations whose Application was Compulsory in the Fiscal Year Commencing January 1, 2010

- **IFRS 3 (revised)** – Business Combinations and **IAS 27 (revised)** – Consolidated and Separate Financial Statements;
- **Amendment to IAS 39** – Eligible Hedged Items;
- **Annual improvements**.

The application of these standards and amendments has not had any material impact on the Group's consolidated financial statements.

The other standards and interpretations adopted by the European Union that were applicable in 2010 either do not currently concern the Banque PSA Finance Group or have no impact on its financial consolidated financial statements.

New IFRSs and IFRIC Interpretations Applicable after the Fiscal Year Commencing January 1, 2010

Banque PSA Finance has not early adopted any standards or interpretations.

No material impact is potentially expected from the following changes:
- **IAS 24 (revised)** – Related Party Disclosures;
- **Amendment to IAS 32** – Classification of Rights Issues;
- **Amendments to IFRS 1 and IFRS 7** – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters;
- **Amendment to IFRIC 14** –Prepayments of a Minimum Funding Requirement;
- **IFRIC 19** – Extinguishing Financial Liabilities with Equity Instruments;
- **Annual improvements**.

Format of the Financial Statements:

As no template is provided in IFRS, the consolidated financial statements are presented largely in accordance with Conseil National de la Comptabilité (CNC) recommendation 2009-R.04 on the format of credit institutions' IFRS financial statements. Banque PSA Finance's consolidated financial statements include prior year comparatives.

The consolidated financial statements include the financial statements of Banque PSA Finance and the French and foreign companies in the Banque PSA Finance Group, based on the consolidation methods described in note A below.
The individual statutory financial statements of Banque PSA Finance and its subsidiaries and branches are prepared in accordance with the accounting principles in force in the countries where they do business. These statements are adjusted to comply with Group accounting policies for inclusion in the consolidated financial statements.

Significant accounting policies applied by the Group are described in notes B to H below.

The term "related companies" refers to all companies that are fully consolidated in the PSA Peugeot Citroën Group consolidated financial statements.

The annual consolidated financial statements and notes for Banque PSA Finance Group were approved by the Board of Directors on February 7, 2011.

A. Basis of Consolidation

Consolidation Methods

Companies in which Banque PSA Finance directly or indirectly holds a majority interest are fully consolidated. The same method is applied to companies where the majority of the risks and rewards of the business lie with the Group, directly or indirectly (for example, all special purpose entities set up in connection with securitization operations are fully consolidated) and to companies owned jointly with a partner on a 50/50 basis, when Banque PSA Finance is in a position to control strategic financial and operating decisions relating to the business.

All material intragroup transactions and balances are eliminated in consolidation.

Companies that are between 20% and 50% owned, directly or indirectly, over which Banque PSA Finance has significant influence are accounted for by the equity method. This method is also applied to companies that are more than 50% owned but are not exclusively controlled due to joint governance arrangements (this is the case, for example, of the Chinese subsidiary).

Certain companies meeting the above criteria are not consolidated because they are not material in relation to the consolidated financial statements. Investments in these companies are classified as "Available-for-sale assets" (see note C.4 below).

Translation of Financial Statements of Foreign Subsidiaries

Balance sheets of foreign companies are translated at the year-end exchange rate published by the European Central Bank (ECB). Income statement items of foreign companies are translated on a month-by-month basis at the average monthly rate.

Gains and losses resulting from translation of the financial statements of foreign subsidiaries are recorded in equity under "Exchange difference".

Foreign Currency Transactions

Transactions in foreign currencies are measured and recognized in accordance with IAS 21 – The Effects of Changes in Foreign Exchange Rates. In compliance with this standard and also with banking regulations, transactions denominated in foreign currencies are recorded in the original currency. At each period-end, balance sheet items in foreign currencies are revalued at fair value at the ECB closing exchange rate. The corresponding revaluation differences are recognized in the income statement under “Currency instruments”.

Foreign currency transactions are systematically hedged using currency derivatives which are recognized in the balance sheet and measured at fair value. Gains and losses arising from remeasurement of currency derivatives at fair value at each period-end are recognized in the income statement under “Currency instruments” and offset the gains and losses on the underlying transactions. Consequently, net exchange gains or losses are by definition not material.

Use of Estimates

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

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

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

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

Main Consolidation Adjustments

Recognition and Measurement of Derivative Instruments, Hedge Accounting (IAS 39)

In the financial statements of most of the individual subsidiaries, the fair value principle under IAS 39 – Financial Instruments: Recognition and Measurement, does not apply. Measurement at fair value of derivative instruments, financial assets and certain financial liabilities at fair value through profit or loss, and application of hedge accounting in accordance with IAS 39 therefore give rise to certain consolidation adjustments. The underlying principles are described in note C “Financial assets and liabilities”, below.

Deferred Taxes

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

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

B. Fixed Assets

B.1. Property and Equipment

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

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

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

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

B.2. Intangible Assets

In accordance with IAS 38 – Intangible Assets, the portion of the cost of developing software for internal use that corresponds to internal or external costs directly attributable to creating the software or improving its performance, is recognized as an intangible asset when it is probable that the costs will generate future economic benefits. The capitalized costs are amortized over the estimated useful life of the software, not to exceed 12 years. Other software purchases and development costs are recognized as an expense.

B.3. Goodwill

Goodwill is the excess of the cost of shares in a consolidated company, including transaction expenses, over the Group's equity in the fair value at the acquisition date of the identifiable assets and liabilities acquired. It was amortized on a straight-line basis over 20 years until December 31, 2003.

Effective from January 1, 2004, in accordance with IFRS 3 – Business Combinations, goodwill is no longer amortized, but is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired (see note B.4 below).

Crédipar Goodwill

Crédipar’s fair market value at December 31, 1998 was calculated in connection with the acquisition by Banque PSA Finance of the 50% interest in Crédipar held by Sovac S.C.A. Following final adjustments in 1999, as allowed under generally accepted accounting principles, the initial goodwill was determined to be €100 million. After deducting accumulated amortization for the period to December 31, 2003, Crédipar goodwill amounted to €75 million at January 1, 2004.

Sofib Goodwill

Sofib was acquired from PSA Peugeot Citroën on April 1, 1999. Goodwill arising on the acquisition totalled €7.6 million. After deducting accumulated amortization for the period to December 31, 2003, Sofib goodwill recognized in the opening IFRS balance sheet at January 1, 2004 amounted to €6 million.

Bank PSA Finance Rus Goodwill

Bank PSA Finance Rus was acquired on September 11, 2009 and has been fully consolidated since Mars 2010. Goodwill on the acquisition amounted to €1.7 million.

DPCA Finance Company Goodwill

Goodwill on the May 25, 2010 acquisition of a further 50% of the Chinese subsidiary Dongfeng Peugeot Citroën Auto Finance Company amounted to €6 million. As Banque PSA Finance does not have full control of the subsidiary, it has been accounted for using the equity method. Consequently, the goodwill has been added to the carrying amount of the investment presented in “Investments in Associates and Joint Ventures Accounted for using the Equity Method”.

B.4. Impairment of Long-lived Assets

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

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

At Banque PSA Finance, CGUs correspond to operations in each individual country. Application of IFRS 8 did not change Management’s analysis of long-lived assets and the definition of the CGU remained the same. To recognize any impairment of goodwill, however, goodwill has been allocated by segment, as it is mainly associated with customer loans subject to IFRS 8 segmentation.

C. Financial Assets and Liabilities

Financial assets and liabilities are recognized and measured in accordance with IAS 39. IAS 39 was adopted in part by the European Commission on November 19, 2004 (regulation 2086/2004/EC) with six amendments, mainly concerning the fair value option, and regulation 1864/2005/EC published on November 16, 2005, which allows companies to elect to measure certain liabilities at fair value. The Group has elected to use this option in certain instances (see paragraph C.3 below).

As allowed under IAS 39, the Group has elected to apply transaction date accounting to financial assets and liabilities. Consequently, when the transaction date (corresponding to the date when the commitment is entered into) is different from the settlement date, the purchase or sale of securities is recognized in the balance sheet on the transaction date (see end of paragraphs C2 and C7.2 below).

The Group is not concerned by the provisions of IAS 39 regarding the application of hedge accounting to demand deposits, which in their current formulation have not been adopted by the European Commission (carve out).

C.1 Derivatives – Application of Hedge Accounting

C.1.1 Recognition and Measurement

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

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

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

The effects of hedge accounting are as follows:
- for fair value hedges of existing assets and liabilities, the hedged portion of the asset or liability is recognized in the balance sheet and measured at fair value. Gains and losses arising from remeasurement at fair value are recognized in profit or loss, and are offset by the effective portion of the loss or gain arising from remeasurement at fair value of the hedging instrument. Fair value adjustments to hedged financial assets and liabilities are reported under "Fair value adjustments to portfolios hedged against interest rate risks", in assets for hedged finance receivables and in liabilities for hedged debt;
- for cash flow hedges, the effective portion of the gain or loss arising from remeasurement at fair value of the hedging instrument is recognized in equity. The cumulative gains and losses recognized in equity are included in profit or loss when the hedged item affects profit or loss.

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

C.1.2 Derivatives – Financial Statement Presentation

Balance sheet:

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

"Financial liabilities at fair value through profit or loss" when it is negative.

Income statement:

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

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

Banque PSA Finance liquidity reserves are invested partly in fixed income securities indexed to Eonia. They are generally financed by debt indexed to Eonia. If not, they are swapped for the 3-month Euribor by means of economic hedges. In the interests of simplicity, these fixed income securities are accounted for using the fair value option, whereby changes in the fair value of the hedged securities are recognized directly in profit or loss, together with the offsetting change in fair value of the economic hedges. Liquidity reserves are also partly invested in mutual funds, whose units are not consolidated because they do not meet the criteria regarding control or rights in the majority of the benefits and corresponding risks (see IAS 27 – Consolidated financial statements and accounting for investments in subsidiaries and SIC 12 – Consolidation: Special Purpose Entities).

This caption also includes:
- the positive fair value of other derivatives that do not qualify for hedge accounting under IAS 39;
- securities receivable, which are recognized as from the transaction date.

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

This item comprises liabilities valued using the fair value option. The Group has elected to use this option in certain instances to improve the presentation of its financial statements by recognizing fair value adjustments to the liabilities symmetrically with the fair value adjustments made to the derivatives used to hedge the interest rate risk on those liabilities. Accordingly, the fair value adjustments include any changes in Banque PSA Finance's issuer spread. At December 31, 2010, no liabilities were measured using the fair value option.

This caption also includes the negative fair value of other derivatives that do not qualify for hedge accounting under IAS 39, including interest rate derivatives intended to hedge financial assets or liabilities at fair value through profit or loss.

C.4 Available-for-sale Assets

Available-for-sale assets consist mainly of investments in companies that are not yet consolidated. These investments are stated at fair value, which generally corresponds to their cost.

C.5 Held-to-maturity Investments

These are fixed income securities that are acquired with the positive intention of being held to maturity. They are stated at amortized cost, corresponding to redemption value less amortization of premiums and discounts. Premiums and discounts are amortized to profit or loss over the holding period.

C.6 Loans and Receivables

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

Customer loans and receivables are analysed by type of financing:

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

  As explained in section C.6.2 below, buyback contracts and long-term leases are adjusted to present each transaction as a loan.

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

  and, in rare cases, for **Corporate dealers**.

- Wholesale financing (i.e. financing of vehicle and spare part inventories), as defined by French banking regulations.
  Wholesale financing is primarily intended for **Corporate dealers** (mainly independent Peugeot and Citroën dealers, importers of new Peugeot and Citroën vehicles in certain countries, certain used vehicle dealers).

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

C.6.1 Loans and Receivables Measured at Amortized Cost

Loans and receivables recognized in the balance sheet correspond to Banque PSA Finance's net commitment in respect of these receivables. Therefore, as well as the outstanding principal and accrued interest, the carrying value of finance receivables also includes:
- commissions paid to referral agents as well as external direct administrative expenses, which are added to the outstanding principal;
- contributions received from the brands and transaction fees, which are deducted from the outstanding principal;
- guarantee deposits received at the inception of finance leases, which are deducted from the amount financed.

The carrying value of finance receivables does not reflect the impact of applying hedge accounting (see note C.6.3 below).

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

C.6.2 Lease Financing

In accordance with IAS 17 – Leases and IAS 39, vehicles leased to customers are treated as in-substance loans because the risks and rewards of ownership of the vehicle do not lie with Banque PSA Finance. Consequently, rental revenues and depreciation expense on the vehicles are adjusted in order to present each transaction as a loan.

C.6.3 Hedges of Interest Rate Risks on Outstanding Loans and Receivables

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

C.6.4 Impairment Losses

Impairment losses on finance receivables are deducted from their carrying value in the balance sheet, as soon as a loss event occurs.

Impairment losses are identified separately under specific line items.

The different customer categories are presented in section “F. Segment information” (see below).

Retail financing impairment losses

- ***Impairment losses on sound loans with past-due installments:***
  An impairment loss is recognized on sound loans when the borrower defaults on a single installment (loss event). Impairment is assessed based on the probability of the outstanding loan being classified as non-performing and on the discounted average loss rate.

- ***Impairment losses on non-performing loans:***
  In accordance with French banking regulations, loans for which one or more installments are over 90 days past-due are automatically reclassified as non-performing. This period is increased to 150 days when the Group has no exposure to counterparty risk due to effective risk mitigation. Loans that do not have any installments over 90 days past-due but are flagged by the system as giving rise to an aggravated risk are classified as non-performing immediately. This definition of non-performing loans is in line with the definition of "default" used for Basel II risk assessment purposes.
  Banque PSA Finance has set up a database containing historical collection data for non-performing loans. These data are used to determine the discounted average loss rate, which serves as the basis for calculating impairment losses on non-performing and doubtful loans. The discounted average loss rate is calculated using the effective interest method.

- ***Restructured performing loans:***
  These mainly concern retail customers in France who are in a situation of over-indebtedness and are the subject of plans to discharge their total debt ("Neiertz Act plans"). As soon as the Group is formally notified that loan repayments are being suspended while a debt discharge plan is put in place, the loan is classified as non-performing. At the end of the moratorium, if the customer complies with his or her repayment obligations, the loan is reclassified as sound and an impairment loss is booked at the rate applied to sound loans with past-due installments. In the event of a subsequent default, the loan is immediately reclassified as non-performing.

- Discounting retail financing recoveries leads to an increase in the impairment loss recognized upon occurrence of the loss event compared to the actual loss that will ultimately be recognized. This increase is linked to the passage of time. If the amount involved is material, this increase in the impairment loss is reversed over the average life of the loans by crediting “Cost of risk”.

Impairment losses on “Corporate dealers” and “Corporate and equivalent” financing

- These loans are classified as non-performing when one or more installments are 91 days past-due (271 days past-due for loans to Local Administrations). These periods are increased to 451 days and 631 days respectively, when the Group has no exposure to counterparty risk due to effective risk mitigation. Loans that do not have any installments that are over 90 and 270 days past-due respectively, but are flagged by the system as giving rise to an aggravated risk, are reclassified as non-performing immediately.

- When the first default occurs or at the latest when the above periods have been exceeded, a 'Flash Report' is issued containing a detailed risk analysis and stipulating the amount of any necessary provision. Loans for which a 'Flash Report' has been issued are flagged in the system as giving rise to an aggravated risk.

When a finance receivable is considered as irrecoverable, it is written off through profit or loss. The previously-recognized impairment loss is also reversed through profit or loss. Any subsequent recoveries are credited to the income statement under "Cost of risk".

C.7 Financing Liabilities

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

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

C.7.1 Hedges of Interest Rate Risks on Financing Liabilities

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

C.7.2 Debt Securities

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

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

D. Liabilities Related to Insurance Contracts

Liabilities related to insurance contracts correspond to the technical reserves set aside by the insurance companies to cover their obligations towards insureds and beneficiaries. In accordance with IFRS 4 – Insurance Contracts, liabilities related to insurance contracts for life and non-life business are calculated by the methods prescribed by local insurance regulations.

Life and non-life liabilities related to insurance contracts consist mainly of unearned premium reserves (UPR), corresponding to the portion of written premiums relating to future periods, and claims reserves, corresponding to incurred claims and claims incurred but not reported ("IBNRs"). IBNR reserves are calculated on a statistical basis.

E. Provisions

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

Provisions are discounted only when the impact is material.

F. Segment Information

In application of IFRS 8 effective January 1, 2009, Banque PSA Finance has identified the following five operating segments meeting Basel II guidelines (portfolios):

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

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

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

- **Insurance**, referring to captive insurance and holding companies in Malta, and to self-insurance activity in Belgium and the Netherlands.

- **Refinancing and securities**, corresponding to the refinancing and investment activities of Banque PSA Finance.

An analysis of balance sheet and income statement items by segment is provided in the Segment Information note, along with an analysis of the main balance sheet and income statement items by geographical region (France, Europe excluding France and Rest of World).

G. Pension Obligations

In addition to standard pensions payable under local legislation, Group employees receive supplementary pension benefits and retirement bonuses (see note 20.1). These benefits are paid under defined contribution and defined benefit plans.

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

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

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

Changes in actuarial assumptions and experience adjustments - corresponding to the effects of differences between the previous actuarial assumptions and what has actually occurred – give rise to actuarial gains and losses on the benefit obligation or on the plan assets. These gains and losses are recognized in the income statement by the corridor method, which consists of recognizing a specified portion of the net cumulative actuarial gains and losses that exceeds the greater of 10% of the present value of the defined benefit obligation (before deducting plan assets) and 10% of the fair value of any plan assets at the balance sheet date.

The total projected benefit obligation, including the portion not recognized due to the deferral of actuarial gains and losses, is covered by external funds. Because actuarial gains and losses are deferred, in some cases the amount of these external funds exceeds the recognized projected benefit obligation, leading to the recognition of an asset in "Other non-current assets" in an amount not exceeding the sum of net actuarial losses and unrecognized past service costs.

Other employee benefits covered by provisions mainly concern long-service awards payable by French subsidiaries and some foreign subsidiaries.

The Group no longer has any liability to make good any under-funding of the Banking Industry Pension Fund (CRPB), as the latest independent actuarial valuations performed in 2010 indicate that the vested benefit entitlements of employees are covered by the contributions paid to date.

H. Signature Commitments

Irrevocable commitments given or received by Group companies (irrevocable customer financing commitments, corresponding to the period between the loan offer and the date when the funds are released, guarantees; other commitments received or given…) are recognized in the balance sheet at fair value in accordance with IAS 39. As these commitments are made on market terms, they have a zero fair value.
Provisions are taken for impairment of financing or guarantee commitments in accordance with IAS 37. These signature commitments are reported at their nominal amount in Note 25 – Other commitments.
Derivative financial instrument commitments (rate or currency instruments) are described in note C.1 above and are reported at their nominal amount in Note 22 – Derivatives.

Note 3 Cash, Central Banks, Post Office Banks

(in million euros)	Dec. 31, 2010	Dec. 31, 2009
Cash	1	1
Central banks and post office banks (deposits)	19	98
- of which compulsory reserves deposited with the Banque de France	*2*	*83*
Total	**20**	**99**

Note 4 Financial Assets at Fair Value Through Profit or Loss

(in million euros)	Dec. 31, 2010	Dec. 31, 2009
Marketable securities (1)	767	759
- Mutual funds	14	1
- of which units held by insurance companies	*14*	*1*
- Certificates of deposit	707	713
- of which CDs held by securitization vehicles (2)	*578*	*583*
- Other	46	45
Fair value adjustments	-	-
Marketable securities booked at fair value through profit or loss	**767**	**759**
- of which accrued interest	*1*	-
Accrued interest on trading derivatives (3)	**1**	**1**
Fair value of trading derivatives (3)	**20**	**9**
Total	**788**	**769**

Fair value is determined by applying valuation techniques based for the most part on observable market data (level 2), except for mutual fund units which are valued at the latest published net asset value (level 1).

(1) The liquidity surplus, which amounted to €305 million at December 31, 2010, consists of interbank loans (€288 million) classified as "Loans and advances to credit institutions" (see Note 7) and reserves deposited with the central banks (€17 million) classified as "Cash, central banks, post office banks" (see Note 3).

(2) In the published financial statements at December 31, 2009, interbank deposits related to the Spanish securitization (€65 million) were included in "Financial assets at fair value through profit or loss". They are now included in "Deposits from credit institutions" (see Note 7).

(3) Swaps classified as held for trading, mainly set up during securitization transactions, represent closed positions that set each other off within portfolios of contracts with similar characteristics. They do not generate any material gains or losses (see Notes 14, 23.1 and 23.5).

Note 5 Hedging Instruments - Assets

(in million euros)	Dec. 31, 2010	Dec. 31, 2009
Cash Flow hedges	**11**	**3**
Purchased options (1)	11	3
- of which intrinsic value at maturity	*9*	-
Fair Value Hedges	**172**	**236**
Adjustment accounts - off-balance sheet transactions in foreign currencies (2)	3	4
- of which related companies	-	-
Accrued income on swaps designated as hedges	38	22
- of which related companies	-	-
Positive fair value of instruments designated as hedges of:		
- Borrowings	25	25
- EMTNs/BMTNs	28	24
- Bonds	74	158
- Certificates of deposit	-	-
- Other debts securities	1	2
- Retail finance receivables	3	1
Total	**183**	**239**

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

Hedging effectiveness is analysed in Note 23.4.

(1) Swaptions purchased as hedges of future loans originations. At each future expiry date in the first and second quarter of 2011 Banque PSA Finance bought and sold options on the same notional amount with the same counterparty and is in a net buyer position (see Note 15).

(2) Adjustment accounts are used to record fair value adjustments to currency swaps designated as:
- *hedges of foreign currency customer loans refinanced in euros; these fair value adjustments are offset by adjustments arising from the remeasurement of the foreign currency customer loans at period-end exchange rates (see Notes 8.3 and 15); or*
- *hedges of foreign currency financing liabilities; these fair value adjustments are offset by adjustments arising from the remeasurement of the underlying foreign currency financing liabilities at period-end exchange rates (see Notes 15 and 18.3).*

Note 6 Available-for-sale Financial Assets

Available-for-sale financial assets consist mainly of investments in companies that are not yet consolidated, because the size of their business at the year-end is not material. Marketable securities are included in "Financial assets at fair value through profit or loss" (see Note 4).

No provision has been booked for start-up losses of companies that are not yet consolidated, because none of them are expected to remain in a loss-making position over the long-term.

The fair value of these assets is considered as being equal to the most recent transaction price, corresponding to the purchase of the shares (level 3).

Shares in non-consolidated companies amounted to €2 million at December 31, 2010 and mainly concern the PSA Financial P.L.C. subsidiary, currently in a liquidation, and that was removed from the scope of consolidation at January 1, 2009.

Shares in non-consolidated companies amounted to €9 million at December 31, 2009 and mainly concerned the Russian subsidiary Bank PSA Finance Rus (€6.5 million), which has been consolidated since March 2010 (see Note 1, changes in Group structure).

Note 7 Loans and Advances to Credit Institutions

Analysis of Demand and Time Accounts

(in million euros)	Dec. 31, 2010	Dec. 31, 2009
Demand accounts	**1 295**	**1 190**
Ordinary accounts in debit (1)	927	605
Cash receivables for securities to be delivered (2)	80	23
Loans and advances at overnight rates (3)	288	562
Time accounts (4)(5)	**95**	**72**
Accrued interest	**1**	**-**
Total	**1 391**	**1 262**

(1) *Corresponding to amounts debited from external bank accounts, which include the last direct debits on customer accounts for the period.*

(2) *For details of securities to be delivered see Note 18 .*

(3) *The liquidity surplus, which amounted to €305 million at December 31, 2010, consists of interbank loans (€288 million) classified as "Loans and advances to credit institutions" and reserves deposited with the central banks (€17 million) classified as "Cash, central banks, post office banks" (see Note 3).*

(4) *In the published financial statements at December 31, 2009, interbank deposits related to the Spanish securitization (€65 million) were included in "Financial assets at fair value through profit or loss". They are now included in "Deposits from credit institutions" (see Note 4).*

(5) *Time accounts are analysed by maturity in Note 24.*

Analysis of Loans and Advances to Credit Institutions (including accrued interest) between Loans to Related Companies and Loans to Non-Group Institutions

(in million euros)	Dec. 31, 2010	Dec. 31, 2009
Non-group institutions	1 391	1 262
Total	**1 391**	**1 262**

Note 8 Customer Loans and Receivables

8.1 Analysis by Type of Financing

(in million euros)	Dec. 31, 2010	Dec. 31, 2009
Installment contracts	**10 034**	**9 690**
- of which securitized (1)	*2 913*	*3 760*
Buyback contracts (2)	**2 531**	**2 712**
Principal and interest	2 907	3 137
- of which securitized (1)	*800*	*1 099*
Unaccrued interest on buyback contracts	(376)	(425)
- of which securitized (1)	*(68)*	*(149)*
Long-term leases (2)	**4 737**	**4 708**
Principal and interest	5 184	5 139
- Related companies	1	1
- Non-group companies	5 183	5 138
- of which securitized (1)	*725*	-
Unaccrued interest on long-term leases	(394)	(376)
- of which securitized (1)	*(36)*	-
Leasing deposits	(53)	(55)
Wholesale financing	**5 165**	**4 359**
Principal and interest	5 236	4 408
- Related companies	209	128
- Non-group companies	5 027	4 280
Wholesale financing deposits	(71)	(49)
- Related companies	(59)	(37)
- Non-group companies	(12)	(12)
Other finance receivables (including equipment loans, revolving credit)	**763**	**804**
Ordinary accounts in debit	**117**	**117**
- Related companies	2	2
- Non-group companies	115	115
Deferred items included in amortized cost - Customers loans and receivables	**64**	**55**
- Deferred acquisition costs	428	424
- Deferred loan set-up costs	(101)	(94)
- Deferred manufacturer and dealer contributions	(284)	(304)
- Deferred discounting adjustments to subsidized loans (3)	21	29
Total Loans and Receivables at Amortized Cost	**23 411**	**22 445**
- of which loans and receivables given as collateral (4)	*1 328*	*1 880*

(1) The Banque PSA Finance Group has set up several securitization programs.

- *On July 13, 2006, Crédipar sold €1,372 million worth of future finance lease revenues and related VAT to the Auto ABS 2006-1 fund. The Auto ABS 2006-1 fund issued €1,118 million worth of AAA/Aaa/AAA rated preferred bonds and €132 million worth of A/A2/A rated subordinated bonds. Crédipar's retained interest amounts to €10,000.*
- *On January 29, 2007, Crédipar sold €1,250 million worth of automobile loans to the Auto ABS 2007-1 fund. The Auto ABS 2007-1 fund issued €1,181 million worth of AAA/Aaa rated preferred bonds and €69 million worth of A/Aa3 rated subordinated bonds. Crédipar's retained interest amounts to €10,000.*
- *On July 25, 2007, Banque PSA Finance's Italian branch sold €850 million worth of automobile loans to the Auto ABS S.r.l. 2007-2 fund, an Italian Special Purpose Vehicle (SPV). This SPV issued €816 million worth of AAA/Aaa rated preferred bonds, €34 million worth of A/A1 rated subordinated bonds and €18.7 million worth of junior bonds subscribed by Banque PSA Finance's Italian branch.*
- *On July 30, 2008, Banque PSA Finance's German branch sold €1,000 million worth of automobile loans to the Auto ABS 2008-1 fund. The Auto ABS 2008-1 fund issued €970 million worth of AAA/aaa rated preferred bonds and €30 million worth of A/Aa3 rated subordinated bonds. The German branch's retained interest amounts to €10,000.*
- *On April 21, 2009, Banque PSA Finance's Spanish branch sold €1,180 million worth of automobile loans to the Auto ABS 2009-1 Asset Securitization Fund. The fund issued €1,050 million worth of AAA rated preferred bonds, €82.6 million worth of A rated subordinated bonds and €47.2 million worth of B rated subordinated bonds. All of these bonds were purchased by Banque PSA Finance. The AAA rated preferred bonds were sold to the European Central Bank in repo transactions for a discounted price of € 650 million on December, 31, 2010 (see Note 16).*
- *On April 13, 2010, both of Banque PSA Finance's Brazilian subsidiaries began to sell automobile loans and future finance lease revenues to a "Fonds d'Investissement en Droits de Créances" (FIDC). At the end of December 2010, the total amounted to BRL1,221 million (€551 million). The FIDC is an open-end fund that can purchase successive packages of loans, in line with the agreement entered into with Banco Santander. The fund issued seniors bonds subscribed by Banco Santander (90%) and subordinated bonds subscribed by Banque PSA Finance's Brazilian branches (10%).*
- *On November 25, 2010, Banque PSA Finance's German branch sold €680.3 million worth of future finance lease revenues and related VAT to the Auto ABS 2010-1 fund. The fund issued €500 million worth of AAA rated A bonds, €79.9 million worth of B bonds and €100.4 million worth of C bonds. All of the B and C bonds were purchased by Banque PSA Finance. The German branch's retained interest amounts to €300.*

The French funds, the Italian vehicle, the Spanish Asset Securitization fund and the Brazilian FIDC are special purpose entities that are fully consolidated by Banque PSA Finance as its subsidiaries and branches retain the majority of the risks (principally credit risk) and rewards (net banking income) generated by the special entities.

(2) Lease financing transactions (buyback contracts and long-term leases) are included in loans and receivables because they fulfill the criteria for classification as finance leases, since the risks and rewards of ownership of the vehicle do not lie with Banque PSA Finance.

(3) This concerns interest-free customer loans granted under the VIVE plan in Spain (see Note16).

(4) Including at December 31, 2010, €1,208 million corresponding to receivables given as collateral to the SFEF and €120 million corresponding to receivables given as collateral to the Budensbank by the German branch (see Note 26).

8.2 Customer Loans and Receivables by Segment

Type of financing / Segment (based on IFRS 8)	Retail (A - see A Note 33.1)		Corporate Dealers (B - see B Note 33.1)		Corporate and equivalents (C - see C Note 33.1)		Total	
(in million euros)	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009
Installment contracts	9 889	9 521	63	96	82	73	10 034	9 690
Buyback contracts	2 431	2 606	39	47	61	59	2 531	2 712
Long-term leases	3 496	3 577	72	55	1 169	1 076	4 737	4 708
Wholesale financing	-	-	5 165	4 359		-	5 165	4 359
Other finance receivables	199	209	562	592	2	3	763	804
Ordinary accounts in debit	-	-	115	116	2	1	117	117
Deferred items included in amortized cost	80	69	(5)	(4)	(11)	(10)	64	55
Total customer loans by segment (based on IFRS 8)	**16 095**	**15 982**	**6 011**	**5 261**	**1 305**	**1 202**	**23 411**	**22 445**

8.3 Analysis by Currency

(in million euros)	Dec. 31, 2010	Dec. 31, 2009
Net loans and receivables		
ARS	135	74
AUD	31	-
BRL	1 285	1 047
CHF	485	404
CZK	152	150
DKK	45	20
EUR	18 489	18 405
GBP	2 216	1 958
HRK	28	15
HUF	9	15
MXN	64	72
NOK	11	11
PLN	294	256
RUB	137	-
SEK	13	18
USD	17	-
Total	**23 411**	**22 445**

The adjustments arising from the remeasurement of foreign currency customer loans refinanced in euros at period-end exchange rates are offset by the fair value adjustments to currency swaps hedging these loans (see Notes 5 and 15).

8.4 Analysis by Maturity (except ordinary accounts in debit and deferred items included in amortized cost)

Analysis by Maturity at December 31, 2010

(in million euros)	Installment contracts	Buyback contracts	Long-term leases	Wholesale financing	Other finance receivables	Total at Dec. 31, 2010
Not broken down	477	130	168	157	97	1 029
0 to 3 months	931	210	661	3 357	91	5 250
3 to 6 months	874	182	566	361	45	2 028
6 months to 1 year	1 844	360	927	1 372	103	4 606
1 to 5 years	6 038	1 690	2 537	9	403	10 677
Over 5 years	130	18	-	-	51	199
Total, gross	**10 294**	**2 590**	**4 859**	**5 256**	**790**	**23 789**
Guaranties deposits	-	-	(53)	(71)	-	(124)
Impairment	(260)	(59)	(69)	(20)	(27)	(435)
Total net loans and receivables	**10 034**	**2 531**	**4 737**	**5 165**	**763**	**23 230**

Analysis by Maturity at December 31, 2009

(in million euros)	Installment contracts	Buyback contracts	Long-term leases	Wholesale financing	Other finance receivables	Total at Dec. 31, 2009
Not broken down	467	127	164	144	68	970
0 to 3 months	1 013	216	581	2 155	134	4 099
3 to 6 months	911	206	464	1 066	54	2 701
6 months to 1 year	1 766	413	940	1 058	125	4 302
1 to 5 years	5 570	1 746	2 671	8	408	10 403
Over 5 years	200	57	-	-	36	293
Total, gross	**9 927**	**2 765**	**4 820**	**4 431**	**825**	**22 768**
Guaranties deposits	-	-	(55)	(49)	-	(104)
Impairment	(237)	(53)	(57)	(23)	(21)	(391)
Total net loans and receivables	**9 690**	**2 712**	**4 708**	**4 359**	**804**	**22 273**

Note 9 Fair Value Adjustments to Finance Receivables Portfolios Hedged against Interest Rate Risks

(in million euros)	Dec. 31, 2010	Dec. 31, 2009
Fair value adjustments to		
Installment contracts	66	141
Buyback contracts	11	29
Long-term leases	3	38
Total	**80**	**208**

Hedging effectiveness is analyzed in Note 23.4.

Note 10 Accruals and Other Assets

(in million euros)	Dec. 31, 2010	Dec. 31, 2009
Other receivables	**319**	**303**
- Related companies (1)	93	72
- Non-group companies	226	231
Prepaid and recoverable taxes	**49**	**32**
Other prepaid expenses	**65**	**181**
Accrued income	**26**	**19**
- Related companies	1	1
- Non-group companies	25	18
- of which insurance activities	*8*	*3*
Other	**84**	**63**
- Related companies	-	1
- Non-group companies	84	62
Total	**543**	**598**

(1) *Other receivables from related companies consist mainly of contributions receivable from the Peugeot and Citroën brands.*

Note 11 Investments in Associates and Joint Ventures Accounted for Using the Equity Method

(in million euros)	Dec. 31, 2010	Dec. 31, 2009
At the beginning of the period	**14**	**14**
Share in net income	2	-
Change in Group structure (1)	33	-
Goodwill (2)	6	-
Exchange difference	(1)	-
At the end of the period	**54**	**14**
- of which goodwill	*6*	-

(1) *Acquisition by PSA finance Nederland B.V. of a further 50% of the Chinese subsidiary Dongfeng Peugeot Citroën Auto Finance Company Ltd. Banque PSA Finance does not have full control of the subsidiary, and it therefore continues to be accounted for using the equity method (see Note 1).*

(2) *The €6.1 million goodwill arising from the above transaction is included in "Investments in associates and joint ventures accounted for using the equity method" in accordance with IAS 28-Investments in Associates. An impairment test carried out on December 31, 2010 revealed no impairment in the carrying amount of goodwill (see the comments on goodwill in Notes 2.B.3 and 2.B.4).*

Note 12 Property and Equipment and Intangible Assets

Property and equipment and intangible assets can be analyzed as follows:

	Dec. 31, 2010			Dec. 31, 2009		
(in million euros)	Cost	Depreciation/ amortization	Net	Cost	Depreciation/ amortization	Net
Land and buildings	1	-	1	41	(18)	23
Vehicles	12	(3)	9	11	(3)	8
Other	26	(22)	4	37	(33)	4
Property and equipment	**39**	**(25)**	**14**	**89**	**(54)**	**35**
Intangible assets (1)	**169**	**(77)**	**92**	**164**	**(69)**	**95**
Total	**208**	**(102)**	**106**	**253**	**(123)**	**130**

(1) *The development cost of software for internal use capitalized under intangible assets at December 31, 2010 amounted to €92 million net.*

Movements at Cost

(in million euros)	Dec. 31, 2009	Additions	Disposals	Other movements	Dec. 31, 2010
Land and buildings (1)	41	1	(41)	-	1
Vehicles	11	11	(10)	-	12
Other	37	5	(17)	1	26
Property and equipment	**89**	**17**	**(68)**	**1**	**39**
Intangible assets	**164**	**8**	**(4)**	**1**	**169**
Total	**253**	**25**	**(72)**	**2**	**208**

(1) *The disposal concerns the building held by GIE Foncier Crédipar (see Note 34).*

Changes in Depreciation and Amortization

(in million euros)	Dec. 31, 2009	Charges	Reversals	Other movements	Dec. 31, 2010
Land and buildings (1)	(18)	(1)	19	-	-
Vehicles	(3)	(3)	3	-	(3)
Other	(33)	(1)	12	-	(22)
Property and equipment	**(54)**	**(5)**	**34**	**-**	**(25)**
Intangible assets	**(69)**	**(11)**	**4**	**(1)**	**(77)**
Total	**(123)**	**(16)**	**38**	**(1)**	**(102)**

(1) *The reversal of amortization concerns the disposal of the building held by GIE Foncier Crédipar (see Note 34).*

Note 13 Goodwill

An impairment test carried out on December 31, 2010 revealed no impairment in the carrying amount of goodwill (see the comments on goodwill in Notes 2.B.3 and 2.B.4).

Note 14 Financial Liabilities at Fair Value Through Profit or Loss

(in million euros)	Dec. 31, 2010	Dec. 31, 2009
Accrued expense on trading derivatives (1)	1	-
Fair value of trading derivatives (1)	20	9
Total	**21**	**9**

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

(1) *Swaps classified as held for trading, mainly set up during securitization transactions, represent closed positions that set each other off within portfolios of contracts with similar characteristics. They do not generate any material gains or losses (see Notes 4, 23.1 and 23.5).*

Note 15 Hedging Instruments - Liabilities

(in million euros)	Dec. 31, 2010	Dec. 31, 2009
Cash Flow hedges	**3**	**1**
Sold options (1)	3	1
Fair Value Hedges	**211**	**416**
Adjustment accounts - commitments in foreign currencies (2)	22	17
- of which related companies	*22*	*13*
Unrealised losses on unclosed hedges	-	-
Accrued expenses on swaps designated as hedges	29	37
- of which related companies	*5*	*4*
Negative fair value of instruments designated as hedges of:		
- Borrowings	4	-
- EMTNs/BMTNs	6	-
- Bonds	74	158
- Certificates of deposit	-	-
- Retail finance receivables	76	204
Total	**214**	**417**

Fair value is determined by applying valuation techniques based for the most part on observable market data (level 2).
Hedging effectiveness is analysed in Note 23.4.

(1) *Swaptions purchased as hedges of future loans originations. At each future expiry date in the first and second quarter of 2011 Banque PSA Finance bought and sold options on the same notional amount with the same counterparty and is in a net buyer position (see Note 5).*

(2) *Adjustment accounts are used to record fair value adjustments to currency swaps designated as hedges of foreign currency customer loans refinanced in euros and foreign currency financing liabilities. These fair value adjustments are offset by adjustments arising from the remeasurement of the underlying foreign currency customer loans and financing liabilities at period-end exchange rates (see Notes 5, 8.3 and 18.3).*

Note 16 Deposits from Credit Institutions

Analysis of Demand and Time Accounts

(in million euros)	Dec. 31, 2010	Dec. 31, 2009
Demand deposits (non-group institutions)	**590**	**307**
- Ordinary accounts in credit	536	305
- Accounts and deposits at overnight rates	52	2
- Other	2	-
Accrued interest	**1**	**1**
Time deposits (1)	**5 581**	**6 860**
- Related companies	-	65
- Non-group companies (2)	5 581	6 795
Deferred items included in amortized cost of deposits from credit institutions	**1**	**(22)**
- Debt issuing costs (deferred charges)	(20)	(51)
- Deferred discounting adjustments to subsidized loans (3)	21	29
Accrued interest	**90**	**119**
Total deposits from credit institutions at amortized cost	**6 263**	**7 265**

(1) *Time deposits are analysed by maturity in Note 24.*

(2) *Including €1,183 million at December 31, 2010 in short term drawdowns on back up lines corresponding to long-term financing commitments. The syndicated credit facility was not used at December 31, 2010 (see Note 26).*
- *Including €700 million at December 31, 2010 in deposits from the SFEF (see Note 26 and section "Refinancing policy" of the management report).*
- *Including €650 million at December 31, 2010 in bonds issued by the Spanish Asset Securitization Fund that were sold to the European Central Bank (E.C.B.) in repo transactions (see Note 8.1).*
- *Including €70 million at December 31, 2010 in deposits from the Bundesbank held by the German branch (see Note 26).*
- *Including €175 million at December 31, 2010 in deposits from Instituto de Crédito Oficial (ICO) that were received under the "VIVE" (Vehiculo Innovador Vehiculo Ecologico) ecological vehicle development plan in Spain.*

(3) *This concerns interest-free deposits held by the Spanish branch under the VIVE plan in Spain (see Note 8.1 and previous footnote).*

Analysis by Currency

	Dec. 31, 2010		Dec. 31, 2009	
(in million euros)	Demand deposits	Time deposits	Demand deposits	Time deposits
ARS	-	80	-	41
BRL	21	315	-	665
CHF	1	11	2	74
CZK	4	79	2	-
EUR	472	4 319	251	5 397
GBP	43	732	8	650
HRK	2	12	-	14
HUF	9	-	12	-
MXN	-	13	-	-
PLN	38	20	32	19
Total	**590**	**5 581**	**307**	**6 860**

Note 17 Due to Customers

(in million euros)	Dec. 31, 2010	Dec. 31, 2009
Time deposits (non-group institutions) (1)	**3**	**22**
Demand accounts	**336**	**346**
- Related companies	60	67
- PSA Peugeot Citroën Group entities' ordinary accounts in credit (2)	*59*	*66*
- Non-group companies (independent dealers' ordinary accounts in credit)	276	279
Total	**339**	**368**

(1) Time deposits are analysed by maturity in Note 24.

(2) Primarily comprising subsidiaries' payment accounts concerning transactions with the PSA Peugeot Citroën Group.

Analysis of Time Accounts (Excluding Accrued Interest) by Repayment Currency

(in million euros)	Dec. 31, 2010	31.12.2009
EUR	1	20
Other	2	2
Total	**3**	**22**

Note 18 Debt Securities

18.1 Analysis by Nature

(in million euros)	Dec. 31, 2010	Dec. 31, 2009
Interbank instruments and money-market securities (non-group institutions) (1)	**10 914**	**8 843**
- EMTNs and BMTNs	6 828	5 409
- Certificates of deposit and "billets de trésorerie"	4 086	3 434
- of which paper in the process of being delivered	*80*	*23*
- of which related companies	-	-
Accrued interest	**134**	**82**
Deferred items included in amortized cost of debt securities	**(13)**	**(10)**
- Debt issuing costs and premiums (deferred charges)	(13)	(10)
Bonds (2)	**3 224**	**4 136**
- of which securitization: preferred and subordinated bonds (3)		
- Related companies	*25*	*25*
- Non-group companies	*2 786*	*3 698*
Accrued interest	**6**	**5**
- of which securitization	*6*	*5*
Other debt securities	**690**	**258**
- of which securitization: preferred bonds (4)	*535*	*118*
Accrued interest	**46**	**12**
- of which securitization	*30*	-
Total debt securities at amortized cost	**15 001**	**13 326**

(1) *In 2010, Banque PSA Finance carried out several EMTN issues:*
- *in January, a €750 million 3.875% issue due January 2013;*
- *in February, a €250 million issue due August 2011 at the 3-month Euribor plus 140 bps;*
- *in March, a €750 million 3.625% issue due September 2013;*
- *in April, a €500 million 3.625% issue due April 2014;*
- *in July, a €500 million 4% issue due July 2013;*
- *in September, a €600 million 3.5% issue due January 2014;*
- *in November, a €750 million 3.25% issue due November 2012.*

(2) *Of which a €413 million 7-year bond issue launched by the subsidiary PSA Finance S.C.S. in December 2006.*

(3) *Bonds issued by the Auto ABS 2006-1, 2007-1, 2008-1 and 2010-1 (A Bonds) funds, by the Auto ABS S.r.l. 2007-2 fund in Italy and by the Spanish Asset Securitization fund. All of the bonds issued by the 2009-1 fund and the B and C bonds issued by the 2010-1 fund were purchased by Banque PSA Finance.*

(4) *Other debt securities issued by the Brazilian FIDC in 2010.*

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

	Dec. 31, 2010			Dec. 31, 2009		
(in million euros)	Bonds	Money-market securities	Other	Bonds	Money-market securities	Other
0 to 3 months	366	4 181	4	106	3 611	121
3 to 6 months	309	697	10	364	1 088	5
6 months to 1 year	584	1 059	23	655	1 480	9
1 to 5 years	1 690	4 977	653	3 011	2 664	123
Over 5 years	275	-	-	-	-	-
Total	**3 224**	**10 914**	**690**	**4 136**	**8 843**	**258**

18.3 Analysis by Repayment Currency (1)

	Dec. 31, 2010			Dec. 31, 2009		
(in million euros)	Bonds	Money-market securities	Other	Bonds	Money-market securities	Other
ARS	-	13	-	-	-	-
BRL	-	-	649	-	-	90
EUR	3 224	10 855	41	4 136	8 813	168
GBP	-	-	-		-	-
JPY	-	46	-		30	-
Total	**3 224**	**10 914**	**690**	**4 136**	**8 843**	**258**

(1) *Adjustments arising from the remeasurement of hedged foreign currency financing liabilities at period-end exchange rates are offset by fair value adjustments to the corresponding currency swaps (see Notes 5 and 15).*

Banque PSA Finance's residual currency position is presented in Note 23.3.

Note 19 Fair Value Adjustments to Debt Portfolios Hedged against Interest Rate Risks

(in million euros)	Dec. 31, 2010	Dec. 31, 2009
Fair value adjustments to borrowings	21	25
Fair value adjustments to EMTNs/BMTNs	24	25
Fair value adjustment to certificates of deposit	-	-
Fair value adjustments to bonds	1	2
Total	**46**	**52**

Hedging effectiveness is analyzed in Note 23.4.

Note 20 Accruals and Other Liabilities

(in million euros)	Dec. 31, 2010	Dec. 31, 2009
Trade payables	**275**	**224**
- Related companies (1)	198	163
- Non-group companies	77	61
Accrued payroll and other taxes	**84**	**76**
Accrued charges	**186**	**171**
- Related companies	40	22
- Non-group companies	146	149
Deferred income	**117**	**179**
- Related companies	4	3
- Non-group companies	113	176
Other payables	**57**	**56**
- Related companies	36	31
- Non-group companies	21	25
Other	**105**	**98**
- Non-group companies	105	98
Total	**824**	**804**

(1) *Representing the price of vehicles payable to the Peugeot and Citroën brands.*

Note 21 Insurance Activities

21.1 - Liabilities Related to Insurance Contracts

(in million euros)	Dec. 31, 2010	Dec. 31, 2009
Life insurance contracts	**7,7**	**2,7**
Unearned premium reserve (UPR)	2,5	0,6
Claims reserve		
- Claims reserve - reported claims	4,2	0,9
- Claims reserve - claims incurred but not reported (IBNR)	1,0	0,8
Other	-	0,4
Non-life insurance contracts	**8,9**	**4,4**
Unearned premium reserve (UPR)	2,1	0,9
Claims reserve		
- Claims reserve - reported claims	4,5	2,4
- Claims reserve - claims incurred but not reported (IBNR)	2,3	0,7
Other	-	0,4
Total liabilities related to insurance contracts	**16,6**	**7,1**

21.2 - Change in Liabilities Related to Insurance Contracts

21.2.1 - Unearned Premium Reserve (UPR)

(in million euros)	Life	Non Life	Total
Opening reserve at January 1, 2010	**0,6**	**0,9**	**1,5**
+ Written premiums	24,8	36,8	**61,6**
- Earned premiums	(22,9)	(35,6)	**(58,5)**
+ Other movements	-	-	**-**
Closing reserve at December 31, 2010	**2,5**	**2,1**	**4,6**

21.2.2 - Claims Reserve

(in million euros)	Life	Non Life	Total
Opening reserve at January 1, 2010	**1,7**	**3,1**	**4,8**
of which reported claims	*0,9*	*2,4*	*3,3*
of which claims incurred but not reported (IBNR)	*0,8*	*0,7*	*1,5*
- Claims paid in current year	(1,6)	(5,3)	(6,9)
+ Claims incurred in current year	6,4	9,5	15,9
+ Claims incurred in prior years	(0,5)	(0,3)	(0,8)
+ Other movements	(0,8)	(0,2)	(1,0)
Closing reserve at December 31, 2010	**5,2**	**6,8**	**12,0**
of which notified claims	*4,2*	*4,5*	*8,7*
of which claims incurred but not reported (IBNR)	*1,0*	*2,3*	*3,3*

21.2.3 - Other Reserves

(in million euros)	Life	Non Life	Total
Opening reserve at January 1, 2010	**0,4**	**0,4**	**0,8**
+ Charges	-	-	-
- Reversals	(0,4)	(0,4)	(0,8)
+ Other movements	-	-	-
Closing reserve at December 31, 2010	**-**	**-**	**-**

21.3 - Income from Insurance Activities

21.3.1 - Technical Income from Insurance Activities

(in million euros)	Dec. 31, 2010	Dec. 31, 2009
+ Earned premiums	58,5	21,9
- Costs	(13,3)	(8,1)
Paid claims	*(6,9)*	*(4,4)*
Change in liabilities related to insurance contracts (except for UPR)	*(6,4)*	*(3,7)*
Margin on sales of Insurance activities	**45,2**	**13,8**
+/- Other technical income (expense), net	(16,2)	(4,7)
Fees	*(16,1)*	*(4,7)*
Personnel costs	*(0,1)*	-
Other technical income (expense), net	-	-
+ Investment income, net	*0,1*	-
Contribution to operating income before elimination of intercompany transactions	**29,1**	**9,1**
+/- Elimination of intercompany transactions	16,1	4,7
Contribution to operating income after elimination of intercompany transactions	**45,2**	**13,8**

21.3.2 - Non-technical Income from Insurance Activities

(in million euros)	Dec. 31, 2010	Dec. 31, 2009
+/- Other non-technical income (expense), net	(2,9)	(2,2)
Personnel costs	*(0,5)*	*(0,4)*
Other non-technical income (expense), net	*(2,4)*	*(1,8)*
Contribution to operating income before elimination of intercompany transactions	**(2,9)**	**(2,2)**
+/- Elimination of intercompany transactions	1,5	0,8
Contribution to operating income after elimination of intercompany transactions	**(1,4)**	**(1,4)**

21.3.3 - Operating Income from Insurance Activities

(in million euros)	Dec. 31, 2010	Dec. 31, 2009
Technical income	45,2	13,8
Non-technical income	(1,4)	(1,4)
Contribution to operating income after elimination of intercompany transactions	**43,8**	**12,4**
+/- Neutralization of elimination of intercompany transactions	(17,6)	(5,5)
Contribution to operating income before elimination of intercompany transactions (1)	**26,2**	**6,9**

(1) *See Note 36.2 Segment Information, Key Income Statement Items.*

Note 22 Provisions

(in million euros)	Dec. 31, 2009	Charges	Reversals Utilized	Reversals Unutilized	Reclassifi-cations, currency effect	Dec. 31, 2010
Provisions for pensions and other post-retirement benefits	28	4	(3)	(4)	1	26
Provisions for doubtful commitments:						
- Corporate dealers	4	1	(1)	-	-	4
- Corporate and equivalent	-	3	-	-	-	3
Provisions for losses on sales of used cars (1)	12	4	(5)	-	1	12
Provisions for sub-contracted long term leases	2	-	(1)	-	-	1
Other	7	7	-	(3)	-	11
Total	**53**	**19**	**(10)**	**(7)**	**2**	**57**

(1) *The majority of these provisions are intended to cover losses on vehicles recovered or to be recovered in the United Kingdom, under contracts that give the borrower the option of returning the vehicle early without penalty.*

22.1 Pension Obligations

A. Plan Description

Group employees in certain countries are entitled to supplementary pension benefits, paid annually, or to a lump-sum length-of-service award paid when the employee retires. The corresponding plans include both defined benefit and defined contribution plans. The Group's liability under defined contribution plans is limited to the payment of contributions, which are recognized as an expense in the payment year. The main countries with defined benefit plans are France and the United Kingdom.

In France, defined benefit obligations concern:
- statutory length-of-service awards payable to employees when they retire;
- supplementary pension benefits payable to executives.The obligation corresponds to the portion not transferred to an external fund in 2002. The plan is closed to new participants.

In the United Kingdom, defined benefit plans have been closed to new participants since May 2002.

B. Assumptions:

The actuarial assumptions used in the last two years to measure projected benefit obligations were as follows:

	Euro zone	United Kingdom
Discount rate		
2010	**4,70%**	**5,50%**
2009	5,00%	5,85%
2008	5,50%	6,00%
Inflation rate		
2010	**2,00%**	**3,35%**
2009	2,00%	3,50%
2008	2,00%	3,00%
Expected return on external funds		
2010	**5,25%**	**5,50%**
2009	5,25%	6,00%
2008	5,25%	7,00%

Assumptions concerning future salary levels reflect, for each country, projected inflation rates and assumptions related to individual pay increases. The calculations are based on inflation plus 1 % in 2010 and inflation plus 0.5% in subsequent years for France, and inflation plus 1.5% for the United Kingdom.

Mortality and staff turnover assumptions are based on the specific economic conditions of each Group company or the country in which they operate.

In the United Kingdom, new assumptions were used to calculate pension obligations in 2010. The changes concerned the index used to calculate the inflation rate, the mortality table and pension reversion statistics.

Sensitivity of assumptions: a 0.25-point increase or decrease in the actuarial rate (discount rate less inflation rate) would lead to an increase or decrease in the projected benefit obligation of 2.2% for French plans and 3.8% for UK plans.

C. Reconciliation of Balance Sheet Items to Historical Data

	Dec. 31, 2010			Dec. 31, 2009		
(in million euros)	France	Other countries	Total	France	Other countries	Total
Projected benefit obligation	**(9)**	**(54)**	**(63)**	**(9)**	**(49)**	**(58)**
Fair value of external funds	5	37	42	5	29	34
Surplus or (deficit)	**(4)**	**(17)**	**(21)**	**(4)**	**(20)**	**(24)**
Actuarial gains and losses	1	-	1	2	2	4
(Provision) net asset before minimum funding requirement	**(3)**	**(17)**	**(20)**	**(2)**	**(18)**	**(20)**
Minimum funding requirement provision	-	-	-	-	(3)	(3)
(Provision) net asset recognized in the balance sheet	**(3)**	**(17)**	**(20)**	**(2)**	**(21)**	**(23)**
Of which: provisions	*(4)*	*(22)*	*(26)*	*(3)*	*(21)*	*(24)*
Of which: net assets	*1*	*5*	*6*	*1*	*-*	*1*

France's 2010 Social Security Financing Act was published in the Official Journal on December 27, 2009. The main measures affecting the Group's pension obligations concern the top-hat plan for members of the management bodies and are effective from January 1, 2010. This new legislation did note have a material effect on the measurement of projected benefit obligations at December 31, 2009.
Following adoption of the 2008 Social Security Financing Act, the Group adjusted its assumptions concerning voluntary and compulsory retirements, leading to a €3.3 million increase for Credipar in projected benefit obligations at December 31, 2007. This increase was treated as an actuarial loss.
The Pensions Reform Act was enacted by the President of the Republic and published in the Journal Officiel on November 10, 2010. The new legislation provides for a gradual rise in the retirement age from 60 currently to 62 in 2018. Its application by the Group has led to a €0.2 million reduction in the projected benefit obligation under the retirement bonus plan. The decrease has been treated as an actuarial gain in the same way as the gains and losses arising from all previous changes in the law affecting the actuarial assumptions used to calculate the projected benefit obligation (such as the 2003 Fillon Act and the 2007 and 2008 Social Security Financing Acts).

D. Movement for the Year

Excluding minimum funding requirement (IFRIC14)

	Dec. 31, 2010			Dec. 31, 2009		
(in million euros)	France	Other countries	Total	France	Other countries	Total
Projected benefit obligation						
At beginning of the year	**(9,2)**	**(48,8)**	**(58,1)**	**(8,6)**	**(41,4)**	**(50,1)**
Service cost	(0,4)	(1,9)	(2,3)	(0,4)	(1,7)	(2,1)
Interest cost	(0,5)	(2,8)	(3,3)	(0,4)	(2,5)	(2,9)
Benefits paid	0,4	1,0	1,4	0,8	2,2	3,0
Actuarial gains and losses						
- Amount	1,0	(0,4)	0,6	(0,6)	(4,0)	(4,6)
- As a % of the projected benefit obligation	*10,35%*	*0,77%*	*0,99%*	*6,67%*	*9,59%*	*9,16%*
Exchange difference	-	(1,2)	(1,2)	-	(1,4)	(1,4)
Effect of changes in scope of consolidation	-	-	-	-	-	-
Curtailments and settlements	-	-	-	-	-	-
At year-end	**(8,7)**	**(54,1)**	**(62,9)**	**(9,2)**	**(48,8)**	**(58,1)**
Funded status						
At beginning of the year	**5,0**	**28,9**	**33,9**	**5,6**	**23,8**	**29,4**
Expected return on external funds	0,3	1,6	1,9	0,3	1,4	1,7
Actuarial gains and losses						
- Amount	(0,1)	2,6	2,5	(0,1)	0,5	0,4
- As a % of the projected benefit obligation	*1,46%*	*8,93%*	*7,40%*	*1,78%*	*2,05%*	*1,31%*
Exchange difference	-	1,1	1,1	-	0,8	0,8
Contributions paid	-	3,1	3,1	-	3,2	3,2
Benefits paid	(0,4)	(0,4)	(0,8)	(0,8)	(0,8)	(1,6)
At year-end	**4,8**	**36,9**	**41,7**	**5,0**	**28,9**	**33,9**
Deferred items						
At beginning of the year	**1,9**	**2,2**	**4,0**	**1,2**	**(1,5)**	**(0,4)**
Items deferred during the year	(0,9)	(2,2)	(3,1)	0,7	3,4	4,1
Amortization of deferred items	(0,1)	0,2	0,1	-	0,1	0,1
Exchange difference and other	-	0,3	0,3	-	0,2	0,2
Curtailments and settlements	-	-	-	-	-	-
At year-end	**0,9**	**0,5**	**1,3**	**1,9**	**2,2**	**4,0**

Minimum funding requirement provision (IFRIC14)

	Dec. 31, 2010			Dec. 31, 2009		
(in million euros)	France	Other countries	Total	France	Other countries	Total
At beginning of the year	**-**	**(3,4)**	**(3,4)**	**-**	**(0,4)**	**(0,4)**
Charge for the year	-	-	-	-	(3,0)	(3,0)
Reversal for the year	-	3,6	3,6	-	-	-
Exchange difference	-	(0,2)	(0,2)	-	-	-
At year-end	**-**	**-**	**-**	**-**	**(3,4)**	**(3,4)**

Upon application in 2009 of IFRIC 14 (see Note 2 for details), as the Group Banque PSA Finance does not have an unconditional right to a refund of any surplus on plans with a minimum funding requirement, it recognised a provision of €3 million at 31 December 2009 (31 December 2008: €0.4 million) in respect of the funding plan agreed with the trustees of its UK defined benefit plans in respect of past service costs.
In December 2010, the rules of UK pension funds were adjusted by their trustees to give the Group an unconditional right to a refund of the amounts paid, within the meaning of IFRIC 14. As a result, the minimum funding requirement liability originally recognised in application of IFRIC 14 was released to profit.

E. Expense for the Year

Pension costs are recognized as follows:
- the service cost and amortization of deferred items are recognized in "General operating expenses (Personnel costs)";
- the interest cost, corresponding to the discounting adjustment to benefit obligations, and the charge of minimum funding requirement provision (IFRIC 14) are recognized under "Pension obligation - expense";
- the expected return on external funds and the reversal of minimum funding requirement provision (IFRIC 14) are recognized under "Pension obligation - income";
- exceptionally, the effects of restructuring plans are recognized under "Other non-operating items".

Pension costs break down as follows:

	Dec. 31, 2010			Dec. 31, 2009		
(in million euros)	France	Other countries	Total	France	Other countries	Total
Service cost	(0,4)	(1,9)	(2,3)	(0,4)	(1,7)	(2,1)
Amortization of deferred items	(0,1)	0,2	0,1	-	0,1	0,1
Interest cost	(0,5)	(2,8)	(3,3)	(0,5)	(2,5)	(3,0)
Expected return on external funds	0,3	1,6	1,9	0,3	1,4	1,7
Other	-	-	-	-	-	-
Total (before minimum funding requirement provision)	**(0,7)**	**(2,9)**	**(3,6)**	**(0,6)**	**(2,7)**	**(3,3)**
Change in minimum funding requirement liability (IFRIC 14)	-	3,6	3,6	-	(3,0)	(3,0)
Total	**(0,7)**	**0,7**	**-**	**(0,6)**	**(5,7)**	**(6,3)**

Note 23 Derivatives

Group Interest Rate Management Policy

(See the "Financial Risk Management" section of the Management Report)

Interest rate risk: Bank policy aims at neutralizing the effects of changes in interest rates on each entity's operating margin by using appropriate financial instruments to match interest rate structures between assets and liabilities.

In order to cap the refinancing cost of new financing (Installment contracts, Buyback contracts et Long-term leases) granted in the first and second quarters of 2011, Banque PSA Finance purchased and sold swaptions (options on interest rate swaps, purchased net with the net premium paid) expiring in the first and second quarters of 2011 (see paragraph 23.2 below).

Currency risk: Banque PSA Finance does not take currency positions. The assets and liabilities of each entity are matched through the use of appropriate financial instruments.

Counterparty risk: Banque PSA Finance'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. Customer credit risk is discussed in Note 33.

The bank does not incur any exposure from the implementation of its investment policy. Available cash other than interbank loans and reserves deposited with central banks is invested solely in very short-term retail certificates of deposits and in mutual funds with a capital guarantee and a guaranteed yield.

23.1 - Banque PSA Finance Interest Rate Position

(in million euros)	0 to 1 year	1 to 5 years	+5 years	Total at Dec. 31, 2010
Financial assets				
Wholesale financing	5 165	-	-	5 165
Fixed rate customer financing	7 500	10 305	-	17 805
Other adjustable rate loans and receivables	441	-	-	441
Fixed rate financial assets	-	-	-	-
Other financial assets	2 179	-	-	2 179
Total financial assets (a)	**15 285**	**10 305**	**-**	**25 590**
Other financial assets (derivatives and fair value adjustments to hedged finance receivables portfolios)	**283**	**-**	**-**	**283**
Non financial assets				
Fixed assets and goodwill	-	189	-	189
Other non financial assets	800	-	-	800
Total non financial assets	**800**	**189**	**-**	**989**
Total assets				*26 862*
Financial liabilities				
Hedged fixed rate debt	(1 552)	(5 231)	-	(6 783)
Hedged adjustable rate debt	(13 614)	-	-	(13 614)
Other borrowings and deposits	(929)	-	-	(929)
Total financial liabilities (b)	**(16 095)**	**(5 231)**	**-**	**(21 326)**
Other financial liabilities (derivatives and fair value adjustments to hedged debt portfolios)	**(281)**	**-**	**-**	**(281)**
Non financial liabilities				
Other non financial liabilities	(1 737)	-	-	(1 737)
Total non financial liabilities	**(1 737)**	**-**	**-**	**(1 737)**
Equity (3)	**-**	**(3 518)**	**-**	**(3 518)**
Total equity and liabilities				*(26 862)*
Net position before hedging = (a) + (b)	**(810)**	**5 074**	**-**	**4 264**
Derivatives - Notional amounts				
Derivatives hedging financial assets				
Swaps hedging fixed rate retail financing				
- borrowing leg (Fair Value Hedge)	(6 213)	(6 189)	-	(12 402)
- lending leg (Fair Value Hedge)	12 402			12 402
Swaps hedging marketable securities				
- borrowing leg (Fair Value Hedge)				-
- lending leg (Fair Value Hedge)				-
Total derivatives hedging financial assets (c)	**6 189**	**(6 189)**	**-**	**-**
Derivatives hedging financial liabilities				
Swaps hedging fixed rate debt (2)				
- borrowing leg (Fair Value Hedge)	1 572	5 231	-	6 803
- lending leg (Fair Value Hedge)	(6 803)			(6 803)
Total derivatives hedging financial liabilities (d)	**(5 231)**	**5 231**	**-**	**-**
Trading transactions (e) (1)	**325**	**-**	**-**	**325**
Derivatives net position = (c) + (d) + (e)	**1 283**	**(958)**	**-**	**325**
Net position after hedging (3)	**473**	**4 116**	**-**	**4 589**

This table analyzes financial assets and liabilities based on their maturity, for fixed rate items, or the next repricing date, for adjustable rate items.

In the section dealing with derivatives, the lending leg of swaps and other derivative transactions are reported as a positive amount and the borrowing leg is reported as a negative amount.

(1) *Swaps classified as held for trading, mainly set up during the Spanish securitization transaction dated April 2009 and the German securitization transaction dated November 2010, represent closed positions with no impact on income and set each other off within portfolios of contracts with similar characteristics for a notional amount of €1,053 million. Two swaps representing open positions remain, for a notional amount of €325 million. The impact of these swaps on the income statement is not material (see Notes 4, 14 and 23.5). Note that none of the swaps from trading portfolio and none of those in closed positions, are included in the negotiation portfolio as defined by the banking supervisor for regulatory reporting purposes.*

(2) *Including €2,811 million of swaps qualified as hedges and representing closed positions at consolidated level.*

(3) *The net position after hedging, with maturities ranging from 0 to 1 year, is not very significant. The net position after hedging, with maturities ranging from 1 to 5 years, amounts to €4,116 million and is mainly hedged by equity.*

23.2 - Hedges of Interest Rate Risks on Future Lending Transactions

In order to cap the refinancing cost of new financing (Installment contracts, Buyback contracts et Long-term leases) granted in the first and second quarters of 2011, Banque PSA Finance purchased and sold swaptions (options on interest rate swaps, purchased net with the net premium paid) expiring date in the first and second quarters of 2011. At December 31, 2010, the notional amounts totalled €2,378 million and the loss resulting from time delay since the beginning of the year was €9.8 million, including €3 million in negative fair value adjustments. The notional amounts of the swaps (options on interest swaps) match the forecast amounts and maturities of new financing expected to be originated in these same periods.
The change in intrinsic value of €9.4 million was recognized directly in equity under "Gains and losses recognized directly in Equity" (see "Consolidated statement of changes in equity attributable to equity holders of the parent and minority interests"). The deferred portion of the intrinsic value released to income during the period, to offset changes in the intrinsic value of the underlying, was €6.8 million. Deferred gains or losses amount to €10.6 million (€6.9 million net of deferred tax).

Swaptions Designated as Cash Flow Hedges

(in million euros)	Dec. 31, 2009	Change in intrinsic value	Gains or losses	Transfer to income	Change in deferred tax	Dec. 31, 2010
Intrinsic value of open swaptions	-	9,4	-	-		9,4
Hedging gains or losses	8,0	-	-	(6,8)		1,2
Gains recognized directly in equity (gross)	**8,0**	**9,4**	**-**	**(6,8)**	**-**	**10,6**
Deferred tax	(2,7)				(1,0)	(3,7)
Gains recognized directly in equity (net)	**5,3**	**9,4**	**-**	**(6,8)**	**(1,0)**	**6,9**

Timing of Impacts on Income

(in million euros)	Dec. 31, 2010	Dec. 31, 2009
0 to 3 months	1,0	2,5
3 to 6 months	0,2	2,0
6 months to 1 year	0,1	2,3
1 to 5 years	-	1,2
+ 5 years	-	-
Total	**1,2**	**8,0**

Timing of Hedged Future Retail Financing

(in million euros)	Dec. 31, 2010	Dec. 31, 2009
0 to 3 months	-	-
3 to 6 months	-	-
6 months to 1 year	-	-
1 to 5 years	2 378	1 263
+ 5 years	-	-
Total	**2 378**	**1 263**

23.3 - Banque PSA Finance Residual Positions in Foreign Currencies

A. Operational Positions in Foreign Currencies

Parent's External Positions

(in million euros)	CHF	CZK	GBP	JPY	MXN	PLN	RUB	USD
Assets	380	22	1 599	-	41	181	116	-
Liabilities	-	(1)	(489)	(46)	-	-	-	-
Net position before hedging	**380**	**21**	**1 110**	**(46)**	**41**	**181**	**116**	**-**
Hedging assets	(380)	(21)	(1 108)	-	(41)	(181)	(116)	-
Hedging liabilities	-	-	-	46	-	-		-
Hedging position	**(380)**	**(21)**	**(1 108)**	**46**	**(41)**	**(181)**	**(116)**	**-**
Net position after hedging - December 2010	**-**	**-**	**2**	**-**	**-**	**-**	**-**	**-**
Note: December 2009	-	-	2	-	-	-	-	-

Subsidiaries' External Positions

(in million euros)	CHF /HUF	EUR /AUD	EUR /BRL	EUR /DKK	EUR /HRK	EUR /HUF	EUR /NOK	EUR /PLN	EUR /SEK	EUR /TRY	EUR /USD
Assets	5	31	-	45	11	5	11	-	13	1	17
Liabilities	(5)	-	(42)	-	(11)	(5)	-	-	-	-	-
Net position before hedging	**-**	**31**	**(42)**	**45**	**-**	**-**	**11**	**-**	**13**	**1**	**17**
Hedging assets	-	(31)	-	(45)	-	-	(11)	-	(13)	-	(17)
Hedging liabilities	-	-	42	-	-	-	-	-	-	-	-
Hedging position	**-**	**(31)**	**42**	**(45)**	**-**	**-**	**(11)**	**-**	**(13)**	**-**	**(17)**
Net position after hedging - December 2010	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**-**
Note: December 2009	-	-	-	-	*1*	-	-	*(1)*	-	-	-

These positions are hedged using currency swaps, cross currency swaps and forward foreign exchange contracts.

B. Structural Positions in Foreign Currencies

Structural positions (investments in subsidiaries and the branches dotation capital) and future profits and losses are not hedged. As the business of subsidiaries and branches will, by definition, continue for an indefinite period, any such hedges would represent long-term open positions.

Position at December 31, 2010	CHF	CNY	CZK	GBP	HRK	HUF	MXN	PLN	RUB	TRY	USD (1)	TOTAL
(in million euros)	14	42	33	174	3	17	9	49	49	1	134	**525**

(1) The structural position in US dollars arises from the financing in dollars of the bank's net investment in its Brazilian, Argentine and Russian subsidiaries.

23.4 - Analysis of Interest Rate Risk Hedging Effectiveness

(in million euros)	Dec. 31, 2010	Dec. 31, 2009	Currency effect (1)	Fair value adjustments	Ineffective portion recognized in profit or loss
Fair value adjustments to customer loans (Installment contracts, Buyback contracts and Long-term leases) (Note 9)					
- Installment contracts	66	141			
- Buyback contracts	11	29			
- Long-term leases	3	38			
Total valuation, net	**80**	**208**	**1**	**(129)**	
Derivatives designated as hedges of customer loans					
- Assets (Note 5)	3	1			
- Liabilities (Note 15)	(76)	(205)			
Total valuation, net	**(73)**	**(204)**	**(1)**	**132**	**3**
Ineffective portion of gain and losses on outstanding hedging transactions	**7**	**4**			**3**
Fair value adjustments to hedged debt (Note 19)					
Valuation, net	(21)	(25)			
Total valuation, net	**(21)**	**(25)**		**4**	
Derivatives designated as hedges of debt					
- Assets (Note 5)	25	25			
- Liabilities (Note 15)	(4)	-			
Total valuation, net	**21**	**25**		**(4)**	**0**
Ineffective portion of gain and losses on outstanding hedging transactions	**0**	**0**			**0**
Fair value adjustments to hedged EMTNs/BMTNs (Note 19)					
Valuation, net	(24)	(25)			
Total valuation, net	**(24)**	**(25)**		**1**	
Derivatives designated as hedges of EMTNs/BMTNs					
- Assets (Note 5)	28	24			
- Liabilities (Note 15)	(6)	-			
Total valuation, net	**22**	**24**		**(2)**	**(1)**
Ineffective portion of gain and losses on outstanding hedging transactions	**(2)**	**(1)**			**(1)**
Fair value adjustments to hedged bonds (Note 19)					
Valuation, net	-	-			
Total valuation, net	**-**	**-**		**0**	
Derivatives designated as hedges of bonds (2)					
- Assets (Note 5)	74	158			
- Liabilities (Note 15)	(74)	(158)			
Total valuation, net	**-**	**-**		**0**	**0**
Ineffective portion of gain and losses on outstanding hedging transactions	**0**	**0**			**0**
Fair value adjustments to hedged certificates of deposits					
Valuation, net	-	-			
Total valuation, net	**-**	**-**		**0**	
Derivatives designated as certificates of deposits					
- Assets (Note 5)	-	-			
- Liabilities (Note 15)	-	-			
Total valuation, net	**-**	**-**		**0**	**0**
Ineffective portion of gain and losses on outstanding hedging transactions	**0**	**0**			**0**
Fair value adjustments to other hedged debt securities (Note 19)					
Valuation, net	(1)	(2)			
Total valuation, net	**(1)**	**(2)**		**1**	
Derivatives designated as hedges of other debt securities					
- Assets (Note 5)	1	2			
- Liabilities (Note 15)	-	-			
Total valuation, net	**1**	**2**		**(1)**	**0**
Ineffective portion of gain and losses on outstanding hedging transactions	**0**	**0**			**0**

(1) *The exchange difference is due to the fact that balance sheets of companies using currencies other than the euro are translated at the closing exchange whereas their income statement items are translated on a month-by-month basis at the average monthly rate.*

(2) *Symmetrical swaps (set up by Banque PSA Finance and the securitization vehicles) designated as hedges of the securitization vehicles' bond debt.*

Swaptions held to hedge future customer loans (Installment contracts, Buyback contracts and Long-term leases) are not included in the hedging effectiveness table as the loans have not yet been granted (see paragraph 23.2 above).

23.5 - Impact in Profit and Loss of Fair Value Adjustments to Financial Assets and Liabilities at Fair Value

(in million euros)	Dec. 31, 2010	Dec. 31, 2009	Fair value adjustments
Financial assets at fair value			
- Fair value adjustments to marketable securities	-	-	-
- Fair value of trading derivatives (Note 4)	20	9	11
Total valuation, net	20	9	11
Financial liabilities at fair value			
- Fair value of trading derivatives (Note 14)	(20)	(9)	(11)
Total valuation, net	(20)	(9)	(11)
Impact in profit or loss			-

Note 24 Analysis by Maturity and Liquidity Risks

Liquidity risk is assessed based on a detailed breakdown of assets and liabilities analysed by maturity, with maturities defined in the same way as for the calculation of Banque PSA Finance's consolidated liquidity ratio.

Derivative instruments designated as hedges of future contractual interest payments are not analysed by maturity.

The analysis by maturity is based on the following principles:

- Non-performing loans and accrued interest are reported in the "not broken down" column, in line with the principle applied for the calculation of the Bank's consolidated liquidity ratio;
- Overnight loans and borrowings are reported in the "0 to 3 months" column.

Equity, which has no fixed maturity, is considered repayable beyond five years, except for dividends which are paid in the second quarter of the following annual closing (€155 million in year 2010 vs €140 million in year 2009).

For 2010

(in million euros)	No broken down	0 to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Dec. 31, 2010
Assets							
Cash, central banks, post office banks	-	20	-	-	-	-	**20**
Financial assets at fair value through profit or loss	67	694	8	19	-	-	**788**
Hedging instruments	183						**183**
Available-for-sale financial assets	2						**2**
Loans and advances to credit institutions	1	1 305	-	72	13	-	**1 391**
Customer loans and receivables	651	5 250	2 028	4 606	10 677	199	**23 411**
Fair value adjustments to finance receivables portfolios hedged against interest rate risks	80						**80**
Other assets	987						**987**
Total Assets	**1 971**	**7 269**	**2 036**	**4 697**	**10 690**	**199**	**26 862**
Equity and liabilities							
Central banks, post office banks	-						**-**
Financial liabilities at fair value through profit or loss	21						**21**
Hedging instruments	214						**214**
Deposits from credit institutions	95	3 069	304	525	2 270	-	**6 263**
Due to customers	-	337	-	-	-	2	**339**
Debt securities	173	4 551	1 016	1 666	7 320	275	**15 001**
Fair value adjustments to debt portfolios hedged against interest rate risks	46						**46**
Other liabilities	1 460						**1 460**
Equity	-	-	155	-	-	3 363	**3 518**
Total Equity and liabilities	**2 009**	**7 957**	**1 475**	**2 191**	**9 590**	**3 640**	**26 862**

For 2009

(in million euros)	No broken down	0 to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Dec. 31, 2009
Assets							
Cash, central banks, post office banks	-	99	-	-	-	-	**99**
Financial assets at fair value through profit or loss (1)	55	709	5	-	-	-	**769**
Hedging instruments	239						**239**
Available-for-sale financial assets	9						**9**
Loans and advances to credit institutions (1)	-	1 192	70	-	-	-	**1 262**
Customer loans and receivables	647	4 099	2 701	4 302	10 403	293	**22 445**
Fair value adjustments to finance receivables portfolios hedged against interest rate risks	208						**208**
Other assets	995						**995**
Total Assets	**2 153**	**6 099**	**2 776**	**4 302**	**10 403**	**293**	**26 026**
Equity and liabilities							
Central banks, post office banks	-						**-**
Financial liabilities at fair value through profit or loss	9						**9**
Hedging instruments	417						**417**
Deposits from credit institutions	98	2 876	818	1 181	2 118	174	**7 265**
Due to customers	-	346	20	-	-	2	**368**
Debt securities	89	3 838	1 457	2 144	5 798	-	**13 326**
Fair value adjustments to debt portfolios hedged against interest rate risks	52						**52**
Other liabilities	1 410						**1 410**
Equity			140			3 039	**3 179**
Total Equity and liabilities	**2 075**	**7 060**	**2 435**	**3 325**	**7 916**	**3 215**	**26 026**

(1) *In the published financial statements at December 31, 2009, interbank deposits related to the Spanish securitization (€65 million) were included in "Financial assets at fair value through profit or loss". They are now included in "Deposits from credit institutions" (see Note 7).*

Financing commitments given to customers amounted to €1,652 million at December 31, 2010 compared to €1,563 million at December 31, 2009 (see Note 26). They have a 0 to 3 months maturity.

Covenants

The loan agreements signed by Banque PSA Finance, mainly in connection with issues of debt securities, include the customary acceleration clauses requiring the Group to give certain covenants to lenders. They include:

- negative pledge clauses whereby the borrower undertakes not to grant any collateral to any third parties. In the case of Banque PSA Finance, these clauses nevertheless comprise exceptions allowing the Group to carry out securitization programs or to give assets as collateral;
- material adverse change clauses;
- pari passu clauses which ensure that lenders enjoy at least the same treatment as the borrower's other creditors;
- cross default clauses whereby if one loan goes into default, all other loans from the same lender automatically become repayable immediately;
- clauses whereby the borrower undertakes to provide regular information to the lenders;
- clauses whereby the borrower undertakes to comply with the applicable legislation;
- change of control clauses.

In addition, most loan agreements include a specific acceleration clause, requiring the Group to maintain a banking license and comply with the regulatory ratios applicable to all French banks.

The Group complied with all its covenants in 2009 and 2010.

Note 25 Fair Value of Financial Assets and Liabilities

(in million euros)	Fair value		Book value		Deferred gain or loss	
	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009
Assets						
Cash, central banks, post office banks	20	99	20	99	-	-
Financial assets at fair value through profit or loss (1)(6)	788	769	788	769	-	-
Hedging instruments (1)	183	239	183	239	-	-
Available-for-sale financial assets (2)	2	9	2	9	-	-
Loans and advances to credit institutions (3)(6)	1 391	1 262	1 391	1 262	-	-
Customer loans and receivables (4)	23 307	22 304	23 491	22 653	(184)	(349)
Liabilities						
Central banks, post office banks	-	-	-	-	-	-
Financial liabilities at fair value through profit or loss (1)	21	9	21	9	-	-
Hedging instruments (1)	214	417	214	417	-	-
Deposits from banks (5)	6 270	7 275	6 284	7 290	(14)	(15)
Due to customers (5)	339	368	339	368	-	-
Debt securities (5)	15 111	13 351	15 026	13 353	85	(2)

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

(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 investments in companies that are not yet consolidated, which are included in "Available-for-sale financial assets", is considered as being equal to the most recent transaction price, corresponding to the purchase of the shares.*

(3) *The fair value of very short-term loans and advances to banks is close to their amortized cost.*

(4) *Customer loans and receivables are stated at amortized cost. They are generally hedged against interest rate risks (fair value hedge) and 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 rate at which similar loans were granted at the year-end.*

(5) *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 Banque PSA Finance on its financial market borrowings.*

(6) *In the published financial statements at December 31, 2009, interbank deposits related to the Spanish securitization (€65 million) were included in "Financial assets at fair value through profit or loss". They are now included in "Deposits from credit institutions" (see Note 7).*

The other balance sheet items not listed above are either non-financial items, or very short-term assets and liabilities whose fair value is not materially different from their book value.

Note 26 Other Commitments

(in million euros)	**Dec. 31, 2010**	**Dec. 31, 2009**
Financing commitments		
Commitments received from credit institutions (1)	8 375	8 029
Commitments given to credit institutions	-	50
Commitments given to customers	1 652	1 563
- of which Crédipar Group (2)	*1 042*	*1 048*
Guarantee commitments		
Commitments received from credit institutions	795	778
- guarantees received in respect of customer loans	695	678
- guarantees received in respect of securities held	-	-
- other guarantees received from credit institutions	100	100
Guarantees given to credit institutions	1	-
Commitments given to customers	104	110
- Spanish branch	7	9
- Sofib	87	91
- Sofira	6	5
- Italian branch	4	5
Other commitments received		
Securities received as collateral	12	8
Investment put options (3)	55	55
Other commitments given		
Investment deliverable under forward sales contracts (3)	310	310
Investment call options (3)	55	55
Other (4)	1 328	1 880

(1) *Including at December 31, 2010, by drawdown priority (see Note 16) :*

- *€936 million in unused bilateral back-up lines corresponding to long-term financing commitments,*
- *€1,510 million 2-year syndicated credit facility signed on July 10, 2009 with a pool of twelve international banks,*
- *€1,755 million 3.5-year syndicated credit facility signed on December 15, 2009 with a pool of twenty-one international banks,*
- *two €2,000 million syndicated credit facilities expiring in June 2012 and in June 2014 respectively, signed prior to 2009.*

The significant increase of "Expenses related to financing commitments received" (€71 million at December,31, 2010 vs €26 million at December,31, 2009) is explained mainly by:

- *first, the €1,510 million syndicated credit facility set up in July, 2009 which will be renegotiated before the end of January 2011. Twelve months of deferred commitment fees and set up costs were recognized in 2010 vs. only six months in 2009.*
- *second, commitment fees increased for the €2,000 million syndicated credit facility renewed in December 2009 and expiring in June 2012.*

In all, these facilities are sufficient to cover the Bank’s refinancing needs over a period more than six months under an extreme liquidity scenario (see the “Liquidity Reserves” section of the Management Report).

(2) *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.*

(3) *This concerns French subsidiary Financière Greffulhe S.A.S.*

(4) *Including the amount of customer loans given as collateral for proprietary transactions to (see Notes 8.1 and 16):*

- *to Société de Financement de l'Economie Française (SFEF) pursuant to the measures to finance the economy introduced in France's amended Finance Act no.2008-1061 of October 16, 2008 (€1,208 million at December 31, 2010);*
- *to the Budensbank by the German branch (€120 million at December 31, 2010).*

Note 27 Interest and Other Revenue on Assets at Amortized Cost

(in million euros)	Dec. 31, 2010	Dec. 31, 2009
Installment contracts	**974**	**938**
- of which related companies	*70*	*62*
Buyback contracts	**283**	**297**
- of which related companies	*4*	*2*
Long-term leases	**381**	**381**
- of which related companies	*112*	*105*
Wholesale financing	**221**	**223**
- of which related companies	*146*	*142*
Other finance receivables (including equipment loans, revolving credit)	**37**	**44**
- of which related companies	*-*	*-*
Commissions paid to referral agents	**(276)**	**(274)**
- Installment contracts	(183)	(183)
- Buyback contracts	(42)	(53)
- Long-term leases	(51)	(38)
- of which related companies	*(41)*	*(25)*
Other business acquisition costs	**(32)**	**(31)**
Interest on ordinary accounts	**3**	**4**
Interest on guarantee commitments	**-**	**-**
Total	**1 591**	**1 582**

Note 28 Interest Expense on Hedging Instruments

(in million euros)	Dec. 31, 2010	Dec. 31, 2009
Swaps hedging retail financing (Fair Value Hedge)	(242)	(282)
Amortization of premiums on open swaptions (Time Decay)	(7)	-
Deferred intrinsic value of terminated swaptions released to the income statement (1)	7	20
Total	**(242)**	**(262)**

(1) *see Note 23.2.*

Note 29 Other Revenue and Expense

(in million euros)	Dec. 31, 2010	Dec. 31, 2009
- Fees and commissions on retail customer transactions	89	84
- Fees and commissions on other customer transactions	3	2
- Share of joint venture operations	1	-
- Grant to the Russian subsidiary (1)	2	-
- Other	6	8
Other revenue	**101**	**94**
- Bank charges	(8)	(6)
- Provisions and gains and losses on sales of used vehicles, net	(12)	(16)
- Share of joint venture operations	(10)	(7)
- Grant to the Russian subsidiary (1)	-	(2)
- Other (2)	(19)	(13)
Other expense	**(49)**	**(44)**
Other revenue and expense	**52**	**50**

(1) *The grant to the Russian subsidiary was recorded as an expense in 2009 because the subsidiary was not yet consolidated. It was neutralised in 2010 following the first consolidation of the subsidiary.*

(2) *Including a €7 million expense corresponding to the deferred portion of discounting adjustments to subsidized loans (VIVE plan) released to the income statement during the period. This expense is offset by income in the same amount corresponding to the deferred portion of discounting adjustments to subsidized debt recorded under "Interest and other revenue from loans and advances to credit institutions".*

Note 30 Interest on Deposits from Credit Institutions

This item represents the interest costs, on the one hand on deposit accounts, on the other hand on loans, from the credit institutions.

Note 31 Interest on Debt Securities

(in million euros)	Dec. 31, 2010	Dec. 31, 2009
Interest expense on debt securities	(343)	(252)
Interest expense on bonds and other fixed income securities	(36)	(87)
Total	**(379)**	**(339)**

Note 32 General Operating Expenses

(in million euros)	Dec. 31, 2010	Dec. 31, 2009
Personnel costs	**(140)**	**(131)**
- Wages and salaries	(103)	(96)
- Payroll taxes	(32)	(31)
- Employee profit sharing and profit-related bonuses	(5)	(4)
Other general operating expenses	**(207)**	**(186)**
- of which related companies	*(81)*	*(74)*
Total	**(347)**	**(317)**

In France, the "taxe professionnelle" local business tax has been replaced by a new tax – "contribution économique territoriale (CET)" – with effect from 2010. The two components of the CET are reported under “Other general operating expenses” and included in the determination of operating income, in line with the presentation of "taxe professionnelle" up until 2009.

General Operating Expenses by Geographical Area

(in million euros)	Dec. 31, 2010	Dec. 31, 2009
France	**(126)**	**(125)**
Europe (excl. France)	**(184)**	**(168)**
- Germany	(38)	(31)
- Austria	(5)	(5)
- Belgium	(16)	(13)
- Croatia	(1)	(1)
- Spain	(30)	(30)
- Hungary	(4)	(3)
- Italy	(25)	(24)
- Malta	(3)	(2)
- Netherlands	(8)	(8)
- Poland	(6)	(5)
- Portugal	(8)	(8)
- Czech Republic	(3)	(3)
- United Kingdom	(29)	(28)
- Slovakia	(1)	(1)
- Slovenia	(1)	(1)
- Switzerland	(6)	(5)
Outside Europe	**(37)**	**(24)**
- Argentina	(3)	(2)
- Brazil	(25)	(19)
- Mexico	(2)	(2)
- Russia	(6)	-
- Turkey	(1)	(1)
Total	**(347)**	**(317)**

Number of Employees by Geographical Area

	Dec. 31, 2010	Dec. 31, 2009
France	**775**	**759**
Europe (excl. France)	**1 389**	**1 347**
- Germany	234	225
- Austria	38	34
- Belgium	76	78
- Croatia	13	14
- Spain	266	269
- Hungary	19	18
- Italy	146	136
- Malta	10	8
- Netherlands	80	78
- Poland	101	101
- Portugal	58	60
- Czech Republic	20	19
- United Kingdom	271	254
- Slovakia	12	12
- Slovenia	11	10
- Switzerland	34	31
Outside Europe	**137**	**74**
- Algeria	3	4
- Argentina	18	13
- Brazil	57	48
- Russia	50	-
- Turkey	9	9
Total	**2 301**	**2 180**

Staff directly employed by Banque PSA Finance's subsidiaries and branches.

Note 33 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.

33.1 - Changes in Loans

(in million euros)	Balance at Dec. 31, 2009	Net new loans and exchange difference (1)	Cost of risk: Charges	Cost of risk: Reversals	Cost of risk: Credit losses	Cost of risk: Recoveries on loans written off in prior periods	**Cost of risk for the period at Dec. 31, 2010**	**Balance at Dec. 31, 2010**
Retail								
Sound loans with no past-due installments	15 272	101	-	-	-	-	-	15 373
Sound loans with past-due installments	438	-	-	-	-	-	-	438
Guarantee deposits (lease financing)	(54)	4	-	-	-	-	-	(50)
Non-performing loans	599	122	-	-	(84)	-	(84)	637
Total	**16 255**	**227**	**-**	**-**	**(84)**	**-**	**(84)**	**16 398**
Impairment of sound loans with past-due installments	(40)	-	(15)	11	-	-	(4)	(44)
Impairment of non-performing loans	(302)	(2)	(111)	75	-	-	(36)	(340)
Total impairment	**(342)**	**(2)**	**(126)**	**86**	**-**	**-**	**(40)**	**(384)**
Deferred items included in amortized cost	**69**	**12**	**-**	**-**	**-**	**-**	**-**	**81**
Net book value (A - see Note 8.2)	**15 982**	**237**	**(126)**	**86**	**(84)**	**-**	**(124)**	**16 095**
Recoveries on loans written off in prior periods			-	-	-	15	15	
Impairment of doubtful commitments			(1)	2	-	-	1	
Retail cost of risk			**(127)**	**88**	**(84)**	**15**	**(108)**	
Corporate dealers								
Sound loans with no past-due installments	5 125	768	-	-	-	-	-	5 893
Sound loans with past-due installments	41	(21)	-	-	-	-	-	20
Guarantee deposits	(49)	(23)	-	-	-	-	-	(72)
Non-performing loans	183	47	-	-	(18)	-	(18)	212
Total	**5 300**	**771**	**-**	**-**	**(18)**	**-**	**(18)**	**6 053**
Impairment of non-performing loans	(35)	(1)	(19)	19	-	-	-	(36)
Total impairment	**(35)**	**(1)**	**(19)**	**19**	**-**	**-**	**-**	**(36)**
Deferred items included in amortized cost	**(4)**	**(2)**	**-**	**-**	**-**	**-**	**-**	**(6)**
Net book value (B - see Note 8.2)	**5 261**	**768**	**(19)**	**19**	**(18)**	**-**	**(18)**	**6 011**
Recoveries on loans written off in prior periods				-	-	6	6	
Impairment of doubtful commitments				(1)	-	-	(1)	
Corporate dealers cost of risk			**(19)**	**18**	**(18)**	**6**	**(13)**	
Corporate and equivalent								
Sound loans with no past-due installments	973	68	-	-	-	-	-	1 041
Sound loans with past-due installments	219	43	-	-	-	-	-	262
Guarantee deposits	(1)	(1)	-	-	-	-	-	(2)
Non-performing loans	35	(1)	-	-	(3)	-	(3)	31
Total	**1 226**	**109**	**-**	**-**	**(3)**	**-**	**(3)**	**1 332**
Impairment of non-performing loans	(14)	-	(8)	6	-	-	(2)	(16)
Total impairment	**(14)**	**-**	**(8)**	**6**	**-**	**-**	**(2)**	**(16)**
Deferred items included in amortized cost	**(10)**	**(1)**	**-**	**-**	**-**	**-**	**-**	**(11)**
Net book value (C - see Note 8.2)	**1 202**	**108**	**(8)**	**6**	**(3)**	**-**	**(5)**	**1 305**
Recoveries on loans written off in prior periods			-	-	-	-	-	
Impairment of doubtful commitments			(3)	-	-	-	(3)	
Corporate and equivalent cost of risk			**(11)**	**6**	**(3)**	**-**	**(8)**	
Total loans								
Sound loans with no past-due installments	21 370	937	-	-	-	-	-	22 307
Sound loans with past-due installments	698	22	-	-	-	-	-	720
Guarantee deposits (lease financing)	(104)	(20)	-	-	-	-	-	(124)
Non-performing loans	817	168	-	-	(105)	-	(105)	880
Total	**22 781**	**1 107**	**-**	**-**	**(105)**	**-**	**(105)**	**23 783**
Impairment of sound loans with past-due installments	(40)	-	(15)	11	-	-	(4)	(44)
Impairment of non-performing loans	(351)	(3)	(138)	100	-	-	(38)	(392)
Total impairment	**(391)**	**(3)**	**(153)**	**111**	**-**	**-**	**(42)**	**(436)**
Deferred items included in amortized cost	**55**	**9**	**-**	**-**	**-**	**-**	**-**	**64**
Net book value	**22 445**	**1 113**	**(153)**	**111**	**(105)**	**-**	**(147)**	**23 411**
Recoveries on loans written off in prior periods			-	-	-	21	21	
Impairment of doubtful commitments			(4)	1	-	-	(3)	
Total cost of risk			**(157)**	**112**	**(105)**	**21**	**(129)**	

For impaired loans, the cost of risk includes interest invoiced and recognized under "Interest revenue on customer transactions".

(1) *The exchange difference is due to the fact that balance sheets of companies using currencies other than the euro are translated at the closing exchange whereas their income statement items are translated on a month-by-month basis at the average monthly rate.*

33.2 - Change in Cost of Risk

(in million euros)	Dec. 31, 2010	Dec. 31, 2009
Sound loans with past-due installments		
Charges	(15)	(8)
Reversals	11	12
Non-performing loans		
Charges	(138)	(133)
Reversals	100	59
Doubtful commitments		
Charges	(4)	(2)
Reversals	1	6
Credit losses	(105)	(71)
Recoveries on loans written off in prior periods	21	25
Cost of risk	**(129)**	**(112)**

(1) Banque PSA Finance has a historical database which enables it to measure the probability of default on sound loans with past-due installments, as well as the average loss given default on non-performing loans discounted at the effective interest rate. This database covers the six IRBA countries (France, United Kingdom, Germany, Spain, Portugal and Italy).

For each non-IRBA country:
- *The probability of default is tracked separately for each country;*
- *The average loss rate is determined by multiplying a) the average of the discounted outstandings-weighted average loss rates of the six IRBA countries by b) the non-IRBA country's loss rate on collections divided by the loss rate on collections of the six IRBA countries.*

The main events in 2009 were as follows (the first one concerning Corporate dealers and the other concerning Retail):
- *in the United Kingdom, recoveries on loans written off in prior periods of €1,5 million were recorded, corresponding to VAT refunded on these loans;*
- *default probabilities and average loss rates were updated, leading to a €2.6 million decrease in impairments, totally due to the annual amortization of the discounting adjustment included in the initial calculation of the loss rate;*
- *in France, recoveries of €1,7 million were recorded on loans written off in prior periods, corresponding to sales of these loans;*
- *in Portugal, the €5,2 million reversal of an impairment for leasing risks concerned an old portfolio carried in the accounts of Automobile Citroën following the transfer of the final risk to this company (see Note 21).*
- *in Belgium, the basis of impairments for installment sales was adjusted to exclude VAT, leading to a €1,2 million decrease in impairments;*
- *in Brazil, an adjustment to losses wrongly recorded prior to 2009 was cancelled, leading to a €1,8 million increase in impairments.*

Excluding these impacts, which represented a total of €10.4 million, the cost of risk representative of normal collection rates would be €122.2 million (representing 0.55% of average net outstanding loans).

The main events in 2010 were as follows:
- *default probabilities and average loss rates were updated, leading to a €21.8 million increase in impairments (of which €13.5 million due to the impact of Spanish economic situation on future collections level), including the portion of the annual amortization (€2.4 million positive impact) of the discounting adjustment included in the initial calculation of the loss rate;*
- *in Belgium and Germany, recoveries on loans written off in prior periods of €0.5 million were recorded, corresponding to sales of these loans.*

Excluding these impacts, which represented a total of €21.3 million, the cost of risk representative of normal collection rates would be €107.9 million at December 31, 2010 (representing 0.47% of average net outstanding loans).

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

33.3 - Information about Defaults with no Impairment

For 2010

(in million euros)	<= 90 days	> 90 days <= 180 days	> 180 days <= 1 an	> 1 an	Total at Dec. 31, 2010
Sound loans with past-due installments with no impairment	107	45	119	11	282

For 2009

(in million euros)	<= 90 days	> 90 days <= 180 days	> 180 days <= 1 an	> 1 an	Total at Dec. 31, 2009
Sound loans with past-due installments with no impairment	121	29	109	1	**260**

Corporate loans with one or more installments that are over 90 days past due and loans to local administrations with one or more installments that are over 270 days past due are not classified as non-performing when the delays are due to payment incidents or claims, and do not reflect a default risk.

Note 34 Other Non-operating Items

€ 23.6 million corresponding to the gains on the disposal of building held by the GIE Foncier Crédipar, are accounted in non operating other items. After this disposal, the GIE was liquidated (see Note 1). In the same time, a renting contract has been signed with the purchaser for nine years.

Note 35 Income Taxes

Income taxes currently payable represent the amounts paid or currently due to the tax authorities for the period, calculated in accordance with the tax rules and rates in effect in the various countries.

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, and impairment of non-performing loans.

(in million euros)	Dec. 31, 2010	Dec. 31, 2009
Current taxes	(186)	(145)
Deferred taxes	46	3
Total	**(140)**	**(142)**

Banque PSA Finance tax proof

(in million euros)	Dec. 31, 2010	Dec. 31, 2009
Pre-tax income	534	495
Permanent differences	(3)	8
Taxable Income	**531**	**503**
Theoretical tax	(183)	(173)
Theoretical rate	*34,433%*	*34,433%*
Impact of differences in foreign tax rates	14	14
Allowances on deferred tax assets:		
- Charges	-	-
- Reversals	29	15
Allocated tax saving transferred back to PSA Peugeot Citroën	(3)	(3)
Tax refund from the Spanish Treasury relating to 2006 and 2007.	3	-
Other	-	5
Actual Tax Payable	**(140)**	**(142)**
Effective rate	*26,294%*	*28,248%*

Deferred Tax Assets on Tax Loss Carryforwards

(in million euros)	Dec. 31, 2009	New tax losses	Tax losses utilized in the year	Reversals	Exchange difference and other (1)	Dec. 31, 2010
Deferred tax assets on tax loss carryforwards	101	17	(6)	-	9	121
Allowances	(29)	-	3	26	-	-
Total	**72**	**17**	**(3)**	**26**	**9**	**121**

(1) The exchange difference is due to the fact that balance sheets of companies using currencies other than the euro are translated at the closing exchange whereas their income statement items are translated on a month-by-month basis at the average monthly rate.

Note 36 Segment Information

36.1 - Key Balance Sheet Items

For 2010

	Financing activities							
(in million euros)	Retail	Corporate dealers	Corporate and equivalent	Unallocated	Insurance	Refinancing and securities	Eliminations	Total at Dec. 31, 2010
Assets								
Customers loans and receivables	16 095	6 011	1 466			28	(189)	23 411
Securities			554	-	14	1 349	(1 129)	788
Loans and advances to credit institutions			1 760	8	44	19 575	(19 996)	1 391
Other assets				1 569	39	1 633	(1 969)	1 272
Total Assets							**(23 283)**	**26 862**
Liabilities								
Refinancing	15 002	5 603	1 366	-	2	20 174	(20 883)	21 264
Due to customers	39	223	79	-		336	(338)	339
Liabilities related to insurance contracts					17			17
Other liabilities				3 033	34	719	(2 062)	1 724
Equity (1)				1 536	23	1 959		3 518
Total Liabilities							**(23 283)**	**26 862**

For 2009

	Financing activities							
(in million euros)	Retail	Corporate dealers	Corporate and equivalent	Unallocated	Insurance	Refinancing and securities	Eliminations	Total at Dec. 31, 2009
Assets								
Customers loans and receivables	15 982	5 261	1 358			1	(157)	22 445
Securities (2)			546	3	1	1 343	(1 124)	769
Loans and advances to credit institutions (2)			1 521	11	12	19 670	(19 952)	1 262
Other assets				1 742	15	1 864	(2 071)	1 550
Total Assets							**(23 304)**	**26 026**
Liabilities								
Refinancing	15 325	5 045	1 302	-	1	19 681	(20 763)	20 591
Due to customers	60	211	100	-		387	(390)	368
Liabilities related to insurance contracts					7			7
Other liabilities				2 976	9	1 047	(2 151)	1 881
Equity (1)				1 505	4	1 670		3 179
Total Liabilities							**(23 304)**	**26 026**

Segment information is disclosed before elimination of inter and intra company transactions, shown in the "Eliminations" column.

(1) *Equity is presented after deducting shares eliminated in consolidation, so as to show the contribution of each segment to the Banque PSA Finance's reserves.*

(2) *In the published financial statements at December 31, 2009, interbank deposits related to the Spanish securitization (€65 million) were included in "Financial assets at fair value through profit or loss". They are now included in "Deposits from credit institutions" (see Note 7).*

36.2 Key Income Statement Items

For 2010

	Financing activities								
(in million euros)	Retail	Corporate dealers	Corporate and equivalent	Unallocated	Financial derivative instruments	Insurance	Refinancing and securities	Eliminations	Total at Dec. 31, 2010
Net interest revenue on customer transactions (at amortized cost) (1)	1 310	253	85	1	(243)		(13)	5	1 398
Net investment revenue	-	-	-	8		-	24	(24)	8
Net refinancing cost (2) (3)	(796)	(132)	(55)	165	243		(11)	19	(567)
Net gains or losses on trading transactions				1			(1)	-	-
Margin on sales of insurance services									
- Earned premium						58			58
- Paid claims and change in liabilities related to insurance contracts						(29)		16	(13)
Margin on sales of other services	130	-	2	-			-	(16)	116
Net banking revenue	**644**	**121**	**32**	**175**	**-**	**29**	**(1)**	**-**	**1 000**
Cost of risk	(108)	(13)	(8)						(129)
Net income after cost of risk	**536**	**108**	**24**	**175**	**-**	**29**	**(1)**	**-**	**871**
General operating expenses and equivalent				(345)		(3)	(16)	-	(364)
Operating Income	**536**	**108**	**24**	**(170)**	**-**	**26**	**(17)**	**-**	**507**

For 2009

	Financing activities								
(in million euros)	Retail	Corporate dealers	Corporate and equivalent	Unallocated	Financial derivative instruments	Insurance	Refinancing and securities	Eliminations	Total at Dec. 31, 2009
Net interest revenue on customer transactions (at amortized cost) (1)	1 277	258	88	8	(275)		19	(9)	1 366
Net investment revenue	-	-	-	13		-	28	(32)	9
Net refinancing cost (2) (3)	(814)	(152)	(57)	115	275	-	8	41	(584)
Net gains or losses on trading transactions							3		3
Margin on sales of insurance services									
- Earned premium						22		-	22
- Paid claims and change in liabilities related to insurance contracts						(13)		5	(8)
Margin on sales of other services	139	-	2	-			-	(5)	136
Net banking revenue	**602**	**106**	**33**	**136**	**-**	**9**	**58**	**-**	**944**
Cost of risk	(96)	(7)	(9)						(112)
Net income after cost of risk	**506**	**99**	**24**	**136**	**-**	**9**	**58**	**-**	**832**
General operating expenses and equivalent				(320)		(2)	(12)	-	(334)
Operating Income	**506**	**99**	**24**	**(184)**	**-**	**7**	**46**	**-**	**498**

Segment information is disclosed before elimination of inter and intra company transactions, shown in the "Eliminations" column.

(1) *Unallocated interest revenue on customer transactions mainly corresponds to:*
- *the ineffective portion of gains or losses on hedging instruments recognized in the income statement in accordance with IAS 39 for a positive €3 million at December 31, 2010 (compared to a negative €1 million at December 31, 2009),*
- *in the published financial statements at December 31, 2009, Sofib's customer income (€11 million) was included in "Unallocated items". It is now included in "Corporate dealers".*

(2) *Unallocated net refinancing costs correspond to the difference between a) the "Net refinancing cost" recorded in the accounts, and b) the theorical refinancing cost used by the management controllers, corresponding to the cost of refinancing the total loans and receivables, without taking in account possible liabilities (Equity and other net liabilities) in order to show, for each segment, a comparative analysis of margins between the different companies of the perimeter.*

(3) *In line with the Bank's policy of hedging interest rate risks on fixed rate customer loans, the interest differential on the swaps used to hedge these loans is reported in the income statement under "Net interest revenue from hedging instruments" in "Net interest revenue on customer transactions" and is not analysed by segment. The management reporting system, on the other hand, is used internally to manage the subsidiaries and branches whose performance is assessed based on the the original fixed rate of interest granted to customers and the resulting interest margin, determined by reference to the net post-swap, fixed rate refinancing cost communicated by management. Interest differentials on these swaps are therefore included by the management controllers in the net refinancing cost analysed by segment. This explains the €234 million reclassification at December 31, 2010 between "Net refinancing cost" and "Net interest revenue on customer transactions" in the "Financial derivatives instruments" column.*

36.3 -Geographical Areas

Key Balance Sheet Items

(in million euros)	Total assets		Customer loans and receivables		Refinancing (1)	
	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009
France	9 967	9 957	8 410	8 137	16 584	16 708
Europe (excluding France)	14 987	14 736	13 379	13 115	3 498	2 987
- *o/w Germany*	*4 077*	*4 140*	*3 444*	*3 468*	*1 201*	*908*
- *o/w Spain*	*2 424*	*2 638*	*2 212*	*2 469*	*233*	*176*
- *o/w Italy*	*2 188*	*2 179*	*1 892*	*1 935*	*748*	*851*
- *o/w United Kingdom*	*2 379*	*2 154*	*2 216*	*1 958*	*287*	*185*
Rest of world	1 908	1 333	1 622	1 193	1 182	896
Total	26 862	26 026	23 411	22 445	21 264	20 591

(1) *Refinancing includes "Deposits from credit institutions" and "Debt securities" (see Notes 16 and 18). It concerns the group's external refinancing, mainly issued by Banque PSA Finance.*

Key Income Statement Items

(in million euros)	Interest and other revenue assets at amortized cost		Net banking revenue	
	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009
France	521	544	384	410
Europe (excluding France)	858	862	513	456
- *o/w Germany*	*242*	*245*	*142*	*129*
- *o/w Spain*	*139*	*153*	*64*	*70*
- *o/w Italy*	*102*	*104*	*47*	*47*
- *o/w United Kingdom*	*164*	*160*	*89*	*82*
Rest of world	212	176	103	78
Total	1 591	1 582	1 000	944

(in million euros)	General operating expenses		Cost of risk		Operating income	
	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009
France	(126)	(125)	(50)	(33)	200	243
Europe (excluding France)	(184)	(168)	(74)	(67)	246	213
- *o/w Germany*	*(38)*	*(31)*	*(11)*	*(20)*	*91*	*75*
- *o/w Spain*	*(30)*	*(30)*	*(32)*	*(23)*	*1*	*16*
- *o/w Italy*	*(24)*	*(24)*	*(12)*	*(11)*	*9*	*10*
- *o/w United Kingdom*	*(29)*	*(28)*	*(1)*	*(7)*	*59*	*47*
Rest of world	(37)	(24)	(5)	(12)	61	42
Total	(347)	(317)	(129)	(112)	507	498

Photos covers:
Communication Peugeot / Communication Citroën / Stephan Meyer / Patrick Legros

Design:
sequoia

Designed & published by Labrador +33 (0)1 53 06 30 80

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Société anonyme, Share capital € 177,408,000
Registered office - 75, avenue de la Grande-Armée - 75116 Paris
Registered in Paris under no. 325 952 224 - Siret 325 952 224 00013
ORIAS registration number 07 008 501 available at www.orias.fr
APE business identifier code: 6419 Z
Interbank code: 13168N
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