BANQUE PSA FINANCE

HALF-YEAR REPORT

2018

BOARD OF DIRECTORS

Olivier Bourges
Chairman

Rémy Bayle
Director
Chief Executive Officer

Carlos Tavares
Director

Michel Philippin
Director
Chairman of the Audit & Risk Committee

Laurent Garin
Director
Member of the Audit & Risk Committee

PEUGEOT S.A.
Director
Permanent Representative:
Jean-Baptiste Chasseloup de Chatillon
Member of the Audit & Risk Committee

AUTOMOBILES PEUGEOT
Director
Permanent Representative:
Jean-Philippe Imparato

EXECUTIVE COMMITTEE

Rémy Bayle
Director
Chief Executive Officer

Arnaud de Lamothe
Executive Managing Officer

STATUTORY AUDITORS

Ernst & Young Audit
Mazars

SUBSTITUTE AUDITORS

Picarle et associés
Guillaume Potel

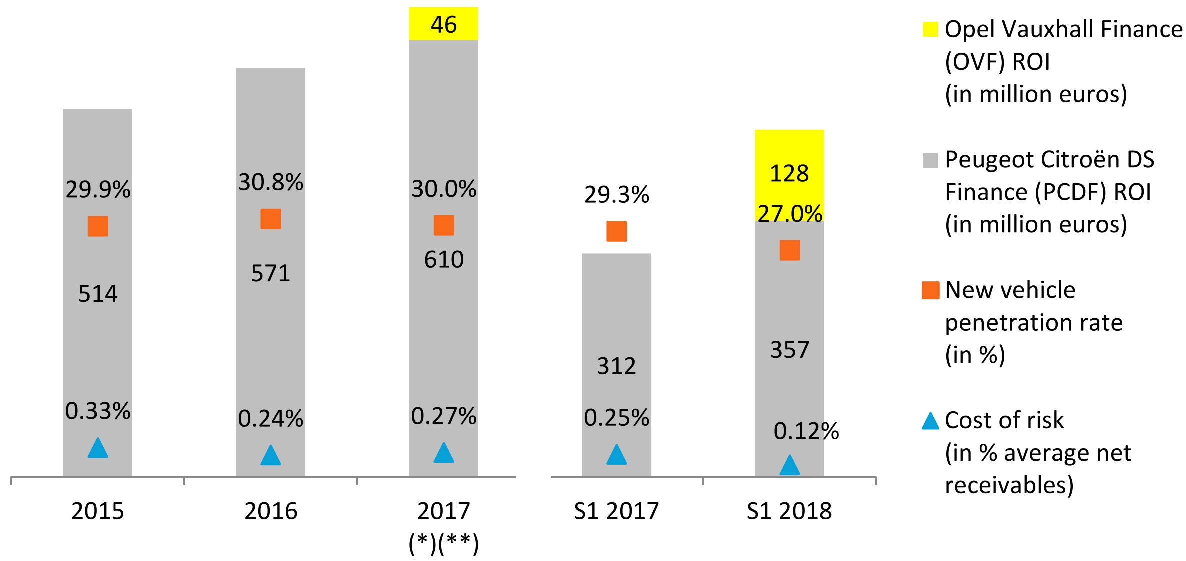
Position as of June 30, 2018

1 MANAGEMENT REPORT

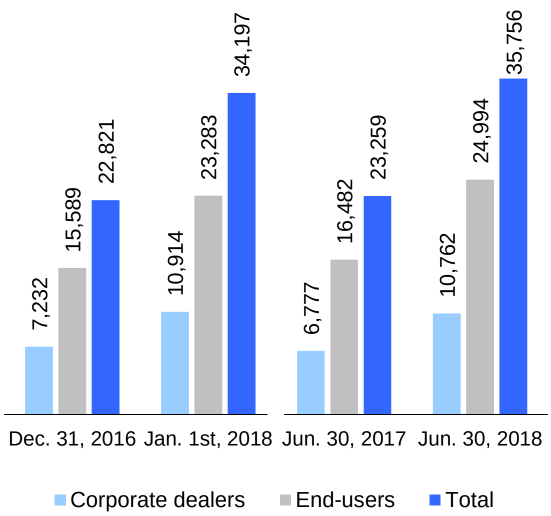
1.1. Key figures

1.1.1. Key figures Banque PSA Finance all activities

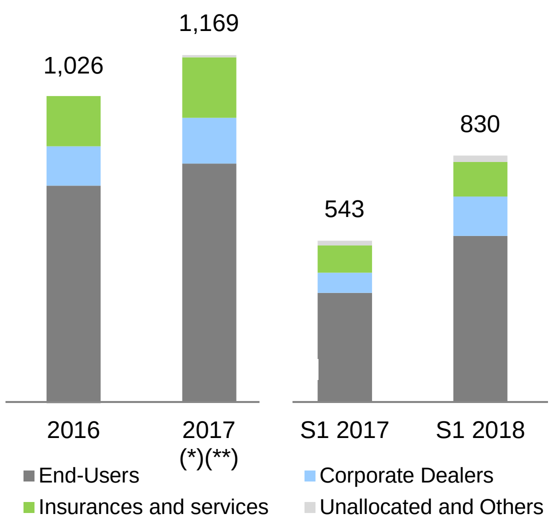
RECURRING OPERATING INCOME, TOTAL NEW VEHICLE FINANCING PENETRATION RATE, AND COST OF RISK (**IFRS 8(***)**)



CHANGES IN LOANS OUTSTANDING BY CUSTOMER SEGMENT (**IFRS 8** (***)) *(in million euros)*



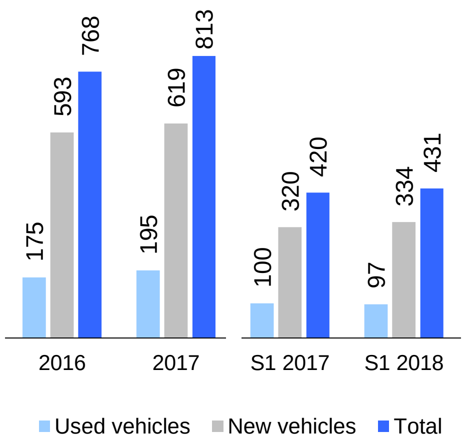
CHANGES IN NET BANKING REVENUE (**IFRS 8**(***)) *(in million euros)*



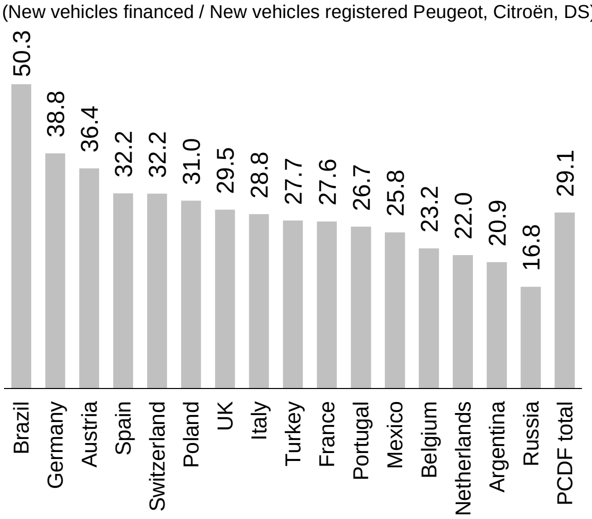
* In 2017, only 2 months of activity Opel Vauxhall Finance
** 2017 restated after the final allocation of the Opel Vauxhall Finance first consolidation difference (cf. Note 1.A Main events of the period and Note 23 Segment information)
*** Out of China

1.1.2. Peugeot Citroën DS Finance activities

CHANGE IN VEHICLES FINANCED TO END-USERS *(in thousands of vehicles)*

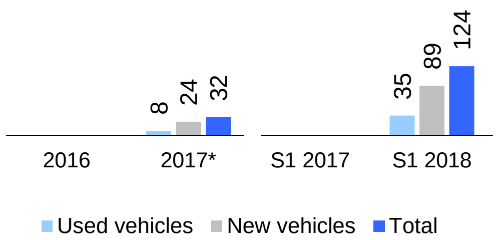


PENETRATION RATE BY COUNTRY (%) AT JUNE 30, 2018
(New vehicles financed / New vehicles registered Peugeot, Citroën, DS)

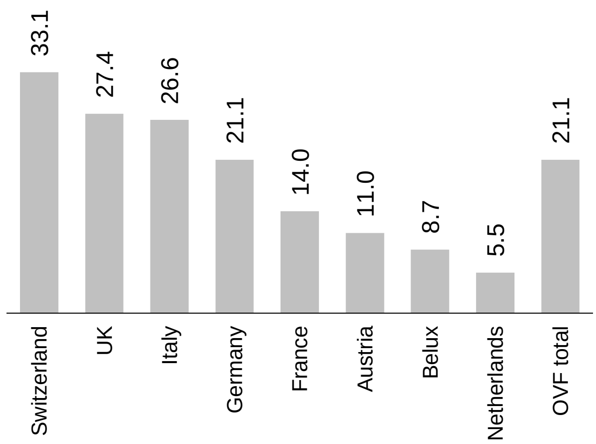


1.1.3. Opel Vauxhall Finance activities

CHANGE IN VEHICLES FINANCED TO END-USERS *(in thousands of vehicles)*



PENETRATION RATE BY COUNTRY (%) AT JUNE 30, 2018
(New vehicles financed / New vehicles registered Opel Vauxhall)



* In 2017, only 2 months of activity Opel Vauxhall Finance

1.2. Main events of the half-year

Opel Vauxhall Finance launches its 100-Day Plan

On February 15, 2018, Opel Vauxhall Finance (OVF) launched its strategic plan, 100 days after its acquisition through BNP Paribas and Groupe PSA. All initiatives are dedicated to support Opel/Vauxhall’s profitable growth. The Opel Vauxhall Finance initiatives complement Opel/Vauxhall's PACE! Plan.

The captive finance organization will focus on launching new competitive automotive finance solutions across Europe as well as expanding into new customer segments and markets. OVF will improve operational efficiency and strengthen the collaboration framework with Opel/Vauxhall to increase the volume of financed/leased vehicles while at the same time raising retail margins across Europe. The goal: to finance one out of every three Opel vehicles by 2020, a 50% increase over 2017.

On July 2, 2018, OVF launched its full-service leasing for its business customers in Germany, under the Free2Move Lease brand. Other markets, e.g. UK, France, and Italy, will also benefit from competitive B2B finance solutions.

In addition to broadening the product portfolio in existing markets, OVF plans to enter new markets and expand its geographic footprint to cover 90% of Opel/Vauxhall's European markets.

The strong support of its experienced partners and shareholders, Banque PSA Finance and BNP Paribas Personal Finance, is a key element of the growth plan of OVF. The captive organization benefits from stable and competitive costs of funding through BNP Paribas as well as leveraging the systems and expertise of both partners.

Opel Vauxhall Finance starts up its activity in Spain

In line with the ambition to cover 90% of Opel/Vauxhall's European markets, OVF started up operations in Spain on April 1, 2018. Spain is a fast-growing market and a key market for the Opel brand. In 2017, the new-vehicle market grew 7.7%, and Opel held its position at #5 in the Spanish market with a 6.59% market share and 94,609 vehicles registered.

Entering the market with its Opel Financial Services brand, OVF offers financing solutions with competitive terms to its Spanish customers, along with its credit insurance, maintenance, and warranty extension solutions. Since launch, the offering has also included an innovative balloon financing product by the name of FlexiOpel Plan.

Banque PSA Finance launches its e-payment activity

Banque PSA Finance has launched its e-payment activity in Europe. BPF is gearing up its offensive on innovative services for customers. Now that buying vehicles and services is increasingly a multi-channel process, and 90% of end-users start that process online, BPF is accelerating its digitalization to make the customer experience easier. The diversity of e-payment solutions available will simplify the customer's experience and guide the development of all Groupe PSA's business activities.

Among the applications for this new activity, there will be e-payment of mobility services, insurance products sold online, and vehicle rental services.

Launching this new e-payment activity at Banque PSA Finance demonstrates the Bank's agility in fulfilling its prime directive: serving the customer.

1.3. Presentation of Banque PSA Finance and its activities

1.3.1. Definition of concepts in the Management Report

As regards **financial data** (balance sheet, P&L, loans), the management report shows information in two forms:

- **Consolidated** information corresponding to the financial statements of Banque PSA Finance (BPF) fully-consolidated companies, and to the financial statements of the companies in the scope of cooperation of BPF and Santander, in the scope of cooperation of BPF and BNP Paribas Personal Finance (BNPP PF), and lastly, the Chinese company Dongfeng Peugeot Citroën Auto Finance Co., which are recognized using the equity method;
- **IFRS 8 format Segment** information corresponding to BPF fully-consolidated companies and to a full consolidation of the activities of the partnership with Santander and those of the partnership with BNPP PF. Financial results from China are still recognized using the equity method. Information in IFRS 8 format corresponds to a management outlook.

Note 23 to the consolidated financial statements shows the transition between consolidated data and IFRS 8 data.

Unless otherwise specified, data in this report are presented without the activities of China.

1.3.2. The main operational activities of Banque PSA Finance

Closely associated with the sales policies of Groupe PSA's Peugeot, Citroën, DS Automobiles, and, more recently, Opel and Vauxhall brands, and as an entity that is 100% directly controlled by companies of Groupe PSA, Banque PSA Finance handles the distribution of financing and service products in order to promote vehicle sales through the brands' dealerships in 18 countries, mainly through partnerships.

BPF, via its local operational entities:

- provides the brands' dealerships with financing for their inventories of new and used vehicles and spare parts, along with other financing such as for working capital;
- offers individual and Business clients a complete range of financing, services and, in France and Germany, savings products.

Typically, BPF's commercial offering combines insurance and services with the financing, in order to best respond to individual and Business clients' growing expectations for mobility solutions.

<u>In its principal markets, BPF carries out its business through joint ventures</u>:

In 2015, BPF introduced a business cooperation model with two major partnerships in Europe, one with the Santander Group for the Peugeot, Citroën and DS brands, and the other with the BNPP PF group for the Opel and Vauxhall brands. Thanks to the governance introduced under these business cooperation models, loan decisions are independent of the brands while allowing the creation of appropriate and innovative sales offerings that fully support the "Push to Pass" and "PACE!" growth plans.

- A partnership with the Santander Consumer Finance (SCF) Group started in 2015, with 10 JV in 11 European countries (Germany, Austria, Belgium / Luxembourg, Spain, France, Italy, Netherlands, Poland, United Kingdom, Switzerland), a sales agreement in Portugal, and a JV with Banco Santander Brasil in Brazil. Aside from financing activities, two joint subsidiaries between BPF and SCF were launched in Malta on May 1, 2015 as insurance companies.
- An agreement in the form of a single Joint Venture between Groupe PSA and BNP Paribas, which began in November 2017 with the acquisition of the financial activities of Opel Vauxhall, which operates in nine principal countries (Germany, UK, France, Italy, Belgium, Netherlands, Switzerland, Austria, and, as of April 1, 2018, Spain).

<u>Outside Europe, BPF also carries out its business through joint ventures:</u>

- in China, through the company Dongfeng Peugeot Citroën Auto Finance Co. (DPCAFC), which is 25% held by BPF, 50% held by DPCA, and 25% held by Dongfeng Motor Group. DPCAFC financial statements are consolidated using the equity accounting method in the BPF financial statements;
- in Argentina, BPF finances end-users via PSA Finance Argentina Compania Financiera, a joint venture in which we have a 50% stake with a BBVA Group subsidiary and for which we provide operations management. Refinancing for the loans is supplied half by the partner. In 2017, a new insurance business was started in partnership with BNP Paribas;
- in Turkey with TEB/CETELEM;
- in Mexico with BNP PARIBAS.

<u>BPF also works alone:</u>

In Russia, whether involving banking activities or the new leasing business launched in 2017.

1.3.3. Financing of Peugeot Citroën DS Finance and Opel Vauxhall Finance

Our financing products, insurance and services include the following:

- ***End-user financing (70% of outstanding customer loans and receivables per consolidated accounts, and 70% per IFRS 8 as at June 30, 2018).*** We offer individuals, small and medium-sized businesses, and corporate and equivalent customers a range of solutions, including financing for the purchase of new and used vehicles, various leasing solutions with or without purchase options and now a range of mobility services.
- ***Financing the corporate dealership network (30% of outstanding customer loans per consolidated accounts and 30% per IFRS 8 as at June 30, 2018).*** Dealers in the Peugeot, Citroën and DS networks as well as those in the Opel and Vauxhall networks have financing solutions available on their inventories of New Vehicles, Used Vehicles, and Demo Vehicles and, if necessary, spare parts as well as other types of financing such as their working capital requirements. In addition, under the policy of developing spare parts sales via Hubs, mainly in Europe and only for PCD, specific financing solutions have been set up on lines of spare parts.
- ***Insurance and services.*** We provide end-user customers and corporate dealers with a wide range of insurance products and services, such as whole- life insurance, unemployment insurance, disability insurance, supplemental insurance to protect vehicles, automobile insurance, and vehicle-related services such as extended warranties, maintenance contracts or service provisions.
- ***Retail savings.*** The retail savings market is active in France and Germany, within the scope of the partnership with SCF, and in Germany, within the scope of Opel Vauxhall Finance. It consists of savings passbooks and term deposit accounts. The proportion of outstanding amounts, for all countries combined, is at 71% for savings passbooks and 29% for term deposit accounts. The results of this business in Europe confirm the relevance of the system in place. The commercial success achieved is also testament to the confidence of savers in the future development of Groupe PSA and BPF.

PCDF's end-user financing is offered in 18 countries (including China), which represents coverage of around 89% of sales of vehicles assembled by Peugeot, Citroën, and DS at June 30, 2018 (sales of cars made in Iran not taken into account). Our principal markets are France, China and other Western European countries (mainly the United Kingdom, Germany, Italy and Spain), Brazil and Argentina.

1.4. Business analysis

1.4.1. Vehicle sales for Peugeot, Citroën, DS, Opel and Vauxhall during the first half of 2018

Worldwide sales up 38.1% in the first half of 2018.

- Groupe PSA sold 2,181,800 vehicles worldwide.
- A new all-time record and a 38.1% growth compared with the first half of 2017.
- SUV product offensive: sustained success supporting the Group's profitable growth.
- Strengthened European leadership in light commercial vehicles (LCV) for Peugeot, Citroën and Opel/Vauxhall, with a 25.3% market share.

Groupe PSA's SUV offensive with 13 models launched worldwide by the five brands – Peugeot, Citroën, DS Automobiles, Opel and Vauxhall – drove the Group's robust sales momentum in the first half of 2018. At more than 609,300 units, SUV sales accounted for nearly 28% of the Group's sales. The success of these models has made Groupe PSA at the end of May, number two in this segment in Europe, with a market share of 16.9%, and number one in the B-SUV segment.

Peugeot is the leading brand in the SUV segment in Europe, selling more than 339,200 SUVs worldwide (up 26%) in the first half of 2018.

The Citroën SUV offensive launched last autumn is being driven by the C3 Aircross in Europe and the C5 Aircross in China, which together represented nearly 80,000 units sold in the first half of 2018, for a total of 135,000 since their launch.

Launched worldwide in February 2018, the DS 7 CROSSBACK, first DS of the second generation is key to growth at DS Automobiles, which came up to +35% in the second quarter.

The Opel and Vauxhall brands are also conducting a major product offensive in the SUV segment with the X-family, which includes the Crossland X, Mokka X, and Grandland X. This represents 167,200 sales in the first half of 2018 for the two brands.

Groupe PSA sets a new record for LCV sales, with 289,500 units sold, up 32.8%. Excluding Opel/Vauxhall, the increase was 8.3%.

In Europe, already leading the market with more than one in four sales to its name, Groupe PSA is also the leader at the end of May in the sub segments of B-LCV with market shares of 35.2%, and in medium van with market shares of 26.2%.

The Group's LCV offensive continued outside Europe. In Eurasia, sales were up 9%, including local production of the new PEUGEOT Expert and CITROËN Jumpy introduced in first-half 2018. In Latin America, the updated product and service offering fed into volume growth of 27.8%.

In Europe, consolidated sales totaled 1,673,700 units, up 61.5%, of which 550,900 Opel and Vauxhall vehicles. The Group's market share expanded by 6 points to 17.2%.

For Peugeot-Citroën-DS Automobiles alone, the Group's market share is growing in its main markets: France (up 0.3 points), Spain (up 0.8 points), Italia (up 1.1 points), United Kingdom (up 0.2 points) and Germany (up 0.2 points). Its performance was further enhanced by the consolidation of Opel/Vauxhall, particularly in Germany (market share of 10.4%) and the United Kingdom (14.8%).

In the Middle East & Africa region, regional deployment, the Group's follows its product offensive. In a shifting regional environment, the Group's sales amounted to 226,100 units; down 18.6% due to the fact that sales of vehicles produced in Iran have not been included in consolidated global sales since 1 May. The Peugeot brand's market share continued to grow in Tunisia, in Turkey, in Egypt and remains market leader in France's overseas departments.

In China & South East Asia, with sales of 163,000 vehicles in China & South East Asia, up 6.9%, the Group has seen the first signs of a sales recovery. Citroën was the biggest contributor to the improvement, with sales up 50.5%.

The volume mix of the PEUGEOT 3008/4008/5008 SUV family is also improving, representing 40% of the brand's total sales volumes.

DS Automobiles sales are stable in the second quarter of 2018. In China, the DS 7 CROSSBACK was launched at the Beijing Motor Show in late April 2018.

During the first half, the Group made significant progress in strengthening its operations in South East Asia with the creation of a joint venture with Naza Corporation Holdings (Malaysia).

In Latin America, Groupe PSA made 98,000 sales in Latin America, an increase of 1.7%, leaving its market share stable at 3.9%. This growth has been achieved despite a significant decline in the Argentinian market (down 18% in June vs 2017), where the Group's market share is greatest.

In India-Pacific, growth sales was a strong 25% in Japan and reached a significant 18% in South Korea, whilst the restart in Australia and New Zealand showed encouraging progress.

In Eurasia, the Group made headway in the both region's major markets: Russia (up 19%) and Ukraine (up 32%), with a total of 7,700 units sold.

1.4.2. End-user financing for Peugeot Citroën DS Finance and Opel Vauxhall Finance

PENETRATION RATE BY COUNTRY (NOT INCLUDING CHINA) - PCDF AND OVF

	New Vehicle Financing (passenger and utility vehicles)[1]			Banque PSA Finance Penetration rate (in %)		
By Geographical Region	**S1 2018 PCDF**	**S1 2018 OVF**	**S1 2017 PCDF**	**S1 2018 PCDF**	**S1 2018 OVF**	**S1 2017 PCDF**
G5 countries[2]	261,015	77,959	242,300	29.8	23.2	29.5
Rest of Europe	41,977	7,380	40,032	26.2	10.7	26.1
Latin America	23,774		28,665	28.6		35.9
Rest of the World	7,432		8,671	25.8		26.0
Total	**334,198**	**85,339**	**319,668**	**29.1**	**21.1**	**29.3**

[1] Passenger cars and light commercial vehicles.

[2] G5 countries : France, UK, Germany, Italy, Spain

PRODUCTION OF NEW END-USER FINANCING (NEW + USED VEHICLES) BY PRODUCT

(in number of contracts)	**S1 2018 PCDF**	**S1 2018 OVF**	**S1 2017 PCDF**	**% change PCDF**
Installment contracts	267,587	97,591	273,198	- 2.1
Leasing activity and other financing	163,843	26,479	146,302	+ 12.0
TOTAL	**431,430**	**124,070**	**419,500**	**+ 2.8**

(in million euros, excluding accrued interests)	**S1 2018 PCDF**	**S1 2018 OVF**	**S1 2017 PCDF**	**% change PCDF**
Installment contracts	2,797	1,371	2,693	+ 3.9
Leasing activity and other financing	2,517	411	2,162	+ 16.4
TOTAL	**5,314**	**1,782**	**4,855**	**+ 9.5**

PRODUCTION OF NEW END-USER FINANCING, NEW + USED VEHICLES

(in number of contracts)	S1 2018 PCDF	S1 2018 OVF	S1 2017 PCDF	% change PCDF
End-user financing	**431,430**	**124,070**	**419,500**	**+ 2.8**
of which new vehicles	334,392	88,987	319,807	+ 4.6
of which used vehicles	97,038	35,083	99,693	- 2.7

(in million euros)	S1 2018 PCDF	S1 2018 OVF	S1 2017 PCDF	% change PCDF
End-user financing	**5,314**	**1,782**	**4,855**	**+ 9.5**
of which new vehicles	4,437	1,380	3,997	+ 11.0
of which used vehicles	877	402	858	+ 2.2

PRODUCTION OF NEW END-USER FINANCING, NEW + USED VEHICLES, BY REGION

(in number of contracts)	S1 2018 PCDF	S1 2018 PCDF	S1 2017 PCDF	% change PCDF
G5 countries	341,402	112,389	327,425	+ 4.3
Rest of Europe	50,836	11,681	47,783	+ 6.4
Latin America	27,941		33,224	- 15.9
Rest of the World	11,251		11,068	+ 1.7
Total	**431,430**	**124,070**	**419,500**	**+ 2.8**

End-user financing for PCDF

On PCDF perimeter, BPF stabilized its penetration in the first half of 2018, compared to the first half of 2017.

As regards to volumes, BPF recorded an increase (+4.6%) in the number of new vehicle contracts across the PCDF scope.

The strong growth in loyalty-building offerings (balloon installment contracts, buyback contracts and long-term leases) observed over the last three years has continued. This type of offer now represents 62% of B2C production across the scope of the SCF partnership, up by 8.5 points over the first half of 2017.

In the first half of 2018, vehicle registrations showed positive progress: the G5 (France, United Kingdom, Germany, Spain and Italy) grew by 6.7%, and there was also growth for the M5 (Belgium, Switzerland, Austria, Netherlands and Portugal) with a 4.1% increase. Latin America saw an increase of 3.8% with notable results in Argentina (+8.7%) while Brazil saw registrations decline by 8.4%. Sales growth was confirmed in Russia with +20.8%.

Production in volume of new end-user financing increased by 11% in new vehicles, 2.2% in used vehicles, and 9.5% overall, for a total of 5,314 million.

A. New Vehicle Financing

In the first half of 2018, BPF financed 334,392 new vehicles for PCDF activities. During this period, the Bank's overall penetration rate stood at 29.1% on PCD. A high performance level was maintained thanks to the improvement in competitiveness along with close collaboration with the Peugeot Citroën and DS brands.

Penetration on G5 countries was up 0.3 point over the first half of 2017. Performances are improving in France, in Italy with the development of loyalty offers, and in Germany (+8 points) with the success of the sales policy introduced at the beginning of the year. Performances in Great Britain were down due to a more restricted eligible market.

In the M5 countries, penetration was down slightly, i.e. 25.5% vs. 25.8% in the first half of 2017. Austria's high performance, with 36.4% penetration, was a standout.

In Latin America, performances are more contrasted. In Brazil, penetration was 50.3% with the success of sales promotions set up with the brands. In Argentina, the emergence of UVA-type loans (indexed to inflation) and the country's financial crisis impacted financing penetration (-5.3 points to 20.9%).

B. Used Vehicle Financing

The positive trend in the second half of 2017 was confirmed and, with the exception of Great Britain and Argentina, volumes were up in all countries. Overall, used-vehicle financing amounted to 97,038 contracts. There were strong gains from France (+10%), Italy (+24%), and Spain (+18.5%).

The development of loyalty products in France, the ongoing highly competitive operations in Spain and Italy, the overhaul of the sales facility in Germany, and the events targeted to certain points of sale in Austria, the Netherlands, and Brazil kept sales of used vehicles brisk.

This growth in volume is accomplished through risk management with a constantly selective use of the acceptance and profitability criteria.

End-user financing for OVF

Our financing solutions include installment loans and leasing contracts with or without the option to purchase the vehicle at the end of the lease duration, also offering associated service solutions.

End users are mainly individuals and small to medium-sized companies. Receivables from individual customers and small and medium-sized companies account for most of the end user loans. At end-June 2018, the average term of new end-user financing contracts was 45 months.

Most of our financing is for new vehicles (72% of contracts). Financing is also offered for the purchase of used vehicles (28% of the production of the number of contracts).

Financing penetration for new Opel & Vauxhall vehicles at end-June 2018 amounted to 21.1%.

Most of the production consisted of installment contracts amounting to 79% of the total amount of financing, versus 21% for leasing solutions.

71% of the contracts distributed in Europe originated in Germany and Great Britain.

1.4.3. Corporate Dealer Financing for PCDF and OVF

PRODUCTION OF NEW FINANCING IN THE CORPORATE DEALER SEGMENT

	S1 2018 PCDF	S1 2018 OVF	S1 2017 PCDF	% change PCDF
Number of vehicles	**872,376**	**415,381**	**855,788**	**+ 1.9**
Amount (in million euros)	**20,448**	**8,688**	**19,160**	**+ 6.7**
of which vehicles	19,119	8,678	17,784	+ 7.5
of which spare parts and other	1,330	10	1,375	- 3.3

Corporate dealer loans for PCDF

For PCDF activities, BPF financed corporate dealers for a total of 872,376 vehicles as of the end of June 2018, an increase of 1.9% as compared to the situation at the end of June 2017. The amounts financed that correspond to these vehicles have increased by 7.5% due to the upgrade of the financed vehicles.

Amounts financed for spare parts were down by -3.3%. This was due to the set-up of spare parts hubs, a portion of which belong to Groupe PSA, which finances them directly.

Corporate dealer loans for OVF

OVF supports the Opel Vauxhall Brands in their commercial strategy and distribution and is the financial partner of the Opel Vauxhall networks with a dedicated range of services and financial products: financing of inventories (New Cars, Demonstration, Used Cars) or additional financial or cash solutions, such as Revolving Lines of Credit, Working Capital Loans, Real-estate Loans, Cash Management, medium to long-term loans.

In April 2018 Opel-Vauxhall, in the scope of its PACE! Plan, communicated about the main orientations of its European Distribution Strategy aiming at strengthening jointly its commercial and financial performance as well as the one of the network. OVF is closely coordinating this transformation with the Brands.

1.4.4. Insurance and Services activity for PCDF and OVF

NEW INSURANCE AND SERVICE CONTRACTS

(in number of contracts)	S1 2018 PCDF	S1 2018 OVF	S1 2017 PCDF	% change PCDF
Financial services	364,597	53,624	362,412	+ 0.6
Car insurance	121,431	27,240	126,537	- 4.0
Vehicle-related services	381,668	18,305	346,408	+ 10.2
Total	**867,696**	**99,169**	**835,357**	**+ 3.9**

PENETRATION RATE ON FINANCING

(In %)	S1 2018 PCDF	S1 2018 OVF	S1 2017 PCDF	Pts change PCD
Financial services	83.3	43.2	85.2	- 1.9
Car insurance	27.7	22.0	29.7	- 2.0
Vehicle-related services	87.2	14.8	81.3	+ 5.9
Total	**198.2**	**79.9**	**196.3**	**+ 1.8**

Insurance and Services activity for PCDF

The detailed description of Insurance and Services activities for PCDF are presented in 2017 BPF Annual Report (§1.4.4 Insurance and Services for PCDF).

Having achieved new record levels in sales for the eighth year in a row, the strategy has proven to be effective. This is confirmed by the increase of +1.85 point in penetration and a +3.9% increase in volumes compared to the first semester 2017.

In addition, with a global penetration rate of 198.2%, on average BPF sold just under two insurance and/or service contracts per financed customer. Concerted efforts have been made to expand such business leading to almost doubling in performance since 2002 from 1.1 to 1.98 in the first semester 2018.

Insurance and Services activity for OVF

Opel Vauxhall Finance offers a complete insurance product portfolio of finance products including insurance services including payment protection, GAP insurance, cosmetic warranty, extended warranty products and all types of motor insurance and maintenance products.

The objective is to give the OVF customer the best protection against all risks related to himself or his Opel/Vauxhall car. This helps the customer to ensure the usage of his Opel/Vauxhall car under all circumstances. OVF is now deploying the strategic plan defined as part of the D100, this includes but is not limited to transitioning all Credit Life, GAP and Cosmetic Warranty programs to shareholder insurers, growing penetration levels of existing products to achieve market benchmarks, fill product offering gaps in all markets with customer focused high value products, developing further the integration of Opel Flexcare (Opel's own extended warranty and associated product) offering and launch of new and exciting products throughout Europe that enhance mobility, protect customers and maintain Opel products to the highest standards.

1.4.5. Retail savings market for PCDF and OVF

SAVINGS BUSINESS

	IFRS8		
	Jun. 30, 2018	Dec. 31, 2017	% change
Outstanding *(in million euros)*	**4,912**	**4,896**	+ 0.3
Of which France Distingo	2,050	1,897	+ 8.0
Of which Germany (PCDF activity)	1,235	1,237	- 0.2
Of which Germany "Opel Bank Deposits"	1,627	1,762	- 7.7

Retail savings market for PCDF

The retail savings business has enabled BPF to compete in the online savings market while at the same time diversifying funding sources. Passbooks and Term Deposits are intended only for savers who are adult private individuals and tax-residents of the country.

In France, Distingo has been working on modernizing its brand image, using new online and offline communications media, since the start of the year. Outstanding loans at June 30, 2018 (€2,050 million of which €341 million in Term Deposit Accounts) were significantly higher than at December 31, 2017 (€1,897 million).

In Germany, retail savings deposits were stable compared to December 31, 2017, despite a lower rate and the lack of a marketing campaign. Outstanding loans represented €1,235 million at end-June 2018 (of which €153 million in Term Deposit Accounts or 12% of the outstanding loans at the end of June 2018).

Retail savings market for OVF

To diversify its funding strategy, Opel Bank GmbH is offering deposit accounts through a fully online platform to consumers in Germany. The bank is offering overnight deposits and term deposits (1, 2, 3 years). Total volume of deposits at June 30, 2018 was €1,627 million, down slightly from December 31, 2017 after a rate cut and a refinancing cost optimization by Opel Bank.

1.4.6. Financing in China

FINANCING IN CHINA

	S1 2018	S1 2017	% change
New vehicle penetration rate *(in %)*[1]	53.1	35.8	+ 17.3
End-user loans *(including leases)*			
Number of vehicles financed (new and used)	79,277	72,258	+ 9.7
Amount of financing *(in million euros, excluding interests)*	772	702	+ 10.0
Corporate dealer loans			
Number of vehicles financed	102,666	92,345	+ 11.2
Amount of financing *(in million euros, including spare parts)*	1,683	1,562	+ 7.7

Outstanding loans *(in million euros)*	Jun. 30, 2018	Dec. 31, 2017	% change
End-user loans *(including leases)*	1,983	1,935	+ 2.5
Corporate dealers loans	464	473	- 1.9
Total loans	**2,447**	**2,408**	**+ 1.6**

1 - New vehicle penetratrion rate of DPCAFC on Peugeot and Citroën perimeter

BPF via DPCAFC (DPCA's captive finance company) continued its transformation through its mission as a supplier of mobility services in China to better meet the needs of the Peugeot, Citroën and DS brands, and of the networks and customers. This transformation is part of a new product offensive by the brands in the very buoyant SUV segment in China (3008/4008/5008 and C5 Aircross launched last September) with the first signs of a business recovery for Groupe PSA.

Total loans for DPCAFC stood at €2,447 million at end-June 2018 compared to €2,408 million at end-December 2017, a gain of +1.6%. End-user loans were up +2.5% through the effect of the increase in end-user new-vehicle penetration, while the seasonal effect resulted in a measured slowdown in corporate dealer loans.

End-user new-vehicle penetration broke its previous record in the first half of 2018, amounting to 53.1%, i.e. +17.3 points compared to the first half of 2017, thereby bearing witness to Chinese customers' increasing reliance on automobile loans and the appeal of the financing campaigns organized with DPCA. This performance was achieved, notably, by proposing new and innovative loyalty products such as balloon loans with the option to buy or renew (11.8% of production in the first half of 2018), which enhanced the growth of new partnerships and online distribution channels for both new and used vehicles. DPCAFC registered more than 4,300 financing contracts accepted through its digital applications.

BPF in China has also been active through the DS brand since the end of 2015 under the tripartite sales agreement between PSA Wuhan Management (initially PSA Shanghai Management), CAPSA and Chang'An Auto Finance Co. (initially China South Group Finance). Penetration on end-user new vehicles resulting from this agreement reached 28.3% for the first half of 2018, i.e. +3.2 points compared to the first half of 2017.

The cooperation agreement signed at the end of 2016 between DPCAFC and CAPSA/DS covering financing and corporate dealer services and end-users of the DS brand completes these measures.

1.5. Analysis of financial results

NET INCOME

(in million euros)	*Consolidated*[1]			*IFRS 8*[1]		
	S1 2018	**S1 2017**	**% change**	**S1 2018**	**S1 2017**	**% change**
Net banking revenue	25	31	- 19.4	830	543	+ 52.9
General operating expenses and equivalent[2]	-11	-13	- 15.4	-325	-203	+ 60.1
Cost of risk		-3	- 100.0	-20	-28	- 28.6
Recurring Operating income	**14**	**15**		**485**	**312**	**+ 55.4**
Share in net income of associates and joint ventures accounted for using the equity method[3]	174	113	+ 54.0	7	10	- 30.0
Other Non operating income	4		+ 0.0			0
Pre-tax net income	**192**	**128**	**+ 50.0**	**492**	**322**	**+ 52.8**
Income taxes	-4	-6	- 33.3	-140	-102	+ 37.3
Net income	**188**	**122**	**+ 54.1**	**352**	**220**	**+ 60.0**

[1] - The items on the income statement transitioning from IFRS 8 to Consolidated format can be found in note 23.2 of the consolidated financial statements.

[2] - Including depreciation, amortization and impairment of intangible and tangible assets, and gains and losses on disposals of fixed assets.

[3] - Joint ventures with the Santander Group and with BNPP PF accounted for using the equity method in Consolidated format accounts. China, as part of the partnership with Dongfeng Peugeot Citroën Automobiles and Dongfeng Motor Group, has been accounted for using the equity method since 2006, in consolidated and in IFRS 8 format accounts.

1.5.1. Net banking revenue

NET BANKING REVENUE BY CUSTOMER SEGMENT

(in million euros)	*Consolidated*			*IFRS 8*		
	S1 2018	**S1 2017**	**% change**	**S1 2018**	**S1 2017**	**% change**
End-users	4	8	- 50.0	560	368	+ 52.2
Corporate dealers	1	1	+ 0.0	132	68	+ 94.1
Insurances and Services (including net refinancing costs)	8	15	- 46.7	117	91	+ 28.6
Unallocated and other[1]	12	7	+ 71.4	21	16	+ 31.3
Total	**25**	**31**	**- 19.4**	**830**	**543**	**+ 52.9**

[1] - Represents primarily refinancing cost adjustment reflecting the fact that interest expenses are allocated to customer segments based on average financing levels, and on the assumption that loans are financed fully with debt.

Net banking revenue in consolidated format stood at €25 million at June 30, 2018.

Net banking revenue per IFRS 8 increased by +53% to €830 million at June 30, 2018, compared to €543 million at June 30, 2017. This change includes six months of OVF business for €257 million.

Net banking revenue is derived primarily from net interest income on customer loans and leases. Insurance and other services offered to customers of the Group's brands also contributed significantly to net banking revenue over the period. This increase mainly relates to a +€192 million rise in end-user net banking revenue following a rise in loans, as well as to an increase of +€64 million on Corporate Dealers and +€26 million in revenue generated by Insurance and Services products.

1.5.2. General operating expenses

At June 30, 2018, general operating expenses and equivalent amounted to €11 million in consolidated format.

Per IFRS 8, general operating expenses rose to €325 million at June 30, 2018, compared with €203 million at June 30, 2017. They remain under control in the context of a growing business and the acquisition of Opel Vauxhall financial activities.

1.5.3. Cost of risk

Cost of risk in consolidated format amounted to €0 million for the half-year 2018.

The cost of risk stood at an expense of €20 million per IFRS 8, or -0.12% of average net outstanding loans, compared to an expense of €28 million for the half-year 2017, or -0.25% of average net outstanding loans.

The cost of risk for End-user exposure (individuals, small and medium businesses, and fleets) stood at an expense of €29 million for the half-year 2018 per IFRS 8 (-0.24% of average net outstanding end-user loans). This number reflects the very good risk of the loan portfolios acquired in recent years from PCDF and OVF, and a successful system for managing performing loans with past-due installments.

The cost of risk attached to the Corporate Dealers per IFRS 8 came to €9 million (+0.18% of average net outstanding Corporate Dealer loans). This figure includes a reversal on a €12 million provision for the half-year, relating to a single dealer.

1.5.4. Recurring Operating Income

Recurring Operating Income in consolidated format amounted to €14 million.

Recurring Operating Income per IFRS 8 came to €485 million, up +55% compared to €312 million at June 30, 2017. This increase includes six months of OVF business for €128 million, and is the result of organic growth in business, a cost of risk that remained particularly low over the half-year, and tight management of operating costs.

1.5.5. Consolidated net income

Consolidated net income amounted to €188 million, up +54%.

1.6. Financial situation

1.6.1. Balance sheet

In the tables below, a comparison is made with the position at January 1, 2018, after restatements resulting from the final allocation of the OVF first consolidation difference and from the FTA ("First Time Application") of IFRS9 on the balance sheet at December 31, 2017 (see Note 1.A, Main Events of the period, and Note 23, Segment Information).

CONSOLIDATED BALANCE SHEET

(in million euros)	*Consolidated*[1]			*IFRS 8*[1]		
Assets	**Jun. 30, 2018**	**Jan. 1, 2018 (2)**	**% change**	**Jun. 30, 2018**	**Jan. 1, 2018 (2)**	**% change**
Financial assets at fair value through profit or loss	319	167	+ 91.0	337	186	+ 81.2
Loans and advances to credit institutions	261	294	- 11.2	1,635	2,049	- 20.2
Customer loans and receivables	239	334	- 28.4	35,756	34,197	+ 4.6
Deferred tax assets	6	9	- 33.3	130	158	- 17.7
Investments in associates and joint ventures accounted for using the equity method	2,253	2,149	+ 4.8	98	89	+ 10.1
Other assets	221	257	- 14.0	1,856	1,750	+ 6.1
Total assets	**3,299**	**3,210**	**+ 2.8**	**39,812**	**38,429**	**+ 3.6**
Equity and liabilities	**Jun. 30, 2018**	**Jan. 1, 2018 (2)**	**% change**	**Jun. 30, 2018**	**Jan. 1, 2018 (2)**	**% change**
Deposits from credit institutions	106	150	- 29.3	17,347	15,191	+ 14.2
Debt securities	255	248	+ 2.8	9,929	11,283	- 12.0
Other liabilities	184	229	- 19.7	7,628	7,310	+ 4.4
Equity	2,754	2,583	+ 6.6	4,908	4,645	+ 5.7
Total equity and liabilities	**3,299**	**3,210**	**+ 2.8**	**39,812**	**38,429**	**+ 3.6**

[1] The items on the balance sheet transitioning from IFRS 8 to Consolidated accounts can be found in note 23.1 of the consolidated financial statements as of June 30th, 2018.

[2] Situation as of January 1st, 2018 after the final allocation of Opel Vauxhall Finance first consolidation difference and the FTA IFRS9 reclassification on the balance sheet (cf. Note 1.A Main events of the period and Note 23 Segment Information).

1.6.2. Outstanding loans

OUTSTANDING LOANS BY CUSTOMER SEGMENT

(in million euros)	*Consolidated*			*IFRS 8*		
	Jun. 30, 2018	**Jan. 1, 2018 (1)**	**% change**	**Jun. 30, 2018**	**Jan. 1, 2018 (1)**	**% change**
Corporate dealers	71	64	+ 10.9	10,762	10,914	- 1.4
End-users	168	270	- 37.8	24,994	23,283	+ 7.3
Total Customer Loans and Receivables	**239**	**334**	**- 28.4**	**35,756**	**34,197**	**+ 4.6**

[2] Situation as of January 1st, 2018 after the final allocation of the Opel Vauxhall Finance first consolidation difference and the FTA IFRS9 reclassification on the balance sheet (cf. Note 1.A Main events of the period and Note 23 Segment Information).

Outstanding loans by region

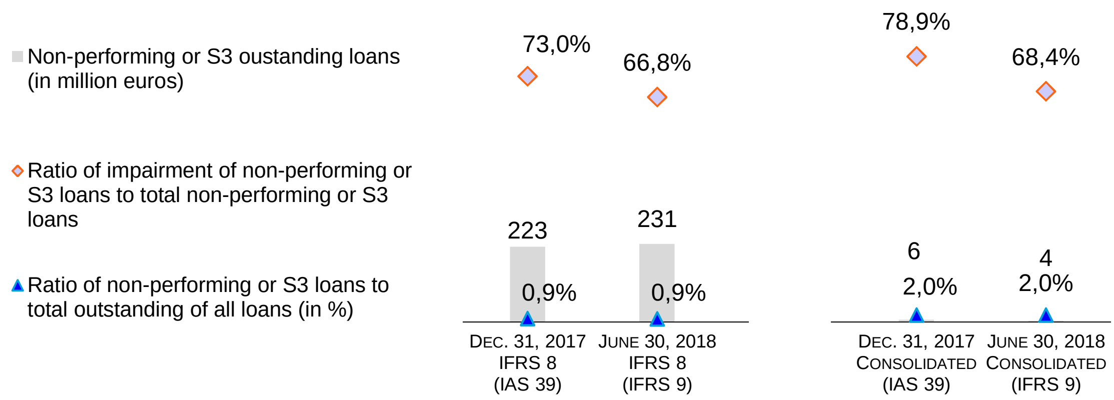
(in million euros)	*Consolidated*			*IFRS 8*		
	Jun. 30, 2018	**Jan. 1, 2018** [(1)]	**% change**	**Jun. 30, 2018**	**Jan. 1, 2018** [(1)]	**% change**
G5 countries [(2)]	-2	37	- 105.4	30,989	29,521	+ 5.0
Rest of Europe	13	22	- 40.9	4,187	3,974	+ 5.4
Latin America	162	211	- 23.2	513	638	- 19.6
Rest of the world	66	64	+ 3.1	67	64	+ 4.7
Total	**239**	**334**	**- 28.4**	**35,756**	**34,197**	**+ 4.6**

[2] Situation as of January 1st, 2018 after the final allocation of the Opel Vauxhall Finance first consolidation difference and the FTA IFRS9 reclassification on the balance sheet (cf. Note 1.A Main events of the period and Note 23 Segment Information).

[2] G5 countries : France, UK, Germany, Italy, Spain

1.6.3. Impairment of outstanding loans

Non-performing or S3 end-user loans
PCDF & OVF activities IFRS8 & consolidated format



The ratio of non-performing loans compared to total outstanding of all loans is stable at 0.9% during the first semester 2018. This is resulting from a controlled risk in a context where the implementation of the IFRS9 norm has led to a widening of the non-performing loan basis (S3 loans), especially by taking into account forborne contracts in probationary period.

The ratio of impairment of non-performing loans to total non-performing loans is at 66.8% in the IFRS9 norm, which is a lower level than in the previous norm (IAS 39 norm). This is due, on one hand, to the fact that the better ability to collect receivables is considered in the calculation of a part of the non-performing loans impairment rate, and, on the other hand, to a widening of the non-performing loan basis with less risky outstandings/loans.

Application of the IFRS 9 norm

Provisioning models compliant with the IFRS9 norm have been developed in coordination with BNPP PF and SCF partners. Provisioning is now based on a forward-looking expected credit losses model (ECL) and all exposures are provisioned from the start, without a "defaulting event" having necessarily taken place.

Exposures are now segmented in 3 "stages", with a declassification to stage 2 when a significant credit risk degradation is detected from origination.

Back-testing models are under development and should be implemented by the end of 2018.

The impact of IFRS 9 on equity at January 1, 2018 for all of BPF's fully-consolidated companies is an increase of €3 million (net after tax).

Regarding the scope of investments accounted for using the equity method, the impact is an increase of IFRS8 equity of €22 million (net after tax), which represents a scope of €11 million for BPF quota-share.

1.6.4. Refinancing

SOURCES OF FINANCING *(in million euros)*
(EXCLUDING UNDRAWN CONFIRMED BANK CREDIT LINES)

* Situation as of January 1st, 2018 after the final allocation of the Opel Vauxhall Finance first consolidation difference and the FTA IFRS9 reclassification on the balance sheet (cf. Note 1.A Main events of the period and Note 23 Segment Information).

For activities in partnership with Santander Consumer Finance and BNPP PF in Europe, and with Santander in Brazil, the partner is in charge of refinancing.

For the financing of activities not in the scope of these partnerships, BPF relies on a capital structure and an equity ratio that is in compliance with regulatory requirements. Refinancing is done with the greatest possible diversification in the sources of liquidity, ensuring that the maturities of the sources of financing are matched with those of its outstanding loans.

1.6.5. Security of liquidity

BPF seeks to maintain an appropriate balance between safeguarding its liquidity position, which is its first priority, and optimization of financing costs.

At June 30, 2018, the liquidity reserve (available invested cash) represented €396 million (see Note 18.2 to the consolidated financial statements) including €50 million of high-quality liquid assets, before weighting for the calculation of the liquidity coverage ratio (LCR). BPF's LCR was 246% at June 30, 2018.

Moreover, at June 30, 2018, BPF had undrawn committed credit facilities totaling €200 million (see Note 18.2 to the consolidated financial statements). The bank facilities are not affected by any covenants or restrictions outside of standard market practices, however they do have the following three notable elements that could result in their cancellation:

- PSA's loss of direct or indirect ownership of the majority of BPF shares;
- BPF's loss of its status as a bank;
- the failure to have maintained a minimum 11% ratio of Common Equity Tier One equity.

1.6.6. Credit ratings

Given the gradual establishment of joint ventures with Santander Consumer Finance and the increased financing of businesses, Banque PSA Finance decided at the beginning of 2016 to no longer seek ratings from credit rating agencies.

1.7. Equity, Risks and Pillar 3

1.7.1. Capital and capital requirements

As part of the application of the new Basel III regulation, BPF confirms a strong financial position. At March 31, 2018, the Basel III solvency ratio stood at 32%. Basel III regulatory capital amounted to €225 million and Pillar 1 capital requirements stood at €57 million.

THE GROUP'S CAPITAL REQUIREMENTS AND WEIGHTED ASSETS

	Mar 31, 2018		Dec 31, 2017	
(in million euros)	Weighted assets	Capital requirements	Weighted assets	Capital requirements
Credit risk	**632**	**51**	**656**	**52**
Standard approach	**632**	**51**	**656**	**52**
Sovereign	14	1	7	1
Bank, local and regional administrations	0	0	0	0
Institutions	46	4	43	3
Companies	189	15	174	14
Retail customers	174	14	205	16
Other weighted assets	209	17	228	18
Operational risk (standard method)	77	6	77	6
Market risk	**0**	**0**	**0**	**0**
Total	**709**	**57**	**733**	**58**
Total regulatory capital		**225**		**254**
Solvency ratio		**31.7%**		**34.7%**

1.7.2. Risk factors and risk management

The main risk factors to which BPF may be exposed, as well as the methods used to assess, control and monitor risks, are detailed in the 2017 Annual Report (Section 1.7.3, “Risk Factors and Risk Management”), and include:

- Business Risk;
- Credit risk on the retail and corporate portfolios;
- Financial risks and market risk, comprising liquidity risk, interest rate risk, counterparty risk and currency risk, as well as risks related to securitization;
- The concentration risk;
- Operational, non-compliance and reputational risks, including IT risks;
- Specific risks related to the insurance business and services.

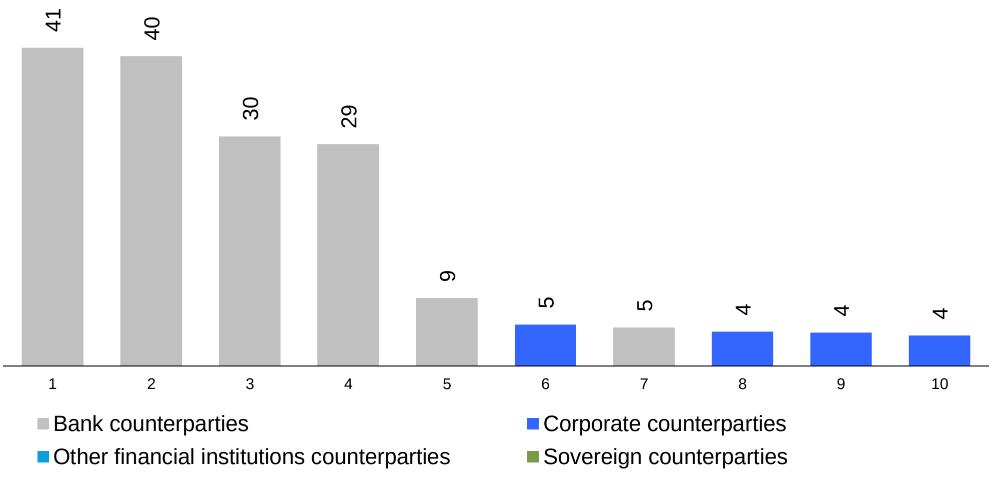
Risk management is defined in the context of risk governance, which includes identifying risk; setting the acceptable level of risk, as formalized by risk appetite; and approving the models and implementation of stress tests.

Risk management is performed in the context of the Risk Management Committee, the Audit & Risk Committee, and the ALCO of BPF, as well as in the joint committees within the partnerships with SCF and BNPP PF.

At June 30, 2018, sensitivity to a 2% increase across the rate curve would amount to a negative result of -€1.7 million. During the first half of 2018, the result generated by this simulation fluctuated between -€1.2 million and -€2.1 million.

TOP 10 RISK-WEIGHTED EXPOSURES TO CREDIT RISK

(in million euros, excluding financing extended to Groupe PSA entities)



1.8. Internal control

1.8.1. Recurring controls

1.8.1.1 First-tier controls, the lynchpin of the internal control system

In line with the order dated November 3, 2014 on internal control levels of Banks and credit institutions, BPF's internal control system is organized around two lines of responsibility - for recurring controls and periodic controls - and the first-tier controls performed by the operating units.

1.8.1.2 Second-tier controls

Regarding the scope controlled by BPF (essentially companies in which BPF holds, either directly or indirectly, a majority control)

The fundamental principles underpinning the organization and implementation of internal control are set out in an internal control charter.

These first-tier controls exist within the operating units. They are performed by all employees in application of procedures that include the various controls to be carried out, or by dedicated agents within the operating units. The first-tier controls are supervised by the units responsible for second-tier controls.

The various missions of the permanent second-tier control unit include compliance controls and controls over operational risks within the finance companies, insurance companies and corporate units, including those arising from services performed by Groupe PSA on behalf of BPF. These controls are organized into three departments:

- Compliance Control;
- Operational and IT Activities Control;
- Operational Accounting Risk, Refinancing and Cash Management.

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

The two departments tasked with monitoring financial and accounting risks on the one hand, and operating and IT risks on the other, are backed by risk mapping developed by the risk unit. Their missions include recurring assessments of the effectiveness of controls over operational risks by means of direct controls and certificates relating to first-tier controls, and the collection and analysis of operating incidents.

On the scope of the Santander partnership

The fundamentals described above also apply across the scope of the partnership with Santander. In addition, a compliance control system has been adapted, resulting in common procedures.

The Compliance system implemented in the framework of the partnership is monitored by the monthly Partnership Compliance Committee.

The risk control system for financial and accounting activities on the one hand, and operating and IT activities on the other hand, is supervised by the Global Risk Committee.

On the scope of the BNPP PF partnership

Following the joint acquisition with BNPP FP of the financial activities of Opel Vauxhall, the control bodies of the two parties are in discussions with a view to defining an adapted new organization, working methods and adapted governance, based whenever possible on the principle of maintaining the pre-existing systems once the partnership begins.

1.8.2. Periodic controls

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

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

1.8.3. 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 ensures that our main risks are properly managed and obtains assurance about the system's reliability, through the Audit Committee. The Audit and Risk Committee reviews the lessons to be learned from risk monitoring activities and from periodic and permanent controls. The Audit and Risk Committee meets at least four times a year.

Our Audit and Risk Committee sets our priorities based on 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 our internal or external auditors.

The Audit and Risk Committee also ensures our compliance with Basel II and other regulatory requirements and our planning and implementation of measures to comply with these requirements. Finally, the Audit and Risk Committee reviews our consolidated financial statements and the individual financial statements of our subsidiaries and the accounting methods used.

It may consult with, if necessary, BPF's Chairman, Managing Directors (Directeurs Généraux) and statutory auditors and with any person necessary for its work. Regular meetings between the Chairman of the Audit & Risk Committee and the representatives for periodic and recurring controls and risk management are organized, without the presence of the BPF's executive committee.

Executive management is responsible for defining and implementing the internal control system. It monitors proper functioning and ensures adequacy of missions and means.

1.8.4. Organization of internal control

The internal control system is built around regular first-tier controls through delegations of authority applicable to all operating units and corporate departments. These delegations of authority determine the levels at which decisions must be made in the areas of banking and financial transactions, loan approvals, lending terms, new products and services and expenditure commitments.

As part of the quarterly Audit and Risk Committee meeting or at Group level, committees have been set up to determine and implement our policies in the areas of internal control and decision-making processes during regular meetings. These specific committees specifically monitor:

- credit risks, monitor changes in troubled loans and credit losses, and analyze the performance of the risk selection systems for retail and corporate (fleet and dealer) loan books; loan books of the financing dealers networks and company fleets depending on the delegation level;
- developments in the Basel II system;
- lending margins;
- the Products and Processes Committee, including the associated risks;
- the financing applications from the Corporate dealer and the business fleets are examined at the level of a group credit committee or at the level of the local credit committee, depending on the delegations of authority in effect;
- the Refinancing Committee, which reviews the results of our refinancing, liquidity and interest and exchange rate risk management policies;
- the IT Security Committee;
- the Compliance Committee.

1.9. Main events and subsequent events

The main events of the first half of 2018 are described in note 1 to the consolidated financial statements. Subsequent events are described in note 24 to the consolidated financial statements.

2

CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2018

2.1 Consolidated Balance Sheet

(in million euros)	*Notes*	**June 30, 2018**	**Dec. 31, 2017 restated**
Assets			
Cash, central banks	*4*	82	98
Financial assets at fair value through profit or loss	*3.2, 5*	319	165
Hedging instruments	*6*	4	2
Financial assets at fair value through Equity	*3.2*	-	
Available-for-sale financial assets	*3.2*		2
Debt securities at amortized cost	*3.2*	-	
Loans and advances to credit institutions, at amortized cost	*7*	261	294
Customer loans and receivables, at amortized cost	*3.2, 8, 21*	239	331
Fair value adjustments to finance receivables portfolios hedged against interest rate risks		-	-
Held-to-maturity investments	*3.2*		-
Current tax assets	*22.1*	14	15
Deferred tax assets	*22.1*	6	9
Accruals and other assets	*9*	63	84
Investments in associates and joint ventures accounted for using the equity method	*3, 10*	2,253	2,138
Property and equipment		3	3
Intangible assets		54	54
Goodwill		1	1
Total assets		**3,299**	**3,196**

(in million euros)	*Notes*	**June 30, 2018**	**Dec. 31, 2017 restated**
Equity and liabilities			
Central banks		-	-
Financial liabilities at fair value through profit or loss		-	-
Hedging instruments		1	1
Deposits from credit institutions	*11*	106	150
Due to customers	*12*	3	8
Debt securities	*13*	255	248
Fair value adjustments to debt portfolios hedged against interest rate risks		4	9
Current tax liabilities	*22.1*	2	8
Deferred tax liabilities	*22.1*	4	3
Accruals and other liabilities	*14*	54	81
Liabilities related to insurance contracts	*15.1*	82	81
Provisions		34	38
Subordinated debt		-	-
Equity	*3*	**2,754**	**2,569**
- Equity attributable to equity holders of the parent		2,740	2,553
- Share capital and other reserves		1,160	1,160
- Consolidated reserves		1,757	1,559
- Of which Net income - equity holders of the parent		*186*	*241*
- Gains and losses recognized directly in Equity		(177)	(166)
- Of which Net income - equity holders of the parent (share of items recycled in profit or loss)		*-*	*9*
- Minority interests		14	16
Total equity and liabilities		**3,299**	**3,196**

2.2 Consolidated Statement of Income

(in million euros)	*Notes*	**June 30, 2018**	**June 30, 2017**	**Dec. 31, 2017 restated**
Net interest revenue on customer transactions		**33**	**41**	**56**
- Interest and other revenue on assets at amortized cost	*19*	29	37	72
- Fair value adjustments to finance receivables hedged against interest rate risks		-	-	-
- Interest on hedging instruments		-	-	-
- Fair value adjustments to hedging instruments		-	-	-
- Interest expense on customer transactions		(1)	-	(1)
- Other revenue and expense		5	4	(15)
Net gains or losses on financial assets at fair value through profit or loss	*3.2*	**-**	**-**	**-**
- Interest and dividends on marketable securities		-	-	-
- Fair value adjustments to assets valued using the fair value option		-	-	-
- Gains and losses on sales of marketable securities		-	-	-
- Investment acquisition costs		-	-	-
- Dividends and net income on Equities		-		
Net gains or losses on financial assets at fair value through Equity	*3.2*	-		
Net gains or losses on securities valued at amortized cost	*3.2*	-		
Net refinancing cost		**(16)**	**(24)**	**(45)**
- Interest and other revenue from loans and advances to credit institutions		-	1	1
- Interest on deposits from credit institutions		(11)	(14)	(27)
- Interest on debt securities		(11)	(10)	(21)
- Interest on passbook savings accounts		-	-	-
- Expenses related to financing commitments received		-	(1)	(1)
- Fair value adjustments to financing liabilities hedged against interest rate risks		5	2	6
- Interest on hedging instruments		5	4	9
- Fair value adjustments to hedging instruments		(4)	(6)	(12)
- Fair value adjustments to financing liabilities valued using the fair value option		-	-	-
- Debt issuing costs		-	-	-
Net gains and losses on trading transactions		**-**	**(1)**	**-**
- Interest rate instruments		-	-	-
- Currency instruments		-	(1)	-
Net gains and losses on available-for-sale financial assets	*3.2*		**-**	**-**
Margin on sales of Insurance services	*15.2*	**7**	**13**	**31**
- Earned premiums		26	44	78
- Paid claims and change in liabilities related to insurance contracts		(19)	(31)	(47)
Margin on sales of services		**1**	**2**	**4**
- Revenues		1	2	4
- Expenses		-	-	-
Net banking revenue		**25**	**31**	**46**
General operating expenses	*20*	**(4)**	**(6)**	**(15)**
- Personnel costs		(3)	(4)	(7)
- Other general operating expenses		(1)	(2)	(8)
Depreciation and amortization of intangible and tangible assets		**(7)**	**(7)**	**(13)**
Gains and losses on investments in companies and other disposals of fixed assets		**-**	**-**	**-**
Gross operating income		**14**	**18**	**18**
Cost of Risk	*21*	-	(3)	(5)
Operating income		**14**	**15**	**13**
Share in net income of associates and joint ventures accounted for using the equity method	*3, 10*	174	113	249
Impairment on goodwill		-	-	-
Pension obligation - expense		-	-	-
Pension obligation - income		-	-	-
Other non-operating items		4	-	4
Pre-tax income		**192**	**128**	**266**
Income taxes	*22.2*	(4)	(6)	(10)
Net income for the year		**188**	**122**	**256**
- of which attributable to equity holders of the parent		*186*	*119*	*250*
- of which minority interests		*2*	*3*	*6*
Net income - Earnings per share (in €)		*14,9*	*10,7*	*20,1*

2.3 Net Income and Gains and Losses Recognized Directly in Equity

(in million 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 restated Before tax	Dec. 31, 2017 restated Tax	Dec. 31, 2017 restated After tax
Net income	192	(4)	**188**	128	(6)	**122**	266	(10)	**256**
- of which minority interests			*2*			*3*			*6*
Recyclable in profit and loss items									
Fair value adjustments to hedging instruments (1)	3	(1)	**2**	(2)	1	**(1)**	-	-	**-**
- of which revaluation reversed in net income	-	-	**-**	-	-	**-**	-	-	**-**
- of which revaluation directly by equity	*3*	*(1)*	***2***	*(2)*	*1*	***(1)***	-	-	**-**
Exchange difference	(16)	-	**(16)**	(5)	-	**(5)**	(17)	-	**(17)**
OCI of joint ventures	(4)	-	**(4)**	(13)	-	**(13)**	(22)	-	**(22)**
Total recyclable in profit and loss items	(17)	(1)	**(18)**	(20)	1	**(19)**	(39)	-	**(39)**
- of which minority interests			*(4)*			*(2)*			*(5)*
Not recyclable in profit and loss items									
Actuarial gains and losses on pension obligations	-	-	**-**	-	-	**-**	-	-	**-**
OCI of joint ventures	1	-	**1**	3	(1)	**2**	(5)	1	**(4)**
Total gains and losses recognized directly in Equity	(16)	(1)	**(17)**	(17)	-	**(17)**	(44)	1	**(43)**
- of which minority interests			*(4)*			*(2)*			*(5)*
Total net income and gains and losses recognized directly in Equity	176	(5)	**171**	111	(6)	**105**	222	(9)	**213**
- of which attributable to equity holders of the parent			*173*			*104*			*212*
- of which minority interests			*(2)*			*1*			*1*

(1) *Including a €0,2 million gain due to hedging cross currency swaps' basis spread at June 30, 2018 (€1,6 million loss at June 30, 2017 and €0,3 million loss at December 31, 2017).*

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

	Share capital and other reserves (1)				Fair value adjustments - equity holders of the parent						
(in million euros)	Share capital	Issue, share and merger premiums and liquidation surplus	Legal reserve and other reserves	Consoli-dated reserves	Fair value adjustments to hedging instruments	Actuarial gains and losses on pension obligations	Exchange difference	OCI of joint ventures	Equity attributable to equity holders of the parent	Minority interests	Total equity
At December 31, 2016	**177**	**340**	**318**	**1,373**	**(2)**	**-**	**(122)**	**(13)**	**2,071**	**21**	**2,092**
Distribution of dividends by:											
- Banque PSA Finance				-					**-**		**-**
- Other companies									**-**	(6)	**(6)**
Net Income				110	-	-	9	-	**119**	3	**122**
Gains and Losses Recognized Directly in Equity				-	(1)	-	(5)	(11)	**(17)**	(2)	**(19)**
Other		-		-	-	-	-	-	**-**	-	**-**
At June 30, 2017	**177**	**340**	**318**	**1,483**	**(3)**	**-**	**(118)**	**(24)**	**2,173**	**16**	**2,189**
Capital increase	22	248							**270**		**270**
Distribution of dividends by:											
- Banque PSA Finance				-					**-**		**-**
- Other companies									**-**	-	**-**
Net Income				108	-	-	-	-	**108**	3	**111**
Gains and Losses Recognized Directly in Equity				-	1	-	(7)	(14)	**(20)**	(3)	**(23)**
Other (2)		55		(55)	-	-	-	-	**-**	-	**-**
At December 31, 2017 published	**199**	**643**	**318**	**1,536**	**(2)**	**-**	**(125)**	**(38)**	**2,531**	**16**	**2,547**
Revised effects of acquisition of Opel/Vauxhall automobile financing activities (3)				23				(1)	**22**	-	**22**
At December 31, 2017 restated	**199**	**643**	**318**	**1,559**	**(2)**	**-**	**(125)**	**(39)**	**2,553**	**16**	**2,569**
IFRS 9 first time application (4)				14					**14**	-	**14**
At January 1, 2018	**199**	**643**	**318**	**1,573**	**(2)**	**-**	**(125)**	**(39)**	**2,567**	**16**	**2,583**
Distribution of dividends by:											
- Banque PSA Finance				-					**-**		**-**
- Other companies									**-**	-	**-**
Net Income				186	-	-	-	-	**186**	2	**188**
Gains and Losses Recognized Directly in Equity				-	1	-	(11)	(3)	**(13)**	(4)	**(17)**
Other				(2)	-	-	-	2	**-**	-	**-**
At June 30, 2018	**199**	**643**	**318**	**1,757**	**(1)**	**-**	**(136)**	**(40)**	**2,740**	**14**	**2,754**

In July 2017 the capital has increased by €22 million through the issuance of 1,388,246 new shares with a par value of €16 each and additional issuance premium of 248 million euros.

Share capital amounts to €199 million, made up of 12,476,246 common shares, all fully paid.

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

(2) *The liquidation surplus of PSA Finance S.C.S - entity liquidated in June 2014 without any impact on the consolidated financial statements of Banque PSA Finance - was included for an amount of €55 million in the "Consolidated reserves" of the published financial statements until June 2017. This liquidation surplus is now being reported separately in "Issue, share and merger premiums and liquidation surplus".*

(3) *In accordance with the revised IFRS 3 (see Note 3.1).*

(4) *See Note 3.2.*

2.5 Consolidated Statement of Cash Flows

(in million euros)	**June 30, 2018**	**June 30, 2017**	**Dec. 31, 2017 restated**
Net income attributable to equity holders of the parent	**186**	**119**	**250**
Elimination of income without cash effect:			
- Minority interests in income of subsidiaries	2	3	6
- Net income of associates accounted for using the equity method, net of dividends received	(115)	(47)	(111)
- *Net income of associates accounted for using the equity method*	*(174)*	*(113)*	*(249)*
- *Dividends received from associates accounted for using the equity method*	*59*	*66*	*138*
- Change in depreciation, amortization and other provisions	4	(13)	8
- Change in deferred taxes	2	(5)	(3)
- (Profit)/loss on disposals of assets	(3)	(1)	(5)
Funds from operations	**76**	**56**	**145**
Increase/decrease in:			
- loans and advances to credit institutions	6	(6)	(114)
- deposits from credit institutions	39	32	64
Change in customer loans and receivables	(10)	(24)	(47)
Increase/decrease in:			
- amounts due to customers	(3)	5	5
- financial assets at fair value through profit or loss	7	10	15
- financial liabilities at fair value through profit or loss	-	-	-
- hedging instruments	-	3	4
- debt securities	18	(26)	(38)
Change in working capital: assets	14	2	13
Change in working capital: liabilities	(20)	9	16
Net cash provided by operating activities	**127**	**61**	**63**
Acquisitions of shares in subsidiaries	-	-	(489)
Proceeds from disposals of shares in subsidiaries	1	1	4
Capital (increase) / decrease	-	4	(36)
Investments in fixed assets	(6)	(11)	(16)
Proceeds from disposals of fixed assets	-	7	-
Effect of changes in scope of consolidation	-	2	2
Net cash used by investing activities	**(5)**	**3**	**(535)**
Dividends paid to PSA Group	-	-	-
Dividends paid to minority interests	-	-	(6)
Capital increase / (decrease)	-	-	270
Net cash used by financing activities	**-**	**-**	**264**
Effect of changes in exchange rates	(2)	(1)	(2)
Net change in cash and cash equivalents	**120**	**63**	**(210)**
Cash and cash equivalents at the beginning of the period	**320**	**530**	**530**
Cash, central banks	98	58	58
Marketable securities qualified as cash equivalents	40	249	249
Current account advances and loans and advances at overnight rates	182	223	223
Time accounts qualified as cash equivalents	-	-	-
Cash and cash equivalents at the end of the period	**440**	**593**	**320**
Cash, central banks	82	54	98
Marketable securities qualified as cash equivalents	200	344	40
Current account advances and loans and advances at overnight rates	158	195	182
Time accounts qualified as cash equivalents	-	-	-

2.6 Notes to the Consolidated Financial Statements

Notes

Note 1 Main Events of the period and Group Structure

A. Main Events of the period

Final allocation of the first consolidation difference arising from the joint acquisition of the Opel/Vauxhall automobile financing activities in partnership with BNP Paribas Personal Finance.

On November 1, 2017, Banque PSA Finance, a wholly-owned subsidiary of the PSA Group, and BNP Paribas Personal Finance, a wholly-owned subsidiary of BNP Paribas, finalized the joint acquisition, announced on March 6, 2017, of all the European activities of GM Financial, grouping together the existing brands Opel Bank, Opel Financial Services and Vauxhall Finance.

Opel Bank SA, the parent company of the scope thus acquired, is held in equal shares by BNP Paribas Personal Finance and Banque PSA Finance. The PSA Group and Banque PSA Finance recognize it using the equity method, and it is fully consolidated by BNP Paribas and BNP Paribas Personal Finance. BPF has a significant influence as it owes 50% of voting rights without controlling strategic decisions. Partner's control relies on its responsibility on financing activity and on credit risk measurement and control principles.

On the closing date and for the acquisition of its 50% share, BPF paid a price of €488.8 million. This price is below the share of the net position of the acquired company, and at June 30, 2018, the fair value assessment of the assets and liabilities is finalized.
Pursuant to IFRS 3 as revised, the Group has restated its December 31st, 2017 financial statements in order to take into account the final allocation of the first consolidation difference.

B. Changes in Group Structure

Sale of PSA Renting Italia S.p.A. to Banca PSA Italia S.p.A.
The subsidiary PSA Renting Italia S.p.A., 100% owned by Banque PSA Finance and fully consolidated at December 31, became on 1 January 2018 a wholly-owned subsidiary of Banca PSA Italia S.p.A. which is in partnership with Santander CF. As a consequence, the subsidiary PSA Renting Italia S.p.A. has been accounted by the equity method since January 2018.

In February 2018, the joint venture PSA Finance Suisse S.A. repurchased the loans sold in 2013 to the Auto ABS Swiss Lease 2013 GmbH fund, and the fund was wound up in advance. As the fund was accounted for using the equity method, the transaction had no impact on the consolidated financial statements of Banque PSA Finance Group.

In February 2018, the joint venture Banca Italia S.p.A sold €742 million worth of automobile loans to the Auto ABS 2018-1 S.r.l fund. The fund issued €675 million worth of A bonds and €67 million worth of B bonds. The joint venture is entitled to the bulk of the operating income generated by the receivables after payment of interest on the bonds. As a consequence, the associated fund Auto ABS 2018-1 S.r.l has been accounted by the equity method since February 2018.

In March 2018, the joint venture Banca Italia S.p.A repurchased the loans sold to the ABS Italian Loans Master S.r.l. fund, and the fund was wound up in advance. As the fund was accounted for using the equity method, the transaction had no impact on the consolidated financial statements of Banque PSA Finance Group.

In June 2018, the joint venture PSA Financial Services Spain E.F.C. S.A. repurchased the loans sold to the Auto ABS - Compartment 2012-3 fund, and the fund was wound up in advance. As the fund was accounted for using the equity method, the transaction had no impact on the consolidated financial statements of Banque PSA Finance Group.

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 red 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, Banque PSA Finance’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 Banque PSA Finance’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 Banque PSA Finance 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.

The package of improvements introduced by IFRS 9 includes:

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

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

As a consequence, Banque PSA Finance recognized 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 is applied by Banque PSA Finance in the following way as at January 1, 2018:

Phase 1 - Classification and Measurement of financial instruments

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

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 Banque PSA Finance as at January 1, 2018.

Phase 2 – Impairment of financial instruments

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

The development of the models for the calculation of the expected credit losses under IFRS 9 was coordinated on the central level for the reason of the methods’ coherence at Banque PSA Finance.

Phase 3 – Hedge accounting of financial instruments

According to the decision of Group PSA, Banque PSA Finance applies phase 3 – Hedge accounting of financial instruments on January 1, 2018.

The operations related to the hedge accounting under IAS 39 are accounted in the same way as under IFRS 9 on January 1, 2018.

- 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 Banque PSA Finance’s revenues is excluded from the scope of this new standard. Concerning other cases, no significant modifications concerning accounting methods are expected (fees of new business providers) for Banque PSA Finance.

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 significantly Banque PSA Finance Group.

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

Potential impact of texts or projects published by IASB and IFRIC with compulsory application in the European Union from the period after January 1st, 2016, 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 Banque PSA Finance for the lessor accounting model, as the measures required by the standard on this issue are convergent with IAS 17. However, impacts are expected for the financial statements of some clients of Banque PSA Finance, as lessees will need to disclose new information.

IFRS 17 - Insurance Contracts

After about twenty years of work, on 18 May 2017 the IASB published IFRS 17 – Insurance Contracts. IFRS 17 will replace the interim standard IFRS 4, for financial periods commencing on or after 1 January 2021, if adopted by the European Union. To support implementation of the new standard, the IASB has decided to form a Transition Resource Group (TRG). The IASB has launched a call for nominations for the group.

Under the IFRS 17 model, insurance contract liabilities will be calculated as the present value of future insurance cash flows with a provision for risk. This approach requests complex models provided with numerous hypothesis and could need important changes of the existing models, tools and procedures.

The analysis of impacts of IFRS 17 for Banque PSA Finance is currently in process.

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

Allocation of selling prices

According to IFRS 3 Business Combinations (revised), in case of investment, any difference (positive or negative) between the acquisition cost and the share of the group in the just value of the assets, liabilities and eventually identifiable liabilities purchased of an entity consolidated via equity method should be booked in compliance with the principles of business combination.

Thus:
 - the goodwill is presented in “Investments in associates and joint ventures accounted for using the equity method”. This is no separate goodwill test to be done.

- if it’s negative, the badwill is excluded from the accounting value of the investment. It’s presented in profit and loss in “Share in net income of associates and joint ventures accounted for using the equity method”.

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

3.1 Final allocation of the first consolidation difference arising from the joint acquisition of the Opel/Vauxhall automobile financing activities in partnership with BNP Paribas Personal Finance

For the acquisition of the Opel/Vauxhall automobile financing activities in November 2017, BPF paid a price below the share of the net position of the acquired company. At June 30, 2018, the fair value assessment of the assets and liabilities is finalized, and, pursuant to IFRS 3 as revised, the Group has restated its December 31st, 2017 financial statements in order to take into account the final allocation of the first consolidation difference. The final Purchase Price Allocation (PPA) led the Group Banque PSA Finance to recognize in its accounts a badwill of €14 million (equity holders of the parent), thus a positive impact on the Share in net income of associates and joint ventures accounted for using the equity method.
The restatement of the 2017 consolidated financial statements includes the first consolidation difference of €14 million as well as the recognition of the amortizable 2017 PPA portion.

3.1.1 Impact on Balance Sheet

(in million euros)	*Note*	**Dec. 31, 2017 published**	Restatement	**Dec. 31, 2017 restated**
Investments in associates and joint ventures accounted for using the equity method	*10*	2,116	22	2,138
Total assets		**3,174**	**22**	**3,196**
Equity		**2,547**	**22**	**2,569**
- Equity attributable to equity holders of the parent		2,531	22	2,553
- Share capital and other reserves		1,160	-	1,160
- Consolidated reserves		1,536	23	1,559
- *Of which Net income - equity holders of the parent*		*218*	*23*	*241*
- Income and expenses recognized directly in Equity		(165)	(1)	(166)
- *Of which Net income - equity holders of the parent (share of items recycled in profit or loss)*		*9*	*-*	*9*
- Minority interests		16	-	16
Total equity and liabilities		**3,174**	**22**	**3,196**

3.1.2 Impact on Statement of Income

(in million euros)	*Note*	**Dec. 31, 2017 published**	Restatement	**Dec. 31, 2017 restated**
Share in net income of associates and joint ventures accounted for using the equity method	*10*	226	23	249
Pre-tax income		**243**	**23**	**266**
Net income for the year		**233**	**23**	**256**
- of which attributable to equity holders of the parent		*227*	*23*	*250*
- of which minority interests		*6*	*-*	*6*

3.1.3 Impact on Net Income and Gains and Losses Recognized Directly in Equity

	Dec. 31, 2017 published			Restatement			**Dec. 31, 2017 restated**		
(in million euros)	**Before tax**	**Tax**	**After tax**	**Before tax**	**Tax**	**After tax**	**Before tax**	**Tax**	**After tax**
Net income	243	(10)	**233**	23	-	**23**	266	(10)	**256**
Recyclable in profit and loss items									
OCI of joint ventures	(21)	-	**(21)**	(1)	-	**(1)**	(22)	-	**(22)**
Total recyclable in profit and loss items	(38)	-	**(38)**	(1)	-	**(1)**	(39)	-	**(39)**
Total gains and losses recognized directly in Equity	(43)	1	**(42)**	(1)	-	**(1)**	(44)	1	**(43)**
Total net income and gains and losses recognized directly in Equity	200	(9)	**191**	22	-	**22**	222	(9)	**213**
- of which attributable to equity holders of the parent			*190*			*22*			*212*

3.1.4 Impact on Consolidated Statement of Changes in Equity Attributable to Equity Holders of the Parent and Minority Interests

	Share capital and other reserves				Fair value adjustments - equity holders of the parent						
(in million euros)	Share capital	Issue, share and merger premiums and liquidation surplus	Legal reserve and other reserves	Consoli-dated reserves	Fair value adjustments to hedging instruments	Actuarial gains and losses on pension obligations	Exchange difference	OCI of joint ventures	Equity attributable to equity holders of the parent	Minority interests	Total equity
At December 31, 2017 Published	**199**	**643**	**318**	**1,536**	**(2)**	**-**	**(125)**	**(38)**	**2,531**	**16**	**2,547**
Allocation of the 1st consolidation difference											
Net Income:											
- Badwill				14	-	-	-	-	**14**	-	**14**
- PPA Amortization				9	-	-	-	-	**9**	-	**9**
Income and Expenses Recognized Directly in Equity:											
- Badwill				-	-	-	-	(1)	**(1)**	-	**(1)**
At December 31, 2017 restated	**199**	**643**	**318**	**1,559**	**(2)**	**-**	**(125)**	**(39)**	**2,553**	**16**	**2,569**

3.1.5 Impact on Consolidated Statement of Cash Flows

(in million euros)	**Dec. 31, 2017 published**	Restatement	**Dec. 31, 2017 restated**
Net income attributable to equity holders of the parent	**227**	**23**	**250**
Elimination of income without cash effect:			
- Net income of associates accounted for using the equity method, net of dividends received	(226)	(23)	(249)
- *Net income of associates accounted for using the equity method*	*(226)*	*(23)*	*(249)*
Funds from operations	**145**	**-**	**145**

3.2 Impact of applying IFRS 9 in the Financial Statements as of the 1st of January 2018

IFRS 9 - Financial Instruments, which replaced IAS 39, is compulsory in the fiscal year commencing January 1, 2018. According to the principles of IFRS 9, Banque PSA Finance decided not to restate the prior periods (see Note 2 Accounting policies).
The implementation of IFRS 9 in Banque PSA Finance led to the financial statement changes outlined below.

3.2.1 Impact on Balance Sheet

(in million euros)	*Notes*	**Dec. 31, 2017 restated**	IFRS 9 FTA Reclassification	IFRS 9 FTA Revaluation	**January 1, 2018**
Assets					
Financial assets at fair value through profit or loss	*5*	165	2	-	167
Financial assets at fair value through Equity			-	-	-
Available-for-sale financial assets		2	(2)		
Debt securities at amortized cost			-	-	-
Customer loans and receivables, at amortized cost	*8, 21*	331	-	3	334
Held-to-maturity investments		-	-		
Investments in associates and joint ventures accounted for using the equity method	*10*	2,138	-	11	2,149
Total assets		**3,196**	**-**	**14**	**3,210**

(in million euros)	*Note*	**Dec. 31, 2017 restated**	IFRS 9 FTA Reclassification	IFRS 9 FTA Revaluation	**January 1, 2018**
Equity and liabilities					
Equity		**2,569**	**-**	**14**	**2,583**
- Equity attributable to equity holders of the parent		2,553	-	14	2,567
- Share capital and other reserves		1,160	-	-	1,160
- Consolidated reserves	*2.4*	1,559	-	14	1,573
- *Of which Net income - equity holders of the parent*		*241*			
- Income and expenses recognized directly in Equity		(166)	-	-	(166)
- *Of which Net income - equity holders of the parent (share of items recycled in profit or loss)*		*9*			
- Minority interests		16	-	-	16
Total equity and liabilities		**3,196**	**-**	**14**	**3,210**

3.2.2 Impact 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**
- **Net gains or losses on securities valued at amortized cost**

Note 4 Cash, Central Banks

(in million euros)	June 30, 2018	Dec. 31, 2017 restated
Cash	-	-
Central banks (1)	82	98
- *of which compulsory reserves deposited with the Banque de France*	-	-
Total	**82**	**98**

(1) *The reserves deposited with the central banks are included in Banque PSA Finance Group's liquidity reserve (see Note 18.2).*

Note 5 Financial Assets at Fair Value Through Profit or Loss

According to IFRS 9, the investments in companies that are not consolidated are booked at amortized 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 Banque PSA Finance as at January 1, 2018 (See Note 2 Accounting Policies).

(in million euros)	June 30, 2018	January 1, 2018 (1)
Marketable securities booked at fair value through profit or loss	**317**	**165**
- Marketable securities	317	165
- Mutual funds	288	129
- Mutual funds qualified as cash equivalents (2)	200	40
- Units held by insurance companies	88	89
- *of which accrued interest*	-	*1*
- Certificates of deposit and Treasury bills	-	-
- Bonds issued by the securitization funds in the Santander joint venture	29	36
- *of which held by insurance companies*	*20*	*23*
- Fair value adjustments	-	-
Foreign exchange hedging instruments	**-**	**-**
Accrued interest on trading derivatives	**-**	**-**
Fair value of trading derivatives	**-**	**-**
Marketable securities booked at fair value through profit or loss	**2**	**2**
- Equity Securities, gross value	29	31
- PSA Finance P.L.C. (3)	2	2
- PSA Financial d.o.o. (4)	3	3
- PSA Finance Hungaria Zrt (5)	24	26
- Equity Securities Impairment (4)(5)	(27)	(29)
Total	**319**	**167**

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).

The fair value of investments assets is considered as being equal to the most recent transaction price, corresponding to the purchase of the shares. An impairment is recognized in the rare cases when long-term losses are anticipated.

(1) *See Note 3.2 - Impact of applying IFRS 9 in the Financial Statements as of the 1st of January 2018.*

(2) *The mutual funds qualified as cash equivalents are included in Banque PSA Finance Group's liquidity reserve (see Note 18.2).*

(3) *The PSA Finance P.L.C. 50%-owned subsidiary in United Kingdom, without any operational activity, had been removed from the scope of consolidation at January 1, 2009.*

(4) *The PSA Financial d.o.o. 100%-owned non-operating subsidiary in Croatia was removed from the scope of consolidation at March 1, 2016. The shares in this subsidiary have been fully impaired.*

(5) *The PSA Finance Hungaria Zrt 100%-owned non-operating subsidiary in Hungaria was removed from the scope of consolidation at February 1, 2017. The shares in this subsidiary have been fully impaired.*

Note 6 Hedging Instruments - Assets

6.1 Analysis by Nature

(in million euros)	June 30, 2018	Dec. 31, 2017 restated
Adjustment accounts - commitments in foreign currencies (1)	**37**	**31**
- of which related companies	-	-
Accrued income on swaps designated as hedges	**3**	**3**
- of which related companies	-	-
Positive fair value of instruments designated as hedges of:	**7**	**9**
- Borrowings	-	-
- EMTNs/BMTNs	4	8
- of which due to hedging cross currency swaps' basis spread	(3)	(3)
- Bonds	-	-
- Customer loans (Installment contracts, Buyback contracts and Long-term leases)	-	-
- Variable rate EMTN (Cash Flow Hedge)	3	1
Offsetting positive fair value and received margin calls	**(43)**	**(41)**
Total	**4**	**2**

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

(1) *Adjustment accounts are used to record fair value adjustments to currency swaps designated as hedges of foreign currency customer loans refinanced in euros and foreign currency financing liabilities. These fair value adjustments are offset by adjustments arising from the remeasurement of the underlying foreign currency customer loans and financing liabilities at period-end exchange rates (see "A. Operational Positions in Foreign Currencies" in Note 16).*

6.2 Offsetting swaps with margin call designated as hedges - Assets

For 2018

(in million euros)	Asset gross amount		Asset net amount before offsetting	Offsetting with received margin calls	Balance Sheet amount after offsetting
Positive valued swaps	Swap's winning leg	Swap's losing leg			
Adjustment accounts - commitments in foreign currencies	**214**	**(177)**	**37**	**-**	**37**
- Cross currency swap with margin call	214	(177)	37	-	37
- Other instruments			-	-	-
Accrued income	**3**	**-**	**3**	**-**	**3**
- Swaps with margin call	3		3	-	3
- Swaps without margin call	-	-	-	-	-
Positive fair value	**196**	**(189)**	**7**	**-**	**7**
- Swaps with margin call	196	(189)	7	-	7
- Swaps without margin call	-	-	-	-	-
Offsetting	-	-	-	(43)	**(43)**
Total assets	**413**	**(366)**	**47**	**(43)**	**4**
Margin calls received on swaps designated as hedges (deferred income - see Note 14)	-	-	43	(43)	**-**
Total liabilities	**-**	**-**	**43**	**(43)**	**-**

For 2017

(in million euros)	Asset gross amount		Asset net amount before offsetting	Offsetting with received margin calls	Balance Sheet amount after offsetting
Positive valued swaps	Swap's winning leg	Swap's losing leg			
Adjustment accounts - commitments in foreign currencies	**209**	**(178)**	**31**	**-**	**31**
- Cross currency swap with margin call	209	(178)	31	-	31
- Other instruments			-	-	-
Accrued income	**3**	**-**	**3**	**-**	**3**
- Swaps with margin call	3	-	3	-	3
- Swaps without margin call	-	-	-	-	-
Positive fair value	**200**	**(191)**	**9**	**-**	**9**
- Swaps with margin call	200	(191)	9	-	9
- Swaps without margin call	-	-	-	-	-
Offsetting	-	-	-	(41)	**(41)**
Total assets	**412**	**(369)**	**43**	**(41)**	**2**
Margin calls received on swaps designated as hedges (deferred income - see Note 14)	-	-	43	(41)	**2**
Total liabilities	**-**	**-**	**43**	**(41)**	**2**

Note 7 Loans and Advances to Credit Institutions, at amortized cost

Analysis of Demand and Time Accounts

(in million euros)	June 30, 2018	Dec. 31, 2017 restated
Demand accounts	**158**	**182**
- Ordinary accounts in debit	158	182
- of which allocated to the liquidity reserve (1)	*114*	*133*
- of which held by insurance companies	*40*	*32*
- of which related companies	*29*	*23*
Time accounts	**103**	**112**
- Time accounts qualified as cash equivalents (1)	-	-
- Subordinated loans (2)	100	100
- of which related companies	*100*	*100*
- Other	3	12
- of which held by insurance companies	*3*	*2*
Accrued interest	**-**	**-**
Total	**261**	**294**

(1) The part of ordinary accounts allocated to the liquidity reserve and time accounts qualified as cash equivalents are included in Banque PSA Finance Group's liquidity reserve (see Note 18.2).

(2) In December 2017, PSA Finance Nederland B.V. provided the French and Italian joint ventures in partnership with Santander CF. with €100 million subordinated loans.

Note 8 Customer Loans and Receivables, at amortized cost

8.1 Analysis by Type of Financing

(in million euros)	June 30, 2018	January 1, 2018 (1)	IFRS 9 impact (1)	Dec. 31, 2017 restated
Installment contracts	**185**	**255**	**-**	**255**
Buyback contracts (2)	**5**	**5**	**-**	**5**
Principal and interest	6	6	-	6
Unaccrued interest on buyback contracts	(1)	(1)	-	(1)
Long-term leases (2)	**-**	**39**	**-**	**39**
Principal and interest	-	43	-	43
- Related companies	-	-	-	-
- Non-group companies	-	43	-	43
Unaccrued interest on long-term leases	-	(3)	-	(3)
Leasing deposits	-	(1)	-	(1)
Wholesale financing	**70**	**58**	**3**	**55**
Principal and interest	70	58	3	55
- Related companies	-	-	-	-
- Non-group companies	70	58	3	55
Other finance receivables	**1**	**4**	**-**	**4**
- Related companies	-	-	-	-
- Non-group companies	1	4	-	4
Ordinary accounts in debit	**-**	**-**	**-**	**-**
- Related companies	-	-	-	-
- Cash pooling (3):				
- Before offsetting	2	3	-	3
- Offsetting	(2)	(3)	-	(3)
- Other	-	-	-	-
- Non-group companies	-	-	-	-
Deferred items included in amortized cost - Customers loans and receivables	**(22)**	**(27)**	**-**	**(27)**
- Deferred acquisition costs	1	1	-	1
- Deferred loan set-up costs	(12)	(15)	-	(15)
- Deferred manufacturer and dealer contributions	(11)	(13)	-	(13)
Total Loans and Receivables at Amortized Cost	**239**	**334**	**3**	**331**

(1) See Note 3.2 - Impact of applying IFRS 9 in the Financial Statements as of the 1st of January 2018.

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

(3) Under the cash pooling agreement with PSA International, the asset and liability amounts are offset in accordance with IAS 32 (see Note 12).

8.2 Customer Loans and Receivables by Segment

For 2018

IFRS 8 Segment *(in million euros)*	Corporate Dealers (A - see B Note 21.1)	End user Retail (B - see A Note 21.1)	End user Corporate and equivalent (C - see C Note 21.1)	Total at June 30, 2018
Type of financing				
Installment contracts	-	184	1	185
Buyback contracts	-	4	1	5
Long-term leases	-	-	-	-
Wholesale financing	70	-	-	70
Other finance receivables	1	-	-	1
Ordinary accounts in debit	-	-	-	-
Deferred items included in amortized cost	-	(22)	-	(22)
Total customer loans by segment (based on IFRS 8)	**71**	**166**	**2**	**239**

At December 31, 2017 and at January 1, 2018 (1)

IFRS 8 Segment	Corporate Dealers (A - see B Note 21.1)		End user: Retail (B - see A Note 21.1)		End user: Corporate and equivalent (C - see C Note 21.1)		Total at	
(in million euros)	Jan. 1, 2018	Dec. 31, 2017	Jan. 1, 2018	Dec. 31, 2017	Jan. 1, 2018	Dec. 31, 2017	Jan. 1, 2018	Dec. 31, 2017
Type of financing								
Installment contracts	-	-	254	254	1	1	255	255
Buyback contracts	-	-	2	2	3	3	5	5
Long-term leases	2	2	21	21	16	16	39	39
Wholesale financing	58	55	-	-	-	-	58	55
Other finance receivables	4	4	-	-			4	4
Ordinary accounts in debit	-	-	-	-			-	-
Deferred items included in amortized cost	-	-	(26)	(26)	(1)	(1)	(27)	(27)
Total customer loans by segment (based on IFRS	**64**	**61**	**251**	**251**	**19**	**19**	**334**	**331**

(1) See Note 3.2 - Impact of applying IFRS 9 in the Financial Statements as of the 1st of January 2018.

Note 9 Accruals and Other Assets

(in million euros)	June 30, 2018	Dec. 31, 2017 restated
Other receivables	**18**	**29**
- Related companies	15	22
- of which insurance activities	*4*	*8*
- Non-group companies	3	7
- of which insurance activities	-	-
Dividends receivable from Joint Ventures	**10**	**1**
- of which insurance activities	-	-
Prepaid and recoverable taxes	**16**	**22**
- of which insurance activities	*3*	*3*
Accrued income	**16**	**21**
- Related companies	8	9
- Non-group companies	8	12
- of which insurance activities	*8*	*12*
Prepaid expenses	**1**	**3**
Other	**2**	**8**
- Related companies	-	-
- Non-group companies	2	8
- of which insurance activities	-	-
Total	**63**	**84**

Note 10 Investments in Associates and Joint Ventures Accounted for Using the Equity Method

Changes in the Financial Statements at December 31, 2017 and as of the 1st of January 2018 are respectively detailed in Notes 3.1 and 3.2.

10.1 Investments

(in million euros)	June 30, 2018	Dec. 31, 2017 restated	Dec. 31, 2017 published
IFRS 9 impact at January 1, 2018	11		
At the beginning of the period	**2,149**	**1,527**	**1,527**
Change in Group structure	-	489	489
Capital increase/(decrease) and contributions to reserves	-	37	37
Share in net income	174	249	226
Distribution of dividends	(69)	(138)	(138)
Gains and Losses Recognized Directly in Equity	(1)	(26)	(25)
At the end of the period	**2,253**	**2,138**	**2,116**
- of which goodwill (1)	*3*	*3*	*3*

Table of Changes by Geographical Area

(in million euros) Partnership with	Europe: Santander CF	Europe: BNP Paribas PF	Brazil: Santander	China: Dongfeng Peugeot Citroën	China: *of which goodwill (1)*	Total
At December 31, 2016	**1,408**		**42**	**77**	***3***	**1,527**
Capital increase/(decrease) and contributions to reserves	(4)		-	-	-	(4)
Share in net income	101		2	10	-	113
Distribution of dividends	(80)		(1)	-	-	(81)
Gains and Losses Recognized Directly in Equity	(2)		(4)	(4)	*(1)*	(10)
At June 30, 2017	**1,423**		**39**	**83**	***2***	**1,545**
Change in Group structure	-	489	-	-	-	489
Capital increase/(decrease) and contributions to reserves	41	-	-	-	-	41
Share in net income	94	8	3	8	-	113
Distribution of dividends	(56)	-	(1)	-	-	(57)
Gains and Losses Recognized Directly in Equity	(8)	(4)	(2)	(1)	*1*	(15)
At December 31, 2017 Published	**1,494**	**493**	**39**	**90**	***3***	**2,116**
Share in net income (2)	-	23	-	-	-	23
Gains and Losses Recognized Directly in Equity	-	(1)	-	-	-	(1)
At December 31, 2017 restated	**1,494**	**515**	**39**	**90**	***3***	**2,138**
IFRS 9 First Time Application	18	(7)	-	-	-	11
At January 1, 2018	**1,512**	**508**	**39**	**90**	***3***	**2,149**
Capital increase/(decrease) and contributions to reserves						-
Share in net income	118	48	1	7	-	174
Distribution of dividends	(67)	-	(2)	-	-	(69)
Gains and Losses Recognized Directly in Equity	1	1	(4)	1	-	(1)
At June 30, 2018	**1,564**	**557**	**34**	**98**	***3***	**2,253**

According to revised IAS 28, the entities in these different geographical areas are joint ventures and were consequently accounted for using the equity method.

(1) *Goodwill on the May 25, 2010 acquisition of a further 50% of the Chinese subsidiary Dongfeng Peugeot Citroën Auto Finance Company Ltd by PSA Finance Nederland B.V. amounted to CNY56.7 million.*

On December 27, 2012, the proceeds from disposal of 25% shares in the Chinese subsidiary reduced the goodwill to CNY37.8 million and on March 2015, the proceeds from disposal of 25% shares in the Chinese subsidiary reduced the goodwill to CNY18.8 million (€2.5 million at May 31, 2018, €2.5 million at December 31, 2017 and €2.4 million at June 30, 2017).

The goodwill was added to the carrying amount of the investment presented in "Investments in Associates and Joint Ventures Accounted for using the Equity Method".

(2) *Corresponds to the final badwill and the 2017 PPA amortization in the consolidated accounts of Banque PSA Finance at December 31, 2017 (See Note 3.1).*

10.2 Detailed information about Associates - Joint ventures

Most of the implemented joint ventures in the framework of the partnerships agreements with Santander and with BNP Paribas PF set up in the past and go on setting up securitization programs.The joint ventures retain the majority of the risks and rewards generated by the funds. Consequently, they fully consolidate the funds, which are though indirectly accounted for by the equity method in Banque PSA Finance's consolidated financial statements.

The following information is given according to IFRS 12:

10.2.1 Partnership with Santander CF in Europe
10.2.2 Partnership with BNP Paribas PF in Europe
10.2.3 Partnership with Santander in Brazil
10.2.4 Partnership with Dongfeng Peugeot Citroën in China

10.2.1 Partnership with Santander CF in Europe

The partnership in Europe has started in February 2015 in France (FR) and United Kingdom (UK) and has been extended chronologically in the following countries: in May 2015 to Malta (MT) ; in October 2015 to Switzerland (CH) and Spain (ES) ; in January 2016 to Italy (IT) ; in February 2016 to the Netherlands (NL) ; in May 2016 to Belgium (BE) ; in July 2016 to Austria (AT) and Germany (DE) and in October 2016 to Poland (PL).

Equity accounted percentage: 50%

Fully financial information of the combined IFRS financial statements of these entities

Key Balance Sheet Items

(in million euros)	June 30, 2018	Jan. 1, 2018	IFRS 9 impact	Dec. 31, 2017 restated
Customer loans and receivables	25,381	24,236	56	24,180
Other assets	2,806	2,573	(12)	2,585
Total assets	**28,187**	**26,809**	**44**	**26,765**
Refinancing	19,475	18,594	-	18,594
Other liabilities	5,584	5,190	8	5,182
Equity	3,128	3,025	36	2,989
Total equity and liabilities	**28,187**	**26,809**	**44**	**26,765**

Key Income Statement Items

(in million euros)	June 30, 2018	June 30, 2017	Dec. 31, 2017 restated
Net banking revenue	**537**	**503**	**1,007**
General operating expenses and equivalent	(184)	(182)	(362)
Gross operating income	**353**	**321**	**645**
Cost of risk	(14)	(24)	(57)
Operating income	**339**	**297**	**588**
Non-operating items	(3)	-	(12)
Pre-tax income	**336**	**297**	**576**
Income taxes	(101)	(95)	(185)
Net income for the year	**235**	**202**	**391**

Statement of changes from 100% Equity to equity method

(in million euros)	Equity before equity method	Percentage of equity method	Share of profit of equity method	Elimination of shareholder's equity (1)	Goodwill	Equity after equity method	*of which exchange difference*
At December 31, 2016	**2,816**	**50%**	**1,408**	**(1,237)**	**-**	**171**	***(26)***
Capital decrease	(7)		(4)	4		-	
Net income of the period	202		101			101	
Distribution of dividends	(161)		(80)			(80)	
Gains and Losses Recognized Directly in Equity	(4)		(2)			(2)	*(5)*
At June 30, 2017	**2,846**	**50%**	**1,423**	**(1,233)**	**-**	**190**	***(31)***
Capital increase and contributions to reserves	81		41	(40)		1	
Net income of the period	189		94			94	
Distribution of dividends	(112)		(56)			(56)	
Gains and Losses Recognized Directly in Equity	(15)		(8)			(8)	*(3)*
At December 31, 2017	**2,989**	**50%**	**1,494**	**(1,273)**	**-**	**221**	***(34)***
IFRS 9 First Time Application	36		18			18	
At January 1, 2018	**3,025**	**50%**	**1,512**	**(1,273)**	**-**	**239**	***(34)***
Net income of the period	235		118			118	
Distribution of dividends	(134)		(67)			(67)	
Gains and Losses Recognized Directly in Equity	2		1			1	-
At June 30, 2018	**3,128**	**50%**	**1,564**	**(1,273)**	**-**	**291**	***(34)***

(1) *Elimination of shareholder's equity up to the value of the shares owned by Banque PSA Finance and PSA Services Ltd.*

Consolidated Balance Sheet items after equity method

(in million euros)	**June 30, 2018**	**Jan. 1, 2018**	**Dec. 31, 2017 restated**
Investments in associates and joint ventures accounted for using the equity method	1,564	1,512	1,494
Total assets	**1,564**	**1,512**	**1,494**
Equity			
- Historical value of the shares owned (1)	1,273	1,273	1,273
- Consolidated reserves - equity holders of the parent	291	239	221
- of which share in net income accounted for using the equity method	*118*		*195*
Total equity and liabilities	**1,564**	**1,512**	**1,494**

(1) *Elimination of shareholder's equity up to the value of the shares owned by Banque PSA Finance and PSA Services Ltd.*

10.2.2 Partnership with BNP Paribas PF in Europe

The partnership with BNP Paribas PF began in November 2017 and concerns the main following countries: France (FR), Belgium (BE), Switzerland (CH), Germany (DE), United Kingdom (UK), Italia (IT), Netherlands (NL) and Austria (AT).

Equity accounted percentage: 50%

Fully financial information of the combined IFRS financial statements of these entities

Key Balance Sheet Items

(in million euros)	June 30, 2018	01.01.2018	IFRS 9 impact	Dec. 31, 2017 restated	Restate-ment (1)	Dec. 31, 2017 published
Customer loans and receivables	9,784	9,200	(19)	9,219	62	9,157
Other assets	505	1,012	4	1,008	(12)	1,020
Total assets	**10,289**	**10,212**	**(15)**	**10,227**	**50**	**10,177**
Refinancing	7,165	7,135	-	7,135	2	7,133
Other liabilities	2,010	2,060	(1)	2,061	4	2,057
Equity	1,114	1,017	(14)	1,031	44	987
Total equity and liabilities	**10,289**	**10,212**	**(15)**	**10,227**	**50**	**10,177**

Key Income Statement Items (2)

(in million euros)	June 30, 2018	Dec. 31, 2017 restated	Restate-ment (1)	Dec. 31, 2017 published
Net banking revenue	**257**	**90**	**24**	**66**
General operating expenses and equivalent	(123)	(43)	-	(43)
Gross operating income	**134**	**47**	**24**	**23**
Cost of risk	(6)	(1)	-	(1)
Operating income	**128**	**46**	**24**	**22**
Non-operating items	(2)	-	-	-
Pre-tax income	**126**	**46**	**24**	**22**
Income taxes	(30)	(12)	(6)	(6)
Net income for the year	**96**	**34**	**18**	**16**

(1) Corresponds to the final badwill and the 2017 PPA amortization in the consolidated accounts of Banque PSA Finance at December 31, 2017 (see Note 3.1).

(2) Income generated since the beginning of the partnership with BNP Paribas PF.

Statement of changes from 100% Equity to equity method

(in million euros)	Equity before equity method	Percentage of equity method	Share of profit of equity method	Elimination of shareholder's equity (1)	Goodwill	Equity after equity method	*of which exchange difference*
Change in Group structure	978		489	(489)	-	-	-
Net income of the period	16		8			8	
Gains and Losses Recognized Directly in Equity	(7)		(4)			(4)	
At December 31, 2017 published	**987**	**50%**	**493**	**(489)**	**-**	**4**	**-**
Net income of the period (2)							
- Badwill	28		14			14	
- PPA amortization	18		9			9	
Gains and Losses Recognized Directly in Equity	(2)		(1)			(1)	*(1)*
At December 31, 2017 restated	**1,031**	**50%**	**515**	**(489)**	**-**	**26**	**(1)**
IFRS 9 First Time Application	(14)		(7)			(7)	
At January 1, 2018	**1,017**	**50%**	**508**	**(489)**	**-**	**19**	**(1)**
Net income of the period	96		48			48	
Distribution of dividends	-		-			-	
Gains and Losses Recognized Directly in Equity	1		1			1	*1*
At June 30, 2018	**1,114**	**50%**	**557**	**(489)**	**-**	**68**	**-**

(1) Elimination of shareholder's equity up to the value of the shares owned by Banque PSA Finance.

(2) Corresponds to the final badwill and the 2017 PPA amortization in the consolidated accounts of Banque PSA Finance at December 31, 2017 (see Note 3.1).

Consolidated Balance Sheet items after equity method

(in million euros)	June 30, 2018	Jan. 1, 2018	Dec. 31, 2017 restated	Dec. 31, 2017 published
Investments in associates and joint ventures accounted for using the equity method	557	508	515	493
Total assets	**557**	**508**	**515**	**493**
Equity				
- Historical value of the shares owned (1)	489	489	489	489
- Consolidated reserves - equity holders of the parent	68	19	26	4
- of which share in net income accounted for using the equity method	*48*		*23*	*8*
Total equity and liabilities	**557**	**508**	**515**	**493**

(1) *Elimination of shareholder's equity up to the value of the shares owned by Banque PSA Finance.*

10.2.3 Partnership with Santander in Brazil

The partnership in Brazil began in August 2016.

Equity accounted percentage: 50%

Fully financial information of the combined IFRS financial statements of these entities

Key Balance Sheet Items

(in million euros)	June 30, 2018	Jan. 1, 2018	IFRS 9 impact	Dec. 31, 2017 restated
Customer loans and receivables	351	426	1	425
Other assets	38	54	-	54
Total assets	**389**	**480**	**1**	**479**
Refinancing	304	384	-	384
Other liabilities	17	17	-	17
Equity	68	79	1	78
Total equity and liabilities	**389**	**480**	**1**	**479**

Key Income Statement Items

(in million euros)	June 30, 2018	June 30, 2017	Dec. 31, 2017 restated
Net banking revenue	**14**	**18**	**34**
General operating expenses and equivalent	(7)	(10)	(18)
Gross operating income	**7**	**8**	**16**
Cost of risk	-	(1)	(1)
Operating income	**7**	**7**	**15**
Income taxes	(4)	(3)	(5)
Net income for the year	**3**	**4**	**10**

Statement of changes from 100% Equity to equity method

(in million euros)	Equity before equity method	Percentage of equity method	Share of profit of equity method	Elimination of shareholder's equity (1)	Goodwill	Equity after equity method	*of which exchange difference*
At December 31, 2016	**84**	**50%**	**42**	**(27)**	**-**	**15**	***2***
Net income of the period	4		2			2	
Distribution of dividends	(3)		(1)			(1)	
Gains and Losses Recognized Directly in Equity	(8)		(4)			(4)	*(4)*
At June 30, 2017	**77**	**50%**	**39**	**(27)**	**-**	**12**	***(2)***
Net income of the period	6		3			3	
Distribution of dividends	(1)		(1)			(1)	
Gains and Losses Recognized Directly in Equity	(4)		(2)			(2)	*(2)*
At December 31, 2017	**78**	**50%**	**39**	**(27)**	**-**	**12**	***(4)***
IFRS 9 First Time Application	1		-			-	-
At January 1, 2018	**79**	**50%**	**39**	**(27)**	**-**	**12**	**(4)**
Net income of the period	3		1			1	
Distribution of dividends	(5)		(2)			(2)	
Gains and Losses Recognized Directly in Equity	(9)		(4)			(4)	*(4)*
At June 30, 2018	**68**	**50%**	**34**	**(27)**	**-**	**7**	***(8)***

(1) *Elimination of shareholder's equity up to the value of the shares owned by Banque PSA Finance and PSA Services Ltd.*

Consolidated Balance Sheet items after equity method

(in million euros)	June 30, 2018	01.01.2018	Dec. 31, 2017 restated
Investments in associates and joint ventures accounted for using the equity method	34	39	39
Total assets	**34**	**39**	**39**
Equity			
- Historical value of the shares owned (1)	27	27	27
- Consolidated reserves - equity holders of the parent	7	12	12
- *of which share in net income accounted for using the equity method*	*1*		*5*
Total equity and liabilities	**34**	**39**	**39**

(1) *Elimination of shareholder's equity up to the value of the shares owned by Banque PSA Finance and PSA Services Ltd.*

10.2.4 Partnership with Dongfeng Peugeot Citroën in China

The partnership in China concerns the subsidiary Dongfeng Peugeot Citroën Auto Finance Company Ltd.

Equity accounted percentage: 25%

Fully financial information

Key Balance Sheet Items

(in million euros)	June 30, 2018	Jan. 1, 2018	IFRS 9 impact	Dec. 31, 2017 restated
Customer loans and receivables	2,447	2,408	-	2,408
Other assets	172	195	-	195
Total assets	**2,619**	**2,603**	**-**	**2,603**
Refinancing	1,451	1,464	-	1,464
Other liabilities	787	791	-	791
Equity	381	348	-	348
Total equity and liabilities	**2,619**	**2,603**	**-**	**2,603**

Key Income Statement Items

(in million euros)	June 30, 2018	June 30, 2017	Dec. 31, 2017 restated
Net banking revenue	**65**	**59**	**116**
General operating expenses and equivalent	(12)	(13)	(26)
Gross operating income	**53**	**46**	**90**
Cost of risk	(3)	2	(7)
Operating income	**50**	**48**	**83**
Income taxes	(21)	(9)	(14)
Net income for the year	**29**	**39**	**69**

Statement of changes from 100% Equity to equity method

(in million euros)	Equity before equity method	Percentage of equity method	Share of profit of equity method	Elimination of shareholder's equity (1)	Goodwill (2)	Equity after equity method	*of which exchange difference*
At December 31, 2016	**299**	**25%**	**74**	**(33)**	**3**	**44**	***7***
Net income of the period	39		10			10	
Gains and Losses Recognized Directly in Equity	(18)		(4)		(1)	(5)	*(5)*
At June 30, 2017	**320**	**25%**	**80**	**(33)**	**2**	**49**	***2***
Net income of the period	30		8			8	
Gains and Losses Recognized Directly in Equity	(2)		(1)		1	-	-
At December 31, 2017	**348**	**25%**	**87**	**(33)**	**3**	**57**	***2***
IFRS 9 First Time Application	-		-			-	
At January 1, 2018	**348**	**25%**	**87**	**(33)**	**3**	**57**	***2***
Net income of the period	29		7			7	
Distribution of dividends	-		-			-	
Gains and Losses Recognized Directly in Equity	4		1		-	1	*1*
At June 30, 2018	**381**	**25%**	**95**	**(33)**	**3**	**65**	***3***

(1) *Elimination of shareholder's equity up to the value of the shares owned by PSA Finance Nederland B.V.*

Consolidated Balance Sheet items after equity method

(in million euros)	June 30, 2018	Jan. 1, 2018	Dec. 31, 2017 restated
Investments in associates and joint ventures accounted for using the equity method (2)	98	90	90
Total assets	**98**	**90**	**90**
Equity			
- Historical value of the shares owned (1)	33	33	33
- Consolidated reserves - equity holders of the parent	65	57	57
- *of which share in net income accounted for using the equity method*	*7*		*18*
Total equity and liabilities	**98**	**90**	**90**

(1) *Elimination of shareholder's equity up to the value of the shares owned by PSA Finance Nederland B.V.*

(2) *The goodwill was added to the carrying amount of the investment presented in "Investments in Associates and Joint Ventures Accounted for using the Equity Method".*

Note 11 Deposits from Credit Institutions

Analysis of Demand and Time Accounts

(in million euros)	June 30, 2018	Dec. 31, 2017 restated
Demand deposits (non-group institutions)	**5**	**6**
- Ordinary accounts in credit	3	4
- Accounts and deposits at overnight rates	2	2
- Other amounts due to credit institutions	-	-
Accrued interest	**-**	**-**
Time deposits (non-group institutions)	**92**	**133**
- Conventional bank deposits	92	133
Accrued interest	**9**	**11**
Total deposits from credit institutions at amortized cost	**106**	**150**

Note 12 Due to Customers

Analysis of Demand and Time Accounts

(in million euros)	June 30, 2018	Dec. 31, 2017 restated
Demand accounts	**-**	**2**
- Ordinary accounts in credit		
- Dealers' ordinary accounts in credit		
- Non-group companies	-	1
- Cash pooling (1):		
- Before offsetting	2	3
- Offsetting	(2)	(3)
- Other amounts due to Customers		
- Non-group companies	-	1
Accrued interest	**-**	**-**
Time deposits	**3**	**6**
- Corporate time deposit		
- Related companies	-	-
- Other		
- Non-group companies	3	6
Accrued interest	**-**	**-**
Total deposits from credit institutions at amortized cost	**3**	**8**

(1) *Under the cash pooling agreement with PSA International (Related company), the asset and liability amounts are offset in accordance with IAS 32 (see Note 8.1).*

Note 13 Debt Securities

(in million euros)	June 30, 2018	Dec. 31, 2017 restated
Interbank instruments and money-market securities (non-group institutions)	**250**	**243**
- EMTNs and BMTNs	250	243
- Certificates of deposit and "billets de trésorerie"	-	-
Accrued interest	**5**	**5**
Total debt securities at amortized cost	**255**	**248**

Note 14 Accruals and Other Liabilities

(in million euros)	June 30, 2018	Dec. 31, 2017 restated
Trade payables	**25**	**40**
- Related companies (1)	21	35
- of which insurance activities	*-*	*2*
- Non-group companies	4	5
- of which insurance activities	*-*	*-*
Accrued payroll and other taxes	**6**	**9**
Accrued charges	**17**	**20**
- Related companies	5	5
- of which insurance activities	*1*	*2*
- Non-group companies	12	15
- of which insurance activities	*3*	*3*
Other payables	**4**	**8**
- Related companies	3	6
- of which insurance activities	*3*	*6*
- Non-group companies	1	2
- of which insurance activities	*1*	*1*
Deferred income	**2**	**3**
- Related companies	-	-
- Non-group companies	2	3
- of which margin calls received on swaps designated as hedges (2)	*-*	*2*
Other	**-**	**1**
- Non-group companies	-	1
Total	**54**	**81**

(1) Primarily representing the price of vehicles and spare parts payable to the PSA Group' brands.

(2) At June 30, 2018, the margin calls received on swaps designated as hedges were offset with the positive fair value for an amount of €43 million, compared to €41 million at December,31, 2017 (see Note 6.2).

Note 15 Insurance Activities

15.1 Liabilities Related to Insurance Contracts

(in million euros)	Dec. 31, 2017 restated	Written premiums	Earned premiums	Claims paid	Claims incurred	June 30, 2018
Unearned premium reserve (UPR)	5	25	(26)			4
Claims reserve						
- Claims reserve - reported claims	20			(3)	3	20
- Claims reserve - claims incurred but not reported (IBNR)	56			-	2	58
Total liabilities related to insurance contracts	**81**	**25**	**(26)**	**(3)**	**5**	**82**

15.2 Income from Activities

(in million euros)	June 30, 2018	June 30, 2017	Dec. 31, 2017 restated
+ Earned premiums	**26**	**44**	**78**
Written premiums	25	42	75
Change in insurance liabilities (UPR)	1	2	3
- Cost	**(19)**	**(31)**	**(47)**
Claims expenses	(4)	(6)	(11)
Change in insurance liabilities (except for UPR)	(2)	(3)	3
Other income (expense)	(13)	(22)	(39)
- of which related companies	*(12)*	*(20)*	*(37)*
Margin on sales of Insurance activities	**7**	**13**	**31**

Note 16 Derivatives

Group Interest Rate Management Policy

(See the "Risk Factors and Management" section of the Management Report)

Interest rate risk:

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

In BPF, the $250 million cross currency swap is hedging the issued $250 million EMTN. In Argentina the interest rate swaps as cash flow hedge amounts to ARS987 million at June 30, 2018 vs ARS831 million at December 31, 2017.

Currency risk:

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

Counterparty risk:

Banque PSA Finance's exposure to counterparty risk is limited to its use of derivatives governed by standard FBF or ISDA agreements and very short term cash investments with leading counterparties. The cross currency swap is stated with weekly margin call. In Argentina, the cash flow hedging instruments are not stated with margin call. Customer credit risk is discussed in Note 21.

The bank 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 very short-term retail certificates of deposits and in mutual funds.

Banque PSA Finance Residual Positions in Foreign Currencies

A. Operational Positions in Foreign Currencies

These positions are hedged using currency swaps, cross currency swaps and forward foreign exchange contracts. The residual position at the end of June 2018 is not significant (-€1,4 million at June 30, 2018 versus €1,6 million at the end of 2017).

As a result of the hedging policy, substantial changes in currencies exchange rates will only have a limited impact on the Group net income.

B. Structural Positions in Foreign Currencies

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

(in million euros)	ARS	CNY	GBP	HRK	HUF	MXN	PLN	RUB	TRY	USD (1)	TOTAL
Position at June 30, 2018	1	36	125	3	19	5	15	38	-	48	**290**
Note: December 2017	*1*	*35*	*125*	*3*	*20*	*5*	*16*	*40*	*-*	*47*	***292***

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

Note 17 Fair Value of Financial Assets and Liabilities

(in million euros)	Fair value June 30, 2018	Fair value Dec. 31, 2017 published	Book value June 30, 2018	Book value Dec. 31, 2017 published	Difference June 30, 2018	Difference Dec. 31, 2017 published
Assets						
Cash, central banks	82	98	82	98	-	-
Financial assets at fair value through profit or loss (1)(2)	319	165	319	165	-	-
Hedging instruments (1)	4	2	4	2	-	-
Financial assets at fair value through Equity	-		-		-	
Available-for-sale financial assets (2)		2		2		-
Debt securities at amortized cost	-		-		-	
Loans and advances to credit institutions, at amortized cost (3)(4)	256	297	261	294	(5)	3
Customer loans and receivables, at amortized cost (5)	231	327	239	331	(8)	(4)
Equity and liabilities						
Central banks	-	-	-	-	-	-
Financial liabilities at fair value through profit or loss (1)	-	-	-	-	-	-
Hedging instruments (1)	1	1	1	1	-	-
Deposits from credit institutions (6)	106	150	106	150	-	-
Due to customers (3)	3	8	3	8	-	-
Debt securities (6)	266	265	259	257	(7)	(8)

With the exception of customer loans and receivables, Subordinated loans and Debt securities, 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) *The fair value of investments in companies, which are included in ""Financial assets at fair value through Equity"" since January 1st, 2018, is considered as being equal to the most recent transaction price, corresponding to the purchase of the shares. An impairment is recognized in the rare cases when long-term losses are anticipated.*

(3) *With the exception of Subordinated loans, the Loans and advances to credit institutions and Customer loans and receivables are 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 Subordinated loans see footnote (4),
- For Customer loans and receivables see footnote (5),
- For Debts see footnote (6).

(4) *Subordinated loans are stated at amortized cost and are not hedged.*
The fair value presented above therefore corresponds mainly to the change in the spread (premium over the risk-free rate) paid by Banque PSA Finance on its financial market borrowings. It is determined 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).

(5) *Customer loans and receivables are stated at amortized cost. They are generally hedged against interest rate risks (fair value hedge) and are therefore remeasured at the hedging rate (swap rate), in accordance with hedge accounting principles. Cumulative gains and losses arising from remeasurement are added to or deducted from their amortized cost.*
The fair value presented above has been estimated by discounting future cash flows at the average customer rate of the three last months. In this case, the fair value is determined by applying valuation making significant use of at least one non-observable item of data (level 3).

(6) *Financing liabilities are stated at amortized cost. Hedge accounting is applied to liabilities hedged by interest rate swaps (fair value hedge), leading to their remeasurement at the discounted financing cost. Cumulative gains and losses arising from remeasurement are added to or deducted from their amortized cost.*
The fair value presented above therefore corresponds mainly to the change in the spread (premium over the risk-free rate) paid by Banque PSA Finance on its financial market borrowings. It is determined according to two following cases:
- For Debt securities, by applying valuation based on market available quotations (level 1).
- For Deposits from credit institutions, by applying valuation based on data from our financial partners. In this case, the fair value is determined by applying valuation making significant use of at least one non-observable item of data (level 3).

Note 18 Other Commitments

18.1 Other Commitments

(in million euros)	June 30, 2018	Dec. 31, 2017 restated
Financing commitments		
Commitments received from credit institutions (1)	232	301
Commitments given to credit institutions	-	-
Commitments given to customers (2)	-	12
Guarantee commitments		
Commitments received from credit institutions	5	9
- guarantees received in respect of customer loans	5	9
- guarantees received in respect of securities held	-	-
- other guarantees received from credit institutions	-	-
Guarantees given to credit institutions	4	4
Commitments given to customers	34	39
- Banque PSA Finance	34	39
Other commitments received		
Securities received as collateral	-	-

(1) *This refers to undrawn bank facilities (see Note 18.2)*

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

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

18.2 Financial Security

Financial security refers to liquidity reserve and undrawn bank facilities

(in million euros)	June 30, 2018	Dec. 31, 2017 restated
Liquidity Reserve	**396**	**271**
- Reserves deposited with the central banks (see Note 4)	82	98
- Mutual funds qualified as cash equivalents (see Note 5)	200	40
- Ordinary accounts in debit (see Note 7)	114	133
Undrawn bank facilities	**232**	**301**
- Revolving bilateral bank facilities (1)	200	280
- Other bank facilities	32	21
Total	**628**	**572**

(1) *Correspond to mainly long-term received financing commitments.*

18.3 Management of liquidity risk

(see "Refinancing Policy" section in the Management Report)

Following the partnership agreement between Banque PSA Finance and Santander and since the launch of the last Joint Venture in October 2016, Banque PSA Finance maintains the refinancing of the continuing operations (countries outside the framework agreement scope with Santander CF, and excluding Brazil).

Banque PSA Finance constantly endeavours to strike the best possible balance between security liquidity, which is an ongoing priority, and optimising its financing costs.

Its refinancing is carried out with the widest possible diversification of liquidity sources and the maturities of financing sources are matched with those of outstanding loans.

Note 19 Interest and Other Revenue on Assets at Amortized Cost

(in million euros)	June 30, 2018	June 30, 2017	Dec. 31, 2017 restated
Installment contracts	**27**	**34**	**65**
- *of which related companies*	*9*	*9*	*18*
Buyback contracts	**-**	**1**	**1**
- *of which related companies*	-	-	-
Long-term leases	**-**	**1**	**3**
- *of which related companies*	-	-	-
Wholesale financing	**4**	**3**	**7**
- *of which related companies*	*3*	*2*	*5*
Other finance receivables	**-**	**-**	**-**
- *of which related companies*	-	-	-
Commissions paid to referral agents	**(1)**	**(1)**	**(2)**
- Installment contracts	(1)	(1)	(2)
- Buyback contracts	-	-	-
- Long-term leases	-	-	-
Other business acquisition costs	**(1)**	**(1)**	**(2)**
Interest on ordinary accounts	**-**	**-**	**-**
Interest on guarantee commitments	**-**	**-**	**-**
Total	**29**	**37**	**72**

Note 20 General Operating Expenses

(in million euros)	June 30, 2018	June 30, 2017	Dec. 31, 2017 restated
Personnel costs	**(3)**	**(4)**	**(7)**
- Wages and salaries	(3)	(3)	(6)
- Payroll taxes	-	(1)	(1)
- Employee profit sharing and profit-related bonuses	-	-	-
Other general operating expenses	**(1)**	**(2)**	**(8)**
- External expenses	(50)	(51)	(122)
- of which related companies	*(45)*	*(48)*	*(101)*
- Re-invoicing (1)	49	49	114
- of which related companies	*49*	*49*	*101*
Total	**(4)**	**(6)**	**(15)**

(1) *Re-invoicing continues after implementing the partnership with Santander. Since the end of 2016, all the Joint Ventures with Santander are operational.*

Note 21 Credit Risk Costs

In accordance with IFRS 9, published by IASB in July 2014 and adopted by the EU on November 22, 2016, Banque PSA Finance chose not to restate prior period. Hence, the loans and impairment 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

21.1 Credit Risk Costs and changes in Loans

(in million euros)	Dec. 31, 2017 restated	IFRS 9 First Time Application (1)	Net new loans and exchange difference (2)	Effect of changes in scope of consolidation (3)	Cost of risk for the period at June 30, 2018	Balance at June 30, 2018
Retail						
Stage 1 loans	268	-	(60)	(23)		185
Stage 2 loans	11	-	(8)	-		3
Stage 3 loans	6	-	-	(2)	-	4
Guarantee deposits (lease financing)	(1)	-	-	1		-
Total	**284**	**-**	**(68)**	**(24)**	**-**	**192**
Impairment of stage 1 loans	(1)	(2)	1	1	-	(1)
Impairment of stage 2 loans	(1)	1	-	-	-	-
Impairment of stage 3 loans	(5)	1	-	1	-	(3)
Total impairment	**(7)**	**-**	**1**	**2**	**-**	**(4)**
Deferred items included in amortized cost	**(26)**	**-**	**5**	**(1)**		**(22)**
Net book value (A - see B Note 8.2)	**251**	**-**	**(62)**	**(23)**	**-**	**166**
Recoveries on loans written off in prior periods					-	
Retail cost of risk					-	
Corporate dealers						
Stage 1 loans	64	-	7	(1)		70
Stage 2 loans	-	-	-	-		-
Stage 3 loans	2	-	-	-	-	2
Total	**66**	**-**	**7**	**(1)**	**-**	**72**
Impairment of stage 1 loans	(4)	3	-	-	-	(1)
Impairment of stage 2 loans	-	-	-	-	-	-
Impairment of stage 3 loans	(1)	-	1	-	-	-
Total impairment	**(5)**	**3**	**1**	**-**	**-**	**(1)**
Deferred items included in amortized cost	**-**	**-**	**-**	**-**		**-**
Net book value (B - see A Note 8.2)	**61**	**3**	**8**	**(1)**	**-**	**71**
Recoveries on loans written off in prior periods					-	
Corporate dealers cost of risk					-	
Corporate and equivalent						
Stage 1 loans	20	-	(2)	(16)		2
Stage 2 loans	-	-				-
Stage 3 loans	-	-	-	-	-	-
Total	**20**	**-**	**(2)**	**(16)**	**-**	**2**
Impairment of stage 1 loans	-	-	-	-	-	-
Impairment of stage 2 loans	-	-	-	-	-	-
Impairment of stage 3 loans	-	-	-	-	-	-
Total impairment	**-**	**-**	**-**	**-**	**-**	**-**
Deferred items included in amortized cost	**(1)**	**-**	**-**	**1**		**-**
Net book value (C - see C Note 8.2)	**19**	**-**	**(2)**	**(15)**	**-**	**2**
Recoveries on loans written off in prior periods					-	
Corporate and equivalent cost of risk					-	
Total loans						-
Stage 1 loans	352	-	(55)	(40)		257
Stage 2 loans	11	-	(8)	-		3
Stage 3 loans	8	-	-	(2)	-	6
Guarantee deposits	(1)	-	-	1		-
Total	**370**	**-**	**(63)**	**(41)**	**-**	**266**
Impairment of stage 1 loans	(5)	1	1	1	-	(2)
Impairment of stage 2 loans	(1)	1	-	-	-	-
Impairment of stage 3 loans	(6)	1	1	1	-	(3)
Total impairment	**(12)**	**3**	**2**	**2**	**-**	**(5)**
Deferred items included in amortized cost	**(27)**	**-**	**5**	**-**	**-**	**(22)**
Net book value	**331**	**3**	**(56)**	**(39)**	**-**	**239**
Recoveries on loans written off in prior periods					-	
Total cost of risk					-	

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

(1) *The exchange difference is due to the fact that balance sheets of companies using currencies other than the euro are translated at the closing exchange rate whereas their*

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

(3) *Exit of the full consolidation of PSA Renting after starting the partnership with Santander CF the 1st January 2018.*

21.2 Change in Credit Risk Costs

(in million euros)	Retail	Corporate dealers	Corporate and equivalent	June 30, 2018	June 30, 2017	Dec. 31, 2017 restated
Stage 1 loans						
Allowances	-	-	-	-	-	-
Reversals	-	-	-	-	-	-
Stage 2 loans						
Allowances	-	-	-	-	(4)	(2)
Reversals	-	-	-	-	3	1
Stage 3 loans						
Allowances	-	-	-	-	-	(3)
Reversals	-	-	-	-	-	4
Credit losses	-	-	-	-	(2)	(6)
Recoveries on loans written off in prior periods	-	-	-	-	-	1
Cost of Risk	**-**	**-**	**-**	**-**	**(3)**	**(5)**

Note 22 Income Taxes

22.1 Evolution of Balance Sheet Items

(in million euros)	Dec. 31, 2017 restated	Income	Equity	Payment	Exchange difference and other (1)	June 30, 2018
Current tax						
Assets	15					14
Liabilities	(8)					(2)
Total	**7**	**(2)**	**-**	**7**	**-**	**12**
Deferred tax						
Assets	9					6
Liabilities	(3)					(4)
Total	**6**	**(2)**	**(1)**	**-**	**(1)**	**2**

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

22.2 Income taxes of fully-consolidated companies

Income taxes currently payable represent the amounts paid or currently due to the tax authorities for the period, calculated in accordance with the tax rules and rates in effect in the various countries.
Deferred income taxes relate to timing differences between the recognition of certain items of income and expense for consolidated financial reporting and tax purposes. These differences relate principally to the accounting treatment of leasing and long-term rental transactions, and impairment of non-performing loans.
Deferred taxes are determined as described in the 2017 Annual Report, Note 2 Accounting Policies, last paragraph of chapter 2.A.

Following the removal of the 10.7% exceptional surtax implied by Article 235 ter ZAA of the French General Tax Code, the income tax rate to which Banque PSA Finance S.A is subject in France is reduced from 38% in 2015 to 34.43% since 2016.

(in million euros)	**June 30, 2018**	**30.06.2017**	**Dec. 31, 2017 restated**
Current tax	**(2)**	**(11)**	**(13)**
Deferred tax	**(2)**	**5**	**3**
Deferred taxes arising in the period	(2)	5	3
Unrecognized deferred tax assets and impairment losses	-	-	-
Total	**(4)**	**(6)**	**(10)**

22.3 Banque PSA Finance tax proof

(in million euros)	**June 30, 2018**	**30.06.2017**	**Dec. 31, 2017 restated**
Pre-tax income	192	128	266
Neutralization of the share in net income of associates and joint ventures accounted for using the equity method	(174)	(113)	(249)
Permanent differences	(4)	2	40
Taxable Income	**14**	**17**	**57**
Legal tax rate in France for the period	*34,4%*	*34,4%*	*34,4%*
Theoretical tax	**(5)**	**(6)**	**(20)**
Impact of differences in foreign tax rates	1	-	3
Impact of changes in foreign tax rates	-	-	-
Impact of provisional surtax in France	-	-	-
Adjustment related to the previous year	(1)	-	(1)
Tax disputes and adjustments	-	-	-
Other	-	-	4
Income taxes before impairment of assets on tax loss carry forwards	**(5)**	**(6)**	**(14)**
Group effective tax rate	*39,0%*	*35,8%*	*23,8%*
Deferred tax assets on tax loss carry forwards:			
- Allowances	-	-	-
- Reversals	1	-	4
Income taxes	**(4)**	**(6)**	**(10)**

22.4 Deferred Tax Assets on Tax Loss Carry Forwards

(in million euros)	**Dec. 31, 2017 restated**	**New tax losses**	**Tax losses utilized in the year**	**Charges / Reversals**	**Exchange difference and other (1)**	**June 30, 2018**
Deferred tax assets on tax loss carry forwards	35	-	(1)		(1)	33
Allowances (2)	(30)			1	-	(29)
Total	**5**	**-**	**(1)**	**1**	**(1)**	**4**

(1) *The exchange difference is due to the fact that balance sheets of companies using currencies other than the euro are translated at the closing exchange whereas their income statement items are translated on a month-by-month basis at the average monthly rate.*
(2) *Banque PSA Finance's deferred tax asset on the tax loss carry forward has been fully written down, for an amount of €28 million at end of June 2018.*

Note 23 Segment Information

Segment information is disclosed before the equity method accounting of the joint ventures with Santander and BNP Paribas PF and after elimination of intragroup transactions.

23.1 Key Balance Sheet Items

For 2018

(in million euros)	IFRS 8 segment information Balance Sheet as at June 30, 2018	Equity-method accounting of equity attributable to Group in JV	Consolidated Balance Sheet at June 30, 2018
Assets			
Customer loans and receivables, at amortized cost	35,756	(35,517)	239
- *Corporate dealers*	*10,762*	*(10,691)*	*71*
- *Retail*	*23,669*	*(23,503)*	*166*
- *Corporate and equivalent*	*1,325*	*(1,323)*	*2*
Financial assets at fair value through profit or loss	337	(18)	319
Financial assets at fair value through Equity	-	-	-
Loans and advances to credit institutions, at amortized cost	1,635	(1,374)	261
Deferred tax assets	130	(124)	6
Investments in associates and joint ventures accounted for using the equity method (1)	98	2,155	2,253
Other assets	1,856	(1,635)	221
Total Assets	**39,812**	**(36,513)**	**3,299**
Liabilities			
Deposits from credit institutions	17,347	(17,241)	106
Due to customers	5,290	(5,287)	3
Debt securities	9,929	(9,674)	255
Liabilities related to insurance contracts	135	(53)	82
Deferred tax liabilities	310	(306)	4
Other liabilities	1,893	(1,798)	95
Equity	4,908	(2,154)	2,754
Total Liabilities	**39,812**	**(36,513)**	**3,299**

(1) *See Note 10 Investments in Associates and Joint Ventures Accounted for Using the Equity Method.*

At January 1, 2018

	IFRS 8 segment information Balance Sheet as at Dec. 31, 2017 published	OVF PPA impact at Dec. 31, 2017	IFRS 9 FTA impact at Jan. 1, 2018	IFRS 8 segment information Balance Sheet as at Jan. 1, 2018	Equity-method accounting of equity attributable to Group in JV	Consolidated Balance Sheet at Jan. 1, 2018
Assets						
Customer loans and receivables, at amortized cost	34,104	62	31	34,197	(33,863)	334
- *Corporate dealers*	*10,916*	*(7)*	*5*	*10,914*	*(10,850)*	*64*
- *Retail*	*21,890*	*69*	*28*	*21,987*	*(21,736)*	*251*
- *Corporate and equivalent*	*1,298*	-	*(2)*	*1,296*	*(1,277)*	*19*
Financial Assets at Fair Value Through Profit or Loss	164	-	22	186	(19)	167
Available-for-sale financial assets	77	6	(83)			
Financial assets at fair value through Equity			61	61	(61)	-
Loans and advances to credit institutions, at amortized cost	2,049	-	-	2,049	(1,755)	294
Deferred tax assets	160	6	(8)	158	(149)	9
Investments in associates and joint ventures accounted for using the equity method (1)	89	-	-	89	2,060	2,149
Other assets	1,713	(24)	-	1,689	(1,432)	257
Total Assets	**38,356**	**50**	**23**	**38,429**	**(35,219)**	**3,210**
Liabilities						
Deposits from credit institutions	15,226	(35)		15,191	(15,041)	150
Due to customers	5,264	-		5,264	(5,256)	8
Debt securities	11,246	37		11,283	(11,035)	248
Liabilities related to insurance contracts	119			119	(38)	81
Deferred tax liabilities	290	1	4	295	(292)	3
Other liabilities	1,628	3	1	1,632	(1,495)	137
Equity	4,583	44	18	4,645	(2,062)	2,583
Total Liabilities	**38,356**	**50**	**23**	**38,429**	**(35,219)**	**3,210**

(1) *See Note 10 Investments in Associates and Joint Ventures Accounted for Using the Equity Method.*

23.2 Key Income Statement Items

At June 30, 2018

(in million euros)	IFRS 8 Income statement at June 30, 2018	Presentation differences IFRS 8 vs Publishable Income Statement	Equity-method accounting of equity attributable to Group in JV	Publishable Income Statement at June 30, 2018
Net banking revenue	**830**	**2**	**(807)**	**25**
- Financing activities	***713***	***2***	***(698)***	***17***
- Corporate dealers	*132*	-	*(131)*	*1*
- Retail	*531*	-	*(527)*	*4*
- Corporate and equivalent	*29*	-	*(29)*	-
- Unallocated	*21*	*2*	*(11)*	*12*
- Insurance and services	***117***	**-**	***(109)***	***8***
Credit Cost of risk	**(20)**	**-**	**20**	**-**
- Financing activities	***(20)***	**-**	***20***	**-**
- Corporate dealers	*9*	-	*(9)*	-
- Retail	*(30)*	-	*30*	-
- Corporate and equivalent	*1*	-	*(1)*	-
Net income after cost of risk	**810**	**2**	**(787)**	**25**
- Financing activities	***693***	***2***	***(678)***	***17***
- Corporate dealers	*141*	-	*(140)*	*1*
- Retail	*501*	-	*(497)*	*4*
- Corporate and equivalent	*30*	-	*(30)*	-
- Unallocated	*21*	*2*	*(11)*	*12*
- Insurance and services	***117***	**-**	***(109)***	***8***
General operating expenses and equivalent	**(325)**	**-**	**314**	**(11)**
Operating income	**485**	**2**	**(473)**	**14**
Share in net income of associates and joint ventures accounted for using the equity method (1)	7	-	167	174
Other items	-	-	4	4
Pre-tax income	**492**	**2**	**(302)**	**192**
Income taxes	(140)	-	136	(4)
Net income	**352**	**2**	**(166)**	**188**

(1) *See Note 10 Investments in Associates and Joint Ventures Accounted for Using the Equity Method.*

At June 30, 2017

(in million euros)	**IFRS 8 Income statement at June 30, 2017**	Presentation differences IFRS 8 vs Publishable Income Statement	Equity-method accounting of equity attributable to Group in JV	**Publishable Income Statement at june 30, 2017**
Net banking revenue	**543**	**7**	**(519)**	**31**
- Financing activities	***452***	***7***	***(443)***	***16***
- Corporate dealers	*68*	*-*	*(67)*	*1*
- Retail	*345*	*7*	*(345)*	*7*
- Corporate and equivalent	*23*	*-*	*(22)*	*1*
- Unallocated	*16*	*-*	*(9)*	*7*
- Insurance and services	***91***	***-***	***(76)***	***15***
Cost of risk	**(28)**	**-**	**25**	**(3)**
- Financing activities	***(28)***	***-***	***25***	***(3)***
- Corporate dealers	*(3)*	*-*	*3*	*-*
- Retail	*(26)*	*-*	*23*	*(3)*
- Corporate and equivalent	*1*	*-*	*(1)*	*-*
Net income after cost of risk	**515**	**7**	**(494)**	**28**
- Financing activities	***424***	***7***	***(418)***	***13***
- Corporate dealers	*65*	*-*	*(64)*	*1*
- Retail	*319*	*7*	*(322)*	*4*
- Corporate and equivalent	*24*	*-*	*(23)*	*1*
- Unallocated	*16*	*-*	*(9)*	*7*
- Insurance and services	***91***	***-***	***(76)***	***15***
General operating expenses and equivalent	**(203)**	**-**	***190***	**(13)**
Operating income	**312**	**7**	**(304)**	**15**
Share in net income of associates and joint ventures accounted for using the equity method (1)	10	-	103	113
Other items	-	-	-	-
Pre-tax income	**322**	**7**	**(201)**	**128**
Income taxes	(102)	(2)	98	(6)
Net income for the year	**220**	**5**	**(103)**	**122**

(1) *See Note 10 Investments in Associates and Joint Ventures Accounted for Using the Equity Method.*

Note 24 Subsequent Events

No event occurred between June 30, 2018 and the Board of Directors' meeting to review the financial statement on July 20, 2018 that could have a material impact on business decisions made on the basis of these financial statements.

2.7 Statutory auditors' review report on the first half-year financial information

Six months ended June 30, 2018

To the Shareholders,

In compliance with the assignment entrusted to us by your annual general meeting 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-yearly consolidated financial statements of Banque PSA Finance, for the period from January 1 to June 30, 2018,
- the verification of the information presented in the half-yearly management report.

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

1. Conclusion on the financial statements

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

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

Without qualifying the above conclusion, we draw your attention to:

- note 1 "Main Events of the period and Group Structure" and note 3 "Changes in Financial Statements at December 31, 2017 and as of the 1st of January 2018" to the condensed half-yearly consolidated financial statements, which describe the final allocation of the initial consolidation difference following the acquisition of the Opel/Vauxhall automobile financing activities in partnership with BNP Paribas Personal Finance.
- the change in accounting method relating to the application as of January 1, 2018 of IFRS 9 "Financial Instruments" as described in note 2 "Accounting principles" and in the other notes to the condensed half-yearly consolidated financial statements presenting figures relating to the impact of this change, in particular note 3 "Changes in Financial Statements at December 31, 2017 and as of the 1st of January 2018".

2. Specific verification

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review.

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

Courbevoie and Paris-La Défense, July 24, 2018

The statutory auditors
French original signed by

MAZARS	ERNST & YOUNG Audit
Matthew Brown	Vincent Roty

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

Person responsible for the half-year report

Rémy Bayle
Chief Executive Officer of Banque PSA Finance S.A.

Certification of the person responsible for the half-year report

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

I hereby certify, to my knowledge, that the financial statements for the first half of the year have been prepared in accordance with the applicable accounting standards and give a true and fair view of the group's assets, financial situation and earnings and of all of the companies included in the consolidation, and that the management report in this document presents a true picture of the important events that have occurred during the first six months of the year and their impacts on the accounts, for the company and of all the companies included in the consolidation, and that it describes the main risks and uncertainties for the remaining six months of the year.

I have obtained from the Statutory Auditors the Review Report in which they indicate that they have verified the information on the financial situation and the financial statements presented in this document and in an overall reading of this document.

Rémy Bayle
Chief Executive Officer of Banque PSA Finance S.A.

BANQUE PSA FINANCE

BANQUE PSA FINANCE
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