PSA
BANQUE
FRANCE

2018

Half-year report

BOARD OF DIRECTORS

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

Jean-Paul Duparc
Director

Laurent Aubineau
Director

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

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

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

EXECUTIVE COMMITTEE

Jean-Paul Duparc
Chief Executive Officer

Laurent Aubineau
Deputy Chief Executive Officer

STATUTORY AUDITORS

PricewaterhouseCoopers Audit
Represented by Laurent Tavernier

Mazars
Represented by Matthew Brown

Situation at June 30, 2018

PSA BANQUE FRANCE

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

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

www.psa-banque-france.com
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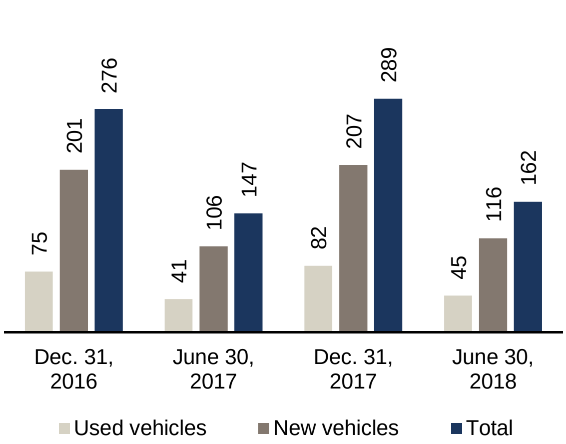
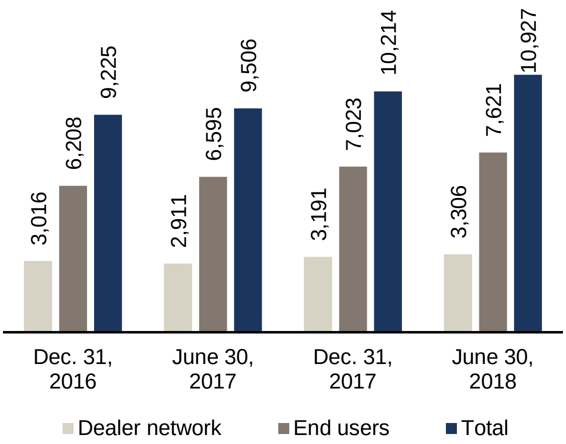
1 MANAGEMENT REPORT

1.1 Key figures

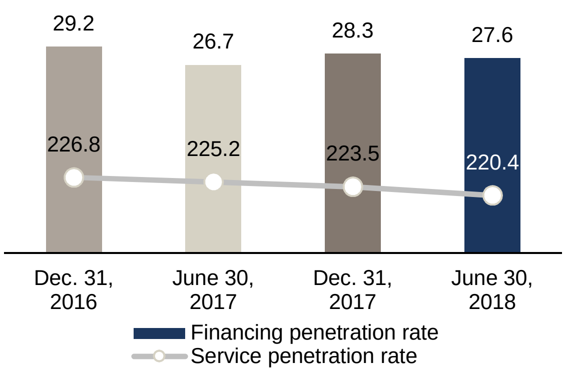
EVOLUTION OF VEHICLES FINANCED FOR END USERS
(in thousands of vehicles)



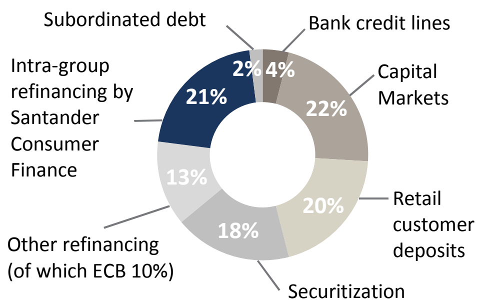
EVOLUTION OF OUTSTANDING LOANS TO END USERS AND DEALER NETWORK
(in million euros)



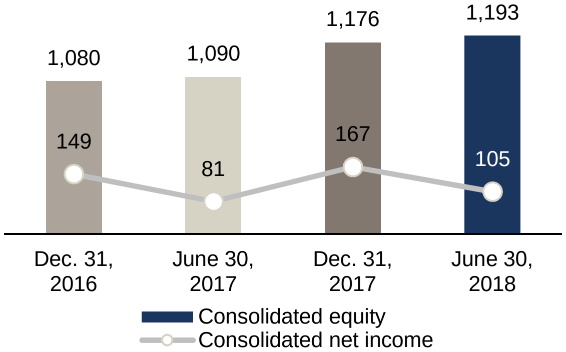
FINANCING AND SERVICE PENETRATION RATES
(% of new vehicle sales for Peugeot, Citroën and DS / % of financing contracts)



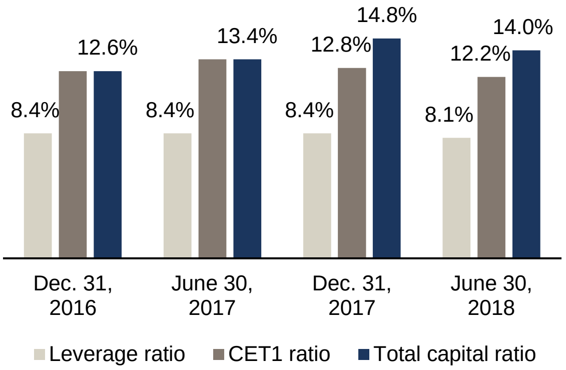
SOURCES OF REFINANCING AT JUNE 30, 2018



EQUITY AND NET PROFIT
(in million euros)



CAPITAL RATIOS



1.2 Activities of the PSA Banque France Group and its development

1.2.1 Summary of financial information

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

The consolidated financial statements were reviewed at June 30, 2018 by the Statutory Auditors of PSA Banque France, PricewaterhouseCoopers Audit and Mazars.

CONSOLIDATED INCOME STATEMENT

(in million euros)	Jun. 30, 2018	Jun. 30, 2017	Change (%)
Net banking revenue	239	222	+7.7
General operating expenses and equivalent	(80)	(79)	+1.3
Cost of risk	(5)	(14)	(64.3)
Operating income	**154**	**129**	+19.4
Other non-operating income	0	0	-
Pre-tax income	**154**	**129**	+19.4
Income taxes	(49)	(48)	+2.1
Net income	**105**	**81**	**+29.6**

CONSOLIDATED BALANCE SHEET

(in million euros)

Assets	Jun. 30, 2018	Dec. 31, 2017	Change (%)
Cash, central banks, post office banks	298	365	(18.4)
Financial assets	2	2	0
Loans and advances to credit institutions	696	525	+32.6
Customer loans and receivables	10,927	10,214	+7.0
Tax assets	7	19	(63.2)
Other assets	249	255	(2.4)
Property and equipment	9	10	(10.0)
Total assets	**12,188**	**11,390**	**+7.0**

Equity and liabilities	Jun. 30, 2018	Dec. 31, 2017	Change (%)
Financial liabilities	0	0	-
Deposits from credit institutions	3,653	3,804	(4.0)
Due to customers	2,352	2,154	+9.2
Debt securities	4,025	3,334	+20.7
Tax liabilities	297	285	+4.2
Other liabilities	513	482	+6.4
Subordinated debt	155	155	0
Equity	1,193	1,176	+1.4
Total equity and liabilities	**12,188**	**11,390**	**+7.0**

OUTSTANDING LOANS BY CUSTOMER SEGMENT

(in million euros)	Jun. 30, 2018	Dec. 31, 2017	Change (%)
Dealer network	3,306	3,191	+3.6
End users	7,621	7,023	+8.5
Total customer loans and receivables	**10,927**	**10,214**	**+7.0**

1.2.2 Activities of the PSA Banque France Group

1.2.2.1 Presentation

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

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

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

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

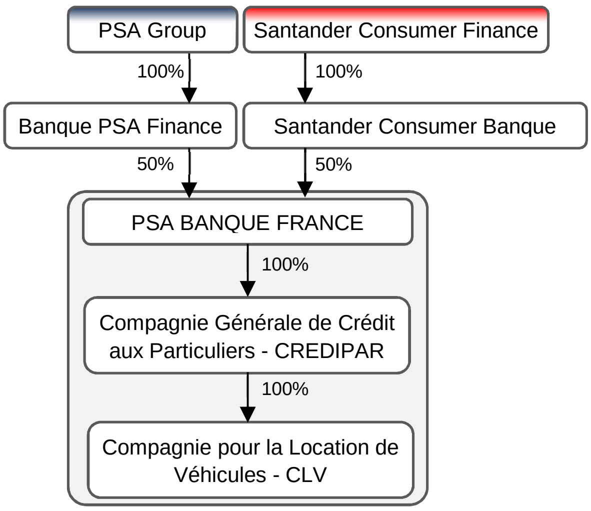
The cooperation with Santander Consumer Finance enhances the activities of PSA Banque France Group, thanks to more competitive financial offers dedicated to the Peugeot, Citroën and DS customers and dealer networks. These offers are accompanied by a complete range of insurance products and services that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

A. Organization

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

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

STRUCTURE OF THE PSA BANQUE FRANCE GROUP



The PSA Banque France Group is established and pursues its activity in the whole French territory from its registered office located at 9, rue Henri Barbusse, Gennevilliers (92230) and its various agencies spread over the national territory.

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

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

The governance rule of the committees implemented in the context of the cooperation in all areas (sales, risk, finance, etc.) is compatible with the corporate governance regulatory framework.

C. Business model and strategy

Backed by its economic model based on proximity with the three historic brands of the PSA Group and their dealer network, and by the financial support of the Santander Group, the PSA Banque France Group has demonstrated its ability to adjust efficiently to the economic and financial context while maintaining a high level of performance.

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

- ***An extended, structured and customized selection of financing solutions.*** A comprehensive offering has been developed to meet the needs of the Peugeot, Citroën and DS dealer networks and their customers. A relationship of proximity with the commercial networks allows the PSA Banque France Group to develop financing solutions and services packages specifically designed to address their needs. Since 2017, PSA Banque France offer has been proposed in the Aramis network specialized in the purchase of new vehicles (all brands) or refurbished used vehicles, either on line, by phone, or from its own network. Aramis is a PSA Group company;
- ***A close and privileged relationship with Peugeot, Citroën and DS and their dealer networks.*** Financing, insurance and services solutions are marketed through the Peugeot, Citroën and DS distribution networks, with a global approach by packaging the financing proposal with the sale of the vehicle. Vehicle renewal rates for these brands are usually higher when customers finance their vehicles via the PSA Banque France Group;
- ***A first-rate integrated sales point IT system.*** The PSA Banque France Group's information systems are integrated with those of the Peugeot, Citroën and DS brands, enabling the dealers of these brands to make a global commercial proposal that encompasses the vehicle, its financing solution as well as any ancillary services. Eligible customers can thus obtain a decision concerning their financing application directly from the vehicle's dealer;
- ***Diversified insurance and service offerings with a high added value.*** End users have various insurance options and services related to the vehicle or ancillary to its financing, proposed either at the same time as the financing offers or during the period of vehicle detention. The idea of a "one-stop-shopping" approach is to make financing, insurance, and services overall more attractive for customers;
- ***A diversified refinancing policy.*** Since 2015, PSA Banque France Group has received intra-group financing directly from Santander Consumer Finance, in addition to the financing provided by debt securitization transactions, retail savings inflow from French customers, bilateral bank credit lines, and access to the refinancing operations of the European Central Bank (ECB). After the first issues of negotiable debt securities in 2016, the strategy to diversify refinancing sources continued in 2017 and 2018 through the development of access to capital markets, specifically with the first bond issues under the EMTN program, in January and September 2017 and then April 2018, for €500 million each.

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

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

1.2.2.2 Products and services

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

- ***Financing for end users (70% of outstanding loans at June 30, 2018).*** Individuals and companies are offered a range of solutions including installment loans for the purchase of new and used vehicles, as well as leasing solutions with or without a purchase option. Free2Move Lease (F2ML), created in 2017 is the dedicated PSA Group's internal Long-Term Lease business unit which is part of the "Free2Move" global mobility initiative. PSA Banque France is one of the operational and financial pillars of this solution for companies of all sizes. It provides the financial package for service and insurance solutions offered by F2ML, and its dedicated teams provide field support and customer management. PSA Banque France has continued to enhance its leasing offer during the first half-year 2018 in order to meet retail customers' growing interest for leasing solutions;
- ***Financing for the dealer network (30% of outstanding loans at June 30, 2018).*** Financing solutions are available to the Peugeot, Citroën and DS dealer networks for financing their stock of new and used vehicles, spare parts, as well as other solutions for financing their working capital and their investments;
- ***Insurance products and services.*** An extensive range of services and insurance products intended for end users can be proposed: insurance policies related to financing, such as death/invalidity insurance, unemployment insurance, or financial loss insurance which covers the total loss of the financed vehicle. In addition, the Group also provides insurance policies related to the vehicle, such as car insurance or extensions of guarantees for used vehicles: assistance services including mobility solutions and additional related services, for example, to the maintenance of vehicles and to the "connected vehicle" offer;
- ***Retail savings.*** The "Distingo par PSA Banque" retail savings business consists of savings accounts and term deposits. The first half-year 2018 was marked by a consolidation of PSA Banque France's position on the online savings market. This commercial success also proves the confidence of savers in the growth outlook for both the PSA Group and PSA Banque France, and demonstrates its ability to retain customers.

1.3 Analysis of operational results

The majority of PSA Banque France Group's business consists in providing financing solutions for the acquisition of new and used vehicles of Peugeot, Citroën and DS brands by retail and corporate customers, and financing of vehicles and spare parts inventory for Peugeot, Citroën and DS dealers. The PSA Banque France Group's net banking revenue is derived primarily from net interest income on customer loans and leases. The sale of insurance products and other services offered to customers of the three automotive brands also contributes to its net banking revenue.

The PSA Banque France Group's operating income for the first half-year 2018 stood at €154 million, compared to €129 million for the same period of 2017.

1.3.1 Vehicle sales for Peugeot, Citroën and DS

During the first half-year 2018, sales of passenger vehicles and light utility vehicles by the PSA Group (excluding Opel brand) in France rose by 5.9% to 421,645 units. Regarding Opel brand, the sales in France amount to 42,199 vehicles, which makes the PSA Group the leader in the French car market with a market share of 32.5% (29.5% without Opel).

Peugeot brand confirms its dynamic growth with passenger vehicle sales up by 7.6%, compared to the first six months of the previous year, for a total of 213,588 units, notably thanks to two specific models ranked within the 3 best-selling models in France : the Peugeot 208 (4.7% market share), which has been the second-best-selling vehicle in France since 2016 and the Peugeot 3008 (3.9% market share) in third position of the best-sellers in France and, voted car of the year for 2017.

Meanwhile, Citroën registered 114,070 cars in France for the first half-year 2018, which amounts to an equivalent volume to the previous year. The Citroën C3 rose to the fourth place of the best-sellers in France with a 3.4% market share.

With 13,400 passenger vehicle registrations during the first half-year 2018, DS reported a very good performance with a growth of 20.1% in sales compared to 2017 and an increasing market share of 1.1%, thanks to the success of the new DS 7 Crossback.

1.3.2 Commercial activity of the PSA Banque France Group

1.3.2.1 End-user financing

Over the first half-year 2018, the PSA Banque France Group saw an increase of 9.7% in financing volumes for new and used vehicles to end users compared to the same period of the previous year, rising from 147,159 financing contracts subscribed in 2017 to 161,505 contracts. This total production of €2,147 million is up by 17% compared to the first half-year 2017. The higher growth in new financing amounts compared to the number of financed vehicles is explained by an increase about €800 of the average financed amount. This growth is linked to PSA Group vehicles move upmarket, in particular for SUVs.

The new vehicles financing penetration rate of PSA Banque France over new Peugeot, Citroën and DS registrations stood at 27.6% at the end of June 2018, 0.9 pts up compared to the end of June 2017.

Regarding new vehicles, PSA Banque France Group financed 116,353 vehicles from PSA Group historical brands at the end of June 2018 through loan and lease contracts, an increase of 9.5% compared to end of June 2017.

The share of retail customer financed by PSA Banque France Group stayed high and stable compared to 2017, with 41.9% of the 3 brands car registrations for this customer category. Better refinancing conditions combined with the strategy of the PSA Group's brands as well as the strong interest of retail customers in the new Peugeot, Citroën and DS models stimulated requests for the group's financing solutions, particularly leases with a purchase option that exactly meets the expectations of this customer category.

Lastly, used vehicle financing volumes were up by +10.4% on 2017, with 45,152 units financed in the first half of 2018.

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

PRODUCTION OF END-USER FINANCING FOR NEW AND USED VEHICLES

	Jun. 30, 2018	Jun. 30, 2017	Change (%)
Number of new contracts	161,505	147,159	+9.7
Amount of production (in million euros)	2,147	1,836	+16.9

OUTSTANDING LOANS TO END USERS

(in million euros)	Jun. 30, 2018	Dec. 31, 2017	Change (%)
Outstanding loans	7,621	7,023	+8.5

This favorable development is related to higher volumes of contracts subscribed than in 2017, as well as a higher average amount financed, up by +6.5% for new vehicles, notably thanks to the enhancement of the mix for lease products and a move upmarket in vehicles.

1.3.2.2 Dealer network financing

In the first half-year 2018, outstanding loans granted to Peugeot, Citroën, and DS dealer network was up on 2017 thanks to a bullish car market and a favorable positioning for the PSA Group's vehicle models. In addition, the PSA Group's brand policy was to transfer a growing number of outlets or dealerships held directly by the PSA Group to independent investors. The latter are financed by PSA Banque France, while dealers controlled by the PSA Group receive financing directly from the PSA Group.

Outstanding loans made to the dealer network rose by 3.6% between December 2017 and June 2018.

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

TOTAL OUTSTANDING LOANS TO DEALER NETWORK

(in million euros)	Jun. 30, 2018	Dec. 31, 2017	Change (%)
Outstanding loans	3,306	3,191	+3.6

1.3.2.3 Insurance and services

In the first half-year 2018, the number of insurance and service contracts increased by 7.4% compared to the first half-year 2017, with 361,559 new contracts subscribed compared to 336,673 in the first half-year 2017.

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

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

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

PRODUCTION OF NEW INSURANCE AND SERVICE CONTRACTS

(in number of contracts)	Jun. 30, 2018	Jun. 30, 2017	Change (%)
Financing-related insurances	175,965	168,620	+4.4
Car insurance and vehicle-related services	185,594	168,053	+10.4
Total	**361,559**	**336,673**	**+7.4**

PENETRATION RATE ON FINANCING

(in %)	Jun. 30, 2018	Jun. 30, 2017	Change (pts)
Financing-related insurances	107.3	112.8	(5.5)
Car insurance and vehicle-related services	113.1	112.4	+0.7
Total	**220.4**	**225.2**	**(4.8)**

1.3.2.4 Retail savings market

The "Distingo par PSA Banque" online savings activity was acquired by the PSA Banque France Group on April 1, 2015, demonstrating the Group's intention to diversify its sources of funding. This activity used to be managed directly by Banque PSA Finance (50% shareholder of PSA Banque France). It is characterized by a high propensity to win new customers and retain existing ones, particularly through the success of the term deposit account and the objective of financing the real economy.

Deposit outstanding increased by 8.1% over the first half-year 2018, reaching €2,050 million at the end of June 2018, representing an increase of €153 million compared to the end of 2017.

Outlook for end of year 2018 is based on a sound foundation which makes use of marketing techniques as well as efficient and reliable organization. Furthermore, customer satisfaction surveys continue to have excellent results.

SAVINGS BUSINESS

(in million euros)	Jun. 30, 2018	Dec. 31 2017	Change (%)
Outstandings	2,050	1,897	+8.1

1.3.3 Results of operations

NET INCOME

(in million euros)	Jun. 30, 2018	Jun. 30, 2017	Change (%)
Net banking revenue	**239**	**222**	**+7.7**
of which end users	160	149	+7.4
of which dealer network	29	25	+16.0
of which insurance and services	52	47	+10.6
of which unallocated and other	(2)	1	(300.0)
General operating expenses and equivalent	**(80)**	**(79)**	**+1.3**
Cost of Risk	**(5)**	**(14)**	**(64.3)**
of which end users	(14)	(6)	+133.3
of which dealer network	9	(8)	(212.5)
Operating Income	**154**	**129**	**+19.4**
Other non-operating income	0	0	-
Pre-tax income	**154**	**129**	**+19.4**
Income taxes	(49)	(48)	+2.1
Net income	**105**	**81**	**+29.6**

1.3.3.1 Net banking revenue

Net banking revenue increased by 7.7% to €239 million at June 30, 2018, compared to €222 million at June 30, 2017.

This growth mainly results from a significant increase in end user and corporate dealers financing as well as a decrease in refinancing cost. In addition, the insurance and services margin also helped drive up net banking revenue which in the first half of 2018 gained €5 million against the previous first half-year, to stand at €52 million.

1.3.3.2 General operating expenses

General operating expenses and equivalent reached €80 million at June 30, 2018, against €79 million at June 30, 2017.

Given the net banking revenue and financing growths, this stability in the first half of 2018 is really satisfactory. Therefore, cost to income ratio improves from 35.6% to 33.5%.

1.3.3.3 Cost of risk

The cost of risk at June 2018 stood at €5 million, representing 0.10% of average net outstanding loans, against €14 million at the end of first half-year 2017, representing 0.33% of average net outstanding loans. All of the performing and non-performing loans were provisioned.

The cost of risk on the end-user financing activities stood at €14 million in the first half of 2018 against €6 million in the first half of 2017 that benefited from a €6 million reversal of provisions coming from the update of the parameters for calculating provisioning rates.

For dealer financing activity, the cost of risk stood at a positive amount of €9 million in the first half of 2018 against €8 million in the same period of the previous year. The cost of risk related to this activity was due to a close monitoring of existing defaults and the collection process applied. Cost of risk positive amount for the first half of 2018 results on the one hand from the low number of dealers entered into default during this period and on the other hand from a €12 million reversal of provisions due to the exit from non-performing status of a dealers' group that was acquired by another group during the first half of 2018. Therefore, provisions recorded in 2017 have been entirely reversed during the first half of 2018.

The collections activities continued to be especially effective within the PSA Banque France Group in 2018. This was reflected in the maintenance of good collection volumes for all collection phases, along with a decrease in past-due entries.

1.3.3.4 Consolidated income

At June 30, 2018, the pre-tax income of the PSA Banque France Group stood at €154 million, up 19.4% from June 30, 2017. The consolidated net income at June 30, 2018 was €105 million.

The effective corporate tax rate decreased to 31% of taxable earnings for the first half of 2018, against 35.7% for the first half of 2017. The decrease came mainly from the reassessment of the deferred tax liabilities inventory due to successive declines in the corporate tax rate as per the 2018 French Finance Act. The tax burden for the first half of 2018 was €49 million.

1.4 Financial situation

1.4.1 Assets

Total assets of the PSA Banque France Group at June 30, 2018 stood at €12,188 million, up by 7% compared to December 31, 2017.

Total outstanding financing came to €10,927 million, a 7% increase compared to December 31, 2017.

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 impairment charges on outstanding loans are described in Note 2.C.6.4 of the 2017 annual report. When a loan or receivable is considered definitively unrecoverable, it is written off as a loss on the income statement. Any provision for previously-recognized impairment loss is then also reversed through the income statement. If collections are made on receivables after their write-off, these will also be entered as revenue on the income statement. All of these transactions are recognized in the income statement under the cost of risk heading.

The table shown in Note 25.1 details all the loans, including sound loans with past-due installments (delinquent loans) and non-performing loans with their related impairment amounts, at June 30, 2018 and 2017.

IFRS 9

On January 1, 2018, PSA Banque France adopted IFRS 9, which changed its financial asset impairment method.

The current impairment model is based on an estimate of "expected credit losses". This model is based on the risk parameters such as probability of default (PD) or loss given default (LGD), and impairments are classified into three stages, pursuant to the principles of IFRS 9.

- Stage 1 contains assets without risk deterioration or with an insignificant risk deterioration since origination. Impairment of receivables in stage 1 is the amount of one-year expected losses.
- Stage 2 contains assets with a significant risk deterioration since origination. Therefore, the amount of allocated provisions will be the amount of expected losses over the remaining term of the assets.
- Stage 3 contains assets with an objective evidence of loss as for example non-performing loans. Impairment of these assets will aim at covering expected losses over the remaining term.

The main changes impacting PSA Banque France after IFRS 9 implementation are:

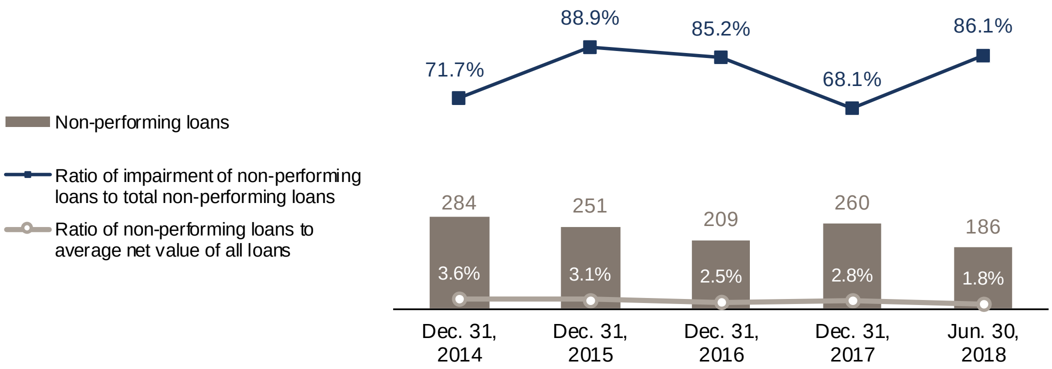
- Provisioning of assets throughout their residual life, once there is a significant risk deterioration;
- Creation of a Stage 2 assessing outstanding for Corporate dealer loans, with the aim to define specific provision for assets whose credit risk was significantly downgraded. It should be noted that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

Even though, conceptually and operationally, IFRS 9 is making many changes, the financial impact remains relatively limited, mainly because the PSA Banque France Group's sound loans were already subject of impairments, booking the corresponding expected loss amounts. Thus, implementing IFRS 9 at January 1, 2018 had a positive impact of €3.6 million on PSA Banque France Group's equity.

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

In addition, for dealer network financing and corporate financing, each delinquent loan is analyzed to determine if it presents an aggravated risk situation. If so, the loan is classified as non-performing (stage 3) and impairment charges are recorded on the income statement. Statistical impairment of sound or delinquent loans is also carried out on all corporate portfolios in order to cover the expected losses as per the risk assessment model.

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



At June 30, 2018, decrease of non-performing loans and specific provisions is mainly due to the exit from non-performing status of a dealer in March 2018. Aside from this event, entries of non-performing loans continue to decline in 2018, due to customer risk profile improvement.

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

Furthermore, while only considering provisions on stage 3 receivables, average coverage rate of total non-performing loans is 59.4% at June 30, 2018 compared to 49.5% at December 31, 2017.

1.4.3 Refinancing

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

The refinancing strategy of PSA Banque France Group is based on diversifying its sources of liquidity, while ensuring that the maturities of its assets and liabilities are consistent. Since the creation of the partnership between Banque PSA Finance and Santander Consumer Finance in early 2015, the PSA Banque France Group had the opportunity to secure different sources of funding:

- On February 2, 2015, the day of the joint venture establishment in France, the financing granted by Banque PSA Finance to the entities of the PSA Banque France Group has been substituted by that provided by Santander Consumer Finance, in addition to the current financing provided by securitization transactions publically or privately placed among investors;
- On April 1, 2015, the "Distingo par PSA Banque" deposit business (retail savings accounts and term accounts) covering French customers has been transferred by Banque PSA Finance to PSA Banque France;
- From June 2015, bilateral credit lines were established with various banks;
- Since September 2015, PSA Banque France Group as an approved credit institution has access (through the remittance of assets as collateral by its subsidiary CREDIPAR) to the refinancing operations of the European Central Bank (ECB);
- In June 2016, issuance programs of negotiable debt securities (short and medium-term) and medium term notes (EMTN) were launched to allow access to the capital markets. The first negotiable debt securities of the PSA Banque France Group were issued at the end of the first half of 2016;
- In July 2016, a securitization program was set up for leases with a purchase option, followed in July 2017 by a securitization program of long-term leases.
- In January and again in September 2017, the development of access to the capital markets continued, specifically with the first two bond issues under EMTN program, for €500 million each. A third bond issue of the same amount was completed in April 2018.

At June 30, 2018, the refinancing of PSA Banque France Group was split as follows:

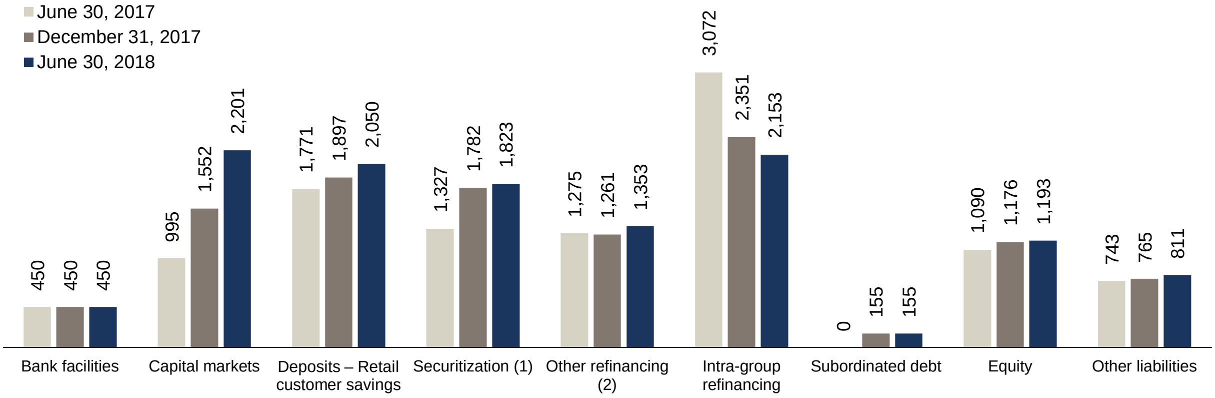
- 4% came from drawn bank loans;
- 22% from negotiable debt security issuances and the first three EMTN bond issues on the capital markets;
- 20% from repayable funds from the public in relation to deposit activity;
- 18% from securitization transactions;
- 13% from other external refinancing, of which 10% from the European Central Bank (participation in TLTRO-I and -II programs);
- 21% from intragroup bank credit lines granted by Santander Consumer Finance;
- 2% of subordinated debt subscribed in equal parts by each of the two shareholders in December 2017.

The following table and graphs display a breakdown of the financing sources at June 30, 2018 compared to December 31, 2017 and June 30, 2017.

SOURCES OF FINANCING

(in million euros)	Jun. 30, 2018		Dec. 31, 2017		Jun. 30, 2017	
Bank facilities	450	*4%*	450	*5%*	450	*5%*
Capital markets	2,201	*22%*	1,552	*16%*	995	*11%*
Deposits - Retail customer savings	2,050	*20%*	1,897	*20%*	1,771	*20%*
Securitization (1)	1,823	*18%*	1,782	*19%*	1,327	*15%*
Other refinancing (2)	1,353	*13%*	1,261	*13%*	1,275	*14%*
External refinancing	**7,877**	***77%***	**6,942**	***73%***	**5,817**	***65%***
Intra-group refinancing	**2,153**	***21%***	**2,351**	***25%***	**3,072**	***35%***
Subordinated debt	**155**	***2%***	**155**	***2%***	**-**	
Equity	**1,193**		**1,176**		**1,090**	
Other liabilities	**811**		**765**		**743**	
Balance sheet total	**12,188**		**11,390**		**10,722**	

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 at June 30, 2018 and dealer deposits.

Outstanding bank loans (as bilateral bank credit lines fully drawn) stood at €450 million at June 30, 2018.

Outstanding debt on capital markets increased to €2,201 million at June 30, 2018 after the third bond issue under EMTN program in April 2018.

The assets of the retail savings activity stood at €2,050 million.

At June 30, 2018, the PSA Banque France Group's refinancing through securitization was based on 4 transactions totaling €4,058 million in receivables sold to securitization vehicles (see Note 8.3 of consolidated statements):

- The Auto ABS French Loans Master monthly issue program, in its revolving period;
- The Auto ABS French Leases Master Compartment 2016 monthly issuance program, in its revolving period;
- The Auto ABS DFP Master Compartment France 2013 monthly issuance program, in its revolving period.
- The Auto ABS French LT Leases Master monthly issuance program, launched in July 2017, in its revolving period.

There was €1,823 million in financing from securitization transactions in the market at June 30, 2018.

Furthermore, PSA Banque France Group benefits from collateralized financing obtained from the European Central Bank under the TLTRO-I and TLTRO-II refinancing operations, for a total of €1,000 million (see Note 12 of consolidated statements).

1.4.4 Liquidity security

PSA Banque France Group is seeking the most relevant balance between security in terms of liquidity and optimization of its refinancing costs. It borrows the resources required for its business continuity and balances assets and liabilities by managing exposure to interest rate risk through the use of interest rate swaps.

At June 30, 2018, financing with an original maturity of 12 months or more represented nearly 70% of total financing.

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

Bank credit lines used as of June 30, 2018 do not require specific obligations in terms of the constitution of sureties, default event and similar terms, beyond standard market practices. Three events could trigger the cancellation of these credit lines:

- If Banque PSA Finance and Santander Consumer Finance do no longer directly or indirectly hold 50% each of the shares of PSA Banque France;
- The loss by the PSA Banque France Group of its status as a bank;
- Non-compliance with the regulatory level for the Common Equity Tier 1 ratio.

In addition, the PSA Banque France Group has:

- sound financial security, which is based on the support of Santander Consumer Finance;
- a €270 million liquidity reserve at June 30, 2018, in the form of high-quality liquid assets, composed exclusively of reserves with the Central Bank, and thus Level 1, under the Liquidity Coverage Ratio (LCR) classification;
- the possibility of additional drawing from the European Central Bank of €427 million based on assets brought as collateral (composed of senior securities of securitization, auto-subscribed by CREDIPAR and of eligible claims remitted through TRICP channel, see Note 18 of consolidated statements).

At June 30, 2018, the PSA Banque France Group had €531 million in financing commitments granted to customers and €6 million in guarantee commitments to customers (see Note 18 of consolidated statements).

1.4.5 Credit ratings

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

On September 20, 2017, Standard & Poor's Credit Market Services France assigned to PSA Banque France the credit rating of BBB/A-2 along with a stable outlook.

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

Any update of this rating, whether positive or negative, may affect the bank’s ability to obtain financing on the market in the short, medium, and long term.

CREDIT RATINGS AT JUNE 30, 2018

(in million euros)		Active programs	**Programs size at Jun. 30, 2018**	**Outstanding at Jun. 30, 2018**
Moody's	S&P	Short term		
P2	A-2	CD/NEU CP	1,000	351
		Long term		
Baa1	BBB	BMTN/NEU MTN	1,000	354
Baa1	BBB	EMTN	4,000	1,500

1.4.6 Capital and capital requirement

Under the application of the Basel III CRD IV reform, the PSA Banque France Group has a strong financial position. At June 30, 2018, the Basel III CRD IV Tier 1 capital ratio in respect of Pillar I stood at 12.2%, and the total capital ratio was 14%. Basel III Tier 1 regulatory capital amounted to €1,023 million at the end of June 2018, taking into account the deduction of the difference between recognized impairment and expected actual losses on the IRB scope (€64 million), and the minimum capital requirement stood at €673 million.

Note that, in principle, relevant institutions must be subjected to a two-fold monitoring process, on a consolidated basis and on an individual basis. However, on January 29, 2015, the French Prudential Supervisory Authority (*Autorité de Contrôle Prudentiel et de Résolution* (ACPR)) endorsed the application for exemption that PSA Banque France submitted for prudential supervision on an exclusively consolidated basis, as per Regulation CRR Article 7.

Regulatory capital

The regulatory scope used to calculate the solvency ratio is identical to the scope of consolidation as described in Note 1-C to the 2017 annual report.

The regulatory capital is broken down into three tiers (core Tier 1 capital, additional Tier 1 capital, and Tier 2 capital) composed of equity or debt instruments, which are subjected to regulatory adjustments. PSA Banque France has Tier 1 and 2 capital instruments. Tier 1 capital instruments are composed of the following:

- Share capital and the corresponding issuance premiums;
- Retained earnings and other reserves;
- Components of income recognized directly in equity.

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

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

Tier 2 capital instruments are composed exclusively of subordinated debt.

TRANSITION TABLE FROM ACCOUNTING EQUITY TO REGULATORY CAPITAL

(in million euros)	Jun. 30, 2018	Dec. 31, 2017
Accounting Equity [1]	**1,193**	**1,176**
Distributable income	(105)	(93)
Negative amounts resulting from the calculation of the expected loss	(64)	(80)
Tier 1 regulatory capital	**1,023**	**1,004**
Tier 2 subordinated loans	155	155
Tier 1 and Tier 2 regulatory capital	**1,178**	**1,159**

(1) Accounting and regulatory equity are equal.

Capital requirement

On April 6, 2009, the ACPR authorized Banque PSA Finance to use Internal Rating Based Advanced (IRBA) approaches to calculate the minimum regulatory capital requirement for the retail portfolio, and Internal Rating Based Foundation (IRBF) approaches for the corporate portfolio. This measure has been applied to the entities of the PSA Banque France Group since January 1, 2009.

In the context of the implementation of the cooperation between Banque PSA Finance and Santander Consumer Finance in 2015, the two partners aimed to keep using the internal ratings models developed by Banque PSA Finance, after review and validation of these models by Santander Group's Internal Validation Team, and after approval by the competent supervisory authorities.

As such, the PSA Banque France Group's internal rating system was inspected by the European Central Bank, further to which PSA Banque France received authorization in 2017 to maintain the internal rating methods originally developed by Banque PSA Finance for calculating risk weighted assets (RWA).

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

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

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

GROUP CAPITAL REQUIREMENT AND RISK-WEIGHTED ASSETS

(in million euros)	Jun. 30, 2018		Dec. 31, 2017	
	Risk-Weighted Assets	Capital requirements	Risk-Weighted Assets	Capital requirements
Credit risk	**7,742**	**619**	**7,156**	**572**
Standard method	**910**	**73**	**868**	**69**
Sovereigns, Banks, and Administrations	12	1	12	1
Institutions	131	10	113	9
Corporate	337	27	300	24
Retail	205	16	192	15
Other assets	225	18	251	20
Internal Rating Based Foundation approach (IRBF)	**3,430**	**274**	**3,191**	**255**
Corporate	3,430	274	3,191	255
Internal Rating Based Advanced approach (IRBA)	**3,402**	**272**	**3,097**	**248**
Retail	3,402	272	3,097	248
Operational risk (standard method)	**673**	**54**	**673**	**54**
Market risk	**0**	**0**	**0**	**0**
Total Risks	**8,415**	**673**	**7,829**	**626**

	Jun. 30, 2018	Dec. 31, 2017
Tier 1 regulatory capital	**1,023**	**1,004**
Tier 1 solvency ratio	**12.2%**	**12.8%**
Total regulatory capital	**1,178**	**1,159**
Total solvency ratio	**14.0%**	**14.8%**

Leverage ratio

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

The leverage ratio is calculated according to the terms of Regulation (EU) No. 575/2013 Article 429, and for PSA Banque France Group was 8.1% at June 30, 2018 against 8.4% at December 31, 2017.

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

LEVERAGE RATIO AND DETAILS OF LEVERAGE EXPOSURE AT JUNE 30, 2018

(in million euros)	Jun. 30, 2018	Dec. 31, 2017
Total assets according to the published financial statements (excluding derivatives)	**12,186**	**11,387**
Prudential deductions on CET1 capital	(64)	(80)
Total exposure on balance sheet	**12,122**	**11,307**
Exposure on derivatives	5	7
Replacement cost of derivatives transactions	2	2
Total exposure on derivatives	**7**	**9**
Exposure related to commitments given	1,595	1,588
Application of regulatory conversion factors	(1,033)	(1,052)
Total exposure to off-balance sheet items	**562**	**536**
Total other adjustments	**(9)**	**28**
Total leverage exposure	**12,682**	**11,880**
Tier 1 regulatory capital	**1,023**	**1,004**
Leverage ratio	**8.1%**	**8.4%**

1.5 Risk factors and risk management

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

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

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

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

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

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

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

1.6 Internal control

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

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

1.6.1 Permanent control system

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

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

1.6.1.2 Permanent control

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

Permanent control is in charge of various missions:

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

Operational risk control tasks cover:

- The recurrent evaluation of the level of control of operational risks achieved by the control systems used in the entities of the group, as well as at service providers;
- The exercise of specific second-level controls in the whole organization;
- The application of a mechanism for certifying the self-assessment of first level controls, used by operations officers to certify the execution and outcome of key controls on major risks. This system covers the accounting, refinancing and treasury activities and security of access to the 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 and control function, lists all of the risks to which the PSA Banque France Group is exposed. It contributes to checking the robustness of PSA Banque France Group's control system, by comparing the risks identified, the losses related to these risks as well as the result of second-level controls, and lastly the residual risk.

Pursuant to the Decree of November 3, 2014, the Annual Internal Control and Risk Measurement and Monitoring Report (*Rapport Annuel de Contrôle Interne et de Mesure et Surveillance des Risques* (RACI)) of 2017 was shared with the directors and sent to the French Prudential Supervisory Authority (*Autorité de Contrôle Prudentiel et de Résolution* (ACPR)).

1.6.2 Periodic controls

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

They are performed by the Internal Audit teams in ad hoc missions, based on a three-year internal audit plan for all of PSA Banque France Group's units (including outsourced activities). During the first half of 2018, four audit missions were carried out in PSA Banque France Group : 3 were in progress and/or being finalised at the date of the current report.

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

1.6.3 Oversight by Executive Management and the Board

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

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

The PSA Banque France Group's Audit and Risk Committee prioritizes its tasks according to the risks identified. Its duties include the planning, supervision and review of internal audits and 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 Group's compliance 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 all entities of PSA Banque France Group in relation with the accounting methods used.

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

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

1.6.4 Organization of internal control

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

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

These committees also review and make decisions concerning:

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

1.7 Corporate governance - General information concerning PSA Banque France

1.7.1 PSA Banque France overview

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.

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

- N° Siren : 652 034 638
- N° Siret : 652 034 638 00039
- Code APE/NAF: 6419Z

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

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

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

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

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

1.7.2 Shareholders - structure of share capital

Shareholders:
At June 30, 2018, the share capital of PSA Banque France stood at €144,842,528 divided into 9,052,658 shares with a value of €16 each, fully paid-up, with equal distribution between:

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

Banque PSA Finance is a directly and indirectly wholly owned subsidiary of Peugeot SA, and Santander Consumer Banque is an indirectly wholly owned subsidiary of Banco Santander; Peugeot SA and Banco Santander are entities whose shares are traded on a regulated market.

Changes occurred in the distribution of capital during the last 3 years:
No change has occurred since the 50% entry of Santander Consumer Banque in the capital of PSA Banque France on February 2, 2015.

The shareholders' agreement entered into on February 2, 2015, when the joint venture of PSA Banque France was created, sets out restrictions on the exercise of the transfer of shares by both shareholders. Such exercise is not free but is subject to a "lock-up period" for the duration of the cooperation period.

Listing of securities:
PSA Banque France's equity securities are not listed on the stock exchange. Nonetheless, certain debt securities (EMTN) are listed on Euronext Paris.

1.7.3 Board of Directors and management bodies

The Board of Directors of PSA Banque France has six members appointed for a renewable term of six years. Three members are chosen by each of the two shareholders. **Senior Management** has been constituted, since September 1, 2017 by Mr. Jean-Paul Duparc, the Chief Executive Officer, appointed by Santander Consumer Banque, and by Mr. Laurent Aubineau, the Deputy Chief Executive Officer appointed by Banque PSA Finance.

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

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

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

Officer, the Deputy Chief Executive Officer, the Executive Committee and the operational committees.

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

PSA Banque France does not pay directors' fees.

There is no delegation currently valid or used during the first half-year 2018, granted by the Shareholders Meeting to the Board of Directors, for any capital increase, capital issuance, or redemption of shares.

PSA Banque France does not use a corporate governance code, since it is not a company whose share capital is open and listed on a regulated market. However, PSA Banque France voluntarily applies most recommendations of the AFEP-MEDEF Code.

1.7.4 Persons responsible for auditing the accounts

PricewaterhouseCoopers Audit

Crystal Park, 63 rue de Villiers,
92200 Neuilly-sur-Seine,
a simplified joint-stock company (*société par actions simplifiée*) with share capital of €2,510,460, entered as no. 672 006 483 in the Nanterre Trade and Companies Register
Statutory Auditors member of the Compagnie régionale de Versailles

Duration of mandate: six years

Date of end of mandate: 2022 financial year

Represented at June 30, 2018 by Laurent Tavernier

Mazars

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

Statutory Auditors member of the Compagnie régionale de Versailles

Duration of mandate: six years

Date of end of mandate: 2019 financial year

Represented at June 30, 2018 by Matthew Brown

2 CONSOLIDATED FINANCIAL STATEMENTS AT JUNE 30, 2018

2.1 Consolidated Balance Sheet

(in thousand euros)	*Notes*	**June 30, 2018**	**Dec. 31, 2017**
Assets			
Cash, central banks	*4*	297,893	364,814
Financial assets at fair value through profit or loss	*5*	1,538	2,383
Hedging instruments	*6*	18	48
Financial assets at fair value through Equity	*3*	-	
Avalaible-for-sale financial assets	*3*	-	*3*
Debt securities at amortized cost	*3*	-	
Loans and advances to credit institutions	*7*	696,313	525,102
Customer loans and receivables at amortized cost	*8*	10,927,468	10,213,625
Fair value adjustments to finance receivables portfolios hedged against interest rate risks	*16*	(2,436)	(3,097)
Current tax assets	*26.1*	6,216	18,545
Deferred tax assets	*26.1*	598	235
Accruals and other assets	*9*	251,319	258,350
Investments in associates and joint ventures accounted for using the equity method		-	-
Property and equipment		9,104	9,506
Intangible assets		-	-
Goodwill		-	-
Total assets		**12,188,031**	**11,389,514**

(in thousand euros)	*Notes*	**June 30, 2018**	**Dec. 31, 2017**
Equity and liabilities			
Central banks		28	38
Financial liabilities at fair value through profit or loss	*10*	12	45
Hedging instruments	*11*	36	85
Deposits from credit institutions	*12*	3,652,760	3,804,231
Due to customers	*13*	2,352,424	2,154,374
Debt securities	*14*	4,024,504	3,334,383
Fair value adjustments to debt portfolios hedged against interest rate risks	*16*	128	239
Current tax liabilities	*26.1*	2,128	4,231
Deferred tax liabilities	*26.1*	295,278	280,173
Accruals and other liabilities	*15*	487,630	455,657
Provisions		25,434	24,894
Subordinated debt		155,110	155,116
Equity		1,192,559	1,176,048
- Equity attributable to equity holders of the parent		1,192,559	1,176,048
- Share capital and other reserves		757,060	757,060
- Consolidated reserves		437,092	420,748
- Of which Net income - equity holders of the parent		*105,421*	*167,346*
- Gains and losses recognized directly in Equity		(1,593)	(1,760)
- Minority interests		-	-
Total equity and liabilities		**12,188,031**	**11,389,514**

2.2 Consolidated Income Statement

(in thousand euros)	*Notes*	**June 30, 2018**	**June 30, 2017**	**Dec. 31, 2017**
Net interest revenue on customer transactions		**206,407**	**200,183**	**404,376**
- Interest and other revenue on assets at amortized cost	*19*	198,699	194,312	387,225
- Fair value adjustments to finance receivables hedged against interest rate risks	*16*	661	1,454	2,503
- Interest on hedging instruments		(1,311)	(2,350)	(4,316)
- Fair value adjustments to hedging instruments	*16*	299	2,751	3,025
- Interest expense on customer transactions		(57)	(82)	(174)
- Other revenue and expense		8,116	4,098	16,113
Net gains or losses on financial assets at fair value through profit or loss		**(2)**	**8**	**60**
- Interest and dividends on marketable securities		-	34	58
- Fair value adjustments to assets valued using the fair value option		-	(27)	-
- Gains and losses on sales of marketable securities		(3)	1	2
- Investment acquisition costs		-	-	-
- Dividends and net incomes on equities		1	-	-
Net gains or losses on financial assets at fair value through Equity		**-**	-	-
Net refinancing cost		**(19,786)**	**(24,829)**	**(49,714)**
- Interest and other revenue from loans and advances to credit institutions		-	5	5
- Interest on deposits from credit institutions	*20*	(4,028)	(6,801)	(12,088)
- Interest on debt securities	*21*	(7,502)	(4,568)	(9,243)
- Interest on savings accounts	*23*	(11,791)	(11,108)	(22,783)
- Expenses related to financing commitments received		(576)	(530)	(996)
- Fair value adjustments to financing liabilities hedged against interest rate risks	*16*	113	200	350
- Interest on hedging instruments		137	228	462
- Fair value adjustments to hedging instruments	*16*	(113)	(200)	(350)
- Fair value adjustments to financing liabilities valued using the fair value option		-	-	-
- Debt issuing costs		(2,218)	(1,808)	(4,457)
- Other revenue and expense	*22*	6,192	(247)	(614)
Net gains and losses on trading transactions		**-**	-	-
- Interest rate instruments		-	-	-
- Currency instruments		-	-	-
Net gains and losses on available-for-sale financial assets		-	-	*(301)*
Margin on sales of services		**52,291**	**47,120**	**96,952**
- Revenues		54,224	48,421	99,921
- Expenses		(1,933)	(1,301)	(2,969)
Net banking revenue		**238,910**	**222,482**	**451,373**
General operating expenses	*24*	**(78,439)**	**(77,719)**	**(145,295)**
- Personnel costs		(32,959)	(30,916)	(61,566)
- Other general operating expenses		(45,480)	(46,803)	(83,729)
Depreciation and amortization of intangible and tangible assets		**(1,085)**	**(1,052)**	**(2,170)**
Gains and losses on investments in companies that can be consolidated and other disposals of fixed assets		**(60)**	**(51)**	**(76)**
Gross operating income		**159,326**	**143,660**	**303,832**
Credit Cost of risk	*25*	**(4,996)**	**(14,627)**	**(31,862)**
Operating income		**154,330**	**129,033**	**271,970**
Share in net income of associates and joint ventures accounted for using the equity method		-	-	-
Impairment on goodwill		-	-	-
Pension obligation - expense		(108)	(96)	(191)
Pension obligation - income		-	-	-
Other non-operating items		-	-	(10,245)
Pre-tax income		**154,222**	**128,937**	**261,534**
Income taxes	*26.2*	(48,801)	(48,208)	(94,188)
Net income for the year		**105,421**	**80,729**	**167,346**
- of which minority interests		-	-	-
- of which attributable to equity holders of the parent		105,421	80,729	167,346
Earnings per share (in euros)		*11.65 €*	*8.92 €*	*18.49 €*

2.3 Net Income and Gains and Losses Recognized Directly in Equity

(in thousand euros)	June 30, 2018 Before tax	June 30, 2018 Tax	June 30, 2018 After tax	June 30, 2017 Before tax	June 30, 2017 Tax	June 30, 2017 After tax	Dec. 31, 2017 Before tax	Dec. 31, 2017 Tax	Dec. 31, 2017 After tax
Net income	154,222	(48,801)	**105,421**	128,937	(48,208)	**80,729**	261,534	(94,188)	**167,346**
- of which minority interest			-			-			-
Recyclable in profit and loss elements									
Revaluation of financial assets at fair value through profit and loss	-	-	-	-	-	-	-	-	-
- of which revaluation reversed in net income	-	-	-	-	-	-	-	-	-
- of which revaluation directly in equity	-	-	-	-	-	-	-	-	-
Not recyclable in profit and loss elements									
Actuarial gains and losses on pension obligations	167	-	**167**	582	(200)	**382**	207	(71)	**136**
Others	-	-	-	5	-	5	5	-	5
Total gains and losses recognized directly in Equity	167	-	**167**	587	(200)	**387**	212	(71)	**141**
- of which minority interest						-			-
Total net income and gains and losses recognized directly in Equity	154,389	(48,801)	**105,588**	129,524	(48,408)	**81,116**	261,746	(94,259)	**167,487**
- of which minority interest			-			-			-
- of which attributable to equity holders			*105,588*			*81,116*			*167,487*

2.4 Consolidated Statement of Changes in Equity

(in thousand euros)	Share capital and other reserves: Share capital	Share capital and other reserves: Issue, share and merger premiums	Share capital and other reserves: Legal reserve and other reserves	Consolidated reserves	Fair value adjustments - equity holders of the parent: Actuarial gains and losses on pension obligations	Fair value adjustments - equity holders of the parent: Financial assets at fair value through equity: revaluation	Equity attributable to equity holders of the parent	Minority interests	Total equity
At 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 gains and losses 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**
Net Income and gains and losses Recognized Directly in Equity	-	-	-	86,617	(246)	-	86,371	-	86,371
Dividend paid to Santander Consumer Banque		-	-	-	-	-	-	-	-
Dividend paid to Banque PSA Finance		-	-	-	-	-	-	-	-
At December 31, 2017	**144,843**	**593,347**	**18,870**	**420,748**	**(1,760)**	**-**	**1,176,048**	**-**	**1,176,048**
IFRS 9 First time application Impact		-	-	3,622	-	-	3,622	-	3,622
Appropriation of profit from the previous financial year	-		-	-	-	-	-	-	-
Net Income and gains and losses Recognized Directly in Equity	-	-	-	105,421	167	-	105,588	-	105,588
Dividend paid to Santander Consumer Banque		-	-	(46,350)	-	-	(46,350)	-	(46,350)
Dividend paid to Banque PSA Finance		-	-	(46,350)	-	-	(46,350)	-	(46,350)
At June 30, 2018	**144,843**	**593,347**	**18,870**	**437,092**	**(1,593)**	**-**	**1,192,559**	**-**	**1,192,559**

On legal terms:

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

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

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

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

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, 2018, 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 and capital requirement" of the Management Report.

2.5 Consolidated Statement of Cash Flows

(in thousand euros)	*Notes*	June 30, 2018	June 30, 2017	Dec. 31, 2017
Income attributable to equity holders of the PSA Banque France Group		**105,421**	**80,729**	**167,346**
Non-cash items				
- Change in depreciation, amortization and other provisions		613	3,024	12,167
- Change in deferred taxes		12,840	8,618	29,519
- (Profit)/loss on disposals of assets		60	51	76
Funds from operations		**118,934**	**92,422**	**209,108**
Increase/decrease in:				
- loans and advances to credit institutions		-	-	-
- deposits from credit institutions		(151,583)	(100,987)	(833,728)
Change in customer loans and receivables		(707,175)	(281,930)	(990,536)
Increase/decrease in:				
- amounts due to customers		198,050	203,970	328,253
- financial assets at fair value through profit or loss and other financial assets		848	(44,901)	1,868
- financial liabilities at fair value through profit or loss		(28)	(1,830)	(2,914)
- hedging instruments		(19)	(400)	(553)
- debt securities		690,121	354,697	1,367,332
Change in working capital: assets		(12,902)	(26,603)	(102,023)
Change in working capital: liabilities		61,487	73,861	98,482
Net cash provided by operating activities		**197,733**	**268,299**	**75,289**
Acquisitions of shares in subsidiaries		-	-	-
Proceeds from disposals of shares in subsidiaries		-	-	-
Investments in fixed assets		(1,461)	(1,753)	(3,997)
Proceeds from disposals of fixed assets		718	863	1,868
Effect of changes in scope of consolidation		-	-	-
Net cash used by investing activities		**(743)**	**(890)**	**(2,129)**
Dividends paid to Santander Consumer Banque		(46,350)	(35,849)	(35,849)
Dividends paid to Banque PSA Finance		(46,350)	(35,849)	(35,849)
Capital increase		-	-	-
Inflow/Outflow linked to subordinated debt		-	-	155,000
Net cash used by financing activities		**(92,700)**	**(71,698)**	**83,302**
Effect of changes in exchange rates		-	-	-
Net change in cash and cash equivalents		**104,290**	**195,711**	**156,462**
Cash and cash equivalents at the beginning of the period		**889,916**	**733,453**	**733,453**
Cash, central banks		364,814	260,506	260,506
Treasury Bonds		-	-	-
Current account advances and loans and advances at overnight rates		525,102	472,947	472,947
Cash and cash equivalents at the end of the period		**994,206**	**929,165**	**889,916**
Cash, central banks	*4*	297,893	393,667	364,814
Treasury Bonds		-	-	-
Current account advances and loans and advances at overnight rates	*7*	696,313	535,498	525,102

2.6 Notes to the Consolidated Financial Statements

Notes

Note 1 Main Events of the Period and Group Structure

A. Main events

Refinancing strategy

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

B. Changes in Group structure

There was no change in group structure during the first semester 2018.

Note 2 Accounting Policies

The interim consolidated financial statements for the six months ended June 30, 2018 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 2017 consolidated financial statements.

The accounting principles applied to prepare the interim consolidated financial statements for the six months ended June 30, 2018, are identical to those used to prepare the 2017 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, 2018”.

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, 2017 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, 2018 is prepared according to the recommendation N°2017-02 of June 2, 2017 related to the presentation of the consolidated financial statements of banking institutions on January 1, 2018.

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

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

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

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

IFRS 9 groups together 3 phases:

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

Improvement introduced by IFRS 9 includes:

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

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

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

IFRS 9 groups together the 3 following phases:

Phase 1 - Classification and Measurement of financial instruments

On the basis of the analysis performed for the phase 1- Classification and Measurement, it was concluded that the financial instruments booked at amortised cost (financing and customer loans) and at fair value through profit or loss according to IAS 39 continue, under IFRS 9, to correspond to the criteria of the booking at amortised cost and at fair value through profit or loss respectively.

The investments in companies that are not consolidated are booked at amortised cost under IAS 39 owing to a non-significant operational activity. They are classified at fair value through profit or loss according to IFRS 9 without any impact for PSA Banque France as at June 30, 2018.

Phase 2 – Impairment of financial instruments

For the calculation of the expected credit losses under IFRS 9, PSA Banque France applies a methodology using different risk parameters (exposure at default (EAD), default probability (PD), loss given default (LGD), etc.) as well as the integration of prospective data (Forward Looking models) using several macroeconomic scenarios.

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

Phase 3 – Hedge accounting of financial instruments

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

- IFRS 15 – Revenue from Contracts with Customers. The final version of this standard was published by the IASB in May 2014. This standard was adopted by the European Union on September 22, 2016.

IFRS 15 concerns requirements for the recognition of revenue from Contracts with Customers. Contracts that are within the scope of other standards are excluded 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 related to accounting methods are expected (fees of new business providers) for PSA Banque France.

Amendments to IFRS 4 – “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”

The amendments address concerns arising from implementing the new financial instruments Standard, IFRS 9 (January 1, 2018), before implementing IFRS 17 Insurance Contracts (January 1, 2021); the amendments also supplement existing options in IFRS 4 to address those concerns.

Amendment to IFRS 2 – Share-based Payment

These amendments provide requirements on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

Annual Improvements to IFRS 2014–2016 Cycle which concern minor changes to the following three standards:

IFRS 1 - First-time Adoption of International Financial Reporting Standards, in particular the deletion of short-term exemptions for first-time adopters.

IFRS 12 - Disclosure of Interests in Other Entities. This amendment is related to the clarification of the scope of the Standard. The improvement is already applicable since January 1, 2017, according to the IASB.

IAS 28 - Investments in Associates and Joint Ventures. The improvement concerns the measuring of an associate or joint venture at fair value.

Amendments to IAS 40 - Transfers of Investment Property

These amendments state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. There is a change in use when the property meets, or ceases to meet, the definition of investment property.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

IAS 21 "The Effects of Changes in Foreign Exchange Rates" requires an entity to record a foreign currency transaction, on initial recognition in its functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency (the exchange rate) at the date of the transaction. But this standard does not treat the question of how companies should determine the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency.

For this reason the Interpretations Committee decided to publish this interpretation which clarifies that when an entity has received or paid advance consideration in a foreign currency, the entity should define the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income.

These texts do not impact PSA Banque France Group.

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

Potential impact of texts or projects published by IASB and IFRIC with compulsory application in the European Union from the period after January 1st, 2018, or not yet adopted by the European Union is currently being analyzed; such is especially the case for:

- **IFRS 16 – Leases.** During more than 10 years the IASB worked, jointly with the FASB, on the revision of IAS 17 which objective is to prescribe, to lessees and lessors, the appropriate accounting policies and disclosures to apply in relation to leases. On January 13, 2016, the IASB published the IFRS 16 definitive text. This standard 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.

Note 3 IFRS 9 Impacts on The Financial Statements

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

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

3.1 Balance sheet impacts

(in thousand euros)	Jan. 1st, 2018	IFRS 9 FTA Impact		Dec. 31, 2017
		Reclassification	Revaluation	
Assets				
Cash, central banks	364,814	-	-	364,814
Financial assets at fair value through profit or loss	2,386	3	-	2,383
Hedging instruments	48	-	-	48
Available-for-sale financial assets		(3)	-	3
Financial assets at fair value through Equity	-	-	-	
Debt securities at amortized cost	-	-	-	
Loans and advances to credit institutions	525,102	-	-	525,102
Customer loans and receivables at amortized cost	10,221,355	-	7,730	10,213,625
Fair value adjustments to finance receivables portfolios hedged against interest rate risks	(3,097)	-	-	(3,097)
Current tax assets	18,545	-	-	18,545
Deferred tax assets (1)	(201)	-	(436)	235
Accruals and other assets	258,350	-	-	258,350
Investments in associates and joint ventures accounted for using the equity method	-	-	-	-
Property and equipment	9,506	-	-	9,506
Intangible assets	-	-	-	-
Goodwill	-	-	-	-
Total assets	**11,396,808**	**-**	**7,294**	**11,389,514**

(in thousand euros)	Jan. 1st, 2018	IFRS 9 FTA Impact		Dec. 31, 2017
		Reclassification	Revaluation	
Equity and liabilities				
Central banks	38	-	-	38
Financial liabilities at fair value through profit or loss	45	-	-	45
Hedging instruments	85	-	-	85
Deposits from credit institutions	3,804,231	-	-	3,804,231
Due to customers	2,154,374	-	-	2,154,374
Debt securities	3,334,383	-	-	3,334,383
Fair value adjustments to debt portfolios hedged against interest rate risks	239	-	-	239
Current tax liabilities	4,231	-	-	4,231
Deferred tax liabilities	281,637	-	1,464	280,173
Accruals and other liabilities	455,657	-	-	455,657
Provisions (1)	27,102	-	2,208	24,894
Subordinated debt	155,116	-	-	155,116
Equity	1,179,670	-	3,622	1,176,048
- Equity attributable to equity holders of the parent	1,179,670	-	*3,622*	1,176,048
- Share capital and other reserves	757,060	-	-	757,060
- Consolidated reserves	424,370	-	*3,622*	420,748
- Of which Net income - equity holders of the parent	*167,346*	-	-	*167,346*
- Gains and losses recognized directly in Equity	(1,760)	-	-	(1,760)
- Minority interests	-	-	-	-
Total equity and liabilities	**11,396,808**	**-**	**7,294**	**11,389,514**

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

3.2 Impacts on statement of income

Under the phase 1 - classification and measurement of financial instruments, the Income Statement has evolved with the addition of the following new items:

- **Net gains or losses on financial assets at fair value through profit or loss**
  This new item contains the elements previously classified in "Net investment revenue" and "Net gains and losses on available-for-sale financial assets".

- **Net gains or losses on financial assets at fair value through Equity**

Note 4 Cash, Central Banks

(in thousand euros)	June 30, 2018	Dec. 31, 2017
Cash and post office banks	-	-
Central bank (1)	297,893	364,814
- of which compulsory reserves deposited with the Banque de France	*27,368*	*24,730*
Total	**297,893**	**364,814**

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

Note 5 Financial Assets at Fair Value Through Profit or Loss

5.1 Analysis by Nature

(in thousand euros)	June 30, 2018	Dec. 31, 2017
Fair value of trading derivatives (1)	1,528	2,377
- of which related companies with Santander Consumer Finance Group	-	-
Offsetting positive fair value and received margin calls	-	-
Accrued interest on trading derivatives	7	6
- of which related companies with Santander Consumer Finance Group	-	-
- Equity securities at fair value through profit or loss (2)	3	
Total	**1,538**	**2,383**

(1) The swaps classified as held for trading are related to securitization activities for which reverse swaps are neutralized (see Note 10).

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

5.2 Offsetting swaps with margin call designated as trading - Assets

For 2018

(in thousand euros) Positive valued swaps	Asset gross amount Swap's winning leg	Asset gross amount Swap's losing leg	Asset net amount before offsetting	Offsetting with received margin calls	Balance sheet amount after offsetting
Positive fair value	**1,562**	**(34)**	**1,528**	**-**	**1,528**
- Swaps with margin call	-	-	-	-	-
- Swaps without margin call	1,562	(34)	1,528	-	1,528
Offsetting	-	-	-	-	-
Accrued income	**40**	**(33)**	**7**	**-**	**7**
- Swaps with margin call	40	(33)	7	-	7
- Swaps without margin call	-	-	-	-	-
Total assets	**1,602**	**(67)**	**1,535**	**-**	**1,535**
Margin calls received on swaps designated as trading (deferred income - see Note 15)	-	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**	**-**

For 2017

(in thousand euros) Positive valued swaps	Asset gross amount Swap's winning leg	Asset gross amount Swap's losing leg	Asset net amount before offsetting	Offsetting with received margin calls	Balance sheet amount after offsetting
Positive fair value	**2,411**	**(34)**	**2,377**	**-**	**2,377**
- Swaps with margin call	-	-	-	-	-
- Swaps without margin call	2,411	(34)	2,377	-	2,377
Offsetting	-	-	-	-	-
Accrued income	**40**	**(34)**	**6**	**-**	**6**
- Swaps with margin call	40	(34)	6	-	6
- Swaps without margin call	-	-	-	-	-
Total assets	**2,451**	**(68)**	**2,383**	**-**	**2,383**
Margin calls received on swaps designated as trading (deferred income - see Note 15)	-	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**	**-**

Note 6 Hedging Instruments - Assets

6.1 Analysis by Nature

(in thousand euros)	June 30, 2018	Dec. 31, 2017
Positive fair value of instruments designated as hedges of:	**128**	**245**
- Bonds	-	-
- Borrowings	128	241
- Customer loans (Installment contracts, Leasing with a purchase option and Long-term leases)	-	4
Offsetting positive fair value and received margin calls (see Note 6.2)	**(111)**	**(199)**
Accrued income on swaps designated as hedges	**1**	**2**
Total	**18**	**48**

Fair value is determined by applying valuation techniques based on observable market data (level 2).
Fair Value Hedge effectiveness is analysed in Note 16.

6.2 Offsetting swaps with margin call designated as hedges - Assets

For 2018

(in thousand euros)	Asset gross amount				
Positive valued swaps	Swap's winning leg	Swap's losing leg	**Asset net amount before offsetting**	**Offsetting with received margin calls**	**Balance sheet amount after offsetting**
Positive fair value	**464**	**(336)**	**128**	**-**	**128**
- Swaps with margin call	464	(336)	128	-	128
- Swaps without margin call	-	-	-	-	-
Offsetting	-	-	-	(111)	**(111)**
Accrued income	**5**	**(4)**	**1**	**-**	**1**
- Swaps with margin call	5	(4)	1	-	1
- Swaps without margin call	-	-	-	-	-
Total assets	**469**	**(340)**	**129**	**(111)**	**18**
Margin calls received on swaps designated as hedges (deferred income - see Note 15)	-	-	111	(111)	-
Total liabilities	**-**	**-**	**111**	**(111)**	**-**

For 2017

(in thousand euros)	Asset gross amount				
Positive valued swaps	Swap's winning leg	Swap's losing leg	**Asset net amount before offsetting**	**Offsetting with received margin calls**	**Balance sheet amount after offsetting**
Positive fair value	**1,186**	**(941)**	**245**	**-**	**245**
- Swaps with margin call	1,186	(941)	245	-	245
- Swaps without margin call	-	-	-	-	-
Offsetting	-	-	-	(199)	**(199)**
Accrued income	**8**	**(6)**	**2**	**-**	**2**
- Swaps with margin call	8	(6)	2	-	2
- Swaps without margin call	-	-	-	-	-
Total assets	**1,194**	**(947)**	**247**	**(199)**	**48**
Margin calls received on swaps designated as hedges (deferred income - see Note 15)	-	-	199	(199)	-
Total liabilities	**-**	**-**	**199**	**(199)**	**-**

Note 7 Loans and Advances to Credit Institutions at Amortized Cost

Analysis of Demand and Time Accounts

(in thousand euros)	June 30, 2018	Dec. 31, 2017
Demand accounts	**696,313**	**525,102**
- Ordinary accounts in debit	664,845	522,674
- of which held by securitization funds	*196,384*	*187,012*
- Amounts to receive on bank accounts (1)	30,000	-
- Current accounts and overnight loans	1,468	2,428
- of which related companies with Santander Consumer Finance Group (2)	*1,468*	*2,428*
Time accounts	**-**	**-**
Accrued interest	**-**	**-**
Total	**696,313**	**525,102**

(1) *This amount to receive on bank accounts is the counterparty of certificates of deposit in the course of delivery at the end of June 2018 (see Note 14.1).*

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

Note 8 Customer Loans and Receivables at Amortized Cost

8.1 Analysis by Type of Financing

(in thousand euros)	June 30, 2018	Dec. 31, 2017
Installment contracts	**2,206,710**	**2,069,448**
- of which securitized (1)	*1,222,241*	*1,180,474*
Leasing with a purchase option (2)	**2,976,401**	**2,630,565**
Principal and interest	3,328,658	2,946,902
- of which securitized (1)	*1,128,223*	*1,048,306*
Unaccrued interest on leasing with a purchase option	(352,257)	(316,337)
- of which securitized (1)	*(109,161)*	*(107,477)*
Long-term leases (2)	**2,437,019**	**2,315,916**
Principal and interest	2,651,633	2,548,957
- of which securitized (1)	*1,058,144*	*965,197*
Unaccrued interest on long-term leases	(214,601)	(233,015)
- of which securitized (1)	*(106,101)*	*(97,238)*
Leasing deposits	(13)	(26)
- of which securitized (1)	-	-
Trade receivables	**2,401,731**	**2,324,976**
- Related companies with PSA Group	29,777	3,098
- Non-group companies	2,371,954	2,321,878
- of which securitized (1)	*864,414*	*863,249*
Other finance receivables (including equipment loans, revolving credit)	**627,384**	**610,604**
Ordinary accounts in debit	**124,039**	**119,170**
- Related companies with PSA Group	2,007	788
- Non-group companies	122,032	118,382
Deferred items included in amortized cost - Customers loans and receivables	**154,184**	**142,946**
- Deferred acquisition costs	239,408	218,894
- Deferred loan set-up costs	(25,625)	(24,867)
- Deferred manufacturer and dealer contributions	(59,599)	(51,081)
Total Loans and Receivables at Amortized Cost (3)	**10,927,468**	**10,213,625**
- of which securitized (1)	*4,057,760*	*3,852,511*

(1) The PSA Banque France Group has set up several securitization programs (see Note 8.3).

(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.

8.2 Customer Loans and Receivables by Segment

IFRS 8 Segment	Corporate Dealers		End user				Total	
Type of financing	(A - see B Note 25.1)		Retail (B - see A Note 25.1)		Corporate and equivalent (C - see C Note 25.1)			
(in thousand euros)	June 30, 2018	Dec. 31, 2017	June 30, 2018	Dec. 31, 2017	June 30, 2018	Dec. 31, 2017	June 30, 2018	Dec. 31, 2017
Installment contracts	8,067	3,456	2,196,541	2,063,999	2,102	1,993	2,206,710	2,069,448
Leasing with a purchase option	7,989	9,170	2,931,396	2,587,712	37,016	33,683	2,976,401	2,630,565
Long-term leases	155,841	147,765	1,466,631	1,354,976	814,547	813,175	2,437,019	2,315,916
Trade Receivables	2,401,731	2,324,976	-	-	-	-	2,401,731	2,324,976
Other finance receivables	608,602	586,461	16,065	21,426	2,717	2,717	627,384	610,604
Ordinary accounts in debit	123,857	119,071	175	3	7	96	124,039	119,170
Deferred items included in amortized	9	(256)	131,306	120,765	22,869	22,437	154,184	142,946
Total customer loans by segment (based on IFRS 8)	**3,306,096**	**3,190,643**	**6,742,114**	**6,148,881**	**879,258**	**874,101**	**10,927,468**	**10,213,625**

8.3 Securitization programs

Fund	Closing, ie first date of sale	Type of Financing	Sold net receivables at June 30, 2018	at Dec. 31, 2017	at the origin
FCT Auto ABS French Loans Master	Dec. 13, 2012 (2)	Installment contracts	1,222,241	1,180,474	N/A
FCT Auto ABS DFP Master - Compartment France 2013	May 03, 2013 (2)	Trade receivables	864,414	863,249	N/A
FCT Auto ABS French Leases Master - Compartment 2016	July 28, 2016 (2)	Buyback contracts (1)	1,019,062	940,829	N/A
FCT Auto ABS French LT Leases Master	July 27, 2017 (2)	Long-term leases (3)	952,043	867,959	N/A
Total			**4,057,760**	**3,852,511**	

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

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

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

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

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

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

Note 9 Accruals and Other Assets

(in thousand euros)	June 30, 2018	Dec. 31, 2017
Other receivables	**120,983**	**131,427**
- of which related companies with PSA Group	*81,520*	*77,699*
Prepaid and recoverable taxes	**54,435**	**50,355**
Accrued income	**9,227**	**8,435**
- of which related companies with PSA Group	*8,464*	*7,796*
Prepaid expenses	**4,588**	**3,367**
- of which margin calls paid on swaps (1)	*513*	*727*
- of which related companies with Santander Consumer Finance Group	*287*	*725*
Other	***62,086***	**64,766**
- of which related companies with PSA Group	*-*	*-*
Total	**251,319**	**258,350**

(1) *At June 30, 2018, margin calls paid on swaps were offset with the negative fair value for an amount of €2.8 million, compared to €4.1 million at December 31, 2017 (see Notes 10.2 & 11.2).*

Note 10 Financial Liabilities at Fair Value Through Profit or Loss

10.1 Analysis by Nature

(in thousand euros)	June 30, 2018	Dec. 31, 2017
Fair value of trading derivatives	**1,523**	**2,377**
- of which related companies with Santander Consumer Finance Group	-	-
Offsetting negative fair value and paid margin calls	**(1,523)**	**(2,338)**
Accrued expense on trading derivatives	**12**	**6**
- of which related companies with Santander Consumer Finance Group	-	-
Total	**12**	**45**

The swaps classified as held for trading are related to securitization activities for which reverse swaps are neutralized (see Note 5).

10.2 Offsetting swaps with margin call designated as trading - Liabilities

For 2018

(in thousand euros) Negative valued swaps	Liability gross amount Swap's winning leg	Liability gross amount Swap's losing leg	Liability net amount before offsetting	Offsetting with paid margin calls	Balance sheet amount after offsetting
Negative fair value	**(34)**	**1,557**	**1,523**	**-**	**1,523**
- Swaps with margin call	(34)	1,557	1,523	-	1,523
- Swaps without margin call	-	-	-	-	-
Offsetting	-	-	-	(1,523)	**(1,523)**
Accrued expense	**(33)**	**45**	**12**	**-**	**12**
- Swaps with margin call	-	5	5	-	5
- Swaps without margin call	(33)	40	7	-	7
Total liabilities	**(67)**	**1,602**	**1,535**	**(1,523)**	**12**
Margin calls paid on swaps designated as trading (prepaid expenses - see Note 9)	-	-	1,750	(1,523)	227
Total assets	**-**	**-**	**1,750**	**(1,523)**	**227**

For 2017

(in thousand euros) Negative valued swaps	Liability gross amount Swap's winning leg	Liability gross amount Swap's losing leg	Liability net amount before offsetting	Offsetting with paid margin calls	Balance sheet amount after offsetting
Negative fair value	**(34)**	**2,411**	**2,377**	**-**	**2,377**
- Swaps with margin call	(34)	2,411	2,377	-	2,377
- Swaps without margin call	-	-	-	-	-
Offsetting	-	-	-	(2,338)	**(2,338)**
Accrued expense	**(34)**	**40**	**6**	**-**	**6**
- Swaps with margin call	-	-	-	-	-
- Swaps without margin call	(34)	40	6	-	6
Total liabilities	**(68)**	**2,451**	**2,383**	**(2,338)**	**45**
Margin calls paid on swaps designated as trading (prepaid expenses - see Note 9)	-	-	2,340	(2,338)	2
Total assets	**-**	**-**	**2,340**	**(2,338)**	**2**

Note 11 Hedging Instruments - Liabilities

11.1 Analysis by Nature

(in thousand euros)	June 30, 2018	Dec. 31, 2017
Negative fair value of instruments designated as hedges of:	**989**	**1,292**
- Borrowings	-	-
- EMTNs/BMTNs	-	-
- Bonds	-	-
- Certificates of deposit	-	-
- Customer loans (Installment contracts, Leasing with a purchase option and Long-term leases)	989	1,292
- of which related companies with Santander Consumer Finance Group	*157*	*1,292*
Offsetting negative fair value and paid margin calls (see Note 11.2)	**(1,315)**	**(1,768)**
Accrued expenses on swaps designated as hedges	**362**	**561**
- of which related companies with Santander Consumer Finance Group	*84*	*561*
Total	**36**	**85**

Fair value is determined by applying valuation techniques based on observable market data (level 2).
Fair Value Hedge effectiveness is analysed in Note 16.

11.2 Offsetting swaps with margin call designated as hedges - Liabilities

For 2018

(in thousand euros) **Negative valued swaps**	**Liability gross amount** Swap's winning leg	 Swap's losing leg	**Liability net amount before offsetting**	**Offsetting with paid margin calls**	**Balance sheet amount after offsetting**
Negative fair value	**(2,377)**	**3,366**	**989**	**-**	**989**
- Swaps with margin call	(2,377)	3,366	989	-	989
- Swaps without margin call	-	-	-	-	-
Offsetting	-	-	-	(1,315)	**(1,315)**
Accrued expense	**(216)**	**578**	**362**	**-**	**362**
- Swaps with margin call	(216)	578	362	-	362
- Swaps without margin call	-	-	-	-	-
Total liabilities	**(2,593)**	**3,944**	**1,351**	**(1,315)**	**36**
Margin calls paid on swaps designated as hedges (prepaid expenses - see Note 9)	-	-	1,601	(1,315)	**286**
Total assets	**-**	**-**	**1,601**	**(1,315)**	**286**

For 2017

(in thousand euros) **Negative valued swaps**	**Liability gross amount** Swap's winning leg	 Swap's losing leg	**Liability net amount before offsetting**	**Offsetting with paid margin calls**	**Balance sheet amount after offsetting**
Negative fair value	**(3,317)**	**4,609**	**1,292**	**-**	**1,292**
- Swaps with margin call	(3,317)	4,609	1,292	-	1,292
- Swaps without margin call	-	-	-	-	-
Offsetting	-	-	-	(1,768)	**(1,768)**
Accrued expense	**(220)**	**781**	**561**	**-**	**561**
- Swaps with margin call	(220)	781	561	-	561
- Swaps without margin call	-	-	-	-	-
Total liabilities	**(3,537)**	**5,390**	**1,853**	**(1,768)**	**85**
Margin calls paid on swaps designated as hedges (prepaid expenses - see Note 9)	-	-	2,493	(1,768)	**725**
Total assets	**-**	**-**	**2,493**	**(1,768)**	**725**

Note 12 Deposits from Credit Institutions

Analysis of Demand and Time Accounts

(in thousand euros)	June 30, 2018	Dec. 31, 2017
Demand deposits	**113,880**	**69,499**
- Ordinary accounts in credit	55,561	3,032
- of which related companies with PSA Group	*275*	*125*
- Accounts and deposits at overnight rates	57,000	65,000
- of which related companies with Santander Consumer Finance Group	*57,000*	*65,000*
- Other amounts due to credit institutions	1,319	1,467
Accrued interest	**1**	**-**
Time deposits (non-group institutions)	**3,545,000**	**3,735,000**
- Conventional bank deposits	2,545,000	2,735,000
- of which related companies with Santander Consumer Finance Group	*2,095,000*	*2,285,000*
- Deposits from the ECB (see Note 18)	1,000,000	1,000,000
Deferred items included in amortized cost of deposits from credit institutions	**(657)**	**(848)**
- Debt issuing costs (deferred charges)	(657)	(848)
Accrued interest (see Note 22)	**(5,464)**	**580**
- of which related companies with Santander Consumer Finance Group	*603*	*553*
Total deposits from credit institutions at amortized cost (1)	**3,652,760**	**3,804,231**

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

Note 13 Due to Customers

(in thousand euros)	June 30, 2018	Dec. 31, 2017
Demand accounts	**1,992,558**	**1,807,648**
- ordinary accounts in credit	248,713	182,179
- Related companies with PSA Group	114,123	89,002
- Non-group companies	134,590	93,177
- Passbook savings accounts	1,699,797	1,573,179
- Other amounts due to Customers	44,048	52,290
- Related companies with PSA Group	-	-
- Non-group companies	44,048	52,290
Accrued interest	**9,012**	**10,033**
- of which passbook savings accounts	*9,012*	*10,033*
Time deposits	**346,286**	**330,866**
- Term deposit accounts	336,376	308,206
- Other	9,910	22,660
- Related companies	-	-
- Non-group companies	9,910	22,660
Accrued interest	**4,568**	**5,827**
- of which time deposits	*4,468*	*5,673*
Total (1)	**2,352,424**	**2,154,374**

(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 27.1).

Note 14 Debt Securities

14.1 Analysis by Nature

(in thousand euros)	June 30, 2018	Dec. 31, 2017
Interbank instruments and money-market securities (non-group institutions)	**2,205,000**	**1,554,000**
- EMTNs and BMTNs (1)	1,854,000	1,354,000
- of which paper in the process of being delivered	-	-
- Certificates of deposit	351,000	200,000
- of which paper in the process of being delivered	*30,000*	-
Securities issued by securitization funds (see Note 14.2)	**1,823,901**	**1,782,940**
Accrued interest	**4,048**	**3,169**
- Securitization	73	72
Deferred items included in amortized cost of debt securities	**(8,445)**	**(5,726)**
- Debt issuing costs and premiums (deferred charges)	(8,445)	(5,726)
Total debt securities at amortized cost (2)	**4,024,504**	**3,334,383**

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

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

14.2 Securitization programs

Securities issued by securitization funds

(in thousand euros)			Issued Bonds		
Fund	**Bonds**	**Rating (1)**	**at June 30, 2018**	**at Dec. 31, 2017**	**at the origin**
		Fitch/Moody's			
FCT Auto ABS French Loans Master	Class A	AAA/Aaa	1,138,100	1,100,600	N/A
	Class B	-	137,900	133,300	N/A
		Not Rated			
FCT Auto ABS DFP Master - Compartment France 2013	Class A	-	600,000	600,000	N/A
	Class B	-	256,500	258,300	N/A
		Not Rated			
FCT Auto ABS French Leases Master - Compartment 2016	Class A	-	635,000	635,000	N/A
	Class B	-	418,000	336,000	N/A
		Not Rated			
FCT Auto ABS French LT Leases Master	Class A	-	588,900	547,940	N/A
	Class B	-	398,280	340,920	N/A
Elimination of intercompany transactions (2)			(2,348,779)	(2,169,120)	
Total			**1,823,901**	**1,782,940**	

(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 15 Accruals and Other Liabilities

(in thousand euros)	**June 30, 2018**	**Dec. 31, 2017**
Trade payables	**195,046**	**187,432**
- Related companies	160,820	161,374
- of which related companies with PSA Group	*160,710*	*161,374*
- of which related companies with Santander Consumer Finance Group	*110*	*-*
- Non-group companies	34,226	26,064
Accrued payroll and other taxes	**28,235**	**35,980**
Accrued charges	**133,036**	**138,750**
- Related companies	17,220	21,739
- of which related companies with PSA Group	*14,018*	*19,510*
- of which related companies with Santander Consumer Finance Group	*3,202*	*2,229*
- Non-group companies	115,816	117,011
Other payables	**19,875**	**34,202**
- Related companies	13,245	12,388
- of which related companies with PSA Group	*13,245*	*12,388*
- Non-group companies	6,630	21,814
Deferred income	**13,750**	**12,811**
- of which margin calls received on swaps (1)	*-*	*-*
- Related companies	8,116	8,036
- of which related companies with PSA Group	*8,005*	*7,837*
- of which related companies with Santander Consumer Finance Group	*111*	*199*
- Non-group companies	5,634	4,775
Other	**97,688**	**46,482**
- Non-group companies	97,688	46,482
Total	**487,630**	**455,657**

(1) At June 30, 2018, margin calls paid on swaps were offset with the positive fair value for an amount of €0.1 million, compared to €0.2 million at December 31, 2017 (see Notes 5.2 & 6.2).

Note 16 Derivatives

PSA Banque France Group Interest Rate Management Policy

(See the "Financial Risks and Market Risk" section of the Management Report at December 31, 2017)

Interest rate risk:

The policy in terms of interest rate risk tends to be conservative and avoids any speculation. It aims to control and supervise positions subject to interest rate risk within sensitivity limits in accordance with the risk appetite that is defined. The management of interest rate risk consists in complying with this policy and subjecting it to regular controls and hedging measures.
At June 30, 2018, nominal amount of interest rate swaps is €1.360 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 25.

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

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

(in thousand euros)	June 30, 2018	Dec 31, 2017	Fair value adjustments	Ineffective portion recognized in profit or loss
Fair value adjustments to customer loans (Installment contracts, Leasing with purchase option and Long-term leases)				
- Installment contracts	(713)	(916)		
- Leasing with purchase option	(985)	(1,207)		
- Long-term leases	(738)	(974)		
Total valuation, net	**(2,436)**	**(3,097)**	**661**	
Derivatives designated as hedges of customer loans				
- Assets (Note 6)	-	4		
- Liabilities (Note 11)	(989)	(1,292)		
Total valuation, net	**(989)**	**(1,288)**	**299**	**960**
Ineffective portion of gain and losses on outstanding hedging	**(3,425)**	**(4,385)**		**960**
Fair value adjustments to hedged debt				
- Valuation, net	(126)	(239)		
Total valuation, net	**(126)**	**(239)**	**113**	
Derivatives designated as hedges of debt				
- Assets (Note 6)	128	241		
- Liabilities (Note 11)	-	-		
Total valuation, net	**128**	**241**	**(113)**	**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 6)	-	-		
- Liabilities (Note 11)	-	-		
Total valuation, net	**-**	**-**	**-**	**0**
Ineffective portion of gain and losses on outstanding hedging	**0**	**0**		**0**

Note 17 Fair Value of Financial Assets and Liabilities

(in thousand euros)	Fair value June 30, 2018	Fair value Dec. 31, 2017	Book value June 30, 2018	Book value Dec. 31, 2017	Difference June 30, 2018	Difference Dec. 31, 2017
Assets						
Cash, central banks	297,893	364,814	297,893	364,814	-	-
Financial assets at fair value through profit or loss (1) (2)	1,538	2,383	1,538	2,383	-	-
Hedging instruments (1)	18	48	18	48	-	-
Available-for-sale financial assets (2)	-	*3*	-	*3*	-	-
Loans and advances to credit institutions (3)	696,313	525,102	696,313	525,102	-	-
Customer loans and receivables at amortized cost (4)	10,973,839	10,298,296	10,925,032	10,210,528	48,807	87,768
Equity and liabilities						
Central banks	28	38	28	38	-	-
Financial liabilities at fair value through profit or loss (1)	12	45	12	45	-	-
Hedging instruments (1)	36	85	36	85	-	-
Deposits from credit institutions (5)	3,653,742	3,807,741	3,652,888	3,804,470	(854)	(3,271)
Debt securities (5)	4,020,315	3,342,550	4,024,504	3,334,383	4,189	(8,167)
Due to customers (3)	2,352,424	2,154,374	2,352,424	2,154,374	-	-
Subordinated debt (5)	146,419	159,813	155,110	155,116	8,691	(4,697)

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) *Equity securities in non-consolidated companies are included in "Financial assets at fair value through profit or loss".*

(3) *The fair value of Loans and advances to credit institutions and of Customer loans and receivables, mainly short-term operations at adjustable rate, are accordingly close to their amortized cost.*

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

(4) *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, 2017). 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).

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

The fair value presented above therefore corresponds mainly to the change in the spread (premium over the risk-free rate) paid by 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 and subordinated debt, 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 18 Other Commitments

(in thousand euros)	June 30, 2018	Dec. 31, 2017
Financing commitments		
Commitments received from credit institutions	-	-
Commitments given to credit institutions	-	-
Commitments given to customers (1)	530,982	503,899
Guarantee commitments		
Commitments received from credit institutions	40,000	29,898
- guarantees received in respect of customer loans	40,000	29,898
- guarantees received in respect of securities held	-	-
- other guarantees received from credit institutions	-	-
Guarantees given to credit institutions	115	115
- of which related companies with PSA Group	*115*	*115*
Commitments given to customers	6,309	6,484
- of which related companies with PSA Group	*70*	*70*
Other commitments received	11,100	52,060
Securities received as collateral	-	-
Others	11,100	52,060
Other commitments given		
Assets given as collateral for own account, remains available (2)	477,466	1,148
- to the ECB	477,466	1,148
- 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 is remaining amount available at the ECB. CREDIPAR has remitted €1,138 million as ABS securities and €458 million as credit claims on its collateral account, that Banque de France has valuated for a total amount of €1,427 million. PSA Banque France has drawn €1,000 million of financing (see note 12). €477.5 million remain available, given a non-used authorized financing of €426.7 million after haircut.*

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

Note 19 Interest and Other Revenue on Assets at Amortized Cost

(in thousand euros)	June 30, 2018	June 30, 2017	Dec. 31, 2017
Installment contracts	**74,091**	**76,553**	**151,552**
- of which related companies with PSA Group	*414*	*1,354*	*2,239*
- of which securitized	*36,763*	*41,243*	*76,085*
Leasing with a purchase option	**104,316**	**85,371**	**179,159**
- of which related companies with PSA Group	*14,581*	*10,117*	*22,224*
- of which securitized	*31,060*	*28,415*	*55,845*
Long-term leases	**79,102**	**77,470**	**156,804**
- of which related companies with PSA Group	*(545)*	*-*	*-*
- of which securitized	*34,256*	*9,894*	*35,412*
Trade receivables	**22,432**	**22,454**	**42,753**
- of which related companies with PSA Group	*16,936*	*17,565*	*34,228*
Other finance receivables (including equipment loans, revolving credit)	**5,806**	**7,135**	**13,680**
- of which related companies with PSA Group	*197*	*175*	*498*
Commissions paid to referral agents	**(80,158)**	**(68,918)**	**(144,604)**
- Installment contracts	(31,253)	(23,142)	(55,427)
- Leasing with a purchase option	(31,047)	(21,688)	(53,560)
- Long-term leases	(17,858)	(24,088)	(35,617)
- Other financing	-	-	-
- of which related companies with PSA Group	*(18,979)*	*(14,566)*	*(30,102)*
Other business acquisition costs	**(6,897)**	**(5,777)**	**(12,152)**
Interest on ordinary accounts	**-**	**-**	**-**
Interest on guarantee commitments	**7**	**24**	**33**
Total	**198,699**	**194,312**	**387,225**

Note 20 Interest on Deposits from Credit Institutions

(in thousand euros)	June 30, 2018	June 30, 2017	Dec. 31, 2017
Interest on treasury and interbank transactions	(4,028)	(6,801)	(12,088)
- of which related companies with PSA Group	*-*	*-*	*-*
- of which related companies with Santander Consumer Finance Group	*(2,625)*	*(4,644)*	*(8,231)*
Total	**(4,028)**	**(6,801)**	**(12,088)**

Note 21 Interest on Debt Securities

(in thousand euros)	June 30, 2018	June 30, 2017	Dec. 31, 2017
Interest expense on debt securities	(3,715)	(1,358)	(3,510)
Interest on subordinated debts	(1,233)	-	(116)
Interest expense on bonds and other fixed income securities	(2,554)	(3,210)	(5,617)
- of which securitization: placed bonds	*(2,554)*	*(3,210)*	*(5,617)*
Total	**(7,502)**	**(4,568)**	**(9,243)**

Note 22 Other Revenue and Expense

(in thousand euros)	June 30, 2018	June 30, 2017	Dec. 31, 2017
Interest expense of assets	(289)	(247)	(614)
Interest income of liabilities	6,481	-	-
- of which interest income on TLTRO operations (1)	*6,117*	-	-
Total	**6,192**	**(247)**	**(614)**

(1) The interest rate retained for targeted longer-term refinancing operations (TLTRO II) driven by the ECB takes into account the confirmation received in 2018 of the negative interest rate of -0,40% (Deposit facility rate). Indeed, the increase of the loans granted to individuals and non financial companies by PSA Banque France during the reference period (January 2016 to January 2018) has been higher than the 2.5% required.

Note 23 Interest on Savings Accounts

(in thousand euros)	June 30, 2018	June 30, 2017	Dec. 31, 2017
Interest on savings accounts	(11,791)	(11,108)	(22,783)
- on passbook savings accounts	(9,237)	(7,739)	(16,520)
- on term deposits	(2,554)	(3,369)	(6,263)
Total	**(11,791)**	**(11,108)**	**(22,783)**

Note 24 General Operating Expenses

(in thousand euros)	June 30, 2018	June 30, 2017	Dec. 31, 2017
Personnel costs	**(32,959)**	**(30,916)**	**(61,566)**
- Wages and salaries	(20,411)	(19,637)	(37,983)
- Payroll taxes	(9,486)	(8,724)	(17,958)
- Employee profit sharing and profit-related bonuses	(3,062)	(2,555)	(5,625)
Other general operating expenses	**(45,480)**	**(46,803)**	**(83,729)**
- of which related companies with PSA Group	*(19,055)*	*(18,602)*	*(37,627)*
- of which related companies with Santander Consumer Finance Group	*(1,075)*	*(743)*	*(1,442)*
Total	**(78,439)**	**(77,719)**	**(145,295)**

Note 25 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.

25.1 Changes in Loans

(in thousand euros)	Balance at Dec 31, 2017	IFRS 9 FTA Impact	Net new loans	Cost of risk: Charges	Cost of risk: Reversals	Cost of risk: Credit losses	Cost of risk: Recoveries on loans written off in prior periods	Cost of risk for the period at June 30, 2018	Balance at June 30, 2018
Retail									
Stage 1 loans	5,975,918		418,646	-	-	-	-	-	6,394,564
Stage 2 loans	61,021		156,964	-	-	-	-	-	217,985
Guarantee deposits (lease financing)	(26)		13	-	-	-	-	-	(13)
Stage 3 loans	126,372		19,220	-	-	(17,067)	-	(17,067)	128,525
Total	**6,163,285**		**594,843**	**-**	**-**	**(17,067)**	**-**	**(17,067)**	**6,741,061**
Impairment of Stage 1 loans	(32,017)	10,963	(10)	(2,402)	29	-	-	(2,373)	(23,437)
Impairment of Stage 2 loans	(9,044)	(8,081)	14	(4,862)	2,010	-	-	(2,852)	(19,963)
Impairment of Stage 3 loans	(94,108)	3,732	(3)	(9,200)	12,726	-	-	3,526	(86,853)
Total impairment	**(135,169)**	**6,614**	**1**	**(16,464)**	**14,765**	**-**	**-**	**(1,699)**	**(130,253)**
Deferred items included in amortized cost	**120,765**		**10,541**			**-**	**-**	**-**	**131,306**
Net book value (A - see B Note 8.2)	**6,148,881**	**6,614**	**605,385**	**(16,464)**	**14,765**	**(17,067)**	**-**	**(18,766)**	**6,742,114**
Recoveries on loans written off in prior periods							4,473	4,473	
Impairment of other customers transactions				-	47	-	-	47	
Retail cost of risk				**(16,464)**	**14,812**	**(17,067)**	**4,473**	**(14,246)**	
Corporate dealers									
Stage 1 loans	3,099,992		(303,367)	-	-	-	-	-	2,796,625
Stage 2 loans	-		482,072	-	-	-	-	-	482,072
Guarantee deposits	-		-	-	-	-	-	-	-
Stage 3 loans (1)	127,702		(76,789)	-	-	(113)		(113)	50,800
Total	**3,227,694**		**101,916**	**-**	**-**	**(113)**	**-**	**(113)**	**3,329,497**
Impairment of Stage 1 loans	(5,884)	4,673	32	(2,131)	1,986	-	-	(145)	(1,324)
Impairment of Stage 2 loans	-	(1,590)	(19)	(1,047)	456	-	-	(591)	(2,200)
Impairment of Stage 3 loans	(30,911)	62	(140)	(22,873)	33,977	-	-	11,104	(19,885)
Total impairment	**(36,795)**	**3,145**	**(127)**	**(26,051)**	**36,419**	**-**	**-**	**10,368**	**(23,409)**
Deferred items included in amortized cost	**(256)**		**264**	**-**	**-**	**-**	**-**	**-**	**8**
Net book value (B - see A Note 8.2)	**3,190,643**	**3,145**	**102,053**	**(26,051)**	**36,419**	**(113)**	**-**	**10,255**	**3,306,096**
Recoveries on loans written off in prior periods			-	-	-	-	32	32	
Impairment of other customers transactions				(968)	-	-	-	(968)	
Corporate dealers cost of risk				**(27,019)**	**36,419**	**(113)**	**32**	**9,319**	
Corporate and equivalent									
Stage 1 loans	850,823		(111,612)	-	-	-	-	-	739,211
Stage 2 loans	-		116,961	-	-	-	-	-	116,961
Guarantee deposits	-		-	-	-	-	-	-	-
Stage 3 loans	5,873		1,407	-	-	(112)	-	(112)	7,168
Total	**856,696**		**6,756**	**-**	**-**	**(112)**	**-**	**(112)**	**863,340**
Impairment of Stage 1 loans	(1,332)	309	(11)	(334)	200	-	-	(134)	(1,168)
Impairment of Stage 2 loans	-	(2,052)	(23)	(78)	380	-	-	302	(1,773)
Impairment of Stage 3 loans	(3,700)	(286)	138	(456)	294	-	-	(162)	(4,010)
Total impairment	**(5,032)**	**(2,029)**	**104**	**(868)**	**874**	**-**	**-**	**6**	**(6,951)**
Deferred items included in amortized cost	**22,437**		**432**	**-**	**-**	**-**	**-**	**-**	**22,869**
Net book value (C - see C Note 8.2)	**874,101**	**(2,029)**	**7,292**	**(868)**	**874**	**(112)**	**-**	**(106)**	**879,258**
Recoveries on loans written off in prior periods				-	-	-	10	10	
Impairment of other customers transactions				(12)	39	-	-	27	
Corporate and equivalent cost of risk				**(880)**	**913**	**(112)**	**10**	**(69)**	
Total loans									
Stage 1 loans	9,926,733		3,667	-	-	-	-	-	9,930,400
Stage 2 loans	61,021		755,997	-	-	-	-	-	817,018
Guarantee deposits	(26)		13	-	-	-	-	-	(13)
Stage 3 loans	259,947		(56,162)	-	-	(17,292)	-	(17,292)	186,493
Total	**10,247,675**		**703,515**	**-**	**-**	**(17,292)**	**-**	**(17,292)**	**10,933,898**
Impairment of Stage 1 loans	(39,233)	15,945	11	(4,867)	2,215	-	-	(2,652)	(25,929)
Impairment of Stage 2 loans	(9,044)	(11,723)	(28)	(5,987)	2,846	-	-	(3,141)	(23,936)
Impairment of Stage 3 loans	(128,719)	3,508	(5)	(32,529)	46,997	-	-	14,468	(110,748)
Total impairment	**(176,996)**	**7,730**	**(22)**	**(43,383)**	**52,058**	**-**	**-**	**8,675**	**(160,613)**
Deferred items included in amortized cost	**142,946**	**-**	**11,237**	**-**	**-**	**-**	**-**	**-**	**154,183**
Net book value	**10,213,625**	**7,730**	**714,730**	**(43,383)**	**52,058**	**(17,292)**	**-**	**(8,617)**	**10,927,468**
Recoveries on loans written off in prior periods							4,515	4,515	
Impairment of other customers transactions				(980)	86	-	-	(894)	
Total cost of risk				**(44,363)**	**52,144**	**(17,292)**	**4,515**	**(4,996)**	

(1) In certain cases, PSA Banque France can finance vehicles bought by dealers in stage 3 in order that they are not forced to stop their activities. Under IFRS 9, these receivables are considered as Purchased or Originated Credit Impaired (POCI) for €38 million end of June 2018 (€112 million end of December 2017). It has to be noted that while a financing line had been originally granted, these dealers were not in default. Furthermore, these financing are done in a dedicated limit depending on the risk associated to each dealer and under a close monitoring of Risks Department. Risk exposure is not increasing for these dealers as a new financing can only be granted in the disposal limit (thus after the refund of another financing).

25.2 Change in Cost of Risk

(in thousand euros)	Retail	Corporate dealers	Corporate and equivalent	June 30, 2018	June 30, 2017 (1)	Dec. 31, 2017 (1)
Stage 1 loans						
Allowances	(2,402)	(2,131)	(334)	(4,867)	(2,295)	(14,027)
Reversals	29	1,986	200	2,215	2,040	10,950
Stage 2 loans						
Allowances	(4,862)	(1,047)	(78)	(5,987)	(804)	(3,102)
Reversals	2,010	456	380	2,846	581	3,522
Stage 3 loans						
Allowances	(9,200)	(22,873)	(456)	(32,529)	(19,364)	(56,101)
Reversals	12,726	33,977	294	46,997	25,858	59,942
Stage 3 commitments (2)						
Allowances					(1,132)	(1,726)
Reversals					382	699
Stage 3 other customers transactions (1)						
Allowances	-	(968)	(12)	(980)		
Reversals	47	-	39	86		
Credit losses	(17,067)	(113)	(112)	(17,292)	(24,431)	(41,557)
Recoveries on loans written off in prior periods	4,473	32	10	4,515	4,537	9,538
Cost of risk	**(14,246)**	**9,319**	**(69)**	**(4,996)**	**(14,627)**	**(31,862)**

The Bank's credit management policy is described in the "Credit Risk" section of the Management Report at December 31, 2017.

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

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

(2) Since June 2018, the impairments on commitments are accounted as other revenue and expense into the net interest revenue on customer transactions instead of cost of risk.

Note 26 Income Taxes

26.1 Evolution of Balance Sheet Items

(in thousand euros)	Balance at Dec 31, 2017	Income	Equity (1)	Payment	June 30, 2018
Current tax					
Assets	18,545				6,216
Liabilities	(4,231)				(2,128)
Total	**14,314**	**(35,959)**	**0**	**25,733**	**4,088**
Deferred tax					
Assets	235				598
Liabilities	(280,173)				(295,278)
Total	**(279,938)**	**(12,842)**	**(1,900)**	**0**	**(294,680)**

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

26.2 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 2017 annual report, last paragraph dedicated to deferred taxes.

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

The Social Security Financing Act (no. 99-1140) dated December 29, 1999 introduced a surtax equal to 3.3% of the corporate income tax liability of French companies. This surtax had the effect of raising the French corporate income tax rate by 1.1%.

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

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

(in thousand euros)	June 30, 2018	June 30, 2017	Dec. 31, 2017
Current tax			
Income taxes	(35,959)	(39,590)	(64,669)
Deferred tax			
Deferred taxes arising in the period	(12,842)	(8,618)	(29,519)
Unrecognized deferred tax assets and impairment losses	-	-	-
Total	**(48,801)**	**(48,208)**	**(94,188)**

26.3 PSA Banque France Group tax proof

(in thousand euros)	June 30, 2018	June 30, 2017	Dec. 31, 2017
Pre-tax income	154,222	128,937	261,534
Permanent differences	3,214	6,278	6,064
Taxable Income	**157,436**	**135,215**	**267,598**
Theoretical tax	(54,205)	(46,560)	(105,514)
Theoretical rate	*34.43%*	*34.43%*	*39.43%*
Deferred Taxes evaluation without exceptional contribution of 15%	7,400	-	7,030
Of which effect of revaluation of deferred taxes assets and liabilities reversed from January,1st 2019	*7,400*	-	1,945
Special tax contribution on dividend distributed (1)	-	(2,150)	4,899
Reclassification of the contribution on added value of incomes taxes (CVAE) as current tax (IAS12)	(2,074)	357	(1,063)
Other	78	145	460
Income taxes	**(48,801)**	**(48,208)**	**(94,188)**
Group effective tax rate	*31.0%*	*35.7%*	*35.2%*

(1) *The French Constitutional Council censored the 3% contribution on dividends. This decision has given right to the restitution of the amount of € 4,503k paid by PSA Banque France in 2016 as well as the interest estimated at € 396k as at December 31, 2017.*

26.4 Deferred Tax Assets on Tax Loss Carryforwards

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

Note 27 Segment Information

27.1 Key Balance Sheet Items

For 2018

(in thousand euros)	Financing activities: Corporate dealers	Financing activities – End user: Retail	Financing activities – End user: Corporate and equivalent	Unallocated	Insurance and services	Total at June 30, 2018
Assets						
Customer loans and receivables	3,306,096	6,742,114	879,258	-		10,927,468
Cash, central banks	82,103	167,433	48,357	-		297,893
Financial assets at fair value through profit or loss	-	-	1,538	-		1,538
Loans and advances to credit institutions	22,976	153,402	519,935	-		696,313
Other assets				264,819		264,819
Total Assets						**12,188,031**
Liabilities						
Refinancing (1)	2,400,175	6,715,410	870,015	-		9,985,600
Due to customers (1)	9,077	30,647	4,364	-		44,088
Other liabilities				965,784		965,784
Equity				1,192,559		1,192,559
Total Liabilities						**12,188,031**

For 2017

(in thousand euros)	Financing activities: Corporate dealers	Financing activities – End user: Retail	Financing activities – End user: Corporate and equivalent	Unallocated	Insurance and services	Total at Dec. 31, 2017
Assets						
Customers loans and receivables	3,190,643	6,148,881	874,101	-		10,213,625
Cash, central banks	106,239	204,740	53,835	-		364,814
Financial assets at fair value through profit or loss	-	-	2,383	-		2,383
Loans and advances to credit institutions	22,626	143,926	358,550	-		525,102
Other assets				283,590		283,590
Total Assets						**11,389,514**
Liabilities						
Refinancing (1)	2,307,335	6,063,946	869,377	-		9,240,658
Due to customers (1)	13,160	32,892	6,278	-		52,330
Other liabilities				920,478		920,478
Equity				1,176,048		1,176,048
Total Liabilities						**11,389,514**

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

27.2 Key Income Statement Items

At June 30, 2018

(in thousand euros)	Financing activities: Corporate dealers	Financing activities: End user: Retail	Financing activities: End user: Corporate and equivalent	Financing activities: Unallocated	Financing activities: Financial derivative instruments (2)	Insurance and services	Total at June 30, 2018
Net interest revenue on customer transactions (at amortized cost) (1)	31,640	160,878	19,813	(4,613)	(1,311)		206,407
Net gains or losses on financial assets at fair value through profit or loss	-	-	-	(2)			(2)
Net refinancing cost (2)	(2,397)	(18,725)	(2,459)	2,484	1,311		(19,786)
Margin on sales of other services						52,291	52,291
Net banking revenue	**29,243**	**142,153**	**17,354**	**(2,131)**	**-**	**52,291**	**238,910**
Credit Cost of risk	9,319	(14,246)	(69)				(4,996)
Net income after cost of risk	**38,562**	**127,907**	**17,285**	**(2,131)**	**-**	**52,291**	**233,914**
General operating expenses and equivalent				(79,584)			(79,584)
Operating Income	**38,562**	**127,907**	**17,285**	**(81,715)**	**-**	**52,291**	**154,330**

At June 30, 2017

(in thousand euros)	Financing activities: Corporate dealers	Financing activities: End user: Retail	Financing activities: End user: Corporate and equivalent	Financing activities: Unallocated	Financing activities: Financial derivative instruments (2)	Insurance and services	Total at June 30, 2017
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)
Margin on sales of other services						47,120	47,120
Net banking revenue	**25,262**	**135,656**	**13,514**	**930**	**-**	**47,120**	**222,482**
Credit 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**

(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 €1.0 million at June 30, 2018 (compared to €4.2 million at June 30, 2017) (See Note 16). 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 €1.3 million reclassification at June 30, 2018 (€2.3 million at June 30, 2017) between "Net refinancing cost" and "Net interest revenue on customer transactions" in the "Financial derivatives instruments" column.*

Note 28 Subsequent Events

No event occurred between June 30, 2018 and the Board of Directors' meeting to review the financial statement on September 11, 2018 that could have a material impact on economic decisions made on the basis of these financial statements.

2.7 Statutory Auditors' review report on the 2018 half-year financial information

For the period from January 1st to June 30th, 2018

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
92230 Gennevilliers

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, 2018;
- the verification of the information contained in the half year management report.

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

I - Conclusion on the financial statements

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

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

Without qualifying our conclusion, we draw your attention to:

- Note 2, which presents the evolution of the accounting principles resulting the adoption of IFRS 9 "financial Instruments" beginning 1 January 2018;
- Notes 3 and 25, which present the impacts of the transition to the financial statements following the adoption of IFRS 9 and state that the published comparative data have not been restated as permitted by the transitional provisions of the standard.

II - Specific verification

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

Neuilly sur Seine and Paris, September 17, 2018

The Statutory Auditors
French original signed by

PricewaterhouseCoopers Audit	Mazars
Laurent Tavernier	Matthew Brown

Statement by the person responsible for the 2018 half-year report

Person responsible for the half-year report

Jean-Paul Duparc
Chief Executive Officer of PSA Banque France

Certification of the person responsible for the half-year report

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

Gennevilliers, September 17, 2018

Jean-Paul Duparc
Chief Executive Officer of PSA Banque France

PSA BANQUE FRANCE

Société anonyme (limited company). Share capital: € 144,842,528
Registered office : 9, rue Henri Barbusse - 92230 GENNEVILLIERS
R.C.S. (Trade and Companies Register number): Nanterre 652 034 638
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Interbank code: 14749

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