

2017 Half-year report



BOARD OF DIRECTORS

Ines Serrano-Gonzalez

Chairman
Member of the Audit and Risk Committee,
of the Appointment Committee and
of the Remuneration Committee

Andrea Bandinelli

Director

Carlos Aparicio Manuel

Director

Rémy Bayle

Director
Chairman of the Appointment Committee and
of the Remuneration Committee
Member of the Audit and Risk Committee

Arnaud de Lamothe

Director
Member of the Audit and Risk Committee,
of the Appointment Committee and
of the Remuneration Committee

Martin Thomas

Director
Chairman of the Audit and Risk Committee
Member of the Appointment Committee and
of the Remuneration Committee

EXECUTIVE COMMITTEE

Andrea Bandinelli

Chief Executive Officer

Carlos Aparicio Manuel

Deputy Chief Executive Officer

STATUTORY AUDITORS

PricewaterhouseCoopers Audit

Represented by Laurent Tavernier

Mazars

Represented by Matthew Brown

SUBSTITUTE AUDITORS

Jean-Baptiste Deschryver

Guillaume Potel

Situation as at June 30, 2017

PSA BANQUE FRANCE

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

Registered office - 9, rue Henri Barbusse – 92230 GENNEVILLIERS
R.C.S. (Trade and Companies Register number) Nanterre 652 034 638 - Siret 652 034 638 00039
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MANAGEMENT REPORT

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CONSOLIDATED FINANCIAL STATEMENTS AS AT JUNE 30, 2017

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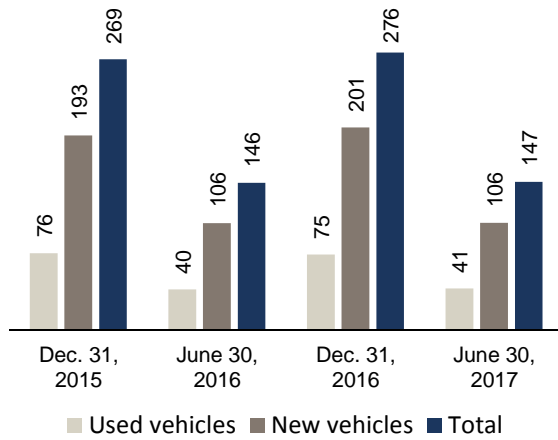
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1**MANAGEMENT REPORT**

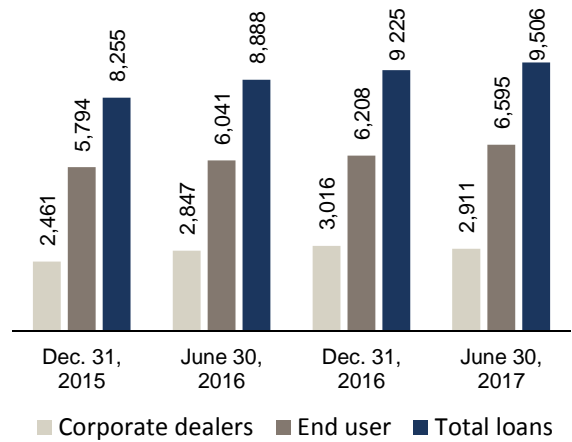
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1.1 Key figures

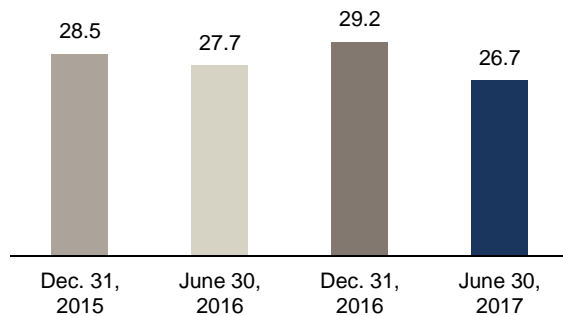
EVOLUTION OF VEHICLES FINANCED FOR END-USERS (in thousands of vehicles)



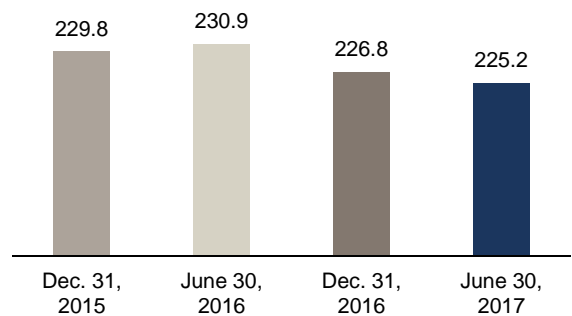
EVOLUTION OF END-USER AND DEALER LOANS OUTSTANDING (in million euros)



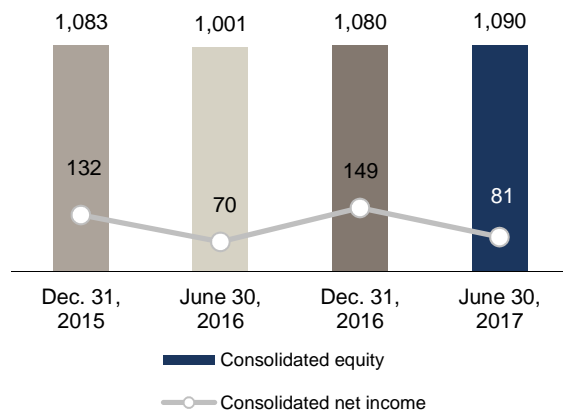
FINANCING PENETRATION RATE (in % of vehicle sales)



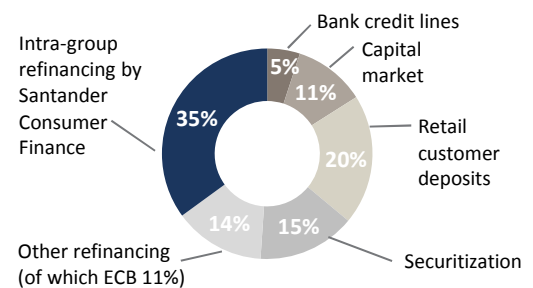
SERVICE PENETRATION RATE (in % of financing contracts)



EQUITY AND NET PROFIT (in million euros)



SOURCES OF REFINANCING AS AT JUNE 30, 2017



1.2 Activities of the PSA Banque France Group and its development

1.2.1 Summary of financial information

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

countries. The consolidated financial statements were audited on June 30, 2017 by the Statutory Auditors, PricewaterhouseCoopers and Mazars.

CONSOLIDATED INCOME STATEMENT

(in million euros)	Jun. 30, 2017	Jun. 30, 2016	Change (%)
Net banking revenue	222	205	+8.3
General operating expenses and equivalent	(79)	(82)	(3.7)
Cost of risk	(14)	(4)	+250.0
Operating income	129	119	+8.4
Other non-operating income	0	0	0
Pre-tax income	129	119	+8.4
Income taxes	(48)	(49)	(2.0)
Net income for the year	81	70	+15.7

CONSOLIDATED BALANCE SHEET

(in million euros)

Assets	Jun. 30, 2017	Dec. 31, 2016	Change (%)
Cash, central banks, post office banks	394	261	+51.0
Financial assets	50	4	+1,150.0
Loans and advances to credit institutions	535	473	+13.1
Customer loans and receivables	9,506	9,225	+3.0
Tax assets	13	2	+550.0
Other assets	215	231	(6.9)
Property and equipment	9	10	(10.0)
Total assets	10,722	10,206	+5.1

Equity and liabilities	Jun. 30, 2017	Dec. 31, 2016	Change (%)
Financial liabilities	1	3	(66.7)
Deposits from credit institutions	4,537	4,638	(2.2)
Due to customers	2,030	1,826	+11.2
Debt securities	2,322	1,967	+18.0
Tax liabilities	264	269	(1.9)
Other liabilities	478	423	+13.0
Equity	1,090	1,080	+0.9
Total equity and liabilities	10,722	10,206	+5.1

OUTSTANDING LOANS BY CUSTOMER SEGMENT

(in million euros)	Jun. 30, 2017	Dec. 31, 2016	Change (%)
Corporate dealers	2,911	3,016	(3.5)
End-users	6,595	6,208	+6.2
Total customer loans and receivables	9,506	9,225	+3.0

1.2.2 Activities of PSA Banque France Group

1.2.2.1 Presentation

Following their entry into exclusive negotiations on February 19, 2014, Banque PSA Finance, the captive finance company of PSA Group specialized in automotive financing, and Santander Consumer Finance, the division of Banco Santander specialized in consumer credit, signed a framework agreement on July 10, 2014 on setting up a banking partnership covering 11 countries in Europe.

This partnership between Banque PSA Finance and Santander Consumer Finance takes the form of joint ventures constituted in 2015 for France, the United Kingdom, Spain and Switzerland, implemented in 2016 for Germany, Austria, Belgium, Italy, the Netherlands, and Poland, and a commercial partnership in Portugal operational since August 1, 2015.

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

A. Organisation

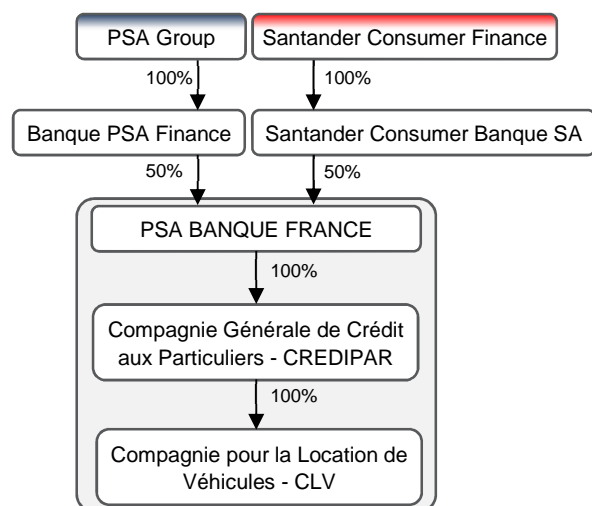
PSA Banque France is 50/50 controlled by Banque PSA Finance and Santander Consumer Banque, the French subsidiary of Santander Consumer Finance, and is fully consolidated by the Santander Group.

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

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

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

STRUCTURE OF THE PSA BANQUE FRANCE GROUP



The PSA Banque France Group is established and pursues its activity in the French territory from its new registered office located at 9, rue Henri Barbusse,

Gennevilliers (92230) and its different agencies spread over the national territory.

B. Organization of the cooperation with Santander Consumer Finance

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

The governance rule of the committees implemented in the context of the cooperation in all

areas (commerce, risk, finance, etc.) is compatible with the CRD IV corporate governance regulatory framework (appointments, remuneration, audit and risk committees).

C. Business model and strategy

Backed by its business model based on proximity with the three historical brands of the PSA Group and their dealership network, as well as by the financial support of the Santander Group, the PSA Banque France Group demonstrated its ability to adjust efficiently to the economic context and maintain a high level of performance.

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

- **An extended, structured and customized selection of financing solutions.** A comprehensive offering has been developed to meet the needs of the Peugeot, Citroën and DS dealer networks and their customers. A relationship of proximity with the commercial networks allows the PSA Banque France Group to develop financing solutions and services packages specifically designed to address their needs.
- **A privileged and close relationship with Peugeot, Citroën and DS and with their dealer networks.** Financing, insurance and services solutions are marketed through the Peugeot, Citroën and DS distribution networks, with a global approach by packaging the financing proposal with the sale of the vehicle. Vehicle renewal rates are usually higher when customers finance their vehicles via the PSA Banque France Group.
- **A first-rate integrated sales point IT system.** The information systems infrastructure of the PSA Banque France Group is integrated with that of Peugeot, Citroën and DS, enabling the dealers of these brands to make a global commercial proposal that encompasses the vehicle, the financing solution as well as any ancillary services. Eligible customers can thus obtain a decision concerning financing application directly from the dealer.
- **Diversified insurance and service offerings with a high added value.** End-users therefore have

various insurance options and services related to the vehicle or ancillary to its financing, proposed either at the same time as the financing offers or during the period of vehicle detention. The idea of a "one-stop-shopping" and immediate approach is to make the financing, insurance and services more attractive for customers.

- **A diversified refinancing policy.** PSA Banque France Group has been receiving since 2015 intra-group financing provided by Santander Consumer Finance, since the entry of Santander Consumer Banque in its equity in February 2015, in addition of financing provided by debt securitization, the retail savings activity with French customers, bilateral bank credit lines and its participation in the refinancing operations of the European Central Bank (ECB). After the first issuances in 2016 of negotiable debt securities, refinancing diversification by increasing access to capital markets continued during the first half of 2017 through the issuance of the first bond under EMTN programme in January 2017 in an amount of €500 million.

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

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

1.2.2.2 Products and services

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

- **Financing for end-users (69% of outstanding loans as at June 30, 2017).** Individuals and companies are offered a range of solutions including installment loans for the purchase of new and used vehicles, as well as leasing solutions with or without a purchase option.

- **Financing for the corporate dealer network (31% of outstanding loans as at June 30, 2017).** The Peugeot, Citroën and DS distribution networks have at their disposal solutions for financing their stock of new and used vehicles and spare parts as well as other types of financing such as working capital.
- **Insurance products and services.** An extensive range of services and insurance products intended for end-users can be offered: insurance policies

related to financing, such as death/invalidity insurance, unemployment insurance, or financial loss insurance which covers the total loss of the financed vehicle. In addition, the Group also provides insurance policies related to the vehicle, such as car insurance or extensions of guarantee for used vehicles: assistance services including mobility solutions and additional services related, for example, to the maintenance of vehicles and to the "connected vehicle" offer.

- **Retail savings.** The "PSA Banque" retail savings business consists of savings accounts and term deposits. The first half of 2017 was marked by a consolidation of PSA Banque France Group's position on the online savings market. This commercial success also proves the confidence of savers in the growth outlook for the PSA Group and the PSA Banque France Group and demonstrates the Group's ability to retain its customers.

1.3 Analysis of operational results

The majority of PSA Banque France Group's business consists of providing financing solutions for the acquisition of new and used Peugeot, Citroën and DS vehicles, and inventory financing for Peugeot, Citroën and DS corporate dealers. The Group's net banking revenue is derived primarily from net interest income on customer loans and leases. Insurance

products and other services offered to the three brands' customers also contribute significantly to its net banking revenue.

The PSA Banque France Group's operating income in June 2017 stood at €129 million, compared to €119 million in June 2016.

1.3.1 Vehicle sales for Peugeot, Citroën and DS

During the first half of 2017, the sales of passenger cars and light-duty vehicles of PSA Group in France increased by 3.9% to 398,125 units, making PSA Group leader on the market.

Peugeot strengthens its growth with sales of passenger cars increasing by 6.1% to 198,436 units, thanks to four models placed in the top six: the Peugeot 208 (4.8% of market share), staying the second best-selling vehicle in France since 2016, the Peugeot 2008 (3.4%) at the third place, the New Peugeot 308 (3.3%) and the New Peugeot 3008 (3.3%) very successful since its launch.

Meanwhile, Citroën registered 148,751 cars in France, increasing by 3% compared to the first half of 2016, with 114,502 passenger cars and 34,249 light-duty vehicles. For passenger vehicles, the New C3 is in the top ten of the best-selling cars in France with 3.2% of market share.

During the first half of 2017, with 11,159 registrations for passenger cars, sales of the DS brand decreased by 34.4%, compared to the same period in 2016, with a 1% market share.

1.3.2 Commercial activity of the PSA Banque France Group

1.3.2.1 End-users financing

During the first half of 2017, the PSA Banque France Group saw a 0.7% increase in volume of financing new and used cars to end-users, rising from 146,078 to 147,159 contracts subscribed, for a total production of €1,836 million, up by more than 8.4% compared to the first half of 2016.

New vehicle penetration decreased to 26.7% at the end of June 2017, down by 1 point compared to 2016, despite good performance on individual customers market but due to a decrease on corporate and car rental market.

The PSA Banque France Group financed 106,276 new PSA Group vehicles, through installment loans or leases, which represents a 0.1% increase compared to the end of June 2016.

Financing to individual customers has remained high and stable compared to the end of June 2016 with a market share of 41.3%. Better refinancing conditions combined with the dynamic policies of the brands as well as the strong interest of individual customers stimulated the leasing contracts offers on the market.

Lastly, used vehicle financing volumes increased compared to 2016. The number of used vehicles financed during the first half of 2017 reached 40,883 units.

The tables below show the key indicators for financing to end-users of the PSA Banque France Group during the first half of 2017.

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

	Jun. 30, 2017	Jun. 30, 2016	Change (%)
Number of new contracts	147,159	146,078	+0.7
Amount of production (in million euros)	1,836	1,694	+8.4

OUTSTANDING LOANS ON THE END-USER SEGMENT

(in million euros)	Jun. 30, 2017	Dec. 31, 2016	Change (%)
Outstanding loans	6,595	6,208	+6.2

This favourable development is related to higher volumes of contracts subscribed (+0.7%) but mainly to a higher average amount financed (+7.6%), notably

thanks to the enhancement of the mix (more leasing contracts with a higher average financed price) and a move upmarket in vehicles.

1.3.2.2 Corporate dealer financing

Corporate dealer financing experienced a very strong growth in 2016, driven by the rebound in sales of the PSA Group and the effects of the brands' policy to move upmarket.

Outstanding loans at the end of June 2017 decreased by 3.5% compared to the end of 2016.

The table below shows the outstanding loans granted to dealers at the end of June 2017 and 2016.

OUTSTANDING CORPORATE DEALER LOANS

(in million euros)	Jun. 30, 2017	Dec. 31, 2016	Change (%)
Outstanding loans	2,911	3,016	(3.5)

1.3.2.3 Insurance and services

During the first half of 2017, volumes of insurance contracts and services decreased by 1.6% compared to the first half of 2016, with 336,673 new contracts subscribed (vs 342,025 in 2016).

car insurance and vehicle-related services decreases by -2.9%.

The number of contracts for financial services remains stable. However, the number of contracts for

The tables below show the main indicators for the PSA Banque France Group's insurance and services business at the end of June 2017 and 2016:

NEW INSURANCE AND SERVICE CONTRACTS

(in number of contracts)	Jun. 30, 2017	Jun. 30, 2016	Change (%)
Financial services	168,620	169,029	(0.2)
Car insurance and vehicle-related services	168,053	172,996	(2.9)
Total	336,673	342,025	(1.6)

PENETRATION RATE ON FINANCING

(in %)	Jun. 30, 2017	Jun. 30, 2016	Change (%)
Financial services	112.8	114.1	(1.3)
Car insurance and vehicle-related services	112.4	116.8	(4.4)
Total	225.2	230.9	(5.7)

1.3.2.4 Retail savings market

The "PSA Banque" online savings activity was transferred from Banque PSA Finance to the PSA Banque France Group on April 1, 2015, demonstrating the Group's intention to diversify its sources of funding. It is characterized by a very high propensity to attract new customers and to gain customer loyalty.

Outstanding deposits increased by 12.8% in the first half of 2017, reaching €1,771 million, representing an increase of €201 million compared to the end of 2016.

SAVINGS BUSINESS

(in million euros)	Jun. 30, 2017	Dec. 31, 2016	Change (%)
Outstandings	1,771	1,570	+12.8

1.3.3 Results of operations

NET INCOME

(in million euros)	Jun. 30, 2017	Jun. 30, 2016	Change (%)
Net banking revenue	222	205	+8.3
of which end-users	149	142	+5.6
of which corporate dealers	25	23	+8.7
of which insurance and services	47	42	+11.9
of which unallocated and other	1	(2)	(100.0)
General operating expenses and equivalent	(79)	(82)	(3.7)
Cost of risk	(14)	(4)	+250.0
of which end-users	(6)	(5)	+20.0
of which corporate dealers	(8)	1	(900.0)
Operating income	129	119	+8.4
Other non-operating income	0	0	0
Pre-tax income	129	119	+8.4
Income taxes	(48)	(49)	(2.0)
Net income	81	70	+15.7

1.3.3.1 Net banking revenue

Net banking revenue increased by 8.3% to €222 million as at June 30, 2017 compared to €205 million as at June 30, 2016.

This increase is essentially the result of a more competitive funding cost (diversification of sources of

financing and the decline in rates), and a margin on sales of insurance and services up to €47 million in 2017, compared to €42 million the previous year.

1.3.3.2 General Operating Expenses

General operating expenses and equivalent reached €79 million as at June 30, 2017 against €82 million at the end of June 2016.

1.3.3.3 Cost of risk

The cost of risk in the first half of 2017 stood at €14.6 million representing 0.33% of average net outstanding loans against €4 million in the first half of 2016 representing 0.10% of average net outstanding loans.

All of the performing and non-performing loans are the subject of provisions and a review of retail and corporate dealers depreciation rates took place during the first half of 2017, enabling the most accurate amounts to be determined for the various portfolios.

The cost of risk on retail financing activity stood

at €6.1 million in the first half of 2017. Collection activities continued to be highly effective within the Group. This led to an increase of the recovery levels throughout all the collection phases and a decrease in unpaid inflows throughout the whole recovery process. The impact of rates changes made in the first half of 2017 had a positive effect of €6.3 million compared to €4.9 million at the end of June 2016.

The cost of risk for corporate and equivalent stood at €8.5 million. The cost of risk for the corporate and equivalent portfolio (excluding dealers) was nil

during the first half of 2017. This is the result of an accurate monitoring of existing defaults and collection process as well as a limited number of new defaults. The cost of risk for the corporate dealers portfolio stood

at €8.5 million at the end of June 2017. This increase is essentially the result of a new dealer in default and the impact of generic provisions rate change during the first half of 2017 (-€0.3 million).

1.3.3.4 Consolidated income

The pre-tax income stood at €129 million as at June 30, 2017 which represents an increase of 8.4% compared to €119 million of the end of June 2016, essentially due to the significant increase of the net banking revenue.

The consolidated net income therefore stood at €81 million compared to €70 million at the end of June 2016.

With the pre-tax income growing, the theoretical tax expense is also higher at the end of

June 2017 compared to the end of June 2016. The increase of the theoretical tax expense is compensated with the other components (special tax contribution on dividend distributed and contribution on added value of incomes taxes (CVAE)) for a stable total tax expense of €48 million compared to €49 million at the end of June 2016. The effective tax rate decreased to 35.7% of the taxable income compared to 41.0% at the end of June 2016 (see Note 25.3 of the consolidated financial statements).

1.4 Financial situation

1.4.1 Assets

Assets as at June 30, 2017 stood at a total of €10,722 million up by 5.1% compared to December 31, 2016.

The outstanding loans (installment loans and lease contracts) stand at €9,506 million, up by 3.0%

compared to December 31, 2016. End-user loans increased by 6.2% whereas corporate dealer financing slightly decreased by 3.5%.

1.4.2 Provisions for non-performing loans

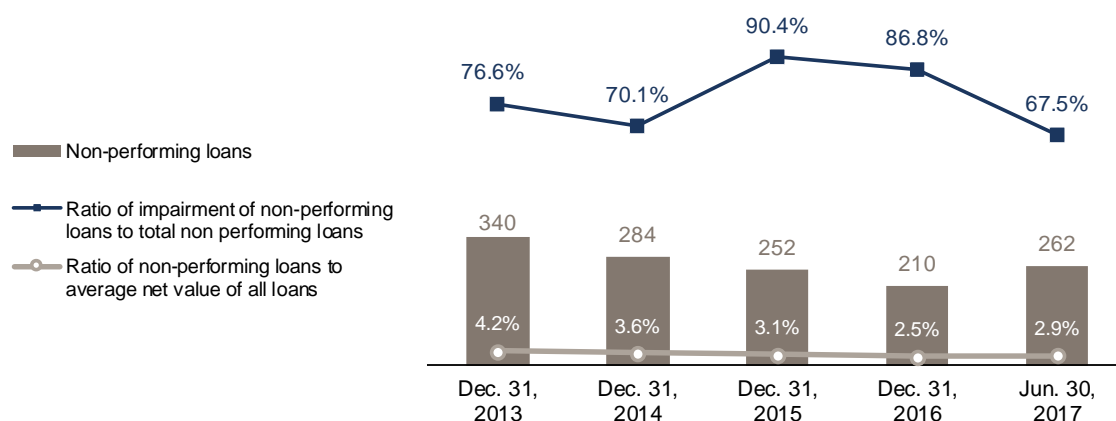
Impairment losses are deducted from the carrying value of loans and receivables as they are recorded. The procedures for the recognition of the impairment charges on the outstanding loans are described in Note 2.C.6.4 of 2016 annual report of PSA Banque France Group. When a loan or receivable is deemed unrecoverable, it is written off through profit and loss. Any previously recognized impairment loss is also taken to the income statement. Any subsequent recoveries are credited to the income statement. All of this is recorded under the cost of risk.

The table contained in Note 24.1 of the group's consolidated financial statements sets forth performing loans with past-due installments (delinquent loans),

non-performing loans and their related impairment amounts, in each case as at June 30, 2017 and December 31, 2016. For retail financing to individuals and small and medium businesses, statistical impairment charges are recorded in respect of all debts (performing, delinquent and non-performing).

For corporate financing, each delinquent loan is analyzed to determine if it presents an aggravated risk. If so, the loan is classified as non-performing. Accordingly, impairment charges are recorded in respect of non-performing loans. Statistical depreciation of performing loans is also recorded on all corporate portfolios.

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



The increase of non-performing loans as at June 30, 2017 results from the entry of a dealer in default. Specific provisions, taking into account the existing guarantees, have been allocated to cover the risk.

Beside this event, the amount of new non-performing loans still decreased in 2017 as a result of the improvement of customers' risk profile.

The coverage rate of non-performing loans by provisions decreased compared to the end of 2016. Even if rates are greater than 100% on retail portfolios (individuals and small and medium businesses), stock financing activity requires lower impairment levels (ownership of the vehicles by PSA Banque France Group over the financing period).

1.4.3 Refinancing

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

The Group's refinancing strategy is based on diversifying its sources of liquidity, while ensuring the consistency of its assets and liabilities maturities. Since the beginning of 2015, the PSA Banque France Group has secured different sources of financing:

- On February 2, 2015, the day of establishing the joint venture, the financing granted by Banque PSA Finance to the entities of the PSA Banque France Group has been replaced by that provided by Santander Consumer Finance, in addition to the current financing provided by securitization transactions publicly or privately placed among investors.
- On April 1, 2015, the "PSA Banque" deposit business (retail savings accounts and term accounts) covering French customers has been transferred by Banque PSA Finance to the PSA Banque France Group.
- From June 2015, bilateral credit lines were established with various bank counterparties.
- Since September 2015, the PSA Banque France Group, as an approved credit institution, has access (through the remittance of assets as

collateral by its subsidiary CREDIPAR) to the refinancing operations of the European Central Bank (ECB).

- In June 2016, negotiable debt securities (short and medium-term) and medium-term notes (EMTN) programmes were launched. The first negotiable debt securities of PSA Banque France Group were issued at the end of the first half of 2016.
- In July 2016, a securitization programme was set up for leases with a purchase option.
- In January 2017, access to capital markets was increased thanks to a first bond issuance under EMTN programme in an amount of €500 million.

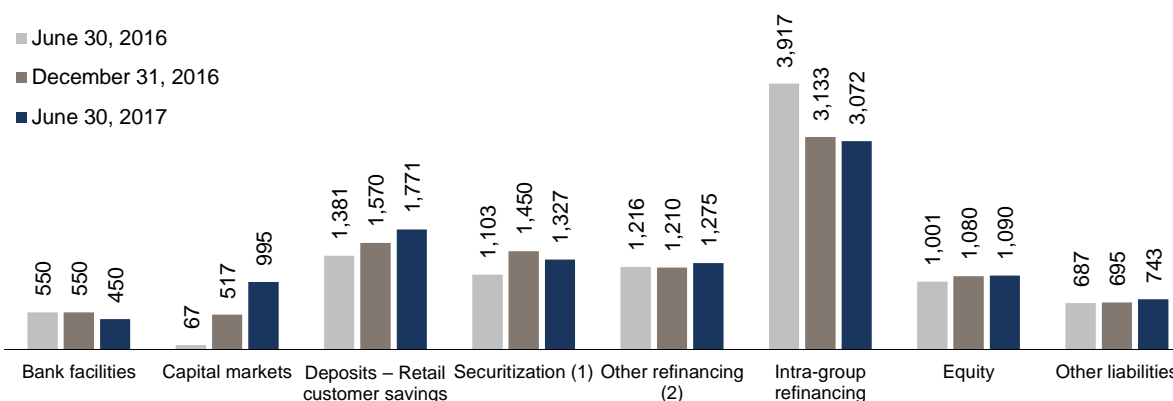
As at June 30, 2017, 5% of the Group's refinancing came from drawn bank loans, 11% from the issuance of negotiable debt securities and an EMTN bond issuance on capital markets, 20% from the bank deposit activity, 15% from securitization transactions publicly or privately placed among investors, 14% from other refinancing sources (including 11% from the ECB), and 35% from intra-group loans granted by Santander Consumer Finance.

The following table and graphs display a breakdown of the refinancing sources as at June 30, 2017, December 31, 2016 and June 30, 2016.

FINANCING BREAKDOWN BY SOURCE

(in million euros)	Jun. 30, 2017		Dec. 31, 2016		Jun. 30, 2016	
Bank facilities	450	5%	550	7%	550	7%
Capital markets	995	11%	517	6%	67	1%
Deposits - Retail customer savings	1,771	20%	1,570	19%	1,381	17%
Securitization ⁽¹⁾	1,327	15%	1,450	17%	1,103	13%
Other refinancing ⁽²⁾	1,275	14%	1,210	14%	1,216	15%
External refinancing	5,817	65%	5,297	63%	4,317	52%
Intra-group refinancing	3,072	35%	3,133	37%	3,917	48%
Equity	1,090		1,080		1,001	
Other liabilities	743		695		687	
Balance sheet total	10,722		10,206		9,922	

SOURCES OF FINANCING (in million euros)



(1) securitization includes all of the securitizations placed on the market.

(2) of which refinancing through the ECB (participation in TLTRO-I and TLTRO-II) for a total of €1,000 million as at June 30, 2017 and dealer deposits.

Outstanding bank loans (as bilateral bank credit lines fully drawn when implemented) stood at €450 million as at June 30, 2017.

Outstanding debt on capital markets increased to €995 million as at June 30, 2017, following the issuance of negotiable debt securities and the first bond issuance under EMTN programme in January 2017.

The outstanding of the retail savings activity stood at €1,771 million.

The PSA Banque France Group's refinancing by securitization was based on 6 transactions as at June 30, 2017 with a total amount of €3,218 million in receivables sold to securitization vehicles (see Note 7.3 of the consolidated financial statements):

- Compartment 2013-2 of the Auto ABS Securitization Fund, in amortization phase since November 2014.
- Compartment 2013-A of the Auto ABS2 Securitization Fund, in amortization phase since November 2015.

- Compartment 2014-1 of the AUTO ABS3 Securitization Fund, in amortization phase since February 2017.
- The Auto ABS French Loans Master monthly issue programme, in reload period (revolving period).
- The Auto ABS French Leases Master Compartment 2016 monthly issue programme in reload period (revolving period).
- The Auto ABS DFP Master Compartment France 2013 monthly issue programme restructured in a non-rated private transaction in May 2017, and financed for a greater amount by a pool of investors for a new two-year period.

Outstanding securitization in the market represents €1,327 million as at June 30, 2017.

Furthermore, the PSA Banque France Group benefits from collateralized financing obtained from the ECB refinancing operations under TLTRO I and TLTRO II for a total of €1,000 million (see Note 11 of the consolidated financial statements).

1.4.4 Security of liquidity

The PSA Banque France Group is seeking a balance between security in terms of liquidity and optimization of its refinancing costs. It borrows the resources required for business continuity and carries out asset/liability balancing, managing interest-rate risk exposure with the use of interest-rate swaps.

As at June 30, 2017, financing with an original maturity of 12 months or more represented more than 60% of the total.

The average maturity of medium and long-term financing raised during the first half of 2017 is approximately 2.5 years, notably after the first EMTN bond issuance in an amount of €500 million with a 3 year maturity.

Bank credit lines, existing as of June 30, 2017 do not require specific obligations in terms of the constitution of sureties default and similar terms, compared to standard market practices. Three factors can trigger the cancellation of these credit lines:

- If Banque PSA Finance and Santander Consumer Finance do not each directly or indirectly hold 50% of the shares of PSA Banque France;

- The loss of bank status by the PSA Banque France Group;
- Non-compliance with the regulatory level for the Common Equity Tier One ratio.

In addition, the PSA Banque France Group has sound financial security based on the support of Santander Consumer Finance and a €370 million liquidity reserve as at June 30, 2017, in the form of high-quality liquid assets, composed exclusively of reserves with the central bank and thus of level 1 under the Liquidity Coverage Ratio (LCR) classification. The PSA Banque France Group's consolidated LCR is 139% as at June 30, 2017.

As at June 30, 2017, the PSA Banque France Group granted to its customers financing commitments representing €462 million. In addition, the amount of guarantee commitments given in favour of customers is valued at €7 million (see Note 17 to the consolidated financial statements).

1.4.5 Credit ratings

On March 8, 2017, Moody's Investors Service upgraded the PSA Banque France Group's rating to Baa1 with a stable outlook.

The rating of the PSA Banque France Group takes into account the support of both Santander

Consumer Finance and the PSA Group as well as the bank's level of activity and the financial structure.

Any update of this rating may affect the companies' ability to obtain financing in the short, medium and long term.

CREDIT RATINGS AS AT JUNE 30, 2017

(in million euros)	Active programmes	Programmes size as at Jun. 30, 2017	Outstanding as at Jun. 30, 2017
Moody's			
Short-term			
P2	CD/NEU CP	1,000	190
Long-term			
Baa1	BMTN/NEU MTN	1,000	305
Baa1	EMTN	4,000	500

1.4.6 Capital and capital requirement

Under the application of the Basel III CRD IV regulation, the PSA Banque France Group has a strong financial position. As at June 30, 2017, the Basel III CRD IV capital ratio in respect of Pillar I amounted to 13.4%. The Basel III regulatory capital amounted to €937 million, taking into account the deduction of the difference between recognized impairment and expected actual losses on the IRB scope

Regulatory capital

Note that the prudential scope used to calculate the solvency ratio is identical to the consolidation scope as described in Note 1-C of 2016 annual report.

Regulatory capital is divided into three categories (Core Tier 1 capital, additional Tier 1 capital, and Tier 2 capital), composed of equity instruments and debts, on which regulatory adjustments are made. PSA Banque France has only Core Tier 1 capital, composed of the following:

- Amount of share capital and related issuance premiums;

(- €72 million), and the minimum capital requirement stood at €560 million.

It should be noted that, in principle, eligible institutions must be under dual supervision, on a consolidated basis and an individual basis. However, on January 29, 2015, the ACPR approved the request for exemption submitted for prudential supervision on a consolidated basis only, per Regulation CRR Article 7.

- Retained earnings and other reserves;
- Income recognized directly in equity.

Regulatory deductions from this capital include the following:

- Estimated amounts of projected dividends;
- The negative difference between recognized impairment and expected impairment losses, calculated using statistical methods for risk-weighted assets (RWA), using the "IRB" (internal rating-based) method.

RECONCILIATION OF ACCOUNTING EQUITY TO REGULATORY CAPITAL

(in million euros)	Jun. 30, 2017	Dec. 30, 2016
Accounting Equity¹	1,090	1,080
Distributable income ²	(81)	(149)
Negative amounts resulting from the calculation of expected losses	(72)	(47)
Tier 1 regulatory capital	937	884

(1) Accounting equity and prudential equity are equal.

(2) When the solvency ratio was calculated as at December 31, 2016, the fifth resolution adopted by the General Meeting on March 15, 2017 stipulating a distribution of €72 million in dividends was not known. Therefore, the solvency ratio was calculated considering that the entire 2016 income, €149 million, was available for distribution. This was a conservative scenario, because it minimized the solvency ratio, which, despite everything, was still robust at 12.6%.

Capital requirement

On April 6, 2009, the French banking supervisor, Autorité de Contrôle Prudentiel et de Résolution (ACPR) authorized Banque PSA Finance to use the Internal Rating Based Advanced (IRBA) approaches to calculate the minimum regulatory capital requirement for the retail portfolio, and the Internal Rating Based Foundation (IRBF) approaches for the corporate portfolio. This measure was applied to the PSA Banque France Group as from January 1, 2009.

In the context of the implementation of the cooperation between Banque PSA Finance and Santander Consumer Finance, the two partners aim to reuse the internal ratings models developed by Banque PSA Finance, after validation by Santander Group's Internal Validation Team, and after approval by the competent supervisory authorities.

In this context, PSA Banque France has received temporary authorization from the European Central Bank to maintain the internal methods developed by Banque PSA Finance for the calculation of weighted assets. Furthermore, an inspection mission has been carried out to reassess PSA Banque France

Group's internal ratings system. Conclusions of this mission are currently being reviewed by the ECB.

All of the data used to model and calculate credit risk is extracted from the management accounting systems. The latter feed into the common risk databases: BRC (the central risk database for retail) and BUIIC (corporate database) that are used to homogeneously track all the risk parameters applicable to the PSA Banque France Group.

The information from these central risk management databases feed the central capital management tool. At the same time, some accounting data are also integrated to this central tool. After reconciling management and statutory accounting data, the minimum capital requirement is calculated and regulatory capital reports are produced.

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

GROUP CAPITAL REQUIREMENT AND RISK-WEIGHTED ASSETS

(in million euros)	Jun. 30, 2017		Dec. 31, 2016	
	Risk-weighted assets	Capital requirements	Risk-weighted assets	Capital requirements
Credit risk	6,359	509	6,377	510
Standard method	771	62	768	62
Sovereigns	12	1	12	1
Institutions	109	9	115	9
Corporate	365	29	296	24
Retail	109	8	111	9
Other risk-weighted assets	176	15	234	19
Internal Rating Based Foundation approach (IRBF)	2,881	230	3,098	247
Corporate	2,881	230	3,098	247
Internal Rating Based Advanced approach (IRBA)	2,707	217	2,511	201
Retail	2,707	217	2,511	201
Operational risk (standard approach)	645	51	645	52
Market Risk	0	0	0	0
Total Risks	7,004	560	7,022	562
Total Regulatory Capital	937		884	
Solvency Ratio	13.4%		12.6%	

Leverage Ratio

The objective of the leverage ratio, which is the unweighted ratio of gross exposure to core capital (Tier 1), is to regulate the excessive use of off-balance sheet in banking activity. The European Union imposes no requirement under this ratio before 2018, but it has been the subject of a reporting requirement by the banks since January 1, 2016. The group has chosen to guide its consolidated leverage ratio at a minimum level of 3%, as mentioned in the Basel Committee recommendations. A monitoring, control, and alert system has been set up to manage any excessive leverage risk.

The leverage ratio is calculated using the procedures of Regulation (EU) no. 575/2013 Article 429, and stands at 8.4% for PSA Banque France as at June 30, 2017, same than as at December 31, 2016.

It should be noted that the individual monitoring exemption received for the solvency ratio is extended to the leverage ratio in the CRD IV scheme. Leverage ratio requirements are performed strictly on a consolidated basis.

LEVERAGE RATIO AND LEVERAGE EXPOSURES AS AT JUNE 30, 2017

(in million euros)	Jun. 30, 2017	Dec 31, 2016
Total assets per published financial statements	10,717	10,206
Prudential deductions on CET1 Capital	(72)	(47)
Total Exposures on Balance Sheet	10,645	10,159
Exposures on derivatives	10	10
Cost of replacing transactions on derivatives	5	6
Total exposure on derivatives	15	16
Exposures on other commitments given	1,563	1,409
Application of regulatory conversion factors	(1,062)	(956)
Total Exposure on Off-Balance Sheet Items	501	453
Total Other Adjustments	0	(125)
Total Leverage Exposure	11,161	10,503
Tier 1 regulatory capital	937	884
Leverage Ratio	8.4%	8.4%

1.5 Risk factors and risk management

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

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

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

The Risk Department also participates in the Asset and Liability Management Committees (ALCO), on a monthly basis and specific collection and recovery committees, on a bi-monthly basis. The members of the executive body either take part in these committees or are informed of their content.

A fundamental pillar of the risk management model is the risk policies defined by the Risk Department and validated by the PSA Banque France

Group's Board of Directors. In this context, risk management is based on the following principles:

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

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

1.6 Internal control

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

1.6.1 Permanent control system

1.6.1.1 First-level controls, the basis of the Internal Control System

These controls exist within the operating units. The controls are performed by all employees in the normal course of their work, applying procedures that include various controls to be carried out, or these tasks are

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

performed by dedicated employees within the operating units. The first-level controls are supervised by the units responsible for permanent control.

1.6.1.2 Permanent control

As a second level control, this function, reporting to the General Secretary, is responsible for the following tasks:

- Compliance control;
- The permanent control of risks of the Group's entities including those of the outsourced services.

The compliance function is responsible for preventing, controlling and overseeing compliance risks. It ensures compliance with obligations regarding data protection, prevention of money laundering and conformity of new or significantly modified products. It has the appropriate systems and training. It also provides regulatory surveillance and ensures regulatory compliance.

Operational risk control tasks cover:

- The recurrent evaluation of the level of control of operational risks achieved by the control systems used in the entities of the group, as well as at service providers;
- The exercise of specific second-level controls throughout the organization;

- The application of a mechanism for certifying the self-assessment of first level controls, used by operations officers to certify the execution and outcome of key controls on major risks. This system covers the accounting, refinancing and treasury activities, as well as security of access to the Group's main IT applications;
- Issuance of written recommendations and follow-up of their implementation;
- Collecting, analyzing and monitoring operational losses and incidents identified in the risk mapping process.

In particular, these functions verify the regular execution, by operational staff, of key first-level checks carried out on the risks identified as major.

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

1.6.2 Periodic controls

Periodic - or third-level - controls consist of periodically checking the compliance of transactions, the levels of risk, the compliance with procedures and the efficiency of permanent controls.

They are performed by the internal auditors, based on a three-year internal audit plan for all of PSA

Banque France Group's units (including outsourced activities).

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

1.6.3 Oversight by Executive Management and the Board

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

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

The PSA Banque France Group's Audit and Risk Committee prioritizes its tasks according to the risks

identified. Its duties include the planning, supervision and review of internal audits and the review of the audit plan of the statutory auditors. It is responsible for the remediation of any major weaknesses in internal controls identified by external auditors.

The Audit and Risk Committee also ensures the compliance of the Group with Basel III and other regulatory requirements as well as the implementation of measures to comply with these requirements. Finally, the Audit and Risk Committee reviews the consolidated financial statements as well as the

individual financial statements of its subsidiaries in relation to the accounting methods used.

If necessary, it may consult with the PSA Banque France Chairman, Managing Directors and statutory auditors, and with any person required for its work. Several times a year, the Chairman of the Audit and Risk Committee meets with the representatives of the

Risk Department and of the periodic and permanent control functions.

Executive Management is responsible for defining and implementing the internal control system. Through the intermediary of the control and compliance committees, meeting quarterly, it monitors proper functioning and ensures adequacy of missions and means.

1.6.4 Organization of internal control

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

The main policies of the bank are specified and implemented within the framework of the Audit and Risk Committee or of operational committees. These specific committees concern especially credit risks, during which the evolution of unpaids and credit losses are analyzed as well as the performance of the risk selection systems for retail and corporate (fleet and dealers) loan books.

These committees also review and make decisions concerning:

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

1.7 General information concerning PSA Banque France and share ownership

1.7.1 General presentation

Corporate name:
PSA BANQUE FRANCE

Nationality: French

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

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

Register and identification number: PSA Banque France is registered with the Nanterre Trade and Companies Register :

- SIREN No.: 652 034 638
- SIRET No.: 652 034 638 00039
- APE/NAF business identifier code: 6419Z

1.7.2 Capital

Shareholders: as of June 30, 2017, PSA Banque France's share capital stood at €144,842,528 divided into 9,052,658 shares with a value of €16 each, fully paid-up, with equal distribution between:

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

1.7.3 Board of Directors and management bodies

PSA Banque France Board of Directors is composed of six members, consisting of three chosen by each of the two shareholders. For the first three years of the cooperation between Banque PSA Finance and Santander Consumer Banque, both shareholders of PSA Banque France, the Chairman of the Board is a director designated by Santander Consumer Banque, Mrs Ines Serrano-Gonzalez holds this position, as is the Deputy CEO, Mr Carlos Aparicio Manuel holds this position. For its part, Banque PSA Finance has designated the Chief Executive Officer of the Bank, Mr Andrea Bandinelli holds this position. Following the first period of three years of cooperation, this principle will be reversed. The latter functions will thus rotate every three years at the latest between the partners. Four board meetings were held in the first half of 2017. The

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

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

The company's corporate purpose is that of a bank of full exercise.

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

Changes occurred in the distribution of capital during the last three years: Santander Consumer Banque entered into the capital (50%) on February 2, 2015.

governance of the PSA Banque France Group results from the application of agreements concluded between both shareholders, which strictly comply with the legal and regulatory obligations in force. Thus, the Chairman with her Board and specialized committees monitor the activity of PSA Banque France controlled by the Chief Executive Officer, the Deputy CEO, the Executive Committee and the operational committees. Currently, there is no conflict of interest between the obligations of the members of the management bodies and their private interests with regard to the PSA Banque France Group. It is hereby stated that no delegation, either valid or used during the first half of 2017, was granted by the General Meeting to the Board of Directors regarding a capital increase.

1.7.4 Persons responsible for auditing the accounts

PricewaterhouseCoopers Audit

Crystal Park, 63 rue de Villiers,
92208 Neuilly-sur-Seine Cedex,
simplified joint stock company (*société par actions simplifiée*) with capital of €2,510,460, registered at the Nanterre Trade and Companies Register as No. 672 006 483

Statutory Auditors member of the Compagnie régionale de Versailles

Duration of mandate: six years

Date of end of mandate: 2022 financial year

Represented as at June 30, 2017 by Laurent Tavernier

Mazars

61 rue Henri Régault,
92400 Courbevoie,
limited liability corporation (*société anonyme*) with capital of €8,320,000, registered at the Nanterre Trade and Companies Register as No. 784 824 153

Statutory Auditors member of the Compagnie régionale de Versailles

Duration of mandate: six years

Date of end of mandate: 2019 financial year

Represented as at June 30, 2017 by Matthew Brown

2

CONSOLIDATED FINANCIAL STATEMENTS AS AT JUNE 30, 2017

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2.1 Consolidated Balance Sheet

<i>(in thousand euros)</i>	<i>Notes</i>	June 30, 2017	Dec. 31, 2016
Assets			
Cash, central banks, post office banks	3	393,667	260,506
Financial assets at fair value through profit or loss and other financial assets	4	49,152	4,251
Hedging instruments	5	855	242
Available-for-sale financial assets		3	3
Loans and advances to credit institutions	6	535,498	472,947
Customer loans and receivables	7 & 24	9,505,787	9,224,565
Fair value adjustments to finance receivables portfolios hedged against interest rate risks	15	(4,145)	(5,600)
Current tax assets	25.1	12,500	933
Deferred tax assets	25.1	749	959
Accruals and other assets	8	218,076	237,446
Investments in associates and joint ventures accounted for using the equity method		-	-
Property and equipment		9,410	9,623
Intangible assets		-	-
Goodwill		-	-
Total assets		10,721,552	10,205,875
Equity and liabilities			
<i>(in thousand euros)</i>			
	<i>Notes</i>	June 30, 2017	Dec. 31, 2016
Central banks, post office banks		60	44
Financial liabilities at fair value through profit or loss	9	1,124	2,954
Hedging instruments	10	1,047	832
Deposits from credit institutions	11	4,536,822	4,637,609
Due to customers	12	2,030,091	1,826,121
Debt securities	13	2,321,748	1,967,051
Fair value adjustments to debt portfolios hedged against interest rate risks	15	389	589
Current tax liabilities	25.1	4,299	17,221
Deferred tax liabilities	25.1	259,915	251,307
Accruals and other liabilities	14	459,729	405,151
Provisions		16,651	16,738
Subordinated debt		-	-
Equity		1,089,677	1,080,258
- Equity attributable to equity holders of the parent		1,089,677	1,080,258
- Share capital and other reserves		757,060	743,617
- Consolidated reserves		334,130	338,537
- Of which Net income - equity holders of the parent		80,729	148,710
- Income and expenses recognized directly in Equity		(1,514)	(1,896)
- Minority interests		-	-
Total equity and liabilities		10,721,552	10,205,875

2.2 Consolidated Income Statement

<i>(in thousand euros)</i>	Notes	June 30, 2017	June 30, 2016	Dec. 31, 2016
Net interest revenue on customer transactions		200,183	194,879	392,329
- Interest and other revenue on assets at amortized cost	18	194,312	197,360	391,981
- Fair value adjustments to finance receivables hedged against interest rate risks		1,454	(4,158)	(9,120)
- Interest on hedging instruments		(2,350)	(4,249)	(7,443)
- Fair value adjustments to hedging instruments		2,751	41	3,950
- Interest expense on customer transactions		(82)	(199)	(290)
- Other revenue and expense		4,098	6,084	13,251
Net investment revenue		8	3	12
- Interest and dividends on marketable securities		-	-	-
- Fair value adjustments to assets		(27)	-	-
- Gains and losses on sales of marketable securities		1	-	7
- Investment acquisition costs		34	3	5
Net refinancing cost		(24,829)	(32,268)	(59,913)
- Interest and other revenue from loans and advances to credit institutions		5	7	11
- Interest on deposits from credit institutions	19	(6,801)	(10,641)	(20,099)
- Interest on debt securities	20	(4,568)	(4,771)	(8,751)
- Interest on savings accounts	21	(11,108)	(14,505)	(26,267)
- Expenses related to financing commitments received		(530)	(550)	(1,219)
- Fair value adjustments to financing liabilities hedged against interest rate risks		200	(1,076)	(645)
- Interest on hedging instruments		228	92	290
- Fair value adjustments to hedging instruments		(200)	1,081	652
- Fair value adjustments to financing liabilities valued using the fair value option		-	-	-
- Debt issuing costs		(1,808)	(1,905)	(3,666)
- Other Revenue and Expense - Miscellaneous		(247)	-	(219)
Net gains and losses on trading transactions		-	-	-
- Interest rate instruments		-	-	-
- Currency instruments		-	-	-
Net gains and losses on available-for-sale financial assets		-	(73)	(74)
Margin on sales of services	22	47,120	42,056	87,084
- Revenues		48,421	43,325	89,842
- Expenses		(1,301)	(1,269)	(2,758)
Net banking revenue		222,482	204,597	419,438
General operating expenses	23	(77,719)	(80,883)	(151,620)
- Personnel costs		(30,916)	(29,778)	(59,612)
- Other general operating expenses		(46,803)	(51,105)	(92,008)
Depreciation and amortization of intangible and tangible assets		(1,052)	(871)	(1,854)
Gains and losses on investments in companies that can be consolidated and other disposals of fixed assets		(51)	(132)	(1,098)
Gross operating income		143,660	122,711	264,866
Cost of risk	24	(14,627)	(3,977)	(20,456)
Operating income		129,033	118,734	244,410
Share in net income of associates and joint ventures accounted for using the equity method		-	-	-
Impairment on goodwill		-	-	-
Pension obligation - expense		(96)	(105)	(210)
Pension obligation - income		-	-	-
Other non-operating items		-	-	-
Pre-tax income		128,937	118,629	244,200
Income taxes	25.2	(48,208)	(49,074)	(95,490)
Net income for the year		80,729	69,555	148,710
- of which minority interests		-	-	-
- of which attributable to equity holders of the parent		80,729	69,555	148,710
Earnings per share (in euros)		8.92 €	7.68 €	16.43 €

2.3 Net Income and Income and Expenses Recognized Directly in Equity

	June 30, 2017			June 30, 2016			Dec. 31, 2016		
	Before tax	Tax	After tax	Before tax	Tax	After tax	Before tax	Tax	After tax
<i>(in thousand euros)</i>									
Net income	128,937	(48,208)	80,729	118,629	(49,074)	69,555	244,200	(95,490)	148,710
- of which minority interest			-			-			-
Recyclable in profit and loss elements									
Financial assets at fair value through profit or loss:	-	-	-	20	-	20	20	-	20
- of which revaluation reversed in net income	-	-	-	-	-	-	-	-	-
- of which revaluation directly in equity	-	-	-	20	-	20	20	-	20
Not recyclable in profit and loss elements									
Actuarial gains and losses on pension obligations	582	(200)	382	(1,267)	436	(831)	(1,791)	617	(1,174)
Others	5	-	5	-	-	-	-	-	-
Total income and expenses recognized directly in Equity	587	(200)	387	(1,247)	436	(811)	(1,771)	617	(1,154)
- of which minority interest			-			-			-
Total net income and income and expenses recognized directly in Equity	129,524	(48,408)	81,116	117,382	(48,638)	68,744	242,429	(94,873)	147,556
- of which minority interest			-			-			-
- of which attributable to equity holders of the parent			81,116			68,744			147,556

2.4 Consolidated Statement of Changes in Equity

	Share capital and other reserves				Fair value adjustments - equity holders of the parent			Minority interests	Total equity
	Share capital	Issue, share and merger premiums	Legal reserve and other reserves	Consolidated reserves	Financial assets at fair value through profit or loss: revaluation	Actuarial gains and losses on pension obligations	Equity attributable to equity holders of the parent		
<i>(in thousand euros)</i>									
At December 31, 2015	144,843	741,915	5,345	191,433	(20)	(722)	1,082,794	-	1,082,794
Appropriation of profit from the previous financial year	-	-	82	(82)	-	-	-	-	-
Net Income and Income and Expenses Recognized Directly in Equity	-	-	-	69,555	20	(831)	68,744	-	68,744
Dividend paid to Santander Consumer Banque	-	(74,284)	-	(763)	-	-	(75,047)	-	(75,047)
Dividend paid to Banque PSA Finance	-	(74,284)	-	(763)	-	-	(75,047)	-	(75,047)
At June 30, 2016	144,843	593,347	5,427	259,381	-	(1,553)	1,001,445	-	1,001,445
Net Income and Income and Expenses Recognized Directly in Equity	-	-	-	79,155	-	(343)	78,812	-	78,812
Dividend paid to Santander Consumer Banque	-	-	-	-	-	-	-	-	-
Dividend paid to Banque PSA Finance	-	-	-	-	-	-	-	-	-
At December 31, 2016	144,843	593,347	5,427	338,536	-	(1,896)	1,080,258	-	1,080,258
Appropriation of profit from the previous financial year	-	-	13,443	(13,443)	-	-	-	-	-
Net Income and Income and Expenses Recognized Directly in Equity	-	-	-	80,734	-	382	81,116	-	81,116
Dividend paid to Santander Consumer Banque	-	-	-	(35,849)	-	-	(35,849)	-	(35,849)
Dividend paid to Banque PSA Finance	-	-	-	(35,849)	-	-	(35,849)	-	(35,849)
At June 30, 2017	144,843	593,347	18,870	334,130	-	(1,514)	1,089,677	-	1,089,677

In application of the "pooling of interest" method

The above table contains the Group's activities by integrating, from 2014 onwards, the contributions of the entities that comprise it and the capital and reserves related to the new group, reflecting from 2014 onwards the consequences of the legal combination operations performed in 2015 and described below.

On legal terms:

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

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

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

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

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

It is the same on June 30, 2017, no movement having taken place over the period.

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

2.5 Consolidated Statement of Cash Flows

<i>(in thousand euros)</i>	June 30, 2017	June 30, 2016	Dec. 31, 2016
Income attributable to equity holders of the PSA Banque France Group	80,729	69,555	148,710
Adjustments for:			
- Change in depreciation, amortization and other provisions	3,024	867	1,343
- Change in deferred taxes	8,618	4,392	(4,573)
- (Profit)/loss on disposals of assets	51	132	1,098
Funds from operations	92,422	74,946	146,578
Increase/decrease in:			
- loans and advances to credit institutions	-	(1)	-
- deposits from credit institutions	(100,987)	661,141	(134,495)
Change in customer loans and receivables	(281,930)	(629,388)	(960,920)
Increase/decrease in:			
- amounts due to customers	203,970	261,516	456,512
- financial assets at fair value through profit or loss and other financial assets	(44,901)	(1,290)	(1,064)
- financial liabilities at fair value through profit or loss	(1,830)	(9)	(242)
- hedging instruments	(400)	6,451	3,064
- debt securities	354,697	(371,537)	425,291
Change in working capital: assets	(26,603)	(90,814)	(75,343)
Change in working capital: liabilities	73,861	170,335	137,213
Net cash provided by operating activities	268,299	81,350	(3,406)
Acquisitions of shares in subsidiaries	-	-	-
Proceeds from disposals of shares in subsidiaries	-	-	-
Investments in fixed assets	(1,753)	(1,866)	(8,865)
Proceeds from disposals of fixed assets	863	987	1,621
Effect of changes in scope of consolidation	-	-	-
Net cash used by investing activities	(890)	(879)	(7,244)
Dividends paid to Santander Consumer Banque	(35,849)	(75,047)	(75,047)
Dividends paid to Banque PSA Finance	(35,849)	(75,047)	(75,047)
Capital increase	-	-	-
Net cash used by financing activities	(71,698)	(150,093)	(150,093)
Effect of changes in exchange rates	-	-	-
Net change in cash and cash equivalents	195,711	(69,622)	(160,743)
Cash and cash equivalents at the beginning of the period	733,453	894,195	894,195
Cash, central banks, post office banks	260,506	98,378	98,378
Treasury Bonds	-	132,939	132,939
Current account advances and loans and advances at overnight rates	472,947	662,878	662,878
Cash and cash equivalents at the end of the period	929,165	824,572	733,453
Cash, central banks, post office banks (Note 3)	393,667	237,132	260,506
Treasury Bonds	-	-	-
Current account advances and loans and advances at overnight rates (Note 6)	535,498	587,440	472,947

2.6 Notes to the Consolidated Financial Statements

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A. Main events**Refinancing strategy**

PSA Banque France Group has been receiving since 2015 intra-group financing provided by Santander Consumer Finance, since the entry of Santander Consumer Banque in its equity in February 2015, in addition of financing provided by debt securitization, the retail savings activity with French customers, bilateral bank credit lines and its participation in the refinancing operations of the European Central Bank (ECB). After the first issuances in 2016 of negotiable debt securities, refinancing diversification by increasing access to capital markets continued during the first half of 2017 through the issuance of the first bond under EMTN programme in January 2017 in an amount of €500 million.

B. Changes in Group structure

There was no change in group structure during the first semester 2017.

Note 2 Accounting Policies

The interim consolidated financial statements for the six months ended June 30, 2017 have been prepared in accordance with IAS 34 – Interim Financial Reporting, which allows to present a selection of explanatory notes. The condensed interim consolidated financial statements should be read and understood in conjunction with the 2016 consolidated financial statements.

The accounting principles applied to prepare the interim consolidated financial statements for the six months ended June 30, 2017, are identical to those used to prepare the 2016 consolidated financial statements, with the exception of the application of new compulsory standards and interpretations, see section: “New compulsory standards and interpretations applicable on January 1, 2017”.

In accordance with European Council Regulation 1606/2002/EC dated July 19, 2002 on the application of international accounting standards from January 1, 2005, PSA Banque France's consolidated financial statements for the year ended December 31, 2016 have been prepared in accordance with the International Financial Reporting Standards (IFRSs) applicable and adopted by the European Union as of that date.

The presentation of PSA Banque France's interim consolidated financial statements for the six months ended June 30, 2017 is prepared according to the recommendations of the French accounting standards setter, in particular the recommendation N°2013-04 of November 7, 2013 which will be replaced by the recommendation N°2017-02 of June 2, 2017 related to the presentation of the consolidated financial statements of banking institutions on January 1, 2018.

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

New IFRSs and IFRIC Interpretations applicable compulsorily in the fiscal year commencing on January 1, 2017

The new texts, which application is compulsory in the fiscal year commencing January 1, 2017 and applied by PSA Banque France Group are the following:

- Amendments to IAS 7 - Disclosure Initiative

These amendments concern proposals for the disclosure of a reconciliation of liabilities whose cash flows were, or future cash flows would be, classified as financing activities in the statement of cash flows; and restrictions that affect the decisions of an entity to use cash and cash equivalent balances.

- Amendments to IAS 12 - Recognition of Deferred Tax Assets for Unrealised Losses

These amendments are to clarify that a company should account for all income tax consequences of dividends in the same way in order to answer to the diversity of the current practice.

- Amendments to IFRS 12 - Disclosure of Interests in Other Entities

These amendments concern the clarification of the scope of the disclosure requirements and make part of Annual Improvements 2014–2016.

These texts do not impact significantly PSA Banque France Group.

New IFRSs and IFRIC Interpretations non applicable compulsorily in the European Union in the fiscal year commencing on January 1, 2017

Potential impact of texts or projects published by IASB and IFRIC with compulsory application in the European Union from the period after January 1st, 2017, or not yet adopted by the European Union is currently being analyzed; such is especially the case for:

- **IFRS 15** – Revenue from Contracts with Customers. The final version of this standard was published by the IASB in May 2014. This standard is effective for annual periods beginning on or after January 1, 2018 subject to the adoption by the European Union. IFRS 15 concerns requirements for the recognition of revenue from Contracts with Customers. Contracts that are within the scope of other standards are excluded of the scope of IFRS 15: Contracts on Leases, Insurance Contracts and Financial Instruments. As a consequence, the major part of PSA Banque France's revenues is excluded from the scope of this new standard. Concerning other cases, no significant modifications concerning accounting methods are expected (fees of new business providers) for PSA Banque France.

- **IFRS 9** – Financial Instruments which is intended to replace IAS 39 - Financial Instruments. The final version of this standard was published by the IASB in July 2014.

The final version of IFRS 9 groups together 3 phases:

- Classification and Measurement of financial instruments;
- Impairment of financial assets;
- Hedge accounting.

The package of improvements introduced by IFRS 9 includes:

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

Informations to be disclosed in the notes to the financial statements were also reinforced. The global objective is to improve the information of investors.

IFRS 9 comes into effect on 1 January 2018 subject to the adoption by the European Union. Early application will be permitted but will not be used in the group.

The analysis of the impacts of Phase 1 of IFRS 9 on PSA Banque France was started in June 2016. The project related to the analysis of the impacts of Phase 2 of IFRS 9 on PSA Banque France was launched in October 2016. The analysis of Phase 3 was started in 2017.

- **IFRS 16** – Leases. During more than 10 years the IASB worked, jointly with the FASB, on the revision of IAS 17 which objective is to prescribe, to lessees and lessors, the appropriate accounting policies and disclosures to apply in relation to leases. On January 13, 2016, the IASB published the IFRS 16 definitive text. This standard is not supposed to have a significant impact on PSA Banque France for the lessor accounting model, as the measures required by the

standard on this issue are convergent with IAS 17. However, impacts are expected for the financial statements of some clients of PSA Banque France, as lessees will need to disclose new information.

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

Note 3 Cash, Central Banks, Post Office Banks

<i>(in thousand euros)</i>	June 30, 2017	Dec. 31, 2016
Cash and post office banks	-	1
Central bank (1)	393,667	260,505
- of which compulsory reserves deposited with the Banque de France	23,423	20,291
Total	393,667	260,506

(1) Apart from compulsory reserves, the supplementary deposits on the Banque de France account correspond to a HQLA type investment in order to comply with the Liquidity Coverage Ratio (LCR).

Note 4 Financial Assets at Fair Value Through Profit or Loss and Other Financial Assets

4.1 Financial Assets at Fair Value Through Profit or Loss

<i>(in thousand euros)</i>	June 30, 2017	Dec. 31, 2016
Fair value of trading derivatives (1)	4,648	6,538
- of which related companies with Santander Consumer Finance Group	981	1,679
Offsetting positive fair value and received margin calls	(1,078)	(2,368)
Accrued interest on trading derivatives	49	81
- of which related companies with Santander Consumer Finance Group	15	21
Total	3,619	4,251

(1) The swaps classified as held for trading are related to securitization activities for which reverse swaps are systematically neutralized, with no impact on income (see Note 9).

4.2 Other Financial Assets

<i>(in thousand euros)</i>	June 30, 2017	Dec. 31, 2016
Treasury Bills (1)	45,533	-
- Nominal	45,500	-
- Premium amount	33	-
Total	45,533	-

(1) French Treasury Bills (2 different tranches at the end of June 2017) are used as collateral at the European Central Bank (see Note 17). They are accounted at amortized cost.

4.3 Offsetting swaps with margin call designated as trading - Assets

For 2017

(in thousand euros)

Positive valued swaps	Asset gross amount		Asset net amount before offsetting	Offsetting with received margin calls	Balance sheet amount after offsetting
	Swap's winning leg	Swap's losing leg			
Positive fair value	4,695	(47)	4,648	-	4,648
- Swaps with margin call	1,088	(14)	1,074	-	1,074
- Swaps without margin call	3,607	(33)	3,573	-	3,573
Offsetting	-	-	-	(1,078)	(1,078)
Accrued income	83	(34)	49	-	49
- Swaps with margin call	83	(34)	49	-	49
- Swaps without margin call	-	-	-	-	-
Total assets	4,778	(81)	4,697	(1,078)	3,619
Margin calls received on swaps designated as trading (deferred income - see Note 14)	-	-	1,180	(1,078)	102
Total liabilities	-	-	1,180	(1,078)	102

For 2016

(in thousand euros)

Positive valued swaps	Asset gross amount		Asset net amount before offsetting	Offsetting with received margin calls	Balance sheet amount after offsetting
	Swap's winning leg	Swap's losing leg			
Positive fair value	6,590	(52)	6,538	-	6,538
- Swaps with margin call	2,898	(25)	2,873	-	2,873
- Swaps without margin call	3,692	(27)	3,665	-	3,665
Offsetting	-	-	-	(2,368)	(2,368)
Accrued income	108	(27)	81	-	81
- Swaps with margin call	108	(27)	81	-	81
- Swaps without margin call	-	-	-	-	-
Total assets	6,698	(79)	6,619	(2,368)	4,251
Margin calls received on swaps designated as trading (deferred income - see Note 14)	-	-	2,738	(2,368)	370
Total liabilities	-	-	2,738	(2,368)	370

Note 5 Hedging Instruments - Assets

5.1 Analysis by Nature

<i>(in thousand euros)</i>	June 30, 2017	Dec. 31, 2016
Positive fair value of instruments designated as hedges of:	1,132	591
- Bonds	-	-
- Borrowings	391	591
- Customer loans (Installment contracts, Leasing with a purchase option and Long-term leases)	741	-
Offsetting positive fair value and received margin calls (see Note 5.2)	(279)	(352)
Accrued income on swaps designated as hedges	2	3
Total	855	242

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

Fair Value Hedge effectiveness is analysed in Note 15.

5.2 Offsetting swaps with margin call designated as hedges - Assets

For 2017

<i>(in thousand euros)</i>	Asset gross amount		Asset net amount before offsetting	Offsetting with received margin calls	Balance sheet amount after offsetting
	Swap's winning leg	Swap's losing leg			
Positive valued swaps					
Positive fair value	6,574	(5,442)	1,132	-	1,132
- Swaps with margin call	6,574	(5,442)	1,132	-	1,132
- Swaps without margin call	-	-	-	-	-
Offsetting	-	-	-	(279)	(279)
Accrued income	9	(7)	2	-	2
- Swaps with margin call	9	(7)	2	-	2
- Swaps without margin call	-	-	-	-	-
Total assets	6,583	(5,449)	1,134	(279)	855
Margin calls received on swaps designated as hedges (deferred income - see Note 14)	-	-	279	(279)	-
Total liabilities	-	-	279	(279)	-

For 2016

<i>(in thousand euros)</i>	Asset gross amount		Asset net amount before offsetting	Offsetting with received margin calls	Balance sheet amount after offsetting
	Swap's winning leg	Swap's losing leg			
Positive valued swaps					
Positive fair value	2,617	(2,026)	591	-	591
- Swaps with margin call	2,617	(2,026)	591	-	591
- Swaps without margin call	-	-	-	-	-
Offsetting	-	-	-	(352)	(352)
Accrued income	13	(10)	3	-	3
- Swaps with margin call	13	(10)	3	-	3
- Swaps without margin call	-	-	-	-	-
Total assets	2,630	(2,036)	594	(352)	242
Margin calls received on swaps designated as hedges (deferred income - see Note 14)	-	-	352	(352)	-
Total liabilities	-	-	352	(352)	-

Note 6 Loans and Advances to Credit Institutions

Analysis of Demand and Time Accounts

<i>(in thousand euros)</i>	June 30, 2017	Dec. 31, 2016
Demand accounts	535,497	472,947
- Ordinary accounts in debit	532,399	472,947
- of which held by securitization funds	192,097	207,050
- Current accounts and overnight loans	3,098	-
- of which related companies with Santander Consumer Finance Group (1)	3,098	-
Time accounts	-	-
Accrued interest	1	-
Total	535,498	472,947

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

Note 7 Customer Loans and Receivables

7.1 Analysis by Type of Financing

<i>(in thousand euros)</i>	June 30, 2017	Dec. 31, 2016
Installment contracts	1,976,572	1,928,396
- of which securitized (1)	1,198,117	1,237,834
Leasing with a purchase option (2)	2,338,370	2,034,338
Principal and interest	2,639,586	2,306,476
- of which securitized (1)	987,114	957,538
Unaccrued interest on leasing with a purchase option	(301,216)	(272,138)
- of which securitized (1)	(109,363)	(116,087)
Long-term leases (2)	2,261,333	2,197,728
Principal and interest	2,468,079	2,403,713
- of which securitized (1)	233,749	370,114
Unaccrued interest on long-term leases	(206,707)	(205,932)
- of which securitized (1)	(14,747)	(28,221)
Leasing deposits	(39)	(53)
- of which securitized (1)	-	-
Trade receivables	2,049,695	2,188,523
- Related companies with PSA Group	27,333	22,487
- Non-group companies	2,022,362	2,166,036
- of which securitized (1)	923,626	934,831
Other finance receivables (including equipment loans, revolving credit)	619,107	636,819
Ordinary accounts in debit	126,300	108,220
- Related companies with PSA Group	1,498	1,390
- Non-group companies	124,802	106,830
Deferred items included in amortized cost - Customers loans and receivables	134,410	130,541
- Deferred acquisition costs	205,308	192,554
- Deferred loan set-up costs	(24,246)	(24,247)
- Deferred manufacturer and dealer contributions	(46,652)	(37,766)
Total Loans and Receivables at Amortized Cost (3)	9,505,787	9,224,565
- of which securitized (1)	3,218,496	3,356,009

(1) The PSA Banque France Group has set up several securitization programs (see Note 7.3).

(2) Lease financing transactions (leasing with a purchase option 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 PSA Banque France.

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

7.2 Customer Loans and Receivables by Segment

<i>(in thousand euros)</i>	IFRS 8 Segment		Corporate Dealers		End user		Total	
	(A - see B Note 24.1)		(B - see A Note 24.1)		(C - see C Note 24.1)			
	June 30, 2017	Dec. 31, 2016	June 30, 2017	Dec. 31, 2016	June 30, 2017	Dec. 31, 2016	June 30, 2017	Dec. 31, 2016
Installment contracts	4,003	3,484	1,970,205	1,923,087	2,364	1,825	1,976,572	1,928,396
Leasing with a purchase option	9,847	10,097	2,299,291	1,999,773	29,232	24,468	2,338,370	2,034,338
Long-term leases	132,832	112,942	1,272,604	1,200,013	855,897	884,773	2,261,333	2,197,728
Trade Receivables	2,049,695	2,188,523	-	-	-	-	2,049,695	2,188,523
Other finance receivables	588,533	598,208	28,021	36,057	2,553	2,554	619,107	636,819
Ordinary accounts in debit	126,253	108,214	-	-	47	6	126,300	108,220
Deferred items included in amortized cost	(252)	(4,969)	110,740	96,888	23,922	38,622	134,410	130,541
Total customer loans by segment (based on IFRS 8)	2,910,911	3,016,499	5,680,861	5,255,818	914,015	952,248	9,505,787	9,224,565

7.3 Securitization programs

Fund	Sold receivables				
	Closing, ie first date of sale	Type of Financing	at June 30, 2017	at Dec. 31, 2016	at the origin
FCT Auto ABS French Loans Master	Dec. 13, 2012 (2)	Installment contracts	827,048	736,687	N/A
FCT Auto ABS DFP Master - Compartiment France 2013	May 03, 2013 (2)	Trade receivables	923,626	934,831	N/A
FCT Auto ABS - Compartiment 2013-2	June 14, 2013	Installment contracts	57,353	98,319	494,550
FCT Auto ABS2 - Compartiment 2013-A	Oct. 31, 2013	Long-term leases (3)	219,002	341,893	735,000
FCT Auto ABS3 - Compartiment 2014-1	Dec. 12, 2014	Installment contracts	313,716	402,828	430,000
FCT Auto ABS French Leases Master - Compartiment 2016	July 28, 2016 (2)	Buyback contracts (1)	877,751	841,451	N/A
Total			3,218,496	3,356,009	

The funds are special purpose entities that are fully consolidated by the PSA Banque France Group as its CREDIPAR subsidiary retains the majority of the risks (mainly credit risk) and rewards (net banking income) generated by the special entities.

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

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

(1) Sold receivables correspond to future lease payment and sales receivables of the vehicle or purchase option (leases with a purchase option or finance leases).

(2) The monthly issuances of these funds enable the adjustment of the liabilities of the fund towards the portfolio to be refinanced (portfolio that can grow up or decrease) up to the maximum programme size.

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

Note 8 Accruals and Other Assets

<i>(in thousand euros)</i>	June 30, 2017	Dec. 31, 2016
Other receivables	94,210	123,520
- of which related companies with PSA Group	55,564	86,413
Prepaid and recoverable taxes	60,316	38,728
Accrued income	12,514	11,459
- of which related companies with PSA Group	11,306	10,082
Prepaid expenses	4,040	3,204
- of which margin calls paid on swaps (1)	562	374
- of which related companies with Santander Consumer Finance Group	(1,551)	-
Other	46,996	60,535
- of which related companies with PSA Group	-	-
Total	218,076	237,446

(1) At June 30, 2017, margin calls paid on swaps were offset with the negative fair value for an amount of €5.7 million, compared to €8.2 million at December 31, 2016 (see Notes 9.2 and 10.2).

Note 9 Financial Liabilities at Fair Value Through Profit or Loss

9.1 Analysis by Nature

<i>(in thousand euros)</i>	June 30, 2017	Dec. 31, 2016
Fair value of trading derivatives	4,648	6,538
- of which related companies with Santander Consumer Finance Group	981	1,679
Offsetting negative fair value and paid margin calls	(3,573)	(3,665)
Accrued expense on trading derivatives	49	81
- of which related companies with Santander Consumer Finance Group	15	21
Total	1,124	2,954

Swaps classified as held for trading are related to securitization activities for which reverse swaps are systematically neutralized, with no impact on income (see Note 4).

9.2 Offsetting swaps with margin call designated as trading - Liabilities

For 2017

(in thousand euros)

Negative valued swaps	Liability gross amount		Liability net amount before offsetting	Offsetting with paid margin calls	Balance sheet amount after offsetting
	Swap's winning leg	Swap's losing leg			
Negative fair value	(44)	4,692	4,648	-	4,648
- Swaps with margin call	(33)	3,607	3,574	-	3,574
- Swaps without margin call	(11)	1,085	1,074	-	1,074
Offsetting	-	-	-	(3,573)	(3,573)
Accrued expense	(34)	83	49	-	49
- Swaps with margin call	-	-	-	-	-
- Swaps without margin call	(34)	83	49	-	49
Total liabilities	(78)	4,775	4,697	(3,573)	1,124
Margin calls paid on swaps designated as trading (prepaid expenses - see Note 8)	-	-	3,897	(3,573)	324
Total assets	-	-	3,897	(3,573)	324

For 2016

(in thousand euros)

Negative valued swaps	Liability gross amount		Liability net amount before offsetting	Offsetting with paid margin calls	Balance sheet amount after offsetting
	Swap's winning leg	Swap's losing leg			
Negative fair value	(44)	6,582	6,538	-	6,538
- Swaps with margin call	(27)	3,692	3,665	-	3,665
- Swaps without margin call	(17)	2,890	2,873	-	2,873
Offsetting	-	-	-	(3,665)	(3,665)
Accrued expense	108	(27)	81	-	81
- Swaps with margin call	-	-	-	-	-
- Swaps without margin call	108	(27)	81	-	81
Total liabilities	64	6,555	6,619	(3,665)	2,954
Margin calls paid on swaps designated as trading (prepaid expenses - see Note 8)	-	-	3,872	(3,665)	207
Total assets	-	-	3,872	(3,665)	207

Note 10 Hedging Instruments - Liabilities

10.1 Analysis by Nature

<i>(in thousand euros)</i>	June 30, 2017	Dec. 31, 2016
Negative fair value of instruments designated as hedges of:	2,302	4,312
- Borrowings	-	-
- EMTNs/BMTNs	-	-
- Bonds	-	-
- Certificates of deposit	-	-
- Customer loans (Installment contracts, Leasing with a purchase option and Long-term leases)	2,302	4,312
- of which related companies with Santander Consumer Finance Group	2,301	597
Offsetting negative fair value and paid margin calls (see Note 10.2)	(2,160)	(4,566)
Accrued expenses on swaps designated as hedges	905	1,086
- of which related companies with Santander Consumer Finance Group	905	62
Total	1,047	832

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

Fair Value Hedge effectiveness is analysed in Note 15.

10.2 Offsetting swaps with margin call designated as hedges - Liabilities

For 2017

<i>(in thousand euros)</i>	Liability gross amount		Liability net amount before offsetting	Offsetting with paid margin calls	Balance sheet amount after offsetting
	Swap's winning leg	Swap's losing leg			
Negative valued swaps					
Negative fair value	-	2,302	2,302	-	2,302
- Swaps with margin call	-	2,302	2,302	-	2,302
- Swaps without margin call	-	-	-	-	-
Offsetting	-	-	-	(2,160)	(2,160)
Accrued expense	(218)	1,123	905	-	905
- Swaps with margin call	(218)	1,123	905	-	905
- Swaps without margin call	-	-	-	-	-
Total liabilities	(218)	3,425	3,207	(2,160)	1,047
Margin calls paid on swaps designated as hedges (prepaid expenses - see Note 8)	-	-	2,398	(2,160)	238
Total assets	-	-	2,398	(2,160)	238

For 2016

<i>(in thousand euros)</i>	Liability gross amount		Liability net amount before offsetting	Offsetting with paid margin calls	Balance sheet amount after offsetting
	Swap's winning leg	Swap's losing leg			
Negative valued swaps					
Negative fair value	-	4,312	4,312	-	4,312
- Swaps with margin call	-	4,312	4,312	-	4,312
- Swaps without margin call	-	-	-	-	-
Offsetting	-	-	-	(4,566)	(4,566)
Accrued expense	-	1,086	1,086	-	1,086
- Swaps with margin call	-	1,086	1,086	-	1,086
- Swaps without margin call	-	-	-	-	-
Total liabilities	-	5,398	5,398	(4,566)	832
Margin calls paid on swaps designated as hedges (prepaid expenses - see Note 8)	-	-	4,733	(4,566)	167
Total assets	-	-	4,733	(4,566)	167

Note 11 Deposits from Credit Institutions

Analysis of Demand and Time Accounts

<i>(in thousand euros)</i>	June 30, 2017	Dec. 31, 2016
Demand deposits	262,007	137,340
- Ordinary accounts in credit	15,220	4,457
- of which related companies with PSA Group	118	426
- Accounts and deposits at overnight rates	246,000	132,000
- of which related companies with Santander Consumer Finance Group	246,000	132,000
- Other amounts due to credit institutions	787	883
Accrued interest	1	4
Time deposits (non-group institutions)	4,274,980	4,500,260
- Conventional bank deposits	3,274,980	3,550,260
- of which related companies with Santander Consumer Finance Group	2,824,980	3,000,260
- Deposits from the ECB (see Note 17)	1,000,000	950,000
Deferred items included in amortized cost of deposits from credit institutions	(946)	(1,190)
- Debt issuing costs (deferred charges)	(946)	(1,190)
Accrued interest	780	1,195
- of which related companies with Santander Consumer Finance Group	755	1,160
Total deposits from credit institutions at amortized cost (1)	4,536,822	4,637,609

(1) Total debt is denominated in Euro.

Note 12 Due to Customers

<i>(in thousand euros)</i>	June 30, 2017	Dec. 31, 2016
Demand accounts	1,656,797	1,451,167
- ordinary accounts in credit	200,875	209,771
- Related companies with PSA Group	113,380	111,383
- Non-group companies	87,495	98,388
- Passbook savings accounts	1,421,085	1,212,527
- Other amounts due to Customers	34,837	28,869
- Related companies with PSA Group	-	-
- Non-group companies	34,837	28,869
Accrued interest	7,608	11,803
- of which passbook savings accounts	7,608	11,803
Time deposits	359,726	355,462
- Term deposit accounts	336,076	338,382
- Other	23,650	17,080
- Related companies	-	-
- Non-group companies	23,650	17,080
Accrued interest	5,960	7,689
- of which time deposits	5,837	7,616
Total (1)	2,030,091	1,826,121

(1) Total debt is denominated in Euro.

In the segment information, "Customer ordinary accounts", "Passbook savings accounts" and "Term deposit accounts" are classified in "Refinancing" (see Note 26.1).

Note 13 Debt Securities

13.1 Analysis by Nature

<i>(in thousand euros)</i>	June 30, 2017	Dec. 31, 2016
Interbank instruments and money-market securities (non-group institutions)	995,000	517,000
- EMTNs and BMTNs (1)	805,000	300,000
- of which paper in the process of being delivered	-	-
- Certificates of deposit	190,000	217,000
- of which paper in the process of being delivered	-	-
Bonds	1,327,774	1,450,495
- Issued by securitization funds (see Note 13.2)	1,327,774	1,450,495
Accrued interest	1,269	188
- Securitization	46	88
Deferred items included in amortized cost of debt securities	(2,295)	(632)
- Debt issuing costs and premiums (deferred charges)	(2,295)	(632)
Total debt securities at amortized cost (2)	2,321,748	1,967,051

(1) In January 2017, PSA Banque France has issued a first bond (EMTN) in an amount of €500 million.

(2) Total debt is denominated in Euro.

13.2 Securitization programs

Bonds (Except Accrued interest)

<i>(in thousand euros)</i>			Issued Bonds		
Fund	Bonds	Rating (1)	June 30, 2017	at Dec. 31, 2016	at the origin
FCT Auto ABS French Loans Master	Class A	Fitch/Moody's AAA/Aaa	771,300	688,700	N/A
	Class B	-	93,400	83,400	N/A
FCT Auto ABS - Compartiment 2013-2	Class A	Fitch/Moody's AAA/Aaa	18,072	61,448	450,000
	Class B	A+/A2	19,700	19,700	19,700
	Class C	-	24,850	24,850	24,850
FCT Auto ABS DFP Master - Compartiment France 2013	Class A	Not Rated -	600,000	550,000	N/A
	Class S	-	N/A	161,800	N/A
	Class B	-	297,800	261,600	N/A
FCT Auto ABS2 - Compartiment 2013-A	Class A	DBRS/Moody's AAA/Aaa	56,576	164,667	522,000
	Class B	A/A2	11,125	32,379	51,500
	Class C	-	161,500	161,500	161,500
FCT Auto ABS3 - Compartiment 2014-1	Class A	Fitch/DBRS AAA/AAA	298,020	397,300	397,300
	Class B	A/A(high)	22,800	22,800	22,800
	Class C	-	9,900	9,900	9,900
FCT Auto ABS French Leases Master - Compartiment 2016	Class A	Not Rated -	635,000	635,000	N/A
	Class B	-	271,030	230,000	N/A
Elimination of intercompany transactions (2)			(1,963,299)	(2,054,549)	
Total			1,327,774	1,450,495	

(1) Rating obtained at closing of the transaction.

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

Note 14 Accruals and Other Liabilities

<i>(in thousand euros)</i>	June 30, 2017	Dec. 31, 2016
Trade payables	261,391	196,523
- Related companies	232,611	168,829
- of which related companies with PSA Group	232,611	168,829
- of which related companies with Santander Consumer Finance Group	-	-
- Non-group companies	28,780	27,694
Accrued payroll and other taxes	22,372	34,193
Accrued charges	101,698	112,110
- Related companies	14,986	15,541
- of which related companies with PSA Group	12,343	13,957
- of which related companies with Santander Consumer Finance Group	2,643	1,584
- Non-group companies	86,712	96,569
Other payables	15,955	17,002
- Related companies	11,366	10,522
- of which related companies with PSA Group	11,366	10,522
- Non-group companies	4,589	6,480
Deferred income	12,380	9,610
- of which margin calls received on swaps (1)	102	370
- Related companies	7,456	8,449
- of which related companies with PSA Group	7,452	8,449
- of which related companies with Santander Consumer Finance Group	4	-
- Non-group companies	4,924	1,161
Other	45,933	35,713
- Non-group companies	45,933	35,713
Total	459,729	405,151

(1) At June 30, 2017, margin calls paid on swaps were offset with the positive fair value for an amount of €1.4 millions, compared to €2.7 millions at December 31, 2016 (see Notes 4.3 & 5.2).

Note 15 Derivatives

PSA Banque France Group Interest Rate Management Policy

(See the "Financial Risks and Market Risk" section of the Management Report at December 31, 2016)

Interest rate risk:

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

At June 30, 2017, nominal of interest rate swaps amounts to €2,029 million.

Currency risk:

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

Counterparty risk:

PSA Banque France Group's exposure to counterparty risk is limited to its use of derivatives governed by standard FBF or ISDA agreements and very short term cash investments with leading counterparties. Following EMIR regulation, new CDEA framework agreements (Cleared Derivatives Execution Agreement) have been set up. Customer credit risk is discussed in Note 24.

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

Analysis of Interest Rate Risk Hedging Effectiveness (Fair Value Hedge)

<i>(in thousand euros)</i>	June 30, 2017	Dec 31, 2016	Fair value adjustments	Ineffective portion recognized in profit or loss
Fair value adjustments to customer loans (Installment contracts, Leasing with purchase option and Long-term leases)				
- Installment contracts	(1,906)	(2,377)		
- Leasing with purchase option	(1,307)	(1,786)		
- Long-term leases	(933)	(1,437)		
Total valuation, net	(4,146)	(5,600)	1,454	
Derivatives designated as hedges of customer loans				
- Assets (Note 5)	741	-		
- Liabilities (Note 10)	(2,302)	(4,312)		
Total valuation, net	(1,561)	(4,312)	2,751	4,205
Ineffective portion of gain and losses on outstanding hedging	(5,707)	(9,912)		4,205
Fair value adjustments to hedged debt				
- Valuation, net	(389)	(589)		
Total valuation, net	(389)	(589)	200	
Derivatives designated as hedges of debt				
- Assets (Note 5)	391	591		
- Liabilities (Note 10)	-	-		
Total valuation, net	391	591	(200)	0
Ineffective portion of gain and losses on outstanding hedging	2	2		0
Fair value adjustments to hedged bonds				
- Valuation, net	-	-		
Total valuation, net	-	-	-	
Derivatives designated as hedges of bonds				
- Assets (Note 5)	-	-		
- Liabilities (Note 10)	-	-		
Total valuation, net	-	-	-	0
Ineffective portion of gain and losses on outstanding hedging	0	0		0

Note 16 Fair Value of Financial Assets and Liabilities

(in thousand euros)	Fair value		Book value		Difference	
	June 30, 2017	Dec. 31, 2016	June 30, 2017	Dec. 31, 2016	June 30, 2017	Dec. 31, 2016
Assets						
Cash, central banks, post office banks	393,667	260,506	393,667	260,506	-	-
Financial assets at fair value through profit or loss and other financial assets (1) (2)	49,152	4,251	49,152	4,251	-	-
Hedging instruments (1)	855	242	855	242	-	-
Available-for-sale financial assets (3)	3	3	3	3	-	-
Loans and advances to credit institutions (4)	535,498	472,947	535,498	472,947	-	-
Customer loans and receivables (5)	9,557,001	9,280,868	9,501,642	9,218,965	55,359	61,903
Equity and liabilities						
Central banks, post office banks	60	44	60	44	-	-
Financial liabilities at fair value through profit or loss (1)	1,124	2,954	1,124	2,954	-	-
Hedging instruments (1)	1,047	832	1,047	832	-	-
Deposits from credit institutions (6)	4,539,132	4,638,876	4,537,211	4,638,198	(1,921)	(678)
Due to customers (4)	2,030,091	1,826,121	2,030,091	1,826,121	-	-
Debt securities (6)	2,326,484	1,966,866	2,321,748	1,967,051	(4,736)	185

With the exception of customer loans and receivables and debts, the book value is maintained: in this case, the fair value is determined by applying valuation techniques based 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 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) In accordance with IAS39, French Treasury Bills are accounted at amortized cost.
- (3) The fair value of investments in companies, 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.
- (4) The fair value of Loans and advances to credit institutions and of Customer loans and receivables, mainly short-term operations at adjustable rate, are accordingly close to their amortized cost.

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

- for Customer loans and receivables see footnote (5),
- for Debts see footnote (6).

- (5) Customer loans and receivables are stated at amortized cost. If necessary, they are hedged against interest rate risks (fair value hedge) in order to frame interest rate risks positions in accordance with sensitivity limits defined by PSA Banque France (see "Interest Rate Risk" section of the Management Report at December 31, 2016). They are therefore remeasured at the hedging rate (swap rate), in accordance with hedge accounting principles. Cumulative gains and losses arising from remeasurement are added to or deducted from their amortized cost.

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

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

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

- For Debt securities, by applying valuation based on available market quotations (level 1).
- For Deposits from credit institutions, by applying valuation based on data from our financial partners. In this case, the fair value is determined by applying valuation making significant use of at least one non-observable item of data (level 3).

Note 17 Other Commitments

<i>(in thousand euros)</i>	June 30, 2017	Dec. 31, 2016
Financing commitments		
Commitments received from credit institutions	-	-
Commitments given to credit institutions	-	-
Commitments given to customers (1)	461,718	438,006
Guarantee commitments		
Commitments received from credit institutions	40,738	18,876
- guarantees received in respect of customer loans	40,000	18,000
- guarantees received in respect of securities held	-	-
- other guarantees received from credit institutions	738	876
Guarantees given to credit institutions	115	115
- of which related companies with PSA Group	115	115
Commitments given to customers	7,305	7,532
- of which related companies with PSA Group	70	3,128
Other commitments received		
Securities received as collateral	-	-
Other commitments given		
Assets given as collateral for proprietary transactions, mobilisable rest (2)	5,993	116,826
- to the ECB	5,993	116,826
- Other	-	-

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

(2) It corresponds to the amount that remains available at the European Central Bank, bearing in mind that €1,100 million was mobilized in order to obtain €1,005 million in financing after haircut. PSA Banque France has used €1,000 million in financing (see note 11), so it remains €6 million available, given a non-used authorized financing of €5 million.

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

Note 18 Interest and Other Revenue on Assets at Amortized Cost

<i>(in thousand euros)</i>	June 30, 2017	June 30, 2016	Dec. 31, 2016
Installment contracts	76,553	83,805	163,757
- of which related companies with PSA Group	1,354	1,924	3,487
- of which securitized	41,243	48,547	94,588
Leasing with a purchase option	85,371	68,698	143,396
- of which related companies with PSA Group	10,117	4,592	10,930
- of which securitized	28,415	23,895	56,413
Long-term leases	77,470	83,401	164,366
- of which related companies with PSA Group	-	-	-
- of which securitized	9,894	21,586	37,664
Trade receivables	22,454	21,486	46,055
- of which related companies with PSA Group	17,565	16,662	34,688
Other finance receivables (including equipment loans, revolving credit)	7,135	8,473	16,199
- of which related companies with PSA Group	175	100	344
Commissions paid to referral agents	(68,918)	(60,849)	(127,421)
- Installment contracts	(23,142)	(22,246)	(45,717)
- Leasing with a purchase option	(21,688)	(15,167)	(33,966)
- Long-term leases	(24,088)	(23,436)	(47,738)
- Other financing	-	-	-
- of which related companies with PSA Group	(14,566)	(16,780)	(30,115)
Other business acquisition costs	(5,777)	(7,696)	(14,442)
Interest on ordinary accounts	-	-	-
Interest on guarantee commitments	24	42	71
Total	194,312	197,360	391,981

Note 19 Interest on Deposits from Credit Institutions

<i>(in thousand euros)</i>	June 30, 2017	June 30, 2016	Dec. 31, 2016
Interest on treasury and interbank transactions	(6,801)	(10,641)	(20,099)
- of which related companies with PSA Group	-	-	-
- of which related companies with Santander Consumer Finance Group	(4,644)	(8,352)	(15,650)
Total	(6,801)	(10,641)	(20,099)

Note 20 Interest on Debt Securities

<i>(in thousand euros)</i>	June 30, 2017	June 30, 2016	Dec. 31, 2016
Interest expense on debt securities	(1,358)	-	(244)
Interest expense on bonds and other fixed income securities	(3,210)	(4,771)	(8,507)
- of which securitization: placed bonds	(3,210)	(4,769)	(8,507)
Total	(4,568)	(4,771)	(8,751)

Note 21 Interest on Savings Accounts

<i>(in thousand euros)</i>	June 30, 2017	June 30, 2016	Dec. 31, 2016
Interest on savings accounts	(11,108)	(14,505)	(26,267)
- on passbook savings accounts	(7,739)	(11,048)	(19,074)
- on term deposits	(3,369)	(3,457)	(7,193)
Total	(11,108)	(14,505)	(26,267)

Note 22 Margin on Sales of Services

<i>(in thousand euros)</i>	June 30, 2017	June 30, 2016	Dec. 31, 2016
Revenue on sales of services	48,421	43,325	89,842
Expense on sales of services	(1,301)	(1,269)	(2,758)
Total	47,120	42,056	87,084

Note 23 General Operating Expenses

<i>(in thousand euros)</i>	June 30, 2017	June 30, 2016	Dec. 31, 2016
Personnel costs	(30,916)	(29,778)	(59,612)
- Wages and salaries	(19,637)	(18,465)	(36,968)
- Payroll taxes	(8,724)	(8,792)	(17,314)
- Employee profit sharing and profit-related bonuses	(2,555)	(2,521)	(5,330)
Other general operating expenses	(46,803)	(51,105)	(92,008)
- of which related companies with PSA Group	(18,602)	(19,802)	(40,276)
- of which related companies with Santander Consumer Finance Group	(743)	(770)	(1,176)
Total	(77,719)	(80,883)	(151,620)

Note 24 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.

24.1 Changes in Loans

<i>(in thousand euros)</i>	Cost of risk						Cost of risk for the period at	
	Balance at Dec 31, 2016	Net new loans	Charges	Reversals	Credit losses	Recoveries on loans written off in prior periods	June 30, 2017	Balance at June 30, 2017
Retail								
Sound loans with no past-due installments	5,107,879	405,745	-	-	-	-	-	5,513,624
Sound loans with past-due installments	60,929	3,481	-	-	-	-	-	64,410
Guarantee deposits (lease financing)	(53)	14	-	-	-	-	-	(39)
Non-performing loans	138,578	12,461	-	-	(23,751)	-	(23,751)	127,288
Total	5,307,333	421,701	-	-	(23,751)	-	(23,751)	5,705,283
Impairment of sound loans	(30,451)	-	(2,062)	1,746	-	-	(316)	(30,767)
Impairment of sound loans with past-due installments	(9,465)	3	(804)	581	-	-	(223)	(9,685)
Impairment of non-performing loans	(108,487)	51	(10,138)	23,864	-	-	13,726	(94,710)
Total impairment	(148,403)	54	(13,004)	26,191	-	-	13,187	(135,162)
Deferred items included in amortized cost	96,888	13,852	-	-	-	-	-	110,740
Net book value (A - see B Note 7.2)	5,255,818	435,607	(13,004)	26,191	(23,751)	-	(10,564)	5,680,861
Recoveries on loans written off in prior periods	-	-	-	-	-	4,421	4,421	-
Impairment of doubtful commitments	-	-	-	-	-	-	-	-
Retail cost of risk	-	-	(13,004)	26,191	(23,751)	4,421	(6,143)	-
Corporate dealers								
Sound loans with no past-due installments	2,980,773	(166,231)	-	-	-	-	-	2,814,542
Guarantee deposits	-	-	-	-	-	-	-	-
Non-performing loans	65,706	63,795	-	-	(238)	-	(238)	129,263
Total	3,046,479	(102,436)	-	-	(238)	-	(238)	2,943,805
Impairment of sound loans with no past-due installments	(4,164)	1	(221)	135	-	-	(86)	(4,249)
Impairment of non-performing loans	(20,847)	(40)	(8,947)	1,441	-	-	(7,506)	(28,393)
Total impairment	(25,011)	(39)	(9,168)	1,576	-	-	(7,592)	(32,642)
Deferred items included in amortized cost	(4,969)	4,717	-	-	-	-	-	(252)
Net book value (B - see A Note 7.2)	3,016,499	(97,758)	(9,168)	1,576	(238)	-	(7,830)	2,910,911
Recoveries on loans written off in prior periods	-	-	-	-	-	116	116	-
Impairment of doubtful commitments	-	-	(1,132)	382	-	-	(750)	-
Corporate dealers cost of risk	-	-	(10,300)	1,958	(238)	116	(8,464)	-
Corporate and equivalent								
Sound loans with no past-due installments	913,465	(23,905)	-	-	-	-	-	889,560
Guarantee deposits	-	-	-	-	-	-	-	-
Non-performing loans	5,130	339	-	-	(442)	-	(442)	5,027
Total	918,595	(23,566)	-	-	(442)	-	(442)	894,587
Impairment of sound loans with no past-due installments	(1,544)	-	(12)	159	-	-	147	(1,397)
Impairment of non-performing loans	(3,425)	54	(279)	553	-	-	274	(3,097)
Total impairment	(4,969)	54	(291)	712	-	-	421	(4,494)
Deferred items included in amortized cost	38,622	(14,700)	-	-	-	-	-	23,922
Net book value (C - see C Note 7.2)	952,248	(38,212)	(291)	712	(442)	-	(20)	914,015
Recoveries on loans written off in prior periods	-	-	-	-	-	-	-	-
Impairment of doubtful commitments	-	-	-	-	-	-	-	-
Corporate and equivalent cost of risk	-	-	(291)	712	(442)	-	(20)	-
Total loans								
Sound loans with no past-due installments	9,002,117	215,609	-	-	-	-	-	9,217,726
Sound loans with past-due installments	60,929	3,481	-	-	-	-	-	64,410
Guarantee deposits	(53)	14	-	-	-	-	-	(39)
Non-performing loans	209,414	76,595	-	-	(24,431)	-	(24,431)	261,578
Total	9,272,407	295,699	-	-	(24,431)	-	(24,431)	9,543,675
Impairment of sound loans with or without any past-due	(45,624)	4	(3,099)	2,621	-	-	(478)	(46,098)
Impairment of non-performing loans	(132,759)	65	(19,364)	25,858	-	-	6,494	(126,200)
Total impairment	(178,383)	69	(22,463)	28,479	-	-	6,016	(172,298)
Deferred items included in amortized cost	130,541	3,869	-	-	-	-	-	134,410
Net book value	9,224,565	299,637	(22,463)	28,479	(24,431)	-	(18,415)	9,505,787
Recoveries on loans written off in prior periods	-	-	-	-	-	4,537	4,537	-
Impairment of doubtful commitments	-	-	(1,132)	382	-	-	(750)	-
Total cost of risk	-	-	(23,595)	28,861	(24,431)	4,537	(14,627)	-

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

24.2 Change in Cost of Risk

<i>(in thousand euros)</i>	Retail	Corporate dealers	Corporate and equivalent	June 30, 2017	June 30, 2016	Dec. 31, 2016
Sound loans with or without any past-due installments (1)						
Charges	(2,866)	(221)	(12)	(3,099)	(5,023)	(11,809)
Reversals	2,327	135	159	2,621	5,156	10,245
Non-performing loans						
Charges	(10,138)	(8,947)	(279)	(19,364)	(13,522)	(35,812)
Reversals	23,864	1,441	553	25,858	34,826	82,910
Doubtful commitments						
Charges	-	(1,132)	-	(1,132)	(28)	(318)
Reversals	-	382	-	382	238	354
Credit losses	(23,751)	(238)	(442)	(24,431)	(30,726)	(83,555)
Recoveries on loans written off in prior periods	4,421	116	-	4,537	5,102	17,529
Cost of risk	(6,143)	(8,464)	(20)	(14,627)	(3,977)	(20,456)

The Bank's credit management policy is described in the "Credit Risk" section of the Management Report at December 31, 2016.

(1) Regarding Corporate, this refers to sound loans, all impaired statistically.

24.3 Information about Defaults with no Impairment

As regards Retail, sound loans in default are systematically impaired.

As regards Corporate, given the statistical impairment applied to Corporate sound receivables (see footnote (1) of Note 24.2) there is no receivable in default not impaired.

Note 25 Income Taxes

25.1 Evolution of Balance Sheet Items

<i>(in thousand euros)</i>	Balance at Dec 31, 2016	Income	Equity	Payment	Exchange difference and other	June 30, 2017
Current tax						
Assets	933					12,500
Liabilities	(17,221)					(4,299)
Total	(16,288)	(39,590)	-	64,079	-	8,201
Deferred tax						
Assets	959					749
Liabilities	(251,307)					(259,915)
Total	(250,348)	(8,618)	-	-	(200)	(259,166)

25.2 Income taxes of fully-consolidated companies

Deferred income taxes relate to timing differences between the recognition of certain items of income and expense for consolidated financial reporting and tax purposes. These differences relate principally to the accounting treatment of leasing and long-term rental transactions. Deferred taxes are determined as described in Note 2.A of the annual report at December 31, 2016, last paragraph dedicated to deferred taxes.

The income tax rate to which PSA Banque France is subject is 34.43% since 2016.

<i>(in thousand euros)</i>	June 30, 2017	June 30, 2016	Dec. 31, 2016
Current tax			
Income taxes	(39,590)	(44,682)	(100,063)
Deferred tax			
Deferred taxes arising in the period	(8,618)	(4,392)	4,573
Unrecognized deferred tax assets and impairment losses	-	-	-
Total	(48,208)	(49,074)	(95,490)

25.3 PSA Banque France Group tax proof

<i>(in thousand euros)</i>	June 30, 2017	June 30, 2016	Dec. 31, 2016
Pre-tax income	128,937	118,629	244,200
Permanent differences	6,278	948	(2,164)
Taxable Income	135,215	119,577	242,036
Theoretical tax	(46,560)	(41,174)	(83,340)
<i>Theoretical rate</i>	<i>34.43%</i>	<i>34.43%</i>	<i>34.43%</i>
Impact of provisional surtax in France	-	-	-
Adjustment related to the previous year			
Special tax contribution on dividend distributed	(2,150)	(4,503)	(4,503)
Reclassification of the contribution on added value of incomes taxes (CVAE) as current tax (IAS12)	357	(3,964)	(8,218)
Other	145	567	571
Income taxes	(48,208)	(49,074)	(95,490)
<i>Group effective tax rate</i>	<i>35.7%</i>	<i>41.0%</i>	<i>39.5%</i>

25.4 Deferred Tax Assets on Tax Loss Carryforwards

<i>(in thousand euros)</i>	Dec. 31, 2016	New tax losses	Tax losses utilized in the year	Charges / Reversals	June 30, 2017
Deferred tax assets on tax loss carryforwards	-	476	-	-	476
Allowances	-	-	-	-	-
Total	-	476	-	-	476

Note 26 Segment Information

26.1 Key Balance Sheet Items

For 2017

(in thousand euros)	Financing activities					Total at June 30, 2017
	End user					
	Corporate dealers	Retail	Corporate and equivalent	Unallocated	Insurance and services	
Assets						
Customer loans and receivables	2,910,911	5,680,861	914,015	-		9,505,787
Cash, central banks, post office banks	113,378	221,266	59,023	-		393,667
Financial assets at fair value through profit or loss and other financial assets	15,053	29,376	4,727	-		49,156
Loans and advances to credit institutions	58,825	114,801	361,872	-		535,498
Other assets				237,444		237,444
Total Assets						10,721,552
Liabilities						
Refinancing (1)	2,612,267	5,379,811	861,707	1		8,853,786
Due to customers (1)	4,837	23,904	6,135	-		34,876
Other liabilities				743,213		743,213
Equity				1,089,677		1,089,677
Total Liabilities						10,721,552

For 2016

(in thousand euros)	Financing activities					Total at Dec. 31, 2016
	End user					
	Corporate dealers	Retail	Corporate and equivalent	Unallocated	Insurance and services	
Assets						
Customers loans and receivables	3,016,499	5,255,818	952,248	-		9,224,565
Cash, central banks, post office banks	78,552	136,865	45,088	-		260,505
Financial assets at fair value through profit or loss and other financial assets	292	508	92	-		892
Loans and advances to credit institutions	67,707	117,969	287,271	-		472,947
Other assets				246,966		246,966
Total Assets						10,205,875
Liabilities						
Refinancing (1)	2,660,681	4,862,437	878,754	-		8,401,872
Due to customers (1)	4,717	17,853	6,341	(2)		28,909
Other liabilities				694,836		694,836
Equity				1,080,258		1,080,258
Total Liabilities						10,205,875

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

26.2 Key Income Statement Items

At June 30, 2017

(in thousand euros)	Financing activities						Total at June 30, 2017
	End user				Financial derivative instruments (2)	Insurance and services	
	Corporate dealers	Retail	Corporate and equivalent	Unallocated			
Net interest revenue on customer transactions (at amortized cost) (1)	30,883	157,021	17,050	(2,421)	(2,350)		200,183
Net investment revenue	-	-	-	8			8
Net refinancing cost (2)	(5,621)	(21,365)	(3,536)	3,343	2,350		(24,829)
Net gains or losses on trading transactions				-			-
Net gains or losses on available-for-sale financial assets				-			-
Margin on sales of other services						47,120	47,120
Net banking revenue	25,262	135,656	13,514	930	-	47,120	222,482
Cost of risk	(8,464)	(6,143)	(20)				(14,627)
Net income after cost of risk	16,798	129,513	13,494	930	-	47,120	207,855
General operating expenses and equivalent				(78,822)			(78,822)
Operating Income	16,798	129,513	13,494	(77,892)	-	47,120	129,033

At June 30, 2016

(in thousand euros)	Financing activities						Total at June 30, 2016
	End user				Financial derivative instruments (2)	Insurance and services	
	Corporate dealers	Retail	Corporate and equivalent	Unallocated			
Net interest revenue on customer transactions (at amortized cost) (1)	30,046	157,153	20,371	(8,442)	(4,249)		194,879
Net investment revenue	-	-	-	3			3
Net refinancing cost (2)	(7,628)	(29,272)	(5,872)	6,255	4,249		(32,268)
Net gains or losses on trading transactions				-			-
Net gains or losses on available-for-sale financial assets				(73)			(73)
Margin on sales of other services						42,056	42,056
Net banking revenue	22,418	127,881	14,499	(2,257)	-	42,056	204,597
Cost of risk	883	(3,843)	(1,017)				(3,977)
Net income after cost of risk	23,301	124,038	13,482	(2,257)	-	42,056	200,620
General operating expenses and equivalent				(81,886)			(81,886)
Operating Income	23,301	124,038	13,482	(84,143)	-	42,056	118,734

(1) Unallocated interest revenue on customer transactions for the part corresponds to the ineffective portion of gains or losses on hedging instruments recognized in the income statement in accordance with IAS 39 for €4.2 million at June 30, 2017 (compared to a negative €4.1 million at June 30, 2016). The other part corresponds to other revenue and expense.

(2) The interest differential on hedging swaps on fixed rate customer loans is reported in the income statement under "Net interest revenue from hedging instruments" in "Net interest revenue on customer transactions" and is not analyzed by segment. However the interest differential on these swaps is included by the management controllers in the net refinancing cost split by segment. This explains the €2.3 million reclassification at June 30, 2017 (€4.2 million at June 30, 2016) between "Net refinancing cost" and "Net interest revenue on customer transactions" in the "Financial derivatives instruments" column.

Note 27 Subsequent Events

No event occurred between June 30, 2017 and the Board of Directors' meeting to review the financial statement on September 12, 2017 that could have a material impact on economic decisions made on the basis of these financial statements.

In accordance with the governance rules of the partnership between Banque PSA Finance and Santander Consumer Finance and, due to the fact that Mr Andrea Bandinelli has been called on to hold a new position within the PSA Group, a new Chief Executive Officer, a new Chairman of the Board of Directors and a new Deputy Chief Executive Officer have been appointed on September 1, 2017, hence anticipating by five months the rotation of these positions planned by the partnership to occur at the third anniversary date of the joint venture's constitution on February 2, 2015. Consequently, Mr Jean-Paul Duparc succeeds Mr Andrea Bandinelli as Chief Executive Officer, Mr Laurent Aubineau succeeds Mr Carlos Aparicio Manuel as Deputy Chief Executive Officer and Mr Rémy Bayle succeeds Mrs Ines Serrano-Gonzalez as Chairman of the Board of Directors of PSA Banque France.

2.7 Statutory Auditors' review report on the 2017 half-year financial information

For the period from January 1st to June 30th, 2017

This is a free translation into English of the Statutory Auditors' review report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

PSA Banque France

9, rue Henri Barbusse
92623 Gennevilliers Cedex

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

- the review of the accompanying condensed half-year consolidated financial statements of PSA Banque France, for the six months ended June 30, 2017;
- the verification of the information contained in the half year management report.

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

1. Conclusion on the financial statements

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

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

2. Specific verification

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

Neuilly sur Seine and La Défense, September 12, 2017

The Statutory Auditors
French original signed by

PricewaterhouseCoopers Audit

Laurent TAVERNIER
Partner

MAZARS

Matthew BROWN
Partner

Statement by the person responsible for the 2017 half-year report

Person responsible for the half-year report

Jean-Paul Duparc

Chief Executive Officer of PSA Banque France

Certification of the person responsible for the half-year report

I hereby certify, after having taken all reasonable steps to this effect, that the information contained in this document is, to my knowledge, consistent with the truth and do not include any omission that could lead to a false interpretation.

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

I have obtained from the statutory auditors the review report in which they indicate that they have verified the information on the financial situation and the financial statements presented in this document and done an overall reading of this document.

Gennevilliers, September 12, 2017



Jean-Paul Duparc

Chief Executive Officer of PSA Banque France



PSA BANQUE FRANCE

Société anonyme (limited company). Share capital: € 144,842,528
Registered office : 9, rue Henri Barbusse - 92 230 GENNEVILLIERS
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