PSA BANQUE FRANCE

2017 Annual Report

BOARD OF DIRECTORS

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

Jean-Paul Duparc
Director

Laurent Aubineau
Director

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

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

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

EXECUTIVE COMMITTEE

Jean-Paul Duparc
Chief Executive Officer

Laurent Aubineau
Deputy Chief Executive Officer

STATUTORY AUDITORS

PricewaterhouseCoopers Audit
Represented by Laurent Tavernier

Mazars
Represented by Matthew Brown

SUBSTITUTE AUDITORS

Jean-Baptiste Deschryver
Guillaume Potel

Situation at December 31, 2017

PSA BANQUE FRANCE

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

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

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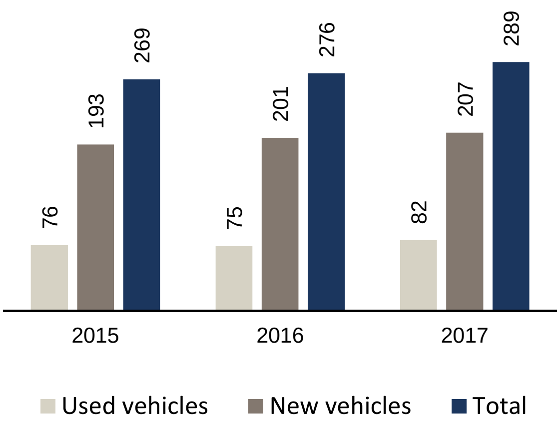
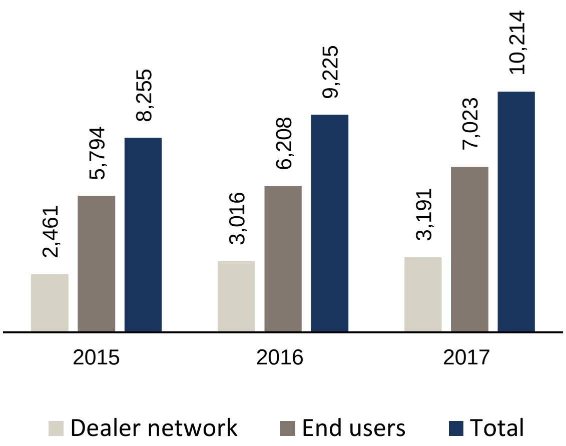
1 MANAGEMENT REPORT

1.1 Key figures

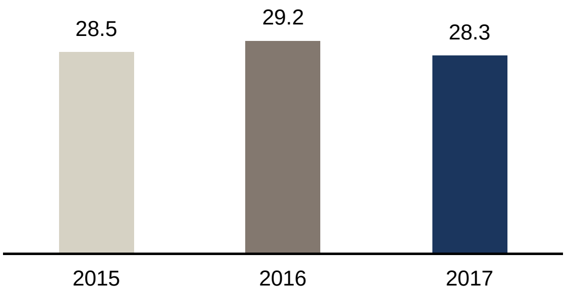
CHANGE IN VEHICLES FINANCED FOR END USERS
(in thousands of vehicles)



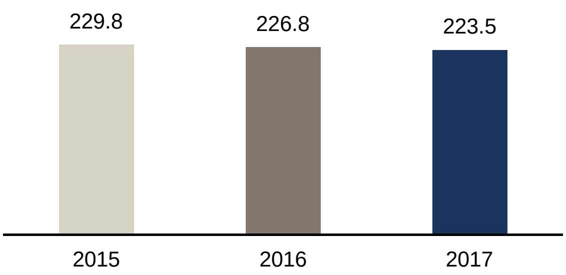
CHANGE IN OUTSTANDING LOANS TO END USERS AND DEALER NETWORK
(in million euros)



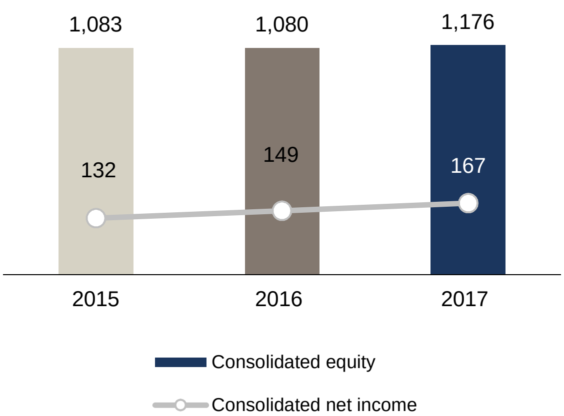
FINANCING PENETRATION RATE
(% of new vehicle sales for Peugeot, Citroën and DS)



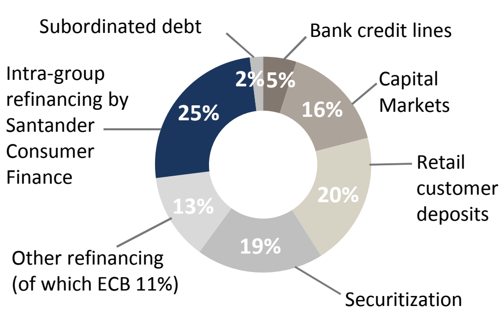
SERVICE PENETRATION RATE
(% of financing contracts)



EQUITY AND NET PROFIT
(in million euros)



SOURCES OF REFINANCING AT DECEMBER 31, 2017



1.2 Letter from the Chief Executive Officer

In 2017, within the cooperation between Banque PSA Finance and Santander Consumer Finance, PSA Banque France had the first planned turnover in its governance, with the appointment of a new Chief Executive Officer and a new Deputy Chief Executive Officer.

PSA Banque France confirmed its dynamic pace of business, supported by the very good performance of vehicle sales for Peugeot, Citroën and DS, of which total volumes rose by 6.5% while the automotive market gained only 5.1%.

More than 289,000 financing applications were granted to end users, a 4.7% improvement over 2016. This increase was accompanied by an increase in the average amount financed per application and therefore in a 13% increase in financing to €3,680 million for 2017 in new and used vehicles.

The penetration rate of new vehicle financing for end users stood at 28.3% of Peugeot, Citroën and DS sales in 2017, down by nearly 1 point from the 2016 period. This overall rate masks the good performance by financing for retail customers, which stood at 42.3%, up 0.6 point on 2016 thanks to the jump in customer loyalty offers, specifically leasing with a purchase option. Conversely, businesses financing was down 3.1 points from the previous period. PSA Banque France's investment in Free2Move Lease, after initial launch year, is the response expected in 2018 for winning back this market.

PSA Banque France has pursued its strategy to diversify its refinancing by developing access to capital markets, and carried out its first two bond issues under EMTN program, with maturities of three and five years, respectively, for €500 million each. In September 2017, PSA Banque France also obtained a second rating assigned by the Standard & Poor's rating agency.

On a competitive though still high-growth market, PSA Banque France continues to stand out by focusing its efforts on digital transformation (rollout of the electronic signature and the secure customer web space) and organizational transformation. Indeed, as planned, the Agencies Combination Plan was launched. The new organization is now structured around three divisions and will be fully operational in 2018. It will make us more responsive to our customers' expectations and to changes in business volume, with the capacity to handle omni-channel financing applications from all over France. This transformation made it imperative that we develop a voluntary departure plan with substantial social support.

Moreover, PSA Banque France is making a positive contribution to the PSA Group's "Push to Pass" strategic plan by supporting brands and networks during new model launches (the 3008 and 5008 for Peugeot, the C3 and C3 Aircross for Citroën, and the run-up to the launch of the DS7 Crossback), and by promoting the growth of customer loyalty and mobility offers for new and used vehicles.

Thanks to its voluntary strategy, as well as the teams who embody every day our values of enthusiasm, respect, transparency, results-oriented and creativity culture, PSA Banque France has the means to actively pursue profitable growth.

Jean-Paul DUPARC

1.3 Activities of the PSA Banque France Group and its development

1.3.1 Summary of financial information

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

The consolidated financial statements were certified at December 31, 2017 by the Statutory Auditors of PSA Banque France, PricewaterhouseCoopers and Mazars.

CONSOLIDATED INCOME STATEMENT

(in million euros)	Dec. 31, 2017	Dec. 31, 2016	Change (%)
Net banking revenue	451	419	+7.6
General operating expenses and equivalent	(147)	(155)	(5.2)
Cost of risk	(32)	(20)	+60.0
Operating income	**272**	**244**	**+11.5**
Other non-operating income	(10)	0	-
Pre-tax income	**262**	**244**	**+7.4**
Income taxes	(94)	(95)	(1.1)
Net income for the year	**167**	**149**	**+12.1**

CONSOLIDATED BALANCE SHEET

(in million euros)

Assets	Dec. 31, 2017	Dec. 31, 2016	Change (%)
Cash, central banks, post office banks	365	261	+39.8
Financial assets	2	4	(50.0)
Loans and advances to credit institutions	525	473	+11.0
Customers loans and receivables	10,214	9,225	+10.7
Tax assets	19	2	+850.0
Other assets	255	231	+10.4
Property and equipment	10	10	+0.0
Total assets	**11,390**	**10,206**	**+11.6**

Liabilities	Dec. 31, 2017	Dec. 31, 2016	Change (%)
Financial liabilities	0	3	-
Deposits from credit institutions	3,804	4,638	(18.0)
Due to customers	2,154	1,826	+18.0
Debt securities	3,334	1,967	+69.5
Tax liabilities	285	269	+5.9
Other liabilities	482	423	+13.9
Subordinated debt	155	0	-
Equity	1,176	1,080	+8.9
Total equity and liabilities	**11,390**	**10,206**	**+11.6**

OUTSTANDING LOANS BY CUSTOMER SEGMENT

(in million euros)	Dec. 31, 2017	Dec. 31, 2016	Change (%)
Dealer network	3,191	3,016	+5.8
End users	7,023	6,208	+13.1
Total customer loans and receivables	**10,214**	**9,225**	**+10.7**

1.3.2 Activities of the PSA Banque France Group

1.3.2.1 Presentation

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

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

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

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

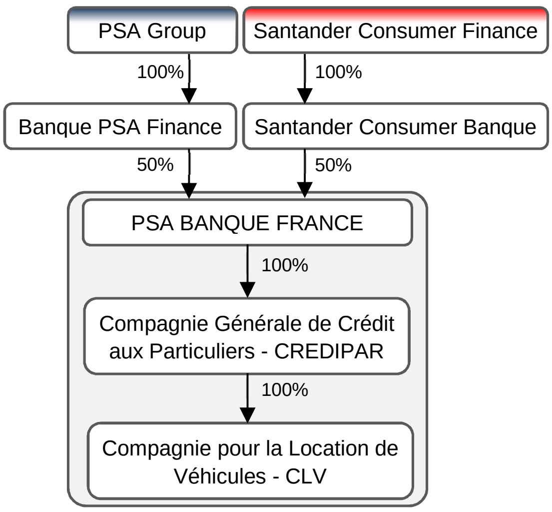
The cooperation with Santander Consumer Finance enhances the activities of PSA Banque France Group, thanks to more competitive financial offers dedicated to the Peugeot, Citroën and DS customers and dealer networks. These offers are accompanied by a complete range of insurance products and services that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

A. Organization

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

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

STRUCTURE OF THE PSA BANQUE FRANCE GROUP



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

B. Organization of the cooperation with Santander Consumer Finance

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

The governance rule of the committees implemented in the context of the cooperation in all areas (sales, risk, finance, etc.) is compatible with the CRD IV corporate governance regulatory framework (Appointment, Remunerations, Audit and Risk Committees).

C. Business model and strategy

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

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

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

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

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

1.3.2.2 Products and services

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

- ***Financing for end users (69% of outstanding loans at December 31, 2017).*** Individuals and companies are offered a range of solutions including installment loans for the purchase of new and used vehicles, as well as leasing solutions with or without a purchase option. Free2Move Lease (F2ML), created in 2017 is the dedicated PSA Group's internal Long-Term Lease business unit which is part of the "Free2Move" mobility initiative for all. PSA Banque France is one of the operational and financial pillars of this solution for companies of all sizes. It provides the financial package for service and insurance solutions offered by F2ML, and its dedicated teams provide field support and customer management;
- ***Financing for the dealer network (31% of outstanding loans at December 31, 2017).*** Financing solutions are available to the Peugeot, Citroën and DS dealer networks for financing their stock of new and used vehicles, spare parts, as well as other solutions for financing their working capital and their investments;
- ***Insurance products and services*****.** An extensive range of services and insurance products intended for end users can be proposed: insurance policies related to financing, such as death/invalidity insurance, unemployment insurance, or financial loss insurance which covers the total loss of the financed vehicle. In addition, the Group also provides insurance policies related to the vehicle, such as car insurance or extensions of guarantees for used vehicles: assistance services including mobility solutions and additional related services, for example, to the maintenance of vehicles and to the "connected vehicle" offer;
- ***Retail savings.*** The "PSA Banque" retail savings business consists of savings accounts and term deposits. 2017 was marked by a consolidation of PSA Banque France group's position on the online savings market. This commercial success also proves the confidence of savers in the growth outlook for both the PSA Group and the PSA Banque France Group, and demonstrates its ability to retain customers. Savings products are offered to customers under the brand name "Distingo".

A. Loan Portfolios

Financing activities and outstanding loans by portfolio are based on the following customer segments:

- End-user loans primarily consist of financing for the acquisition of vehicles by individuals, small and medium-sized businesses and corporate customers (outside the dealer network and their equivalents), either through installment loans or leasing contracts;
- Corporate dealer loans consist of financing the stock of new vehicles, used vehicles, and spare parts granted to the Peugeot, Citroën and DS brand dealer networks. In this segment are also included loans and leases provided to dealers to finance vehicles and equipment used in their everyday activity, working capital, treasury loans, property loans to finance their premises and other types of products, including current accounts.

B. End-user financing

The PSA Banque France Group finances the purchase and leasing of new and used vehicles by individual customers and companies through Peugeot, Citroën and DS dealer networks. The proposed financing solutions include installment loans and lease contracts with or without the option to purchase the vehicle at the end of the lease.

The great majority of financing is for new vehicles. Financing is also proposed for the purchase of used vehicles of any automotive brand. In some cases, financing is provided to corporate clients wishing to refinance their existing fleet.

In 2017, the PSA Banque France Group supported the launch of the new Peugeot, Citroën and DS models by providing loyalty offers including financing, insurance, and service packages, using in particular leasing solutions. With the creation of Free2Move Lease (F2ML), PSA Banque France has perfected its comprehensive offer through a specialized structure dedicated to Long-Term Leasing of vehicles for companies of all sizes.

Interest rates proposed to customers are generally fixed and administrative fees may be requested.

Promotional offers supported by the Peugeot, Citroën et DS brands may also be made to customers in order to boost vehicle sales or encourage the marketing of certain models. The usual credit-scoring and pricing procedures are also applied to this type of financing.

Marketing and Penetration rate

The PSA Banque France Group works closely in a privileged partnership with the Peugeot, Citroën and DS dealer networks. It financed 28.3% of new vehicles registered in France by the PSA Group in 2017.

Financing solutions are marketed through the Peugeot, Citroën and DS dealer networks, with a comprehensive approach in order to propose to end users financing, insurance, and service package with the sale of the vehicle.

The PSA Banque France Group's information systems are integrated with that of the brands, allowing the dealer network to conduct the negotiation and customer contracting processes with strong responsiveness. This "one-stop-shopping" ability is definitely an advantage that is appreciated by customers. Eligible customers can thus obtain a decision on their financing application directly from the dealer. About 90% of requests from individuals and nearly 70% of requests from companies are handled in less than four hours. This integrated information management system is also a key factor in driving down costs and application processing time.

To support the communication and offers of Peugeot, Citroën and DS on their websites, the PSA Banque France Group has developed tools for simulating available financing on the PSA Group's sites. In 2017, an online financing solution with integrated decision was set up for orders of the PSA Group's available vehicles in stock.

A comprehensive offering is developed to meet the needs of the Peugeot, Citroën and DS networks and their customers. Its privileged partnership with these brands' commercial networks enables the PSA Banque France Group to develop financing solutions that also include insurance and services, to meet the expectations of end users as closely as possible. The PSA Banque France Group assists Peugeot, Citroën and DS in identifying and designing solutions that will satisfy the expectations of the different targeted market segments, ahead of market trends. Active participation in the creation of Free2Move Lease is the perfect example.

Penetration rates are measured by relating the number of new financing contracts for new Peugeot, Citroën and DS vehicles to the number of passenger cars and utility vehicles registered by the PSA Group for these three brands. The number of new vehicles registered includes vehicles purchased with cash, without financing. PSA Banque France Group's share in the total of financed Peugeot, Citroën and DS vehicles is significantly higher than the share financed by our competitors (full-service banks or banks specialized in consumer credit).

End-user installment loans for new and used vehicles

In the vast majority of cases, end-user installment loans propose fixed monthly payments covering accrued interest and the amortization of principal. In some cases, customers may also be offered balloon loans, which feature a final monthly payment that is larger than the previous ones. In such cases, the owner of the vehicle financed by the loan has the option to sell his vehicle back to the dealer at the end of the contract for an amount equal to the last "balloon" payment, if a commitment to buy the vehicle back from them was signed by the dealer when the vehicle was sold.

The vehicle may be totally or partially financed. The borrower has the option of making a personal contribution covering a portion of the vehicle price and using financing for the remaining amount. In all cases, the amount of financing cannot exceed 100% of the price of the vehicle, including options and accessories. Many customers (mainly individuals) choose to partially finance the purchase price of their vehicle.

Loan terms typically range from one to six years. Repayments are generally monthly. In some cases it is, however, possible to delay the first installment for 60 to 90 days. The borrower may make early repayment at any time. The customer may be charged a fee in such cases.

Vehicle financing granted by the PSA Banque France Group may come with guarantees, depending on the type of vehicle financed and/or the risk profile of the customer, whether an individual or a company.

PSA Banque France Group may request a third-party surety. For corporate customers, a pledge on the company or business assets may also be required to secure the financing.

Lease activities to end users

Lease activities include long-term leasing, which is being promoted to corporate customers by Free2Move Lease since 2017; leasing with a purchase option; and finance leases, depending on whether these are retail or corporate customers. All of these different types of leases are recorded as financial leases in the PSA Banque France Group's consolidated financial statements and are included in customer loans and receivables. Leased vehicles are not recorded as fixed assets in the consolidated financial statements prepared according to international accounting standards.

The PSA Banque France Group purchases vehicles from Peugeot, Citroën and DS dealers and leases them to end-user customers. Lease contracts are mainly offered with one- to five-year terms. The PSA Banque France Group remains the owner of the vehicle throughout the term of the lease. At the end of the contract, the customer has the choice of returning the vehicle or exercising his purchase option. For long-term lease contracts, the dealer or, in some cases, the manufacturer itself commits to repurchasing the vehicle from the PSA Banque France Group when it is returned by the customer at the end of the contract, at a price determined at the inception of the contract. The vehicle's buy-back value matches the vehicle's estimated residual value at the end of the lease period. As a result of the vehicle buy-back commitment, the PSA Banque France Group does not bear risk link to buy-back or any change in its value at the end of the lease (provided that the dealer or manufacturer complies with the buy-back obligation). The amount that the dealer or manufacturer pays to the PSA Banque France Group is not affected by any fees the customer may incur if the vehicle is not in a satisfactory condition or has exceeded its agreed mileage. However, the PSA Banque France Group generally bears the risk on the vehicle's resale value if, during the vehicle lease period, the customer stops making the lease payments as the vehicle's buy-back amount set in advance by the dealer or manufacturer may not be enough to offset the loss of payments not made by the customer. Therefore, long-term leasing contracts include a clause to offset any loss caused by the early termination of the contract.

Underwriting, payments and collection

The PSA Banque France Group has established differentiated credit scores for:

- financing on new vehicles or used vehicles;
- financing granted to retail customers or corporate customers;
- and different types of financing solutions: loans or leasing.

The data used to assess borrowers' counterparty risk are taken from information and/or documents provided directly by customers and, as applicable, enhanced with data from our internal databases created from detailed profiles of customers and their payment histories. Information on customers is verified using various databases made available by public organizations (such as the Banque de France). For corporate customers, the PSA Banque France Group uses various sources of public and commercial information to verify their solvency. When the PSA Banque France Group refuses financing applications, it maintains records for a certain period of time, which produce automatic alerts if the same customer re-applies for financing.

Installments and lease payments are generally settled by direct debit or transfer. In cases of non-payment, a second debit order is triggered in order to automatically deal with as many arrears as possible. For residual non-payments, reminder notices are typically issued or the customer is called within few days after the payment incident, and the process is routinely repeated until the incident is resolved. The PSA Banque France Group uses both in-house amicable collection teams to attempt to resolve such incidents, and an external service provider who supports the in-house team by managing the first steps of the process.

If any unpaid amounts remain outstanding after 65 days, the pre-litigation collection teams take over the management of these payment incidents. Letters are sent to customers, and backed up by phone calls. According to the elements of the case and the information reported by the customer, the collection teams determine the most appropriate solution for the customer's situation in order to collect the unpaid amounts. A field collection agent may be asked to contact the customer or establish consolidated debt arrangements, and if no other solution is possible, take back possession of the financed vehicle with or without a court order, thereby terminating the contract.

After recovering the vehicle, the PSA Banque France Group implements existing legal procedures (e.g. auctions) to sell the vehicle.

For any past-dues exceeding 150 days, the contract is closed out, and the litigation teams will attempt to recover the total financing balance by first attempting an ultimate amicable arrangement with the customers, before launching more binding procedures or repossessing the vehicle if that could not be done previously.

When past-dues remain beyond 48 months, (in case of credit loans), or 24 months, (in case of leasing) after the close-out, the litigation teams ask for the intervention of specialized external suppliers to recover the past-dues or, as applicable, proceed with the assignment of the receivables.

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C. Financing for the dealer network

The PSA Banque France Group provides financing solutions for stocks of new, demonstration and used vehicles, as well as spare parts, held by dealers in the Peugeot, Citroën and DS networks. In addition to this main activity, other types of financing are also offered to dealers of these brands, to meet their operating (working capital, current accounts, etc.) or investment requirements.

Credit lines may also be granted to dealers to finance their vehicle buy-back obligations in the case of leases and balloon loans: in this case they are used vehicle lines of credit. The financing covers the full buy-back price of the vehicle for the dealers, within the limit of an aggregate amount set for each dealer. Regular and at least annual reviews of the solvency and overall financial position of the dealers are carried out by the PSA Banque France Group so that credit limits can be adjusted if necessary.

D. Insurance products and services

Over the years, the PSA Banque France Group has expanded its range of solutions by offering insurance products and services developed with:

- "PSA Insurance," the insurance business line that has been 50/50 held by Banque PSA Finance and Santander Consumer Finance since 2015. PSA Insurance, in particular, markets personal protection and financial loss insurance products;
- Insurance partners who market assistance, used vehicle warranty extension, and automobile insurance plans;
- Peugeot, Citroën and DS for vehicle-related services developed and distributed by the PSA Banque France Group, such as maintenance contracts and connected services.

Thus, the PSA Banque France Group offers to its end users, whether alone or jointly with the financing, a full range of personal and vehicle-related insurance products and services.

The integrated approach to the vehicle's sale, financing, and additional services that are proposed during a single encounter at the vehicle's point of sale makes the automobile offer more appealing to customers. Sales offers that can be bundled, in addition to the services being offered individually, allow for even more competitive terms while providing the customer and the vehicle with optimal protection.

Highly targeted offers have been developed that include financing, insurance, and additional services, such as "Smile & Go" at Citroën and "Peugeot Perspective". Special products have also been designed for used vehicles that include financing, warranty extension, or a maintenance contract, to best meet the customer's need for an "all-in-one" product, with the option of subscribing to each of the items individually if that is their preference. This is the case, for example, with "Give Me 5" at Citroën and "Peugeot Perspectives Occasions."

As to car insurance, the PSA Banque France Group is also building on its offer in line with this "one-stop-shopping" strategy by allowing its customers to buy all the vehicle's products & services, maintenance, and insurance at the vehicle's point of sale.

In 2017, on the strength of its different lines of insurance products and services, the PSA Banque France group continued to build on its offer of ancillary products, which play a big part in customer satisfaction and retention as well as its overall profitability. PSA Banque France's insurance products and services are also included in the Free2Move Lease offer, the dedicated long-term lease solution for company vehicles.

E. Retail savings market

In 2015, the "PSA Banque" retail savings activity targeted to French customers was transferred to PSA Banque France Group by Banque PSA Finance, which directly managed the activity until that date. Managing the retail savings business now enables PSA Banque France to compete in the online savings market while at the same time diversifying its sources of financing. Passbooks and fixed-rate term deposits are intended only for savers who are private individuals and tax residents of France.

1.3.2.3 Positioning

The status of the PSA Banque France Group, the French bank for the Peugeot, Citroën, and DS brands, allows a close partnership with their dealer network and naturally gives it a privileged positioning. Consequently, the Group is able to meet the financing needs of customers at the sales points, in close relationship with the business models of the PSA Group's historic brands. Furthermore, the PSA Banque France Group stands apart from its competitors by virtue of the specific nature of the products and services it offers to end users through its "one-stop-shopping" solutions. With these products and services, designed cooperatively with Peugeot, Citroën, and DS, each customer's needs can instantly be met at the point of sale.

Peugeot, Citroën and DS dealers are not contractually bounded to use the PSA Banque France Group for their corporate dealer or customer financing. This means that the PSA Banque France Group must compete with its main competitors, being commercial banks and consumer credit institutions, in these two business segments. Moreover, the option given to end-user customers to purchase their vehicle in cash or with a secured loan (such as a personal loan) is another form of competition.

1.3.2.4 Employees

At December 31, 2017, the overall workforce of the PSA Banque France Group stood at 823 employees (excluding work-study), or the full-time equivalent of 779.5 employees with an additional 45 apprentices on fixed-term contracts. Hiring continued in 2017 to support the company's development, particularly within the compliance, commerce, and marketing departments. Many new hires were made in the Operations Division for the Rennes, Lyon, and Gennevilliers branches as part of the branch combination plan.

1.3.2.5 Real property

The PSA Banque France Group does not own any real estate, neither for its registered office nor for its branches across mainland France, which are rented.

1.3.2.6 Legal proceedings and investigations

The PSA Banque France Group complies with applicable laws and regulations. Most of legal proceedings consist of disputes relating to non-payments by end-user customers and, to a lesser extent, by dealers, in the course of its day-to-day financing activities.

1.4 Analysis of operational results

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

The PSA Banque France Group's operating income for 2017 stood at €272 million, compared to €244 million in 2016.

1.4.1 Vehicle sales for Peugeot, Citroën and DS

In 2017, sales of passenger vehicles and light utility vehicles by the PSA Group (excluding Opel) in France rose by 6.5% to 732,434 units, which makes the PSA Group the leader in the French market with a market share of 28.7% (29.9% with Opel).

Peugeot confirms its dynamic growth with passenger vehicle sales up 9.2% on the previous year, for a total of 366,872 units, thanks to four models ranked within the 10 best-selling models in France: the 208 (4.6% market share), which has been the second-best-selling vehicle in France since 2016; the 3008 (3.5%), in third place of the best-sellers in France and voted car of the year for 2017; the 2008 (3.2%); and the 308 (3.1%). Meanwhile, Citroën registered 270,352 cars in France in 2017, which is stable from the previous year, breaking down into 201,374 passenger vehicles and 68,978 light-utility vehicles. In the passenger vehicle category, the C3 remained one of the top 10 best-selling models in France, with 3.2% of the market (6th place).

With 21,323 passenger vehicle registrations in 2017, DS posted a 24.1% drop in sales from 2016 and a market share of 1%.

1.4.2 Commercial activity of the PSA Banque France Group

1.4.2.1 End-user financing

Over the 2017 period, the PSA Banque France Group saw an increase of 4.7% in financing volumes for new and used vehicles to end users, rising from 275,925 to 289,006 financing contracts subscribed, for a total production of €3,680 million, up by 13% compared to 2016.

The new Vehicle penetration rate was 28.3% in 2017, down one point from 2016 despite good performances on the retail market but a regression on the corporate and rental market.

The PSA Banque France Group financed 206,951 new PSA Group vehicles in 2017, through credit or lease contracts, an increase of 2.9% compared to 2016.

Retail customer financing stayed high and stable compared to 2016, with a 42.3% market share. Better refinancing conditions combined with the dynamic strategy of the PSA Group's brands as well as the strong interest of retail customers in the new Peugeot and Citroën models stimulated requests for the group's financing solutions, particularly leases with a purchase option that exactly meets the expectations of this customer category.

Lastly, used vehicle financing volumes were up on 2016, with 82,055 units financed in 2017, i.e. +9.7%.

The tables below show the main indicators of the PSA Banque France Group's end-user financing activity in 2017.

PRODUCTION OF END-USER FINANCING FOR NEW AND USED VEHICLES

	Dec. 31, 2017	Dec. 31, 2016	Change (%)
Number of new contracts	289,006	275,925	+4.7
Amount of production (in million euros)	3,680	3,258	+13.0

OUTSTANDING LOANS TO END USERS

(in million euros)	Dec. 31, 2017	Dec. 31, 2016	Change (%)
Outstanding loans	7,023	6,208	+13.1

This favorable development is related to higher volumes of contracts subscribed than in 2016, as well as a higher average amount financed, up by 6.9% for new vehicles, notably thanks to the enhancement of the mix and a move upmarket in vehicles.

1.4.2.2 Dealer network financing

In 2017, outstanding loans granted to the Peugeot, Citroën, and DS dealer network was up significantly on 2016 thanks to a resolutely bullish car market and a favorable positioning for the PSA Group's vehicle models. In addition, the PSA Group's brand policy was to transfer a growing number of outlets or dealerships held directly by the PSA Group to independent investors. Yet only the latter are financed by PSA Banque France, while dealers controlled by the PSA Group receive financing directly from the PSA Group.

Outstanding loans made to the dealer network rose by 5.8% in 2017 compared to 2016.

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

TOTAL OUTSTANDING LOANS TO DEALER NETWORK

(in million euros)	Dec. 31, 2017	Dec. 31, 2016	Change (%)
Outstanding loans	3,191	3,016	+5.8

1.4.2.3 Insurance and services

In 2017, the number of insurance and service contracts increased by 3.4% compared to the previous year, with 657,941 new contracts subscribed compared to 636,301 in 2016.

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

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

The tables below show the main indicators for the PSA Banque France Group's insurance and services business in 2017 and 2016.

PRODUCTION OF NEW INSURANCE AND SERVICE CONTRACTS

(in number of contracts)	Dec. 31, 2017	Dec. 31, 2016	Change (%)
Financing-related insurances	328,031	315,705	+3.9
Car insurance and vehicle-related services	329,910	320,596	+2.9
Total	**657,941**	**636,301**	**+3.4**

PENETRATION RATE ON FINANCING

(in %)	Dec. 31, 2017	Dec. 31, 2016	Change (pts)
Financing-related insurances	111.4	112.5	(1.1)
Car insurance and vehicle-related services	112.1	114.3	(2.2)
Total	**223.5**	**226.8**	**(3.3)**

1.4.2.4 Retail savings market

The "PSA Banque" online savings activity was acquired by the PSA Banque France Group on April 1, 2015, demonstrating the Group's intention to diversify its sources of funding. It is characterized by a very strong propensity to win new customers and retain existing customers, particularly through the success of the term deposit account and positioning in relation to the real economy.

Deposit outstanding increased by 21% over 2017, reaching €1,897 million at the end of the year, representing an increase of €327 million compared to the end of 2016.

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

SAVINGS BUSINESS

(in million euros)	Dec. 31, 2017	Dec. 31, 2016	Change (%)
Outstanding	1,897	1,570	+20.8

1.4.3 Results of operations

NET INCOME

(in million euros)	Dec. 31, 2017	Dec. 31, 2016	Change (%)
Net banking revenue	**451**	**419**	**+7.6**
of which end users	302	282	+7.1
of which dealer network	49	51	(3.9)
of which insurance and services	97	87	+11.5
of which unallocated and other	3	(1)	-
General operating expenses and equivalent	**(147)**	**(155)**	**(5.2)**
Cost of Risk	**(32)**	**(20)**	**+60.0**
of which end users	(19)	(18)	+5.6
of which dealer network	(13)	(2)	-
Operating Income	**272**	**244**	**+11.5**
Other non-operating income	(10)	0	-
Pre-tax income	**262**	**244**	**+7.4**
Income taxes	(94)	(95)	(1.1)
Net income for the year	**167**	**149**	**+12.1**

1.4.3.1 Net banking revenue

Net banking revenue increased by 7.6% to €451 million at December 31, 2017, compared to €419 million at December 31, 2016.

This increase is essentially the result of a more competitive funding cost thanks to the Banque PSA Finance - Santander Consumer Finance partnership, as well as the diversification of sources of financing and the decrease in base rates. The margin obtained on insurance and services also helped drive up net banking revenue which in 2017 gained €10 million on the previous year, to stand at €97 million.

1.4.3.2 General operating expenses

General operating expenses and equivalent reached €147 million at December 31, 2017, against €155 million at December 31, 2016.

1.4.3.3 Cost of risk

The cost of risk in 2017 stood at €32 million, representing 0.34% of average net outstanding loans, against €20 million in 2016, representing 0.24% of average net outstanding loans. All of the performing and non-performing loans were provisioned. In accordance with established governance, two revisions of impairment rates, for both end users and the dealer network, took place in 2017, enabling a more accurate estimate of expected loss amounts for the different loan portfolios held by the PSA Banque France Group.

The cost of risk on the end-user financing activities stood at €18.7 million for 2017. In addition to the portfolio's improved risk profile, collection activities continued to be especially effective within the group. This was reflected in the maintenance of good collection volumes for all phases of collection, along with a decrease in past-due loan inflows.

For dealer network financing activities, the cost of risk increased to €13.1 million. This level was due to precise monitoring of existing defaults and the collection process applied as well as the low number of dealers in default during the period. This cost of risk amount is essentially the result of one dealer going into default during the first half of 2017.

1.4.3.4 Consolidated income

At December 31, 2017, pre-tax income stood at €262 million, up 7.4% from December 31, 2016. The consolidated net income for 2017 was €167 million.

The effective corporate tax rate decreased to 35.2% of taxable earnings, against 39.5% for 2016. In 2016, this high group effective tax rate, compared to the corporate income tax rate of 34.43%, was mainly caused by the reclassification of the companies' added value contribution (CVAE) as current tax (IAS12) and the contribution on distributed income. In 2017, the tax burden due to the corporate income tax increase from 34.43% to 39.43%, related to the exceptional contribution of 15%, was reduced by the refund of the contribution on distributed income and by the reassessment of the deferred tax liabilities inventory as per the 2018 French Finance Act (see Note 34.3 - PSA Banque France Group tax proof). Therefore, the tax burden for 2017 was €94 million.

1.5 Financial situation

1.5.1 Assets

Total assets of the PSA Banque France Group at December 31, 2017 stood at €11,390 million, up by 11.6% compared to December 31, 2016.

Total outstanding financing came to €10,214 million, a 10.7% increase over December 31, 2016. End-user loans were up 13.1%, while dealer network financing increased by 5.8%.

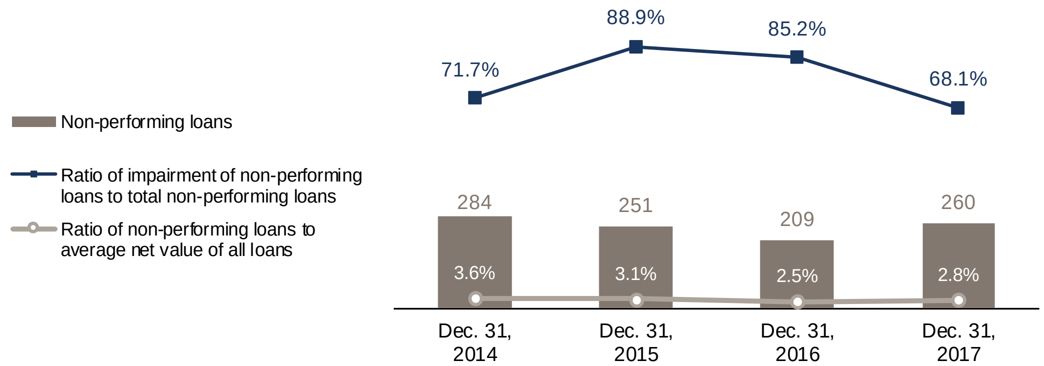
1.5.2 Provisions for non-performing loans

Impairment losses are deducted from the carrying value of loans and receivables as they are recorded. The procedures for the recognition of impairment charges on outstanding loans are described in Note 2.C.6.4. When a loan or receivable is considered permanently unrecoverable, it is written off as a loss on the income statement. Any provision for previously-recognized impairment loss is then also reversed through the income statement. If collections are made on receivables after their write-off, these will also be entered as revenue on the income statement. All of these transactions are recognized in the income statement under the cost of risk heading.

The table shown in Note 32.1 details all loans, including sound loans with past-due installments (delinquent loans) and non-performing loans with their related impairment amounts, as at December 31, 2017 and 2016. For financing to individuals and small and medium-sized businesses, statistical impairment charges are recorded in respect of all debt categories (sound, delinquent, and non-performing).

For dealer network financing (primarily car dealers) and corporate financing, each delinquent loan is analyzed to determine if it presents an aggravated risk. If so, the loan is classified as non-performing. Accordingly, impairment charges are recorded on the income statement in respect of non-performing loans. Statistical impairment of sound loans is also carried out on all corporate portfolios in order to cover the expected losses.

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



In 2017, the increase in non-performing loans was due to the default of one dealer at the end of the first half of the year. Specific provisions, factoring in existing guarantees, were allocated to cover this risk.

Aside from this event, entries of non-performing loans continued to decline in 2017, due to the improved customer risk profile.

The total coverage rate of non-performing loans was down compared to 2016. However, it should be noted that this rate is over 100% on retail and SME portfolios, whereas the loans resulting from financing for the dealer network do not require as high a provisioning rate, given that the PSA Banque France Group retains ownership of the vehicles in stock during the financing period.

IFRS 9

On January 1, 2018, PSA Banque France will adopt IFRS 9, which will alter its financial asset impairment method.

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

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

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

Even though, conceptually and operationally, IFRS 9 is making many changes, the financial impact remains relatively limited, mainly because the PSA Banque France Group's sound loans were already the subject of impairments, recognizing the corresponding expected loss volumes. Thus, implementing IFRS 9 at January 1, 2018 will have a positive impact of under €5 million on PSA Banque France Group's equity.

1.5.3 Refinancing

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

The Group's refinancing strategy is based on diversifying its sources of liquidity, while ensuring that the maturities of its assets and liabilities are consistent. Since the beginning of 2015, the PSA Banque France Group had the opportunity to secure different sources of funding:

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

At December 31, 2017, the refinancing of PSA Banque France was divided as follows:

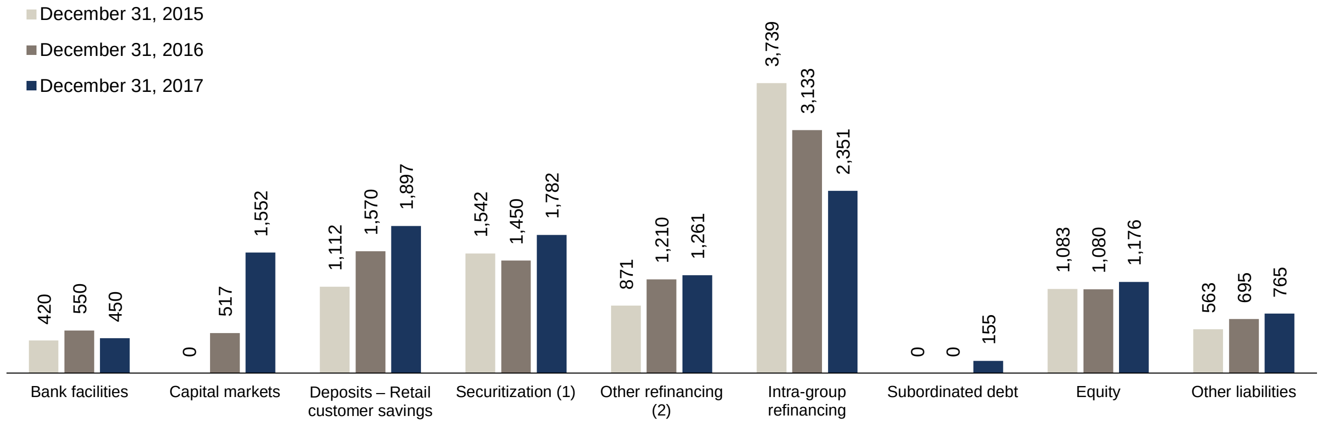
- 5% came from drawn bank loans;
- 16% from negotiable debt security issuances and the first two EMTN bond issues on the capital markets;
- 20% from repayable funds from the public in relation to deposit activity;
- 19% from securitization transactions;
- 13% from other refinancing (of which 11% from the ECB);
- 25% from intragroup bank credit lines granted by Santander Consumer Finance;
- 2% of subordinated debt subscribed in equal parts by each of the two shareholders in December 2017.

The following table and graphs display a breakdown of the financing sources at December 31, 2017 compared to December 31, 2016 and December 31, 2015.

SOURCES OF FINANCING

(in million euros)	Dec. 31, 2017		Dec. 31, 2016		Dec. 31, 2015	
Bank facilities	450	*5%*	550	*7%*	420	*5%*
Capital markets	1,552	*16%*	517	*6%*	-	
Deposits - Retail customer savings	1,897	*20%*	1,570	*19%*	1,112	*14%*
Securitization (1)	1,782	*19%*	1,450	*17%*	1,542	*20%*
Other refinancing (2)	1,261	*13%*	1,210	*14%*	871	*11%*
External refinancing	**6,942**	***73%***	**5,297**	***63%***	**3,945**	***51%***
Intra-group refinancing	**2,351**	***25%***	**3,133**	***37%***	**3,739**	***49%***
Subordinated debt	**155**	***2%***	**-**		**-**	
Equity	**1,176**		**1,080**		**1,083**	
Other liabilities	**765**		**695**		**563**	
Balance sheet total	**11,390**		**10,206**		**9,330**	

SOURCES OF FINANCING (in million euros)



(1) securitization includes all of the securitizations placed on the market
(2) of which refinancing through the ECB (participation in TLTRO-I and TLTRO-II) for a total of €1,000 million at December 31, 2017 and dealer deposits.

Outstanding bank loans (as bilateral bank credit lines fully drawn) stood at €450 million at December 31, 2017.

Outstanding debt on capital markets increased to €1,552 million at December 31, 2017, following the issuances of negotiable debt securities and the first two bond issues under EMTN program, completed in January and September 2017.

The assets of the retail savings activity stand at €1,897 million.

At December 31, 2017, the PSA Banque France Group's refinancing by securitization was based on 4 transactions totaling €3,852 million in receivables sold to securitization vehicles (see Note 7.4):

- The Auto ABS French Loans Master monthly issue program, in its revolving period;
- The Auto ABS French Leases Master Compartment 2016 monthly issuance program, in its revolving period;
- The Auto ABS DFP Master Compartment France 2013 monthly issuance program, restructured in May 2017 as an unrated private transaction, and financed in a larger amount by a pool of investors for another two years;
- The Auto ABS French LT Leases Master monthly issuance program, launched in July 2017, in its revolving period.

In addition, the following fund compartments were liquidated during 2017:

- Compartment 2014-1 of the Auto ABS3 Securitization Fund, on July 24, 2017;
- Compartment 2013-2 of the Auto ABS Securitization Fund, on October 27, 2017;
- Compartment 2013-A of the Auto ABS2 Securitization Fund, on November 29, 2017.

There was €1,782 million in financing from securitization transactions in the market at December 31, 2017.

Furthermore, PSA Banque France Group benefits from collateralized financing obtained from the ECB under the various TLTRO I and TLTRO II refinancing operations, for a total of €1,000 million (see Note 13).

1.5.4 Liquidity security

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

At December 31, 2017, financing with an original maturity of 12 months or more represented nearly 70% of financing.

The average maturity of medium and long-term financing raised in 2017 was about three years, thanks to the first two EMTN bond issues for €500 million each, issued with maturity of 3 and 5 years respectively.

Bank credit lines used as of December 31, 2017 do not require specific obligations in terms of the constitution of sureties, default and similar terms, beyond standard market practices. Three events could trigger the cancellation of these credit lines:

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

In addition, the PSA Banque France Group has sound financial security, which is based on the support of Santander Consumer Finance, and a €340 million liquidity reserve at December 31, 2017, in the form of high-quality liquid assets, composed exclusively of reserves with the central bank, and thus Level 1, under the Liquidity Coverage Ratio (LCR) classification.

At December 31, 2017, the PSA Banque France Group had €504 million in financing commitments to customers. In addition, the amount of guarantee commitments to customers was valued at €6 million (see Note 23).

1.5.5 Credit ratings

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

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

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

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

Credit ratings at December 31, 2017

(in million euros)		Active programs	**Programs size at Dec. 31, 2017**	**Outstanding at Dec. 31, 2017**
Moody's	S&P	Short term		
P2	A-2	CD/NEU CP	1 000	200
		Long term		
Baa1	BBB	BMTN/NEU MTN	1 000	354
Baa1	BBB	EMTN	4 000	1 000

1.5.6 Capital and capital requirement

Under the application of the Basel III CRD IV reform, the PSA Banque France Group has a strong financial position. At December 31, 2017, the Basel III CRD IV Tier 1 capital ratio in respect of Pillar I stood at 12.8%, and the total capital ratio was 14.8%. Basel III Tier 1 regulatory capital amounted to €1,004 million at the end of 2017, taking into account the deduction of the difference between recognized impairment and expected actual losses on the IRB scope (€80 million), and the minimum capital requirement stood at €626 million.

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

Regulatory capital

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

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

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

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

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

Tier 2 capital instruments are composed exclusively of subordinated debt.

TRANSITION TABLE FROM ACCOUNTING EQUITY TO REGULATORY CAPITAL

(in million euros)	Dec. 31, 2017	Dec. 31, 2016
Accounting Equity[1]	**1,176**	**1,080**
Distributable income[2]	(93)	(149)
Negative amounts resulting from the calculation of the expected loss	(80)	(47)
Tier 1 regulatory capital	**1,004**	**884**
Tier 2 subordinated loans	**155**	**0**
Total regulatory capital	**1,159**	**884**

(1) Accounting and regulatory equity are equal.
(2) When the solvency ratio was calculated at end-December 2016, the fifth resolution adopted by the Shareholders Meeting of March 15, 2017 for a €72 million dividend distribution was not known. Thus the solvency ratio had been established on the assumption that all income for 2016, i.e. €149 million, was distributable. This was a conservative scenario, as it underestimated the solvency ratio which, despite everything, stayed strong at 12.6%.

Capital requirements

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

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

As such, the PSA Banque France Group's internal rating system was inspected by the European Central Bank. Further to this inspection, PSA Banque France received authorization from the European Central Bank in 2017 to maintain the internal rating methods developed by Banque PSA Finance for calculating weighted assets.

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

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

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

GROUP CAPITAL REQUIREMENT AND RISK-WEIGHTED ASSETS

(in million euros)	Dec. 31, 2017 Risk-Weighted Assets	Dec. 31, 2017 Capital requirements	Dec. 31, 2016 Risk-Weighted Assets	Dec. 31, 2016 Capital requirements
Credit risk	**7,156**	**572**	**6,377**	**510**
Standard method	**868**	**69**	**768**	**62**
Sovereigns, Banks, and Administrations	12	1	12	1
Institutions	113	9	115	9
Corporate	300	24	296	24
Retail	192	15	111	9
Other assets	251	20	234	19
Internal Rating Based Foundation approach (IRBF)	**3,191**	**255**	**3,098**	**247**
Corporate	3,191	255	3,098	247
Internal Rating Based Advanced approach (IRBA)	**3,097**	**248**	**2,511**	**201**
Retail	3,097	248	2,511	201
Operational risk (standard method)	**673**	**54**	**645**	**52**
Market risk	**0**	**0**	**0**	**0**
Total Risks	**7,829**	**626**	**7,022**	**562**

	Dec. 31, 2017	Dec. 31, 2016
Tier 1 regulatory capital	**1,004**	**884**
Tier 1 solvency ratio	**12.8%**	**12.6%**
Total regulatory capital	**1,159**	**884**
Total solvency ratio	**14.8%**	**12.6%**

Leverage ratio

The leverage ratio, which corresponds to the non-weighted ratio of the gross exposure to core capital (Tier 1), is particularly intended to control the excessive use of off-balance sheet items in banking activities. The European Union does not impose any requirements regarding this ratio prior to 2018; however, it is subject to a disclosure requirement for banks since January 1, 2016. The Group chose to manage its consolidated leverage ratio at a minimum level of 3%, as recommended by the Basel Committee. A monitoring, control and warning system was established in order to manage any excessive leverage risks.

The leverage ratio is calculated according to the terms of Regulation (EU) No. 575/2013 Article 429, and for PSA Banque France was 8.4% at December 31, 2017, just as it was at December 31, 2016.

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

LEVERAGE RATIO AND DETAILS OF LEVERAGE EXPOSURE AT 12/31/2017

(in million euros)	Dec. 31, 2017	Dec. 31, 2016
Total assets according to the published financial statements (excluding derivatives)	**11,387**	**10,201**
Prudential deductions on CET1 equity	(80)	(47)
Total exposure on balance sheet	**11,307**	**10,154**
Exposure on derivatives	7	10
Replacement cost of derivatives transactions	2	6
Total exposure on derivatives	**9**	**16**
Exposure related to commitments given	1,588	1,409
Application of regulatory conversion factors	(1,052)	(956)
Total exposure to off-balance sheet items	**536**	**453**
Total other adjustments	**28**	**(120)**
Total leverage exposure	**11,880**	**10,503**
Tier 1 regulatory capital	**1,004**	**884**
Leverage ratio	**8.4%**	**8.4%**

1.5.7 2018 outlook

For the PSA Banque France Group, 2018 will be the fourth year of the cooperation between Banque PSA Finance and Santander Consumer Finance. It will further strengthen the sales and marketing momentum of the Peugeot, Citroën and DS brands in France, primarily through more competitive financing offers proposed to customers. This momentum will also be sustained by the finalized transfer of financing contracts to digital, with electronic signature, at the beginning of 2018.

The development strategy for Free2Move Lease, launched in early 2017 in partnership with the PSA Group brands, will improve PSA Banque France Group's penetration on financing for corporate customers.

The increase in used vehicle financing by the PSA Banque France Group is also a strong focus for 2018. Special sales offers, "Give Me 5" at Citroën and "Peugeot Perspectives Occasions," introduced in the second half of 2017 and including dedicated services on the same model as the new vehicle financing offers, already improved used vehicle financing volumes in 2017 compared to the previous year. PSA Banque France wishes to pursue and support this momentum even more in 2018.

Using the results of the employee commitment survey carried out in the fall of 2017, PSA Banque France set itself three major targets to further heighten employee involvement in the bank's development in 2018:

- To share the bank's strategy more widely, thereby encouraging employees' commitment;
- To facilitate the circulation of internal information;
- And to inspire a mindset conducive to transformation and innovation in terms of both sales offers and internal management tools.

The Managers' Convention that will be held early in the year will kick off the "Transformation par l'Excellence" (transformation through excellence) strategic plan aimed at moving the bank's ambitions and practices forward in four key areas:

- Innovation in terms of mobility service offers and the digitization of our business interface;
- Customer satisfaction and retention, through a line of loyalty-building financing products and an adaptation specific to the corporate and used-vehicle markets;
- Employee commitment and motivation, by means of cross-departmental managerial communication and flexible, adaptable organization of teams and tools;
- Profitable and sustainable growth based on good risk management, optimized operating expenses, and strict compliance with regulatory requirements.

1.6 Risk factors and risk management

1.6.1 Governance of risks

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

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

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

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

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

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

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

1.6.2 Business risk

Risk Factors

Five main risk factors have an impact on the PSA Banque France Group's level of activity:

- External factors that influence vehicle purchases;
- Government policies to incentivize new vehicle purchases;
- Regulatory or tax changes which could lead to a modification of the activity or alter the profitability thereof;
- The sales volumes achieved by Peugeot, Citroën and DS, as well as their marketing policies, which may include joint financing operations carried out with the PSA Banque France Group;
- The PSA Banque France Group's competitive positioning, in terms of both product range and price.

Risk measurement, control and monitoring

These risk factors are assessed at least on an annual basis as part of the process of preparing the budget and medium-term plan. PSA Banque France Group reviews its budget forecasts on four occasions during the financial year. Business risk is also monitored through stress testing processes.

1.6.3 Credit risk

Risk Factors

Credit risk is the risk of loss arising from the failure of a customer to meet the payment or other terms of a contract with the PSA Banque France Group. While the group generally has the ability to recover and resell the financed vehicle following a customer default, the resale value of a recovered vehicle may not be sufficient to cover the default loss. Furthermore, contractually, the PSA Banque France Group does not assume the residual value risk on vehicles, because of the buy-back commitments from the car dealers or the manufacturer itself.

Regardless of the prudent customer-selection policy, credit risk is influenced by economic conditions, both in terms of defaults and the market value of recovered vehicles that are sold on the secondary market.

Risk measurement, control and monitoring

Risk is measured daily.

When granting financing, risk measurement is based on internal rating models developed and back-tested by risk experts. Customers are selected from rating models (for corporate customers) or scoring tools (for retail customers), both managed and controlled by the PSA Banque France Group with the support provided by shareholders, Banque PSA Finance, and Santander Consumer Finance. The decision-making systems are configured according to the specific characteristics of the French car market, thus optimizing its efficiency and ensuring its compliance. Monitoring is regularly carried out to measure the effectiveness of the tools used.

For financing to individual customers and small and medium-sized businesses (considered retail customers), loan applications are either automatically authorized or require additional assessment procedures, which are requested either by the risk expert systems or by the credit analyst’s own initiative. Inputs are obtained from external credit databases or from internal data, such as customer payment histories (in the case of a financing renewal following a new vehicle purchase).

All decisions are governed by strict delegation of authority rules on lending limits. For corporate portfolios (consisting of corporations and public entities as well as the Peugeot, Citroën, and DS dealer network), the approval decisions escalate up to the PSA Banque France Group's Credit Committees or shareholders’ Credit Committees.

Internal loan acceptance risk measurement models are developed and back-tested in coordination with the teams at Banque PSA Finance and checked by teams at Banco Santander. Every update must be validated by the PSA Banque France Group. The risk teams verify that all of the customer profiles are correctly managed by the risk measurement tools.

The Basel Internal Ratings Based Approach (IRBA) forms the basis for the models used for retail portfolio. The default and loss rates are calculated on the basis of risk classes, which are themselves modeled. The estimated default and loss given default probabilities used to calculate the capital adequacy requirements are modeled based on default rates and loss rates. For corporate business (outside the dealer network), a counterparty rating model (IRBF) is used and regularly back-tested. For corporate dealer financing, there is a model specific to the PSA Banque France Group's business (IRBF) that is used both for loan approvals and for contracts in the portfolio.

All of the models are regularly back-tested and submitted for technical approval carried out by Banque PSA Finance and Banco Santander. Since 2015, the PSA Banque France Group has also validated all models it uses as well as their evolutions.

Regarding the accounting measurement of credit risk, all retail loans are depreciated using the depreciation rate which is calculated several times a year according to an estimated discounted future collections model, based on historical recovery data for impaired loans. Impairments for corporate loans in default are determined through an individual analysis for non-performing loans that is specific to each customer's situation, taking into account the value of any surety underlying the loan. Impairments are made as soon as loans are reclassified as doubtful, if the individual analysis shows a non-zero estimated loss. Furthermore, outstanding performing corporate loans are depreciated.

Risk management is based on:

- A product range specifying the legal framework for the product and related securities, maximum term, minimum down payment, step-up amounts, if applicable, and residual values;
- Checking the risk of over-invoicing the financed amount and checking double financing;
- Conditions that may be attached to loan approvals;
- Strict delegation of authority rules governing loan applications and lending limits;
- Verification prior to the release of financing, of the supporting documents requested as part of the loan application process, including securities for conditional loan approvals.

In addition to the above for the corporate dealer portfolios:

- Setting lines of credit and the associated period of validity. Lines of credit are individualized by financial product and are not mutually fungible;
- Collective security packages or securities taken when the relationship is established, on renewal of credit lines or if creditworthiness is downgraded between renewal dates. Securities may be personal guarantees, related to identified assets, be provided

by loan protection insurers or take the form of bank guarantees;

- Daily monitoring of payment incidents;
- A progressive alert system, from placing on watch to declaring a delinquency loan, including conditional delinquency, i.e. even if the loan is not past due;
- A system triggering a review of a dealer's credit rating, according to financial or sales indicators;
- Stock audits, scheduled based on the dealer's risk profile, retention of vehicle registration documents for some used vehicle or dealer financing, and dealer financing contracts providing for the pledging of the financed vehicles at any time, in accordance with legislation.

Risk monitoring in the retail activity mainly concerns:

- trends in the quality of credit applications and the quality of new loan production;
- indicators of payment history by financing type, customer segment, production year, etc.;
- basel risk measurement indicators for the loan portfolio.

Risk monitoring indicators are analyzed by PSA Banque France analysts. Risk areas detected may result in amending risk assessments or risk control measures.

Monitoring of risk for the corporate portfolio primarily consists of:

- monitoring drawdowns of credit lines;
- regular monitoring of the counterparty's financial situation and interim results;
- tracking payment incidents and past-dues;
- monitoring potentially serious incidents, such as winding up a business, restructuring or court-ordered liquidation;
- tracking credit line drawdowns, payment incidents and reports from stock audits for dealer financing;
- very close monitoring of dealers included in the watch list, or of those with delinquent or conditionally delinquent accounts;
- a monthly supervisory committee of the dealers, attended by non-voting representatives of Peugeot, Citroën and DS.

Cross-cutting risk monitoring is also performed on an ongoing basis by the risk oversight and control department. Very regular monitoring (quantitative and qualitative) of the credit risk is done on all portfolios and communicated within the PSA Banque France Group and to shareholders.

Credit risk exposure

PSA Banque France's exposure to credit risk, partially handled using the advanced method, relies on the carrying value of the financial assets plus off-balance sheet items, financing and guarantee commitments given, and the authorized lines not drawn. These assets are restated of depreciation, as well as the assets that are not subject to credit risk and items that are directly deducted from equity.

BREAKDOWN OF GROSS EXPOSURES AT 12/31/2017

(in million euros)	Bank and Administration	Corporate	*of which SME*	Retail	*of which SME*	Other categories	Total gross exposures	Distribution (%)
France	**1,029**	**5,365**	***1,104***	**6,528**	***2,164***	**251**	**13,174**	100%
Standard method	1,029	1,495	146	320	*158*	251	**3,095**	24%
Advanced method	-	3,871	958	6,208	*2,006*	-	**10,079**	76%
Europe (outside France)	**5**	**10**	**-**	**-**	**-**	**-**	**15**	0%
Standard method	5	-	-	-	-	-	**5**	0%
Advanced method	-	10	-	-	-	-	**10**	0%
Overall total	**1,034**	**5,375**	***1,104***	**6,528**	***2,164***	**251**	**13,189**	100%
Standard method	1,034	1,495	*146*	320	*158*	251	**3,100**	24%
Advanced method	-	3,881	*958*	6,208	*2,006*	-	**10,089**	76%
Distribution (%)	8%	41%	*8%*	49%	*16%*	2%	100%	

BREAKDOWN BY RESIDUAL MATURITY OF EXPOSURES AT 12/31/2017 [1]

(in million euros)	Bank and Administration	Corporate	Retail	Other categories	Total Balance Sheet exposures
Residual maturity lower than 3 months	912	2,417	726	159	**4,214**
3 months to 1 year	18	990	1,299	0	**2,307**
1 to 5 years	28	584	4,236	0	**4,848**
More than 5 years	0	7	13	0	**20**
Overall total	**958**	**3,999**	**6,273**	**159**	**11,390**

(1) This exposure is not restated for items deducted from regulatory capital. Breakdowns by residual maturity are based on NSFR regulatory reporting at end of December 2017.

BREAKDOWN OF THE GROUP'S NET EXPOSURES AT 12/31/2017 BY EXPOSURE CATEGORY

(in million euros)	Gross exposures	*of which Exposure in default*	Adjustments for general risk	Adjustments for specific risk	Net exposures of provisions
Bank and Administration	1,034	*1*	0	0	**1,034**
Corporate	5,375	*137*	8	35	**5,333**
Retail	6,528	*123*	40	94	**6,394**
Other categories	251	*0*	0	0	**251**
Overall total	**13,189**	***261***	**48**	**129**	**13,012**

ITEMIZED ADJUSTMENTS FOR CREDIT RISK AT 12/31/2017

(in million euros)	Bank and Administration	Corporate	Retail	Other categories	Overall total
Gross exposure	1,034	5,375	6,528	251	**13,189**
Balance sheet exposures	1,032	4,099	6,219	251	**11,601**
Off-balance sheet exposures	2	1,276	309	0	**1,588**
Off-balance sheet average CCF[(1)]	100%	7%	81%	0%	**22%**
Value exposed to risk	**1,034**	**4,195**	**6,471**	**251**	**11,951**
Risk-Weighted Assets (RWA)	**120**	**3,496**	**3,289**	**251**	**7,156**
RWA conversion rate (RW)	**12%**	**83%**	**51%**	**100%**	**60%**

(1) The CCF or Credit Conversion Factor is the conversion rate of off-balance sheet positions to balance sheet exposure.

1.6.4 Financial risks and market risk

1.6.4.1 Liquidity risk

Risk Factors

The PSA Banque France group refinances itself through bank credit lines, securitizations, customer deposit activity, participation in European Central Bank refinancing operations and issuances of short and medium-term negotiable debt securities as well as bond issues under EMTN program.

Liquidity risk is therefore one of the main financial risks to which the group is exposed.

This risk arises from the possibility that, over a given period, the bank cannot fulfill its commitments in due time due to external factors (global financial market situation, inter-bank liquidity crises, etc.) or internal parameters (related, for example, to the group's rating by the rating agencies).

As a result, the main objectives of liquidity risk management are:

- To reduce, as far as possible, the negative effects of any market developments which affect the Group's financing capacity;
- To manage seasonal variations in funding sources and customer loan request;
- To be able to quickly respond to variations in economic cycles which affect the availability and the demand for funds;
- To overcome the consequences of a given crisis situation.

These are accompanied by the following implementation principles:

- Establish stable liquidity requirements on the balance sheet in the medium and long term;
- Diversify the sources of financing in terms of instruments and markets;
- Respect the specific obligations established by the regulatory authorities.

The analysis and monitoring of the liquidity risk is based on the following assumptions from:

- The end of period balance sheet with contractual or conventional outflow;
- And the inclusion of behavioral data, such as prepayment scenarios.

Risk measurement, control and monitoring

In reference to the standard methodology of both shareholder groups, the main liquidity risk evaluation indicators are calculated on a monthly basis:

- Liquidity gap: the liquidity gap is defined as the difference between asset flows and liability flows at a given period;
- Internal liquidity ratios: these ratios are indicators of structural liquidity requirements. Their analysis provides an estimated liquidity trend, taking into account the specific characteristics of the balance sheet;
- Basel liquidity ratios such as the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) per the requirements of the European Capital Requirements Regulation (CRR). The LCR ratio is mandatory and supervised by regulators, while the NSFR will not enter into force for a few more years. As for the LCR, the regulator's requirements were met during the 2017 fiscal year;
- In addition to the previous indicators, to increase the actual monitoring of liquidity and be in compliance with the European Commission's regulatory requirement, PSA Banque France has implemented additional liquidity monitoring through monthly reporting (Additional Liquidity Monitoring Metrics) since 2016;
- The liquidity stress test, which can simulate the period of time during which the entity can continue to operate with cash outflows given various crisis scenarios. This is a component in the liquidity contingency plan that PSA Banque France has for evaluating what measures to implement during a crisis.

Limits are defined in reference to liquidity indicators and regulatory requirements, and in compliance with risk appetite as determined by the PSA Banque France Group.

In 2017, all liquidity risk indicators remained compliant within the limits set by the Board of Directors of PSA Banque France. The monitoring of liquidity risk is therefore based on daily, monthly, or quarterly calculation, as the case may be, of risk indicators in order to assess the current risk level and anticipate compliance with limits and any measures to be taken to better measure, control or monitor this risk category.

This monitoring is subject to monthly management reports to the Asset/Liability Committee (ALCO) and to the Risk Committee. It is also used for monthly and quarterly regulatory liquidity reporting (CRD IV). The PSA Banque France Group's average LCR for 2017 was 136%.

AVERAGE LIQUIDITY COVERAGE RATIO (LCR) IN 2017

(in million euros)	**Weighted values** (monthly average)
Total HQLA	**334**
Total cash outflows	946
Total capped cash inflows	700
Total net cash outflows	**246**
LCR	**136%**

Publications relating to the encumbered assets

Encumbered assets are calculated and monitored within the context of liquidity management, pursuant to the Decree of December 19, 2014 from the *Ministre des Finances et des comptes publics*. The consolidated statement of encumbered assets at December 31, 2017 appears below:

TEMPLATE A - ASSETS

(in million euros)		Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of non-encumbered assets	Fair value of non-encumbered assets
		010	040	060	090
010	**Assets of the reporting institution**	**4,092**	**-**	**7,298**	**-**
020	Loans on demand	187		703	
030	Equity instruments	0	0	0	0
040	Debt securities	0	0	0	0
100	Loans and advances other than loans on demand	3,905		6,309	
120	Other assets	0		286	

Not applicable for the fair value

TEMPLATE B - COLLATERAL RECEIVED

(in million euros)		Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
		010	040
110	**Collateral received by the reporting institution**	**0**	**0**
150	Equity instruments	0	0
160	Debt securities	0	0
230	Other collateral received	0	0
240	**Own debt securities issued, other than own covered bonds or asset backed securities**	**0**	**0**

TEMPLATE C - ENCUMBERED ASSETS/COLLATERAL RECEIVED AND ASSOCIATED LIABILITIES

(in million euros)		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
		010	030
010	**Carrying amount of selected financial liabilities**	**2,783**	**4,092**
020	Derivatives	0	0
040	Deposits *(including: central banks)*	1,000	1,561
090	Debt securities issued *(including: securitizations)*	1,783	2,531
120	Other	0	0

TEMPLATE D - INFORMATION ON IMPORTANCE OF ASSET ENCUMBRANCE

The use of credit claims, as collateral for refinancing operations, allows the PSA Banque France Group to diversify its funding sources, specifically through the issuance of securitization securities.

It can also take part in the ECB monetary policy operations.

1.6.4.2 Interest rate risk

Risk Factors

The interest rate risk is the possibility of losses due to the impact of interest rate movements on the structure of the entity's equity (through revenues, expenses, assets, liabilities and other balance-sheet transactions).

The PSA Banque France Group's objective is to limit the negative effects of market rates evolution on its profits and economic value, and to increase its security and solidity. To adjust the borrowing rate structure to the customer loan structure, guided flexibility is allowed in hedging the interest-rate risk.

The policy in terms of interest rate risk tends to be conservative and avoids any speculation. Its purpose is to control and supervise interest-rate risk positions within sensitivity limits in accordance with the defined risk appetite.

The management of interest rate risk consists of compliance with this policy and subjecting it to regular controls and hedging measures.

During the 2017 financial year, the portfolio of interest rate swaps was one of the main elements used to cover exposure to interest rate risk on the balance sheet. Note that there was an increase in coverage per purchase of new interest-rate swaps in 2017 for a nominal amount of €1,050 million.

Risk measurement, control and monitoring

Interest-rate risk can essentially affect the net interest margin and the market value of the bank's equity. Management of the interest-rate risk is governed by sensitivity limits in accordance with risk appetite.

The main risk evaluation indicators are calculated on a monthly basis:

- The interest rate gap: this is the difference between the assets and liabilities according to the type of rate (fixed or variable) over a given period;
- Sensitivity of the Net Interest Margin (NIM): a measure of the additional losses or profits on the bank's interest margins, caused by a change in interest rates over the next 36 months. Evaluation of the sensitivity of the Net Interest Margin is a short-term approach and is based on the analysis from interest rate gap tools;
- Sensitivity of the market value of equity (MVE): impact on the current value of the entity's assets and liabilities when the interest rate changes. The concept of the MVE refers to a long-term approach. The sensitivity of the market value of equity is also calculated using interest rate gap metrics;
- The interest-rate risk measurement tool was updated to be in compliance with Directive EBA/GL/2015/08 on the structural interest-rate risk in bank balance sheets.

The interest rate risk monitoring indicators are based on the following assumptions:

- Static balance sheet: the amounts that reach maturity are renewed by the new production of an identical quantity, such that the balances remain constant;
- The analysis is based on contractual and conventional maturity and repricing dates;
- The calculations take into account a zero coupon rate curve and various parallel and non-parallel interest rate change scenarios, such as:
  - Parallel scenarios at +/- 100 bp; +/- 75 bp; +/- 50 bp and +/- 25 bp,
  - Non-parallel scenarios with short-term rates up and long-term rates down, or short-term rates down and long-term rates up.

The interest rate risk limits are set by reference to the interest rate risk indicators of NIM (Net Interest Margin) sensitivity or MVE (Market Value of Equity) sensitivity in compliance with risk appetite as defined by PSA Banque France Group. These limits are formally approved by the bank's Board of Directors.

At the same time, as part of risk control, hedging efficiency tests are carried out when setting up new instruments with exposure to an interest rate risk.

Lastly, the control of interest rate risk is ensured by the monthly monitoring of these indicators, control of compliance with established limits and any measures to be taken to even better measure, control or monitor this risk category. This monitoring is subject to monthly management reports to the Asset/Liability Committee (ALCO) and to the Risk Committee.

In 2017, all interest-rate risk indicators remained compliant with the limits set by the Board of Directors of PSA Banque France.

The table below shows the interest-rate gap at December 31, 2017 along with the various indicators' sensitivity to the worst-case risk scenario (parallel scenario).

INTEREST-RATE GAP AT DECEMBER 31, 2017

(in million euros)

	Total	< 1 month	1-3 months	3 months - 1 year	<= 2 years	<= 5 years	Over 5 years	Not Sensitive
Assets	**11,390**	2,607	1,865	2,077	2,105	2,138	41	557
Liabilities	**11,390**	2,734	2,050	1,410	619	2,571	0	2,007
Off-balance sheet	**0**	80	824	(46)	(978)	119	1	0
Repricing gap	**0**	(47)	640	621	509	(315)	42	(1,450)

- At December 31, 2017, sensitivity of the NIM to the worst-case scenario of a +/-100 bp increase or decrease in parallel rates; +/- 75 bp;+/- 50 bp and +/- 25 bp, amounts to -€3.05 million.
- At December 31, 2017, sensitivity of the MVE to the worst-case scenario of a +/-100 bp increase or decrease in parallel rates; +/- 75 bp; +/- 50 bp and +/- 25 bp, amounts to -€4.47 million.

1.6.4.3 Counterparty risk

Risk Factors

Counterparty risk represents the potential loss incurred by the PSA Banque France Group in the event that one of its counterparties defaults in the future.

A. Bank counterparty risk

Risk Factors

This risk includes two components of different kinds: delivery risk and credit risk.

- Delivery risk concerns all market operations including a simultaneous exchange of currency, flow of interest, security or other. The risk arises from the non-simultaneity of the transactions;
- Credit risk may be defined as the total potential loss recorded by the PSA Banque France Group on a transaction following the default of the counterparty.

The PSA Banque France Group is therefore exposed to counterparty risk in several respects:

- Market transactions carried out to cover interest rate risk and a possible operational foreign exchange risk;
- In case of securitization operations, management by mandate of the placement of reserves of SPV (Special Purpose Vehicle) entities.

Risk measurement, control and monitoring

The Risk Department is responsible for validating changes to the system of measuring and monitoring counterparty risk.

Risk monitoring is based on the following principles:

- Each counterparty undergoes a financial analysis to make sure that it is sustainable and solvent, and is given an evaluation based on a rating from a rating agency;
- Allocation limits are fixed for each counterparty according to its external rating;
- Verifying compliance with regulatory limits, i.e. 25% of regulatory capital;
- Internal management limits by counterparty have been set. These internal limits reinforce the existing counterparty risk control procedure;
- Usage within limits is measured and checked daily as part of routine activity: any overruns are reported each day;
- Counterparty risk monitoring information is the subject of a monthly report to the Asset/Liability Committee (ALCO) concerning financial exposure, and to the Risk Committee for the other counterparties.

B. Corporate counterparty risk

Risk Factors

As regards loans granted to corporate customers (fleets and the Peugeot, Citroën, and DS dealer networks), the PSA Banque France Group is exposed to a credit risk characterized by a potential loss if the financed counterparty goes into default.

Risk measurement, control and monitoring

In order to control credit risk of corporate customers, PSA Banque France Group, in particular its Risk Department, defines and implements risk management policies based on:

- An analysis, at least annually, of each corporate counterparty, to prepare a legal, economic and financial evaluation and assess the counterparty's solvency and ability to meet its commitments;
- A systematic rating based on an internal model whose relevance is regularly checked;
- The establishment of credit lines under a solid "products and guarantees" policy and according to the evaluation and rating of the counterparty;
- The declaration of default, usually before they become 90 days past due (conditional default).

The Risk Department constantly monitors the risk indicators of the portfolio through:

- Daily use of limits for the financing of stocks and bank credit lines granted to dealers;
- Monitoring of overruns and returns under the limits on a daily and weekly basis;
- Daily monitoring of past-dues, late payments, and stocks checks of the dealer network;
- Monitoring of defaults and provisions on a monthly basis;
- Verifying compliance with regulatory limits, i.e. 25% of the bank's regulatory capital.

For the governance of PSA Banque France Group, the Risk Department:

- Holds bi-weekly meetings of credit committees, which are decision-making bodies on corporate counterparty risks;
- Informs management bodies of the performance of the portfolio in the context of monthly risk measurement committees: Risk Committee, Supervisory Committee, Buy-Back Committee, and Fleet Committee;
- Discusses with the PSA Group brands on corporate risk management policy and issues, on a monthly basis.

1.6.4.4 Currency risk

Risk Factors

The PSA Banque France Group does not have any activity in foreign currencies that could expose the bank to currency risk. Nevertheless, in case of foreign exchange positions, the hedging of transactions in currencies would be validated by the competent committee.

1.6.4.5 Market risk

Risk Factors

It is the PSA Banque France Group's policy not to be exposed to market risk, as defined by banking regulations.

Interest rate or currency derivative transactions are undertaken to hedge balance sheet items not intended for sale in the short term.

The PSA Banque France Group is not authorized to perform any speculative market activities, neither on behalf of its customers nor for its own account

Risk measurement, control and monitoring

- The Group consistently ensures compliance with this rule and that the hedging instrument and hedged item are correctly matched.
- As applicable, governance bodies must be immediately notified of any market risk exposure through the main competent committees.

1.6.5 Risks related to securitization operations

Risk Factors

Securitization transactions initiated by the PSA Banque France Group are non-recourse sales by CREDIPAR to securitization vehicles, and CREDIPAR retains part of the risk by holding at least 5% of the securities issued by these funds, as well as through other credit enhancement mechanisms, including liquidity reserves.

Other than holding securities in the securitization vehicles, the risks incurred by the group are:

- An unexpected and exceptional downgrade in the quality of the assets sold;
- A sharp drop in the production of new financing having an impact on the ability to replenish securitization transactions with sufficient new additional receivables during the revolving period.

Above a certain level, these two risks may result in breaching triggers and possibly entering into an accelerated amortization, which could in turn produce a reputational risk and reduce the Group’s ability to issue on the Auto ABS market.

Risk measurement, control and monitoring

The PSA Banque France Group is advised by arranging banks when preparing a securitization transaction. Furthermore, the PSA Banque France Group has developed expertise over ten years of successful securitization programs. To ensure it can continually draw on in-depth knowledge of securitized receivables, each securitization transaction is constituted by a very consistent “portfolio”; namely, a financing type and a customer category. Receivables are always originated, held, and managed by CREDIPAR, a subsidiary of the PSA Banque France Group. The customer relationship management teams and the collections teams are given no specific information as to whether or not the receivables on which they are working are securitized. The funds' performance and the creditworthiness of the main counterparties are tracked in a monthly report that is available to the funds' investors. Tracking makes it possible to detect any variances in the fund's performance that could trigger the amortization of a fund or the need of replacement of a counterparty whose rating would be becoming inadequate with regard to the (express or implied) rating of the fund's senior securities.

1.6.6 Concentration risk

Risk Factors

The PSA Banque France Group is exposed to several types of concentration risk:

- Concentration risk related to the granting of credit to individuals;
- The sectorial concentration risk of credit transactions;
- Concentration risk related to bank refinancing.

Risk measurement, control and monitoring

Bank facilities

The PSA Banque France Group has a principle of respecting the diversification of interbank funding sources.

Thus, for the set-up of the financing lines required for its activity, there is a maximum borrowing threshold for each authorized bank counterparty, based on:

- A diversification level according to total outstanding loans;
- The total amount financed;
- Geographic criteria (French counterparty, Eurozone member outside France or outside the Eurozone);
- External ratings (rating agencies).

Once established, the monitoring and control of compliance with these thresholds is done as follows:

- when a bank counterparty exclusively controls one or more other bank counterparties, the Group thus constituted is considered as a single counterparty:
- the monitoring system that is implemented enables periodic checking, and during conclusion of a new loan, of compliance with the thresholds set;
- For each new financing transaction involving an overrun of the level set on one of the counterparties, before its implementation, it must be presented to the Asset/Liability Committee (ALCO), and a request for authorization must be made to the Risk Committee.

Credit transactions

The level of concentration risk is analyzed using concentration indices for sector and individual credit operations. The bank has set limits for concentration risks related to individuals, sectors and credit institutions granting banking lines to PSA Banque France and its entities.

Concentration risk limits are presented quarterly to the Risk Committee and the various monitoring bodies within the PSA Banque France Group.

The PSA Banque France Group closely monitors the level of its commitments in relation to the PSA Group.

At December 31, 2017, the outstanding loans of the PSA Banque France Group to the PSA Group stood at €119 million, representing 10% of regulatory capital.

At that same date, the 10 main outstanding loans of the PSA Banque France Group, other than those to the PSA Group, represented a total amount of €1,399 million. By counterparty category, the top 10 commitments break down as follows:

- Banks: €142 million;
- Dealer network (with no financial ties to the PSA Group): €1,108 million;
- Corporate (excluding dealer network): €148 million.

At December 31, 2017, there was no net exposure on a counterparty in excess of 25% of regulatory capital.

1.6.7 Operational risk

Definition of risk and risk factors

The PSA Banque France Group defines operational risk as "the risk resulting from a maladjustment or failure attributable to procedures, to personnel, internal systems, or to external events, including events with a low probability of occurrence but with substantial risk of loss".

Risk identification, assessment, control and monitoring

The PSA Banque France Group is exposed to the risk of incidents on all of the Basel families of operational risk:

- Internal and external fraud;
- Employment practices and workplace safety;
- Customers, products and business practices;
- Damage to physical assets;
- Business disruption and systems failures;
- Execution, delivery and process management.

The PSA Banque France Group is primarily exposed to "operational risks" linked to credit risk, market risk, external fraud and, to a much lesser extent, the risks inherent in outsourcing activities to contractors or partners.

The risk map covering all of the PSA Banque France Group's activities identifies and prioritizes three levels of operational risk, classified by activity, process and sub-process.

Risk control mechanisms are an integral part of working procedures or instructions and are subject to second-level controls by the bank's permanent risk control departments. They may also take the form of decision and discretionary limits rules, as well as specific processes incorporated in IT systems. Business continuity plans have been defined and deployed for premises and information systems. These are tested annually.

1.6.8 Non-compliance risk

Definition of risk and risk factors

Non-compliance risk is defined as the risk of legal, administrative or disciplinary sanction, significant financial loss, or damage to reputation arising from failure to comply with the provisions governing banking and financial services, including regulatory and statutory provisions, professional standards, ethical standards, or instructions from the executive body pursuant to guidelines issued by the Board.

Risk factors are related to incorrect interpretation of texts or failure to adequately reflect these texts in operating methods, procedures or internal instructions.

Risk measurement, control and monitoring

The risk is assessed through regulatory surveillance. The system implemented is aimed at identifying changes as well as the reasons for sanctions by supervisory authorities, analyzing the information thus collected and finally evaluating the impacts thereof on: customer relations, processes and organization, IT systems, the scope of business and, more generally, the economic model.

The risk of non-compliance is controlled by adapting procedures, instructions or operating methods, detecting people who are exposed politically or whose assets have been frozen, setting materiality criteria and thresholds to identify money-laundering and the financing of terrorism, as well as a report-compilation system. Risks of non-compliance are monitored through the implementation of a program of controls. The results of these checks are presented to the compliance committee meetings, which are organized on a quarterly basis.

1.6.9 Reputational risk

Definition of reputational risk and risk factors

The reputational risk to which the PSA Banque France Group is exposed can be broken down into:

- A specific "risk of damage to the Bank's reputation and image with end users; Peugeot, Citroën, and DS dealer customers; third-party banks; and supervisory authorities (excluding internal image risk)";
- Possible repercussions of an operational incident.

Reputational risk measurement, control and monitoring

The image and reputational risk is, to a large extent, related to the risks already identified, covered by the internal control systems: this is true in particular for the risks of internal or external fraud and the risk of non-compliance.

A number of systems are implemented to prevent the risk of reputational damage, including:

- Compliance with banking secrecy and professional reserve;
- Approval of standard letters to customers and advertising messages by the legal department;
- Monitoring of the quality of customer relations;
- Approval of new products by the risk management, legal, tax and compliance departments;
- The report compilation system.

1.6.10 Correlation between the PSA Banque France Group and its shareholders

Definition of correlation risk and risk factors

Because it belongs directly to Banque PSA Finance and Santander Consumer Banque (and consequently to the PSA and Santander groups), the activity and profitability of the PSA Banque France Group may be partially influenced by various factors arising at the level of its shareholders:

- Economic and financial factors: commercial performance, financial results, profitability prospects, and ratings of the PSA and Santander groups;
- Strategic factors: product development and geographical coverage;
- Factors related to the reputation and corporate identity of both shareholders.

Measurement, control, and monitoring of the correlation between the PSA Banque France Group and its shareholders

The main correlation risk concerns, due to the methodology used by the ratings agencies, the link between to the level of short and long term ratings of the PSA Banque France Group and the ones its shareholders. The repercussion of the downgrade of the ratings of its shareholders on the PSA Banque France Group's ratings has been studied under liquidity stress scenarios, and also included in the liquidity contingency plan.

1.7 Internal control

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

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

1.7.1 Permanent control system

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

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

In 2016, weak points were identified in access to operating systems, databases, and applications underpinning the preparation of financial statements. In response to this finding, management developed an action plan for repairing these weaknesses and, more generally, improving the control environment around information systems. During the fiscal year, this action plan was deployed, with the establishment of new controls to counter the identified weaknesses.

1.7.1.2 Permanent control

Second-level controls, this position reporting to the Secretary General, was separated from the compliance unit starting on July 1, 2017, the date on which a dedicated second-level control department, separate from the compliance department, was created. It ensures compliance with the requirements on data protection, the enforcement mechanism for Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (GDPR), the anti-money laundering policy, and compliance of new or significantly modified products. It deploys the appropriate systems and training. Lastly, it provides regulatory surveillance and ensures regulatory compliance. Note that in 2017, the compliance officer was appointed DPO (Data Protection Officer).

The second-level control team has had four members since September 1, 2017.

Permanent control is in charge of various missions:

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

Operational risk control tasks cover:

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

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

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

Pursuant to the Decree of November 3, 2014, the Annual Internal Control and Risk Measurement and Monitoring Report (*Rapport Annuel de Contrôle Interne et de Mesure et Surveillance des Risques* (RACI)) will be shared with the directors, made available to the Statutory Auditors, and sent to the French Prudential Supervisory Authority (*Autorité de Contrôle Prudentiel et de Résolution* (ACPR)) before end of March 2018.

1.7.2 Periodic controls

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

They are performed by the internal audit teams in ad hoc missions, based on a three-year internal audit plan for all of PSA Banque France Group's units (including outsourced activities). Eleven audit missions were carried out in PSA Banque France Group during 2017.

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

1.7.3 Oversight by Executive Management and the Board

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

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

The PSA Banque France Group's Audit and Risk Committee prioritizes its tasks according to the risks identified. Its duties include the planning, supervision and review of internal audits and the review of the audit plan of the Statutory Auditors. It is responsible for the remediation of any major weaknesses in internal controls identified by external auditors.

The Audit and Risk Committee also ensures the Group's compliance with Basel III and other regulatory requirements as well as the implementation of measures to comply with these requirements. Finally, the Audit and Risk Committee reviews the consolidated financial statements as well as the individual financial statements of all entities of PSA Banque France Group in relation with the accounting methods used.

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

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

1.7.4 Organization of internal control

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

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

These committees also review and make decisions concerning:

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

1.8 Corporate governance - General information concerning PSA Banque France

1.8.1 PSA Banque France overview

Corporate name:
PSA BANQUE FRANCE

Nationality: French

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

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

Registry and identification number: PSA Banque France is registered in the Nanterre Trade and Companies Register under:
- SIREN No.: 652 034 638
- SIRET No.: 652 034 638 00039
- APE/NAF business identifier code: 6419Z

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

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

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

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

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

1.8.2 Shareholders - structure of share capital

Shareholders:
At December 31, 2017, the share capital of PSA Banque France stood at €144,842,528 divided into 9,052,658 shares with a value of €16 each, fully paid-up, with equal distribution between:

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

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

Changes occurred in the distribution of capital during the last 3 years:
No change since the 50% entry of Santander Consumer Banque in the capital on February 2, 2015.
The shareholders' agreement entered into on February 2, 2015, when the joint venture of PSA Banque France was created, sets out restrictions on the exercise of the transfer of shares by both shareholders. Such exercise is not free but is subject to a "lock-up period" for the duration of the cooperation period

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

1.8.3 Board of Directors and management bodies

The Board of Directors of PSA Banque France has six members appointed for a renewable term of six years. Three members are chosen by each of the two shareholders. For the first three years of the cooperation between the two shareholders in PSA Banque France, i.e. Banque PSA Finance and Santander Consumer Banque, the Chairman of the Board was a non-executive director appointed by Santander Consumer Banque, in this case Ms. Ines Serrano-Gonzales. A rotation occurred on August 28, 2017, and now the office of Non-Executive Chairman is held by a director appointed by Banque PSA Finance, in this case Mr. Rémy Bayle. In early 2017, Mr. Arnaud de Lamothe's admission as a director was also decided by the Board in replacement of an outgoing director, on the recommendation of the Appointment Committee, which appraised the possible conflicts of interest and individual skills of each director as well as the collective skills of the Board.

Senior Management was also rotated at September 1, 2017. The new Chief Executive Officer, Mr. Jean-Paul Duparc, was appointed by Santander Consumer Banque, and the office of Deputy Chief Executive Officer is now held by Mr. Laurent Aubineau, appointed by Banque PSA Finance.

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

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

Thirteen meetings of the Board of Directors were held in 2017. The governance of the PSA Banque France Group results from the application of agreements concluded between both shareholders, which comply strictly with the legal and regulatory obligations in force. Thus, the Chairman with his Board and specialized committees monitor the activity of PSA Banque France controlled by the Chief Executive Officer, the Deputy Chief Executive Officer, the Executive Committee and the operational committees.

Currently, there is no conflict of interest between the obligations of the members of the management bodies and their private interests with regard to the PSA Banque France Group.

No agreements have been entered into, either directly or via a third party, between any of the company officers or any of the directors or shareholders, with the exception of agreements about usual transactions and entered into under normal conditions.

PSA Banque France does not pay directors' fees.

There is no delegation currently valid or used during the 2017 period, granted by the Shareholders Meeting to the Board of Directors, for any capital increase, capital issuance, or redemption of shares.

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

Pursuant to Article L. 225-37-4.1°of the French Commercial Code, the following is a list of all mandates or positions held during the past fiscal year by each of the members of the Board of Directors of PSA Banque France.

1.8.4 Information about the administrative and management bodies

1.8.4.1 Board of Directors

List of mandates held and expired during the 2017 financial year by the Directors of PSA Banque France and the Permanent Representatives of Directors.

Rémy BAYLE

Chairman of the Board of Directors

First appointed to the Board on August 28, 2017

Current term expires in 2020

Director

First appointed to the Board on April 23, 2015

Current term expires in 2021

Born on December 26, 1961

Other positions held during the year 2017

Chief Executive Officer and Director

• Banque PSA Finance

Vice-Chairman of the Board of Directors and Director

• Opel Bank S.A.

Chairman of the Board of Directors and Director

• Compagnie pour la location de véhicules - CLV

Positions terminated during the year 2017

Director

• Compagnie Générale de Crédit aux Particuliers - CREDIPAR

• PSA Finance UK Limited (United Kingdom)

Jean-Paul DUPARC

Chief Executive Officer

First appointed on September 1, 2017

Current term expires in 2020

Director

First appointed to the Board on August 28, 2017

Current term expires in 2018

Born on: May 16, 1968

Other positions held during the year 2017

Chief Executive Officer and Director

• Compagnie Générale de Crédit aux Particuliers - CREDIPAR

Permanent Representative of the Compagnie Générale de Crédit aux Particuliers - CREDIPAR

• Board of Directors of the Compagnie pour la Location de Véhicules - CLV

Laurent AUBINEAU

Deputy Chief Executive Officer

First appointed on September 1, 2017

Current term expires in 2020

Director

First appointed to the Board on August 28, 2017

Current term expires in 2021

Born on December 29, 1962

Other positions held during the year 2017

Deputy Chief Executive Officer and Director

• Compagnie Générale de Crédit aux Particuliers - CREDIPAR

Director

• PSA Finance Belux

Position terminated during the year 2017

Chief Executive Officer and Director

• Board of Directors of the Compagnie pour la Location de Véhicules - CLV

Ines SERRANO-GONZALEZ

Director

First appointed on January 30, 2015

Current term expires in 2021

Born on July 31, 1965

Other positions held during the year 2017

Deputy Managing Director, Member of the Executive Committee and Member of the Board of Directors

• Santander Consumer Finance S.A. (Spain)

Chairman and Member of the Supervisory Board

• Santander Consumer Banque S.A.

Director

• Compagnie Générale de Crédit aux Particuliers - CREDIPAR

• Financiera El Corte Ingles, E.F.C. S.A. (Spain)

Positions terminated during the year 2017

Chairman of the Board of Directors

• PSA Banque France

Member of the Supervisory Board

• Santander Consumer Bank AG (Germany)

• Santander Consumer Holding GmbH (Germany)

Director

• Grupo Multitel S.A. (Spain)

Martin THOMAS

Director

First appointed to the Board on January 30, 2015
Current term expires in 2021
Born on February 22, 1974

Other positions held during the year 2017

Director

• Compagnie Générale de Crédit aux Particuliers - CREDIPAR

Chairman of the Managing Board

• Santander Consumer Banque S.A.

Position terminated during the year 2017

Chairman of the Board of Directors

• Compagnie Générale de Crédit aux Particuliers - CREDIPAR

Arnaud de LAMOTHE

Director

First appointed to the Board on February 8, 2017
Current term expires in 2021
Born on September 24, 1966

Other positions held during the year 2017

Deputy Chief Executive Officer

• Banque PSA Finance

Chairman of the Board of Directors and Director

• Compagnie Générale de Crédit aux Particuliers - CREDIPAR

Chairman and Director

• Bank PSA Finance Rus (Russian Federation)

Director

• PSA Bank Deutschland GmbH
• PSA Financial Services Spain, E.F.C., SA
• Banca PSA Italia SPA
• PSA Finance UK Limited

Positions terminated during the year 2017

Chairman

• Véhicules d'Occasion Citroën et DS France

Director

• Citroën (Switzerland) SA
• Citroën Osterreich GmbH

Andrea BANDINELLI

Chief Executive Officer

First appointed on September 5, 2012
End of appointment on September 1, 2017

Director

First appointed to the Board on September 5, 2012
Current term expires on August 28, 2017
Born on August 5, 1974

Other positions terminated during the year 2017

Chief Executive Officer and Director

• Compagnie Générale de Crédit aux Particuliers - CREDIPAR

Permanent Representative of the Compagnie Générale de Crédit aux Particuliers - CREDIPAR

• Board of Directors of the Compagnie pour la Location de Véhicules - CLV

Carlos APARICIO MANUEL

Deputy Chief Executive Officer

First appointed on February 2, 2015

End of appointment on September 1, 2017

Director

First appointed to the Board on January 30, 2015

Term expired on August 28, 2017

Born on February 1, 1967

Position terminated during the year 2017

Deputy Chief Executive Officer and Director

• Compagnie Générale de Crédit aux Particuliers - CREDIPAR

Alain MARTINEZ

Director

First appointed to the Board on January 30, 2015

End of appointment: February 8, 2017

Born on September 20, 1958

Other positions terminated during the year 2017

Deputy Chief Executive Officer

• Banque PSA Finance

Chairman and Director

• PSA Renting Italia SPA

Chairman

• Bank PSA Finance Rus (Russian Federation)

Member of the Supervisory Board

• PSA Financial Holding B.V. (Netherlands)

Director

• Peugeot Finance International NV (Netherlands)
• Banca PSA Italia
• PSA Bank Deutschland GmbH
• PSA Financial Services Spain, E.F.C., SA

1.8.4.2 Committees

A. Audit and Risk Committee

As at December 31, 2017, the Audit and Risk Committee had the following members:

Name	Position within PSA Banque France Group
Ines SERRANO-GONZALEZ, Chairman	Director of PSA Banque France
Rémy BAYLE	Chairman of the Board of Directors of PSA Banque France
Martin THOMAS	Director of PSA Banque France
Arnaud de LAMOTHE	Director of PSA Banque France

B. Appointment Committee

As at December 31, 2017, the Appointment Committee had the following members:

Name	Position within PSA Banque France Group
Arnaud de LAMOTHE, Chairman	Director of PSA Banque France
Rémy BAYLE	Chairman of the Board of Directors of PSA Banque France
Martin THOMAS	Director of PSA Banque France
Ines SERRANO-GONZALEZ	Director of PSA Banque France

C. Remuneration Committee

As at December 31, 2017, the Remuneration Committee had the following members:

Name	Position within PSA Banque France Group
Arnaud de LAMOTHE, Chairman	Director of PSA Banque France
Rémy BAYLE	Chairman of the Board of Directors of PSA Banque France
Martin THOMAS	Director of PSA Banque France
Ines SERRANO-GONZALEZ	Director of PSA Banque France

D. Executive Committee

As at December 31, 2017, the Executive Committee had the following members:

Name	Position
Jean-Paul DUPARC	Chief Executive Officer
Laurent AUBINEAU	Deputy Chief Executive Officer
Patrick POULETTY	Chief Marketing and Digital Officer
Joaquin BERRAL CHACON	Chief Risk Officer
Gregory BONNIN	Chief Human Resources Officer
Philippe MEOT	Chief Operations Officer
Catherine NOGUIER	Secretary General
Gilles PEREZ	Chief Collection Officer
Philippe CHAILLOUT	Chief Sales Officer
Stéphane RIEHL	Chief Financial Officer

1.8.5 Remunerations

Executive officers' wages and salaries

Pursuant to Article L. 225-37-3 of the French Commercial Code, the Company states that the wages and salaries and benefits in kind paid to its corporate officers during the fiscal year, not by itself, but by an affiliate, stood at a grand total (gross tax amount) of €437 405,79, broken down as follows:

- fixed wages and salaries: €316,341.51
- variable wages and salaries: €39,639.00
- benefits in kind: €81,425.28
- non-recurring items: €0

The Company paid no compensation to its two successive Chairmen for the 2017 fiscal year, since they held paid mandates in entities controlling the Company. Information on their compensation for this other mandate may be published by said entities pursuant to their applicable regulations.

The same applies regarding the amount of wages and salaries paid to corporate officers of the Company who also hold an office within the entities having joint control of the Company.

Wages and salaries of categories of employees whose professional activities have a significant impact on the PSA Banque France Group's risk profile

Pursuant to Article L. 511-73 of the French Monetary and Financial Code, the total budget for wages and salaries paid by the Company during the 2017 fiscal year, to the twenty-six people meeting the criteria set in Article L.511-71 of that same Code, totaled (gross of tax) €3,340,750.82, broken down as €2,444,276.13 in fixed wages and salaries, €384,007.80 in variable wages and salaries, and €512,466.89 in benefits in kind, with the clarification that no employee is paid a yearly wage or salary in excess of €1 million.

Regarding the amount of compensation paid to the individuals identified as "risk-takers" for the 2017 fiscal year, who are nonetheless not employees of the Company and who also hold a mandate within entities having control of the Company, this information may be published by them pursuant to their applicable regulations.

If variable wages and salaries do exceed a threshold set at €50,000 for 2017, they are spread over a three-year period and may be partially paid as financial instruments that cannot be converted during the first year in which they are held.

PSA Banque France allocates no shares or stock options.

1.8.6 Diversity policy applicable to the selection of members of the management body

PSA Banque France has a diverse management team that is a source of added value and performance for the company.

Indeed, by building on the representation on its Board of Directors and in its Executive Committee of different social and demographic categories, which are appraised using objective performance criteria in an effort to achieve synergy, PSA Banque France turns these differences to its advantage, reflecting the richness generated by the partnership agreement between Banque PSA Finance and Santander Consumer Finance, which has been in place since February 2015.

By gradually extending these same practices throughout the company, PSA Banque France also aims to cultivate the commitment and motivation of every employee.

PSA Banque France's goal is to implement balanced representation of women and men on the Board of Directors.

1.8.7 Persons responsible for auditing the accounts

PricewaterhouseCoopers Audit
Crystal Park, 63 rue de Villiers,
92200 Neuilly-sur-Seine,
a simplified joint-stock company (*société par actions simplifiée*) with share capital of €2,510,460, entered as no. 672 006 483 in the Nanterre Trade and Companies Register
Statutory Auditors member of the Compagnie régionale de Versailles
Duration of mandate: six years
Date of end of mandate: 2022 financial year
Represented at December 31, 2017 by Laurent Tavernier

Mazars
61 rue Henri Régnault,
92400 Courbevoie,
a limited-liability corporation (société anonyme) with share capital of €8,320,000, entered as no. 784 824 153 in the Nanterre Trade and Companies Register
Statutory Auditors member of the Compagnie régionale de Versailles
Duration of mandate: six years
Date of end of mandate: 2019 financial year
Represented at December 31, 2017 by Matthew Brown

1.8.8 Investments

Main investments made during the last 5 years:

Years	Disposals – dissolutions – mergers	Acquisitions
2016 - 2017	-	-
2015	May 1, 2015: absorption merger of SOFIRA into CREDIPAR	January 30, 2015: acquisition of CREDIPAR and SOFIRA
2013 - 2014	-	-

1.8.9 Intra-group agreements

The PSA Banque France Group benefits from support services supplied by Banque PSA Finance Group, particularly relating to accountancy and IT services. Furthermore, the PSA Banque France Group is also linked to Santander Consumer Banque and with other entities in the Santander Group concerning certain services such as internal audit, supervision, evaluation, and risk monitoring.

In addition to these service contracts entered into in 2015 by PSA Banque France with either of its shareholders or one of their affiliates, contracts which remained valid throughout 2017, no new agreement was made in 2017 between the Company and either of its shareholders or any of its corporate officers.

1.8.10 Payment deadlines

The tables below show the delays in payment to suppliers and clients pursuant to Article L. 441-6-1 of the French Commercial Code. Figures are shown in thousand euros.

(in thousand euros)	**Article D.441 - 441 - II. : invoices received on which payment was delayed during the fiscal year**					
	0 days (indicative)	1-30 days	31-60 days	61-90 days	91 days or more	Total (1 day or more)
(A) Payment delay tranches						
Total number of invoices affected	-					-
Total incl. VAT amount of invoices affected	169,405	10,445	5,842	96	209	16,592
Percentage of incl. VAT amount of invoices received during the year	0.74%	0.05%	0.03%	0.00%	0.00%	0.07%
Percentage of incl. VAT amount of invoices issued during the year						
(B) Invoices excluded from (A) relating to disputed or unrecognized debts and receivables						
Number of excluded invoices						
Total amount of excluded invoices						
(C) Standard payment deadlines used (contractual or legal deadline - Article L. 441-6 or Article L. 443-1 of the French Commercial Code)						
Payment deadlines used for calculating payment delays	Per contractual deadlines: per vendors and within a maximum period of 45 days end of month from the invoice date, pursuant to the Law on the Modernization of the Economy (Article L. 441-6 of the French Commercial Code)					

(in thousand euros)	**Article D.441 - 441 - II. : invoices issued on which payment was delayed during the fiscal year**					
	0 days (indicative)	1-30 days	31-60 days	61-90 days	91 days or more	Total (1 day or more)
(A) Payment delay tranches						
Total number of invoices affected						
Total incl. VAT amount of invoices affected		7,851	4,719	2,761	127,619	142,950
Percentage of incl. VAT amount of invoices received during the year						
Percentage of incl. VAT amount of invoices issued during the year						
(B) Invoices excluded from (A) relating to disputed or unrecognized debts and receivables						
Number of excluded invoices						
Total amount of excluded invoices						
(C) Standard payment deadlines used (contractual or legal deadline - Article L. 441-6 or Article L. 443-1 of the French Commercial Code)						
Payment deadlines used for calculating payment delays	Per contractual deadlines: per customers					

1.8.11 Resolutions adopted by the Shareholders of March 15, 2018, as proposed by the Board of Directors on February 20, 2018, concerning the statutory and consolidated financial statements of PSA Banque France

Ordinary resolutions

First resolution: Approval of the financial statements for the financial year ending at December 31, 2017

The Shareholders Meeting approves the financial statements for the financial year ending at December 31, 2017, as they are presented, which show net income of €184,440,595.33.

Second resolution: Approval of the management report on statutory financial statements and the general report of the Statutory Auditors

The Shareholders Meeting, after having read the statutory financial statements for the 2017 financial year, the management report from the Board of Directors for this same financial year and the general report of the Statutory Auditors on these same financial statements, approves, in all of its provisions, the management report from the Board of Directors.

Third resolution: Approval of the consolidated financial statements at December 31, 2017

The Shareholders Meeting, after having read the consolidated financial statements for the 2017 financial year, prepared according to IFRS, which show net banking revenue of €451,373 thousand, approves these accounts as presented.

Fourth resolution: Approval of the management report on the consolidated financial statements and the general report of the Statutory Auditors

The Shareholders Meeting, after having read the consolidated financial statements for the 2017 financial year, the consolidated management report from the Board of Directors for this same financial year and the general report of the Statutory Auditors on these same financial statements, approves, in all of its provisions, the consolidated management report from the Board of Directors.

Fifth resolution: Appropriation of profit

The Shareholders Meeting, upon proposal by the Board of Directors, ascertains that the distributable net income is €428,383,083.51, consisting of net income for the 2017 financial year of €184,440,595.33 plus the balance of "Retained earnings" standing at €243,942,488.18.

It decides to appropriate this profit available for distribution as follows:

- to "retained earnings" €335,683,865.59
- to shares €92,699,217.92

A dividend of **€10.24** per share shall be paid in two increments after the Shareholders Meeting is held. In accordance with the law, the Shareholders Meeting ascertains that a dividend of €7.92 was distributed pursuant to the 2016 financial year, a dividend of €16.58 was paid pursuant to the 2015 financial year, and that no dividend was distributed pursuant to the 2014 financial year.

Sixth resolution: Approval of the special report of the Statutory Auditors on regulated agreements

The Shareholders Meeting, after having heard the reading of the special report presented by the Statutory Auditors on regulated agreements, approves this report.

Seventh resolution: Ratification of the admission of a new director

The Shareholders Meeting ratifies the admission of Mr. Jean-Paul Duparc, born on May 16, 1968, as a director, per a decision of the Board of Directors on August 28, 2017, replacing Mr. Andrea Bandinelli, resigning, for the remaining time in Mr. Bandinelli's term, or until the Shareholders Meeting is convened in 2018 to approve the 2017 financial statements.

Eighth resolution: Renewal of a director's term

The Shareholders Meeting, on a proposal by the Board of Directors, approves the renewal of Mr. Jean-Paul Duparc as director for a period of six years, or until the Shareholders Meeting is convened in 2024 to approve the 2023 financial statements.

Ninth resolution: Ratification of the admission of a new director

The Shareholders Meeting ratifies the admission of Mr. Laurent Aubineau, born on December 29, 1962, as a director, per a decision of the Board of Directors on August 28, 2017, replacing Mr. Carlos Aparicio Manuel, resigning, for the remaining time in Mr. Aparicio Manuel's term, or until the Shareholders Meeting is convened in 2021 to approve the 2020 financial statements.

Tenth resolution: Overall amount of wages and salaries of all kinds paid to directors, managers and certain categories of personnel

Pursuant to Article L. 511-73 of the French Monetary and Financial Code, the Shareholders Meeting is consulted on the total budget for wages and salaries of all kinds paid to people employed by the Company as set out in Article L. 511-71 of that same Code during the 2017 financial year.

The Company states that in 2017 it paid the people mentioned in Article L. 511-71 of the French Monetary and Financial Code, including its risk-takers, numbering 26 not by their own count but by that of an affiliate, a total (gross of tax) of €3,340,750.82, broken down as €2,444,276.13 in fixed wages and salaries, €384,007.80 in variable wages and salaries and €512,466.89 in benefits in kind.

The amount of wages and salaries paid to the people covered in Article L. 511-71 of the French Monetary and Financial Code who also hold an office within the parent entities controlling the Company is not included in the aforementioned amounts but is published by them in accordance with their applicable regulation.

Eleventh resolution: Formalities

The Shareholders Meeting hereby grants all powers to the holders of a copy or extract of the minutes of this meeting to carry out all legal and administrative formalities, as well as all publicity measures, more particularly the registration at the Registry of the Commercial Court in compliance with the current legislation.

Extraordinary resolution

Twelfth resolution: Authorization to increase the share capital reserved for employees

The Shareholders Meeting, considering the second and third subparagraphs of Article L. 225-129-6 of the French Commercial Code, the Statutory Auditors' report on the capital increase reserved for employees, and the report and recommendations of the Board of Directors, does not authorize the Board of Directors to increase the share capital by issuing new shares that would be reserved for employees, corporate officers, or some of them.

2

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2017

2.1 Consolidated Balance Sheet

(in thousand euros)	*Notes*	**Dec. 31, 2017**	**Dec. 31, 2016**
Assets			
Cash, central banks, post office banks	*3*	364,814	260,506
Financial assets at fair value through profit or loss and other financial assets	*4*	2,383	4,251
Hedging instruments	*5*	48	242
Available-for-sale financial assets		3	3
Loans and advances to credit institutions	*6*	525,102	472,947
Customer loans and receivables	*7 and 32*	10,213,625	9,224,565
Fair value adjustments to finance receivables portfolios hedged against interest rate risks	*8 and 20*	(3,097)	(5,600)
Current tax assets	*34.1*	18,545	933
Deferred tax assets	*34.1*	235	959
Accruals and other assets	*9*	258,350	237,446
Investments in associates and joint ventures accounted for using the equity method		-	-
Property and equipment	*10*	9,506	9,623
Intangible assets	*10*	-	-
Goodwill		-	-
Total assets		**11,389,514**	**10,205,875**

(in thousand euros)	*Notes*	**Dec. 31, 2017**	**Dec. 31, 2016**
Equity and liabilities			
Central banks, post office banks		38	44
Financial liabilities at fair value through profit or loss	*11*	45	2,954
Hedging instruments	*12*	85	832
Deposits from credit institutions	*13*	3,804,231	4,637,609
Due to customers	*14*	2,154,374	1,826,121
Debt securities	*15*	3,334,383	1,967,051
Fair value adjustments to debt portfolios hedged against interest rate risks	*16 and 20*	239	589
Current tax liabilities	*34.1*	4,231	17,221
Deferred tax liabilities	*34.1*	280,173	251,307
Accruals and other liabilities	*17*	455,657	405,151
Provisions	*18*	24,894	16,738
Subordinated debt	*19*	155,116	-
Equity		1,176,048	1,080,258
- Equity attributable to equity holders of the parent		1,176,048	1,080,258
- Share capital and other reserves		757,060	743,617
- Consolidated reserves		420,748	338,537
- Of which Net income - equity holders of the parent		*167,346*	*148,710*
- Income and expenses recognized directly in Equity		(1,760)	(1,896)
- Minority interests		-	-
Total equity and liabilities		**11,389,514**	**10,205,875**

2.2 Consolidated Income Statement

(in thousand euros)	*Notes*	**Dec. 31, 2017**	**Dec. 31, 2016**
Net interest revenue on customer transactions		**404,376**	**392,329**
- Interest and other revenue on assets at amortized cost	*24*	387,225	391,981
- Fair value adjustments to finance receivables hedged against interest rate risks	*20*	2,503	(9,120)
- Interest on hedging instruments	*25*	(4,316)	(7,443)
- Fair value adjustments to hedging instruments	*20*	3,025	3,950
- Interest expense on customer transactions		(174)	(290)
- Other revenue and expense	*26*	16,113	13,251
Net investment revenue		**60**	**12**
- Interest and dividends on marketable securities		58	-
- Fair value adjustments to assets		-	-
- Gains and losses on sales of marketable securities		2	7
- Investment acquisition costs		-	5
Net refinancing cost		**(49,714)**	**(59,913)**
- Interest and other revenue from loans and advances to credit institutions		5	11
- Interest on deposits from credit institutions	*27*	(12,088)	(20,099)
- Interest on debt securities	*28*	(9,243)	(8,751)
- Interest on savings accounts	*29*	(22,783)	(26,267)
- Expenses related to financing commitments received		(996)	(1,219)
- Fair value adjustments to financing liabilities hedged against interest rate risks		350	(645)
- Interest on hedging instruments		462	290
- Fair value adjustments to hedging instruments		(350)	652
- Fair value adjustments to financing liabilities valued using the fair value option		-	-
- Debt issuing costs		(4,457)	(3,666)
- Other revenue and expense - miscellaneous		(614)	(219)
Net gains and losses on trading transactions		-	-
- Interest rate instruments		-	-
- Currency instruments		-	-
Net gains and losses on available-for-sale financial assets		**(301)**	**(74)**
Margin on sales of services	*30*	**96,952**	**87,084**
- Revenues		99,921	89,842
- Expenses		(2,969)	(2,758)
Net banking revenue		**451,373**	**419,438**
General operating expenses	*31*	**(145,295)**	**(151,620)**
- Personnel costs		(61,566)	(59,612)
- Other general operating expenses		(83,729)	(92,008)
Depreciation and amortization of intangible and tangible assets		**(2,170)**	**(1,854)**
Gains and losses on investments in companies that can be consolidated and other disposals of fixed assets		**(76)**	**(1,098)**
Gross operating income		**303,832**	**264,866**
Cost of risk	*32*	**(31,862)**	**(20,456)**
Operating income		**271,970**	**244,410**
Share in net income of associates and joint ventures accounted for using the equity method		-	-
Impairment on goodwill		-	-
Pension obligation - expense		(191)	(210)
Pension obligation - income		-	-
Other non-operating items	33	(10,245)	-
Pre-tax income		**261,534**	**244,200**
Income taxes	*34.2 and 34.3*	(94,188)	(95,490)
Net income for the year		**167,346**	**148,710**
- of which minority interests		-	-
- of which attributable to equity holders of the parent		167,346	148,710
Earnings per share (in euros)		*18.49 €*	*16.43 €*

2.3 Net Income and Income and Expenses Recognized Directly in Equity

(in thousand euros)	Dec. 31, 2017 Before tax	Dec. 31, 2017 Tax	Dec. 31, 2017 After tax	Dec. 31, 2016 Before tax	Dec. 31, 2016 Tax	Dec. 31, 2016 After tax
Net income	261,534	(94,188)	**167,346**	244,200	(95,490)	**148,710**
- of which minority interest			-			-
Recyclable in profit and loss elements						
Revaluation of financial assets at fair value through profit and loss	-	-	**-**	20	-	**20**
- of which revaluation reversed in net income	-	-	**-**	-	-	**-**
- of which revaluation directly in equity	-	-	**-**	*20*	-	***20***
Not recyclable in profit and loss elements						
Actuarial gains and losses on pension obligations	207	(71)	**136**	(1,791)	617	**(1,174)**
Others	5	-	**5**	-	-	-
Total income and expenses recognized directly in Equity	212	(71)	**141**	(1,771)	617	**(1,154)**
- of which minority interest			-			-
Total net income and income and expenses recognized directly in Equity	261,746	(94,259)	**167,487**	242,429	(94,873)	**147,556**
- of which minority interest			-			-
- of which attributable to equity holders of the parent			*167,487*			*147,556*

2.4 Consolidated Statement of Changes in Equity

(in thousand euros)	Share capital and other reserves: Share capital	Share capital and other reserves: Issue, share and merger premiums	Share capital and other reserves: Legal reserve and other reserves	Consoli-dated reserves	Fair value adjustments - equity holders of the parent: Financial assets at fair value through profit or loss: revaluation	Fair value adjustments - equity holders of the parent: Actuarial gains and losses on pension obligations	Equity attributa-ble to equity holders of the parent	Minority interests	Total equity
At December 31, 2015	**144,843**	**741,915**	**5,345**	**191,433**	**(20)**	**(722)**	**1,082,794**	**-**	**1,082,794**
Appropriation of profit from the previous financial year	-		82	(82)	-	-	-	-	-
Net Income and Income and Expenses Recognized Directly in Equity	-	-	-	148,710	20	(1,174)	147,556	-	147,556
Dividend paid to Santander Consumer Banque		(74,284)	-	(762)	-	-	(75,046)	-	(75,046)
Dividend paid to Banque PSA Finance		(74,284)	-	(762)	-	-	(75,046)	-	(75,046)
At December 31, 2016	**144,843**	**593,347**	**5,427**	**338,537**	**-**	**(1,896)**	**1,080,258**	**-**	**1,080,258**
Appropriation of profit from the previous financial year	-		13,443	(13,443)	-	-	-	-	-
Net Income and Income and Expenses Recognized Directly in Equity	-	-	-	167,351	-	136	167,487	-	167,487
Dividend paid to Santander Consumer Banque		-	-	(35,849)	-	-	(35,849)	-	(35,849)
Dividend paid to Banque PSA Finance		-	-	(35,849)	-	-	(35,849)	-	(35,849)
At December 31, 2017	**144,843**	**593,347**	**18,870**	**420,748**	**-**	**(1,760)**	**1,176,048**	**-**	**1,176,048**

On legal terms:

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

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

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

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

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

It is the same on December 31, 2017, no movement having taken place over the period.

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

2.5 Consolidated Statement of Cash Flows

(in thousand euros)	*Notes*	Dec. 31, 2017	Dec. 31, 2016
Income attributable to equity holders of the PSA Banque France Group		**167,346**	**148,710**
Non-cash items			
- Change in depreciation, amortization and other provisions		12,167	1,343
- Change in deferred taxes		29,519	(4,573)
- (Profit)/loss on disposals of assets		76	1,098
Funds from operations		**209,108**	**146,578**
Increase/decrease in:			
- loans and advances to credit institutions		-	-
- deposits from credit institutions		(833,728)	(134,495)
Change in customer loans and receivables		(990,536)	(960,920)
Increase/decrease in:			
- amounts due to customers		328,253	456,512
- financial assets at fair value through profit or loss and other financial assets		1,868	(1,064)
- financial liabilities at fair value through profit or loss		(2,914)	(242)
- hedging instruments		(553)	3,064
- debt securities		1,367,332	425,291
Change in working capital: assets		(102,023)	(75,343)
Change in working capital: liabilities		98,482	137,213
Net cash provided by operating activities		**75,289**	**(3,406)**
Acquisitions of shares in subsidiaries		-	-
Proceeds from disposals of shares in subsidiaries		-	-
Investments in fixed assets		(3,997)	(8,865)
Proceeds from disposals of fixed assets		1,868	1,621
Effect of changes in scope of consolidation		-	-
Net cash used by investing activities		**(2,129)**	**(7,244)**
Dividends paid to Santander Consumer Banque		(35,849)	(75,046)
Dividends paid to Banque PSA Finance		(35,849)	(75,046)
Capital increase		-	-
Inflow/Outflow linked to subordinated debt		155,000	-
Net cash used by financing activities		**83,302**	**(150,092)**
Effect of changes in exchange rates		-	-
Net change in cash and cash equivalents		**156,462**	**(160,742)**
Cash and cash equivalents at the beginning of the period		**733,453**	**894,195**
Cash, central banks, post office banks		260,506	98,378
Treasury Bonds		-	132,939
Current account advances and loans and advances at overnight rates		472,947	662,878
Cash and cash equivalents at the end of the period		**889,916**	**733,453**
Cash, central banks, post office banks	*3*	364,814	260,506
Treasury Bonds		-	-
Current account advances and loans and advances at overnight rates	*6*	525,102	472,947

2.6 Notes to the Consolidated Financial Statements

Notes

Note 1 Main events of the Financial Year and Group Structure

A. Main events

Refinancing strategy

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

Board of Directors and management bodies

The Board of Directors of PSA Banque France has six members appointed for a renewable term of six years. Three members are chosen by each of the two shareholders. For the first three years of the cooperation between the two shareholders in PSA Banque France, i.e. Banque PSA Finance and Santander Consumer Banque, the Chairman of the Board was a non-executive director appointed by Santander Consumer Banque, in this case Ms. Ines Serrano-Gonzales. A rotation occurred on August 28, 2017, and now the office of Non-Executive Chairman is held by a director appointed by Banque PSA Finance, in this case Mr. Rémy Bayle. In early 2017, Mr. Arnaud de Lamothe's admission as a director was also decided by the Board in replacement of an outgoing director, on the recommendation of the Appointment Committee, which appraised the possible conflicts of interest and individual skills of each director as well as the collective skills of the Board.
Senior Management was also rotated at September 1, 2017. The new Chief Executive Officer, Mr. Jean-Paul Duparc, was appointed by Santander Consumer Banque, and the office of Deputy Chief Executive Officer is now held by Mr. Laurent Aubineau, appointed by Banque PSA Finance.

Launch of Free2Move Lease

Free2Move Lease (F2ML) was created in 2017. This is the PSA Group's internal Long-Term Lease program which fits in with its "Free2Move" policy of mobility for all. PSA Banque France is one of the operational and financial pillars of this solution for companies of all sizes. It provides the financial package for service and insurance solutions offered by F2ML, and its dedicated teams provide field support and customer management.

Agencies Combination Plan

A branch combination plan was launched in 2017. The new organization is now structured around three divisions and will be mature in 2018. It will make PSA Banque France Group more responsive to customer expectations and to changes in business volume, with the capacity to handle omni-channel financing applications from all over France. This transformation made it imperative that a voluntary departure plan with substantial social support has been developed.

B. Changes in Group structure

In July 2017, CREDIPAR sold future finance long-term lease revenues and residual value to the Auto ABS French LT Leases Master fund. CREDIPAR retains most of the operating income attached to the receivables sold to the fund. Consequently, this latter has been fully consolidated since July 2017.

In July 2017, CREDIPAR repurchased the loans sold to Auto ABS3 2014-1, created in 2014. This was done as a consequence of the liquidation of that compartment. As the fund was consolidated, the transaction had no impact on the consolidated financial statements of the PSA Banque France Group.

In October 2017, CREDIPAR repurchased the loans sold to Auto ABS 2013-2, created in 2013. This was done as a consequence of the liquidation of that compartment. As the fund was consolidated, the transaction had no impact on the consolidated financial statements of the PSA Banque France Group.

In November 2017, CREDIPAR repurchased the loans sold to Auto ABS2 2013-A, created in 2013. This was done as a consequence of the liquidation of that compartment. As the fund was consolidated, the transaction had no impact on the consolidated financial statements of the PSA Banque France Group.

C. List of Consolidated Companies

Companies	Country	PSA Banque France interest % Direct	Indirect %	Indirect Held by	Dec. 31, 2017 Integration method	Dec. 31, 2017 % interest
Subsidiaries						
Sales financing						
CREDIPAR	France	100	-		FC	100
CLV	France	-	100	CREDIPAR	FC	100
Special purpose entities						
FCT Auto ABS French Loans Master	France	-	-		FC	100
FCT Auto ABS DFP Master - Compartment France 2013	France	-	-		FC	100
FCT Auto ABS French Leases Master - Compartment 2016	France	-	-		FC	100
FCT Auto ABS French LT Leases Master	France	-	-		FC	100

Companies	Country	PSA Banque France interest % Direct	Indirect %	Indirect Held by	Dec. 31, 2016 Integration method	Dec. 31, 2016 % interest
Subsidiaries						
Sales financing						
CREDIPAR	France	100	-		FC	100
CLV	France	-	100	CREDIPAR	FC	100
Special purpose entities						
FCT Auto ABS - Compartiment 2012-1	France	-	-		-	-
FCT Auto ABS French Loans Master	France	-	-		FC	100
FCT Auto ABS DFP Master - Compartment France 2013	France	-	-		FC	100
FCT Auto ABS - Compartiment 2013-2	France	-	-		FC	100
FCT Auto ABS2 - Compartiment 2013-A	France	-	-		FC	100
FCT Auto ABS3 - Compartiment 2014-1	France	-	-		FC	100
FCT Auto ABS French Leases Master - Compartment 2016	France	-	-		FC	100

Note 2 Accounting Policies

In accordance with European Council Regulation 1606/2002/EC dated July 19, 2002 on the application of international accounting standards from January 1, 2005, PSA Banque France 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.

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

The presentation of PSA Banque France's consolidated financial statements for the year ended December 31, 2017 are prepared according to the recommendations of the French accounting standards setter, in particular the recommendation N°2013-04 of November 7, 2013 which will be replaced by the recommendation N°2017-02 of June 2, 2017 related to the presentation of the consolidated financial statements of banking institutions on January 1, 2018.

The standards and interpretations applied at December 31, 2017 were unchanged compared with December 31, 2016 except for the adoption of standards and interpretations whose application was compulsory for the first time in 2017.

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

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

- Amendments to IAS 7 - Statement of cash flows: Disclosure Initiative

These amendments concern proposals for the disclosure of information permitting to assess financing activities liabilities modifications coming from cash flows or not.

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

The amendments clarify the requirements on recognition of deferred tax assets for deferred tax assets related to debt instruments measured at fair value to address diversity in practice.

These standards do not have significant impacts on PSA Banque France.

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

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

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

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

The final version of IFRS 9 groups together 3 phases:

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

The package of improvements introduced by IFRS 9 includes:

- a logical and single approach for the classification and measurement 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.

Information to be disclosed in the notes to the financial statements were also reinforced.

IFRS 9 comes into effect on January 1, 2018.

The analysis of the impacts of IFRS 9 on Banque PSA France was carried out in 2016 and 2017, in cooperation with Santander and Banque PSA Finance.

According to the principles of IFRS 9, as well as the decision of Santander and Banque PSA Finance, PSA Banque France will not restate prior periods as part of the first time application.

As a consequence, PSA Banque France will recognise 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). The estimated impact is indicated in the management report.

The impact of IFRS 9 for PSA Banque France as at January 1, 2018 is detailed hereinbelow:

Phase 1 - Classification and Measurement of financial instruments: No estimated impact as at January 1, 2018

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 will 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 IAS39 owing to a non-significant operational activity. They will be classified at fair value through profit or loss according to IFRS 9 without any impact for PSA Banque France as at January 1, 2018.

Phase 2 – Impairment of financial instruments: The estimated impact of the first time application as at January 1, 2018 is presented in the management report.

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

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

Phase 3 – Hedge accounting of financial instruments: No estimated impact as at January 1, 2018.

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

- IFRS 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. IFRS 16 was adopted by the European Union on November 9, 2017. This standard comes into effect on January 1, 2019.

The other projects and standards do not have significant impacts on PSA Banque France.

Format of the Financial Statements:

As no template is provided in IFRS, the consolidated financial statements are presented largely in accordance with Autorité des Normes Comptables (ANC), recommendation 2013-04 on November 7, 2013 on the format of credit institutions' IFRS financial statements. PSA Banque France's consolidated financial statements include prior year comparatives.

The consolidated financial statements include the financial statements of PSA Banque France and its subsidiaries, based on the consolidation methods described in section A below.

The individual statutory financial statements of PSA Banque France and its subsidiaries are prepared in accordance with the accounting principles in force in France. These statements are adjusted to comply with Group accounting policies for inclusion in the consolidated financial statements.

Significant accounting policies applied by the Group are described in sections B to G below.

Related entities correspond to entities which have control or joint control of the reporting entity or significant influence over the reporting entity according to the definition indicated by IAS 24R.

The annual consolidated financial statements and notes for PSA Banque France were approved by the Board of Directors on February 20, 2018.

A. Basis of Consolidation

A.1 Consolidation Methods

Companies in which PSA Banque France directly or indirectly holds a majority interest are fully consolidated.

All material intragroup transactions and balances between the entities of the Group are eliminated in consolidation.

A.2 Foreign Currency Transactions

Transactions in foreign currencies are measured and recognized in accordance with IAS 21 – The Effects of Changes in Foreign Exchange Rates. In compliance with this standard and also with banking regulations, transactions denominated in foreign currencies are recorded in the original currency. At each period-end, balance sheet items in foreign currencies are revalued at fair value at the ECB closing exchange rate. The corresponding revaluation differences are recognized in the income statement under "Currency instruments". At December 31, 2017 there is no revaluation difference related to currency instruments at PSA Banque France.

A.3 Use of Estimates

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

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

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

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

A.4 Main Consolidation Adjustments

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

In the financial statements in French standards, the fair value principle under IAS 39 – Financial Instruments: Recognition and Measurement, does not apply. Measurement at fair value of derivative instruments, financial assets and certain financial liabilities at fair value through profit or loss, and application of hedge accounting in accordance with IAS 39 therefore give rise to certain consolidation adjustments. The underlying principles are described in section C "Financial assets and liabilities", below. The principles of valuation at fair value are applied in accordance with the IFRS 13 standard.

Deferred Taxes

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

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

B. Fixed Assets

B.1. Property and Equipment

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

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

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

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

B.2. Impairment of Long-lived Assets

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

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

PSA Banque France as a whole corresponds to a unique CGU.

C. Financial Assets and Liabilities

Financial assets and liabilities are recognized and measured in accordance with IAS 39 adopted by the European Commission on November 3, 2008 (regulation 1126/2008/EC) with several amendments to IAS 39 adopted by the European Union.

As allowed under IAS 39, the Group has elected to apply transaction date accounting to financial assets and liabilities. Consequently, when the transaction date (corresponding to the date when the commitment is entered into) is different from the settlement date, the purchase or sale of securities is recognized in the balance sheet on the transaction date (see end of sections C2 and C.7.2 below).

Since 2013, PSA Banque France has booked passbook savings accounts in « Due to customers ». PSA Banque France does not make use of the provisions of the IAS 39 standard, which have been rejected in their current form by the European Commission ("carve out"), concerning the application of hedge accounting to customer sight deposit balances with the deposit banks.

C.1 Derivatives – Application of Hedge Accounting

C.1.1 Recognition and Measurement

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

Derivatives may be designated as hedging instruments in one of two types of hedging relationships:

- fair value hedge, corresponding to a hedge of the exposure to changes in fair value of an asset or liability due to changes in exchange rates or interest rates;
- cash flow hedge, corresponding to a hedge of the exposure to variability in cash flows from existing or future assets or liabilities.

Derivatives qualify for hedge accounting when:

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

The effects of hedge accounting are as follows:

- for fair value hedges of existing assets and liabilities, the hedged portion of the asset or liability is recognized in the balance sheet and measured at fair value. Gains and losses arising from remeasurement at fair value are recognized in profit or loss, and are offset by the effective portion of the loss or gain arising from remeasurement at fair value of the hedging instrument. Fair value adjustments to hedged financial assets and liabilities are reported under "Fair value adjustments to portfolios hedged against

interest rate risks", in assets for hedged finance receivables and in liabilities for hedged debt;
- for cash flow hedges, the effective portion of the gain or loss arising from remeasurement at fair value of the hedging instrument is recognized in equity. The cumulative gains and losses recognized in equity are included in profit or loss when the hedged item affects profit or loss. This strategy is not used for PSA Banque France for the moment.

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

C.1.2 Derivatives – Financial Statement Presentation

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

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

IFRS 13 requires to present the valuation methods of the financial assets and liabilities at fair value as well as their hierarchy (level 1, 2 or 3).
The valuation methods have to maximize the use of observable market data. These methods are classified according to the same three levels hierarchy (in descending order of priority) as IFRS 7 for financial instruments:
- level 1: quoted price (without adjustment) for similar instruments on an active market;
An active market is a market in which there are sufficiently frequent and large volumes on assets or liabilities to provide price information in a continuous way.
- level 2: valuation using only observable data for a similar instrument on an active market;
- level 3: valuation making significant use of at least one non-observable item of data.
In the balance sheet, the valuations are of level 1 or 2, presented in the related notes. Only the specific note "Fair Value of Financial Assets and Liabilities" uses valuation methods of level 3, detailed in Note 23.

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

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

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

This item comprises liabilities valued using the fair value option. The Group has elected to use this option in certain instances to improve the presentation of its financial statements by recognizing fair value adjustments to the liabilities symmetrically with the fair value adjustments made to the derivatives used to hedge the interest rate risk on those liabilities. Accordingly, the fair value adjustments include any changes in PSA Banque France's issuer spread.

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

C.4 Available-for-sale Assets

Available-for-sale assets consist mainly of shares or units qualified as liquid assets according to the regulation (EU) No 575/2013 and the regulation (EU) No 2015/61 as well as shares in companies that are not consolidated. These investments are stated at fair value, which generally corresponds to their cost.

C.5 Held-to-maturity Investments

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

C.6 Loans and Receivables

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

Customer loans and receivables are analysed by type of financing:

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

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

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

Corporate and equivalent (including Corporates other than dealers, Sovereigns, Banks and Local Administrations),
and, in rare cases, for **Corporate dealers**.

- **Wholesale financing (i.e. financing of vehicle and spare part inventories)**, as defined by French banking regulations.

  Wholesale financing is primarily intended for **Corporate dealers** (mainly Peugeot and Citroën dealers, importers of new Peugeot and Citroën vehicles in certain countries, certain used vehicle dealers).

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

C.6.1 Loans and Receivables Measured at Amortized Cost

Loans and receivables recognized in the balance sheet correspond to PSA Banque France's net commitment in respect of these receivables. Therefore, as well as the outstanding principal and accrued interest, the carrying value of finance receivables also includes:

- commissions paid to referral agents as well as external direct administrative expenses, which are added to the outstanding principal;
- contributions received from the brands and transaction fees to be spread out, which are deducted from the outstanding principal;
- guarantee deposits received at the inception of finance leases, which are deducted from the amount financed.

Measurement at amortized cost reflects the best estimate of the maximum credit risk exposure on loans and receivables.

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

C.6.2 Lease Financing

In accordance with IAS 17 – Leases and IAS 39, vehicles leased to customers are treated as in-substance loans because the risks and rewards of ownership of the vehicle do not lie with PSA Banque France.

Consequently, rental revenues and depreciation expenses on the vehicles are adjusted in order to present all of these transactions as loans outstanding.

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

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

C.6.4 Impairment Losses

Impairment losses are identified separately under specific line items.

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

Retail financing impairment losses

- ***Impairment losses on sound loans without and with past-due installments:***

  Distinct default probabilities are calculated over the sound loans without and with past-due installments according to the principle IBNR (Incurred But Not Reported) loss : loss event not being known by the bank (e.g. loss of a job, unexpected family events,…).

  Emergence period (duration between the event and the default) cannot be established because of the absence of data concerning the nature of these events. It has been arbitrarily fixed at 12 months.

  Thus, we calculate a distinct probability of default at 12 months for sound loans without past-due installment on the one hand, and for sound loans with past-due installments on the other hand, on the basis of the average annual default observed during 12 months.

- ***Impairment losses on non-performing loans:***

  In accordance with French banking regulations, loans for which one or more installments are over 90 days past-due are automatically reclassified as non-performing. This period is increased to 150 days when the Group has no exposure to counterparty risk due to effective risk mitigation. Loans that do not have any installments over 90 days past-due but are flagged by the system as giving rise to an aggravated risk are classified as non-performing immediately. This definition of non-performing loans is in line with the definition of "default" used for Basel II risk assessment purposes.

  PSA Banque France has set up a database containing historical collection data for non-performing loans. These data are used to determine the discounted average loss rate, which serves as the basis for calculating impairment losses on non-performing and doubtful loans. The discounted average loss rate is calculated using the effective interest method.

  Discounting retail financing recoveries leads to an increase in the impairment loss recognized upon occurrence of the loss event compared to the actual loss that will ultimately be recognized. The undiscounting effect, linked to the passage of time, to be taken into account to compensate for this overestimation of the final loss is included in the calculation of depreciation.

- ***Restructured performing loans:***

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

- ***Classification in loss / Write off***

  The standards of PSA Banque France the classification in loss / write off concern any type of financing with outstanding debt of more than 48 months for Installment contracts, 36 months for Buyback contracts or 24 months for Long-term leases and Revolving credit.

"Corporate Dealers" and "Corporate and equivalent" financing impairment losses

Corporate sound receivables - Impairment on collective basis (IAS 39. AG90)

Further to the request of the regulator, the development of an impairment model was developed taking into account several indicators (sectors, risk areas, etc…).

As a consequence, according to IAS 39.AG90, PSA Banque France recognised a collective impairment on Corporate sound receivables in the financial statements for the year ended December 31, 2017.

Impairment losses on an individual basis for non-performing

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

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

- *Classification in loss / Write off*

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

C.7 Financing Liabilities

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

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

C.7.1 Hedges of Interest Rate Risks on Financing Liabilities

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

C.7.2 Debt Securities

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

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

D. Provisions

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

Provisions are discounted only when the impact is material.

E. Segment Information

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

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

- **Corporate dealers**, corresponding to captive and independent Peugeot and Citroën dealers and certain used vehicle dealers.

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

An analysis of balance sheet and income statement items by segment is provided in the Segment Information note.

F. Pension Obligations

In addition to standard pensions payable under local legislation, Group employees receive supplementary pension benefits and retirement bonuses (see Note 18). These benefits are paid either under defined contribution or defined benefit plans.

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

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

- a discount rate;
- an inflation rate;
- assumptions concerning future salary levels and staff turnover rates.

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

Changes in actuarial assumptions and experience adjustments - corresponding to the effects of differences between the previous actuarial assumptions and what has actually occurred - give rise to actuarial gains and losses on the benefit obligation or on the plan assets. These gains and losses are recorded in the "Income and expenses recognized directly in equity" statement, and will not be recycled in the income statement.

In the event of modification of the benefits defined in a plan, the impact of changes to pension plans after January 1, 2012 is fully recognized under "Operating income" in the income statement for the period in which they occurred.

As a result, for each defined benefit plan, the Group records a provision in an amount equal to the projected benefit obligation less the fair value of the plan assets.

The purpose of external funds is to cover the total projected benefit obligation. In some cases the amount of these external funds may exceed the recognized portion of the projected benefit obligation, leading to the recognition of an "Other assets".

In the case of plans that are subject to a minimum funding requirement under the law or the plan rules, if the Group does not have an unconditional right to e refund of a surplus within the meaning of IFRIC 14, this affects the asset ceiling. Regardless of whether the plan has a deficit or a surplus, a liability is recognized for the portion of the present value of the minimum funding in respect of services already received that, once paid and after covering the shortfall resulting from applying IAS 19, would generate a surplus in excess of the asset ceiling determined in accordance with IAS 19.

The net cost of defined benefit pension plans for the period therefore corresponds to the sum of the following:
- The service cost (recognized in "Operating income" in "Other general operating expenses");
- The finance cost less the expected yield on plan assets (recognized in "Non-operating income" in "Pension obligation expense or income"). These two items (finance cost and expected yield on assets) are measured based on the rate used to discount the obligations.
- Any adjustment to the IFRIC 14 minimum funding requirement liability (recognized in "Non-operating income in "Pension obligation expense or income").

Other employee benefits covered by provisions mainly concern long-service awards payable by the subsidiaries.

There are no obligations corresponding to the residual debt contracted in France at the Banking Industry Pension Fund (CRPB), the payments received to this date cover the entirety of the benefit plans according to the latest estimations of the experts.

G. Signature Commitments

Irrevocable commitments given or received by Group companies (irrevocable customer financing commitments, corresponding to the period between the loan offer and the date when the funds are released, guarantees; other commitments received or given…) are recognized in the balance sheet at fair value in accordance with IAS 39. As these commitments are made on market terms, they have a zero fair value.

Provisions are taken for impairment of financing or guarantee commitments in accordance with IAS 37. These signature commitments are reported at their nominal amount in Note 23 – Other commitments.

Derivative financial instrument commitments (rate or currency instruments) are described in note C.1 above and are reported at their nominal amount in Note 20 – Derivatives.

Note 3 Cash, Central Banks, Post Office Banks

(in thousand euros)	Dec. 31, 2017	Dec. 31, 2016
Cash and post office banks	-	1
Central bank (1)	364,814	260,505
- of which compulsory reserves deposited with the Banque de France	*24,730*	*20,291*
Total	**364,814**	**260,506**

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

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

4.1 Analysis by Nature

(in thousand euros)	Dec. 31, 2017	Dec. 31, 2016
Fair value of trading derivatives (1)	2,377	6,538
- of which related companies with Santander Consumer Finance Group	-	*1,679*
Offsetting positive fair value and received margin calls	-	(2,368)
Accrued interest on trading derivatives	6	81
- of which related companies with Santander Consumer Finance Group	-	*21*
Total	**2,383**	**4,251**

(1) The swaps classified as held for trading are related to securitization activities for which reverse swaps are systematically neutralized, with no impact on income (see Note 11).

4.2 Offsetting swaps with margin call designated as trading - Assets

For 2017

(in thousand euros) Positive valued swaps	Asset gross amount: Swap's winning leg	Asset gross amount: Swap's losing leg	Asset net amount before offsetting	Offsetting with received margin calls	Balance sheet amount after offsetting
Positive fair value	**2,411**	**(34)**	**2,377**	**-**	**2,377**
- Swaps with margin call	-	-	-	-	-
- Swaps without margin call	2,411	(34)	2,377	-	2,377
Offsetting	-	-	-	-	**-**
Accrued income	**40**	**(34)**	**6**	**-**	**6**
- Swaps with margin call	40	(34)	**6**	-	6
- Swaps without margin call	-	-	**-**	-	**-**
Total assets	**2,451**	**(68)**	**2,383**	**-**	**2,383**
Margin calls received on swaps designated as trading (deferred income - see Note 17)	-	-	-	-	**-**
Total liabilities	**-**	**-**	**-**	**-**	**-**

For 2016

(in thousand euros) **Positive valued swaps**	Asset gross amount: Swap's winning leg	Asset gross amount: Swap's losing leg	Asset net amount before offsetting	Offsetting with received margin calls	Balance sheet amount after offsetting
Positive fair value	**6,590**	**(52)**	**6,538**	**-**	**6,538**
- Swaps with margin call	2,898	(25)	2,873	-	2,873
- Swaps without margin call	3,692	(27)	3,665	-	3,665
Offsetting	-	-	-	(2,368)	**(2,368)**
Accrued income	**108**	**(27)**	**81**	**-**	**81**
- Swaps with margin call	108	(27)	81	-	81
- Swaps without margin call	-	-	-	-	**-**
Total assets	**6,698**	**(79)**	**6,619**	**(2,368)**	**4,251**
Margin calls received on swaps designated as trading (deferred income - see Note 17)	-	-	2,738	(2,368)	**370**
Total liabilities	**-**	**-**	**2,738**	**(2,368)**	**370**

Note 5 Hedging Instruments - Assets

5.1 Analysis by Nature

(in thousand euros)	Dec. 31, 2017	Dec. 31, 2016
Positive fair value of instruments designated as hedges of:	**245**	**591**
- Bonds	-	-
- Borrowings	241	591
- Customer loans (Installment contracts, Leasing with a purchase option and Long-term leases)	4	-
Offsetting positive fair value and received margin calls (see Note 5.2)	**(199)**	**(352)**
Accrued income on swaps designated as hedges	**2**	**3**
Total	**48**	**242**

Fair value is determined by applying valuation techniques based on observable market data (level 2).
Fair Value Hedge effectiveness is analysed in Note 20.

5.2 Offsetting swaps with margin call designated as hedges - Assets

For 2017

(in thousand euros) **Positive valued swaps**	**Asset gross amount** Swap's winning leg	 Swap's losing leg	**Asset net amount before offsetting**	**Offsetting with received margin calls**	**Balance sheet amount after offsetting**
Positive fair value	**1,186**	**(941)**	**245**	**-**	**245**
- Swaps with margin call	1,186	(941)	245	-	245
- Swaps without margin call	-	-	-	-	-
Offsetting	-	-	-	(199)	**(199)**
Accrued income	**8**	**(6)**	**2**	**-**	**2**
- Swaps with margin call	8	(6)	2	-	2
- Swaps without margin call	-	-	-	-	-
Total assets	**1,194**	**(947)**	**247**	**(199)**	**48**
Margin calls received on swaps designated as hedges (deferred income - see Note 17)	-	-	199	(199)	-
Total liabilities	**-**	**-**	**199**	**(199)**	**-**

For 2016

(in thousand euros) **Positive valued swaps**	**Asset gross amount** Swap's winning leg	 Swap's losing leg	**Asset net amount before offsetting**	**Offsetting with received margin calls**	**Balance sheet amount after offsetting**
Positive fair value	**2,617**	**(2,026)**	**591**	**-**	**591**
- Swaps with margin call	2,617	(2,026)	591	-	591
- Swaps without margin call	-	-	-	-	-
Offsetting	-	-	-	(352)	**(352)**
Accrued income	**13**	**(10)**	**3**	**-**	**3**
- Swaps with margin call	13	(10)	3	-	3
- Swaps without margin call	-	-	-	-	-
Total assets	**2,630**	**(2,036)**	**594**	**(352)**	**242**
Margin calls received on swaps designated as hedges (deferred income - see Note 17)	-	-	352	(352)	-
Total liabilities	**-**	**-**	**352**	**(352)**	**-**

Note 6 Loans and Advances to Credit Institutions

Analysis of Demand and Time Accounts

(in thousand euros)	Dec. 31, 2017	Dec. 31, 2016
Demand accounts	**525,102**	**472,947**
- Ordinary accounts in debit	522,674	472,947
- of which held by securitization funds	*187,012*	*207,050*
- Current accounts and overnight loans	2,428	-
- of which related companies with Santander Consumer Finance Group (1)	*2,428*	-
Time accounts	**-**	**-**
Accrued interest	**-**	**-**
Total	**525,102**	**472,947**

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

Note 7 Customer Loans and Receivables

7.1 Analysis by Type of Financing

(in thousand euros)	Dec. 31, 2017	Dec. 31, 2016
Installment contracts	**2,069,448**	**1,928,396**
- of which securitized (1)	*1,180,474*	*1,237,834*
Leasing with a purchase option (2)	**2,630,565**	**2,034,338**
Principal and interest	2,946,902	2,306,476
- of which securitized (1)	*1,048,306*	*957,538*
Unaccrued interest on leasing with a purchase option	(316,337)	(272,138)
- of which securitized (1)	*(107,477)*	*(116,087)*
Long-term leases (2)	**2,315,916**	**2,197,728**
Principal and interest	2,548,957	2,403,713
- of which securitized (1)	*965,197*	*370,114*
Unaccrued interest on long-term leases	(233,015)	(205,932)
- of which securitized (1)	*(97,238)*	*(28,221)*
Leasing deposits	(26)	(53)
- of which securitized (1)	-	-
Trade receivables	**2,324,976**	**2,188,523**
- Related companies with PSA Group	3,098	22,487
- Non-group companies	2,321,878	2,166,036
- of which securitized (1)	*863,249*	*934,831*
Other finance receivables (including equipment loans, revolving credit)	**610,604**	**636,819**
Ordinary accounts in debit	**119,170**	**108,220**
- Related companies with PSA Group	788	1,390
- Non-group companies	118,382	106,830
Deferred items included in amortized cost - Customers loans and receivables	**142,946**	**130,541**
- Deferred acquisition costs	218,894	192,554
- Deferred loan set-up costs	(24,867)	(24,247)
- Deferred manufacturer and dealer contributions	(51,081)	(37,766)
Total Loans and Receivables at Amortized Cost (3)	**10,213,625**	**9,224,565**
- of which securitized (1)	*3,852,511*	*3,356,009*

(1) The PSA Banque France Group has set up several securitization programs (see Note 7.4).

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

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

7.2 Customer Loans and Receivables by Segment

IFRS 8 Segment / Type of financing	Corporate Dealers (A - see B Note 32.1)		End user: Retail (B - see A Note 32.1)		End user: Corporate and equivalent (C - see C Note 32.1)		Total	
(in thousand euros)	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Installment contracts	3,456	3,484	2,063,999	1,923,087	1,993	1,825	2,069,448	1,928,396
Leasing with a purchase option	9,170	10,097	2,587,712	1,999,773	33,683	24,468	2,630,565	2,034,338
Long-term leases	147,765	112,942	1,354,976	1,200,013	813,175	884,773	2,315,916	2,197,728
Trade Receivables	2,324,976	2,188,523	-	-	-	-	2,324,976	2,188,523
Other finance receivables	586,461	598,208	21,426	36,057	2,717	2,554	610,604	636,819
Ordinary accounts in debit	119,071	108,214	3	-	96	6	119,170	108,220
Deferred items included in amortized cost	(256)	(4,969)	120,765	96,888	22,437	38,622	142,946	130,541
Total customer loans by segment (based on IFRS 8)	**3,190,643**	**3,016,499**	**6,148,881**	**5,255,818**	**874,101**	**952,248**	**10,213,625**	**9,224,565**

7.3 Analysis by Maturity

For 2017

(in thousand euros)	Not broken down	0 to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Total at Dec. 31, 2017
Installment contracts	**8,584**	**159,579**	**157,373**	**299,796**	**1,432,726**	**11,390**	**2,069,448**
Gross	62,207	159,579	157,373	299,796	1,432,726	11,390	2,123,071
Total impairment	(53,623)	-	-	-	-	-	(53,623)
Leasing with a purchase option	**6,818**	**154,293**	**154,771**	**345,354**	**1,969,205**	**124**	**2,630,565**
Gross	40,482	154,293	154,771	345,354	1,969,205	124	2,664,229
Total impairment	(33,664)	-	-	-	-	-	(33,664)
Long-term leases	**22,606**	**352,036**	**265,646**	**470,582**	**1,204,321**	**725**	**2,315,916**
Gross	50,592	352,036	265,646	470,582	1,204,321	725	2,343,902
Guarantee deposits	(26)	-	-	-	-	-	(26)
Total impairment	(27,960)	-	-	-	-	-	(27,960)
Trade receivables	**75,734**	**1,780,914**	**325,445**	**141,025**	**1,857**	**-**	**2,324,976**
Gross	89,496	1,780,914	325,445	141,025	1,857	-	2,338,737
Guarantee deposits	-	-	-	-	-	-	-
Total impairment	(13,762)	-	-	-	-	-	(13,762)
Other finance receivables	**16,519**	**180,102**	**25,411**	**215,796**	**138,626**	**34,151**	**610,604**
Gross	64,283	180,102	25,411	215,796	138,626	34,151	658,369
Total impairment	(47,764)	-	-	-	-	-	(47,764)
Ordinary accounts in debit	**119,170**	**-**	**-**	**-**	**-**	**-**	**119,170**
Gross	119,396	-	-	-	-	-	119,396
Total impairment	(226)	-	-	-	-	-	(226)
Deferred items included in amortized cost	**142,946**	-	-	-	-	-	**142,946**
Total net loans and receivables	**392,377**	**2,626,924**	**928,646**	**1,472,553**	**4,746,735**	**46,390**	**10,213,625**
Gross	426,453	2,626,924	928,646	1,472,553	4,746,735	46,390	10,247,701
Guarantee deposits	(26)	-	-	-	-	-	(26)
Total impairment	(176,996)	-	-	-	-	-	(176,996)
Deferred items included in amortized cost	142,946	-	-	-	-	-	142,946

For 2016

(in thousand euros)	Not broken down	0 to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Total at Dec. 31, 2016
Installment contracts	**8,546**	**159,216**	**157,182**	**291,556**	**1,301,844**	**10,052**	**1,928,396**
Gross	75,268	159,216	157,182	291,556	1,301,844	10,052	1,995,118
Total impairment	(66,722)	-	-	-	-	-	(66,722)
Leasing with a purchase option	**3,165**	**114,936**	**123,804**	**248,674**	**1,539,352**	**4,407**	**2,034,338**
Gross	34,665	114,936	123,804	248,674	1,539,352	4,407	2,065,838
Total impairment	(31,500)	-	-	-	-	-	(31,500)
Long-term leases	**19,485**	**350,953**	**249,919**	**452,548**	**1,124,687**	**136**	**2,197,728**
Gross	47,101	350,953	249,919	452,548	1,124,687	136	2,225,344
Guarantee deposits	(53)	-	-	-	-	-	(53)
Total impairment	(27,563)	-	-	-	-	-	(27,563)
Trade receivables	**37,581**	**1,705,927**	**282,204**	**160,849**	**1,962**	**-**	**2,188,523**
Gross	44,794	1,705,927	282,204	160,849	1,962	-	2,195,736
Guarantee deposits	-	-	-	-	-	-	-
Total impairment	(7,213)	-	-	-	-	-	(7,213)
Other finance receivables	**6,444**	**179,090**	**40,783**	**194,669**	**180,991**	**34,842**	**636,819**
Gross	51,679	179,090	40,783	194,669	180,991	34,842	682,054
Total impairment	(45,235)	-	-	-	-	-	(45,235)
Ordinary accounts in debit	**108,220**	**-**	**-**	**-**	**-**	**-**	**108,220**
Gross	108,370	-	-	-	-	-	108,370
Total impairment	(150)	-	-	-	-	-	(150)
Deferred items included in amortized	**130,541**	-	-	-	-	-	**130,541**
Total net loans and receivables	**313,982**	**2,510,122**	**853,892**	**1,348,296**	**4,148,836**	**49,437**	**9,224,565**
Gross	361,877	2,510,122	853,892	1,348,296	4,148,836	49,437	9,272,460
Guarantee deposits	(53)	-	-	-	-	-	(53)
Total impairment	(178,383)	-	-	-	-	-	(178,383)
Deferred items included in amortized cost	130,541	-	-	-	-	-	130,541

7.4 Securitization programs

			Sold net receivables		
Fund	**Closing, ie first date of sale**	**Type of Financing**	**at Dec. 31, 2017**	**at Dec. 31, 2016**	**at the origin**
FCT Auto ABS French Loans Master	Dec. 13, 2012 (2)	Installment contracts	1,180,474	736,687	N/A
FCT Auto ABS DFP Master - Compartment France 2013	May 03, 2013 (2)	Trade receivables	863,249	934,831	N/A
FCT Auto ABS - Compartiment 2013-2	June 14, 2013	Installment contracts	-	98,319	494,550
FCT Auto ABS2 - Compartiment 2013-A	Oct. 31, 2013	Long-term leases (3)	-	341,893	735,000
FCT Auto ABS3 - Compartiment 2014-1	Dec. 12, 2014	Installment contracts	-	402,828	430,000
FCT Auto ABS French Leases Master - Compartment 2016	July 28, 2016 (2)	Buyback contracts (1)	940,829	841,451	N/A
FCT Auto ABS French LT Leases Master	July 27, 2017 (2)	Long-term leases (3)	867,959	-	N/A
Total			**3,852,511**	**3,356,009**	

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

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

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

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

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

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

Note 8 Fair Value Adjustments to Finance Receivables Portfolios Hedged against Interest Rate Risks

(in thousand euros)	Dec. 31, 2017	Dec. 31, 2016
Fair value adjustments to		
Installment contracts	(916)	(2,377)
Leasing with a purchase option	(1,207)	(1,786)
Long-term leases	(974)	(1,437)
Trade receivables	-	-
Total	**(3,097)**	**(5,600)**

Hedging effectiveness is analyzed in Note 20.

Note 9 Accruals and Other Assets

(in thousand euros)	Dec. 31, 2017	Dec. 31, 2016
Other receivables	**131,427**	**123,520**
- of which related companies with PSA Group	*77,699*	*86,413*
Prepaid and recoverable taxes	**50,355**	**38,728**
Accrued income	**8,435**	**11,459**
- of which related companies with PSA Group	*7,796*	*10,082*
Prepaid expenses	**3,367**	**3,204**
- of which margin calls paid on swaps (1)	*727*	*374*
- of which related companies with Santander Consumer Finance Group	*725*	-
Other	**64,766**	**60,535**
- of which related companies with PSA Group	-	-
Total	**258,350**	**237,446**

(1) At December 31, 2017, margin calls paid on swaps were offset with the negative fair value for an amount of €4.1 million, compared to €8.2 million at December 31, 2016. (see Notes 11.2 & 12.2).

Note 10 Property and Equipment and Intangible Assets

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

(in thousand euros)	Dec. 31, 2017 Cost	Dec. 31, 2017 Depreciation/ amortization	Dec. 31, 2017 Net	Dec. 31, 2016 Cost	Dec. 31, 2016 Depreciation/ amortization	Dec. 31, 2016 Net
Property and equipment	**13,124**	**(3,618)**	**9,506**	**12,531**	**(2,908)**	**9,623**
- Land and buildings	-	-	-	-	-	-
- Vehicles	5,764	(1,502)	4,262	5,658	(1,510)	4,148
- Other	7,360	(2,116)	5,244	6,873	(1,398)	5,475
Intangible assets	**-**	**-**	**-**	**-**	**-**	**-**
Total	**13,124**	**(3,618)**	**9,506**	**12,531**	**(2,908)**	**9,623**

Changes in gross values

(in thousand euros)	Dec. 31, 2016	Additions	Disposals	Dec. 31, 2017
Property and equipment	**12,531**	**3,997**	**(3,404)**	**13,124**
- Land and buildings	-	-	-	-
- Vehicles	5,658	3,510	(3,404)	5,764
- Other	6,873	487	-	7,360
Intangible assets	**-**	**-**	**-**	**-**
Total	**12,531**	**3,997**	**(3,404)**	**13,124**

Changes in amortization

(in thousand euros)	Dec. 31, 2016	Charges	Reversals	Other movements	Dec. 31, 2017
Property and equipment	**(2,908)**	**(2,170)**	**1,460**	**-**	**(3,618)**
- Land and buildings	-	-	-	-	-
- Vehicles	(1,510)	(1,452)	1,460	-	(1,502)
- Other	(1,398)	(718)	-	-	(2,116)
Intangible assets	**-**	**-**	**-**	**-**	**-**
Total	**(2,908)**	**(2,170)**	**1,460**	**-**	**(3,618)**

Note 11 Financial Liabilities at Fair Value Through Profit or Loss

11.1 Analysis by Nature

(in thousand euros)	Dec. 31, 2017	Dec. 31, 2016
Fair value of trading derivatives	**2,377**	**6,538**
- of which related companies with Santander Consumer Finance Group	*-*	*1,679*
Offsetting negative fair value and paid margin calls	**(2,338)**	**(3,665)**
Accrued expense on trading derivatives	**6**	**81**
- of which related companies with Santander Consumer Finance Group	*-*	*21*
Total	**45**	**2,954**

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

11.2 Offsetting swaps with margin call designated as trading - Liabilities

For 2017

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

For 2016

(in thousand euros)	**Liability gross amount**				
Negative valued swaps	Swap's winning leg	Swap's losing leg	**Liability net amount before offsetting**	**Offsetting with paid margin calls**	**Balance sheet amount after offsetting**
Negative fair value	**(44)**	**6,582**	**6,538**	**-**	**6,538**
- Swaps with margin call	(27)	3,692	3,665	-	3,665
- Swaps without margin call	(17)	2,890	2,873	-	2,873
Offsetting	-	-	-	(3,665)	**(3,665)**
Accrued expense	**108**	**(27)**	**81**	**-**	**81**
- Swaps with margin call	-	-	-	-	-
- Swaps without margin call	108	(27)	81	-	81
Total liabilities	**64**	**6,555**	**6,619**	**(3,665)**	**2,954**
Margin calls paid on swaps designated as trading (prepaid expenses - see Note 9)	-	-	3,872	(3,665)	**207**
Total assets	**-**	**-**	**3,872**	**(3,665)**	**207**

Note 12 Hedging Instruments - Liabilities

12.1 Analysis by Nature

(in thousand euros)	Dec. 31, 2017	Dec. 31, 2016
Negative fair value of instruments designated as hedges of:	**1,292**	**4,312**
- Borrowings	-	-
- EMTNs/BMTNs	-	-
- Bonds	-	-
- Certificates of deposit	-	-
- Customer loans (Installment contracts, Leasing with a purchase option and Long-term leases)	1,292	4,312
- of which related companies with Santander Consumer Finance Group	*1,292*	*597*
Offsetting negative fair value and paid margin calls (see Note 12.2)	**(1,768)**	**(4,566)**
Accrued expenses on swaps designated as hedges	**561**	**1,086**
- of which related companies with Santander Consumer Finance Group	*561*	*62*
Total	**85**	**832**

Fair value is determined by applying valuation techniques based on observable market data (level 2).
Fair Value Hedge effectiveness is analysed in Note 20.

12.2 Offsetting swaps with margin call designated as hedges - Liabilities

For 2017

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

For 2016

(in thousand euros) **Negative valued swaps**	**Liability gross amount** Swap's winning leg	 Swap's losing leg	**Liability net amount before offsetting**	**Offsetting with paid margin calls**	**Balance sheet amount after offsetting**
Negative fair value	**-**	**4,312**	**4,312**	**-**	**4,312**
- Swaps with margin call	-	4,312	4,312	-	4,312
- Swaps without margin call	-	-	-	-	-
Offsetting	-	-	-	(4,566)	**(4,566)**
Accrued expense	**-**	**1,086**	**1,086**	**-**	**1,086**
- Swaps with margin call	-	1,086	1,086	-	1,086
- Swaps without margin call	-	-	-	-	-
Total liabilities	**-**	**5,398**	**5,398**	**(4,566)**	**832**
Margin calls paid on swaps designated as hedges (prepaid expenses - see Note 9)	-	-	4,733	(4,566)	**167**
Total assets	**-**	**-**	**4,733**	**(4,566)**	**167**

Note 13 Deposits from Credit Institutions

Analysis of Demand and Time Accounts

(in thousand euros)	Dec. 31, 2017	Dec. 31, 2016
Demand deposits	**69,499**	**137,340**
- Ordinary accounts in credit	3,032	4,457
- of which related companies with PSA Group	*125*	*426*
- Accounts and deposits at overnight rates	65,000	132,000
- of which related companies with Santander Consumer Finance Group	*65,000*	*132,000*
- Other amounts due to credit institutions	1,467	883
Accrued interest	**-**	**4**
Time deposits (non-group institutions)	**3,735,000**	**4,500,260**
- Conventional bank deposits	2,735,000	3,550,260
- of which related companies with Santander Consumer Finance Group	*2,285,000*	*3,000,260*
- Deposits from the ECB (see Note 23)	1,000,000	950,000
Deferred items included in amortized cost of deposits from credit institutions	**(848)**	**(1,190)**
- Debt issuing costs (deferred charges)	(848)	(1,190)
Accrued interest	**580**	**1,195**
- of which related companies with Santander Consumer Finance Group	*553*	*1,160*
Total deposits from credit institutions at amortized cost (1)	**3,804,231**	**4,637,609**

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

Note 14 Due to Customers

(in thousand euros)	Dec. 31, 2017	Dec. 31, 2016
Demand accounts	**1,807,648**	**1,451,167**
- ordinary accounts in credit	182,179	209,771
- Related companies with PSA Group	89,002	111,383
- Non-group companies	93,177	98,388
- Passbook savings accounts	1,573,179	1,212,527
- Other amounts due to Customers	52,290	28,869
- Related companies with PSA Group	-	-
- Non-group companies	52,290	28,869
Accrued interest	**10,033**	**11,803**
- of which passbook savings accounts	*10,033*	*11,803*
Time deposits	**330,866**	**355,462**
- Term deposit accounts	308,206	338,382
- Other	22,660	17,080
- Related companies	-	-
- Non-group companies	2,260	17,080
Accrued interest	**5,827**	**7,689**
- of which time deposits	*5,673*	*7,616*
Total (1)	**2,154,374**	**1,826,121**

(1) *Total debt is denominated in Euro.*
In the segment information, "Customer ordinary accounts", "Passbook savings accounts" and "Term deposit accounts" are classified in "Refinancing" (see Note 35.1).

Note 15 Debt Securities

15.1 Analysis by Nature

(in thousand euros)	Dec. 31, 2017	Dec. 31, 2016
Interbank instruments and money-market securities (non-group institutions)	**1,554,000**	**517,000**
- EMTNs and BMTNs (1)	1,354,000	300,000
- of which paper in the process of being delivered	-	-
- Certificates of deposit	200,000	217,000
- of which paper in the process of being delivered	-	-
Securities issued by securitization funds (see Note 15.3)	**1,782,940**	**1,450,495**
Accrued interest	**3,169**	**188**
- Securitization	72	88
Deferred items included in amortized cost of debt securities	**(5,726)**	**(632)**
- Debt issuing costs and premiums (deferred charges)	(5,726)	(632)
Total debt securities at amortized cost (2)	**3,334,383**	**1,967,051**

(1) *PSA Banque France has issued two bonds (EMTN) of €500 million each, a first one in January 2017 and a second one in September 2017.*

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

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

	Dec. 31, 2017			Dec. 31, 2016		
(in thousand euros)	Securitizations	Money-market securities	Other	Securitizations	Money-market securities	Other
0 to 3 months	-	15,000	-	82,158	-	-
3 to 6 months	-	55,000	-	626,733	97,000	-
6 months to 1 year	109,443	430,000	-	106,604	120,000	-
1 to 5 years	1,673,497	1,054,000	-	635,000	300,000	-
Over 5 years	-	-	-	-	-	-
Total	**1,782,940**	**1,554,000**	**-**	**1,450,495**	**517,000**	**-**

15.3 Securitization programs

Securities issued by securitization funds

(in thousand euros)			Issued Bonds		
Fund	**Bonds**	**Rating (1)**	**at Dec. 31, 2017**	**at Dec. 31, 2016**	**at the origin**
		Fitch/Moody's			
FCT Auto ABS French Loans Master	Class A	AAA/Aaa	1,100,600	688,700	N/A
	Class B	-	133,300	83,400	N/A
		Fitch/Moody's			
FCT Auto ABS - Compartiment 2013-2	Class A	AAA/Aaa	-	61,448	450,000
	Class B	A+/A2	-	19,700	19,700
	Class C	-	-	24,850	24,850
		Not Rated			
FCT Auto ABS DFP Master - Compartment France 2013	Class A	-	600,000	550,000	N/A
	Class S	-	N/A	161,800	N/A
	Class B	-	258,300	261,600	N/A
		DBRS/Moody's			
FCT Auto ABS2 - Compartiment 2013-A	Class A	AAA/Aaa	-	164,667	522,000
	Class B	A/A2	-	32,379	51,500
	Class C	-	-	161,500	161,500
		Fitch/DBRS			
FCT Auto ABS3 - Compartiment 2014-1	Class A	AAA/AAA	-	397,300	397,300
	Class B	A/A(high)	-	22,800	22,800
	Class C	-	-	9,900	9,900
		Not Rated			
FCT Auto ABS French Leases Master - Compartment 2016	Class A	-	635,000	635,000	N/A
	Class B	-	336,000	230,000	N/A
		Not Rated			
FCT Auto ABS French LT Leases Master	Class A	-	547,940	-	N/A
	Class B	-	340,920	-	N/A
Elimination of intercompany transactions (2)			(2,169,120)	(2,054,549)	
Total			**1,782,940**	**1,450,495**	

(1) *Rating obtained at closing of the transaction.*

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

Note 16 Fair Value Adjustments to Debt Portfolios Hedged against Interest Rate Risks

(in thousand euros)	Dec. 31, 2017	Dec. 31, 2016
Fair value adjustments to borrowings	239	589
Fair value adjustments to EMTNs/BMTNs	-	-
Fair value adjustment to certificates of deposit	-	-
Fair value adjustments to bonds	-	-
Trade receivables	-	-
Total	**239**	**589**

Hedging effectiveness is analyzed in Note 20.

Note 17 Accruals and Other Liabilities

(in thousand euros)	Dec. 31, 2017	Dec. 31, 2016
Trade payables	**187,432**	**196,523**
- Related companies	161,374	168,829
- of which related companies with PSA Group	*161,374*	*168,829*
- of which related companies with Santander Consumer Finance Group	-	-
- Non-group companies	26,064	27,694
Accrued payroll and other taxes	**35,980**	**34,193**
Accrued charges	**138,750**	**112,110**
- Related companies	21,739	15,541
- of which related companies with PSA Group	*19,510*	*13,957*
- of which related companies with Santander Consumer Finance Group	*2,229*	*1,584*
- Non-group companies	117,011	96,569
Other payables	**34,202**	**17,002**
- Related companies	12,388	10,522
- of which related companies with PSA Group	*12,388*	*10,522*
- Non-group companies	21,814	6,480
Deferred income	**12,811**	**9,610**
- of which margin calls received on swaps (1)	-	*370*
- Related companies	8,036	8,449
- of which related companies with PSA Group	*7,837*	*8,449*
- of which related companies with Santander Consumer Finance Group	*199*	-
- Non-group companies	4,775	1,161
Other	**46,482**	**35,713**
- Non-group companies	46,482	35,713
Total	**455,657**	**405,151**

(1) *At December 31, 2017, margin calls paid on swaps were offset with the positive fair value for an amount of €0.2 millions, compared to €2.7 millions at December 31, 2016 (see Notes 4.2 & 5.2).*

Note 18 Provisions

(in thousand euros)	Dec. 31, 2016	Charges	Reversals Utilized	Reversals Unutilized	Equity	Reclassifi-cations and other	Dec. 31, 2017
Provisions for pensions and other post-retirement benefits	10,168	838	-	-	(207)	-	10,799
Provisions for doubtful commitments:							
- Corporate dealers	3,411	2,120	(1,093)	-	-	-	4,438
- Corporate and equivalent	-	-	-	-	-	-	-
Provisions for commercial and tax disputes	232	512	(604)	-	-	-	140
Other provisions	2,927	10,270	(3,680)	-	-	-	9,517
Total	**16,738**	**13,740**	**(5,377)**	**-**	**(207)**	**-**	**24,894**

18.1 Pension Obligations

Residual commitments of the Banking Industry Pension Fund plan

The provision for the residual commitments of the Banking Industry Pension Fund plan is constituted, if necessary, based on the probable current value of annual payments intended to supplement the resources necessary to the payment of pensions by AGIRC and ARRCO. There is no longer any provision for this commitment as payments made to date cover all acquired rights.

Commitments for retirement benefits and supplementary pensions specific to the Group

As well as the pensions that comply with current legislation, employees of the PSA Banque France Group receive supplementary pensions and retirement benefits when they retire. The company provides these benefits either through a defined contribution plan or a defined benefits plan.

Under the defined contribution plan, the company has no obligation other than the payment of contributions; the charge that corresponds to contributions paid is included in the profit/loss of the financial year.

Concerning the supplementary pensions paid to personnel who have left the group, the insurance company has received the necessary funds and is responsible for paying the annuities. The supplementary pension rights acquired for personnel in employment are fully covered by the funds paid to the insurance company.

For the defined benefits plans, the pension and equivalent commitments are evaluated by independent actuaries, according to the projected credit unit method. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. This final obligation is then discounted to present value. The calculations mainly take into account:

- an assumed retirement date;
- a discount rate;
- an inflation rate;
- assumptions concerning future salary levels and staff turnover rates.

It concerns retirement benefits, for which the acquired rights are fully covered.

These evaluations are performed every year. Changes in actuarial assumptions and experience adjustments - corresponding to the effects of differences between the previous actuarial assumptions and what has actually occurred - give rise to actuarial gains and losses on the benefit obligation or on the plan assets. These differences are shown in profit/loss on the year of their recognition.

The external funds must cover all pension commitments. Thus, in the case where the financial assets exceed the commitments that are recognized, prepaid expenses are recorded on the asset side of the balance sheet.

18.2 Long-service awards

Long-service award commitments

The latent debt covering future charges for long service awards is fully covered by a provision.

Note 19 Subordinated debt

(in thousand euros)	Dec. 31, 2017	Dec. 31, 2016
Subordinated debt	**155,000**	-
- of which related companies with PSA Group	*77,500*	-
- of which related companies with Santander Consumer Finance Group	*77,500*	-
Accrued Interest	**116**	-
- of which related companies with PSA Group	*58*	-
- of which related companies with Santander Consumer Finance Group	*58*	-
Total	**155,116**	**-**

Note 20 Derivatives

PSA Banque France Group Interest Rate Management Policy

(See the "Financial Risks and Market Risk" section of the Management Report)

Interest rate risk:

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

At December 31, 2017, nominal amount of interest rate swaps is €1,575 million.

Currency risk:

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

Counterparty risk:

PSA Banque France Group's exposure to counterparty risk is limited to its use of derivatives governed by standard FBF or ISDA agreements and very short term cash investments with leading counterparties. Following EMIR regulation, new CDEA framework agreements (Cleared Derivatives Execution Agreement) have been set up. Customer credit risk is discussed in Note 32.

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

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

(in thousand euros)	Dec. 31, 2017	Dec 31, 2016	Fair value adjustments	Ineffective portion recognized in profit or loss
Fair value adjustments to customer loans (Installment contracts, Leasing with purchase option and Long-term leases) (Note 8)				
- Installment contracts	(916)	(2,377)		
- Leasing with purchase option	(1,207)	(1,786)		
- Long-term leases	(974)	(1,437)		
Total valuation, net	**(3,097)**	**(5,600)**	**2,503**	
Derivatives designated as hedges of customer loans				
- Assets (Note 5)	4	-		
- Liabilities (Note 12)	(1,292)	(4,312)		
Total valuation, net	**(1,288)**	**(4,312)**	**3,024**	**5,527**
Ineffective portion of gain and losses on outstanding hedging	**(4,385)**	**(9,912)**		**5,527**
Fair value adjustments to hedged debt				
- Valuation, net	(239)	(589)		
Total valuation, net	**(239)**	**(589)**	**350**	
Derivatives designated as hedges of debt				
- Assets (Note 5)	241	591		
- Liabilities (Note 12)	-	-		
Total valuation, net	**241**	**591**	**(350)**	**0**
Ineffective portion of gain and losses on outstanding hedging	**2**	**2**		**0**
Fair value adjustments to hedged bonds				
- Valuation, net	-	-		
Total valuation, net	**-**	**-**	**-**	
Derivatives designated as hedges of bonds				
- Assets (Note 5)	-	-		
- Liabilities (Note 12)	-	-		
Total valuation, net	**-**	**-**	**-**	**0**
Ineffective portion of gain and losses on outstanding hedging	**0**	**0**		**0**

Note 21 Analysis by Maturity and Liquidity Risks

The Liquidity Risk Management is described in the "Security of Liquidity" section of the Management Report.

The following liquidity risk presentation is based on a detailed breakdown of assets and liabilities analysed by maturity. As a consequence, future interest cash flows are not included in installments.

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

The analysis by maturity is based on the following principles:

- Non-performing loans and accrued interest are reported in the "not broken down" column;
- Overnight loans and borrowings are reported in the "0 to 3 months" column.

Equity, which has no fixed maturity, is considered repayable beyond five years, except for dividends which are paid in the second quarter of the following annual closing. The fifth resolution adopted by the General Meeting on March 15, 2018 expects €92,7 millions of dividend payments.

For 2017

(in thousand euros)	Not broken down	0 to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Dec. 31, 2017
Assets							
Cash, central banks, post office banks	-	364,814	-	-	-	-	**364,814**
Financial assets at fair value through profit or loss and other financial assets	2,383	-	-	-	-	-	**2,383**
Hedging instruments	48	-	-	-	-	-	**48**
Available-for-sale financial assets	3		-	-	-	-	**3**
Loans and advances to credit institutions	1	525,101	-	-	-	-	**525,102**
Customer loans and receivables	392,377	2,626,924	928,646	1,472,553	4,746,735	46,390	**10,213,625**
Fair value adjustments to finance receivables portfolios hedged against interest rate risks	(3,097)	-	-	-	-	-	**(3,097)**
Other assets	286,636	-	-	-	-	-	**286,636**
Total assets	**678,351**	**3,516,839**	**928,646**	**1,472,553**	**4,746,735**	**46,390**	**11,389,514**
Equity and liabilities							
Central banks, post office banks	-	38	-	-	-	-	**38**
Financial liabilities at fair value through profit or loss	45	-	-	-	-	-	**45**
Hedging instruments	85	-	-	-	-	-	**85**
Deposits from credit institutions	1,199	898,032	210,000	379,200	2,315,800	-	**3,804,231**
Due to customers	15,860	1,881,711	51,713	86,304	118,786	-	**2,154,374**
Debt securities	(2,557)	15,000	55,000	539,443	2,727,497	-	**3,334,383**
Fair value adjustments to debt portfolios hedged against interest rate risks	239	-	-	-	-	-	**239**
Subordinated debt	-	-	-	-	-	155,116	**155,116**
Other liabilities	764,955	-	-	-	-	-	**764,955**
Equity	-	-	92,699	-	-	1,083,349	**1,176,048**
Total equity and liabilities	**779,826**	**2,794,781**	**409,412**	**1,004,947**	**5,162,083**	**1,238,465**	**11,389,514**

For 2016

(in thousand euros)	Not broken down	0 to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Dec. 31, 2016
Assets							
Cash, central banks, post office banks	-	260,506	-	-	-	-	**260,506**
Financial assets at fair value through profit or loss and other financial assets	4,251	-	-	-	-	-	**4,251**
Hedging instruments	242	-	-	-	-	-	**242**
Available-for-sale financial assets	3		-	-	-	-	**3**
Loans and advances to credit institutions	-	472,947	-	-	-	-	**472,947**
Customer loans and receivables	313,981	2,510,122	853,892	1,348,296	4,148,837	49,437	**9,224,565**
Fair value adjustments to finance receivables portfolios hedged against interest rate risks	(5,600)	-	-	-	-	-	**(5,600)**
Other assets	248,961	-	-	-	-	-	**248,961**
Total assets	**561,838**	**3,243,575**	**853,892**	**1,348,296**	**4,148,837**	**49,437**	**10,205,875**
Equity and liabilities							
Central banks, post office banks	-	44	-	-	-	-	**44**
Financial liabilities at fair value through profit or loss	2,954	-	-	-	-	-	**2,954**
Hedging instruments	832	-	-	-	-	-	**832**
Deposits from credit institutions	892	786,597	965,140	1,499,980	1,385,000	-	**4,637,609**
Due to customers	19,492	1,525,414	36,465	95,100	149,650	-	**1,826,121**
Debt securities	(444)	82,158	723,733	226,604	935,000	-	**1,967,051**
Fair value adjustments to debt portfolios hedged against interest rate risks	589	-	-	-	-	-	**589**
Other liabilities	690,417	-	-	-	-	-	**690,417**
Equity	-	-	71,697	-	-	1,008,561	**1,080,258**
Total equity and liabilities	**714,732**	**2,394,213**	**1,797,035**	**1,821,684**	**2,469,650**	**1,008,561**	**10,205,875**

Covenants

The loan agreements signed by the PSA Banque France Group, including in some cases issues of debt securities, include the customary acceleration clauses requiring the Group to give certain covenants to lenders. They include:

- negative pledge clauses whereby the borrower undertakes not to grant any collateral to any third parties. These clauses nevertheless comprise exceptions allowing the Group to carry out securitization programs or to give assets as collateral;
- material adverse change clauses in the case of a significant negative change in the economic and financial conditions;
- pari passu clauses which ensure that lenders enjoy at least the same treatment as the borrower's other creditors;
- cross default clauses whereby if one loan goes into default, all other loans from the same lender automatically become repayable immediately;
- clauses whereby the borrower undertakes to provide regular information to the lenders;
- clauses whereby the borrower undertakes to comply with the applicable legislation;
- no change of control meaning that Banque PSA Finance and Santander Consumer Finance no longer each hold 50% of the shares of PSA Banque France, directly or indirectly.

Furthermore, agreements include three specific acceleration clauses requiring:

- a change of shareholding meaning that Banque PSA Finance and Santander Consumer Finance no longer each hold 50% of the shares of PSA Banque France, directly or indirectly;
- the loss by the PSA Banque France Group of its status as a bank;
- non-compliance with the regulatory level for the Common Equity Tier One ratio.

Note 22 Fair Value of Financial Assets and Liabilities

(in thousand euros)	Fair value Dec. 31, 2017	Fair value Dec. 31, 2016	Book value Dec. 31, 2017	Book value Dec. 31, 2016	Difference Dec. 31, 2017	Difference Dec. 31, 2016
Assets						
Cash, central banks, post office banks	364,814	260,506	364,814	260,506	-	-
Financial assets at fair value through profit or loss and other financial assets (1)	2,383	4,251	2,383	4,251	-	-
Hedging instruments (1)	48	242	48	242	-	-
Available-for-sale financial assets (2)	3	3	3	3	-	-
Loans and advances to credit institutions (3)	525,102	472,947	525,102	472,947	-	-
Customer loans and receivables (4)	10,298,296	9,280,868	10,210,528	9,218,965	87,768	61,903
Equity and liabilities						
Central banks, post office banks	38	44	38	44	-	-
Financial liabilities at fair value through profit or loss (1)	45	2,954	45	2,954	-	-
Hedging instruments (1)	85	832	85	832	-	-
Deposits from credit institutions (5)	3,807,741	4,638,876	3,804,470	4,638,198	(3,271)	(678)
Debt securities (5)	3,342,550	1,966,866	3,334,383	1,967,051	(8,167)	185
Due to customers (3)	2,154,374	1,826,121	2,154,374	1,826,121	-	-
Subordinated debt (5)	159,813	-	155,116	-	(4,697)	-

With the exception of customer loans and receivables and debts, the book value is maintained: in this case, the fair value is determined by applying valuation techniques based on observable market data (level 2), except for mutual fund units which are valued at the latest published net asset value (level 1).

(1) *The fair values of financial assets at fair value through profit or loss and hedging instruments are measured based on Euribor or other interbank market rates and on the daily exchange rates set by the European Central Bank.*

(2) *The fair value of investments in companies, which are included in "Available-for-sale financial assets", is considered as being equal to the most recent transaction price, corresponding to the purchase of the shares.*

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

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

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

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

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

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

- For Debt securities, by applying valuation based on available market quotations (level 1).

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

Note 23 Other Commitments

(in thousand euros)	Dec. 31, 2017	Dec. 31, 2016
Financing commitments		
Commitments received from credit institutions	-	-
Commitments given to credit institutions	-	-
Commitments given to customers (1)	503,899	438,006
Guarantee commitments		
Commitments received from credit institutions	29,898	18,876
- guarantees received in respect of customer loans	29,898	18,000
- guarantees received in respect of securities held	-	-
- other guarantees received from credit institutions	-	876
Guarantees given to credit institutions	115	115
- of which related companies with PSA Group	*115*	*115*
Commitments given to customers	6,484	7,532
- of which related companies with PSA Group	*70*	*3,128*
Other commitments received	52,060	
Securities received as collateral	-	-
Others	52,060	-
Other commitments given		
Assets given as collateral for own account, remains available (2)	1,148	116,826
- to the ECB	1,148	116,826
- Other	-	-

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

(2) *It corresponds to the amount that remains available at the European Central Bank, bearing in mind that €1,101 million was mobilized in order to obtain €1,001 million in financing after haircut. PSA Banque France has used €1,000 million in financing (see note 13), so it remains €1.15 million available, given a non-used authorized financing of €1.04 million.*

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

Note 24 Interest and Other Revenue on Assets at Amortized Cost

(in thousand euros)	Dec. 31, 2017	Dec. 31, 2016
Installment contracts	**151,552**	**163,757**
- of which related companies with PSA Group	*2,239*	*3,487*
- of which securitized	*76,085*	*94,588*
Leasing with a purchase option	**179,159**	**143,396**
- of which related companies with PSA Group	*22,224*	*10,930*
- of which securitized	*55,845*	*56,413*
Long-term leases	**156,804**	**164,366**
- of which related companies with PSA Group	-	-
- of which securitized	*35,412*	*37,664*
Trade receivables	**42,753**	**46,055**
- of which related companies with PSA Group	*34,228*	*34,688*
Other finance receivables (including equipment loans, revolving credit)	**13,680**	**16,199**
- of which related companies with PSA Group	*498*	*344*
Commissions paid to referral agents	**(144,604)**	**(127,421)**
- Installment contracts	(55,427)	(45,717)
- Leasing with a purchase option	(53,560)	(33,966)
- Long-term leases	(35,617)	(47,738)
- Other financing	-	-
- of which related companies with PSA Group	*(30,102)*	*(30,115)*
Other business acquisition costs	**(12,152)**	**(14,442)**
Interest on ordinary accounts	**-**	**-**
Interest on guarantee commitments	**33**	**71**
Total	**387,225**	**391,981**

Note 25 Interest Expense on Hedging Instruments

(in thousand euros)	Dec. 31, 2017	Dec. 31, 2016
Swaps hedging retail financing (Fair Value Hedge)	(4,316)	(7,443)
- of which related companies with PSA Group	*-*	*-*
- of which related companies with Santander Consumer Finance Group	*(4,056)*	*(311)*
Total	**(4,316)**	**(7,443)**

Note 26 Other Revenue and Expense

(in thousand euros)	Dec. 31, 2017	Dec. 31, 2016
- Fees and commissions on retail customer transactions	11,592	12,955
- Fees and commissions on other customer transactions	3,043	2,787
- Share of joint venture operations		-
- Bank charges	331	190
- Provisions and gains and losses on sales of used vehicles, net	12,639	6,978
- Other	1,766	2,125
Other revenue	**29,371**	**25,035**
- Bank charges	(211)	-
- Share of joint venture operations	(5,218)	(4,934)
- Other	(7,829)	(6,850)
Other expense	**(13,258)**	**(11,784)**
Total	**16,113**	**13,251**

Note 27 Interest on Deposits from Credit Institutions

(in thousand euros)	Dec. 31, 2017	Dec. 31, 2016
Interest on treasury and interbank transactions	(12,088)	(20,099)
- of which related companies with PSA Group	*-*	*-*
- of which related companies with Santander Consumer Finance Group	*(8,231)*	*(15,650)*
Total	**(12,088)**	**(20,099)**

Note 28 Interest on Debt Securities

(in thousand euros)	Dec. 31, 2017	Dec. 31, 2016
Interest expense on debt securities	(3,510)	(244)
Interest on subordinated debts	(116)	-
Interest expense on bonds and other fixed income securities	(5,617)	(8,507)
- of which securitization: placed bonds	*(5,617)*	*(8,507)*
Total	**(9,243)**	**(8,751)**

Note 29 Interest on Savings Accounts

(in thousand euros)	Dec. 31, 2017	Dec. 31, 2016
Interest on savings accounts	(22,783)	(26,267)
- on passbook savings accounts	(16,520)	(19,074)
- on term deposits	(6,263)	(7,193)
Total	**(22,783)**	**(26,267)**

Note 30 Margin on Sales of Services

(in thousand euros)	Dec. 31, 2017	Dec. 31, 2016
Revenue on sales of services	99,921	89,842
Expense on sales of services	(2,969)	(2,758)
Total	**96,952**	**87,084**

Note 31 General Operating Expenses

(in thousand euros)	Dec. 31, 2017	Dec. 31, 2016
Personnel costs	**(61,566)**	**(59,612)**
- Wages and salaries	(37,983)	(36,968)
- Payroll taxes	(17,958)	(17,314)
- Employee profit sharing and profit-related bonuses	(5,625)	(5,330)
Other general operating expenses	**(83,729)**	**(92,008)**
- of which related companies with PSA Group	*(37,627)*	*(40,276)*
- of which related companies with Santander Consumer Finance Group	*(1,442)*	*(1,176)*
Total	**(145,295)**	**(151,620)**

In 2017, the average headcount of PSA Banque France Group is 851,8 employees composed by 466,6 technicians (including 41,2 student apprentices) and 385,2 executives.

Information concerning the compensations of the main executive officers is given in the "Remunerations" section of the Management Report.

Note 32 Cost of Risk

The tables below present the cost of risk by customer category, as no significant loss has been incurred on other financial assets.

32.1 Changes in Loans

			Cost of risk					
(in thousand euros)	Balance at Dec 31, 2016	Net new loans	Charges	Reversals	Credit losses	Recoveries on loans written off in prior periods	Cost of risk for the period at Dec. 31, 2017	Balance at Dec. 31, 2017
Retail								
Sound loans with no past-due installments	5,107,879	868,039	-	-	-	-	-	5,975,918
Sound loans with past-due installments	60,929	92	-	-	-	-	-	61,021
Guarantee deposits (lease financing)	(53)	27	-	-	-	-	-	(26)
Non-performing loans	138,578	28,546	-	-	(40,752)	-	(40,752)	126,372
Total	**5,307,333**	**896,704**	**-**	**-**	**(40,752)**	**-**	**(40,752)**	**6,163,285**
Impairment of sound loans	(30,451)	3	(11,793)	10,224	-	-	(1,569)	(32,017)
Impairment of sound loans with past-due installments	(9,465)	1	(3,102)	3,522	-	-	420	(9,044)
Impairment of non-performing loans	(108,487)	101	(38,024)	52,302	-	-	14,278	(94,108)
Total impairment	**(148,403)**	**105**	**(52,919)**	**66,048**	**-**	**-**	**13,129**	**(135,169)**
Deferred items included in amortized cost	**96,888**	**23,877**			**-**	**-**	**-**	**120,765**
Net book value (A - see B Note 7.2)	**5,255,818**	**920,686**	**(52,919)**	**66,048**	**(40,752)**	**-**	**(27,623)**	**6,148,881**
Recoveries on loans written off in prior periods						9,399	9,399	
Impairment of doubtful commitments			-	-	-	-	-	
Retail cost of risk			**(52,919)**	**66,048**	**(40,752)**	**9,399**	**(18,224)**	
Corporate dealers								
Sound loans with no past-due installments	2,980,773	119,219	-	-	-	-	-	3,099,992
Guarantee deposits	-	-	-	-	-	-	-	-
Non-performing loans	65,706	62,332	-	-	(336)		(336)	127,702
Total	**3,046,479**	**181,551**	**-**	**-**	**(336)**	**-**	**(336)**	**3,227,694**
Impairment of sound loans with no past-due installments	(4,164)	(38)	(1,828)	146	-	-	(1,682)	(5,884)
Impairment of non-performing loans	(20,847)	172	(14,726)	4,490	-	-	(10,236)	(30,911)
Total impairment	**(25,011)**	**134**	**(16,554)**	**4,636**	**-**	**-**	**(11,918)**	**(36,795)**
Deferred items included in amortized cost	**(4,969)**	**4,713**	**-**	**-**	**-**	**-**	**-**	**(256)**
Net book value (B - see A Note 7.2)	**3,016,499**	**186,398**	**(16,554)**	**4,636**	**(336)**	**-**	**(12,254)**	**3,190,643**
Recoveries on loans written off in prior periods		-	-	-	-	139	139	
Impairment of doubtful commitments			(1,726)	699	-	-	(1,027)	
Corporate dealers cost of risk			**(18,280)**	**5,335**	**(336)**	**139**	**(13,142)**	
Corporate and equivalent								
Sound loans with no past-due installments	913,465	(62,642)	-	-	-	-	-	850,823
Guarantee deposits	-	-	-	-	-	-	-	-
Non-performing loans	5,130	1,212	-	-	(469)	-	(469)	5,873
Total	**918,595**	**(61,430)**	**-**	**-**	**(469)**	**-**	**(469)**	**856,696**
Impairment of sound loans with no past-due installments	(1,544)	38	(406)	580	-	-	174	(1,332)
Impairment of non-performing loans	(3,425)	(74)	(3,351)	3,150	-	-	(201)	(3,700)
Total impairment	**(4,969)**	**(36)**	**(3,757)**	**3,730**	**-**	**-**	**(27)**	**(5,032)**
Deferred items included in amortized cost	**38,622**	**(16,185)**	**-**	**-**	**-**	**-**	**-**	**22,437**
Net book value (C - see C Note 7.2)	**952,248**	**(77,651)**	**(3,757)**	**3,730**	**(469)**	**-**	**(496)**	**874,101**
Recoveries on loans written off in prior periods			-	-	-	-	-	
Impairment of doubtful commitments			-	-	-	-	-	
Corporate and equivalent cost of risk			**(3,757)**	**3,730**	**(469)**	**-**	**(496)**	
Total loans								
Sound loans with no past-due installments	9,002,117	924,616	-	-	-	-	-	9,926,733
Sound loans with past-due installments	60,929	92	-	-	-	-	-	61,021
Guarantee deposits	(53)	27	-	-	-	-	-	(26)
Non-performing loans	209,414	92,090	-	-	(41,557)	-	(41,557)	259,947
Total	**9,272,407**	**1,016,825**	**-**	**-**	**(41,557)**	**-**	**(41,557)**	**10,247,675**
Impairment of sound loans with or without any past-due	(45,624)	4	(17,129)	14,472	-	-	(2,657)	(48,277)
Impairment of non-performing loans	(132,759)	199	(56,101)	59,942	-	-	3,841	(128,719)
Total impairment	**(178,383)**	**203**	**(73,230)**	**74,414**	**-**	**-**	**1,184**	**(176,996)**
Deferred items included in amortized cost	**130,541**	**12,405**	**-**	**-**	**-**	**-**	**-**	**142,946**
Net book value	**9,224,565**	**1,029,433**	**(73,230)**	**74,414**	**(41,557)**	**-**	**(40,373)**	**10,213,625**
Recoveries on loans written off in prior periods						9,538	9,538	
Impairment of doubtful commitments			(1,726)	699	-	-	(1,027)	
Total cost of risk			**(74,956)**	**75,113**	**(41,557)**	**9,538**	**(31,862)**	

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

32.2 Change in Cost of Risk

(in thousand euros)	**Retail**	**Corporate dealers**	**Corporate and equivalent**	**Dec. 31, 2017**	**Dec. 31, 2016**
Sound loans with or without any past-due installments (1)					
Charges	(14,895)	(1,828)	(406)	(17,129)	(11,809)
Reversals	13,746	146	580	14,472	10,245
Non-performing loans					
Charges	(38,024)	(14,726)	(3,351)	(56,101)	(35,812)
Reversals	52,302	4,490	3,150	59,942	82,910
Doubtful commitments					
Charges	-	(1,726)	-	(1,726)	(318)
Reversals	-	699	-	699	354
Credit losses	(40,752)	(336)	(469)	(41,557)	(83,555)
Recoveries on loans written off in prior periods	9,399	139	-	9,538	17,529
Cost of risk	**(18,224)**	**(13,142)**	**(496)**	**(31,862)**	**(20,456)**

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

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

32.3 Information about Defaults with no Impairment

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

As regards Corporate, given the statistical impairment applied to Corporate sound receivables (see footnote (1) of Note 32.2) there is no receivable in default not impaired.

Note 33 Other Non-operating Items

In 2017, it mainly concerns the agencies combination plan for an amount of €9 million.

Note 34 Income Taxes

34.1 Evolution of Balance Sheet Items

(in thousand euros)	Balance at Dec 31, 2016	Income	Equity	Payment	Exchange difference and other	Dec. 31, 2017
Current tax						
Assets	933					18,545
Liabilities	(17,221)					(4,231)
Total	**(16,288)**	**(64,669)**	**-**	**95,271**	**-**	**14,314**
Deferred tax						
Assets	959					235
Liabilities	(251,307)					(280,173)
Total	**(250,348)**	**(29,519)**	**-**	**-**	**(71)**	**(279,938)**

34.2 Income taxes of fully-consolidated companies

Deferred income taxes relate to timing differences between the recognition of certain items of income and expense for consolidated financial reporting and tax purposes. These differences relate principally to the accounting treatment of leasing and long-term rental transactions.
Deferred taxes are determined as described in Note 2.A of the 2017 annual report, last paragraph dedicated to deferred taxes.

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

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

The 2018 French Finance Act (published in the Official Journal on December 28, 2017) introduced an exceptional corporate income tax contribution of 15%, applicable to PSA Banque France group. This surtax has the effect of raising PSA Banque France group income tax by 5% at December 31, 2017. As a result, the income tax rate to which PSA Banque France is subject to is 39.43%.

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

(in thousand euros)	Dec. 31, 2017	Dec. 31, 2016
Current tax		
Income taxes	(64,669)	(100,063)
Deferred tax		
Deferred taxes arising in the year	(29,519)	4,573
Unrecognized deferred tax assets and impairment losses	-	-
Total	**(94,188)**	**(95,490)**

34.3 PSA Banque France Group tax proof

(in thousand euros)	Dec. 31, 2017	Dec. 31, 2016
Pre-tax income	261,534	244,200
Permanent differences	6,064	(2,164)
Taxable Income	**267,598**	**242,036**
Theoretical tax	(105,514)	(83,340)
Theoretical rate	*39.43%*	*34.43%*
Deferred Taxes evaluation without exceptional contribution of 15%	7,030	-
Of which effect of revaluation of deferred taxes assets and liabilities reversed from January,1st 2019	*1,945*	-
Special tax contribution on dividend distributed (1)	4,899	(4,503)
Reclassification of the contribution on added value of incomes taxes (CVAE) as current tax (IAS12)	(1,063)	(8,218)
Other	460	571
Income taxes	**(94,188)**	**(95,490)**
Group effective tax rate	*35.2%*	*39.5%*

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

34.4 Deferred Tax Assets on Tax Loss Carryforwards

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

Note 35 Segment Information

35.1 Key Balance Sheet Items

For 2017

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

For 2016

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

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

35.2 Key Income Statement Items

At December 31, 2017

(in thousand euros)	Financing activities						
		End user					
	Corporate dealers	Retail	Corporate and equivalent	Unallocated	Financial derivative instruments (2)	Insurance and services	Total at December 31, 2017
Net interest revenue on customer transactions (at amortized cost) (1)	57,629	307,749	46,951	(3,637)	(4,316)		404,376
Net investment revenue	-	-	-	60			60
Net refinancing cost (2)	(8,385)	(45,414)	(7,160)	6,924	4,316		(49,719)
Net gains or losses on trading transactions				-			-
Net gains or losses on available-for-sale financial assets				(301)			(301)
Margin on sales of other services						96,957	96,957
Net banking revenue	**49,244**	**262,335**	**39,791**	**3,046**	**-**	**96,957**	**451,373**
Cost of risk	(13,142)	(18,224)	(496)				(31,862)
Net income after cost of risk	**36,102**	**244,111**	**39,295**	**3,046**	**-**	**96,957**	**419,511**
General operating expenses and equivalent				(147,541)			(147,541)
Operating Income	**36,102**	**244,111**	**39,295**	**(144,495)**	**-**	**96,957**	**271,970**

At December 31, 2016

(in thousand euros)	Financing activities						
		End user					
	Corporate dealers	Retail	Corporate and equivalent	Unallocated	Financial derivative instruments (2)	Insurance and services	Total at December 31, 2016
Net interest revenue on customer transactions (at amortized cost) (1)	66,505	306,548	38,640	(11,921)	(7,443)		392,329
Net investment revenue	-	-	-	12			12
Net refinancing cost (2)	(15,319)	(52,806)	(10,339)	11,108	7,443		(59,913)
Net gains or losses on trading transactions				-			-
Net gains or losses on available-for-sale financial assets				(74)			(74)
Margin on sales of other services						87,084	87,084
Net banking revenue	**51,186**	**253,742**	**28,301**	**(875)**	**-**	**87,084**	**419,438**
Cost of risk	(2,149)	(17,178)	(1,129)				(20,456)
Net income after cost of risk	**49,037**	**236,564**	**27,172**	**(875)**	**-**	**87,084**	**398,982**
General operating expenses and equivalent				(154,572)			(154,572)
Operating Income	**49,037**	**236,564**	**27,172**	**(155,447)**	**-**	**87,084**	**244,410**

(1) *Unallocated interest revenue on customer transactions for the part corresponds to the ineffective portion of gains or losses on hedging instruments recognized in the income statement in accordance with IAS 39 for €5.5 million at Decmber 31, 2017 (compared to a negative €5.2 million at December 31, 2016) (See Note 20). The other part corresponds to other revenue and expense.*

(2) *The interest differential on hedging swaps on fixed rate customer loans is reported in the income statement under "Net interest revenue from hedging instruments" in "Net interest revenue on customer transactions" and is not analyzed by segment. However the interest differential on these swaps is included by the management controllers in the net refinancing cost split by segment. This explains the €4.3 million reclassification at December 31, 2017 (€7.4 million at December 31, 2016) between "Net refinancing cost" and "Net interest revenue on customer transactions" in the "Financial derivatives instruments" column.*

Note 36 Auditors fees

For 2017 financial year	Ernst & Young		Mazars		Pricewaterhouse Coopers audit	
Pre-tax values, in thousand euros	Amount	%	Amount	%	Amount	%
Statutory audit services	**-**	**-**	**431**	**93%**	**529**	**95%**
- *PSA Banque France*	-	-	151		221	
- *Fully-consolidated companies*	-	-	280		308	
Services except statutory audit services	**-**	**-**	**30**	**7%**	**25**	**5%**
- *PSA Banque France (1)*	-	-	30		25	
- *Fully-consolidated companies*	-	-	-		-	
Total	**-**	**-**	**461**		**554**	

For 2016 financial year	Ernst & Young		Mazars		Pricewaterhouse Coopers audit	
Pre-tax values, in thousand euros	Amount	%	Amount	%	Amount	%
Statutory audit services	**75**	**83%**	**284**	**95%**	**410**	**100%**
- *PSA Banque France*	75		63		-	
- *Fully-consolidated companies*	-		221		410	
Services except statutory audit services	**15**	**17%**	**16**	**5%**	**-**	**-**
- *PSA Banque France (1)*	15		16		-	
- *Fully-consolidated companies*	-		-		-	
Total	**90**		**300**		**410**	

(1) In 2016 and 2017, these costs correspond to comfort letters established by auditors for PSA Banque France in relation to its debt issuance program.

Note 37 Subsequent Events

No event occurred between December 31, 2017 and the Board of Directors' meeting to review the financial statement on February 20, 2018 that could have a material impact on economic decisions made on the basis of these financial statements.

2.7 Statutory Auditors' report on the consolidated financial statements

For the year ended December 31, 2017

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English-speaking readers. This report includes information specifically required by European regulations or French law, such as information about the appointment of Statutory Auditors. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

Opinion

In compliance with the engagement entrusted to us by your General Meeting, we have audited the accompanying consolidated financial statements of PSA Banque France for the year ended December 31, 2017.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2017 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under these standards are further described in the "Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements" section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules applicable to us for the period from January 1, 2017 to the date of our report and in particular we did not provide any non audit services prohibited by article 5(1) of Regulation (EU) No 537/2014 or the French Code of Ethics (Code de déontologie) for Statutory Auditors.

Justification of assessments – Key audit matters

In accordance with the requirements of articles L.823-9 and R.823-7 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to the risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements, as well as how we addressed those risks.

These matters were addressed as part of our audit of the consolidated financial statements as a whole, and therefore contributed to the opinion we formed as expressed above. We do not provide a separate opinion on specific items of the consolidated financial statements.

- **Management of access rights to information systems**

See section 1.7.1.1 of the management report

Description of risk
Due to the nature of the activities of the PSA Banque France Group, a very high volume of transactions is processed on a daily basis. These transactions are initiated, authorized and accounted for by means of complex information systems. The integrity of these systems used in the preparation of financial statements is essential to the audit of those statements.
In 2016, we identified deficiencies in relation to access rights to the operating systems, databases and applications underpinning the preparation of the financial statements. This situation gave rise to a risk of inappropriate modifications being made, either deliberately or by error, to the programs and to the financial and accounting data.
In light of this finding, management developed an action plan aimed at addressing these deficiencies and improving the overall control environment of the information systems. In the course of the year, management implemented nearly all of the planned actions, with the exception of the monitoring of user accounts with extended access rights.

Given the risks of material misstatements associated with these deficiencies, we deemed the management of access rights to the information systems to be a key audit matter.

How our audit addressed this risk
We tested the design and operational effectiveness of the new controls put into place by the Group, in particular for the applications considered of key importance for our audit and especially those used to:

- ensure that only a limited number of user accounts with extended rights exist in the information systems;
- ensure that access to the information systems, particularly via user accounts with extended rights, is tracked;
- ensure that creations and deletions of access rights are appropriate;
- ensure that the user accounts with extended access rights are subject to periodic reviews of those rights;
- ensure that there is a proper separation of duties between operational users and those responsible for the information systems.

The exceptions identified during our tests led us to carry out further work to identify mitigating factors and test compensating controls in order to obtain the necessary assurance for our work.

- **Credit risk - individual and collective impairment**

See Note 7 to the consolidated financial statements

Description of risk
PSA Banque France’s portfolio of loans and receivables amounted to €10,214 million as of December 31, 2017. Loans and receivables are measured at amortized cost less impairment provisions (€177 million) intended to cover the risks of borrower default. Depending on the risk level associated with the outstanding loans and receivables, the provisions are determined on an individual or a collective basis.
The method of calculating these provisions will depend on the type of customer of the loan or receivable in question, as indicated in the notes to the consolidated financial statements (Note 7). Provisions associated with receivables held against “final” customers will therefore mainly be calculated using statistical methods (regardless of whether they are individual or collective provisions), taking into account homogeneous risk classes and based on models using various Basel II risk parameters (default probability, loss given default and recovery assumptions).
For “corporate dealer” customers, individual provisions are calculated based on expert valuations, depending on the risk specific to each counterparty. Calculations of collective provisions are also based on Basel II parameters such as those mentioned above.
These provisions represent estimates that are material to the preparation of the financial statements and require management to make judgments, particularly in terms of determining the assumptions relating to the recovery of receivables.

How our audit addressed this risk

We analyzed and tested the Bank's internal control system, with a view to classifying the different receivables according to their risk level in order to determine the appropriate level of provisioning, first on a collective basis, then on an individual basis. Our control tests also included the analysis of a selection of files in order to verify that the annual risk assessment procedure had been carried out at least once a year, as provided for in the internal procedures, and that the risk rating given to files is appropriate based on the information provided.

In terms of collective impairment provisions and more generally provisions calculated on a statistical basis, our work consisted in having our experts carry out a critical assessment of the methodological changes impacting the internal model.

For individual impairment provisions based on expert valuations, our work consisted of counter analyses of the provision amounts, on the basis of a sample of files selected on materiality and risk criteria.

Verification of the information pertaining to the Group presented in the management report

As required by law and in accordance with professional standards applicable in France, we have also verified the information pertaining to the Group presented in the management report of the Board of Directors.

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

Report on other legal and regulatory requirements

Appointment of the Statutory Auditors

We were appointed Statutory Auditors of PSA Banque France by the General Meetings held on March 15, 2017 for PricewaterhouseCoopers Audit and May 10, 2005 for Mazars.

As at December 31, 2017, PricewaterhouseCoopers Audit and Mazars were in the first year and the thirteenth year of total uninterrupted engagement, respectively, of which one year since the securities of the company were admitted to trading on a regulated market.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for preparing consolidated financial statements presenting a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for implementing the internal control procedures it deems necessary for the preparation of consolidated financial statements free of material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it expects to liquidate the company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems, as well as, where applicable, any internal audit systems, relating to accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements

Objective and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in article L.823-10-1 of the French Commercial Code, our audit does not include assurance on the viability or quality of management of the company.

A more detailed description of our responsibilities as Statutory Auditors in the scope of the audit of the consolidated financial statements is set out in the appendix to this report and is an integral part hereof.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report any significant deficiencies in internal control that we have identified regarding the accounting and financial reporting procedures.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements and which therefore constitute key audit matters. These matters are described in this report.

We also provide the Audit Committee with the declaration provided for in article 6 of Regulation (EU) No 537-2014, confirming our independence within the meaning of the rules applicable in France, as defined in particular in articles L.822-10 to L.822-14 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. Where appropriate, we discuss any risks to our independence and the related safeguard measures with the Audit Committee.

In accordance with French law, we also inform you that due to the late receipt of certain documents, it was not possible to issue this report within the statutory period.

Neuilly-sur-Seine and Paris-La Défense, March 13, 2018

The Statutory Auditors

PricewaterhouseCoopers Audit	MAZARS
Laurent Tavernier	Matthew Brown

Statement by the person responsible for the 2017 annual report

Person responsible for the annual report

Jean-Paul Duparc
Chief Executive Officer of PSA Banque France

Certification of the person responsible for the annual report

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

Given at Gennevilliers, March 12, 2018

Jean-Paul Duparc
Chief Executive Officer of PSA Banque France

PSA BANQUE FRANCE

Société anonyme (limited company). Share capital: € 144,842,528
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Interbank code: 14749

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