2019

PSA GROUPE

BANQUE PSA FINANCE

ANNUAL RESULTS

2019

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Chairman

Rémy Bayle
Director

Carlos Tavares
Director

Michel Philippin
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PEUGEOT S.A.
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Permanent Representative:
Jean-Baptiste Chasseloup de Chatillon
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Permanent Representative:
Jean-Philippe Imparato

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Chief Executive Officer

Alain Martinez
Executive Managing Officer

STATUTORY AUDITORS

Ernst & Young Audit
Mazars

SUBSTITUTE AUDITORS

PICARLE et associés
Guillaume Potel

Position as at January 1, 2017

BANQUE PSA FINANCE

Société anonyme (limited company). Share capital: €177,408,000

Registered office - 68, avenue Gabriel Péri – 92230 Gennevilliers - France
R.C.S. (Trade and Companies Register number): Nanterre 325 952 224 - Siret 325 952 224 00013
APE business identifier code: 6419Z
Interbank code: 13168N

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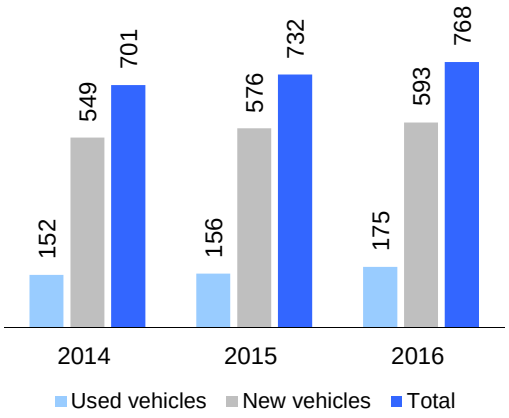
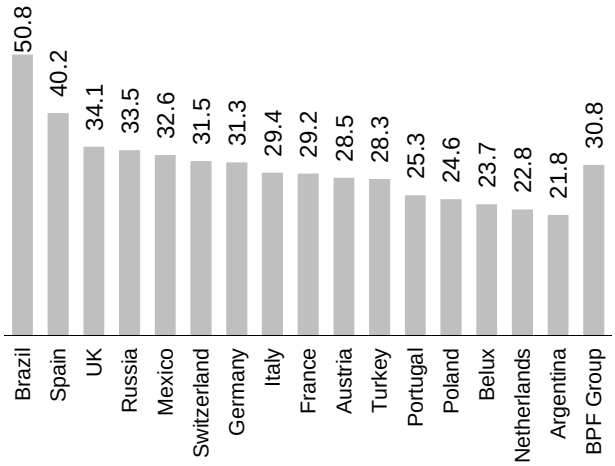
1 MANAGEMENT REPORT

1.1 Key figures

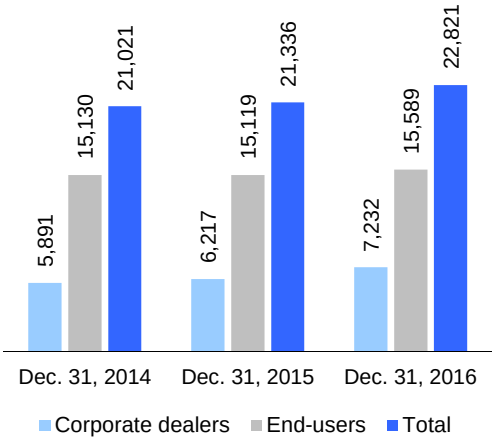
EVOLUTION OF VEHICLES FINANCED FOR END USERS *(in thousands of vehicles)*



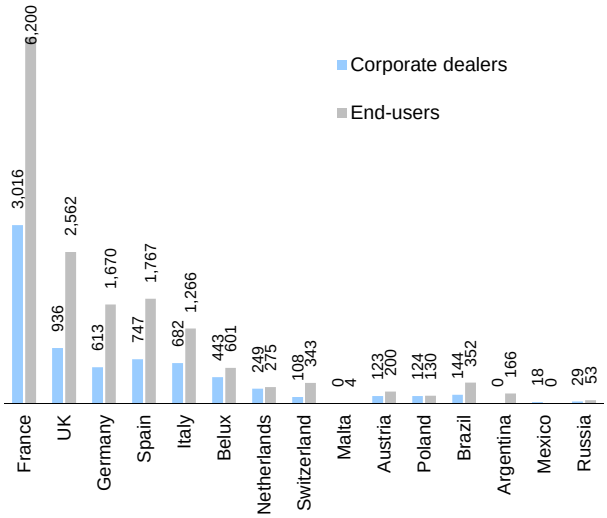
PENETRATION RATE BY COUNTRY (%) AT DECEMBER 31, 2016
(New vehicles financed / PSA Group new vehicles registered)



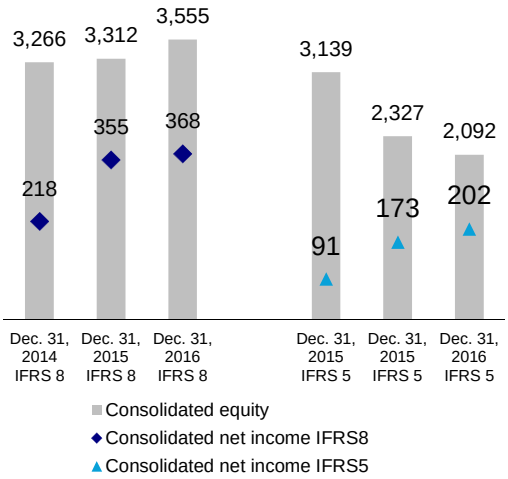
EVOLUTION OF LOANS OUTSTANDING BY CUSTOMER SEGMENT (IFRS 8), AT DECEMBER 31 *(in million euros)*



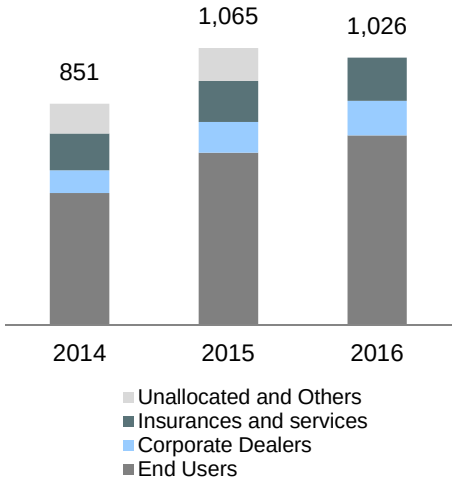
LOANS OUTSTANDING BY COUNTRY (IFRS 8) AT DECEMBER 31 2016 *(in million euros)*



EQUITY AND NET INCOME (IFRS 5 & 8) AT DECEMBER 31 *(in million euros)*



EVOLUTION OF NET BANKING REVENUE (IFRS 8) *(in million euros)*



1.2 Letter from the Chief Executive Officer

With a 5.8% increase in sales, 2016 was a good year for the PSA Group, and for Banque PSA Finance, which was able to support this growth by stepping up its transformation to better meet the expectations of the three brands Peugeot, Citroën and DS, and those of their customers.

In 2016, BPF effectively ensured its mission to support brand sales with a 30.8% market share of financed sales, a record performance, within a scope that covers 80% of the brands' sales worldwide.

In total, 768,000 new and used vehicle financing contracts were granted, an increase of 36,000 on last year, accompanied by growth of 3.6% in Insurance and Services, for which more than 1.5 million contracts were set up.

2016 was also the year in which the Bank made significant changes to its business model. Continuing to boost its performance as a mobility services provider, BPF is supporting the PSA Group's PUSH to PASS plan, offering solutions designed to meet the new needs of its customers, both current and future.

This transformation has been implemented through the successful launch of all the joint ventures of the partnership entered into with the SANTANDER Group in 11 European countries and Brazil. This partnership agreement, which covers 98% of the Bank's outstanding loans (excluding China), allows BPF to benefit from some of the best refinancing terms on the market. This has already translated into the Bank being able to offer more competitive rates and thus boosting trade for the three PSA Group brands within the eligible scope.

This new strategy, based on cooperative partnerships, brings BPF's expertise together with that of its banking, insurance and industrial partners and is a distinguishing feature of its new operational model. Currently 17 of the 18 BPF entities worldwide operate in the form of partnerships under a variety of different models tailored to their local environments, thus enabling them to act and react more quickly, with teams focused on their core mission, to support PSA Group sales and to develop new mobility services.

The acceleration in BPF's transformation is also evident through its desire to meet its customers' expectations more quickly, with better quality solutions. As such, we have launched a plan to digitize our processes in each country: finance simulations, online approvals in principle, customer areas on the various country websites and electronic signatures.

Lastly, BPF is fully committed to its role as a mobility services provider, supporting the second phase of the Push to Pass plan, which will establish PSA Group as a major player in new mobility solutions. By way of example and for the first time ever, a leasing product starting at €0 is being marketed in France to individual customers, in collaboration with Citroën and the car sharing platform Travelcar. BPF has also been actively involved in the launch of the new PSA Group mobility brand, FREE2MOVE, and its range of mobility services for businesses, with the introduction of dedicated platforms in Europe.

The commercial dynamism of the Group and the Bank has resulted in the continued growth in outstanding loans volumes, which began in 2015 and grew a further 7% in 2016, reaching €22.8 billion (IFRS 8 format).

These strong commercial performances in 2016 are associated with high profitability on operations with net banking revenue amounting to €1,026 million (excl. China) and operating income (also excl. China) standing at €571 million, representing significant growth of 11.1% against 2015, in addition to which cost of risk reached its best level; 0.24% of outstanding loans. In China, with an operating result of €79.1 million in 2016, an increase of 61% compared to 2015, the company jointly owned by BPF, Dongfeng and DPCA actively contributes to the development of local operations.

2016 was an opportunity to verify the appropriateness of the strategy introduced by BPF in 2015; during 2017 we will be confirming, reinforcing and rolling out, in a committed and systematic manner, this strategy in support of the Push to Pass plan which will establish the PSA Group, and its Bank, as a major global player in consumer mobility solutions.

Rémy BAYLE
Chief Executive Officer

1.3 Banque PSA Finance business activities and developments

1.3.1 Definition of concepts in the Management Report

The management report presents information in two fashions:

The first fashion is to present financial performance in the **format of IFRS 5,** which is the method for presenting the financial statements in light of the highly probable disposal of business activities under the cooperative agreement between Banque PSA Finance (hereafter called "BPF") and Santander. IFRS 5 calls for the reclassification of the portions relating to the entities involved in the partnership into specific headings on the balance sheet and income statement. In addition, certain liabilities used to finance assets held for sale are also reclassified.

The second fashion presents financial performance in **IFRS 8 format**, which does not reflect the aforementioned reclassifications and neutralizes certain income and expenses recognized in the IFRS 5 format, specifically:

- the restatement of the purchase price allocation as equity (+€13 million in 2016 per IFRS 5);
- the impairment of the Disposal Group (reversal of €1 million in 2016 per IFRS 5);
- the use of equity-method accounting for the Group's share in the partnership joint ventures (-€180 million in 2016 per IFRS 5).

Consequently, information presented in IFRS 8 format results in the financial statements being presented in an identical format to that used prior to the implementation of the partnership with Santander, with 100% of operations being consolidated.

Note 29 to the consolidated financial statements goes into greater detail concerning the transition from the IFRS 8 format to that of IFRS 5.

Furthermore, an additional level of detail has been provided for operating data: this is still presented as a total, but a breakdown is given for those entities within the BPF / Santander partnership (11 European countries: France, United Kingdom, Spain, Switzerland, Italy, Belgium, Netherlands, Germany, Austria, Poland and Portugal; and Brazil).

1.3.2 Summary of financial information

The following historical consolidated financial overview is based on the consolidated financial statements of BPF included in this annual report and prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Our consolidated financial statements were audited by our independent auditors Ernst & Young audit and Mazars for 2015 and 2016.

CONSOLIDATED BALANCE SHEET

(in million euros)	*IFRS 5*			*IFRS 8*[1]		
Assets	**Dec. 31, 2016**	**Dec. 31, 2015**	**% change**	**Dec. 31, 2016**	**Dec. 31, 2015**	**% change**
Cash, central banks, post office banks	58	154	- 62.3	475	280	+ 69.6
Financial assets at fair value through profit or loss	389	383	+ 1.6	361	446	- 19.1
Hedging instruments	5	13	- 61.5	7	20	- 65.0
Available-for-sale financial assets	5	11	- 54.5	87	144	- 39.6
Loans and advances to credit institutions	223	87	+ 156.3	1,311	1,282	+ 2.3
Customer loans and receivables	346	460	- 24.8	22,821	21,336	+ 7.0
Deferred tax assets	16	27	- 40.7	65	96	- 32.3
Investments in associates and joint ventures accounted for using the equity method	1,527	981	+ 55.7	770	609	+ 26.4
Other assets	166	203	- 18.2	181	181	+ 0.0
Assets of operations to be taken over by partnership or sold	0	7,048	- 100.0	0	0	+ 0.0
Total assets	**2,735**	**9,367**	**- 70.8**	**26,078**	**24,394**	**+ 6.9**

Equity and liabilities	**Dec. 31, 2016**	**Dec. 31, 2015**	**% change**	**Dec. 31, 2016**	**Dec. 31, 2015**	**% change**
Financial liabilities at fair value through profit or loss	0	1	- 100.0	13	4	+ 225.0
Hedging instruments	1	9	- 88.9	20	12	+ 66.7
Deposits from credit institutions	126	848	- 85.1	12,320	9,836	+ 25.3
Due to customers	4	468	- 99.1	3,045	3,533	- 13.8
Debt securities	286	1,786	- 84.0	5,675	6,396	- 11.3
Deferred tax liabilities	12	12	+ 0.0	268	317	- 15.5
Other liabilities	214	293	- 27.0	1,182	984	+ 20.1
Equity	2,092	2,327	- 10.1	3,555	3,312	+ 7.4
Liabilities of operations to be taken over by partnership or sold	0	3,623	- 100.0	0	0	+ 0.0
Total equity and liabilities	**2,735**	**9,367**	**- 70.8**	**26,078**	**24,394**	**+ 6.9**

1- The items on the balance sheet transitioning from IFRS 8 to IFRS 5 format can be found in Note 30.1 of the consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

(in million euros)	*IFRS 5*			*IFRS 8*[1]		
	Dec. 31, 2016	**Dec. 31, 2015**	**% change**	**Dec. 31, 2016**	**Dec. 31, 2015**	**% change**
Net banking revenue	41	113	- 63.7	1,026	1,065	- 3.7
General operating expenses and equivalent[2]	-35	-108	- 67.6	-403	-482	- 16.4
Cost of risk	-5	-1	+ 400.0	-52	-69	- 24.6
Operating income	**1**	**4**	**- 75.0**	**571**	**514**	**+ 11.1**
Share in net income of associates and joint ventures accounted for using the equity method[3]	195	123	+ 58.5	15	11	+ 36.4
Other Non operating income[4]	-12	-172	- 93.0	-12	-22	- 45.5
Pre-tax net income	**184**	**-45**	**- 508.9**	**574**	**503**	**+ 14.1**
Income taxes	-13	41	- 131.7	-206	-148	+ 39.2
Net income from continuing operations	**171**	**-4**	**- 4375.0**	**368**	**355**	**+ 3.7**
Net income from operations to be taken over by partnership or held for sale	**31**	**177**	**- 82.5**	0	0	
Net income	**202**	**173**	**+ 16.8**	**368**	**355**	**+ 3.7**

[1] - The items on the income statement transitioning from IFRS 8 to IFRS 5 format can be found in Note 30.2 of the consolidated financial statements.

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

[3] - Joint ventures with the Santander Group accounted for using the equity method in IFRS 5: France and the United Kingdom since February 2015, Spain and Switzerland since October 2015, Italy since January 2016, Netherlands since February 2016, Belgium since May 2016, Germany and Austria since July 2016, Brazil since August 2016 and Poland since October 2016. China, as part of the partnership with Dongfeng Peugeot Citroën Automobiles and Dongfeng Motor Group, has been accounted for using the equity method since 2006 (IFRS 5 and IFRS 8 formats).

[4] - Including costs of the non-transferred liabilities of operations to be taken over by partnership in IFRS 5.

NET BANKING REVENUE

(in million euros)	*IFRS 5*			*IFRS 8*		
	Dec. 31, 2016	**Dec. 31, 2015**	**% change**	**Dec. 31, 2016**	**Dec. 31, 2015**	**% change**
End-users	18	24	- 25.0	729	663	+ 10.0
of which Retail				695	612	+ 13.6
of which Corporate and equivalent				34	51	- 33.3
Corporate dealers	2	3	- 33.3	133	118	+ 12.7
Insurances and Services (including net refinancing costs)	37	47	- 21.3	166	157	+ 5.7
Unallocated and other[1]	-16	39	- 141.0	-2	127	- 101.6
Total	**41**	**113**	**- 63.7**	**1,026**	**1,065**	**- 3.7**

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

FINANCING GRANTED DURING THE PERIOD (PRODUCTION)

				Of which Santander partnership perimeter[1]		
	Dec. 31, 2016	**Dec. 31, 2015**	**% change**	**Dec. 31, 2016**	**Dec. 31, 2015**	**% change**
End-users loans						
Number of vehicles financed	767 848	731 701	+ 4.9	710 957	671 726	+ 5.8
Amount of financing *(in million euros, excluding interests)*	8 499	8 250	+ 3.0	8 253	7 944	+ 3.9
Corporate dealers loans						
Number of vehicles financed	1 651 755	1 655 588	- 0.2	1 620 889	1 602 413	+ 1.2
Amount of vehicles financing *(in million euros)*	33 137	33 267	- 0.4	32 577	32 271	+ 0.9
Amount of spare parts financing and other *(in million euros)*	3 149	3 231	- 2.6	3 074	3 093	- 0.6
Insurance and services activity						
Number of new contracts	1 555 353	1 500 679	+ 3.6	1 433 950	1 389 119	+ 3.2

[1] - Countries included in the Partnership with SCF (11 European countries: France, United Kingdom, Spain, Switzerland, Italy, Belgium, Netherlands, Germany, Austria, Poland and Portugal) and Brazil.

OUTSTANDING LOANS

BY CUSTOMER SEGMENT

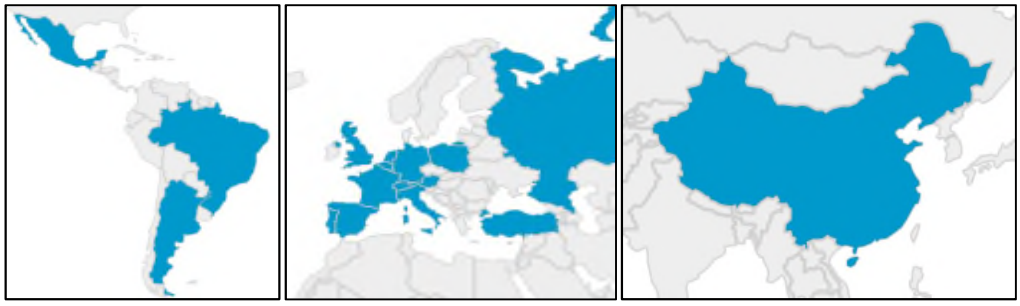
(in million euros)	*IFRS 5*			*IFRS 8*		
	Dec. 31, 2016	**Dec. 31, 2015**	**% change**	**Dec. 31, 2016**	**Dec. 31, 2015**	**% change**
Corporate dealers	60	129	- 53.5	7,232	6,217	+ 16.3
End-users	286	331	- 13.6	15,589	15,119	+ 3.1
of which Retail	273	303	- 9.9	14,241	13,662	+ 4.2
of which Corporate and equivalent	13	28	- 53.6	1,348	1,457	- 7.5
Total Customer Loans and Receivables	**346**	**460**	**- 24.8**	**22,821**	**21,336**	**+ 7.0**

BY REGION

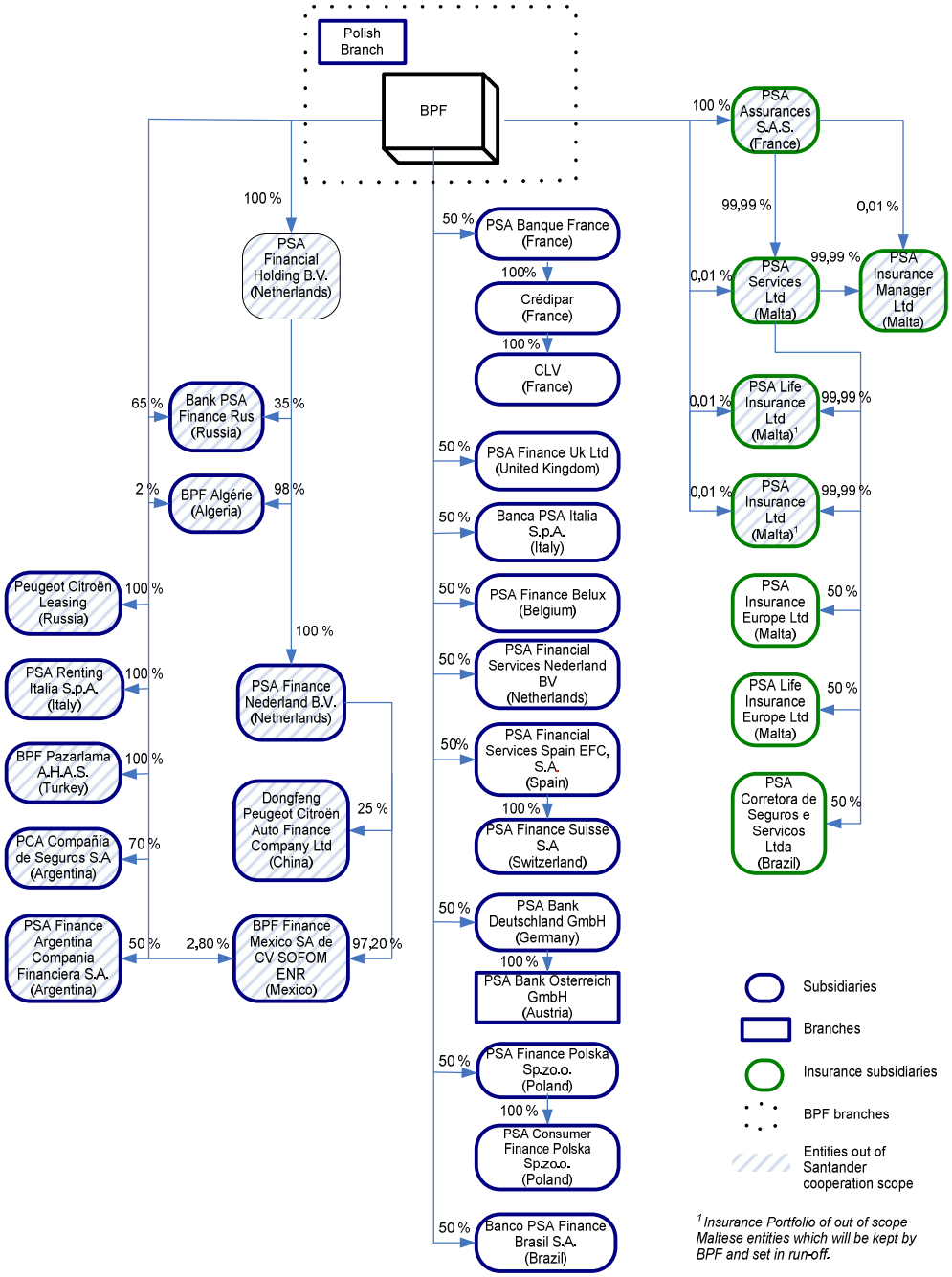
(in million euros)	**IFRS 5**			**IFRS 8**		
	Dec. 31, 2016	**Dec. 31, 2015**	**% change**	**Dec. 31, 2016**	**Dec. 31, 2015**	**% change**
France[1]	-8	-2	+ 30.0	9,216	8,251	+ 11.7
Western Europe (excluding France)	42	60	- 3.0	12,589	11,881	+ 6.0
Central and Eastern Europe	47	170	- 7.2	254	539	- 52.9
Latin America	184	162	+ 1.4	680	595	+ 14.3
Rest of the World	81	70	+ 1.6	82	70	+ 17.1
Total	**346**	**460**	**- 2.5**	**22,821**	**21,336**	**+ 7.0**

1 - Negative outstandings in IFRS 5 are linked to netting underwriting with PSAI current accounts.

1.3.3 Organization at December 31, 2016



The following organizational chart only covers BPF Group entities with material operations.



1.3.4 Operations of the principal operational entities of the Banque PSA Finance Group

1.3.4.1 Presentation

100% directly controlled by companies in the PSA Group and closely associated with the sales policies of the Peugeot, Citroën and DS brands, Banque PSA Finance (BPF) handles, in 18 countries, mainly through partnerships, the distribution of financing and service products in order to promote vehicle sales through the three brands' dealerships.

BPF, via its local operational entities:

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

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

Through its organizational structure and the governance methods in place with its various partners, BPF can ensure that its finance approval process is totally independent from the three brands and the distribution network.

The BPF partnership policy has been accelerating since 2015, in particular with the implementation of the partnership with the Santander Group in 11 European countries and in Brazil. As at December 31, 2016, 17 of the 18 local BPF establishments are structured in the form of a partnership with banking or industrial players.

As such, in its principal markets, Banque PSA Finance performs its operations:

In the form of joint ventures:

- with SCF in Europe since 2015 and during 2016: in France, the United Kingdom, Spain, Switzerland, Italy, the Netherlands, Belgium/Luxembourg, Germany, Austria and Poland;
- in China with the automobile manufacturer Dongfeng Motor Group and Dongfeng Peugeot Citroën Automobiles;
- in Brazil with BANCO SANTANDER BRASIL;
- in Argentina with BBVA.

In the form of a partnership:

With banking partner groups who handle the essentials of refinancing and back-office management:

- in Turkey with TEB/CETELEM;
- in Mexico with BNP PARIBAS.

In the form of a commercial partnership with Santander Consumer Finance:

- in Portugal.

On its own:

- in Russia.

In Europe

In February 2014, the PSA Group and Banque PSA Finance announced they had entered into exclusive negotiations with Santander Consumer Finance (SCF) to form a 50/50 partnership for developing BPF's operations in Europe. A framework agreement was signed on 10 July 2014 to create a European partnership involving 11 European countries. Subject to the approval of the competition and regulatory authorities in the principal countries, transactions began in early 2015 and continued into 2016, during which they were finalized. The newly operational companies are consolidated by BPF using the equity accounting method.

The partnership is now operational in 11 European countries, representing 96.3% of total outstanding BPF loans in IFRS 8 format. Since it began in 2015, this partnership has already significantly improved the competitiveness of the PSA brands, making better penetration of the automobile financing market possible. It enabled the financing operations of the Group to be boosted and sustained, through the use of competitive offers reserved for the brands and their customers.

The partnership has been set up in each country through the legal steps described below:

SCF'S investment through existing entities:

- in France, the entity has been operational since February 2, 2015. SCF made a 50% equity investment in PSA BANQUE France (formerly SOFIB), which now holds 100% of Crédipar. CLV will continue to be wholly owned by Crédipar;
- in the United Kingdom, the entity has been operational since February 3, 2015. SCF made a 50% equity investment in BPF's existing British subsidiary, to which the operations of BPF's existing branch were previously transferred;
- in Switzerland, the entity has been operational since October 1, 2015. The equity of BPF's existing subsidiary was sold in its entirety to the newly created Spanish joint venture company, currently owned 50/50 by BPF and SCF;
- in the Netherlands, the entity has been operational since February 1, 2016 and is owned 50/50 by BPF and SCF;
- in Belgium, where the entity has been operational since May 2, 2016, SCF made a 50% equity investment in the existing Belgian subsidiary;
- in Poland, the entity has been operational since October 1, 2016. SCF made a 50% equity investment in the subsidiary which is itself the sole owner of another subsidiary, PSA Consumer Finance Polska.

Investment by SCF through newly created organizations:

- excluding financing operations, two subsidiaries started up in Malta on May 1, 2015 as insurance companies, held 50/50 by BPF and SCF;
- in Spain, the new entity has been operational since October 2nd, 2015, and has received, through contribution, the business of BPF's existing Spanish branch. This new Spanish subsidiary held 50/50 by BPF and SCF;
- in Italy, the new entity has been operational since January 1, 2016, and is held 50/50 by BPF and SCF. It received through contribution the business of BPF's existing Italian branch;
- in Germany, the new entity, owned 50/50 by BPF and SCF, has been operational since July 1, 2016 and has received, through contribution, the business of BPF's existing German branch;
- in Austria, the new entity has been operational since July 1, 2016 and has received, through contribution, the business of BPF's existing Austrian branch. This entity is a branch of the new German entity.

Commercial cooperation:

- in Portugal, BPF's existing branch and subsidiary were transferred on August 1, 2015 to SCF. A commercial partnership contract was also entered into on the same date between BPF and SCF.

In Latin America

In Brazil, a framework agreement was signed on July 24, 2015 between Banque PSA Finance and Banco Santander Brasil, with a view to developing a partnership between the two groups. The new entity has been operational since August 1, 2016. For this transaction, Banco Santander Brasil bought back shares from BPF's finance companies in Brazil. This partnership has been established in the form of a financial institution owned 50/50 by Banque PSA Finance and Banco Santander Brasil.

Other markets

- Turkey: Banque PSA Finance markets its financing and insurance products in cooperation with its partner TEB/CETELEM, who carries the outstanding loans. On December 14, 2015, it transferred its banking license to FINANS BANK.
- China: In order to enhance the synergies between the manufacturer-dealer Dongfeng Peugeot Citroën Automobiles (DPCA: 50/50 joint venture between Dongfeng Motor Group and the PSA Group for the Peugeot and Citroën brands) and its captive auto finance company Dongfeng Peugeot Citroën Auto Finance Co. (DPCAFC: previously 75% and later 50% owned by BPF), since March 2015, DPCA has held 50% of the shares in DPCAFC, BPF has held 25% and Dongfeng Motor Group the other 25%. The management of the JV is assumed jointly by the three partners. BPF is also continuing to assist Changan PSA Automobiles (CAPSA: 50/50 joint venture between Chang'An and the PSA Group, DS brand manufacturer-dealer in China) with a view to supporting the development and financing of the DS dealership network as well as offering financing and services to DS brand customers through financial institutions.
- Lastly, in the Asia-Pacific region (mainly Japan, Korea and Australia), BPF is also continuing to provide assistance to the brands and to importers as part of the development of their operations.

Unless otherwise mentioned, the results presented in this annual report exclude operations in China.

A. History and Organization

BPF's current structure stems on the one hand from the grouping of Citroën and Peugeot's financing operations (launched in 1919 and 1929, respectively), both manufacturers having integrated financing very early on into their development strategy to facilitate the acquisition of a vehicle by the great majority of consumers, and on the other hand and more recently, from the local implementation of banking and industrial partnerships and in particular the agreement entered into on July 10, 2014 with the Santander Group in Europe and Brazil, which is now fully operational.

In 1979, PSA Group created Crédipar, its vehicle financing arm in France and today a major entity of BPF. PSA Finance Holding was then created in 1982 to consolidate Peugeot and Citroën's financing operations. In 1995, PSA Finance Holding became a licensed credit institution in France and was renamed Banque PSA Finance. In 2009, BPF created PSA Insurance, bringing together the necessary expertise for the growth and proper management of the insurance and services activity. In July 2014, BPF and the SANTANDER Group signed a strategic agreement covering 11 European countries and Brazil, representing 98.5% of total outstanding loans per IFRS 8.

BPF's business has grown over the years with that of PSA Group. Thanks to our natural geographical platform, we have thereby supported the international expansion of PSA Group.

BPF operates in 18 countries (including China), representing 80% of vehicle sales by Peugeot, Citroën and DS in 2016. Our principal markets are France, China and other Western European countries (notably the United Kingdom, Spain, Italy and Germany), Argentina and Brazil. BPF also has a presence in Russia, in Turkey and in Mexico.

Our sweeping geographical presence gives us a solid base of operations and facilitates our ability to quickly respond and adapt to movements in growth markets.

In March 2013, BPF entered the retail savings market in France under the “PSA Banque” brand. We continued to expand our business by launching a retail savings business in Belgium in September 2014 under

the brand “PSA BANK” and in Germany in October 2014, under the brand “PSA DIREKTBANK”. In April 2015, the savings business in France was transferred to the new joint venture company PSA Banque France created within the framework of the cooperation agreement signed between BPF and Santander Consumer Finance. In July 2016, the savings business in Germany was transferred to the new joint venture company PSA BANK Deutschland and in December 2016, the savings business in Belgium was sold to Arkea Direct Bank.

B. Business activities and Strategy

Operating in a global economic context which experiences rapid, unforeseeable, and varied economic cycles depending on the markets, within which competition is intensified with the arrival of new players, BPF managed once again in 2016 to demonstrate the resilience of its economic model, founded on its proximity to the three brands of PSA Group and their dealership network, reinforced by the implementation of the partnership with the SANTANDER Group now operational in 11 European countries and in Brazil, offering the Group increased competitiveness in these markets. Its improving commercial performance and the quality of its management and procedures enabled it to generate high-level results in 2016. The main levers implemented by the Bank are the following:

- ***A range of structured and varied mobility services.*** Our diverse offering has been developed to meet the needs of the Peugeot, Citroën and DS dealerships, as well as new customer expectations in terms of mobility solutions. Our relationship of proximity with the commercial networks allows us to develop financing solutions and services packages specifically designed to address these needs. With a presence in new mobility segments, Banque PSA Finance is expanding its range of mobility services and targeting new customers.

- ***A long-term lease service aimed at B2B customers***. Established for a number of years on the long-term lease market, BPF currently manages a fleet of more than 400,000 vehicles. In 2016, with a view to improving efficiency and supporting the development of the PSA Group's mobility offering, BPF committed to reorganizing its long-term lease operations in conjunction with the Peugeot, Citroën and DS brands. These new offers and services will be available from January 2017 under the name Free2Move Lease.

- ***Close privileged relationships with the Peugeot, Citroën and DS brands as well as with the dealer networks.*** We work closely with the Peugeot, Citroën and DS commercial and dealer networks with a combined approach linking vehicle sales to vehicle finance, insurance and service in a single package. Our market research shows that clients renew their contracts more frequently when financing their vehicles through BPF.

- ***A first-rate integrated point-of-sale IT system.*** BPF's information management systems are integrated with those of Peugeot, Citroën and DS and their dealers, allowing the latter to offer clients comprehensive quotes and packaged solutions, comprising financing and ancillary services, in rapid time. Qualified customers can obtain a decision in principle on the credit applications, immediately through tools made available to dealers.

- ***Diversified insurance and service offerings with a high added value.*** We offer our end-user customers a range of financial, insurance and vehicle-service options, which are either offered at the time of financing, or during the vehicle's lifespan. We believe that this “one-stop shopping” approach enhances our financing products, insurance and services to our customers. Insurance and services represent a significant portion of BPF's revenues.

- ***A controlled geographical presence.*** BPF has historically supported the international expansion of sales by PSA Group, benefiting in this way from a natural platform for geographic expansion, firstly in Europe, then into the fastest growing emerging markets. Entry into new markets is systematically carried out via a partnership with a long-established, local banking or industrial player, making it possible for BPF to rapidly become operational, while limiting its development costs.

- ***Reinforced refinancing in 2016.*** Since the establishment in 2015 and 2016 of local partnerships with the SANTANDER Group, the financing of these entities is no longer the responsibility of Banque PSA Finance. With a direct access to local refinancing markets, the partnership arrangement makes it possible to significantly improve the positioning and competitiveness of BPF's commercial offering. In the countries that remain under the responsibility of BPF (mainly Argentina, Mexico and Russia), refinancing is carried out with the widest possible diversification of liquidity sources and the maturities of financing sources are matched with those of outstanding loans.

While fully benefiting from its status as a dedicated commercial partner of the PSA Group, BPF operates within the Group according to an independent management structure which steers its 18 operating entities, usually with governance methods shared with its various banking and industrial partners. BPF is responsible for the success of its operations while ensuring the rigorous control of the risks inherent to its activity. We formulate our commercial policy in conjunction with the marketing strategies of the brands and our partners.

Our 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.

BPF is not exposed contractually to the residual value of financed vehicles, as the dealers or manufacturers are committed to repurchase the vehicles from us at the end of the financing contract, except in the United Kingdom where regulation offers the possibility to individual customers to ask for the repurchase of the vehicle by the lender under certain conditions.

1.3.4.2 Our Products and Services

Our financing products, insurance and services include the following:

- ***End-user financing (83% of outstanding customer loans and receivables per IFRS 5 and 68% per IFRS 8 as at December 31, 2016).*** We offer individuals, small and medium-sized businesses, and corporate and equivalent customers a range of solutions, including financing for the purchase of new and used vehicles, various leasing solutions with or without purchase options and now a range of mobility services.
- ***Financing the corporate dealership network (17% of outstanding customer loans per IFRS 5 and 32% per IFRS 8 as at December 31, 2016).*** We provide Peugeot, Citroën and DS dealers with financing for inventories of new and used vehicles and spare parts, as well as other types of financing such as working capital.
- ***Insurance and services***. We provide end-user customers and corporate dealers with a wide range of insurance products and services, such as whole-life insurance, unemployment insurance, disability insurance, supplemental insurance to protect vehicles, automobile insurance, and vehicle-related services such as extended warranties, maintenance contracts or service provisions.
- ***Retail savings.*** The retail savings market is active in France and Germany and consists of savings passbooks and term deposit accounts. The proportion of outstanding amounts, for the two countries combined, is at 80% for savings passbooks and 20% for term deposit accounts. The growth in results from this business activity at the European level bears out the appropriateness of a plan built around the real economy. The commercial success achieved is also testament to the confidence of savers in the future development of the PSA Group and BPF. This business is fully consolidated within the scope of the SCF partnership in France and in Germany.

A. Loan Portfolios

We analyze our financing activities and outstanding loans by portfolio, based on the customer segment:

- end-user loans primarily consist of financing for the acquisition of vehicles by individuals, small and medium businesses and corporate and equivalent customers, either through installment loans or leasing contracts;
- corporate dealer loans consist of financing provided to Peugeot, Citroën and DS dealers for inventories of new and used vehicles and spare parts. Also included are loans and leases provided to dealers to finance vehicles used in their business activities, working capital and mortgage loans for their premises and other financing requirements, including ordinary accounts in debit.

See section 1.3.2 or 1.5.1.2 “Outstanding Loans” for a breakdown of outstanding loans by portfolio.

B. End-user financing

BPF finances the purchase and lease of new and used vehicles for individual and business customers through Peugeot, Citroën and DS dealer networks. Our financing solutions include installment loans and leasing contracts with or without the option to purchase the vehicle at the end of the lease duration.

Our end-user customers consist primarily of individuals, small and medium-sized businesses and corporate and equivalent customers. As at December 31, 2016, the latter represent 8.6% of the outstanding end-user loans and receivables (IFRS 8), while individual clients and small and medium-sized businesses represent 91.4% of end-user outstanding loans. The average term of new end-user financing contracts was 42 months in 2016.

Most of our financing is for new vehicles (77% of contracts). We also provide financing for the purchase of used vehicles, primarily vehicles recovered by Peugeot, Citroën and DS dealers at the end of a lease term, or trade-in vehicles purchased by dealers, which may include third-party brands. In some cases, we offer financing to corporate clients wishing to refinance their fleet with used vehicles. In 2016, we provided end-users financing for 767,848 vehicles of which 174,826 were used vehicles.

The production of new contracts in 2016 increased (+4.9%) to a total amount of €8,499 million, representing 500,874 units financed by installment loans and 266,974 units by leasing contracts. In 2016, BPF pursued its strategy of offering package-type products (financing + services) which aim to build customer loyalty, to support the launch of new vehicles, while further relying upon the leasing techniques that promote the more upmarket ranges. Volumes of

leasing-type products grew by 4.6%. Volumes of loyalty-creating products (leasing techniques + balloon loans) on the G10 scope grew 21% between 2015 and 2016, and are up 51% since 2014.

We base our pricing policy on an internally developed credit scoring method that assesses the credit risk profile of each customer. Interest rates (and implicit interest rates in leasing contracts) are generally fixed rates. Customers also pay administration fees that vary from one country to another depending on market trends and local regulations.

A significant number of our operations depend on promotional rates subsidized by Peugeot, Citroën and DS, aimed at increasing vehicle sales. We generally apply our regular pricing and credit scoring measures to these loans, although we sometimes offer preferential rates via our own marketing campaigns.

Geographical coverage

We provide end-user financing in 18 countries (including China). This represents approximately 80% of Peugeot, Citroën and DS vehicle sales in 2016. Our principal markets are China, France and other Western European countries (mainly the United Kingdom, Germany, Italy and Spain), Brazil and Argentina. The table below breaks down our outstanding end-users loans by region as at December 31, 2016 (excluding the €1,479 million of outstanding end-users loans in China at the end of December 2016). Our outstanding loans provided in Turkey are booked by our partners and therefore do not appear below. The same applies to our partnership in Mexico.

OUSTANDING END-USER LOANS BY REGION

	IFRS 8	
End-users	**Dec. 31, 2016**	
	in million euros	*as a % of total*
France	6,200	39.8%
Western Europe (excluding France)	8,688	55.7%
Central and Eastern Europe	130	0.8%
Latin America	518	3.3%
Rest of the World	53	0.3%
Total	**15,589**	**100.0%**

Marketing and Penetration rates

BPF has a privileged relationship and works closely with the Peugeot, Citroën and DS dealer networks, financing 30.83% of the sales of vehicles assembled by the PSA Group in 2016 in the eligible scope, which is an historic level.

We work closely with the Peugeot, Citroën and DS commercial and dealer networks with a combined approach linking vehicle sales to vehicle finance, insurance and service in a single package. Market studies confirm that the automobile renewal rate in the Brand is greater when the clients finance the purchase of their vehicle through the captive finance company of the Group (BPF). This significantly positive contribution to automobile customer loyalty undeniably constitutes a strong incentive for each dealer to enhance their cooperation with the Group. We also pay commission to dealers when we finance vehicles sold by them.

Our information management systems are integrated with those of the dealer networks, allowing them greater reactivity with regard to client negotiation and contracting processes. This capacity of “one-stop shopping” is an advantage that is particularly appreciated by customers. Qualified customers can obtain a decision in principle on the credit applications, immediately through the system, while they are at the dealer's premises. This integrated information management system is also a key factor in driving down costs.

To complement the communications and product offerings of the Peugeot, Citroën and DS brands on their websites, BPF has developed monthly-payment simulation tools, and in some markets, functionalities for tentative agreements. Similarly, BPF is expanding its digital strategy and helping to develop online sales apps in the Netherlands, Belgium and Great Britain, and is also involved in the development of new models including electric vehicles. We will continue to roll out this strategy across the G10 countries in 2017.

Marketing policy aimed at developing the diffusion of customer-loyalty building offerings (balloon loans, leases with option to buy, long-term leases) accompanied by services accelerated in 2016. This type of offering has been utilized in order to support new vehicle launches (3008 and C3 in particular), with the objective of increasing customer loyalty to the Brand, and improving the pace of renewal and the control of its expenses by the customer. A major training plan has also been created to promote these types of product, adding to an already diverse offering.

We measure our penetration rate by comparing the number of new Peugeot, Citroën and DS vehicles we finance to the number of passenger cars and utility vehicles registered by the PSA Peugeot Citroën Group in that country. The number of new vehicles registered includes vehicles purchased for cash, without financing. Our share of the total number of Peugeot, Citroën and DS financed vehicles is significantly higher than that of our competitors (banks, specialized agencies, etc.).

The table below shows our penetration rates (excluding China) in the countries where we operate for 2015 and 2016:

BANQUE PSA FINANCE PENETRATION RATE BY COUNTRY (EXCLUDING CHINA)

	PSA Group Registrations (passenger and utility vehicles)[1]		New Vehicle Financing (passenger and utility vehicles)[1]		Banque PSA Finance Penetration rate (in %)	
Countries	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
France	**687,647**	**678,147**	**201,123**	**193,212**	**29.2**	**28.5**
Germany	129,427	124,829	40,515	42,730	31.3	34.2
Portugal	41,616	22,230	10,537	6,889	25.3	31.0
Spain	197,950	182,578	79,630	66,886	40.2	36.6
Switzerland	22,594	27,643	7,119	8,948	31.5	32.4
United Kingdom	239,033	257,383	81,540	89,315	34.1	34.7
Italy	184,217	162,992	54,211	45,660	29.4	28.0
Belux	87,100	87,000	20,656	19,656	23.7	22.6
Austria	21,182	20,764	6,042	4,844	28.5	23.3
Netherlands	52,230	78,098	11,902	10,813	22.8	13.8
Western Europe (excluding France)	**975,349**	**963,517**	**312,152**	**295,741**	**32.0**	**30.7**
Central and Eastern Europe	**45,875**	**70,993**	**12,637**	**20,502**	**27.5**	**28.9**
Brazil	50,192	57,650	25,514	27,877	50.8	48.4
Argentina	87,183	73,048	18,985	13,348	21.8	18.3
Mexico	7,877	7,295	2,568	2,305	32.6	31.6
Latin America	**145,252**	**137,993**	**47,067**	**43,530**	**32.4**	**31.5**
Russia	7,390	11,173	2,476	3,859	33.5	34.5
Turkey	61,344	62,684	17,333	18,927	28.3	30.2
Rest of the World	**68,734**	**73,857**	**19,809**	**22,786**	**28.8**	**30.9**
Total	**1,922,857**	**1,924,507**	**592,788**	**575,771**	**30.8**	**29.9**
Of which partnership perimeter	**1,742,392**	**1,728,430**	**545,985**	**523,634**	**31.3**	**30.3**

1 Passenger cars and light commercial vehicles.

End-user penetration in China done by DPCAFC rose sharply (27.2% in 2016 vs. 21.1% in 2015 and 16.2% in 2014), demonstrating the success of the joint operations with the brands. In one year, volumes went from 144,244 to 168,287 new car contracts, for a growth rate of 17%.

End-user Installment Loans for New and Used Vehicles

End-user installment loans are offered in two forms, fixed monthy payments loans or balloon loans. In the first case, fixed monthly payments cover the amortization of principal and accrued interests. In the second case, we offer financing options with a more important payment (balloon payment) at the end of the loan. In the case of balloon loans, the customer choses a time length and a certain mileage and has several possibilities at the end of the contract: pay the latest ballon amount and keep the vehicle, or take a new car from the brands; in this latest case, the dealer can offer to buy back the old vehicle for an amount corresponding to the last balloon payment. The balloon formula enables the customer to renew its vehicle more easily and to control its expenses.

We limit financing to a specified percentage of the sales price of a vehicle. Borrowers make a down payment that varies in size in accordance with country policy. We do not in any case finance amounts that are greater than 100% of the vehicle sales price (including options and accessories). Many customers (especially individuals) choose to make larger down payments, or, on account of their credit score, are obliged to do so. We also typically require that a customer's total debt exposure (monthly vehicle loan repayments plus other commitments, such as home mortgage loans) does not exceed a certain percentage of household revenue.

Loan terms typically range from one year to six years, varying by country. Repayments are generally monthly. In some cases it is, however, possible to delay the first installment for 60 to 90 days. We do not make loans with negative amortization or similar features.

Borrowers in certain countries may prepay their loans at any time, while in other countries this is only possible if the vehicle is seriously damaged or stolen, or if we otherwise consent to prepayment. Fees may or may not be due upon prepayment, depending on the country and applicable regulations.

All of our installment loans are backed by the vehicle that is financed, although the form of security depends on the country. In some cases, we receive a pledge, charge or other lien on the vehicle, which we can enforce in case of default. In other cases we purchase the vehicle from the dealer and instantly resell it to the customer with a title retention clause, allowing us to recover the vehicle in case of default. We are able to enforce our rights without judicial procedures in certain countries, and require a court order to recover a vehicle in others.

In individual cases, we may accept third party guarantees, co-borrowing agreements or other collateral from the borrower. We also accept company shares or trading assets as guarantees from corporate and equivalent customers. We may also be named as a beneficiary of life, car or accident insurance policies, and occasionally obtain ancillary rights, such as vehicle warranty or maintenance contract transfers.

Lease Financing

We offer both long-term leases and leases with purchase options (we refer to the latter as “buyback contracts”). All our leases are recorded as financial leases in our consolidated financial statements, and included in customer loans and receivables. Leased vehicles are not recorded as fixed assets in the Bank's IFRS 8 consolidated financial statements.

We purchase vehicles from Peugeot, Citroën and DS dealers and lease them to end-user customers. We offer one to five year contracts, and give end-user customers the option either to return the vehicle at the term of the lease, or to repurchase it at its residual value. Generally, we remain the owner of the leased vehicles throughout the lease term. Should the end-users choose or be obliged to return the vehicle at the end of the lease term, the dealer or manufacturer is committed to repurchase the vehicle from us directly upon delivery by the customer at a price determined at the time of entry into the lease. As a result of the lease structure, we do not bear the buyback risk (so long as the dealer or manufacturer complies with its buyback obligation). The price the dealer or manufacturer pays us is not affected by any penalty fees the customer may incur if the vehicle is not in a satisfactory condition or has exceeded its agreed mileage. However, we retain the risk of the value of the vehicle if the customer ceases to make payments on the lease, as the sales value of the vehicle may not be adequate to compensate us for the loss of lease payments. We may therefore negotiate additional payments in advance to cover potential losses in the event that the customer ceases to make payments and we repossess the vehicle.

Underwriting, Payments and Collection

Peugeot, Citroën and DS dealers offer our end-users financing solutions to their customers as part of the overall vehicle sales offering. We give dealers access to our online information system, allowing them to request, and for the most part obtain, a financing decision in principle and pricing while the customer is at the dealership. Loan terms are processed together with the vehicle sales agreement.

The credit granting policy relies on a system of delegation, especially for customers whose score is below a certain threshold.

We have established separate credit criteria for new and used vehicles, individuals and businesses, and for installment loans and leasing contracts. We obtain inputs for scoring credit applicants from customer provided documents, from internal database built up from detailed customer profiles and from payment histories. We typically verify customer information with credit databases made available by public entities (such as the Banque de France) or commercial services (such as Experian and CRIF). For corporate and business customers, we use a variety of public and commercial sources to verify credit standing. When we refuse financing applications, we maintain records for a period of time, which produce automatic alerts if the customer re-applies for financing.

We generally collect regular payments from customers through a direct debit system. In cases of non-payment, we activate a second debit order in order to automatically deal with as many arrears as possible. For residual non-payments, we typically issue reminder notices or call the customer within days of the late payment, and repeat the process until the incident is resolved. In most countries, we use in-house collection teams to handle this process. We have two international recovery centers that initiate recovery procedures, one located in Warsaw, Poland for our main Northern European entities, and the other in Madrid, Spain for the Southern European entities.

When sustained non-payments exceed a specified period (usually 45 to 90 days depending on jurisdiction), our in-house collection teams assess whether to recover the vehicle or initiate legal repossession proceedings in accordance with local laws and regulations. Once we have recovered the vehicle, we use the legal means at our disposal (typically sale by auction or to dealer or garage networks) to resell the vehicle. When we are unable to recover our principal arrears through the sale, we determine whether to initiate legal recovery proceedings or to sell the receivables to a commercial recovery service.

C. Corporate Dealers Financing

We provide financing for vehicles (New, Used and Demo Vehicles) and spare parts for the Peugeot, Citroën and DS dealer networks. Also included in this portfolio is financing provided to dealers to finance vehicles used in their everyday business activities, for their working capital needs, as well as mortgage loans for their premises and other types of financing, including conventional current accounts.

Lines of credit may also be granted to dealers to finance their vehicle buyback obligations under lease and balloon loan agreements: in this case they are used vehicle lines of credit. We finance the full purchase price of vehicles purchased by dealers, but limit the aggregate amount of financing per dealer. Regular reviews of the solvency and overall financial position of the dealers are carried out by BPF and, for the joint ventures, with Santander Consumer Finance, so that credit limits can be adjusted if necessary.

In 2016, 1,651,755 vehicles were financed at the dealerships (see table in section 1.3.2 or section 1.4.2.2), representing a minor drop of 0.2% against 2015, due on one hand to the Central and Eastern European countries and Portugal being removed from the BPF scope during 2016 and, on the other hand, due to a decline in financing outside of Europe. The total amount of new credit on vehicles granted at the Brand dealerships fell by 0.4%.

Outstanding loans at the end of December 2016 (per IFRS 8) stood at €7,232 million, 16% higher than at the same time in 2015, associated with an increase in sales and the launch of new Peugeot and Citroën models in the final months of the year.

Geographical coverage

BPF finances dealers marketing the Peugeot, Citroën and DS brands throughout the world, with a geographical coverage very similar to that of the end-user financing operations, where the principal markets are France, the rest of Western Europe, Poland, Russia and Latin America (Brazil and Mexico).

The following table breaks down our outstanding corporate dealer loans by geographical area and country as at December 31, 2016. We do not provide corporate dealer financing in Algeria, Argentina and Turkey.

OUSTANDING CORPORATE DEALER FINANCING BY REGION

	IFRS 8	
Corporate dealers	**Dec. 31, 2016**	
	in million euros	*as a % of total*
France	3,016	41.7%
Western Europe (excluding France)	3,901	53.9%
Central and Eastern Europe	124	1.7%
Latin America	162	2.2%
Rest of the World	29	0.4%
Total	**7,232**	**100.0%**

Corporate dealer financing

The structure of our corporate dealer financing varies by country. The inventory financing generally includes a grace period, during the course of which the interest expense is borne by the brands.

We take most of the time a security interest or other right in the vehicle and spare parts that are financed as well as refinancing [funding] for other purpose. We may either sell the vehicle to the dealer with a title retention clause in case of non-payment. Vehicle delivery may also be made on consignment. We may also require other collateral from the dealer, including a mortgage on the dealer's ownership or leasehold interest in the dealership, or other guarantees on the dealer's business or trading assets.

Corporate dealer financing is typically provided through dedicated credit lines. In general, loans for

vehicles are repaid within 30 to 180 days after they are drawn. We periodically review credit limits for dealers, and pricing is based on a combination of our internal credit scoring system. Pricing terms may also depend in some cases on borrowers' credit scores.

We assess dealer credit applications on the basis of our standard corporate and business loan criteria, using documents provided by the dealers (company documents, commercial registry extracts and financial statements) and information from public and commercial credit agencies. We also assess the value of the collateral underlying the loan.

While many dealers are independent, some dealerships are owned by the PSA Group or its subsidiaries and may be financed by BPF under the same terms as for independent dealers.

D. Insurance and Services

Over the years, we have expanded our product offerings to offer insurance services in conjunction with insurance partners (e.g. loan-repayment insurance, additional insurance and car insurance) and vehicle related services in conjunction with the Peugeot, Citroën and DS brands (e.g. extended warranties and maintenance contracts).

In fact, our strong expansion, technological developments and customer consumption as well as purchasing patterns have been for a long time forecasting growth and an evolutionary contribution of insurance products and services to the automotive industry, within the context of a market environment and product and service offerings that require us to:

- Ensure a better control of the value chain so as to be more competitive and reactive and to develop insurance products and services that match customers' expectations ever more closely;
- develop launch and product strategies that are increasingly pan-European in scope and incorporated into the vehicle and finance product offer;
- guarantee service quality that matches the standards of excellence of the Peugeot, Citroën and DS brands;
- develop product and service offers that comply with the many regulatory changes, prioritizing customers' interests, customer satisfaction and consumer rights.

This strategy has resulted in the Group's desire to rationalize and professionalize this strategic activity by:

- bringing together its insurance know-how in one single business unit, PSA Insurance;
- centralizing the design of products and services as well as operational, marketing and sales management across all of the markets served by us, or even by the Group as a whole, when it comes to certain strategic issues;
- bringing product underwriting in-house across nearly all of our European markets, due to the specific nature of the single European market.

PSA Insurance is, therefore, the implementation of this strategy. PSA Insurance, which is made up, in part, of four insurance companies, designs a broad range of insurance and service products which it distributes through BPF's subsidiaries. The insurance products are either developed in partnership with key insurance players (the "BUY" model), or directly by insurance companies in which PSA Insurance holds an interest (the "MAKE" model). In 2015, two new insurance companies were thus created: PSA Insurance Europe and PSA Life Insurance Europe. The agreement entered into with Santander and the Group and BPF on July 10, 2014, provided for the creation of two insurance JVs, intended to underwrite the insurance products sold within the framework of the financing of new financing structures resulting from the agreement with Santander. The insurance JVs which were created are owned 50/50 and are consolidated by the equity accounting method. They began operating on May 1, 2015 and distribute, under the Freedom to Provide Services principle, insurance products in France, Great Britain, Spain, Portugal, Italy, Germany, Austria, Belgium and Poland.

These companies are authorized to conduct business in all European markets thanks to the "Freedom to Provide Services" principle, a specificity of the European Union. PSA Insurance also operates in the Group's other principal markets: Latin America, Russia, Turkey, China (consulting services mainly).

As a result of this organizational structure, BPF and the brands offer our end-user customers a whole range of individual and vehicle-related insurance products and other services, which may or may not be packaged together with our financing solutions. Our service packaged offers include loan insurance contracts, such as loan-repayment insurance or additional insurance, or car insurance or vehicle related services such as extended warranties and maintenance contracts. We believe that our “one-stop shopping” approach makes our financing products and services more attractive to customers, and that our packages cover our customers and protect their vehicles in the most comprehensive and competitive manner.

Loan, insurance and service packaged solutions have thus been developed, such as, for example, Easydrive for Peugeot and Doppel Flat for Citroën in Germany, and Just Add Fuel for Peugeot in the United Kingdom and the French versions Peugeot&Go and Simply Drive, which include maintenance, financing and car insurance. We have designed other offerings in order to meet the specific needs of certain markets or dealers, such as flat-rate monthly premium automobile insurance in Germany and France, black box automobile insurance as in the United Kingdom, loan-repayment insurance with unemployment cover as in the United Kingdom, France, Germany, Italy and Spain, and Small Fleet Insurance in the United Kingdom and France.

In addition, since 2005, we have implemented an ambitious program to grow our car insurance business by either including car insurance in our financing products or offering it at the sale of the vehicle. An auto insurance product is available in every market. In 2016, 12.9% of vehicles sold were sold with auto insurance, an increase of 0.3 points in comparison to 2015.

PSA Insurance offers a range of insurance products that not only directly complement our vehicle financing and leasing operations, but also cover our outstanding customer loans and thereby reduce our risk of non-payments for those loans. The distinct business model of services and insurance products allows us to diversify our revenue stream with non-consumer financial sources of recurrent and steady income that are less subject to fluctuations in financing operations.

Having achieved new record levels in sales for the seventh year in a row, this strategy has proven to be as useful as it is sound.

The table below breaks down the number of service and insurance contracts per sector for 2015 and 2016.

NEW INSURANCE AND SERVICE CONTRACTS

				Of which Santander partnership perimeter		
(In number of contracts)	**Dec. 31, 2016**	**31 déc. 2015**	**% change**	**Dec. 31, 2016**	**31 déc. 2015**	**% change**
Financial services	666,728	620,237	+ 7.5	628,576	588,289	+ 6.8
Car insurance	248,023	242,098	+ 2.4	176,154	166,551	+ 5.8
Vehicle-related services	640,602	638,344	+ 0.4	626,680	634,279	- 1.2
Total	**1,555,353**	**1,500,679**	**+ 3.6**	**1,431,410**	**1,389,119**	**+ 3.0**

PENETRATION RATE ON FINANCING

				Of which Santander partnership perimeter		
(In %)	**Dec. 31, 2016**	**31 déc. 2015**	**Pts change**	**Dec. 31, 2016**	**31 déc. 2015**	**Pts change**
Financial services	84.9	82.9	+ 2.0	86.3	85.5	+ 0.8
Car insurance	31.6	32.4	- 0.8	24.2	24.2	- 0.0
Vehicle-related services	81.5	85.3	- 3.8	86.1	92.2	- 6.1
Total	**198.0**	**200.6**	**- 2.5**	**196.6**	**201.8**	**- 5.3**

Despite slower than expected performance, volumes increased by 3.6% compared to 2015. On average, BPF sold just under two insurance and/or service contracts per financed customer. We have made concerted efforts to expand our services and insurance business in recent years, almost doubling our number of insurance and service contracts per financing since 2002 (an increase from 1.10 in 2002 to 1.98 in 2016).

E. Retail savings market

The retail savings business has enabled BPF to compete in the online savings market while at the same time diversifying our funding sources. Passbooks and term deposit accounts are offered only to individual savers who are tax-residents of the country.

The total outstanding amounts of the online savings business in Europe are, on the whole, stable compared to the end of 2015, despite PSA BANK discontinuing operations in Belgium in December 2016.

In France, outstanding amounts increased by €458 million in 2016. Outstanding amounts in France amounted to €1,570 million at the end of 2016. Savings deposits in Germany, however, fell marginally (-€44 million) this year and currently stand at €1,150 million. At December 31, 2016, the total outstanding amount (IFRS 8 format) stood at €2,720 million (see table in section 1.4.2.5), €16 million lower than the same time in 2015.

1.3.4.3 Partnerships and Joint Ventures

BPF has a number of partnerships, joint ventures and similar agreements, which have been entered into in line with our domestic and international expansion. These partnerships allow us to avoid the heavy start-up costs associated with establishing back-office processing structures, and to benefit from the shared experience of local well-established financial institutions as they facilitate our entry into new markets.

On July 10, 2014, BPF and Peugeot SA signed a partnership agreement (Framework and Investment Agreement) with Santander Consumer Finance SA (SCF) the scope of which relates to financing and insurance in Western Europe. The joint ventures of the partnership with SCF, owned 50/50 by BPF and SCF, have all been fully operational since October 1, 2016 when the final joint venture was established, in Poland. They operate their financing activities in France, the United Kingdom, in Spain, Switzerland, Italy, the Netherlands, Belgium, Germany and Austria. Insurance operations were launched in 2015 in Malta, with the creation of two insurance companies. In Portugal, the partnership took the form of a "white label" partnership, and BPF's operations were entirely transferred to SCF.

In Argentina, BPF finances end-users via PSA Finance Argentina Compania Financiera, a joint venture in which we have a 50% stake with a BBVA Group subsidiary and for which we provide operations management. Refinancing for the loans is supplied half by the partner.

In Russia, BPF has a wholly-owned subsidiary, Bank PSA Finance Rus. This provides end-users loans as well as loans to dealers, corporate and equivalent customers. Bank PSA Finance Rus works in conjunction with a Société Générale Group subsidiary, via a back-office service agreement, the partner being responsible for managing contracts with end-users.

In Brazil since August 1, 2016, end-user loans and loans to Peugeot and Citroën dealerships have been made via the joint venture company Banco PSA Finance Brasil SA, owned in equal shares by BPF and Banco Santander Brasil.

Non-equity partnerships also exist in other countries, as in Mexico and Turkey.

In China, BPF has been a shareholder in DPCAFC, the captive auto finance company of the manufacturer-distributor DPCA, since 2006. Since March 2015, BPF has owned 25% of the shares in DPCAFC (previously 50%). DPCAFC financial statements are consolidated using the equity accounting method in the BPF financial statements.

1.3.4.4 Competition

Our status as Peugeot, Citroën and DS's captive finance company gives us unparalleled access to their dealer networks, with all the advantages accruing from that position. We are consequently able to meet the financing needs of customers at the points of sale, in line with the three carmakers' business models. What's more, we stand out from the competition due to the specific nature of the products and services offered to end-users via One Stop Shopping packages. These products and services, also designed in close collaboration with the Peugeot, Citroën and DS brands, combine finance, insurance and services, and make it possible to respond instantaneously to each individual customer's requirements at the point of sale.

Peugeot, Citroën and DS dealers are not contractually obliged to use us for their corporate dealer or end-users financing. We therefore compete for end-users and corporate dealer customers in all our markets. Our main competitors are commercial banks and consumer finance companies. We also effectively compete with customers who purchase a vehicle for cash or with alternative sources of financing.

The partnership agreement entered into between BPF and SCF in July 2014, which became operational in early 2015, as well as the agreement entered into in Brazil on July 24, 2015 between BPF and Banco Santander Brasil, includes a non-compete clause excluding Santander's commercial operations within the dealership networks of the Peugeot, Citroën and DS brands in the 11 European countries concerned, and Brazil.

1.3.4.5 Employees

At December 31, 2016, the number of employees of BPF subsidiaries and branches on a full time equivalent basis was 128.

Due to the fact that the joint venture companies created within the framework of the BPF/Santander partnership began operating in 2015 and 2016, their 2,068 employees are no longer included in the BPF workforce in: France, the United Kingdom, Spain, Switzerland, Italy, the Netherlands, Belgium, Germany, Austria, Brazil and Poland. They are now the subject of a joint HR governance between BPF and Santander.

For other staff, BPF, a wholly owned subsidiary of the PSA Group, implements the Group's Human Resources policy detailed in the PSA Group 2016 Registration Document.

The year 2016 was marked in particular by the relocation of BPF employees to the new head office in Gennevilliers. This mobilization project has united the teams through the new and dynamic work spaces, allowing for more open discussions, more flexibility and a working environment that supports the well-being of each employee.

1.3.4.6 Real property

BPF does not own any real estate and our registered office is located in premises rented by the PSA Group. The premises used by BPF offices in France and overseas are also under lease-finance or rental contracts.

1.3.4.7 Legal proceedings and investigations

We and our subsidiaries respect the laws and regulations in force in the countries in which we operate. Most of our legal proceedings consist of disputes relating to non-payments by end-user customers, and to a lesser extent by dealers in the course of our day-to-day business.

We factor the impact and consequences of legal proceedings for and against BPF into our provisions policy, and in consultation with our independent auditors continuously adjust our terms of service to avoid any negative effects on our financial position.

Note that in March 2014 the Swiss Competition Commission opened an inquiry into various captive financial companies, including PSA Finance Suisse S.A., the Swiss subsidiary of BPF, concerning any possible exchanges of information about interest rates, contractual terms and commissions paid to dealers. The investigation will lead to a possible decision in one or two years. BPF should be able to have access to the record in 2017.

In Italy, in July 2015, the Italian competition authority opened an investigation against various long-term leasing firms, including PSA Renting Italia SpA, a subsidiary of BPF which received a notification in December 2015. This investigation targets possible exchanges of statistical information in the framework of the Italian association of long-term leasing firms (of which PSA Renting Italia SpA has not been a member since the end of 2013). The investigation will lead to a possible decision in one or two years. PSA Renting was audited by the Italian competition authority on May 10, 2016. This is still ongoing.

1.4 Analysis of operational results

Most of our business consists of providing financing for the acquisition of new and used Peugeot, Citroën and DS vehicles, and inventory financing for Peugeot, Citroën and DS corporate dealers. Our net banking revenue is derived primarily from net interest income on customer loans and leases. Insurance and other services offered to financing customers also contribute significantly to our net banking revenue.

The presentation of the 2016 results is structured in two ways:

- the first fashion is to present financial performance in the format of IFRS 5, which is the method for presenting the financial statements in light of the highly probable disposal of business activities under the cooperative agreement between BPF and Santander. IFRS 5 calls for the reclassification of the portions relating to the entities involved in the partnership into specific headings on the balance sheet and income statement. In addition, certain liabilities used to finance assets held for sale are also reclassified;
- the second fashion presents financial performance in IFRS 8 format, which does not reflect the aforementioned reclassifications and neutralizes certain income and expenses recognized in the IFRS 5 format. Presentation in IFRS 8 still includes all the joint ventures as a whole, even though they are accounted for in the published accounts using the equity method under IFRS 5.

The start-up in 2015 and 2016 of the joint companies with Santander enables BPF, as at December 31, 2016, to no longer use the French State guarantee, voted for on December 29, 2012 by the French Parliament and approved by the European Commission on July 29, 2013.

BPF's operating income in 2016 was €1 million per IFRS 5 (€571 million per IFRS 8), as compared to €4 million per IFRS 5 in 2015 (€514 million per IFRS 8).

1.4.1 Vehicle sales for Peugeot, Citroën and DS

In 2016, sales of the three PSA Group brands increased by 5.8% to 3,146,000 units (of which 233,000 vehicles produced in Iran under Peugeot license in 2016).

In Europe, Group sales reached 1,930,000 vehicles and increased by 3.6% in 2016. The Peugeot brand, with sales up 4.4%, was a strong driver for this growth, particularly with the new Peugeot 2008 SUV (+16% and 184,200 sold), which currently holds 2nd position in its segment, the Peugeot Partner (+8% and 114,200 sales) and the best-selling Peugeot 208, on the back of its midlife success (+8% and 274,000 sales). Results were similar for Citroën which experienced growth of 4.3% and recorded its best sales volumes in five years (762,000 units). In addition to the new vehicle launches during the year (E-Mehari, new Jumpy, SpaceTourer, new C3), the strength of the brand has been demonstrated by the C4 Picasso, the unrivaled people carrier updated in September (109,000 sales) but also through the marked success of the Berlingo utility vehicle, second bestselling van in Europe. The DS brand is continuing to develop its dedicated dealer network with 112 DS Stores and DS Salons as well as the first DS Urban Store, located at the heart of the prestigious Westfield shopping center in London, officially opened on December 1, 2016.

In China and Southeast Asia, an intensely competitive environment, the Group achieved 618,000 sales. In December, Dongfeng Peugeot achieved its best monthly performance ever in China, with 43,800 customer deliveries, largely driven by the success of the Peugeot 4008 SUV. The Citroën C3-XR SUV was also a success with over 73,000 sales, representing growth of 10.5% and becoming the second bestselling Dongfeng Citroën after the C-Elysée (87,000 sales). The new Citroën C6 sedan, launched at the end of the year, has already received 4,000 orders, almost 75% of which are for top-of-the-range engines and specifications. With 109 DS Stores, China is the 2nd largest market for the DS brand, achieving one in every five sales, 60% of which are for the DS 6 SUV. In South-east Asia, where the markets are undergoing rapid growth, the Peugeot brand recorded an increase of 72% in the Philippines and 40% in Singapore. The Citroën brand also continued to grow in Southeast Asia, and Singapore in particular, with the success of the C4 Picasso.

In the Middle-East and Africa, the PSA Group doubled its sales in 2016 with 383,500 vehicles sold. In under a year, the Group has cemented its return in Iran with the signing of two joint venture agreements: Peugeot with Iran Khodro, long-standing partner of the brand, and Citroën with SAIPA. Launched at the beginning of 2016 in partnership with the Iranian Group Arian Motor, DS opened its first DS Store in Tehran and began marketing the DS 5, DS 5LS and DS 6.

In Latin America, Group sales increased by 17.1%, with 183,900 vehicles sold. The Group's market share increased in Argentina (+1.6%) and in Chile (+1.3%) where sales grew by 32%. With an overall increase of 23.6%, Peugeot sales experienced spectacular growth, particularly in Argentina (+39%) with the immediate success of the Peugeot 2008 SUV (close to 10,000 sales), in Chile (+32%) and in Brazil (+7%). As for Citroën, this brand recorded growth of 6.3%, largely driven by the C3 Aircross (+78%). DS is in 4th position on the Argentine premium automobile market.

The economic context in Eurasia, and Russia in particular, has deteriorated significantly, and PSA Group sales have fallen by 12.6% to 10,500 in a market declining by 12.5%. In the dynamic market of the Ukraine (+37.4%), the Group recorded a 43% growth in sales. The Group has extended its geographical presence in the region and has launched commercial operations for its three brands in Georgia.

In Japan, following growth of 3.3% in 2015, the Group picked up the pace in 2016 and achieved growth of 20.6%, its best result since 2007. The Peugeot brand was a main contributor to this performance (+27%) driven by impressive sales of the Peugeot 2008 SUV (+63%), the 208 (+46%) and the 308 (+24%). The introduction of the BlueHDi technology in July enhanced the range of environmentally friendly options and will have partially contributed to this growth. Throughout the Indo-Pacific region, Citroën recorded sales growth of 7.5%, marked by the launch of the C4 Cactus at the end of the year in Japan and South Korea. Officially launched at the end of 2015 in Japan, sales of DS vehicles have increased by 30% as a result of key measures such as the first DS WEEK in Tokyo and the issue of numerous limited editions.

1.4.2 Banque PSA Finance commercial activity

1.4.2.1 End-users Financing

With a more dynamic automobile market in Europe in particular, BPF has increased its penetration by 0.9 point compared to 2015, largely thanks to its enhanced competitiveness and the renewal of its sales framework associated with better refinancing terms.

With regard to volumes, BPF has recorded a 3% increase in the number of new vehicle contracts in a stable eligible market.

The ever-growing numbers of loyalty-creating products over the past few years represented 57% of contracts in 2016, confirming BPF's intention to develop products that enable customer to better control its expenses, favor more rapid renewal and lead to more upmarket products.

In 2016, vehicle registration levels changed in varying ways according to the different regions: G5 countries (France, United Kingdom, Germany, Spain and Italy) grew by 2.3% while the M5 countries (Belgium, Switzerland, Austria, Netherlands and Portugal) fell by 4.5% (fewer registrations in the Netherlands and Switzerland). Latin America saw an increase of 5.26% with notable results in Argentina (+19.35%) while Brazil saw registrations decline by 12.9%. In Russia, where economic conditions remain very difficult, PSA sales were down 33.9% compared to 2015. Lastly, registrations in China fell by 9.4%, however due to high vehicle numbers (618,858), this is currently PSA's second largest market, after France.

Worldwide, despite these disparities between the markets, BPF recorded a 4.9% increase in financing for new and used vehicles, mainly focused in the G10 countries. The positive trend observed on used vehicles continued with business up 12% thanks to a renewal of the sales framework and increased competitiveness.

The tables below provide information relating to BPF's end-users financing activity in 2015 and 2016.

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

				Of which Santander partnership perimeter		
(in number of contracts)	**Dec. 31, 2016**	**Dec. 31, 2015**	**% change**	**Dec. 31, 2016**	**Dec. 31, 2015**	**% change**
Installment contracts	500,874	476,569	+ 5.1	448,735	427,402	+ 5.0
Leasing activity and other financing	266,974	255,132	+ 4.6	262,222	244,324	+ 7.3
TOTAL	**767,848**	**731,701**	**+ 4.9**	**710,957**	**671,726**	**+ 5.8**

				Of which Santander partnership perimeter		
(in million euros, excluding accrued interests)	**Dec. 31, 2016**	**Dec. 31, 2015**	**% change**	**Dec. 31, 2016**	**Dec. 31, 2015**	**% change**
Installment contracts	4,691	4,536	+ 3.4	4,474	4,305	+ 3.9
Leasing activity and other financing	3,808	3,714	+ 2.5	3,779	3,639	+ 3.8
TOTAL	**8,499**	**8,250**	**+ 3.0**	**8,253**	**7,944**	**+ 3.9**

PRODUCTION OF NEW END-USER FINANCING, FOR NEW AND USED VEHICLES, BY CUSTOMER PORTFOLIO

				Of which Santander partnership perimeter		
(in million euros)	**Dec. 31, 2016**	**Dec. 31, 2015**	**% change**	**Dec. 31, 2016**	**Dec. 31, 2015**	**% change**
Retail financing	7,797	7,434	+ 4.9	7,556	7,134	+ 5.9
of which new vehicles	6,368	6,172	+ 3.2	6,163	5,908	+ 4.3
of which used vehicles and other	1,429	1,262	+ 13.2	1,393	1,226	+ 13.6
Corporate and equivalent financing	702	816	- 14.0	697	810	- 14.0
End-user financing	**8,499**	**8,250**	**+ 3.0**	**8,253**	**7,944**	**+ 3.9**

Production as an amount of new financing for individuals and small and medium-sized businesses increased by +4.9% between 2015 and 2016. The total amount of new vehicle financing for this segment increased by 3.2% and used vehicle financing also increased sharply (+13.2%). For the Corporate and equivalent segment, financing contracts for new and used vehicles fell by 14% due to fewer short-term leasers in Spain in particular, where the profitability of this type of contract is limited.

The following table breaks down the number of loans granted to end-users in 2015 and 2016, by region.

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

(in number of contracts)	**Dec. 31, 2016**	**Dec. 31, 2015**	**% change**
France	275,925	268,845	+ 2.6
Western Europe (excluding France)	398,509	364,217	+ 9.4
Central and Eastern Europe	14,193	23,198	- 38.8
Latin America	54,238	49,730	+ 9.1
Rest of the World	24,983	25,711	- 2.8
Total	**767,848**	**731,701**	**+ 4.9**
Of which partnership perimeter	**710,957**	**671,726**	**+ 5.8**

A. New Vehicle Financing

In 2016, BPF financed 592,788 new PSA vehicles through installment loans and leases, representing an increase of 2.96% compared to 2015.

Our overall penetration rate was 30.8% in 2016, an historic performance which was achieved thanks to good marketing dynamics along with close collaboration with the PSA Group's brands.

It should be noted that these results include higher rates of growth in the second part of the year. As a comparison, the new vehicle penetration was 29.3% in the first half and 31.7% in the second half. These improved performances are due to the success of the promotional and customer loyalty campaigns created with the brands to support the launch of new vehicles (3008, C3, new utility vehicles, etc.).

Performance in the G5 countries, which represents 77% of the production of new vehicle files, reached the high level of 31.8%, marked mainly by high penetration in Great Britain (34.1%) and Spain (40.2%), a 3.6% rise on 2015.

In Latin America, performance continued to improve with a penetration rate in Argentina of 21.8% (+3.5 points) and in what remains a challenging environment in Brazil, particularly with strong variations in the automobile market, BPF achieved a penetration rate of 50.8%, up 2.4 points compared to 2015.

Here is the way the various markets changed over time:

Western Europe

The number of new PSA vehicle financing contracts (incl. France) grew by 5.5% in 2016, representing 312,152 PSA financing contracts with a penetration rate of 32% (+1.3%). The main changes in penetration being as follows:

- in France, the volumes of new vehicle financing were up by +4.1%, with 201,123 financing agreements in 2016 compared to 193,212 in 2015. Penetration reached 29.2% or +0.7 point, compared to that of 2015, with performances up sharply over the second half (first half at 27.7% vs. 31.2% in the second half). It should be noted that a significant increase in performance was achieved in the B2C channel: +2.6 points to 42.2%;
- in Germany, a decline in performance was recorded, with penetration at 31.3%, 2.9 points lower than in 2015. A new sales framework was put in place in January 2017;
- after a very strong year in 2015, Spain continued to grow with a penetration rate of 40.2%, an increase of 3.6 points (second best performance within the BPF scope) while short-term financing was limited this year due to the limited profitability of these files. In a Spanish market which grew by 11%, BPF continued the success of the commercial steps taken in partnership with the PSA Group brands. These have been enhanced with the launch of a new range of long-term leases for individual customers;
- in the United Kingdom, where market conditions remained tense during the second half of the year, penetration rates remained at their highest, at 34.1%. The competitiveness of the brands' product offerings improved and actually achieved penetration of 70% in the individual customer segment;
- in Italy, where the automotive market continues to grow (+19%), the penetration rate increased by 1.4 points to achieve a record high, 29.4%;
- in Belgium and Luxembourg, in an automobile market which grew by 6%, characterized by very competitive financing products from banks in particular, penetration was 23.7%, +1.1% against 2015.

Central and Eastern Europe

In Poland, where PSA sales are stable, BPF recorded increased penetration of 1.2 points to 24.6%: despite a comprehensive sales framework and the launch of customer loyalty offers, performances have suffered due to a more limited eligible market.

Latin America

In Latin America, our business is mainly carried out through our Brazilian and Argentine subsidiaries.

In Argentina, BPF operates via a partnership with BBVA: PSA Finance Argentina (see section 1.3.4.3 "Partnerships and Joint Ventures" for more information on this agreement). In Argentina, PSA recorded an increase in new vehicle registrations of 19.35% compared to 2015, while the automobile market grew by 10%. In this context, financing performance also grew significantly, with penetration reaching 21.8% (+3.5 points vs 2015).

In Brazil, BPF's subsidiary achieved a record penetration rate of 50.8% (48.4% in 2015), the highest performance in the BPF scope, owing to the success of promotional operations. However, these results do not make up for the decrease in volumes to 25,514 new vehicle contracts (-8.48%) knowing that PSA Group registrations were down by 12.9%. It should be noted that a partnership with Santander was created on August 1, 2016.

In Mexico, penetration reached 32.6%, an increase of 1%. Peugeot sales grew by 8.0% and the volume of new vehicle financing agreements was up 11.4%.

Rest of World

The Russian market recorded its fourth consecutive year of decline in 2016: -11%. PSA sales fell by 33.9%, to 7,390 vehicles. The slowdown was more accentuated for PSA sales because of the Group's policy focused on profitability. The penetration rate, however, remained at the high level of 33.5%.

With respect to other significant countries in 2016, a sharp decline in performance in Turkey cannot be ignored, falling to 28.3%, (-1.9 points). The loans outstanding are booked by the partner, while BPF receives a marketing commission.

The Chinese subsidiary issued 168,287 new vehicle contracts in 2016, representing an increase of 17%. The new vehicle penetration rate was 27.2%, up 6.1 points from 2015, after 4.9 points between 2014 and 2015, highlighting the success of operations undertaken jointly with the brands. (see “1.4.23 Financing in China”).

B. Used Vehicle Financing

Volumes of used vehicle financing contracts grew sharply (+12.2%) against 2015, confirming the positive trend observed in 2015. BPF's used vehicle financing operations are concentrated in five countries: France, Germany, United Kingdom, Spain and Italy, representing 84.3% of total BPF production.

This increase is driven by improved performances in Great Britain which saw contract numbers increase by 39.5% on the back of the successful action plan (new products, development of operations with other Groups).

Ongoing competitive operations in Spain and Italy resulted in increases of 6.7% and 21.8% respectively. Volumes also increased in Germany (+16.7%) and a renewed plan in terms of wholesale pricing, management and synergies will be put forward in early 2017 to try to increase volumes further.

Of all growth observed, the most notable net increases are those recorded in Switzerland (+19.9%), Brazil (+30.5%) and Turkey (+40.0%).

Lastly, with regard to Russia, the subsidiary recorded strong growth in the used vehicles market, almost tripling its new contract numbers.

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

1.4.2.2 Corporate Dealer Financing

BPF financed dealers for a total of 1,651,755 vehicles at end-December 2016, a drop of 0.2% in comparison to the 2015 financial year. The amounts financed corresponding to these vehicles are down 0.4%.

The amounts financed for spare parts continued their decline with a drop of 2.6% in a very competitive market. In total, the amounts financed declined by 0.6%.

The following table sets forth our new corporate dealer financing activity for the years ended December 31, 2015 and 2016.

NEW FINANCING IN THE CORPORATE DEALER SEGMENT (PRODUCTION)

				Of which Santander partnership perimeter		
	Dec. 31, 2016	**Dec. 31, 2015**	**% change**	**Dec. 31, 2016**	**Dec. 31, 2015**	**% change**
Number of vehicles	**1,651,755**	**1,655,588**	**- 0.2**	**1,620,889**	**1,602,413**	**+ 1.2**
Amount (in million euros)	**36,286**	**36,498**	**- 0.6**	**35,651**	**35,364**	**+ 0.8**
of which vehicles	33,137	33,267	- 0.4	32,577	32,271	+ 0.9
of which spare parts and other	3,149	3,231	- 2.6	3,074	3,093	- 0.6

The geographic distribution of the volumes of vehicles financed for the dealers highlights the increase in financed volumes in Western Europe overall. On the other hand, volumes are in decline in Russia and Brazil.

1.4.2.3 Financing in China

The strong growth in the Chinese automotive market in 2016 (+ 18% based on invoicing excl. imports) was characterized by the offensive mounted by Chinese brands and by the strong growth in the SUV segment. In this context, BPF via DPCAFC (captive auto finance company of DPCA) continued its growth, despite a downturn in DPCA's sales, which was nevertheless marked by the success of the new model launches at year-end (C6 and 4008).

Total loans thus attained €2,220 million at year-end 2016 (excluding receivables balances of €58 million associated with the first "deconsolidating" securitization transaction by DPCAFC, initiated in May 2016 for €135 million) versus €2,039 million at year-end 2015, i.e., an increase of + 11.7% (including the deconsolidated receivables balances associated with the securitization transaction).

New vehicle end-user loan penetration continued to grow and reached 27.2%, equivalent to + 6.1 pts in comparison to 2015, bearing witness to the growing use of automobile loans by Chinese customers and the appeal of the financing campaigns organized with DPCA. This performance is also bolstered by the partnership agreement signed on October 28, 2015 between DPCAFC and Alibaba (Tmall), making it possible to provide online financing offers to end-users (about 6% of 2016 production).

It should be noted that a cooperation agreement signed on November 23, 2016 between DPCAFC and CAPSA/DS now enables DPCAFC to offer to the DS brand dealers network, in China, corporate dealer and end-user financing and services.

The following table sets forth information relating to our subsidiary's financing in China.

FINANCING IN CHINA

	Dec. 31, 2016	Dec. 31, 2015	% change
End-user loans *(including leases)*			
Number of vehicles financed (new and used)	169,039	144,937	+ 16.6
Amount of financing *(in million euros, excluding interests)*	1,479	1,227	+ 20.5
Corporate dealer loans			
Number of vehicles financed	389,983	416,716	- 6.4
Amount of financing *(in million euros, including spare parts)*	5,650	6,615	- 14.6

Outstanding loans *(in million euros)*	Dec. 31, 2016	Dec. 31, 2015	% change
End-user loans *(including leases)*	1,538	1,329	+ 15.7
Corporate dealers loans	682	709	- 3.8
Total loans	**2,220**	**2,039**	**+ 8.9**

As part of the PSA Group's and BPF's expansion in China, BPF is continuing to assist the DS brand. A tripartite trade agreement was signed on November 23, 2015 between PSA Shanghai Management, CAPSA and China South Group Finance (CSGF – Finance Group Company of Chang'An). Following one single year of cooperation, the new vehicle end-user loan penetration resulting from this agreement reached 20.8% in 2016, including 29.7% just over the last quarter of 2016.

In addition, DS is the first premium automotive brand to provide online financing offers in China in cooperation with Alibaba (Tmall) since June 2015.

1.4.2.4 Insurance and Services

In 2016, the net banking revenue of insurance and services stood at €166 million per IFRS 8 compared to €157 million in 2015. The margin is made up of commissions on insurance product sales and renewals as well as PSA Insurance underwriting profits.

- The margin on insurance services ("Make" products) contributed €127 million in 2016, up from €108 million in 2015. Earned premiums rose to €160 million in 2016 versus €135 million in 2015. The cost of claims and other changes in liabilities related to insurance activities represented an expense of €39 million in 2016 compared to €42 million in 2015. The provisioning level remains cautious and takes into account the recent nature of the joint venture portfolio as well as the portfolio reduction of the other companies.
- The margin on sales of other insurance products and services ("Buy" products) stood at €42 million per IFRS 8 in 2016, compared to €49 million per IFRS 8 in 2015.

Without an exceptional item in 2016 (+€2 million for the release of TCA provision), the net banking revenue on insurance and services would be €164 million, which is an improvement of +€7 million against 2015.

NET BANKING REVENUE ON SERVICES

(in million euros)	Dec. 31, 2016	Dec. 31, 2015	% change
		IFRS 8	
Margin on sales of insurance services	127	108	+ 17.6
Margin on sales of other services[1]	42	49	- 14.3
Other[2]	-3	0	+ 0.0
Total	**166**	**157**	**+ 5.7**

1 - After elimination of intra-segment transactions, which are primarily commissions paid by PSA Insurance to other group entities.

2 - The detail of the -3 millions euros in 2016 appears in note 30.2 of consolidated financial statements.

1.4.2.5 Retail savings market

The willingness of BPF to diversify financing sources showed its effectiveness with the success met by the savings business in the three countries where it has been launched since 2013.

2016 was marked by a consolidation of the positions in France, thus bearing out the appropriateness of a plan built around the real economy.

The online savings business "PSA Banque", transferred from BPF to the French joint venture PSA Banque France in April 2015, was marked by strong growth in 2016. This result is partly due to PSA Banque's ability to grow customer loyalty (owing in particular to the success of the term deposit account and customer loyalty products) and partly to its ability to attract new customers. Outstanding amounts per IFRS 8 at December 31, 2016 were markedly higher than in December 31, 2015 (€1,570 million, including €346 million in term deposit accounts in 2016, compared to a total of €1,112 million at year-end 2015).

As for Germany, the "PSA Direktbank" deposit activity transferred from BPF to the German joint venture PSA BANK Deutschland in July 2016, experienced a very slight drop in outstanding amounts over 2016 to reach €1,150 million at end-December (versus €1,194 million at year-end 2015). Term Deposit Accounts represented €197 million or 17% of the outstanding amount at the end of December.

Finally, the savings business in Belgium, "PSA BANK" was sold to Arkea Direct Bank in December 2016.

The outlook for 2017 is obviously directly related to the agreements with SCF and now relies on a solid base in both countries where the savings business is present. This base calls for implementing innovative marketing techniques and establishing an effective and reliable organization.

SAVINGS BUSINESS

	Dec. 31, 2016	Dec. 31, 2015	% change
		IFRS 8	
Outstanding *(in million euros)*	**2,720**	**2,736**	- 0.6
of which France	1,570	1,112	+ 41.2
of Which Germany	1,150	1,194	- 3.7
of which Belgium	0	430	- 100.0

	Dec. 31, 2016	Dec. 31, 2015	% change
Number of active contracts	105,635	101,172	+ 4.4
Average loan by contract *(in thousand euros)*	26	27	- 3.7

1.4.3 Results of operations

NET INCOME

(in million euros)	IFRS 5			IFRS 8[1]		
	Dec. 31, 2016	Dec. 31, 2015	% change	Dec. 31, 2016	Dec. 31, 2015	% change
Net banking revenue	41	113	- 63.7	1,026	1,065	- 3.7
General operating expenses and equivalent[2]	-35	-108	- 67.6	-403	-482	- 16.4
Cost of risk	-5	-1	+ 400.0	-52	-69	- 24.6
Operating income	**1**	**4**	**- 75.0**	**571**	**514**	**+ 11.1**
Share in net income of associates and joint ventures accounted for using the equity method[3]	195	123	+ 58.5	15	11	+ 36.4
Other Non operating income[4]	-12	-172	- 93.0	-12	-22	- 45.5
Pre-tax net income	**184**	**-45**	**- 508.9**	**574**	**503**	**+ 14.1**
Income taxes	-13	41	- 131.7	-206	-148	+ 39.2
Net income from continuing operations	**171**	**-4**	**- 4375.0**	**368**	**355**	**+ 3.7**
Net income from operations to be taken over by partnership or held for sale	**31**	**177**	**- 82.5**	0	0	
Net income	**202**	**173**	**+ 16.8**	**368**	**355**	**+ 3.7**

[1] - The items on the income statement transitioning from IFRS 8 to IFRS 5 format can be found in Note 30.2 of the consolidated financial statements.

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

[3] - Joint ventures with the Santander Group accounted for using the equity method in IFRS 5: France and the United Kingdom since February 2015, Spain and Switzerland since October 2015, Italy since January 2016, Netherlands since February 2016, Belgium since May 2016, Germany and Austria since July 2016, Brazil since August 2016 and Poland since October 2016. China, as part of the partnership with Dongfeng Peugeot Citroën Automobiles and Dongfeng Motor Group, has been accounted for using the equity method since 2006 (IFRS 5 and IFRS 8 formats).

[4] - Including costs of the non-transferred liabilities of operations to be taken over by partnership in IFRS 5.

1.4.3.1 Net banking revenue

The net banking revenue per IFRS 5 stood at €41 million at December 31, 2016. Net banking revenue per IFRS 8 decreased by 3.7% to €1,026 million at December 31, 2016, compared to €1,065 million at December 31, 2015. This decline is primarily due to a negative foreign exchange impact of €36 million, as well as some non-recurring items, including provisions for litigation for a total amount of €15 million.

NET BANKING REVENUE BY PORTFOLIO

(in million euros)	IFRS 5			IFRS 8		
	Dec. 31, 2016	Dec. 31, 2015	% change	Dec. 31, 2016	Dec. 31, 2015	% change
End-users	18	24	- 25.0	729	663	+ 10.0
of which Retail				695	612	+ 13.6
of which Corporate and equivalent				34	51	- 33.3
Corporate dealers	2	3	- 33.3	133	118	+ 12.7
Insurances and Services (including net refinancing costs)	37	47	- 21.3	166	157	+ 5.7
Unallocated and other[1]	-16	39	- 141.0	-2	127	- 101.6
Total	**41**	**113**	**- 63.7**	**1,026**	**1,065**	**- 3.7**

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

1.4.3.2 General operating expenses

The general operating expenses and equivalent stood at €35 million in 2016 per IFRS 5. They stood at €403 million in 2016 per IFRS 8 compared to €482 million in 2015 per IFRS 8. This decline is mainly recognized in the "Taxes" item, which was impacted by the reversal of a provision of €20 million in 2016 compared to an allocation of €38 million in 2015 for a tax adjustment associated with the VAT refund.

It is also linked to €6 million in revenue due to a modification made to the retirement plan in the Netherlands, as well as the reclassification of the Contribution on the value added produced tax (CVAE) to taxes.

Finally, it should be noted that the costs associated with the launch of the BPF-SCF partnership were lower in 2016 than in 2015.

1.4.3.3 Cost of risk

In 2016, the cost of risk stood at €5 million per IFRS 5 and €52 million per IFRS 8, or 0.24% of the average net outstanding loans, compared to €69 million in 2015 per IFRS 8, or 0.33% of the average net outstanding loans.

Our cost of risk for retail exposure (individuals and small and medium businesses) stood at €47 million in 2016 per IFRS 8 (0.34% of the average net outstanding retail loans). This figure includes a provision for the voluntary terminations risk in the UK, which was recognized under net banking revenue. Excluding reclassification, the cost of risk stands at €35 million (0.25% of average net book value), an improvement over 2015 (€44 million in IFRS 8, i.e., 0.32% of average retail net book value) that confirms the quality of the portfolio acquired in recent years.

The year was marked by the finalization of the implementation of the joint ventures planned in Europe under the terms of the agreement with Santander Consumer Finance. This has led to the propagation throughout all of Europe of strengthened measures for the quality of the loan approval systems initiated in 2015. Concurrently, work was undertaken to optimize loan approvals in all the joint ventures.

The cost of risk for the Corporate Dealers and Corporate and equivalent business of BPF under IFRS 8 stands at €5 million (0.06% of Corporate net outstanding loans) including a reversal of €10 million in provisions on sound loans. This reversal was mainly made as part of an adjustment to the provisions model in Spain. Excluding provisions on sound loans, the cost of risk stands at €15 million in 2016 compared to €13 million in 2015.

1.4.3.4 Operating income

Operating income reached €1 million per IFRS 5 and €571 million per IFRS 8, an increase of 11.1% compared to €514 million per IFRS 8 in 2015. This change is mainly the result of a particularly low cost of risk over the financial year and of sharply lower operating expenses compared to the previous period. These last two items made it possible to absorb the exceptional negative impacts on the Net banking revenue.

1.4.3.5 Consolidated net income

The consolidated net income stood at €202 million per IFRS 5 and €368 million per IFRS 8 in 2016. The €166 million difference between these two numbers (see Note 30.2 to the consolidated financial statements) is primarily due to the recognition, solely per IFRS 5, of the restatement in shareholders' equity of the impairment loss of a purchase price allocation (+€13 million at end-December 2016 in IFRS 5) and of the joint ventures partnerships with Santander being accounted for using the equity method (-€180 million).

The share in net income of associates and joint ventures accounted for using the equity method in IFRS 8 format increased from €11 million in 2015 to €15 million in 2016 thanks to the growth in the economic and commercial performance of business in China.

1.5 Financial situation

1.5.1 Assets

1.5.1.1 General

The assets as of December 31, 2016 amounted to a total of €2,735 million per IFRS 5. Assets as of December 31, 2016 stood at a total of €26,078 million per IFRS 8, a 6.9% or €1.7 billion increase primarily due to the increase in customer loans and receivables (+€1.5 billion).

1.5.1.2 Outstanding loans

The outstanding loans (including installment and lease contracts) stood at €346 million per IFRS 5 at December 31, 2016 and at €22,821 million per IFRS 8, up 7.0% or €1.5 billion compared to end 2015. End-user loans were up 3.1% per IFRS 8 and Corporate dealer financing increased by 16.3%. The table below shows outstanding loans by customer segment at December 31, 2016 and 2015.

OUTSTANDING LOANS BY CUSTOMER SEGMENT

(in million euros)	*IFRS 5*			*IFRS 8*		
	Dec. 31, 2016	**Dec. 31, 2015**	**% change**	**Dec. 31, 2016**	**Dec. 31, 2015**	**% change**
Corporate dealers	60	129	- 53.5	7,232	6,217	+ 16.3
End-users	286	331	- 13.6	15,589	15,119	+ 3.1
of which Retail	273	303	- 9.9	14,241	13,662	+ 4.2
of which Corporate and equivalent	13	28	- 53.6	1,348	1,457	- 7.5
Total Customer Loans and Receivables	**346**	**460**	**- 24.8**	**22,821**	**21,336**	**+ 7.0**

The following table presents a geographical breakdown of outstanding customer loans as of December 31, 2016 and 2015.

OUTSTANDING LOANS BY REGION

	IFRS 5						**IFRS 8**					
	Dec. 31, 2016			**Dec. 31, 2015**			**Dec. 31, 2016**			**Dec. 31, 2015**		
(in million euros)	Corp. Dealers	End-users	Total	Corp. Dealers	End-users	Total	Corp. Dealers	End-users	Total	Corp. Dealers	End-users	Total
France[1]	0	-8	-8	0	-2	-2	3,016	6,200	9,216	2,462	5,789	8,251
Western Europe (excl. France)	5	37	42	1	59	60	3,901	8,688	12,589	3,414	8,467	11,881
Central and Eastern Europe	8	39	47	88	82	170	124	130	254	212	327	539
Latin America	18	166	184	18	144	162	162	518	680	107	488	595
Rest of the World	29	52	81	22	48	70	29	53	82	22	48	70
Total	**60**	**286**	**346**	**129**	**331**	**460**	**7,232**	**15,589**	**22,821**	**6,217**	**15,119**	**21,336**

1 - Negative outstandings in IFRS 5 are linked to the netting of current accounts with PSAI.

1.5.2 Provisions for non-performing loans

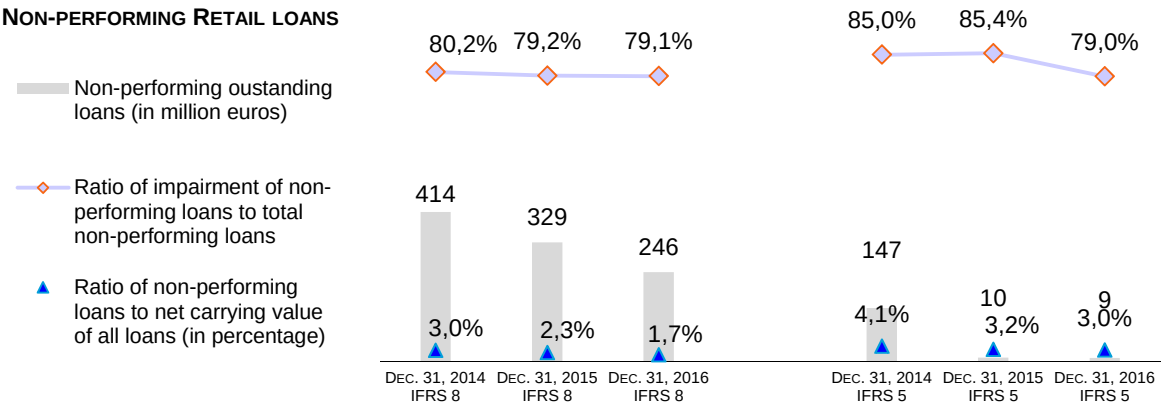
We deduct impairment losses from the carrying value of our loans and receivables as they are recorded. The procedures for the recognition of the impairment charges on the outstandings are described in Note 2.C.6.4 to the consolidated financial statements. When we determine that a loan or receivable is unrecoverable, it is written off through profit and loss. Any previously recognized impairment loss is also reversed through the income statement. Any subsequent recoveries are credited to the income statement. All of this is recorded under the cost of risk.

The table in Note 28 to BPF's consolidated financial statements shows our sound loans without past-due installments, sound loans with past-due installments (delinquent loans), non-performing loans and related impairment amounts, in each case as of December 31, 2016 and 2015. For retail financing to individuals and small and medium businesses, we record statistical impairment charges in respect of delinquent loans, as well as for non-performing loans per IFRS 5 and IFRS 8, and, in addition, sound loans with no past-due installments per IFRS 8, for the countries that are in joint ventures with Santander.

For corporate dealer and corporate and equivalent financing, we analyze each delinquent loan to determine if it presents an aggravated risk. If so, the loan is classified as non-performing. Accordingly, we record impairment charges in respect of non-performing loans. At the regulator's request, a model for the impairment of performing corporate loans with some risk factors was implemented in 2015.

BPF has undertaken the development of a provisioning model compliant with IFRS 9 aimed at the earliest possible recognition of credit risk for an effective application of the standard at January 1, 2018. Provisioning will be based on a forward-looking expected credit losses model (ECL) and all exposures will be provisioned from the start, without a "defaulting event" having necessarily taken place.

NON-PERFORMING RETAIL LOANS



The quality of the Retail portfolio and some adjustments on delays for credit losses have resulted in the continued drop in non-performing loans in 2016, with the 1.7% level attained being a historical low.

The hedging rate for non-performing loans by provisions has been maintained at a high level, per IFRS 8, of 79.1% facilitating a proper hedging of portfolio risks.

1.5.3 Refinancing

On July 10, 2014, BPF and Santander Consumer Finance (SCF and its affiliates) signed a partnership framework agreement between the two groups in 11 countries. This partnership takes the form of joint ventures or commercial agreements. In August 2016, the partnership between Banque PSA Finance and the Santander Group was also expanded to Brazil.

From the start dates onwards, BPF is no longer responsible for the financing of joint ventures. The last startup took place on October 1, 2016. Since then, BPF only handles the financing of continuing operations (countries outside the scope of the framework agreement with SCF and outside Brazil: mainly Argentina, Mexico and Russia).

Banque PSA Finance relies on a capital structure and an equity ratio that is in compliance with the regulatory requirements, bolstered by the quality of the bank's assets.

Its financing is done with the greatest possible diversification in the sources of liquidity and a matching of the maturities of the sources of financing and those of its outstanding loans.

At December 31, 2016, following the transfer or the end of the securitization transactions in the context of the creation of the joint ventures with Santander Consumer Finance and the early December 2016 disposal of its banking deposits business (passbook savings accounts) in Belgium, only the sources of bond financing and a few bank credit lines outside the Euro zone remain on the balance sheet of Banque PSA Finance.

Following the repayment of the issue maturing in April 2016, BPF no longer has any bond issues guaranteed by the French State on its balance sheet.

The following chart breaks down the financing arrangements by source of financing as of December 31, 2014, 2015 and 2016.

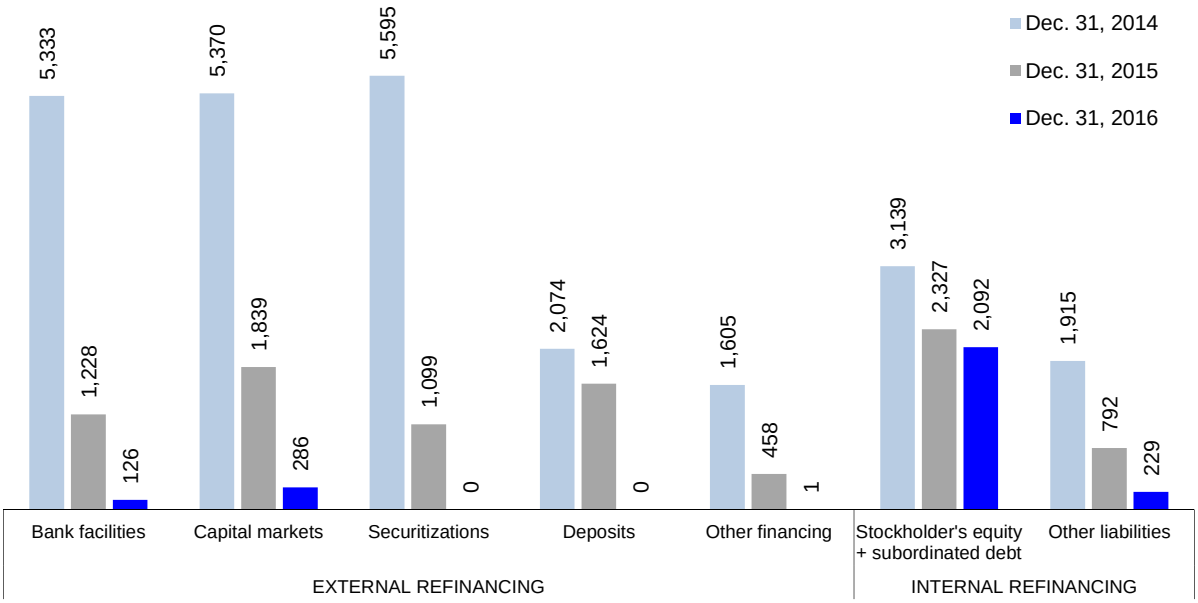
FINANCING ARRANGEMENTS BY SOURCE

(in million euros)	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014
Bank facilities	**126**	**1,228**	**1,541**
Bonds + BMTN	24	56	65
EMTN	257	1,737	2,209
Other	5	19	44
Long-Term	*286*	*1,812*	*2,318*
CD	0	0	2
CP	0	0	0
Other	0	27	36
Short-Term	*0*	*27*	*38*
Capital markets	**286**	**1,839**	**2,356**
Securitizations[1]	**0**	**1,099**	**2,165**
Deposits	**0**	**1,624**	**1,812**
Other financing[2]	**1**	**458**	**1,065**
Total external refinancing	**414**	**6,248**	**8,939**
Stockholder's equity + subordinated debt	2,092	2,327	2,372
Other liabilities	229	792	1,407
Total assets	**2,735**	**9,367**	**12,718**

1- In 2015, securitizations include all loan securitizations and the Brazilian FIDC.

2- In 2015, this Item represents the ECB repo (€455 million) and Peugeot Citroen Argentina's loan to PSA Finance Argentina (€3 million).

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



In order to adapt its financial security to the changes in the scope financed, over the course of the first half of 2016, BPF (i) repaid and canceled the banking lines of credit drawn for a total amount of €185 million (ii) canceled the bilateral revolving lines of credit for a total amount of €1.03 billion and (iii) canceled the €700 million syndicated credit facility signed on February 5, 2015. Concurrently, BPF has set up several new bilateral revolving lines of credit representing a total loan amount of €360 million. These transactions took place as part of the partnership between BPF and SCF and led to a significant reduction in BPF's financing needs and in the associated financial guarantees.

Finally, no structured financing has been sought from the ECB at December 31, 2016 (see Note 15 to the consolidated financial statements). This source of financing was not used by BPF at December 31, 2015. No assets were pledged as collateral to the ECB at December 31, 2016, and the same was true at December 31, 2015 (see Note 24.1 to the consolidated financial statements).

1.5.4 Security of liquidity

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

At December 31, 2016, the liquidity reserve (available invested cash) represented €474 million (see Note 24.3 to the consolidated financial statements) including €50 million of high-quality liquid assets, before weighting for the calculation of the liquidity coverage ratio (LCR).

Moreover, at December 31, 2016, BPF had undrawn committed credit facilities totaling €365 million (see Note 24.2 to the consolidated financial statements).

The bank facilities are not affected by any covenants or restrictions outside of standard market practices, however they do have the following three notable elements that could result in their cancellation:

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

1.5.5 Credit ratings

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

1.5.6 Capital management

As of December 31, 2016, consolidated equity Group share per IFRS 5 totaled €2,071 million, down by €224 million compared to €2,295 million as of December 31, 2015. The change is essentially justified by the dividends paid in 2016 (see Note 2.4 to the consolidated financial statements).

1.5.6.1 Equity capital

The regulatory scope used to calculate the solvency ratio is identical to the scope of consolidation as it is described in Note 1.C in the consolidated financial statements, with the exception of the insurance companies that are wholly-owned by BPF, which are accounted for using the equity method in the regulatory scope, and are fully consolidated in the accounting scope (PSA services Ltd, PSA Insurance Ltd, PSA Life Insurance Ltd and PSA Assurances SAS).

TRANSITION TABLE FROM THE CONSOLIDATED BALANCE SHEET TO THE REGULATORY BALANCE SHEET

(in million euros)	Consolidated Balance Sheet	Regulatory Restatements[1]	Regulatory Balance Sheet
Assets at Dec. 31, 2016	**2,735**	**-104**	**2,632**
Cash, central banks, post office banks	58		58
Financial assets at fair value through profit or loss	389	-103	286
Hedging instruments	5		5
Available-for-sale financial assets	5		5
Loans and advances to credit institutions	223	-49	174
Customer loans and receivables	346		346
Tax assets	29	-10	18
Accruals and other assets	89	-31	58
Investments in associates and joint ventures accounted for using the equity method	1,527	94	1,621
Fixed assets	63	-3	60
Goodwill	1		1
Liabilities at Dec. 31, 2016	**2,735**	**-104**	**2,631**
Hedging instruments	1		1
Deposits from credit institutions	126		126
Due to customers	4	4	8
Debt Securities	286		286
Fair value adjustments to debt portfolios hedged against interest rate risks	15		15
Tax liabilities	12	3	15
Accruals and other liabilities	73	-12	61
Liabilities related to insurance contracts	88	-88	
Provisions	38	-10	28
Equity	2,092		2,092

1 - Restatement of the subsidiaries excluded from the regulatory scope (Insurance companies accounted for using the equity method).

In principle, the concerned entities must be subjected to a two-fold monitoring process, on a consolidated basis and on an individual basis. Nevertheless, Article 7 of the CRR provides for exemptions to monitoring on an individual basis and the shift to CRD4 has not placed in question the individual exemptions granted by the *Autorité de Contrôle Prudentiel et de Résolution* prior to January 1, 2014. Banque PSA Finance, which already benefited from an exemption to monitoring on an individual basis, is therefore only subject to a monitoring of the solvency ratio at the consolidated group level.

It should also be noted that there are no obstacles to the transfer of equity between subsidiaries that are 100% owned by Banque PSA Finance. In the case of the joint ventures with the Santander Group, the agreement of both shareholders is required.

The regulatory capital is broken down into three tiers (basic capital in tier 1, additional capital in tier 1, and tier 2 capital) composed of capital or debt instruments, which are subjected to regulatory adjustments. Banque PSA Finance only has tier 1 capital instruments, consisting of the following components:

- Amount of the share capital and the associated issue premiums;
- Undistributed income;
- Retained earnings;
- Components of income recognized directly as equity;
- Other reserves.

Regulatory deductions and adjustments made to this equity involve the following items:

- Minority interests;
- Estimated amounts of dividend forecasts;
- Goodwill and other intangible assets;
- Securitization positions excluded from the calculation of weighted assets and subject to a 1,250% risk weighting;
- Value adjustments due to prudent valuation requirements;
- Gains and losses generated by cash flow hedging;
- Deferred tax assets dependent on future profits and that are not the result of timing differences subsequently to the deduction of the associated tax liabilities;
- Negative difference between the impairment amount and the expected losses statistically calculated for the risk-weighted assets (RWA) stated using the IRB (internal rating based) method.
- Investments in associates and joint ventures accounted for using the equity method or not consolidated. A share of these investments, up to certain thresholds, may be used in the capital requirements calculation, but the remainder will be deducted from the regulatory capital.

TRANSITION TABLE FROM ACCOUNTING EQUITY TO CAPITAL

(in million euros)	Dec. 31, 2016	Dec. 31, 2015
Accounting equity	**2,092**	**2,327**
Adjustment related to the difference between the consolidated regulatory and accounting scopes		-6
Regulatory equity	**2,092**	**2,321**
Investments in associates and joint ventures accounted for using the equity method or not consolidated	1,552	-935
Dividend distribution plan	-115	-419
Minority interests	-22	-27
Goodwill and other intangible assets	-58	-62
Securitization positions	-36	-42
Deferred tax assets on tax loss carryforwards		-13
Cash flow hedge reserve	2	3
Negative amounts resulting from the calculation of the expected loss amounts		-59
Other regulatory deductions	-1	10
Tier 1 regulatory capital	**310**	**777**

The reserve capital of BPF reached €310 million at the end of 2016, compared to €777 million at the end of 2015.

1.5.6.2 Capital requirements

On April 6, 2009, the French banking supervisor, *Autorité de Contrôle Prudentiel et de Résolution* or ACPR (formerly called the *Commission Bancaire* and now named "ACPR") authorized BPF to use the Internal Rating Based Advanced approaches (IRBA) to calculate the minimum capital requirement for the retail portfolio and the Internal Rating Based Foundation approaches (IRBF) for the corporate portfolio. This measure took effect on January 1, 2009 in France, Germany, United Kingdom, Spain and Portugal. In 2010, the IRBF and IRBA approaches were also authorized for Italy, and in 2011 for Belgium and the Netherlands.

The implementation of the cooperative agreement between Banque PSA Finance and Santander Group has had a significant impact on the scope and calculation of minimum capital requirements, and more generally, the CET1 ratio. The French, British, Spanish, Italian, Dutch, Belgian and German entities in which the internal rating method was applied, as well as the Swiss, Brazilian and Polish entities handled using the standard approach, have become joint ventures with the Santander Group and are therefore now excluded from BPF's regulatory consolidation scope for the calculation of risk-weighted assets (RWA). In return, the amount of BPF's interest in these joint ventures, in accordance with the CRR and up to certain thresholds, is deducted from the regulatory capital which forms the numerator of the solvency ratio calculation. With regard to Portugal, a country that formerly applied the internal ratings approach, the entire portfolio was sold to Santander Consumer Finance (SCF) and a commercial agreement was entered into. As a result this country is no longer taken into account for the calculation of either weighted assets or BPF capital. Consequently, in December 2016, the internal rating approach was no longer used for the determination of weighted assets.

Within the scope of the cooperative joint ventures, BPF and SCF intend to reuse the internal ratings models developed by BPF, once they are approved by an independent validation unit (the Santander Group Internal Validation Team), following the integration of the governance principles jointly agreed upon by both partners, and with the consent of the relevant supervisory authorities. In France (PSA Banque Group France), the ECB has temporarily authorized the continued use of internal methods for the calculation of weighted assets and an extensive action plan has been implemented in order to allow the integration of the internal rating system of PSA Banque France within SCF's scope of consolidation, while still complying with Santander Group standards. Subsequently to the end of this plan, an ECB audit was initiated to review the internal rating system of PSA Banque France (in progress at 12/31/2016) before the definitive granting of an authorization. A similar plan was presented to the ECB and the British regulator PRA regarding the option to reuse the internal models developed by BPF for the British JV; for the duration of the transition period between the implementation of this plan and the supervisory authorities giving their decision, any exposure will be assessed using the standard method in the United Kingdom.

At the same time as reusing existing internal models, the Bank is committed to the process of approving its assessment of corporate dealer exposure using the advanced IRB approach. Until now this has been assessed using the foundation approach.

As part of the application of the new Basel III regulation, BPF confirms a strong financial position. At December 31, 2016, the Basel III solvency ratio in respect of pillar I thereby amounted to 37%, compared with 12% at December 31, 2015. Basel III regulatory capital amounted to €310 million and capital requirements stood at €67 million.

The increase in the ratio between December 31, 2015 and December 31, 2016 can be explained by the reduction in capital requirements associated with the drop in risk-weighted assets (RWA) of the denominator. The RWA decrease (-€5,636 million) is primarily the result of the use of the equity accounting method for the Italian, Dutch, Belgian, Brazilian and German entities in BPF's consolidated financial statements following the 2016 creation of joint ventures with Santander in these countries. The assets of these entities are therefore no longer included in the RWA calculations. The regulatory capital is on a downward trend (-€467 million), a change that is primarily due to two factors:

- a decrease in the difference between recognized impairment and expected actual losses on the IRB scope related to the use of the equity accounting method of the most recent IRB entities (Italy, Netherlands, Belgium and Germany);
- the increase in the amount of investments in non-consolidated companies and those accounted for using the equity method (impact of -€617 million on the regulatory capital). It should be noted that at end-December 2016, in terms of regulatory standards, BPF held stakes in entities that were not consolidated or that were accounted for using the equity method (insurance entities, Chinese subsidiary and French, British, Spanish, Swiss, Italian, Dutch, Belgian, Brazilian and German joint ventures with the Santander Group) for €1,626 million. A limited share of these investments, up to certain thresholds, may be used in the RWA calculation, but the remainder (€1,552 million) will be deducted from the regulatory capital.

CAPITAL REQUIREMENTS AND RISK-WEIGHTED ASSETS

(in million euros)	December 31, 2016		December 31, 2015	
	Weighted assets	Capital requirements	Weighted assets	Capital requirements
Credit risk	**727**	**58**	**5,775**	**462**
Standard approach	**727**	**58**	**2,634**	**211**
Sovereign	9	1	124	10
Institutions	45	4	135	11
Companies	113	9	726	58
Retail customers	220	18	1,058	85
Other weighted assets	339	27	591	47
Foundation internal ratings-based approach (IRBF)			**1,741**	**139**
Companies			1,741	139
Advanced internal ratings-based approach (IRBA)			**1,400**	**112**
Retail customers			1,400	112
Operational risk (standard method)	**109**	**9**	**697**	**56**
Market risk				
Totals	**836**	**67**	**6,472**	**518**
Total regulatory capital		**310**		**777**
Solvency ratio		**37%**		**12%**

All the data used to model and calculate credit risk is extracted from our management accounting systems. The latter, over the seven markets previously covered by internal approaches (for BPF or within the cooperative agreement with Santander), feed into the common risk databases (BRC and BUIC) that are used to homogeneously track all the risk parameters applicable to BPF.

The information from these two 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 and regulatory capital reports are produced.

Leverage ratio

The leverage ratio, which corresponds to the non-weighted ratio of the gross exposure to hard equity (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, 2015. 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 Banque PSA Finance was 27% at December 31, 2016, compared to 7.8% at December 31, 2015.

Just as in the case of the solvency ratio, the increase in the ratio between December 31, 2015 and December 31, 2016 can be explained by the reduction in capital requirements associated with the decrease in exposure, these two events having their origin in the implementation of the cooperation between Banque PSA Finance and Santander as described in the preceding paragraphs.

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

(in million euros)	Dec. 31, 2016
Tier 1 regulatory capital	**310**
Total assets according to the published financial statements	**2,735**
Adjustment related to the difference between the consolidated regulatory and accounting scopes	-104
Regulatory deductions on CET1 equity	1,645
Total exposure on balance sheet	**986**
Exposure on derivatives	13
Replacement cost of derivatives transactions	84
Total exposure on derivatives	**97**
Exposure related to commitments given	89
Application of regulatory conversion factors	-32
Total exposure to off-balance sheet items	**57**
Total leverage exposure	**1,140**
LEVERAGE RATIO	**27.2%**

1.5.7 Outlook

BPF will continue its operational excellence as the PSA Group's "Captive Financial Institution", and thus contribute actively to fulfilling PSA Group's growth plan PUSH TO PASS by on the one hand, continuing to actively support the sales of the three brands of PSA Group with innovating and competitive financing and services offers and on the other hand, marketing new mobility services offers meeting changing market needs.

In addition, BPF will still actively assist the expansion of the Group in new growing markets.

1.5.8 Overview of encumbered assets

BPF did not have any encumbered asset at December 31, 2016.

1.6 Risk factors and risk management

The identification, measurement, control and monitoring of risks associated with BPF are an integral part of Risk Management, the new name of the Risks Department in accordance with the Order dated November 3, 2014. The manager thereof is a member of the Management Committee. This manager also reports to the Audit and Risk Committee and the Risk Management Committee and, when required, to other ad hoc Operative Committees within the Bank.

Risk governance particularly comprises management, validation of risk measurement methods or models, determining acceptable risk levels, as well as inventorying risks and evaluating potential risk criticality in light of our management policies and the general economic environment. These different elements are presented, analyzed and decided upon within Committees: the Risk Management Committee, the ALM Committee, the Model Committee and the Audit & Risk Committee. The executive management and the members of the Board either sit on these Committees or are informed of their work.

BPF has identified 14 risk factors to which it is subject.

1.6.1 Business risk

Risk factors

Six main risk factors have an impact on the business activities of BPF:

- external factors that influence vehicle purchases;
- government policies to incentivize new vehicle purchases;
- regulatory or fiscal 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 BPF;
- BPF's competitive positioning, in terms of both product range and price;
- country risk, which is managed by focusing on local financing whenever possible.

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. BPF reviews its budget forecasts on four occasions during the fiscal year. Business risk is also monitored through stress testing.

1.6.2 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 us. While we generally have the ability to recover and resell the financed vehicle following a customer default, the resale value of a recovered vehicle may not be adequate to cover our default loss. BPF does not contractually assume the residual value risk, except in the United Kingdom where regulation offers the possibility to individual customers (installment loans) to ask for the repurchase of the vehicle by the lender under certain conditions.

Independently of our prudent risk selection policy, the level of credit risk is influenced by the economic conditions in the countries in which we do business, in terms of both defaults and the resale value of recovered vehicles.

Risk measurement, control and monitoring

Risks are assessed on approval of the loan and monthly for all loans in the portfolio.

When granting financing, risk measurement is based on internal ratings or, in a very limited number of cases, external ratings. Customer selection is done based on grading models (Corporate) or decision-making tools (Retail). Under the terms of the agreement with Santander Consumer Finance (SCF), risk management for the joint ventures was tailored to match the measurement and control principles in effect at SCF, while this management continued to rely on BPF's central structure, particularly for the production and monitoring of the models.

Loan acceptance systems are tailored to the specific characteristics of each local market to optimize their efficacy.

For retail credit, loan applications are either automatically authorized or require additional

assessment procedures, requested in the framework of expert risk assessment systems or on the analyst's own initiative. Inputs are obtained from external credit databases (positive or negative) 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 rules on discretionary lending limits. For the Corporate portfolios, they rely on the decision of the local or central Credit Committees, and now include, for the highest loan amounts, those of the Santander Group for joint venture subsidiaries.

In France, the Basel retail credit model (IRBA) was the subject of a temporary agreement from the European Central Bank authorizing the continued use of the BPF Models while the integration in the IRB models of Santander Consumer Finance was taking place. This integration is currently being reviewed by the ECB. The UK joint venture, currently using the standard model, approached the European and British regulators with a request to return to the IRBA model.

The other joint ventures are currently using standard approaches to assess capital requirements. Internal behavioral models, used for the IRB approach prior to the establishment of the agreement with SCF, are nevertheless maintained for the internal evaluation needs of the Risk department.

Pursuant to IFRS standards, for the accounting measurement of credit risk, impairments for retail delinquent loans and sound loans with past-due installments are calculated based on impairment rates. These impairment rates are calculated twice a year according to an estimated discounted future collections model, based on historical recovery data for impaired loans. For the JVs, in accordance with SCF's accounting rules, sound loans without past-due installments are also impaired according to the IBNR (Incurred But Not Reported) loss principle over a 12 month-period.

Impairments for Corporate dealer and Corporate and equivalent loans in default are determined through an individual analysis taking the value of any security package underlying the loan into account. Impairments are made as soon as loans are reclassified if the individual analysis shows a non-zero estimated loss.

At the regulator's request, a model for impairment of performing corporate loans was established in 2016.

Risk management is based on a product range offered by the subsidiaries and approved by various ad hoc committees that specify the legal framework for the product, its maximum term, minimum down-payment, potential step-up amounts and any conditional guarantees for approval.

In addition for the Corporate dealer and Corporate an equivalent portfolios:

- setting non-transferable credit lines from one financial product to another, cancelable without conditions, and their associated periods of validity;
- 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 delinquent loan, including conditional delinquency, i.e. even if the loan is not delinquent according to the Basel definition;
- a system triggering a new rating of a dealer, according to financial or sales indicators;
- stock audits, scheduled based on the dealer's risk profile, retention of vehicle registration documents, and financing contracts providing for the pledging of the financed vehicles at any time, in accordance with national legislation.

Monthly risk monitoring in the retail segment mainly concerns:

- trends in the quality of demand for finance and the quality of new financing;
- payment history, payment method, customer segment, year of loan, etc. indicators;
- Basel risk measurement indicators for the loan portfolio.

Risk monitoring indicators are analyzed by local and corporate analysts, who corroborate their findings in meetings held at least bimonthly, and more frequently if necessary. Risk areas detected may result in amending risk assessments or risk control measures.

Monitoring of risk for our Corporate portfolio primarily consists of:

- monitoring drawdowns of credit lines;
- monitoring the counterparty's financial position;
- tracking payment incidents and past-dues as well as observations made during inventory audits;
- very close monitoring of dealers included in the watch table, or of those with delinquent or conditionally delinquent accounts;
- meetings between headquarters, subsidiary and branch teams, held at least monthly.

The Risk Management Committee, the Model Committee and the Audit and Risk Committee are the principle bodies responsible for monitoring BPF's credit risk. The Model Committee also approves our risk measurement models.

Risk measurement, control and monitoring

BPF's exposure to credit risk, entirely handled using the standard approach since July 1, 2016, relies on the carrying value of the financial assets to which are added the off-balance sheet items, financial commitments and guarantees given, as well as the undrawn authorized lines of credit. These assets are restated according to impairment, as well as the assets that are not subject to credit risk and items that are directly deducted from equity.

GEOGRAPHIC BREAKDOWN OF THE GROUP'S GROSS EXPOSURE AT DECEMBER 31, 2016

(in million euros)	Bank and Administrat-ion	Companies	*Of which SME*	Retail	*Of which SME*	Other categories	Total gross exposure	Distribution in %
France	246	291	*0*	0	*0*	102	**639**	53%
Europe (excluding France)	109	33	*10*	59	*14*	7	**209**	17%
Latin America	8	38	*0*	192	*0*	3	**241**	20%
Rest of the World	2	49	*0*	56	*0*	1	**109**	9%
Overall total	**366**	**412**	***10***	**308**	***14***	**113**	**1 198**	100%
Distribution in %	31%	34%	1%	26%	1%	9%	100%	

BREAKDOWN BY RESIDUAL MATURITY OF THE GROUP'S BALANCE SHEET EXPOSURE AT DECEMBER 31, 2016

(in million euros)	Bank and Administration	Companies	Retail	Other categories	Total balance sheet exposure
Residual value lower than 3 months	233	317	37	1,768	**2,354**
3 months to 1 year	1	22	98	0	**121**
1 to 5 years	0	7	137	0	**144**
More than 5 years	0	12	1	0	**13**
Overall total	**234**	**358**	**272**	**1,768**	**2,631**

BREAKDOWN OF THE GROUP'S NET EXPOSURE BY EXPOSURE CATEGORY AT DECEMBER 31, 2016

(in million euros)	Gross exposure	Exposure in default	Adjustment for general risk	Adjustment for specific risk	Net exposure of provisions
Bank and Administration	615	0	0	0	**615**
Companies	162	9	0	12	**151**
Retail	308	9	0	9	**299**
Other categories	113	0	0	0	**113**
Overall total	**1,198**	**18**	**0**	**20**	**1,178**

GEOGRAPHIC BREAKDOWN OF THE GROUP'S NET EXPOSURE AT DECEMBER 31, 2016

(in million euros)	Gross exposure	Exposure in default	Adjustment for general risk	Adjustment for specific risk	Net exposure of provisions
France	639	0	0	0	**639**
Europe (excluding France)	209	9	0	9	**200**
Latin America	241	3	0	2	**239**
Rest of the World	109	6	0	9	**100**
Overall total	**1,198**	**18**	**0**	**20**	**1,178**

DETAILS OF ADJUSTMENTS FOR CREDIT RISK AT DECEMBER 31, 2016

(in million euros)	Bank and Administration	Companies	Retail	Other categories	Overall total
Gross exposure	615	162	308	113	1,198
Balance sheet exposure	515	76	290	113	995
Off-balance sheet exposure	5	76	8	0	89
Other exposure[1] to credit risk	95	11	9	0	115
Provisions	0	-12	-9	0	-20
Collateral	-80	0	-1	0	-81
Off-balance sheet average CCF	100%	49%	100%	-	100%
Value exposed to risk	**366**	**378**	**308**	**113**	**1,165**
RWA	**55**	**226**	**222**	**225**	**727**
Average RW	15%	60%	72%	199%	62%

1 - Exposure on derivatives instruments and exposure in default.

BPF having a non-material exposure to counterparty risk on derivative instruments, no CVA (Credit Value Adjustment) calculation is made.

1.6.3 Financial risks and market risk

All the principles explained below apply to BPF fully controlled entities. Risk management of BPF / SCF joint ventures is done country by country by each JV under the supervision of shareholders, following the governance set forth when the partnership with Santander was created.

1.6.3.1 Liquidity risk

Risk factors

The liquidity risk to which BPF is exposed depends on:

- external factors ("Market risk"): primarily the situation of global financial markets;
- internal factors ("Funding risk"): primarily linked to the difficulties the bank could encounter in financing itself.

These risks are potentially lower than those of previous years as a result of the bank's liquidity position at year-end 2016 and the changes in the scope financed.

In addition to an adequate capital structure, which translates to solid equity ratios, BPF implements the largest possible level of diversification in its sources of liquidity and undrawn bilateral banking lines of credit.

Risk measurement, control and monitoring

Measurement of liquidity risk entails:

- the intraday liquidity risk, forecast refinancing requirements, ten-day liquidity and one-month liquidity requirements, in the framework of the prudential liquidity ratios that BPF is obliged to comply with. Month-end forecasts for a three-month horizon beyond the current month are also calculated and updated every month;
- BPF's ability to refinance its new Retail and Corporate financing business without a maturity gap, by standard scopes in terms of currencies, in the knowledge that our new internal rules require assets to be covered to maturity by their respective refinancing.

Furthermore, these risk measurements are subject to the consistent monitoring of the financing plans by geographic region in order to assess the ability to continue to comply with the established internal limits in terms of controlling the liquidity risk.

There are two aspects to control of liquidity risk:

- a general policy founded on an appropriate equity structure, diversification of external financing sources and lenders and liquidity facilities.

Moreover, this general policy aims at full matching (balancing of assets and liabilities over time);

- the definition of liquidity risk indicators and related limits enabling characterization of BPF's exposure to liquidity risk currently and in the near future. The main indicators are:
  - a minimum LCR ratio in excess of the regulatory requirement,
  - the simulation of stress scenarios and preparation of a liquidity emergency plan.

Risk monitoring is based on the daily or monthly calculation, depending on the case, of risk indicators as well as on the monthly ALM Committee meetings that monitors the implementation of the defined general policy, the current and forecast risk level, the compliance with limits and potential measures to be taken to better assess, control and monitor the liquidity risk and on the Risk Management Committee of Banque PSA Finance.

1.6.3.2 Interest rate risk

Risk factors

Banque PSA Finance's policy aims to measure and control, through limits within stress scenarios, and reduce if needed the effect of fluctuations in interest rates through the use of appropriate financial instruments that make it possible to ensure the adequacy of the rate structure to the assets and liabilities on its balance sheet. Control of this risk consists of complying with this policy with very regular monitoring.

Risk measurement, control and monitoring

At least once a month, residual rate positions and sensitivity to stress scenarios are calculated. At December 31, 2016, sensitivity to a 1% increase across the rate curve amounts to a negative result of €0.3 million. During the full year 2016, the result from this simulation fluctuated between – €6.3 million and + €0.3 million. The magnitude of this sensitivity reflects the preparation of hedging portfolios prior to the transfer to joint ventures between BPF and SCF and attained a very low level following the launch of the latest joint venture.

There are several aspects to rate risk control:

- our general rate risk policy;
- rate risk indicators and related limits to characterize the level of risk;
- simulation of stress scenarios and the definition of acceptable financial impact thresholds;
- the use of derivatives.

Risk monitoring is based on monthly indicators and reporting focusing on policy implementation and the cost of a distortion of the interest rate curve, including in stress situations. The monthly ALM Committee (Asset Liability Management) and the Risk Management Committee of Banque PSA Finance monitor the implementation of the general policy, the current and forecast risk level, the compliance with limits and the potential measures to be taken to better measure, control or monitor the interest rate risk.

1.6.3.3 Counterparty risk

Risk factors

BPF is exposed to counterparty risk on two fronts:

- market transactions to hedge rate risks and operational currency positions;
- investment of the liquidity facility;

Risk measurement, control and monitoring

Investments are made in money market securities issued by leading banks, or as bank deposits with counterparties of the PSA Group, or in mutual funds with capital guarantees or as yield guarantees issued and managed by these same banks, or in monetary note. An internal rating system is assigned to each counterparty, based on long-term financial strength and capital adequacy analysis.

Derivatives are governed by ISDA or national agreements and contracts with the most frequently used counterparties and provide for regular margin calls (100% of outstanding amounts at the end of December 2016). Bank counterparties for derivatives contracts are all rated “Investment Grade”.

Exposure limits are measured and checked daily, and any overruns are communicated daily. A summary of any limits exceeded is presented monthly during the BPF ALM Committee and Risk Management Committee meetings.

1.6.3.4 Currency risk

Risk factors

BPF is exposed to two types of currency risk:

- structural currency risk (the Bank's structural currency position amounted to €316 million at December 31, 2016);
- the operational currency risk (at December 31, 2016, the operational position in foreign currencies was €1.0 million, lower than our internal limit of €5 million in exchange value and €1 million per currency).

Risk measurement, control and monitoring

Structural currency positions and future profits and losses are not hedged. As the businesses of subsidiaries and branches will, by definition, continue for an indefinite period, any such hedges would represent long-term open positions.

BPF's policy is to minimize operational currency positions to protect the Bank's profit/loss against fluctuations in currency rates. In practice, only limited residual positions, duly restricted, may not be hedged. A residual position limit of a maximum counter value of €5 million has been set, with a maximum per currency of €1 million.

Currency risk is monitored through monthly reporting highlighting structural and operational currency positions. In addition, the Bank's operational currency risk is reviewed at each monthly meeting of the ALM Committee, the Audit and Risk Committee and the Risk Management Committee of Banque PSA Finance.

1.6.3.5 Market risks

BPF's policy is not to be exposed to market risk, as it is defined in the banking regulation. Interest rate or currency derivative transactions are undertaken to hedge balance sheet items not intended for sale in the short term. BPF consistently ensures compliance with this rule and that the hedging instrument and hedged item are correctly matched.

1.6.4 Risks related to securitization operations

Risk factors

As part of the partnership established between BPF and SCF, the securitizations initiated by BPF in France, Great Britain, Italy, Spain, Switzerland and Germany were transferred to the joint ventures.

The retention of the economic risk through the ownership of subordinated securities in the range of 5% of the securitized debt was entirely transferred from BPF to the joint ventures, with the exception of securitizations in Great Britain and in Germany for which BPF retains the obligation on the receivables sold to SPV prior to the startup of the joint ventures given the local regulator's requirements.

The other risks primarily concern the quality of the securitized assets and are now borne by the joint ventures that consolidate the securitization structures.

Risk measurement, control and monitoring

The measurement of the risk on securitization transactions relies first and foremost on the quality, the homogeneity and the granularity of the securitized portfolios, by country, by financing technique and by type of clientele. The control of the structuring and the placement of the securitizations is based upon the advice of arranging banks and upon the expertise acquired by the internal teams over the past ten plus years. Rating agencies rate securitizations by analyzing the historical performance of the portfolio and incorporating crisis scenarios and monitoring them for their entire life cycle using extremely detailed investor reports and regular on-site visits.

1.6.5 Concentration risk

Risk factors

BPF 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

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 bank credit lines to BPF.

Concentration risk limits are presented quarterly to the Risk Management Committee of Banque PSA Finance.

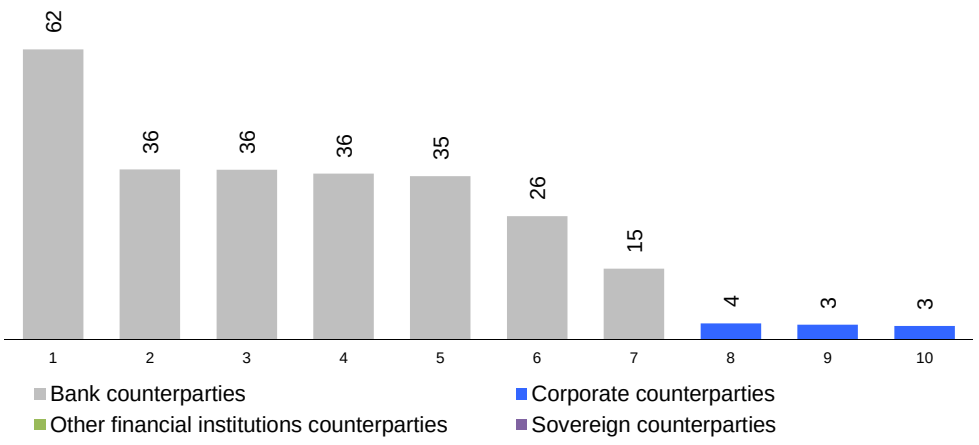
BPF takes the impact of the PSA Group's credit rating into account when calculating the maximum commitment to its shareholder.

At December 31, 2016, BPF's commitments to the PSA Group stood at €46.9 million or 15.2% of the regulatory capital.

On the same date, the Bank's top ten commitments, excluding those to the PSA Group, amounted to €256.6 million or 82.9% of the regulatory capital. By counterparty category, the top ten commitments break down as follows:

- Banks: €247.0 million / 79.8% of the regulatory equity;
- Corporate dealers (excluding PSA): €9.6 million / 3.1% of the regulatory equity;
- Counterparties Other institutions: €0 million;
- Sovereign counterparties: €0 million

TOP 10 WEIGHTED EXPOSURES TO CREDIT RISK
(In million euros, excluding financing extended to PSA Group entities)



1.6.6 Operational risk

Definition of risk and risk factors

BPF defines operational risk as "the risk resulting from a maladaptation or failure attributable to procedures, Bank's 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

BPF and the joint ventures are exposed to all seven Basel event type categories of operational risk:

- internal fraud;
- 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.

BPF is primarily exposed to operational risks of external fraud in relation to the credit risk, system malfunctions, and to a lesser extent to risks on activities outsourced to service providers or partners.

BPF and the joint ventures' risk mapping covers all their activities and is constantly updated. It identifies and prioritizes four 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 tier two 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 our IT systems. Business continuity plans have been prepared and deployed for information systems and premises at both head office and in subsidiaries and JVs. These are tested annually.

1.6.7 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 intelligence. 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, processing 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, the completion of IT developments, detecting people who are exposed politically or whose assets have been frozen, setting anomaly significance criteria and limits to counter money-laundering and the financing of terrorism, as well as a professional alert system.

Priority is given to local monitoring of non-compliance risk, based on risk control procedures, the completion and results of which are certified quarterly. Independent analyses conducted at the registered office corroborate this risk level, as part of the Compliance Committees organized quarterly by the Compliance department.

1.6.8 Reputational risk

Definition of reputational risk and risk factors

The reputational risk to which BPF is exposed can be broken down into:

- a specific "risk of damage to the Bank's reputation and image with end customers, 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 legal, fiscal and compliance departments;
- the professional alert system.

The quarterly compliance control certificates include a section dedicated to the reputational risk.

1.6.9 Insurance business risk

PSA Insurance and PSA Insurance Europe operate an insurance business through four insurance companies, two for the “life” business and the other two for the “non-life” business, both offering insurance policies sold with finance contracts.

Risk factors

The PSA Insurance and PSA Insurance Europe insurance business is exposed to four types of risk:

- operational and regulatory risks, for example risks related to acts of offering and selling insurance products;
- subscription and under-provisioning risk;
- market financial risks related to investments including in particular counterparty risk;
- strategic risks.

Measurement, control and monitoring of risks associated with the insurance companies

Risk limits apply to subscription, insurance product sale and claims management policies. Limits are monitored using the reports presented quarterly to the Technical Committee. Stress testing is conducted and a range of statistical control methods are applied. The provisioning methods adopted are those recommended by the insurance regulations and are reviewed by an external actuary, who checks the work carried out by the internal actuary. This review is materialized by a certification report on the technical provisions.

The Technical Committee meeting, held quarterly, reviews and approves the net cost of claims and all measures (change in guarantee, subscription rules) on the entire product range, which could impact the cost of claims. For products carrying a certain weight in the production, portfolio tracking is also carried out and the conclusions thereof are shared and discussed during the Technical Committee meeting.

Insurance brokerage rules in each country are verified and their implementation is mandatory before any new product is launched. The compliance officer checks each entity regularly. The Insurance Division, assisted by a network of local lawyers, keeps a legal watch, so as to further tighten the monitoring and enhance vigilance in this regard.

Finally, risks related to the regulation, the methods of presenting the offer and the subscriptions are reviewed during the Insurance Marketing Committee (IMC) and Insurance Commerce Committee (ICC) meetings held every month with the Insurance Managers of each subsidiary and branch of BPF.

The conclusions of all these checks are presented, analyzed and discussed systematically during each meeting of the Board of Directors of the entities constituting the Insurance Division.

An investment policy is implemented to limit market financial risks. The policy includes:

- rules for the allocation of assets held (asset types, geographical areas, sectors of activity, maximum weighting relative to total financial assets held) and for the management of currency risk;
- short and medium-term investments mainly in the form of UCITS governed by French law and securitization;
- a maximum investment horizon of five years;
- limitation of counterparties to a selection of "investment grade" counterparties;
- stress scenarios.

The year 2016 marked the entry into effect of the Solvency 2 rules. The regulatory solvency ratios are monitored monthly to ensure compliance with the companies' capital adequacy ratios. The companies' local procedures are more stringent than the requirements of the MFSA (Malta Financial Services Authority), which provides for quarterly monitoring and reporting. The ratios are presented and analyzed at each Investment Committee meeting (responsible for monitoring capital adequacy) and in the Board of Directors.

Strategic risks are presented during the meetings of the various committees mentioned above, who discuss the macro and micro factors impacting the companies' strategic risks.

Operational and regulatory risks are discussed by the Compliance and Control Committee.

1.6.10 Correlation between BPF and its shareholder

Definition of correlation risk and risk factors

BPF fully belongs to the PSA Group and because of its captive activities, its business and profitability may be partially influenced by a number of factors originating with the PSA Group:

- economic and financial factors: sales performance, financial results, profitability outlook of the PSA Group;
- strategic factors: product development and geographical coverage;
- factors related to the PSA Group's reputation and brand image.

Nevertheless, the fact that a significant portion of the business activity takes places within 50%-owned joint ventures with Santander helps to reduce this sensitivity, particularly the refinancing aspect.

Measurement, control and monitoring of the correlation between BPF and its shareholder

The various risk factors have been prioritized and taken into account in stress scenarios.

Given the gradual establishment of joint ventures with Santander and the increased financing of businesses, Banque PSA Finance decided at the beginning of 2016 to no longer seek ratings from credit rating agencies. In fact, the correlation risk with the PSA Group's rating no longer exists.

In 2016, BPF established, in relation with its supervisory authorities, a "Recovery Plan" incorporating theoretical stress scenarios featuring harsh assumptions regarding the automotive manufacturer; which made it possible to highlight the sturdiness of the bank's business model, in particular thanks to its matching policy in terms of refinancing.

1.7 Internal control

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

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

Prior to the implementation of the partnership with SCF, BPF maintained a control system that was largely based on the three tiers defined in the Order of November 3, 2014.

1.7.1 Recurring controls

1.7.1.1 First-tier controls, the lynchpin 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-tier controls are supervised by the units responsible for second-tier controls.

1.7.1.2 Second-tier controls

Second-tier controls include compliance controls and controls over operational risks within the finance companies, insurance companies and corporate units, including those arising from services performed by the PSA Group on behalf of BPF. They are organized into three departments:

- Compliance Control;
- Accounting Control;
- Operational and IT Activities Control.

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

The tasks of the two operational risk control departments include:

- recurring assessments of the effectiveness of controls over operational risks within the corporate functions and subsidiaries as well as for outsourced services;
- the exercise of specific second-tier controls performed across all the structures of the Bank with the specification that the operational activities of the joint ventures created under the terms of the agreements signed with Santander in Europe on the one hand, and in Brazil on the other, are controlled by the second-tier control bodies of these joint ventures within the methodological framework defined by - and under the supervision of - the recurring controls body of BPF, in accordance with the organization defined in agreement with SCF;
- application of a mechanism for certifying first-tier controls, used by operations officers to certify the execution and outcome of key controls on major risks, which are then challenged by the operational risk control department. This system, which already included accounting, refinancing and treasury activities as well as the security of access to the Bank's major computer applications, was expanded to Retail and Corporate;
- issuance of written recommendations and follow-up of their implementation;
- collecting and analyzing operational losses and incidents identified in a dedicated monitoring tool.

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

1.7.2 Periodic Controls

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

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

In accordance with the Order dated November 3, 2014 on internal control of credit institutions, BPF's Audit Committee was replaced in 2015 by an Audit and Risk Committee. This Audit and Risk Committee, which meets at least four times a year, has assumed all the prerogatives of the Audit Committee and is comprised of the same members.

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

Our Audit and Risk Committee sets our priorities based on risks identified. Its duties include the planning, supervision and review of internal audits and the review of the audit plan of the statutory auditors. It is responsible for the remediation of any major weaknesses in internal controls identified by our internal or external auditors.

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

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

Executive management is responsible for defining and implementing the internal control system. It monitors proper functioning and ensures adequacy of missions and means. It oversees the system's efficiency and effectiveness, and ensures that adequate resources are assigned to internal control.

1.7.4 Organization of Internal Control

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

As part of the quarterly Audit and Risk Committee meeting or at Group level, committees have been set up to determine and implement our policies in the areas of internal control and decision-making processes during regular meetings. The Credit Risks Committee, which monitors changes in troubled loans and credit losses; and analyzes the performance of the risk selection systems for retail and corporate (fleet and dealer) loan books.

The committee also reviews and makes decisions concerning:

- developments in the Basel II system;
- lending margins;
- the Products and Processes Committee, including the associated risks;
- the financing applications from the Corporate dealer and the business fleets are examined at the level of a group credit committee or at the level of the local credit committee, depending on the delegations of authority in effect;
- the Refinancing Committee, which reviews the results of our refinancing, liquidity and interest and exchange rate risk management policies;
- the IT Security Committee;
- the Compliance Committee.

1.8 Share Ownership

1.8.1 Share capital

BPF is a limited liability corporation (*Société Anonyme*) organized under the laws of France. Its registered office is located at 68, avenue Gabriel Péri, 92230 Gennevilliers, in France. BPF is a regulated credit institution overseen by European and French banking regulators, the European Central Bank and the *Autorité de Contrôle Prudentiel et de Résolution*; the Group operates through licensed branches and subsidiaries around the world. These branches and affiliates also hold licenses for their specific activities when needed.

The share capital has remained at €177,408,000 since November 8, 2002 without any change since that date. It is divided into 11,088,000 fully paid shares having a nominal value of €16 each.

All the share capital of BPF is owned by the majority shareholder Peugeot S.A. (8,307,996 shares, representing 74.93% of the equity) and by two wholly-owned subsidiaries of PSA, Automobiles Peugeot S.A. (which owns 1,780,002 shares or 16.05% of BPF equity) and by Automobiles Citroën SA (which owns 1,000,001 shares or 9.02% of BPF equity). 1 share is also personally owned by 1 member of the Board of Directors.

1.8.2 Intra-Group agreements

BPF is committed to the PSA Group ("PSA") for the performance of support services to BPF and its subsidiaries and branches abroad by virtue of a services contract for, among other things, refinancing, cash management, counter-party risk and exchange rate risk. Finally, PSA provides BPF with assistance in terms of the provision of staff in its central functions as well as management services for external purchases.

PSA is paid a service fee for these services, in addition to fees for specific transactions or operations. The total amount paid by the BPF Group to the PSA Group in 2016 was €101 million.

1.8.3 Proposed Resolutions for the ordinary general meeting of April 24, 2017

Ordinary resolutions:

First resolution: Approval of the consolidated financial statements

The Shareholders, after reviewing the consolidated financial statements of the BANQUE PSA FINANCE Group, the comments of the Board of Directors and the statutory auditors' report on the consolidated financial statements, approve the consolidated financial statements for the period ended December 31, 2016 as presented, as well as the transactions represented or summarized in this report.

Second resolution: Approval of the management report and annual financial statements

The Shareholders, having considered the annual financial statements, the management report of the Board of Directors for the financial period ended December 31, 2016, and the general report of the statutory auditors, approve the Board of Director's management report in its entirety.

The Shareholders approve the annual financial statements for the year ended December 31, 2016, showing a net income of €436,184,499.67

Third resolution: Appropriation of income for Banque PSA Finance company

The Shareholders note that the income available for distribution is €852,386,448.17, consisting of a net income for 2016 of €436,184,499.67 and retained earnings of €416,201,948.50 brought forward from the previous year.

A dividend of €10.37 per share shall be paid after the general meeting of April 24, 2017.

The Shareholders resolve to appropriate this profit available for distribution as follows:

to shares: €114,982,560.00

to retained earnings: €737,403,888.17

The Shareholders note that under the former financial years 2013, 2014 and 2015 the dividends paid were respectively €20.10, €82.80 and €37.80.

Fourth resolution: Directors' fees

The Shareholders decide to allocate, for the directors' fees for the year 2016, an annual total amount of €48,000 that the Board of Directors will freely distribute among the Directors.

Fifth resolution: Special report on the regulated agreements

The Shareholders having heard the statutory auditors' special report on the regulated agreements approve said report without reservations and also approve the agreements concerned.

<u>Extraordinary resolutions:</u>

Sixth resolution: Formalities

The Shareholders hereby grant 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.

1.8.4 Information about the administrative and management bodies

1.8.4.1 Board of Directors

Banque PSA is a *Société Anonyme* (a French limited liability corporation). Pursuant to our by-laws, our Board of Directors must be made up of not less than three or more than 12 directors, and no more than one-third of whom may be older than 65 years (and none may be older than 70 years). The Board of Directors is currently made up of seven directors appointed by the general meeting of shareholders. In compliance with French law, our directors may be removed at any time. Each director is appointed for a term of six years. Only two unsalaried directors of the PSA Group receive attendance fees, and the other directors assume their appointments *ex gratia*.

The Board of Directors determines the strategy of BPF and supervises our management with respect to its implementation. The Board of Director's internal rules specify that it must regularly evaluate the BFP strategy and deliberate on changes to our refinancing, management structure and transactions, in particular, partnerships, acquisitions and dispositions likely to have significant impact on our earnings, the structure of our balance sheet, or our risk profile.

List of the corporate positions held and expired during the 2016 financial year by the Directors of Banque PSA Finance and the permanent representatives of Directors

Olivier Bourges	**Other positions held during the year 2016**
Chairman of the Board of Directors and Director	***Member of the Supervisory Board***
Since September 29, 2016	• GEFCO
Current term expires in 2020	
Born on December 24, 1966	***Director***
	• Automobiles Peugeot
	• Peugeot Citroën Automoviles Espana S.A. (Spain)
	• PCMA Holding B.V. (Netherlands)
	• Iran Khodro Automobiles Peugeot
	Chairman of the Audit Commission
	• Peugeot Citroën Automoviles Espana S.A. (Spain)
	Permanent Representative of Peugeot S.A.
	• Board of Directors of Automobiles Citroën
	Managing Director
	• DJ56
	Positions terminated during the year 2016
	Permanent Representative of Peugeot S.A.
	• Board of Directors of Banque PSA Finance

Rémy Bayle	**Other positions held during the year 2016**
Chief Executive Officer and Director	***Chairman of the Board of Directors and Director***
First appointed to the Board on April 23, 2015	• Compagnie pour la location de véhicules - CLV
Current term expires in 2021	
Born on December 26, 1961	***Director***
	• Compagnie Générale de Crédit aux Particuliers - Crédipar
	• PSA Finance UK Ltd (United Kingdom)
	• PSA Banque France (formerly SOFIB)
	Positions terminated during the year 2016
	Chairman
	• France Lion

Carlos Tavares	**Other positions held during the year 2016**
Director	***Chairman of the Managing Board***
First appointed to the Board on April 2, 2014	• Peugeot S.A.
Current term expires in 2021	
Born on August 14, 1958	***Chairman of the Board of Directors and Director***
	• Peugeot Citroën Automobiles
	Director
	• Faurecia
	• Airbus Group

Michel Philippin	**Other positions held during the year 2016**
Director and Chairman of the Audit and Risk Committee	***Director***
First appointed to the Board on April 20, 2012	• ONG 1001 Fontaines
Current term expires in 2018	• Centre des professions Financières
Born on June 26, 1948	

François PIERSON

Director and member of the Audit and Risk Committee

First appointed to the Board on July 9, 2012
Current term expires in 2019
Born on May 29, 1947

Other positions held during the year 2016

Chief Executive Officer

• AGIPI (Association)

Chairman of the Board of Directors

• Inter Partner Assistance SA (Belgium)
• AGIPI Retraite (Association)
• Kedge Business School

Chairman

• Association Prévention Routière

Director

• UCAR (SA)
• AXA Assurance Maroc (SA)
• AXA Cameroun (SA)
• AXA Côte d'Ivoire (SA)
• AXA Gabon (SA)
• AXA Sénégal (SA)
• AXA Holding Maroc (SA)
• AXA Assurances Algérie Dommage (SPA Algeria)
• AXA Assurance Algérie Vie (SPA Algeria)
• AXA Aurora Vida, S.A. (SA Spain)
• AXA Seguros Generales, S.A. (SA Spain)
• AXA Vida S.A. (SA Spain)

Positions terminated during the year 2016

Chairman of the Board of Directors

• Ecole de la Seconde Chance (Hauts-de-Seine)

Director

• ASAF (Association - gestion)
• AFPS (Association - gestion)

Managing Director

• AGIPI Développement (SARL)

Peugeot S.A

Director

First appointed to the Board on December 15, 1982
Current term expires in 2018

Other positions held during the year 2016

Director

• Automobiles Citroën
• Automobiles Peugeot
• GIE PSA Trésorerie
• ANSA

Founding member

• GIE PSA Peugeot Citroën

Positions terminated during the year 2016

Founding member

• Institut pour la Ville en Mouvement

Jean-Baptiste CHASSELOUP de CHATILLON

Permanent Representative of Peugeot S.A. and Member of the Audit and Risk Committee

First appointed to the Board on September 29, 2016

Born on March 19, 1965

Other positions held during the year 2016

Member of the Managing Board

• Peugeot S.A.

Vice-Chairman and Director

• PSA International S.A. (Switzerland)

Vice-Chairman and Member of the Supervisory Board

• Gefco

Director

• Automobiles Citroën
• Faurecia
• Dongfeng Peugeot Citroën Automobiles Company Ltd (China)
• Changan PSA Automobiles Company, Ltd (China)

Permanent Representative of Peugeot S.A.

• Conseil d'administration d'Automobiles Peugeot

Chairman

• CarOnWay
• Mister AUTO

Positions terminated during the year 2016

Chairman

• ASM - Auto Sud Marché S.A.S

Chairman of the Board of Directors of Banque PSA Finance

Automobiles Peugeot

Director

First appointed to the Board on December 15, 1982

Current term expires in 2020

Other positions held during the year 2016

Director

• GLM1
• Peugeot Algérie (Algeria)
• Peugeot Espana S.A. (Spain)
• SOPRIAM (Morocco)
• SOMACA (Morocco)
• Société Tunisienne Automobile Financière Immobilière et Maritime (Tunisia)

Associate Manager

• Peugeot Média Production SNC

Positions terminated during the year 2016

Founding member

• Institut pour la Ville en Mouvement PSA Peugeot Citroën

Jean-Philippe Imparato

Permanent Representative of Automobiles Peugeot
Since September 29, 2016
Born on August 27, 1966

Other positions held during the year 2016

Chief Executive Officer
• Automobiles Peugeot

Chairman and Director
• Peugeot Distribution Service - PDS
• Peugeot Automobili Italia S.P.A.
• Peugeot Citroën Retail Italia S.P.A.

Member of the Supervisory Board
• Citroën Nederland B.V.
• Peugeot Motocycles

Director
• Peugeot Espana S.A.
• Peugeot Citroën Retail UK Limited

Director
• Peugeot Motor Company PLC

Maxime Picat

Permanent Representative of Automobiles Peugeot
First appointed to the Board on October 1, 2012
Current term expires on September 29, 2016
Born on March 26, 1974

Other positions held during the year 2016

Chairman of the Managing Board and director
• Peugeot Citroën Espana
• Peugeot Citroën Automoveis (Portugal)

Member of the Managing Board
• Peugeot S.A.

Director
• Peugeot Citroën Automobiles SA
• PSA's corporate foundation

Positions terminated during the year 2016

Chief Executive Officer
• Automobiles Peugeot

Permanent Representative of Automobiles Peugeot
• Board of Directors of Banque PSA Finance

Director
• Dongfeng Peugeot Citroën Automobiles Company Ltd (China)
• Peugeot Espana S.A. (Madrid)

Member of the Supervisory Board
• Peugeot Motocycles (Belfort)

Chairman
• Peugeot Motor Company Plc (United Kingdom)

Functions held by the Executive Managing Officers non Directors of Banque PSA Finance as of December 31, 2016

Alain Martinez	**Other positions held during the year 2016**
Executive Managing Officer First appointed to the Board on July 25, 2011 Current term expires in 2021 Duration of term of office aligned with that of the Chief Executive Officer Born on September 20, 1958	***Chairman and Director*** • PSA Renting ITALIA SPA (Italy) • PSA Factor ITALIA SPA (Italy) ***Member of the Supervisory Board*** • PSA Financial Holding B.V. (Netherlands) ***Chairman*** • Bank PSA Finance Rus (Russia) ***Director*** • PSA Banque France (formerly SOFIB) • PSA Bank Deutschland Gmbh • PSA Financial d.o.o. (Croatia) • Banca PSA Italia SpA • PSA Financial Services Spain EFC SA
	Positions terminated during the year 2016
	Member of the Supervisory Board • BPF Financiranje d.o.o. (Slovenia) • Peugeot Finance International N.V. (Netherlands)

1.8.4.2 Committees

A. The Audit and Risk Committee

At January 1, 2017, the Audit and Risk Committee is comprised of the following members:

Name	**Position within PSA Group**
Michel Philippin, Chairman	Board member of Banque PSA Finance
François Pierson	Board member of Banque PSA Finance
Olivier Bourges	Permanent Representative of Peugeot S.A. and Secretary General of PSA Group

B. Executive committee

As of January 1, 2017, the executive committee consists of the following members:

Name	Position
Rémy Bayle	Chief Executive Officer of Banque PSA FInance
Alain Martinez	Executive Managing Officer and Regional Director for Europe, Eurasia, Middle-East Africa, Commerce and marketing
Michel Arnaud	Regional Officer for Latin America
Jean-François Mady	Regional Officer for China and ASEAN
Andrea Bandinelli	Chief Executive Officer of PSA BANQUE FRANCE
Jean-Louis Grumet	General Secretary and Permanent Control Officer
Laurent Decottignies	Audit Officer
Paul-Philippe Uhel	Human Resources & Excellence System Officer
Frédéric Legrand	Digital Projects Officer
Alexandre Sorel	Chief Financial Officer
Jean-Marc Santolaria	Marketing & Innovation Officer
Patrice Volovik	Retail Operations and Risk Management Officer
Edouard de Lamarzelle	Insurances Officer
Philippe Erkel	Bank and services information system Officer

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

For Banque PSA Finance, the diversity among its entire employee workforce is a source of added value and performance. By promoting the internal representation of various socio-demographic groups (gender, age, ethnicity, disability, etc.) and guaranteeing equal opportunity, BPF is converting its differences into assets.

Through the various agreements signed with its social partners, Banque PSA Finance ensures that all its employees, at all levels, are treated equally, using objective criteria such as competence and results. It also regularly confronts prejudice in order to prevent discrimination, whether direct or indirect, conscious or unconscious, particularly regarding individuals' real or presumed origins. By basing its practices on objective criteria of competence and results, BPF wishes to foster the commitment and motivation of each employee.

2

CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2016

2.1 Consolidated Balance Sheet

(in million euros)	*Notes*	**Dec. 31, 2016**	**Dec. 31, 2015**
Assets			
Cash, central banks, post office banks	*4*	58	154
Financial assets at fair value through profit or loss	*5*	389	383
Hedging instruments	*6*	5	13
Available-for-sale financial assets	*7*	5	11
Loans and advances to credit institutions	*8*	223	87
Customer loans and receivables	*9, 28*	346	460
Fair value adjustments to finance receivables portfolios hedged against interest rate risks		-	9
Held-to-maturity investments		-	-
Current tax assets	*29.1*	13	12
Deferred tax assets	*29.1*	16	27
Accruals and other assets	*10*	89	117
Investments in associates and joint ventures accounted for using the equity method	*11*	1,527	981
Property and equipment		2	1
Intangible assets	*12*	61	63
Goodwill	*13*	1	1
Total assets of continuing operations		**2,735**	**2,319**
Total assets of operations to be taken over by partnership (or held for sale)		**-**	**7,048**
Total assets		**2,735**	**9,367**

(in million euros)	*Notes*	**Dec. 31, 2016**	**Dec. 31, 2015**
Equity and liabilities			
Central banks, post office banks		-	-
Financial liabilities at fair value through profit or loss		-	1
Hedging instruments	*14*	1	9
Deposits from credit institutions	*15*	126	848
- *of which debts of continuing operations*		*126*	*326*
- *of which non-transferred debts of operations to be taken over by partnership*		-	*522*
Due to customers	*16*	4	468
- *of which debts of continuing operations*		*4*	*163*
- *of which non-transferred debts of operations to be taken over by partnership*		-	*305*
Debt securities	*17*	286	1,786
- *of which debts of continuing operations*		*286*	*9*
- *of which non-transferred debts of operations to be taken over by partnership*		-	*1,777*
Fair value adjustments to debt portfolios hedged against interest rate risks		15	25
Current tax liabilities	*29.1*	-	6
Deferred tax liabilities	*29.1*	12	12
Accruals and other liabilities	*18*	73	109
Liabilities related to insurance contracts	*19.1*	88	83
Provisions	*20*	38	70
Subordinated debt		-	-
Total liabilities of continuing operations		**643**	**3,417**
Total transferred liabilities of operations to be taken over by partnership (or held for sale)		**-**	**3,623**
Equity		**2,092**	**2,327**
- Equity attributable to equity holders of the parent		2,071	2,295
- Share capital and other reserves		835	835
- Consolidated reserves		1,373	1,713
- *Of which Net income - equity holders of the parent*		*98*	*155*
- Income and expenses recognized directly in Equity		(137)	(253)
- *Of which Net income - equity holders of the parent (share of items recycled in profit or loss)*		*100*	*6*
- Minority interests		21	32
Total equity and liabilities		**2,735**	**9,367**

2.2 Consolidated Statement of Income

(in million euros)	*Notes*	Dec. 31, 2016	Dec. 31, 2015
Net interest revenue on customer transactions		**41**	**88**
- Interest and other revenue on assets at amortized cost	*25*	72	106
- Fair value adjustments to finance receivables hedged against interest rate risks		1	(15)
- Interest on hedging instruments	*26*	(2)	(13)
- Fair value adjustments to hedging instruments		(2)	12
- Interest expense on customer transactions		(2)	(4)
- Other revenue and expense		(26)	2
Net investment revenue		**1**	**3**
- Interest and dividends on marketable securities		1	2
- Fair value adjustments to assets valued using the fair value option		-	(1)
- Gains and losses on sales of marketable securities		-	2
- Investment acquisition costs		-	-
Net refinancing cost		**(36)**	**(21)**
- Interest and other revenue from loans and advances to credit institutions		4	4
- Interest on deposits from credit institutions		(26)	(40)
- Interest on debt securities		(18)	(12)
- Interest on passbook savings accounts		-	-
- Expenses related to financing commitments received		(9)	(22)
- Fair value adjustments to financing liabilities hedged against interest rate risks		10	46
- Interest on hedging instruments		16	56
- Fair value adjustments to hedging instruments		(10)	(42)
- Fair value adjustments to financing liabilities valued using the fair value option		-	-
- Debt issuing costs		(3)	(11)
Net gains and losses on trading transactions		**(3)**	**(4)**
- Interest rate instruments		(1)	-
- Currency instruments		(2)	(4)
Net gains and losses on available-for-sale financial assets		**-**	**-**
Margin on sales of Insurance services	*19.2*	**28**	**28**
- Earned premiums		104	135
- Paid claims and change in liabilities related to insurance contracts		(76)	(107)
Margin on sales of services		**10**	**19**
- Revenues		10	19
- Expenses		-	-
Net banking revenue		**41**	**113**
General operating expenses	*27*	**(14)**	**(91)**
- Personnel costs		(9)	(10)
- Other general operating expenses		(5)	(81)
Depreciation and amortization of intangible and tangible assets	*12*	**(21)**	**(17)**
Gains and losses on investments in companies and other disposals of fixed assets		**-**	**-**
Gross operating income		**6**	**5**
Cost of risk	*28*	(5)	(1)
Operating income		**1**	**4**
Share in net income of associates and joint ventures accounted for using the equity method	*11*	195	123
Impairment on goodwill		-	-
Pension obligation - expense		-	-
Pension obligation - income		-	-
Other non-operating items		4	2
Costs of non-transferred debts of operations to be taken over by partnership		(16)	(174)
Pre-tax income		**184**	**(45)**
Income taxes	*29.2*	(13)	41
Net income of continuing operations		**171**	**(4)**
- of which attributable to equity holders of the parent		*163*	*(16)*
- of which minority interests		*8*	*12*
Gross income of operations to be taken over by partnership (or held for sale)		53	250
Income tax on operations to be taken over by partnership (or held for sale)	*29.2*	(22)	(73)
Net income of operations to be taken over by partnership (or held for sale)	*3.2*	**31**	**177**
- of which attributable to equity holders of the parent		*35*	*177*
- of which minority interests		*(4)*	*-*
Net income for the year		**202**	**173**
- of which attributable to equity holders of the parent		*198*	*161*
- of which minority interests		*4*	*12*
Net income of continuing operations - attributable to equity holders of the parent - per share		*14.6*	*(1.4)*
Net income - Earnings per share (in €)		*17.8*	*14.5*

2.3 Net Income and Income and Expenses Recognized Directly in Equity

	Dec. 31, 2016			Dec. 31, 2015		
(in million euros)	**Before tax**	**Tax**	**After tax**	**Before tax**	**Tax**	**After tax**
Net income	237	(35)	**202**	205	(32)	**173**
- of which minority interests			*4*			*12*
Recyclable in profit and loss items						
Fair value adjustments to hedging instruments (1)	1	-	**1**	(3)	1	**(2)**
- of which revaluation reversed in net income	-	-	**-**	-	-	**-**
- of which revaluation directly by equity	*1*	-	***1***	*(3)*	*1*	***(2)***
Exchange difference	35	-	**35**	(61)	-	**(61)**
- of which operations to be taken over by partnership	-	-	**-**	*(49)*	-	***(49)***
OCI of joint ventures	(29)	-	**(29)**	2	-	**2**
Total recyclable in profit and loss items	7	-	**7**	(62)	1	**(61)**
- of which minority interests			*(4)*			*(9)*
Not recyclable in profit and loss items						
Actuarial gains and losses on pension obligations	-	-	**-**	1	-	**1**
- of which operations to be taken over by partnership	-	-	**-**	-	-	**-**
OCI of joint ventures	6	(1)	**5**	-	-	**-**
Total income and expenses recognized directly in Equity	13	(1)	**12**	(61)	1	**(60)**
- of which minority interests			*(4)*			*(9)*
Total net income and income and expenses recognized directly in Equity	250	(36)	**214**	144	(31)	**113**
- of which attributable to equity holders of the parent			*214*			*110*
- of which minority interests			*-*			*3*

(1) Including a €1 million loss due to hedging cross currency swaps' basis spread at December 31, 2016 (€2.9 million loss at December 31, 2015).

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

	Share capital and other reserves (1)				Fair value adjustments - equity holders of the parent						
(in million euros)	Share capital	Issue, share and merger premiums	Legal reserve and other reserves	Consoli-dated reserves	Fair value adjustments to hedging instruments	Actuarial gains and losses on pension obligations	Exchange difference	OCI of joint ventures	Equity attributable to equity holders of the parent	Minority interests	Total equity
At December 31, 2014	**177**	**340**	**318**	**2,474**	**(1)**	**(6)**	**(212)**	**11**	**3,101**	**38**	**3,139**
Distribution of dividends by:											
- Banque PSA Finance				(918)					(918)		(918)
- Other companies									-	(7)	(7)
Net Income				155	-	1	5	-	161	12	173
Income and Expenses Recognized Directly in Equity				-	(2)	1	(52)	2	(51)	(9)	(60)
Effect of a change in ownership interest following a capital increase to which shareholders did not subscribe equally (2)				2					2	(2)	-
At December 31, 2015	**177**	**340**	**318**	**1,713**	**(3)**	**(4)**	**(259)**	**13**	**2,295**	**32**	**2,327**
Distribution of dividends by:											
- Banque PSA Finance				(434)					(434)		(434)
- Other companies									-	(6)	(6)
Net Income				98	-	4	98	(2)	198	4	202
Income and Expenses Recognized Directly in Equity				-	1	-	39	(24)	16	(4)	12
Effect of a change in ownership interest (3)				(5)					(5)	(5)	(10)
Other				1	-	-	-	-	1	-	1
At December 31, 2016	**177**	**340**	**318**	**1,373**	**(2)**	**-**	**(122)**	**(13)**	**2,071**	**21**	**2,092**

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

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

(2) Capital increase by PSA Assurance SAS that was fully subscribed by Banque PSA Finance, resulting in the ownership interest attributable to the Group going from 90% to 94.12%.

(3) Acquisition by Banque PSA Finance of Peugeot S.A.'s shares of the PSA Assurance SAS subsidiary, resulting in the ownership interest attributable to the Group going from 94.12% to 100%.

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

2.5 Consolidated Statement of Cash Flows

(in million euros)	Dec. 31, 2016	Dec. 31, 2015
Net income of continuing operations attributable to equity holders of the parent	**163**	**(16)**
Restatement of costs of non-transferred debts of operations to be taken over by partnership, after taxes	11	115
Elimination of income without cash effect:		
- Minority interests in income of subsidiaries	8	12
- Net income of associates accounted for using the equity method, net of dividends received	(107)	(123)
- Change in depreciation, amortization and other provisions	(8)	67
- Change in deferred taxes	6	(60)
- (Profit)/loss on disposals of assets	(4)	7
Funds from operations	**69**	**2**
Increase/decrease in:		
- loans and advances to credit institutions	1,470	7,459
- deposits from credit institutions	(701)	(2,808)
Change in customer loans and receivables	(40)	1,518
Increase/decrease in:		
- amounts due to customers	(156)	(813)
- financial assets at fair value through profit or loss	262	1,363
- financial liabilities at fair value through profit or loss	(2)	(15)
- hedging instruments	9	(9)
- debt securities	239	(305)
Change in working capital: assets	58	179
Change in working capital: liabilities	148	(11)
Net cash provided by operating activities	**1,356**	**6,560**
Acquisitions of shares in subsidiaries	(71)	(24)
Proceeds from disposals of shares in subsidiaries	202	(81)
Investments in fixed assets	(19)	(19)
Proceeds from disposals of fixed assets	1	1
Effect of changes in scope of consolidation	-	-
Net cash used by investing activities	**113**	**(123)**
Dividends paid to PSA Group	(434)	(918)
Dividends paid to minority interests	(11)	-
Capital increase	(5)	-
Net dividends received from operations to be taken over by partnership	120	88
Net cash used by financing activities	**(330)**	**(830)**
Costs of non-transferred debts of operations to be taken over by partnership, after taxes	(11)	(115)
Changes in liabilities due to financing of operations to be taken over by partnership	(2,604)	(8,119)
Total net cash of financing operations to be taken over by partnership	**(2,615)**	**(8,234)**
Net income of operations to be taken over by partnership	31	177
Change in assets and liabilities of operations to be taken over by partnership	1,186	847
Net dividends paid by operations to be taken over by partnership	(120)	(88)
Total net cash from operations to be taken over by partnership	**1,097**	**936**
Effect of changes in exchange rates	16	(19)
Net change in cash and cash equivalents	**(363)**	**(1,710)**
Cash and cash equivalents at the beginning of the period	**893**	**2,603**
Cash, central banks, post office banks	182	331
- of which operations to be taken over by partnership	*28*	*27*
Marketable securities qualified as cash equivalents	340	299
Current account advances and loans and advances at overnight rates	347	1,332
- of which operations to be taken over by partnership	*280*	*1,167*
Time accounts qualified as cash equivalents	24	641
Cash and cash equivalents at the end of the period	**530**	**893**
Cash, central banks, post office banks	58	182
Marketable securities qualified as cash equivalents	249	340
Current account advances and loans and advances at overnight rates	223	347
Time accounts qualified as cash equivalents	-	24

2.6 Notes to the Consolidated Financial Statements

Notes

Note 1 Main Events of the period and Group Structure

A. Main Events of the period

Partnerships between Banque PSA Finance and Santander

Banque PSA Finance and Santander Consumer Finance ("Santander CF") signed a binding Framework Agreement on July 10, 2014, which will establish a partnership between the two groups in eleven European countries.

This partnership between Banque PSA Finance and Santander CF, the consumer finance division of Banco Santander, took the form of ten dedicated local partnerships in Germany, Austria, Belgium, Spain, France, Italy, Netherlands, Poland, United Kingdom, Switzerland and a commercial partnership in Portugal. This transaction enhances commercial capabilities for PSA Group's brands enabling them to increase their penetration of the car finance market. It also creates a dynamic and sustainable financing activity for Banque PSA Finance, thanks to competitive offers dedicated to PSA Group's brands and customers. The perimeter of the partnership covers 90% of Banque PSA Finance's current activities.

In 2015, Banque PSA Finance and Santander CF set up in February joint ventures in France and in the United Kingdom, and in October in Spain and Switzerland. These companies provide financing for Peugeot, Citroën and DS car dealers and their customers in these four countries.

In May 2015 two new insurance companies owned 50:50 by Banque PSA Finance and Santander CF started distributing products in France and the United Kingdom, and since October 2015 in Spain and Switzerland. They also provide distribution of insurance products for other countries in the partnership as and when these roll out.

Banque PSA Finance announced on July 24, 2015 the signing of a framework agreement with Banco Santander Brasil to develop a partnership between the two groups in Brazil.

Since August 2015, the Portuguese operations have been run under a commercial agreement with Santander CF.

In January 2016, the joint venture in Italy started up having previously received the approval from the regulatory authorities.
In February 2016, the joint venture in the Netherlands started up having previously received the approval from the regulatory authorities.
In May 2016, the joint venture in Belgium started up having previously received the approval from the regulatory authorities.
In July 2016, the joint ventures in Germany and in Austria started up having previously received the approval from their respective regulatory authorities.
In August 2016, the joint venture in Brazil started up having previously received the approval from the regulatory authorities.
In October 2016, the joint ventures in Poland started up having previously received the approval from the regulatory authorities.
These companies provide financing for Peugeot, Citroën and DS car dealers and their customers in these seven countries.

The partnership between Banque PSA Finance and Santander is now operational in 11 European countries and Brazil.

In accordance with IFRS 5, accounting impacts are described in Note 3.

Evolution of financing

Since the launching of the local partnerships with Santander, Banque PSA Finance is no more responsible for the financing of these entities.

Financing provided by Banque PSA Finance for the needs of its controlled subsidiaries is arranged with maturities that cover the maturities of the retail financing portfolio. In addition to drawn bank facilities, undrawn bilateral credit facilities have been concluded with leading banking institutions. Furthermore, at December 31, 2016, the bank's liquidity reserve represented €474 million including €50 million of high-quality liquid assets (see Note 24.3).

2016 financing strategy

At December 31, 2016, in the framework of the partnership with Santander, following the transfer or the end of securitization operations, and after the proceeds from disposal of deposit activity (passbook savings accounts) in Belgium at the beginning of September 2016, it remains only the bond financing source in Banque PSA Finance debt securities.

Following the repayment of the tranche with an April 2016 maturity, Banque PSA Finance no longer has any bond issue guaranteed by the French State in its balance sheet.

Renew of bank credit lines

In 2016 Banque PSA Finance (i) repaid and cancelled the drawn bank facilities in the total amount of €185 million, (ii) cancelled the bilateral revolving credit facilities in the amount of €1,030 million and (iii) cancelled the syndicated credit facility of €700 million, which had been signed on February 5, 2015. At the same time, it set up several new bilateral revolving credit facilities in the total amount of €360 million. These transactions are part of the partnership with Santander CF, resulting in a significant reduction in Banque PSA Finance's financing needs and associated financial securities.

B. Changes in Group Structure

In January 2016, Banque PSA Finance branch in Italy transferred its activity to the new subsidiary in a 50:50 partnership with Santander Banca PSA Italia S.P.A. In accordance with revised IAS 28 – Investments in Associates and Joint Ventures, the subsidiary in partnership in Italy is a joint venture, accounted for using the equity method since January 2016. The associated Italian special purpose fund Auto ABS Italian Loans Master S.r.l has been accounted for using the equity method since January 2016.

In January 2016, the net assets of the subsidiary in Croatia PSA Financial d.o.o were sold. The result on disposal was not material in the consolidated financial statements of Banque PSA Finance Group. The residual structure, not material and in the process of liquidation, was deconsolidated in March 2016.

In February 2016, after buying (in January 2016) the portion held by PSA Finance Nederland B.V in its subsidiary created in December 2015 in the Netherlands, Banque PSA Finance owned 100% and then sold 50% of PSA Financial Services Nederland B.V to Santander. In accordance with revised IAS 28, the new joint venture in the Netherlands has been accounted for using the equity method since February 2016.

In March 2016, a new insurance broker was created in Brazil. PSA Corretora de Seguros e Serviços Ltda is 99%-owned by PSA Services Ltd, which is 99,99%-owned by PSA Assurance S.A.S, itself 94,12%-owned (until October 2016) by Banque PSA Finance. It was fully consolidated from March 2016 to July 2016 (see paragraph on Brazil here after).

In March 2016, the subsidiary in Slovenia BPF Financiranje d.o.o was totally sold. The result on disposal was not material in the consolidated financial statements of Banque PSA Finance Group.

In March 2016, PSA Finance Nederland B.V (subsidiary of the subsidiary PSA Financial Holding B.V) absorbed Peugeot Finance International N.V (fully owned by Banque PSA Finance). This operation had no impact on the consolidated income statements of Banque PSA Finance Group.

In May 2016, after buying (in February 2016) the portion held by PSA Financial Holding B.V in its Belgian subsidiary, Banque PSA Finance owned 100% and then sold 50% of its subsidiary PSA Finance Belux to Santander. In accordance with revised IAS 28, the new joint venture in Belgium has been accounted for using the equity method since May 2016.

In June 2016, Banque PSA Finance's Brazilian subsidiary Banco PSA Finance Brasil S.A repurchased the loans sold in 2010 to the FIDC, and the fund was wound up in advance. As the FIDC was consolidated, the transaction had no impact on the consolidated financial statements of Banque PSA Finance Group.

In July 2016, Banque PSA Finance's German branch on the one hand, and Banque PSA Finance's Austrian branch in the other hand, transferred their activity respectively to the new subsidiary in a 50:50 partnership with Santander PSA Bank Deutschland and to the Austrian branch of this new subsidiary PSA Bank Österreich GmbH. In accordance with revised IAS 28, the new joint ventures have been accounted for using the equity method since July 2016.

In July 2016, PSA Finance Ceska Republika S.r.o, the subsidiary in the Czech Republic, and PSA Finance Slovakia S.r.o, the subsidiary in Slovakia, were totally sold. The respective result on disposal was not material in the consolidated financial statements of Banque PSA Finance Group.

In July 2016, Sofib changed its name to « PSA Banque France ».

In July 2016, Crédipar, wholly-owned by the joint venture PSA Banque France, sold future finance long term lease revenues to the Auto ABS French Leases Master fund. The fund has been accounted for using the equity method since July 2016.

In July and August 2016, the joint venture in Germany PSA Bank Deutschland repurchased the loans sold respectively in 2011 to the Auto ABS German loans 2011-2 fund and in 2013 to the Auto ABS 2013-1 fund. These funds were wound up in advance. As PSA Bank Deutschland and the funds were accounted for using the equity method, the transaction had no impact on the consolidated financial statements of Banque PSA Finance Group.

In August 2016, the Brazilian subsidiary PSA Arrendamento Mercantil S.A was totally sold to Santander.

In August 2016, Banque PSA Finance and PSA Services Ltd sold 50% of the Brazilian subsidiaries, respectively Banco PSA Finance Brasil S.A and PSA Corretora de Seguros e Serviços Ltda, to Santander. In accordance with revised IAS 28, the new joint ventures in Brazil have been accounted for using the equity method since August 2016.

In September 2016, PSA Financial Services Spain Spanish joint venture sold automobile loans to the Auto ABS Spanish Loans 2016 fund. The fund has been accounted for using the equity method since September 2016.

In October 2016, Banque PSA Finance sold 50% of PSA Finance Polska Sp.zo.o polish subsidiary to Santander. In accordance with revised IAS 28, the new joint venture in Poland has been accounted for using the equity method since October 2016. The joint venture acquired 100% of the new subsidiary PSA Consumer Finance Polska Sp.zo.o, which is responsible for retail financing in Poland. It has been accounted for using the equity method since October 2016.

In November 2016, Crédipar, wholly-owned by the joint venture PSA Banque France, repurchased the loans sold in 2012 to the Auto ABS 2012-1 fund, and the fund was wound up in advance. As Crédipar and the fund were accounted for using the equity method, the transaction had no impact on the consolidated financial statements of Banque PSA Finance Group.

In November 2016, Peugeot S.A sold to Banque PSA Finance 5,88% of PSA Assurance S.A.S, which is then wholly-owned by Banque PSA Finance.

C. List of Consolidated Companies

Companies		Country ISO code	Banque PSA Finance interest % Direct	Indirect %	Indirect Held by	Dec. 31, 2016 Consolidation method	Dec. 31, 2016 % interest	Dec. 31, 2015 Consolidation method	Dec. 31, 2015 % interest
Branches									
Austrian branch		AT	-	-		-	-	FC	-
Belgium branch		BE	-	-		-	-	FC	-
German branch		DE	-	-		-	-	FC	-
United Kingdom branch		GB	-	-		-	-	FC	-
Italian branch		IT	-	-		-	-	FC	-
Polish branch		PL	-	-		FC	-	FC	-
Subsidiaries									
Sales financing in Europe									
PSA Finance Ceska Republika S.r.o.	(1)(i)	CZ	-	-		-	-	FC	100
PSA Financial d.o.o.	(2)	HR	-	-		-	-	FC	100
PSA Finance Hungaria Zrt.		HU	2.44	97.56	PSA Financial Holding B.V.	FC	100	FC	100
PSA Renting Italia S.p.A.		IT	100	-		FC	100	FC	100
PSA Finance Slovakia S.r.o.	(1)(i)	SK	-	-		-	-	FC	100
BPF Financiranje d.o.o.	(1)(g)	SI	-	-		-	-	FC	50
Sales financing outside Europe									
PSA Finance Argentina Compania Financiera S.A.		AR	50	-		FC	50	FC	50
PSA Finance Arrendamento Mercantil S.A.	(1)(j)	BR	-	-			-	FC	100
BPF Algérie		DZ	2	98	PSA Financial Holding B.V.	FC	100	FC	100
Banque PSA Finance Mexico SA de CV SOFOM ENR		MX	2.80	97.20	PSA Finance Nederland B.V.	FC	100	FC	100
Bank PSA Finance Rus		RU	65	35	PSA Financial Holding B.V.	FC	100	FC	100
BPF Pazarlama A.H.A.S.		TR	100	-		FC	100	FC	100
Insurance									
PSA Assurances S.A.S.		FR	100	-		FC	100	FC	94.12
PSA Services Ltd		MT	0.01	99.99	PSA Assurance S.A.S.	FC	100	FC	94.12
PSA Insurance Ltd		MT	0.01	99.99	PSA Services Ltd	FC	100	FC	94.12
PSA Life Insurance Ltd		MT	0.01	99.99	PSA Services Ltd	FC	100	FC	94.12
PSA Insurance Manager Ltd		MT	-	100	PSA Services Ltd	FC	100	FC	94.12
Other companies									
Economy Drive Cars Ltd		GB	100	-		FC	100	FC	100
Vernon Wholesale Investments Company Ltd		GB	-	100	Economy Drive Cars Ltd	FC	100	FC	100
PSA Factor Italia S.p.A.		IT	94.54	-		FC	94.54	FC	94.54
PSA Finance Nederland B.V.		NL	-	100	PSA Financial Holding B.V.	FC	100	FC	100
PSA Financial Holding B.V.		NL	100	-		FC	100	FC	100
Peugeot Finance International N.V.	(3)	NL	-	-		-	-	FC	100
Joint ventures	(4)								
Joint ventures in Europe									
PSA Bank Österreich GmbH	(5)(i)	AT	50	-		EM	50	-	-
PSA Finance Belux	(5)(h)	BE	50	-		EM	50	FC	100
PSA Finance Suisse S.A.	(5)(d)	CH	-	50	PSA Financial Services Spain E.F.C. S.A.	EM	50	EM	50
PSA Bank Deutschland GmbH	(5)(i)	DE	50	-		EM	50	-	-
PSA Financial Services Spain E.F.C. S.A.	(5)(d)	ES	50	-		EM	50	EM	50
PSA Banque France	(5)(b)(6)	FR	50	-		EM	50	EM	50
Crédipar	(5)(b)	FR	-	50	PSA Banque France	EM	50	EM	50
CLV	(5)(b)	FR	-	50	Crédipar	EM	50	EM	50
PSA Finance UK Ltd	(5)(b)	GB	50	-		EM	50	EM	50
Banca PSA Italia S.p.A.	(5)(e)	IT	50	-		EM	50	-	-
PSA Insurance Europe Ltd	(5)(c)	MT	-	50	PSA Services Ltd	EM	50	EM	47.06
PSA Life Insurance Europe Ltd	(5)(c)	MT	-	50	PSA Services Ltd	EM	50	EM	47.06
PSA Financial Services Nederland B.V.	(5)(f)	NL	50	-		EM	50	FC	100
PSA Finance Polska Sp.zo.o.	(5)(k)	PL	50	-		EM	50	FC	100
PSA Consumer Finance Polska Sp. z o.o	(5)(k)	PL	50	-		EM	50	-	-
Joint ventures in Brazil									
Banco PSA Finance Brasil S.A.	(5)(j)	BR	50	-		EM	50	FC	100
PSA Corretora de Seguros e Serviços Ltda	(5)(j)	BR	-	50	PSA Services Ltd	EM	50	-	-
Joint venture in China									
Dongfeng Peugeot Citroën Auto Finance Company Ltd	(5)(a)	CN	-	25	PSA Finance Nederland B.V.	EM	25	EM	25
Special purpose entities	(4)								
FIDC		BR	-	-		-	-	FC	100
Auto ABS Swiss Leases 2013 GmbH		CH	-	-		EM	50	EM	50
Auto ABS 2012-3		ES	-	-		EM	50	EM	50
Auto ABS Spanish Loans 2016		ES	-	-		EM	50	-	-
German Loans Auto ABS 2011-2		FR	-	-		-	-	FC	100
Auto ABS 2012-1		FR	-	-		-	-	EM	50
Auto ABS DFP Master Compartment France 2013		FR	-	-		EM	50	EM	50
Auto ABS French Loans Master		FR	-	-		EM	50	EM	50
Auto ABS2 2013-A		FR	-	-		EM	50	EM	50
Auto ABS 2013-1		FR	-	-		-	-	FC	100
Auto ABS 2013-2		FR	-	-		EM	50	EM	50
Auto ABS German Loans Master		FR	-	-		EM	50	FC	100
Auto ABS3 2014-1		FR	-	-		EM	50	EM	50
Auto ABS French Leases Master		FR	-	-		EM	50	-	-
Auto ABS UK Loans PLC		GB	-	-		EM	50	EM	50
Auto ABS Italian Loans Master S.r.l.		IT	-	-		EM	50	FC	100

(1) *Disposal in: (g) March 2016, (i) July 2016, (j) August 2016.*
(2) *Left the scope of consolidation in March 2016.*
(3) *Takeover of Peugeot Finance International N.V. by PSA Finance Nederland B.V. on March 31, 2016 (retroactive for accounting and tax purposes to January 1, 2016).*
(4) *see Note 11.2 Detailed information about Associates - Joint ventures.*
(5) *Entities accounted for using the equity method since: (a) May 2006, (b) February 2015, (c) May 2015, (d) October 2015, (e) January 2016, (f) February 2016, (h) May 2016, (i) July 2016, (j) August 2016, (k) October 2016.*
(6) *In July 2016 the company name of Sofib became "PSA Banque France".*

Note 2 Accounting Policies

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

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

The standards and interpretations applied at December 31, 2016 were unchanged compared with December 31, 2015 except for the adoption of standards and interpretations whose application was compulsory for the first time in 2016.

New IFRSs and IFRIC Interpretations applicable compulsorily in the fiscal year commencing on January 1, 2016

The new texts, whose application is compulsory in the fiscal year commencing January 1, 2016 and applied by Banque PSA Finance are the following:

- Amendments to IAS 1 – Presentation of Financial Statements entitled "Disclosure Initiative".
The amendments make clear that materiality, disaggregation, presentation of subtotals and order of the notes.

- Amendments to IAS 19 – Employee Benefits entitled Defined Benefit Plans: Employee Contributions.
Specify the accounting for employee contributions linked to defined benefit plans.

- Annual Improvements to IFRSs 2010-2012 Cycle.

The objective of the annual improvements is to address non-urgent, but necessary issues discussed by the IASB during the project cycle that began in 2010 on areas of inconsistency in IFRSs or where clarification of wording is required.

The improvements concern:

- IFRS 3 - Business Combinations

- The objective of this amendment is to clarify certain aspects of accounting for contingent consideration in a business combination : all non-equity contingent consideration in a business combination should be subsequently measured at fair value through profit or loss

- IFRS 8 - Operating Segments

- Aggregation of operating segments and reconciliation of the total of the reportable segments' assets to the entity's assets: new information to be disclosed

- IAS 24 - Related Party Disclosures

- "Key management personnel services": "the management entity" providing key management personnel services should be identified as a related party of the reporting entity. Payments made to a management entity in respect of KMP services should be separately disclosed.

- Annual Improvements to IFRSs 2012-2014 Cycle.

The objective of the annual improvements is to address non-urgent, but necessary issues discussed by the IASB during the project cycle on areas of inconsistency in IFRSs and IASs or where clarification of wording is required.

The improvements concern:

- IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations:

- Reclassification of an asset or a disposal group: change in methods of disposal (change in a disposal plan from a plan to sell a division by means of an initial public offering to a plan to spin off a division and distribute a dividend in kind to its shareholders).

- IFRS 7 – Financial Instruments: Disclosures:

- Servicing Contracts: clarification on whether servicing agreements constitute continuing involvement for the purpose of the transfer disclosures.
- Information on offsetting financial assets and financial liabilities: suppression of the obligation to disclose this information and clarification in which cases this information is advisable.

- IAS 34 – Interim Financial Reporting:

- Clarification of the meaning of disclosure of information "elsewhere in the interim financial report": possibility to present the disclosures of in the interim financial report (excluding financial statements) under certain conditions.

These standards do not have significant impacts on Banque PSA Finance Group.

New IFRSs and IFRIC Interpretations non applicable compulsorily in the European Union in the fiscal year commencing on January 1, 2016

Potential impact of texts or projects published by IASB and IFRIC with compulsory application in the European Union from the period after January 1st, 2016, or not yet adopted by the European Union is currently being analysed; 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 Banque PSA Finance's revenues is excluded from the scope of this new standard. Concerning other cases, no significant modifications concerning accounting methods are expected (fees of new business providers) for Banque PSA Finance.

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

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

IFRS 9 comes into effect on 1 January 2018. Early application will be permitted. The Group does not plan early application of IFRS 9.

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

- IFRS 16 – **Leases.** During more than 10 years the IASB worked, jointly with the FASB, on the revision of IAS 17 which objective is to prescribe, to lessees and lessors, the appropriate accounting policies and disclosures to apply in relation to leases. On January 13, 2016, the IASB published the IFRS 16 definitive text. This standard is not supposed to have a significant impact on Banque PSA Finance for the lessor accounting model, as the measures required by the standard on this issue are convergent with IAS 17. However, impacts are expected for the financial statements of some clients of Banque PSA Finance, as lessees will need to disclose new information.

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

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. Banque PSA Finance's consolidated financial statements include prior year comparatives.

The consolidated financial statements include the financial statements of Banque PSA Finance and the French and foreign companies in the Banque PSA Finance Group, based on the consolidation methods described in section A below.

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

Accounting policies applied by the Group are described in sections B to H below.

"Related companies" consist of entities linked as follow: exclusive control, joint control and significant influence, determined in accordance with IAS 24 R.

The annual consolidated financial statements and notes for Banque PSA Finance Group were approved by the Board of Directors on February 20, 2017.

A. Basis of Consolidation

A.1 Consolidation Methods

Companies in which Banque PSA Finance directly or indirectly holds a majority interest are fully consolidated. The same method is applied to companies owned jointly with a partner on a 50:50 basis, when Banque PSA Finance is in a position to control strategic financial and operating decisions relating to the business.

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

Companies that are between 20% and 50% owned, directly or indirectly, over which Banque PSA Finance has significant influence are accounted for by the equity method.

A.2 Translation of Financial Statements of Foreign Subsidiaries

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

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

A.3 Foreign Currency Transactions

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

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

A.4 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 intangible assets and property and equipment,
- provisions,
- pension obligations.

A.5 Main Consolidation Adjustments

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

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

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

B.3. Goodwill

Goodwill is the excess of the cost of shares in a consolidated company over the Group's equity in the fair value at the acquisition date of the identifiable assets and liabilities acquired.

In accordance with IFRS 3 – Business Combinations, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired (see Note 13).

B.4. Impairment of Long-lived Assets

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

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

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

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, Banque PSA Finance has booked passbook savings accounts in « Due to customers ». The Banque PSA Finance group 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.

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

Banque PSA Finance liquidity reserves are invested as securities at variable rate. In the interests of simplicity, these fixed income securities are accounted for using the fair value option, whereby changes in the fair value of the hedged securities are recognized directly in profit or loss, together with the offsetting change in fair value of the economic hedges. Liquidity reserves are also partly invested in mutual funds, whose units are not consolidated because they do not meet the criteria regarding control or rights in the majority of the benefits and corresponding

risks (see IFRS 10 – Consolidated Financial Statements, and the amendment to IAS 27 – Separate Financial Statements).

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

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

This item comprises liabilities valued using the fair value option. The Group has elected to use this option in certain instances to improve the presentation of its financial statements by recognizing fair value adjustments to the liabilities symmetrically with the fair value adjustments made to the derivatives used to hedge the interest rate risk on those liabilities. Accordingly, the fair value adjustments include any changes in Banque PSA Finance's issuer spread. At December 31, 2016, no liabilities were measured using the fair value option.

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

C.4 Available-for-sale Assets

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

C.5 Held-to-maturity Investments

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

C.6 Loans and Receivables

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

Customer loans and receivables are analysed by type of financing:

- **Financing in the following categories**, as defined by French banking regulation:
  Installment contracts,
  Buyback contracts,
  Long-term leases.
  As explained in section C.6.2 below, buyback contracts and long-term leases are adjusted to present each transaction as a loan.

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

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

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

C.6.1 Loans and Receivables Measured at Amortized Cost

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

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 are generally hedged against interest rate risks, using fair value hedges that qualify for hedge accounting. Accordingly, gains and losses arising from remeasurement at fair value of the hedged portion of the loans are recognized in profit or loss (see 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 "F. Segment information" (see below).

Retail financing impairment losses

- ***For the subsidiaries of Banque PSA Finance, impairment losses on sound loans with past-due installments:***

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

- ***For the joint ventures with Santander, 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 according to IAS 39. AG90: 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.

Calculations for sound loans without past-due installment and for sound loans with past-due installments are independent.

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

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

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 customer is officially declared in restructuration, 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. To be noted that restructured loans are not identified for the subsidiaries (mainly Russia and Argentina).

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

The standards of Banque PSA Finance for the classification in loss / write off concern any type of financing with past-due installments of more than 48, 36, or 24 months, depending on the type of financing and country concerned. When a finance receivable is considered as irrecoverable, it is written off through profit or loss as of the individual financial statements. 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".

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

- ***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, Banque PSA Finance recognised a collective impairment on Corporate sound receivables in the financial statements for the year ended December 31, 2016.

- ***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 as of the individual financial statements. 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. Liabilities Related to Insurance Contracts

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

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

E. Provisions

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

Provisions are discounted only when the impact is material.

F. Segment Information

In application of IFRS 8, Banque PSA Finance Group has identified the following four operating segments meeting Basel II guidelines (portfolios):

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

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

- **Corporate and equivalent**, referring to:
  - 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).

- **Insurance and services**, referring to:
  - sales of insurance services made by captive insurance companies and holding in Malta, and self-insurance activity in Belgium and the Netherlands;
  - sales of other services made by financing companies.

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

G. Pension Obligations

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

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

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

Actuarial valuations are performed 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 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 French subsidiaries and some foreign subsidiaries.

Employee benefits relate to joint ventures.

H. Signature Commitments

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

Provisions are taken for impairment of financing or guarantee commitments in accordance with IAS 37. These signature commitments are reported at their nominal amount in Note 24 – 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 21 – Derivatives.

Note 3 IFRS 5 Impacts on the Financial Statements

3.1 Assets and operations to be taken over by partnership (or held for sale)

The assets or activities to be taken over by partnership (or held for sale) are measured at the lower value of their carrying amount and fair value less costs to sell.
The relevant assets and liabilities are shown separately on the balance sheet.
The net income, the statement of cash flows, as well as the Income and Expenses recognized directly in Equity of the assets to be taken over by partnership are presented separately in the consolidated financial statements for all periods of reporting.
At December 31, 2016 there were no further operations to be taken over by the partnership, as all joint ventures with Santander at that point were operational.

The presentation and measurement of the activities in this scope are realised in the following way in 2015.
The assets and liabilities to be taken over by partnership (or held for sale) have been reclassified in “Total assets of operations to be taken over by partnership (or held for sale)” and “Total transferred liabilities of operations to be taken over by partnership (or held for sale)”. These assets were measured at the last sale price known at the time of valuation, which led to:

- a total income at December 31, 2016 of €1 million of impairment to the Disposal Group net of income tax (see the column "Impairment of disposal group" in Note 3.2), mainly concerning Brazil.
- a total charge at December 31, 2015 of €30 million of impairment to the Disposal Group net of income tax (see the column "Impairment of disposal group" in Note 3.2), reflecting the extension of the cooperation agreement to Brazil and to Retail in Italy and Spain.

Some debts meant to ensure the refinancing of the assets held-for-transfer were not intended to be transferred. As a consequence, lines “Deposits from credit institutions”, “Due to customers” and “Debt securities” were presented in two lines: “of which debts of continuing operations” and “of which non-transferred debts of operations to be taken over by partnership”. A portion of these debts has been prepaid in 2015, and certain undrawn bank facilities has been closed early (see paragraph "Refinancing Policy" in the Management Report).

These prepayments led, pursuant to IAS 39, to the recognition of:

- a €10 million charge for 2015, net of income tax.

The reclassified assets are not taken into account in the “Operating income”. The expenses and incomes are classified in the following way:

- "Costs of non-transferred debts of operations to be taken over by partnership",
- "Gross income of operations to be taken over by partnership".

3.2 Synthetic Income Statement of operations to be taken over by partnership (or held for sale)

For 2016

(in million euros)	Before impairment of disposal group	Impairment of disposal group	Dec. 31, 2016
Net banking revenue	**115**	**-**	**115**
General operating expenses and equivalent	(40)	-	(40)
Gross operating income	**75**	**-**	**75**
Cost of risk	(8)	-	(8)
Operating Income	**67**	**-**	**67**
Impairment on goodwill	-	-	-
Other non-operating items	(16)	2	(14)
Pre-tax income	**51**	**2**	**53**
Income taxes	(21)	(1)	(22)
Net income from operations to be taken over by partnership (or held for sale)	**30**	**1**	**31**
- of which attributable to equity holders of the parent	*34*	*1*	*35*
- of which minority interests	*(4)*	-	*(4)*

Note that joint ventures started up in Italy, the Netherlands, Belgium, Germany, Austria, Brazil and Poland in the year of 2016.

For 2015

(in million euros)	Before impairment of disposal group	Impairment of disposal group	Dec. 31, 2015
Net banking revenue	**543**	**-**	**543**
General operating expenses and equivalent	(180)	-	(180)
Gross operating income	**363**	**-**	**363**
Cost of risk	(34)	-	(34)
Operating Income	**329**	**-**	**329**
Impairment on goodwill	-	-	-
Other non-operating items	(3)	(76)	(79)
Pre-tax income	**326**	**(76)**	**250**
Income taxes	(89)	16	(73)
Net income from operations to be taken over by partnership (or held for sale)	**237**	**(60)**	**177**
- of which attributable to equity holders of the parent	*237*	*(60)*	*177*

Note that in 2015 joint ventures started up in France, the United kingdom, Spain and Switzerland, and Portugal was sold.

3.3 Partnership implementation with Santander: impact on 2016

(in million euros)	2015 consolidated balance sheet	Partnership implementation (IT, NL, BE, DE, AT, BR, PL)					Consolidated balance sheet at Dec. 31, 2016
		Transfer of assets and liablities under partnership	Equity-method accounting of equity attributable to Group in JV	Restructured refinancing	Reduction of equity by distribution of dividends	Other	
Assets							
Customers loans and receivables	460	-	-	-	-	(114)	346
Securities	383	-	-	-	-	6	389
Loans and advances to credit institutions	87	190	-	2,115	(440)	(1,729)	223
Deferred tax assets	27	-	-	-	-	(11)	16
Available-for-sale financial assets	11	455	(461)	-	-		5
Investments in associates and joint ventures accounted for using the equity method	981	-	455	-	-	91	1,527
Assets of operations to be taken over by partnership	7,048	(6,509)	-	-	-	(539)	-
Other assets	370	-	-	-	-	(141)	229
Total Assets	**9,367**	**(5,864)**	**(6)**	**2,115**	**(440)**	**(2,437)**	**2,735**
Liabilities							-
Deposits from credit institutions	848	-	-	(135)	-	(587)	126
- of which debts of continuing operations	*326*	-	-	-	-	*(200)*	*126*
- of which non-transferred debts of operations to be taken over by partnership	*522*	-	-	*(135)*	-	*(387)*	-
Due to customers	468	-	-	-	-	(464)	4
- of which debts of continuing operations	*163*	-	-	-	-	*(159)*	*4*
- of which non-transferred debts of operations to be taken over by partnership	*305*	-	-	-	-	*(305)*	-
Debt securities	1,786	-	-	-	-	(1,500)	286
- of which debts of continuing operations	*9*	-	-	-	-	*277*	*286*
- of which non-transferred debts of operations to be taken over by partnership	*1,777*	-	-	-	-	*(1,777)*	-
Liabilities related to insurance contracts	83	-	-	-	-	5	88
Deferred tax liabilities	12	-	-	-	-	-	12
Liabilities of operations to be taken over by partnership	3,623	(5,870)	-	2,250	-	(3)	-
Other liabilities	220	-	-	-	-	(93)	127
Equity	2,327	6	(6)	-	(440)	205	2,092
Total Liabilities	**9,367**	**(5,864)**	**(6)**	**2,115**	**(440)**	**(2,437)**	**2,735**

The disposal of the assets and liabilities for the subsidiaries in Italy, the Netherlands, Belgium, Germany, Austria, Brazil and Poland taken up in joint ventures (€6,509 million and €5,870 million) is offset by the cash received from Santander for acquiring shares (€190 million) and the value of the joint ventures retained by the Group (€461 million).

The repayment of Group-sourced financing provided to the joint ventures amounted to €2,250 million.

The Group's external refinancing liabilities were reimbursed over the year for €135 million (Deposits from credit institutions).

Equity was reduced through the distribution of a dividend (€440 million).

Note 4 Cash, Central Banks, Post Office Banks

(in million euros)	Dec. 31, 2016 Continuing operations	Dec. 31, 2015 Assets to be taken over by partnership	Dec. 31, 2015 Continuing operations
Cash and post office banks	-	1	-
Central banks (1)	58	27	154
- of which compulsory reserves deposited with the Banque de France	-	-	*1*
Total	**58**	**28**	**154**

(1) *The reserves deposited with the central banks are included in Banque PSA Finance Group's liquidity reserve (see Note 24.3).*

Note 5 Financial Assets at Fair Value Through Profit or Loss

(in million euros)	Dec. 31, 2016 Continuing operations	Dec. 31, 2015 Assets to be taken over by partnership	Dec. 31, 2015 Continuing operations
Marketable securities	389	102	382
- Mutual funds	329	88	89
- Mutual funds qualified as cash equivalents (1)	249	88	1
- Units held by insurance companies	80	-	88
- Certificates of deposit and Treasury bills	-	14	-
- of which held by securitization funds	-	*14*	-
- Bonds issued by the securitization funds in the Santander joint venture	60	-	42
- of which held by insurance companies	*23*	-	-
- Treasury bonds (OAT) qualified as cash equivalents (1)	-	-	251
Fair value adjustments	-	-	-
Marketable securities booked at fair value through profit or loss	**389**	**102**	**382**
- of which accrued interest	*1*	-	*1*
Foreign exchange hedging instruments	**-**	**-**	**-**
- Related companies	-	-	-
Accrued interest on trading derivatives	**-**	**-**	**-**
Fair value of trading derivatives	**-**	**-**	**1**
Total	**389**	**102**	**383**

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 mutual funds qualified as cash equivalents are included in Banque PSA Finance Group's liquidity reserve (see Note 24.3).*

Note 6 Hedging Instruments - Assets

6.1 Analysis by Nature

(in million euros)	Dec. 31, 2016	Dec. 31, 2015
Adjustment accounts - commitments in foreign currencies (1)	**60**	**107**
- of which related companies	*1*	*1*
Accrued income on swaps designated as hedges	**4**	**42**
- of which related companies	-	-
Positive fair value of instruments designated as hedges of:	**21**	**32**
- Borrowings	-	-
- EMTNs/BMTNs	21	30
- of which due to hedging cross currency swaps' basis spread	*(3)*	*(4)*
- Bonds	-	1
- Customer loans (Installment contracts, Buyback contracts and Long-term leases)	-	1
- Variable rate EMTN (Cash Flow Hedge)	-	-
Offsetting positive fair value and received margin calls	**(80)**	**(168)**
Total	**5**	**13**

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

(1) *Adjustment accounts are used to record fair value adjustments to currency swaps designated as hedges of foreign currency customer loans refinanced in euros and foreign currency financing liabilities. These fair value adjustments are offset by adjustments arising from the remeasurement of the underlying foreign currency customer loans and financing liabilities at period-end exchange rates (see Notes 9.3, 14 and 21.A).*

6.2 Offsetting swaps with margin call designated as hedges - Assets

For 2016

(in million euros)	Asset gross amount				
Positive valued swaps	Swap's winning leg	Swap's losing leg	**Asset net amount before offsetting**	**Offsetting with received margin calls**	**Balance sheet amount after offsetting**
Adjustment accounts - commitments in foreign currencies	**238**	**(178)**	**60**	**-**	**60**
- Cross currency swap with margin call	237	(178)	59	-	59
- Other instruments	1	-	1	-	1
Accrued income	**4**	**-**	**4**	**-**	**4**
- Swaps with margin call	4	-	4	-	4
- Swaps without margin call	-	-	-	-	-
Positive fair value	**296**	**(275)**	**21**	**-**	**21**
- Swaps with margin call	296	(275)	21	-	21
- Swaps without margin call	-	-	-	-	-
Offsetting	-	-	-	(80)	**(80)**
Total assets	**538**	**(453)**	**85**	**(80)**	**5**
Margin calls received on swaps designated as hedges	-	-	80	(80)	**-**
Total liabilities	**-**	**-**	**80**	**(80)**	**-**

For 2015

(in million euros)	Asset gross amount				
Positive valued swaps	Swap's winning leg	Swap's losing leg	**Asset net amount before offsetting**	**Offsetting with received margin calls**	**Balance sheet amount after offsetting**
Adjustment accounts - commitments in foreign currencies	**462**	**(355)**	**107**	**-**	**107**
- Cross currency swap with margin call	459	(355)	104	-	104
- Other instruments	3	-	3	-	3
Accrued income	**44**	**(2)**	**42**	**-**	**42**
- Swaps with margin call	44	(2)	42	-	42
- Swaps without margin call	-	-	-	-	-
Positive fair value	**523**	**(491)**	**32**	**-**	**32**
- Swaps with margin call	522	(491)	31	-	31
- Swaps without margin call	1	-	1	-	1
Offsetting	-	-	-	(168)	**(168)**
Total assets	**1,029**	**(848)**	**181**	**(168)**	**13**
Margin calls received on swaps designated as hedges	-	-	169	(168)	**1**
Total liabilities	**-**	**-**	**169**	**(168)**	**1**

Note 7 Available-for-sale Financial Assets

Available-for-sale financial assets consist mainly of investments in companies that are not consolidated, because the size of their business at the period-end is not material. Marketable securities are included in "Financial assets at fair value through profit or loss" (see Note 5).
The fair value of these assets is considered as being equal to the most recent transaction price, corresponding to the purchase of the shares. An impairment is recognized in the rare cases when long-term losses are anticipated.

(in million euros)	Dec. 31, 2016	Dec. 31, 2015
PSA Finance P.L.C. (1)	3	3
PSA Financial d.o.o. (2)	3	-
Peugeot Citroen Leasing Russie	1	-
PCA Compañía de Seguros S.A	1	-
Banca Italia S.P.A (3)	-	5
PSA Lion Deutschland GmbH (3)	-	3
Gross value	**8**	**11**
Impairment (2)	(3)	-
Net value	**5**	**11**

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

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

(3) *The joints ventures with Santander Consumer Finance in Italy and Germany have been accounted for using the equity method respectively since January 31, 2016 and July 31, 2016.*

Note 8 Loans and Advances to Credit Institutions

Analysis of Demand and Time Accounts

	Dec. 31, 2016	Dec. 31, 2015	
(in million euros)	Continuing operations	Assets to be taken over by partnership	Continuing operations
Demand accounts	**223**	**280**	**67**
- Ordinary accounts in debit	223	280	67
- of which allocated to the liquidity reserve (1)	*167*	-	-
- of which held by securitization funds	-	*181*	-
- of which held by insurance companies	*49*	-	*46*
- of which related companies	*40*	-	*46*
Time accounts	**-**	**15**	**20**
- Time accounts qualified as cash equivalents (1)	-	12	12
- Time accounts held by securitization funds	-	-	-
- Other	-	3	8
Accrued interest	**-**	**1**	**-**
Total	**223**	**296**	**87**

(1) *The part of ordinary accounts allocated to the liquidity reserve and time accounts qualified as cash equivalents are included in Banque PSA Finance Group's liquidity reserve (see Note 24.3).*

Note 9 Customer Loans and Receivables

9.1 Analysis by Type of Financing

(in million euros)	Dec. 31, 2016 Continuing operations	Dec. 31, 2015 Assets to be taken over by partnership	Dec. 31, 2015 Continuing operations
Installment contracts	**272**	**2,684**	**261**
- of which securitized	-	*1,171*	-
Buyback contracts (1)	**5**	**536**	**21**
Principal and interest	7	581	24
Unaccrued interest on buyback contracts	(2)	(45)	(3)
Long-term leases (1)	**33**	**1,294**	**48**
Principal and interest	37	1,417	53
- Related companies	-	-	-
- Non-group companies	37	1,417	53
- of which securitized	-	*196*	-
Unaccrued interest on long-term leases	(3)	(91)	(4)
- of which securitized	-	*(9)*	-
Leasing deposits	(1)	(32)	(1)
Wholesale financing	**47**	**1,890**	**125**
Principal and interest	47	1,890	125
- Related companies	-	15	-
- Non-group companies	47	1,875	125
Other finance receivables	**8**	**32**	**9**
- Related companies	-	-	6
- Non-group companies	8	32	3
Ordinary accounts in debit	**-**	**67**	**3**
- Related companies	-	-	3
- Cash pooling (2):			
- Before offsetting	8	-	10
- Offsetting of continuing operations	(8)	-	(7)
- Other	-	-	-
- Non-group companies	-	67	-
Deferred items included in amortized cost - Customers loans and receivables	**(19)**	**(106)**	**(7)**
- Deferred acquisition costs	2	67	4
- Deferred loan set-up costs	(9)	(26)	(4)
- Deferred manufacturer and dealer contributions	(12)	(147)	(7)
Total Loans and Receivables at Amortized Cost	**346**	**6,397**	**460**
- of which securitized	-	*1,358*	-
- of which loans and receivables given as collateral	-	-	-

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

(2) *Under the cash pooling agreement with PSA International, the asset and liability amounts are offset in accordance with IAS 32 (see Note 16).*

9.2 Customer Loans and Receivables by Segment

For 2016

IFRS 8 Segment	Corporate Dealers	End user: Retail	End user: Corporate and equivalent	Total at December 31, 2016
	(A - see B Note 28.1)	(B - see A Note 28.1)	(C - see C Note 28.1)	
Type of financing	Continuing operations	Continuing operations	Continuing operations	Continuing operations
(in million euros)				
Installment contracts	-	270	2	272
Buyback contracts	-	3	2	5
Long-term leases	5	19	9	33
Wholesale financing	47	-	-	47
Other finance receivables	8	-	-	8
Ordinary accounts in debit	-	-	-	-
Deferred items included in amortized cost	-	(19)	-	(19)
Total customer loans by segment (based on IFRS 8)	**60**	**273**	**13**	**346**

For 2015

IFRS 8 Segment	Corporate Dealers		End user: Retail		End user: Corporate and equivalent		Total at Dec. 31, 2015	
	(A - see B Note 28.1)		(B - see A Note 28.1)		(C - see C Note 28.1)			
Type of financing	Assets to be taken over by partnership	Continuing operations	Assets to be taken over by partnership	Continuing operations	Assets to be taken over by partnership	Continuing operations	Assets to be taken over by partnership	Continuing operations
(in million euros)								
Installment contracts	8	-	2,636	258	40	3	2,684	261
Buyback contracts	2	-	504	19	30	2	536	21
Long-term leases	5	1	1,160	32	129	15	1,294	48
Wholesale financing	1,890	125	-	-	-	-	1,890	125
Other finance receivables	20	3	12	-	-	6	32	9
Ordinary accounts in debit	67	-	-	-	-	3	67	3
Deferred items included in amortized cost	-	-	(103)	(6)	(3)	(1)	(106)	(7)
Total customer loans by segment (based on IFRS 8)	**1,992**	**129**	**4,209**	**303**	**196**	**28**	**6,397**	**460**

9.3 Analysis by Currency

	Dec. 31, 2016	Dec. 31, 2015	
(in million euros)	Continuing operations	Assets to be taken over by partnership	Continuing operations
Net loans and receivables			
ARS	166	-	149
BRL	-	432	-
CHF	-	-	-
CZK	-	-	105
EUR	26	5,724	107
GBP	8	-	8
HRK	-	31	-
HUF	-	-	1
MXN	18	-	18
PLN	47	210	2
RUB	81	-	70
Total	**346**	**6,397**	**460**

The adjustments arising from the remeasurement of foreign currency customer loans refinanced in euros at period-end exchange rates are offset by the fair value adjustments to currency swaps hedging these loans (see Notes 6 and 14).

9.4 Analysis by Maturity

For 2016

(in million euros)	Not broken down	0 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Total at Dec. 31, 2016
Installment contracts	**5**	**48**	**35**	**54**	**129**	**1**	**272**
Gross	10	48	35	54	129	1	277
Impairment	(5)	-	-	-	-	-	(5)
Buyback contracts	**-**	**1**	**-**	**1**	**3**	**-**	**5**
Gross	-	1	-	1	3	-	5
Impairment	-	-	-	-	-	-	-
Long-term leases	**-**	**7**	**6**	**9**	**11**	**-**	**33**
Gross	2	7	6	9	11	-	35
Guarantee deposits	(1)	-	-	-	-	-	(1)
Impairment	(1)	-	-	-	-	-	(1)
Wholesale financing	**-**	**37**	**8**	**2**	**-**	**-**	**47**
Gross	11	37	8	2			58
Guarantee deposits	-	-	-	-	-	-	-
Impairment	(11)	-	-	-	-	-	(11)
Other finance receivables	**-**	**2**	**4**	**2**	**-**	**-**	**8**
Gross	1	2	4	2			9
Impairment	(1)	-	-	-	-	-	(1)
Ordinary accounts in debit	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Gross	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-
Deferred items included in amortized cost	**(19)**	**-**	**-**	**-**	**-**	**-**	**(19)**
Total net loans and receivables	**(14)**	**95**	**53**	**68**	**143**	**1**	**346**
Gross	24	95	53	68	143	1	384
Guarantee deposits	(1)	-	-	-	-	-	(1)
Impairment	(18)	-	-	-	-	-	(18)
Deferred items included in amortized cost	(19)	-	-	-	-	-	(19)

For 2015

(in million euros)	Not broken down	0 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Total at Dec. 31, 2015
Installment contracts	**3**	**42**	**29**	**50**	**137**	**-**	**261**
Gross	11	42	29	50	137		269
Impairment	(8)						(8)
Buyback contracts	**1**	**3**	**2**	**4**	**11**	**-**	**21**
Gross	2	3	2	4	11	-	22
Impairment	(1)						(1)
Long-term leases	**2**	**8**	**9**	**14**	**15**	**-**	**48**
Gross	5	8	9	14	15		51
Guarantee deposits	(1)						(1)
Impairment	(2)						(2)
Wholesale financing	**1**	**83**	**25**	**16**	**-**	**-**	**125**
Gross	8	83	25	16			132
Guarantee deposits	-						-
Impairment	(7)						(7)
Other finance receivables	**1**	**3**	**5**	**-**	**-**	**-**	**9**
Gross	1	3	5				9
Impairment							-
Ordinary accounts in debit	**3**	**-**	**-**	**-**	**-**	**-**	**3**
Gross	3						3
Impairment	-						-
Deferred items included in amortized cost	**(7)**	**-**	**-**	**-**	**-**	**-**	**(7)**
Total net loans and receivables	**4**	**139**	**70**	**84**	**163**	**-**	**460**
Gross	30	139	70	84	163	-	486
Guarantee deposits	(1)	-	-	-	-	-	(1)
Impairment	(18)	-	-	-	-	-	(18)
Deferred items included in amortized cost	(7)	-	-	-	-	-	(7)

Note 10 Accruals and Other Assets

(in million euros)	Dec. 31, 2016	Dec. 31, 2015	
	Continuing operations	Assets to be taken over by partnership	Continuing operations
Other receivables	**41**	**118**	**62**
- Related companies	31	15	38
- of which insurance activities	*17*	-	*10*
- Non-group companies	10	103	24
Prepaid and recoverable taxes	**14**	**7**	**9**
Accrued income	**27**	**3**	**35**
- Related companies	9	-	10
- Non-group companies	18	3	25
- of which insurance activities	*13*	-	*17*
Prepaid expenses	**2**	**28**	**10**
Other	**5**	**28**	**1**
- Related companies	-	4	-
- Non-group companies	5	24	1
Total	**89**	**184**	**117**

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

11.1 Investments

(in million euros)	Dec. 31, 2016	Dec. 31, 2015
At the beginning of the period	**981**	**104**
Change in Group structure	448	722
Capital increase and contributions to reserves	20	23
Share in net income	195	123
Distribution of dividends	(91)	-
Income and Expenses Recognized Directly in Equity	4	-
Goodwill (1)	-	(2)
Exchange difference	(30)	11
At the end of the period	**1,527**	**981**
- of which goodwill (1)	*3*	*3*

Table of Changes by Geographical Area

For 2016

(en millions d'euros)	Dec. 31, 2015	Change in Group structure	Capital increase and contributions to reserves	Share in net income	Distribution of dividends	Income and Expenses Recognized Directly in Equity	Exchange difference	Dec. 31, 2016
Partnership with:								
Santander								
- Europe	916	410	20	179	(91)	4	(30)	1,408
- Brazil	-	38	-	2	-	-	2	42
Dongfeng Peugeot Citroën								
- China	65	-	-	14	-	-	(2)	77
- of which goodwill (1)	*3*	-	-	-	-	-	-	*3*
Total	**981**	**448**	**20**	**195**	**(91)**	**4**	**(30)**	**1,527**

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

For 2015

(en millions d'euros)	Dec. 31, 2014	Change in Group structure	Capital increase and contributions to reserves	Share in net income	Goodwill (1)	Exchange difference	Dec. 31, 2015
Partnership with:							
Santander CF							
- Europe	-	777	23	112	-	4	916
Dongfeng Peugeot Citroën							
- China	104	(55)	-	11	(2)	7	65
- of which goodwill (1)	*5*		-	-	*(2)*	-	*3*
Total	**104**	**722**	**23**	**123**	**(2)**	**11**	**981**

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

On December 27, 2012, the proceeds from disposal of 25% shares in the Chinese subsidiary reduced the goodwill to CNY37.8 million and on March 2015, the proceeds from disposal of 25% shares in the Chinese subsidiary reduced the goodwill to CNY18.8 million (€2.6 million at December 31, 2016 versus €2.7 million at Décembre 31, 2015).

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

11.2 Detailed information about Associates - Joint ventures

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

The following informations are given according to IFRS 12:

11.2.1 Partnership with Santander CF in Europe
11.2.2 Partnership with Santander in Brazil
11.2.3 Partnership with Dongfeng Peugeot Citroën in China

11.2.1 Partnership with Santander CF in Europe

The partnership in Europe concerns the following countries:

FR	France	since February 2015
UK	United Kingdom	since February 2015
MT	Malta	since May 2015
CH	Switzerland	since October 2015
ES	Spain	since October 2015
IT	Italy	since January 2016
NL	Netherlands	since February 2016
BE	Belgium	since May 2016
AT	Austria	since July 2016
DE	Germany	since July 2016
PL	Poland	since October 2016

Details of the concerned entities are given in Note 1-C.

Equity accounted percentage: 50%

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

Key Balance Sheet Items

(in million euros)	Dec. 31, 2016	Dec. 31, 2015
Customer loans and receivables	21,954	14,481
Other assets	2,419	1,577
Total assets	**24,373**	**16,058**
Refinancing	17,174	12,107
Other liabilities	4,383	2,118
Equity	2,816	1,833
Total equity and liabilities	**24,373**	**16,058**

Key Income Statement Items

(in million euros)	Dec. 31, 2016	Dec. 31, 2015
Net banking revenue	**882**	**549**
General operating expenses and equivalent	(323)	(192)
Gross operating income	**559**	**357**
Cost of risk (1)	(28)	(35)
Operating income	**531**	**322**
Income taxes	(174)	(98)
Net income for the year	**357**	**224**

(1) *See the "Additional information on the cost of risk of joint ventures" section in Note 30.2.*

Statement of changes from 100% Equity to equity method

(in million euros)	Equity before equity method	Percentage of equity method	Share of profit of equity method	Elimination of shareholder's equity (1)	Goodwill	Equity after equity method	*of which exchange difference*
At december 31, 2015	**1,833**	**50%**	**916**	**(782)**	**-**	**134**	***4***
Change in Group structure	819		410	(440)		(30)	
Capital increase and contributions to reserves	40		20	(15)		5	
Net income of the period	357		179			179	
Distribution of dividends	(182)		(91)			(91)	
Income and Expenses Recognized Directly in Equity	8		4			4	
Exchange difference	(59)		(30)			(30)	*(30)*
At December 31, 2016	**2,816**	**50%**	**1,408**	**(1,237)**	**-**	**171**	***(26)***

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

Consolidated balance sheet items after equity method

(in million euros)	Dec. 31, 2016	Dec. 31, 2015
Investments in associates and joint ventures accounted for using the equity method	1,408	916
Total assets	**1,408**	**916**
Equity		
- Historical value of the shares owned (1)	1,237	782
- Consolidated reserves - equity holders of the parent	171	134
- of which share in net income accounted for using the equity method	*179*	*112*
Total equity and liabilities	**1,408**	**916**

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

11.2.2 Partnership with Santander in Brazil

The partnership in Brazil began in August 2016.
Details of the concerned entities are given in Note 1-C.

Equity accounted percentage: 50%

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

Key Balance Sheet Items

(in million euros)	**Dec. 31, 2016**
Customer loans and receivables	496
Other assets	62
Total assets	**558**
Refinancing	461
Other liabilities	13
Equity	84
Total equity and liabilities	**558**

Key Income Statement Items (1)

(in million euros)	**Dec. 31, 2016**
Net banking revenue	**13**
General operating expenses and equivalent	(7)
Gross operating income	**6**
Cost of risk (2)	-
Operating income	**6**
Income taxes	(2)
Net income for the year	**4**

(1) *Income generated since the beginning of the partnership with Santander.*
(2) *See the "Additional information on the cost of risk of joint ventures" section in Note 30.2.*

Statement of changes from 100% Equity to equity method

(in million euros)	**Equity before equity method**	**Percentage of equity method**	**Share of profit of equity method**	**Elimination of shareholder's equity (1)**	**Goodwill**	**Equity after equity method**	***of which exchange difference***
At December 31, 2016	**84**	**50%**	**42**	**(27)**	**-**	**15**	***2***

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

Consolidated balance sheet items after equity method

(in million euros)	**Dec. 31, 2016**
Investments in associates and joint ventures accounted for using the equity method	42
Total assets	**42**
Equity	
- Historical value of the shares owned (1)	27
- Consolidated reserves - equity holders of the parent	15
- *of which share in net income accounted for using the equity method*	*2*
Total equity and liabilities	**42**

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

11.2.3 Partnership with Dongfeng Peugeot Citroën in China

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

Equity accounted percentage: 25%

Fully financial information

Key Balance Sheet Items

(in million euros)	Dec. 31, 2016	Dec. 31, 2015
Customer loans and receivables	2,220	2,039
Other assets	101	101
Total assets	**2,321**	**2,140**
Refinancing	1,357	1,255
Other liabilities	665	637
Equity	299	248
Total equity and liabilities	**2,321**	**2,140**

Key Income Statement Items

(in million euros)	Dec. 31, 2016	Dec. 31, 2015
Net banking revenue	**116**	**95**
General operating expenses and equivalent	(28)	(23)
Gross operating income	**88**	**72**
Cost of risk	(9)	(22)
Operating income	**79**	**50**
Income taxes	(20)	(13)
Net income for the year	**59**	**37**

Statement of changes from 100% Equity to equity method

(in million euros)	Equity before equity method	Percentage of equity method	Share of profit of equity method	Elimination of shareholder's equity (1)	Goodwill	Equity after equity method	*of which exchange difference*
At December 31, 2014	**199**	**50%**	**99**	**(65)**	**5**	**39**	***11***
Net income of the period	37		11			11	
Disposal of 25% shares	-		(55)	32	(2)	(25)	*(9)*
Exchange difference after disposal	12		7			7	*7*
At december 31, 2015	**248**	**25%**	**62**	**(33)**	**3**	**32**	***9***
Net income of the period	59		14			14	
Exchange difference after disposal	(8)		(2)			(2)	*(2)*
At december 31, 2016	**299**	**25%**	**74**	**(33)**	**3**	**44**	***7***

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

Consolidated balance sheet items after equity method

(in million euros)	Dec. 31, 2016	Dec. 31, 2015
Investments in associates and joint ventures accounted for using the equity method	74	65
Total assets	**74**	**65**
Equity		
- Historical value of the shares owned (1)	33	33
- Consolidated reserves - equity holders of the parent	41	32
- of which share in net income accounted for using the equity method	*14*	*11*
Total equity and liabilities	**74**	**65**

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

Note 12 Intangible Assets

Intangible assets can be analyzed as follows:

(in million euros)	Dec. 31, 2016 Continuing operations Cost	amortization	Net	Dec. 31, 2015 Continuing operations Cost	amortization	Net
Intangible assets	**225**	**(164)**	**61**	**208**	**(145)**	**63**
- Softwares	221	(160)	61	204	(141)	63
- Other	4	(4)	-	4	(4)	-
Total	**225**	**(164)**	**61**	**208**	**(145)**	**63**

Table of changes in gross values for continuing operations

(in million euros)	Dec. 31, 2015 Published balance sheet at Dec. 31, 2015	Additional scope of partnership: IFRS 5 reclassifica-tions	Gross value Fixed Assets continuing operations	Additions	Disposals	Other movements	Dec. 31, 2016 Gross value Fixed Assets continuing operations
Intangible assets	**208**	**-**	**208**	**18**	**(1)**	**-**	**225**
- Softwares	204	-	204	18	(1)	-	221
- Other	4	-	4	-	-	-	4
Total	**208**	**-**	**208**	**18**	**(1)**	**-**	**225**

Table of changes in amortization for continuing operations

(in million euros)	Dec. 31, 2015 Published balance sheet at Dec. 31, 2015	Additional scope of partnership: IFRS 5 reclassifica-tions	Amortization Fixed Assets continuing operations	Charges	Reversals	Other movements	Dec. 31, 2016 Amortization Fixed Assets continuing operations
Intangible assets	**(145)**	**-**	**(145)**	**(20)**	**1**	**-**	**(164)**
- Softwares	(141)	-	(141)	(20)	1	-	(160)
- Other	(4)	-	(4)	-	-	-	(4)
Total	**(145)**	**-**	**(145)**	**(20)**	**1**	**-**	**(164)**

Note 13 Goodwill

During the 2016 financial year, the significant business goodwills of the Banque PSA Finance group (only China is concerned: see Note 11) was subjected to impairment tests, based on assessments of the utility value of the Cash Generation Units (CGUs) to which they are attached.

Bank PSA Finance Rus Goodwill
Bank PSA Finance Rus was acquired on September 11, 2009 and has been fully consolidated since Mars 2010. Goodwill on the acquisition amounted to €1.0 million, without impairment ever since.

Note 14 Hedging Instruments - Liabilities

14.1 Analysis by Nature

(in million euros)	Dec. 31, 2016	Dec. 31, 2015
Adjustment accounts - commitments in foreign currencies (1)	**-**	**-**
- of which related companies	-	-
Accrued expenses on swaps designated as hedges	**1**	**5**
- of which related companies	-	-
Negative fair value of instruments designated as hedges of:	**-**	**9**
- Borrowings	-	-
- EMTNs/BMTNs	-	-
- Bonds	-	1
- Customer loans (Installment contracts, Buyback contracts and Long-term leases)	-	8
- Variable rate EMTN (Cash Flow Hedge)	-	-
Offsetting negative fair value and paid margin calls	**-**	**(5)**
Total	**1**	**9**

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

(1) *Adjustment accounts are used to record fair value adjustments to currency swaps designated as hedges of foreign currency customer loans refinanced in euros and foreign currency financing liabilities. These fair value adjustments are offset by adjustments arising from the remeasurement of the underlying foreign currency customer loans and financing liabilities at period-end exchange rates (see Notes 6, 9.3 and 21.A).*

14.2 Offsetting swaps with margin call designated as hedges - Liabilities

For 2016
The offsetting swaps with margin call designated as hedges is not material at December 31, 2016.

For 2015

	Liability gross amount				
(in million euros)	Swap's winning leg	Swap's losing leg	Liability net amount before offsetting	Offsetting with paid margin calls	Balance sheet amount after offsetting
Accrued expense	**-**	**5**	**5**	**-**	**5**
- Swaps with margin call	-	5	5	-	5
- Swaps without margin call	-	-	-	-	-
Negative fair value	**-**	**9**	**9**	**-**	**9**
- Swaps with margin call	-	9	9	-	9
- Swaps without margin call	-	-	-	-	-
Offsetting	-	-	-	(5)	**(5)**
Total liabilities	**-**	**14**	**14**	**(5)**	**9**
Margin calls paid on swaps designated as hedges	-	-	8	(5)	**3**
Total assets	**-**	**-**	**8**	**(5)**	**3**

Note 15 Deposits from Credit Institutions

Note 15.1 Analysis of Demand and Time Accounts

(in million euros)	Dec. 31, 2016	Dec. 31, 2015		
	Debts of continuing operations	Debts of operations to be taken over by partnership		Debts of continuing operations
		Transferred	Non-transferred	
Demand deposits (non-group institutions)	**10**	**33**	**-**	**9**
- Ordinary accounts in credit	8	33	-	6
- Accounts and deposits at overnight rates	2	-	-	3
- Other amounts due to credit institutions	-	-	-	-
Accrued interest	**-**	**-**	**-**	**-**
Time deposits (non-group institutions)	**107**	**340**	**521**	**310**
- Conventional bank deposits	107	340	521	244
- Drawdowns on revolving bilateral credit lines (see Note 24.2)	-	-	-	66
Deferred items included in amortized cost of deposits from credit institutions	**-**	**-**	**-**	**(6)**
- Debt issuing costs (deferred charges)	-	-	-	(6)
Accrued interest	**9**	**7**	**1**	**13**
Total deposits from credit institutions at amortized cost	**126**	**380**	**522**	**326**

Note 15.2 Analysis by Currency

(Excluding Accrued interest and Deferred items included in amortized cost)

(in million euros)	Dec. 31, 2016		Dec. 31, 2015				
	Demand deposits	Time deposits	Demand deposits		Time deposits		
	Debts of continuing operations	Debts of continuing operations	Debts of operations to be taken over by partnership	Debts of continuing operations	Debts of operations to be taken over by partnership		Debts of continuing operations
			Transferred		Transferred	Non-transf.	
ARS	-	84	-	-	-	-	68
BRL	-		-	-	270	-	-
CHF	-		-	-	-	-	-
CZK	-		-	4	-	-	37
EUR	1		13	2	61	521	179
GBP	2		-	3	-	-	-
HRK	-		3	-	9	-	-
HUF	-		-	-	-	-	-
MXN	-	13	-	-	-	-	14
PLN	7		17	-	-	-	-
RUB	-	10	-	-	-	-	12
Total	**10**	**107**	**33**	**9**	**340**	**521**	**310**

Note 15.3 Analysis by Maturity of Deposits from Credit Institutions

(Excluding Accrued interest and Deferred items included in amortized cost)

(in million euros)	Dec. 31, 2016	31.12.2015		
	Time deposits	Time deposits		
	Debts of continuing operations	Debts of operations to be taken over by partnership		Debts of continuing operations
		Transferred	Non-transferred	
0 to 3 months	63	27	486	110
3 to 6 months	25	2	-	21
6 months to 1 year	19	74	35	29
1 to 5 years	-	237	-	150
Over 5 years	-	-	-	-
Total	**107**	**340**	**521**	**310**

Note 16 Due to Customers

(in million euros)	Dec. 31, 2016	Dec. 31, 2015		
	Liabilities of continuing operations	Debts of operations to be taken over by partnership		Liabilities of continuing operations
		Transferred	Non-transferred	
Demand accounts	**1**	**1,603**	**-**	**1**
- Ordinary accounts in credit				
- Dealers' ordinary accounts in credit				
- Related companies	-	15	-	-
- Non-group companies	-	67	-	-
- Cash pooling (1):				
- Before offsetting	8	3	-	7
- Offsetting of continuing operations	(8)		-	(7)
- Passbook savings accounts (2)	-	1,508	-	-
- Other amounts due to Customers				
- Related companies	-	-	-	-
- Non-group companies	1	10	-	1
Accrued interest	**-**	**4**	**-**	**-**
- of which passbook savings accounts (2)	-	*4*	-	-
Time deposits	**3**	**122**	**305**	**162**
- Term deposit accounts (2)	-	112	-	-
- Corporate time deposit (2)				
- Related companies	2	-	305	153
- Other				
- Related companies	-	-	-	5
- Non-group companies	1	10	-	4
Accrued interest	**-**	**-**	**-**	**-**
- of which time deposits (2)	-	-	-	-
Total	**4**	**1,729**	**305**	**163**

(1) *Under the cash pooling agreement with PSA International (Related company), the asset and liability amounts are offset in accordance with IAS 32 (see Note 9.1).*

(2) *In the segment information, "Passbook savings accounts", "Term deposit accounts" and "Corporate time deposit" are classified in "Refinancing" (see Note 30.1). The corresponding interest and expenses are classified in "Net refinancing cost" in the income statement.*

Analysis by Currency

(Excluding Accrued interest and Deferred items included in amortized cost)

(in million euros)	Dec. 31, 2016		Dec. 31, 2015				
	Demand deposits	Time deposits	Demand deposits		Time deposits		
	Liabilities of continuing operations	Liabilities of continuing operations	Liabilities of operations to be taken over by partnership	Liabilities of continuing operations	Debts of operations		Liabilities of continuing operations
			Transferred		Transferred	Non-transf.	
ARS	-	3	-	-	-	-	10
CHF	-		-	-	-	-	-
CZK	-		-	-	-	-	1
EUR	-		1,598	1	122	305	151
GBP	-		-	-	-	-	-
PLN	1		5	-	-	-	-
RUB	-		-	-	-	-	-
Total	**1**	**3**	**1,603**	**1**	**122**	**305**	**162**

Note 17 Debt Securities

17.1 Analysis by Nature

(in million euros)	Dec. 31, 2016	Dec. 31, 2015		
	Debts of continuing operations	Debts of operations to be taken over by partnership		Debts of continuing operations
		Transferred	Non-transferred	
Interbank instruments and money-market securities (non-group institutions)	**281**	**-**	**1,736**	**7**
- EMTNs and BMTNs	281	-	1,736	7
- of which paper in the process of being delivered	-	-	-	-
- Certificates of deposit and "billets de trésorerie"	-		-	-
- of which paper in the process of being delivered	-	-	-	-
Accrued interest	**5**	**-**	**44**	**-**
Deferred items included in amortized cost of debt securities	**-**	**-**	**(3)**	**2**
- Debt issuing costs and premiums (deferred charges)	-	-	(3)	2
Bonds	**-**	**1,048**	**-**	**-**
- Issued by securitization funds	-	1,048	-	-
Accrued interest	**-**	**-**	**-**	**-**
- of which securitization	-	-	-	-
Other debt securities	**-**	**84**	**-**	**-**
- of which securitization: senior shares	-	*38*	-	-
Accrued interest	**-**	**20**	**-**	**-**
- of which securitization	-	*13*	-	-
Total debt securities at amortized cost	**286**	**1,152**	**1,777**	**9**

17.2 Analysis by Repayment Currency (1)

(Excluding Accrued interest and Deferred items included in amortized cost)

(in million euros)	Dec. 31, 2016			31.12.2015				
	Bonds	ıey-market securi	Other	Bonds		Money-market securities		Other
	Continuing operations	Continuing operations	Continuing operations	Transferred Debts	Continuing operations	Non-transferred Debts	Continuing operations	Transferred Debts
ARS	-	24	-	-	-	-	7	-
BRL	-	-	-	-	-	-	-	84
EUR	-	20	-	1,048	-	1,277	-	-
GBP	-	-	-	-	-	-	-	-
CHF	-	-	-	-	-	-	-	-
USD (1)	-	237	-	-	-	459	-	-
Total	**-**	**281**	**-**	**1,048**	**-**	**1,736**	**7**	**84**

(1) *Adjustments arising from the remeasurement of hedged foreign currency financing liabilities (including €62 million due to USD issued debt at December 31, 2016) at period-end exchange rates are offset by fair value adjustments to the corresponding currency swaps (see Notes 6 and 14).*

Banque PSA Finance's residual currency position is presented in Note 21.

17.3 Analysis by Maturity of Debt Securities

(Excluding Accrued interest and Deferred items included in amortized cost)

(in million euros)	Dec. 31, 2016			31.12.2015			
	Bonds	Money-market securities	Other	Bonds	Money-market securities		Other
	Continuing operations	Continuing operations	Continuing operations	Continuing operations	Non-transferred Debts	Continuing operations	Continuing operations
0 to 3 months	-	-	-	-	999	4	-
3 to 6 months	-	23	-	-	487	-	-
6 months to 1 year	-	16	-	-	-	3	-
1 to 5 years	-	242	-	-	20	-	-
Over 5 years	-	-	-	-	230	-	-
Total	**-**	**281**	**-**	**-**	**1,736**	**7**	**-**

Note 18 Accruals and Other Liabilities

(in million euros)	Dec. 31, 2016 Continuing operations	Dec. 31, 2015 Liabilities to be taken over by partnership	Dec. 31, 2015 Continuing operations
Trade payables	**25**	**89**	**35**
- Related companies (1)	21	74	24
- Non-group companies	4	15	11
Accrued payroll and other taxes	**6**	**114**	**8**
Accrued charges	**25**	**36**	**23**
- Related companies	12	1	6
- of which insurance activities	*2*	-	*2*
- Non-group companies	13	35	17
- of which insurance activities	*1*	-	*3*
Other payables	**10**	**12**	**26**
- Related companies	8	-	16
- of which insurance activities	*8*	-	*14*
- Non-group companies	2	12	10
- of which insurance activities	*1*	-	*1*
Deferred income	**7**	**26**	**11**
- Related companies	-	-	-
- Non-group companies	7	26	11
- of which margin calls received on swaps designated as hedges (2)	-	-	*1*
Other	**-**	**35**	**6**
- Non-group companies	-	35	6
Total	**73**	**312**	**109**

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

(2) *At December 31, 2016, the margin calls received on swaps designated as hedges were offset with the positive fair value for an amount of €80 million, compared to €168 million at December,31, 2015 (see Note 6.2).*

Note 19 Insurance Activities

19.1 Liabilities Related to Insurance Contracts

(in million euros)	Dec. 31, 2015 Liabilities to be taken over by partnership	Dec. 31, 2015 Continuing operations	Written premiums	Earned premiums	Claims paid	Claims incurred	Dec. 31, 2016 Continuing operations
Insurance liabilities							
Unearned premium reserve (UPR)		12	101	(104)			**9**
Claims reserve							
- Claims reserve - reported claims	1	21			(21)	21	**21**
- Claims reserve - claims incurred but not reported (IBNR)		50			-	8	**58**
Total liabilities related to insurance contracts	**1**	**83**	**101**	**(104)**	**(21)**	**29**	**88**

19.2 Income from Activities for continuing operations

(in million euros)	Dec. 31, 2016	Dec. 31, 2015
+ Earned premiums	**104**	**135**
Written premiums	101	134
Change in insurance liabilities (UPR)	3	1
- Cost	**(76)**	**(107)**
Claims expenses	(14)	(18)
Change in insurance liabilities (except for UPR)	(8)	(17)
Other income (expense)	(54)	(72)
- of which related companies	*(52)*	*(54)*
Margin on sales of Insurance activities	**28**	**28**

Note 20 Provisions

(in million euros)	Dec. 31, 2015 Published at end 2015	Additional scope reclassification	Provisions for continuing operations	Charges	Reversals Utilized	Reversals Unutilized	Equity	Reclassifications, currency effect	Dec. 31, 2016 Provisions for continuing operations
Provisions for pensions and other post-retirement benefits	-	-	-	-	-	-	-	-	-
Provisions for doubtful commitments:									
- Corporate dealers	-	-	-	-	-	-	-	-	-
- Corporate and equivalent	-	-	-	-	-	-	-	-	-
Provisions for fiscal risks (1)	38	-	38	2	-	(21)	-	-	19
Provisions for commercial and tax disputes	32	-	32	7	(23)	-	-	-	16
Other	-	-	-	3	-	-	-	-	3
Total	**70**	**-**	**70**	**12**	**(23)**	**(21)**	**-**	**-**	**38**

(1) *The provision for tax adjustment relating to deductible VAT (€38 million at December 31, 2015 in Banque PSA Finance books) was reduced to €17 million at December 31, 2016.*

Note 21 Derivatives

Group Interest Rate Management Policy

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

Interest rate risk:

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

Excluding the $250 million cross currency swap hedging the issued $250 million EMTN, the interest rate swaps, with an amount of €30.6 million at December 31, 2016, are not significant.

Currency risk:

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

Counterparty risk:

Banque PSA Finance's exposure to counterparty risk is limited to its use of derivatives governed by standard FBF or ISDA agreements and very short term cash investments with leading counterparties. Almost all the swaps (more than 99%) are swaps with weekly margin call. Customer credit risk is discussed in Note 28.

The bank limits the exposure at the minimum from the implementation of its investment policy. Available cash other than interbank loans and reserves deposited with central banks is invested solely in very short-term retail certificates of deposits and in mutual funds.

Banque PSA Finance Residual Positions in Foreign Currencies

A. Operational Positions in Foreign Currencies

These positions are hedged using currency swaps, cross currency swaps and forward foreign exchange contracts. The residual position at the end of year 2016 is not significant (€1 million at December 31, 2016 vs €4 million at December 31, 2015).

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

B. Structural Positions in Foreign Currencies

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

(in million euros)	ARS	CNY	CZK	GBP	HRK	HUF	MXN	PLN	RUB	TRY	USD (1)	TOTAL
Position at December 31, 2016	1	38	-	129	3	20	5	22	44	-	54	**316**
Note: December 2015	*-*	*39*	*25*	*152*	*3*	*19*	*6*	*44*	*34*	*1*	*165*	***488***

(1) *On 2016, the structural position in US dollars arises from the financing in dollars of the bank's net investment in its Argentine and Russian subsidiaries.*

Note 22 Analysis by Maturity and Liquidity Risks

The Liquidity Risk Management is described in the "Security of Liquidity" section of the Management Report.
The scheduled maturities of the three items involved are given in Note 9.4 with respect to Customer Loans and Receivables, in Note 15.3 with respect to Deposits from Credit Institutions and in Note 17.3 with respect to Debt Securities.

Covenants

The agreements of bilateral revolving credit facilities (for a €360 million book value) signed by Banque PSA Finance include the customary acceleration clauses requiring the Group to give certain covenants to lenders. They include:

- negative pledge clauses whereby the borrower undertakes not to grant any collateral to any third parties. In the case of Banque PSA Finance, these clauses nevertheless comprise exceptions allowing the Group to carry out securitization programs or to give assets as
- 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
- clauses whereby the borrower undertakes to provide regular information to the lenders;
- clauses whereby the borrower undertakes to comply with the applicable legislation;
- change of control clauses.

In addition to these covenants consistent with market standards, the such agreements maintain the statute of bank, and consequently the need to retain a Common Equity Tier One ratio of at least 11%.

All applicable clauses were complied with in 2016.

Note 23 Fair Value of Financial Assets and Liabilities

(in million euros)	Fair value Dec. 31, 2016	Fair value Dec. 31, 2015	Book value Dec. 31, 2016	Book value Dec. 31, 2015	Difference Dec. 31, 2016	Difference Dec. 31, 2015
Assets						
Cash, central banks, post office banks	58	154	58	154	-	-
Financial assets at fair value through profit or loss (1)	389	383	389	383	-	-
Hedging instruments (1)	5	13	5	13	-	-
Available-for-sale financial assets (2)	5	11	5	11	-	-
Loans and advances to credit institutions (3)	223	87	223	87	-	-
Customer loans and receivables (4)	346	462	346	460	-	2
Equity and liabilities						
Central banks, post office banks	-	-	-	-	-	-
Financial liabilities at fair value through profit or loss (1)	-	1	-	1	-	-
Hedging instruments (1)	1	9	1	9	-	-
Deposits from credit institutions (5)	126	858	126	848	-	(10)
- *of which debts of continuing operations*	*126*	*331*	*126*	*326*	-	*(5)*
- *of which non-transferred debts of operations to be taken over by partnership*	-	*527*	-	*522*	-	*(5)*
Due to customers (3)	4	468	4	468	-	-
- *of which debts of continuing operations*	*4*	*163*	*4*	*163*	-	-
- *of which non-transferred debts of operations to be taken over by partnership*	-	*305*	-	*305*	-	-
Debt securities (5)	301	1,813	301	1,811	-	(2)
- *of which debts of continuing operations*	*301*	*9*	*301*	*9*	-	-
- *of which non-transferred debts of operations to be taken over by partnership*	-	*1,804*	-	*1,802*	-	*(2)*

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. They are generally hedged against interest rate risks (fair value hedge) and are therefore remeasured at the hedging rate (swap rate), in accordance with hedge accounting principles. Cumulative gains and losses arising from remeasurement are added to or deducted from their amortized cost.*

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

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

The fair value presented above therefore corresponds mainly to the change in the spread (premium over the risk-free rate) paid by Banque PSA Finance on its financial market borrowings. It is determined according to two following cases:
- For Debt securities, by applying valuation based on market available quotations (level 1).
- For Deposits from credit institutions, by applying valuation based on data from our financial partners. In this case, the fair value is determined by applying valuation making significant use of at least one non-observable item of data (level 3).

In 2016 neither Customer Loans and Receivables nor Deposits was substantial. Book value is consequently maintained.

Note 24 Other Commitments

24.1 Other Commitments

(in million euros)	Dec. 31, 2016	Dec. 31, 2015		
	Commitments of continuing operations	Commitments of operations to be taken over by partnership		Commitments of continuing operations
		Transferred	Non-transferred	
Financing commitments				
Commitments received from credit institutions (see Note 24.2)	365	118	1,382	461
Commitments given to credit institutions	-	-	-	-
Commitments given to customers (1)	10	203	-	5
Guarantee commitments				
Commitments received from credit institutions	17	168	-	8
- guarantees received in respect of customer loans	17	168	-	7
- guarantees received in respect of securities held	-	-	-	1
- other guarantees received from credit institutions	-	-	-	-
Guarantees given to credit institutions	4	-	4	-
Commitments given to customers	42	1	-	26
- Banque PSA Finance	42	-	-	26
- Italian branch	-	1	-	-
Other commitments received				
Securities received as collateral	-	26	-	-

(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.*

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

24.2 Credit facilities

(in million euros)	Dec. 31, 2016	Dec. 31, 2015		
	Commitments of continuing operations	Commitments of operations to be taken over by partnership		Commitments of continuing operations
		Transferred	Non-transferred	
Undrawn bank facilities, by drawdown priority (see Note 15)				
Revolving bilateral bank facilities (1)(2)	360	-	682	406
Other bank facilities	5	118	-	55
Syndicated credit facilities (1)	-	-	700	-
Total	**365**	**118**	**1,382**	**461**

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

(2) *Undrawn at December 31, 2016.*

24.3 Financial Security

Financial security refers to liquidity reserve and undrawn bank facilities (see Note 24.2).

	Dec. 31, 2016	Dec. 31, 2015		
	Commitments of continuing operations	Commitments of operations to be taken over by partnership		Commitments of continuing operations
(in million euros)		Transferred	Non-transferred	
Liquidity Reserve	474	127	-	418
- Reserves deposited with the central banks (see Note 4)	58	27	-	154
- Mutual funds qualified as cash equivalents (see Note 5)	249	88	-	1
- Treasury bonds (OAT) qualified as cash equivalents (see Note 5)	-	-	-	251
- Ordinary accounts in debit (see Note 8)	167	-	-	-
- Time accounts qualified as cash equivalents (see Note 8)	-	12	-	12
Undrawn bank facilities	365	118	1,382	461
Total	**839**	**245**	**1,382**	**879**

24.4 Management of liquidity risk

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

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

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

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

Note 25 Interest and Other Revenue on Assets at Amortized Cost

(in million euros)	Dec. 31, 2016	Dec. 31, 2015
Installment contracts	**60**	**83**
- of which related companies	*10*	*9*
Buyback contracts	**4**	**12**
- of which related companies	-	-
Long-term leases	**4**	**6**
- of which related companies	-	-
Wholesale financing	**7**	**11**
- of which related companies	*5*	*7*
Other finance receivables	**1**	**3**
- of which related companies	*1*	*2*
Commissions paid to referral agents	**(4)**	**(8)**
- Installment contracts	(3)	(5)
- Buyback contracts	(1)	(3)
- Long-term leases	-	-
- of which related companies		*(1)*
Other business acquisition costs	**-**	**(1)**
Interest on ordinary accounts	**-**	**-**
Interest on guarantee commitments	**-**	**-**
Total	**72**	**106**

Note 26 Interest Expense on Hedging Instruments

(in million euros)	Dec. 31, 2016	Dec. 31, 2015
Swaps hedging retail financing (Fair Value Hedge)	(2)	(13)
- of which related companies	*2*	*8*
Amortization of premiums on open swaptions (Time Decay)	-	-
Deferred intrinsic value of terminated swaptions released to the income statement	-	-
Total	**(2)**	**(13)**

Note 27 General Operating Expenses

(in million euros)	Dec. 31, 2016	Dec. 31, 2015
Personnel costs	**(9)**	**(10)**
- Wages and salaries	(7)	(8)
- Payroll taxes	(2)	(2)
- Employee profit sharing and profit-related bonuses	-	-
Other general operating expenses	**(5)**	**(81)**
- External expenses	(108)	(186)
- of which related companies	*(98)*	*(104)*
- Re-invoicing (1)	103	105
- of which operations to be taken over by partnership	*10*	*50*
- of which related companies	*91*	*53*
Total	**(14)**	**(91)**

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

Information concerning the compensations of the main executive officers is given in the "Compensations" section of the annual Financial Report.

General Operating Expenses by Geographical Area

(in million euros)	Dec. 31, 2016	Dec. 31, 2015
Country ISO code:		
AR	(5)	(5)
CZ	(1)	(3)
FR (1)	8	(61)
GB	-	(3)
HR	-	(1)
HU	(1)	(1)
IT	(1)	(1)
MT	(3)	(4)
MX	(1)	(1)
NL	-	(1)
PL	(2)	-
RU	(6)	(6)
SK	(1)	(1)
SI	-	(2)
TR	(1)	(1)
Total	**(14)**	**(91)**

(1) *The provision for tax adjustments relating to deductible VAT at Banque PSA Finance (totaling €38 million at December 31, 2015) was reduced to €17 million at December 31, 2016.*

Note 28 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.

28.1 Changes in Loans

(in million euros)	Balance sheet at Dec. 31, 2015	Net new loans and exchange difference (1)(2)(3)	Cost of risk for the period at Dec. 31, 2016 (see details note 28.2)	Balance at Dec. 31, 2016
Retail				
installments	296	(19)		277
Sound loans with past-due installments	14	-		14
Guarantee deposits (lease financing)	(1)	-		(1)
Non-performing loans	10	1	(2)	9
Total	**319**	**(18)**	**(2)**	**299**
Impairment of sound loans with past-due	(2)	1	-	(1)
Impairment of non-performing loans	(8)	1	1	(6)
Total impairment	**(10)**	**2**	**1**	**(7)**
Deferred items included in amortized cost	**(6)**	**(13)**		**(19)**
Net book value (A - see B Note 9.2)	**303**	**(29)**	**(1)**	**273**
Recoveries on loans written off in prior periods			-	-
Impairment of doubtful commitments			-	-
Retail cost of risk			**(1)**	**(1)**
Corporate dealers				-
installments	128	(65)		63
Sound loans with past-due installments	-	-		-
Non-performing loans	8	-	-	8
Total	**136**	**(65)**	**-**	**71**
Impairment of sound loans	-	-	(4)	(4)
Impairment of non-performing loans	(7)	-	-	(7)
Total impairment	**(7)**	**-**	(4)	**(11)**
Deferred items included in amortized cost	**-**	**-**		**-**
Net book value (B - see A Note 9.2)	**129**	**(65)**	**(4)**	**60**
Recoveries on loans written off in prior periods			-	-
Impairment of doubtful commitments			-	-
Corporate dealers cost of risk			**(4)**	**(4)**
Corporate and equivalent				-
installments	27	(14)		13
Sound loans with past-due installments	1	(1)		-
Non-performing loans	2	(2)	-	-
Total	**30**	**(17)**	**-**	**13**
Impairment of sound loans	-	-	-	-
Impairment of non-performing loans	(1)	1	-	-
Total impairment	**(1)**	**1**	**-**	**-**
Deferred items included in amortized cost	**(1)**	**1**		**-**
Net book value (C - see C Note 9.2)	**28**	**(15)**	**-**	**13**
Recoveries on loans written off in prior periods			-	-
Impairment of doubtful commitments			-	-
Corporate and equivalent cost of risk			**-**	**-**
Total loans				-
installments	451	(98)		353
Sound loans with past-due installments	15	(1)		14
Guarantee deposits	(1)	-		(1)
Non-performing loans	20	(1)	(2)	17
Total (2)(3)	**485**	**(100)**	**(2)**	**383**
Impairment of sound loans	-	-	(4)	(4)
installments	(2)	1	-	(1)
Impairment of non-performing loans	(16)	2	1	(13)
Total impairment (2)(3)	**(18)**	**3**	**(3)**	**(18)**
Deferred items included in amortized cost	**(7)**	**(12)**	**-**	**(19)**
Net book value	**460**	**(109)**	**(5)**	**346**
Recoveries on loans written off in prior periods			-	
Impairment of doubtful commitments			-	
Total cost of risk			**(5)**	

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

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

(2) The impact of selling the assets of the subsidiaries in Slovakia and the Czech Republic resulted in a negative €182 million change in gross outstandings and a positive €4 million change in impairment.

(3) The impact of stopping reclassifying the assets of the subsidiary in Poland as operations held for sale resulted in a positive €52 million change in gross outstandings and a negative €1 million change in impairment.

28.2 Change in Cost of Risk

(in million euros)	Retail	Corporate dealers	and equivalent	Dec. 31, 2016	Dec. 31, 2015
Sound loans with past-due installments (1)					
Charges	-	(4)	-	(4)	-
Reversals	-	-	-	-	1
Non-performing loans					
Charges	(1)	(13)	-	(14)	(7)
Reversals	2	13	-	15	12
Doubtful commitments					
Charges	-	-	-	-	-
Reversals	-	-	-	-	-
Credit losses	(2)	-	-	(2)	(8)
Recoveries on loans written off in prior periods	-	-	-	-	1
Cost of risk	**(1)**	**(4)**	**-**	**(5)**	**(1)**

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

(1) *- Regarding Retail, this refers to sound loans with past-due installments.*
- Regarding Corporate, this refers only to sound loans without any past due, all impaired statistically.

28.3 Information about Defaults with no Impairment

As regards Retail, sound loans in default are systematically impaired (see footnote (1) of Note 28.2).
As regards Corporate, given the statistical impairment applied to Corporate sound receivables (see footnote (1) of Note 28.2) there is not any such receivable in default that is not impaired.

Note 29 Income Taxes

29.1 Evolution of Balance Sheet Items

(in million euros)	Dec. 31, 2015 Taxes on continuing operations	Income	Equity	Payment	IFRS 5 reclassification in Income statement (1)	Exchange difference and other (2)	Dec. 31, 2016 Taxes on continuing operations
Current tax							
Assets	12						13
Liabilities	(6)						-
Total	**6**	**(7)**	**-**	**14**	**-**	**-**	**13**
Deferred tax							
Assets	27						16
Liabilities	(12)						(12)
Total	**15**	**(6)**	**-**	**-**	**(4)**	**(1)**	**4**

(1) *Mainly for eliminations of intragroup transactions between continuing operations and operations to be taken over by partnership (see Note 29.2, footnote (1) and (2)).*

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

29.2 Income taxes of fully-consolidated companies

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

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

(in million euros)	Dec. 31, 2016	Dec. 31, 2015
Income taxes on continuing operations		
Current tax	**(7)**	**(19)**
Deferred tax	**(6)**	**60**
Deferred taxes arising in the year (1)	(6)	60
Unrecognized deferred tax assets and impairment losses	-	-
Income taxes on operations to be taken over by partnership		
Current and deferred tax (2)	(22)	(73)
Total	**(35)**	**(32)**

(1) Including at December 31, 2016, a €4 million positive amount mainly for eliminations of intragroup transactions with operations to be taken over by partnership.
(2) Including at December 31, 2016, a €4 million negative amount mainly for eliminations of intragroup transactions with continuing operations.
These entries have no impact on Banque PSA Finance net income and have no counterparty in balance sheet.

29.3 Banque PSA Finance tax proof

(in million euros)	Dec. 31, 2016	Dec. 31, 2015
Pre-tax income of continuing operations	184	(45)
Pre-tax income of operations to be taken over by partnership	53	250
Neutralization of the share in net income of associates and joint ventures accounted for using the equity method	(195)	(123)
Permanent differences	32	65
Taxable Income	**74**	**147**
Legal tax rate in France for the period	*34.4%*	*38.0%*
Theoretical tax	**(25)**	**(56)**
Impact of differences in foreign tax rates	2	11
Impact of changes in foreign tax rates	-	2
Impact of provisional surtax in France	-	1
Adjustment related to the previous year	-	4
Tax disputes and adjustments	-	(4)
Other	(6)	7
Income taxes before impairment of assets on tax loss carryfowards	**(29)**	**(35)**
Group effective tax rate	*38.6%*	*23.7%*
Deferred tax assets on tax loss carryforwards:		
- Charges (1)	(6)	(2)
- Reversals	-	5
Income taxes	**(35)**	**(32)**

(1) See Note 29.4, foonote (2).

29.4 Deferred Tax Assets on Tax Loss Carryforwards for continuing operations

(in million euros)	Dec. 31, 2015 Taxes on continuing operations	New tax losses	Tax losses utilized in the year	Charges / Reversals	Exchange difference and other (1)	Dec. 31, 2016 Taxes on continuing operations
Deferred tax assets on tax loss carryforwards	51	7	(10)		(1)	47
Allowances (2)	(28)			(6)	-	(34)
Total	**23**	**7**	**(10)**	**(6)**	**(1)**	**13**

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

(2) *Banque PSA Finance's deferred tax asset on the tax loss carryforward has been fully written down, for an amount of €32 million at end of December 2016.*

Note 30 Segment Information

30.1 Key Balance Sheet Items

For 2016

(in million euros)	Financing activities – End user: Corporate dealers	Financing activities – End user: Retail	Financing activities – End user: Corporate and equivalent	Financing activities: Unallocated	Insurance and services	Total at December 31, 2016
Assets						
Customers loans and receivables	7,232	14,241	1,344		4	22,821
Securities			281	-	80	361
Loans and advances to credit institutions			1,299	-	12	1,311
Other assets				1,546	39	1,585
Total Assets						**26,078**
Liabilities						
Refinancing (1)	6,566	12,929	1,220	-	-	20,715
Due to customers (1)	237	44	43	-		324
Liabilities related to insurance contracts					105	105
Other liabilities				1,362	17	1,379
Equity				3,462	93	3,555
Total Liabilities						**26,078**

For 2015

(in million euros)	Financing activities – End user: Corporate dealers	Financing activities – End user: Retail	Financing activities – End user: Corporate and equivalent	Financing activities: Unallocated	Insurance and services	Total at Dec. 31, 2015
Assets						
Customers loans and receivables	6,217	13,662	1,457		-	21,336
Securities			358	-	88	446
Loans and advances to credit institutions			1,280	1	1	1,282
Other assets				1,287	43	1,330
Total Assets						**24,394**
Liabilities						
Refinancing (1)	5,663	12,444	1,319	-	-	19,426
Due to customers (1)	263	43	30	-		336
Liabilities related to insurance contracts					87	87
Other liabilities				1,192	41	1,233
Equity				3,234	78	3,312
Total Liabilities						**24,394**

Segment information is disclosed:
- before IFRS 5 reclassifications;
- before the equity method accounting of the joint ventures with Santander ;
- and after elimination of intragroup transactions.

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

Table showing conversion from the IFRS 8 segment information balance sheet to the IFRS 5 publishable balance sheet

For 2016

(in million euros)	IFRS 8 segment information balance sheet as at December 31, 2016	Presentation differences IFRS 8 vs IFRS 5	Reclassi-fications per IFRS 5	Amortized cost of debt retired early	Impairment of disposal group	Partnership implementation with Santander (IFRS 3) (1)	IFRS 5 published balance sheet at December 31, 2016
Assets							
Customers loans and receivables	22,821	(24)	-	-	-	(22,451)	346
Securities	361	-	-	-	-	28	389
Loans and advances to credit institutions	1,311	-	-	-	-	(1,088)	223
Deferred tax assets		66	-	-	-	(50)	16
Investments in associates and joint ventures accounted for using the equity method		77	-	-	-	1,450	1,527
Assets of operations to be taken over by partnership			-	-	-	-	-
Other assets	1,585	(142)	-	-	-	(1,209)	234
Total Assets	**26,078**	**(23)**	**-**	**-**	**-**	**(23,320)**	**2,735**
Liabilities							
Refinancing	20,715	(20,715)					
Deposits from credit institutions		12,320	-	-	-	(12,194)	126
Due to customers	324	2,727	-	-	-	(3,047)	4
Debt securities		5,668	-	-	-	(5,382)	286
Liabilities related to insurance contracts	105	-	-	-	-	(17)	88
Deferred tax liabilities		264	-	-	-	(252)	12
Liabilities of operations to be taken over by partnership			-	-	-	-	-
Other liabilities	1,379	(274)	-	-	-	(978)	127
Equity	3,555	(13)	-	-	-	(1,450)	2,092
Total Liabilities	**26,078**	**(23)**	**-**	**-**	**-**	**(23,320)**	**2,735**

For 2015

(in million euros)	IFRS 8 segment information balance sheet as at Dec. 31, 2015	Presentation differences IFRS 8 vs IFRS 5	Reclassi-fications per IFRS 5	Amortized cost of debt retired early	Impairment of disposal group	Partnership implementation with Santander (IFRS 3) (1)	IFRS 5 published balance sheet at Dec. 31, 2015
Assets							
Customers loans and receivables	21,336	3	(6,397)	-	-	(14,482)	460
Securities	446	-	(102)	-	-	39	383
Loans and advances to credit institutions	1,282	-	(296)	-	-	(899)	87
Deferred tax assets		113	(65)	-	-	(21)	27
Investments in associates and joint ventures accounted for using the equity method		64	-	-	-	917	981
Assets of operations to be taken over by partnership			7,090	-	(42)	-	7,048
Other assets	1,330	(160)	(230)	-	-	(559)	381
Total Assets	**24,394**	**20**	**-**	**-**	**(42)**	**(15,005)**	**9,367**
Liabilities							
Refinancing	19,426	(19,426)					
Deposits from credit institutions		9,836	(381)	-	-	(8,607)	848
Due to customers	336	3,197	(1,729)	-	-	(1,336)	468
Debt securities		6,396	(1,153)	-	-	(3,457)	1,786
Liabilities related to insurance contracts	87	-	(1)	-	-	(3)	83
Deferred tax liabilities		317	(31)	(12)	-	(262)	12
Liabilities of operations to be taken over by partnership			3,629	-	(6)	-	3,623
Other liabilities	1,233	(300)	(334)	37	-	(416)	220
Equity	3,312	-	-	(25)	(36)	(924)	2,327
Total Liabilities	**24,394**	**20**	**-**	**-**	**(42)**	**(15,005)**	**9,367**

(1) Partnership implementation with Santander :

- *in Europe (see Note 11.2.1),*
- *in Brazil (see Note 11.2.2).*

led to equity-method accounting of the joint ventures.

30.2 Key Income Statement Items

For 2016

(in million euros)	Financing activities						
		End user					
	Corporate dealers	Retail	Corporate and equivalent	Unallocated	Financial derivative instruments (3)	Insurance and services	Total at Dec. 31, 2016
Net interest revenue on customer transactions (at amortized cost) (1)	192	952	50	(58)	(27)	(2)	1,107
Net investment revenue	-	-	-	10		-	10
Net refinancing cost (2) (3)	(59)	(257)	(16)	50	27	-	(255)
Net gains or losses on trading transactions				(4)		(1)	(5)
Net gains or losses on available-for-sale financial assets				-			-
Margin on sales of insurance services						127	127
Margin on sales of other services						42	42
Net banking revenue	**133**	**695**	**34**	**(2)**	**-**	**166**	**1,026**
Cost of risk (A)	(4)	(48)	-				(52)
Net income after cost of risk	**129**	**647**	**34**	**(2)**	**-**	**166**	**974**
General operating expenses and equivalent				(397)		(6)	(403)
Operating Income	**129**	**647**	**34**	**(399)**	**-**	**160**	**571**

For 2015

(in million euros)	Financing activities						
		End user					
	Corporate dealers	Retail	Corporate and equivalent	Unallocated	Financial derivative instruments (3)	Insurance and services	Total at Dec. 31, 2015
Net interest revenue on customer transactions (at amortized cost) (1)	237	1,047	83	(35)	(43)	-	1,289
Net investment revenue	-	-	-	13		-	13
Net refinancing cost (2) (3)	(119)	(435)	(32)	153	43	-	(390)
Net gains or losses on trading transactions				(4)		-	(4)
Net gains or losses on available-for-sale financial assets				-			-
Margin on sales of insurance services						108	108
Margin on sales of other services						49	49
Net banking revenue	**118**	**612**	**51**	**127**	**-**	**157**	**1,065**
Cost of risk	(22)	(44)	(3)				(69)
Net income after cost of risk	**96**	**568**	**48**	**127**	**-**	**157**	**996**
General operating expenses and equivalent				(477)		(5)	(482)
Operating Income	**96**	**568**	**48**	**(350)**	**-**	**152**	**514**

(A) ***Additional information on the cost of risk of joint ventures:***
In addition to the accounting policies on the cost of risk set out in Note 2 of the annual report, separate probabilities of default are calculated for the joint ventures in partnership with Santander group for sound loans with and without past-due installments. This calculation is done in the manner indicated in the guidance for IAS 39 (sections AG89 and AG90), where the concept of "losses incurred but not yet reported" is defined.

Segment information is disclosed:
- before IFRS 5 reclassifications;
- before the equity method accounting of the joint ventures with Santander;
- and after elimination of inter and intra company transactions,

(1) *Unallocated interest revenue on customer transactions corresponds to the ineffective portion of gains or losses on hedging instruments recognized in the income statement in accordance with IAS 39 for a negative €15.9 million at December 31, 2016 (compared to a negative €11.5 millions at December 31, 2015). The remaining corresponds to other revenue and expense on customer transactions.*

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

(3) *In line with the joint ventures' policy of hedging interest rate risks on fixed rate customer loans, the interest differential on the swaps used to hedge these loans is reported in the income statement under "Net interest revenue from hedging instruments" in "Net interest revenue on customer transactions" and is not analysed by segment. The management reporting system, on the other hand, is used internally to manage the joint ventures whose performance is assessed based on the the original fixed rate of interest granted to customers and the resulting interest margin, determined by reference to the net post-swap, fixed rate refinancing cost communicated by management. Interest differentials on these swaps are therefore included by the management controllers in the net refinancing cost analysed by segment. This explains the €27 million reclassification at December 31, 2016 between "Net refinancing cost" and "Net interest revenue on customer transactions" in the "Financial derivatives instruments" column.*

Table showing conversion from the IFRS 8 segment information income statement to the IFRS 5 publishable income statement

At December 31, 2016

(in million euros)	IFRS 8 Income statement at Dec. 31, 2016	Presentation differences IFRS 8 vs IFRS 5	Reclassi-fications per IFRS 5	Reclassi-fication of costs of the non-transferred debts	Impact of the partnership with Santander: Impairment of disposal group	Impact of the partnership with Santander: Equity-method accounting of equity attributable to Group in JV (1)	IFRS 5 Income statement published at Dec. 31, 2016
Net interest revenue on customer transactions (at amortized cost)	1,107	18	(143)	-	-	(941)	41
Net investment revenue	10	-	(9)	-	-	-	1
Net refinancing cost	(255)	-	42	16	-	161	(36)
Net gains or losses on trading transactions	(5)	-	-	-	-	2	(3)
financial assets	-	-	-	-	-	-	-
Margin on sales of insurance services	127	-	(3)	-	-	(96)	28
Margin on sales of other services	42	-	(2)	-	-	(30)	10
Net banking revenue	**1,026**	**18**	**(115)**	**16**	**-**	**(904)**	**41**
General operating expenses	(377)	-	39	-	-	324	(14)
Depreciation and amortization of intangible and tangible assets	(25)	-	1	-	-	3	(21)
Gains and losses on investments in companies that can be consolidated and other disposals of fixed assets	(1)	-	-	-	-	1	-
Gross operating income	**623**	**18**	**(75)**	**16**	**-**	**(576)**	**6**
Cost of risk	(52)	-	8	-	-	39	(5)
Operating Income	**571**	**18**	**(67)**	**16**	**-**	**(537)**	**1**
Share in net income of associates and joint ventures accounted for using the equity method	15	-	-	-	-	180	195
Impairment on goodwill	-	-	-	-	-	-	-
Pension obligation - expense	(1)	-	-	-	-	1	-
Pension obligation - income	1	-	-	-	-	(1)	-
Other non-operating items	(12)	-	16	-		-	4
Costs of the non-transferred debts of operations to be taken over by partnership	-	-	-	(16)	-	-	(16)
Pre-tax income	**574**	**18**	**(51)**	**-**	**-**	**(357)**	**184**
Income taxes	(206)	(5)	21	-	-	177	(13)
Net income from continued operations	**368**	**13**	**(30)**	**-**	**-**	**(180)**	**171**
Gross income of operations to be taken over by partnership	-		51	-	2	-	53
Tax on the net income of operations to be taken over by partnership	-		(21)	-	(1)	-	(22)
Net income of operations to be taken over by partnership	**-**	**-**	**30**	**-**	**1**	**-**	**31**
Net income for the year	**368**	**13**	**-**	**-**	**1**	**(180)**	**202**

(1) Partnership implementation with Santander :
- *in Europe (see Note 11.2.1),*
- *in Brazil (see Note 11.2.2),*

led to equity-method accounting of the joint ventures.

Table showing conversion from the IFRS 8 segment information income statement to the IFRS 5 publishable income statement

At December 31, 2015

(in million euros)	IFRS 8 Income statement at Dec. 31, 2015	Reclassi-fications per IFRS 5	Reclassi-fication of costs of the non-transferred debts	Impacts du partenariat avec Santander: Cost of debt retired early	Impacts du partenariat avec Santander: Impairment of disposal group	Impacts du partenariat avec Santander: Equity-method accounting of equity attributable to Group in JV (1)	IFRS 5 Income statement published at Dec. 31, 2015
Net interest revenue on customer transactions (at amortized cost)	1,289	(621)	1	-	-	(581)	88
Net investment revenue	13	(12)	-	-	-	2	3
Net refinancing cost	(390)	126	140	-	-	103	(21)
Net gains or losses on trading transactions	(4)	-	-	-	-	-	(4)
financial assets	-	-	-	-	-	-	-
Margin on sales of insurance services	108	(21)	-	-	-	(59)	28
Margin on sales of other services	49	(15)	-	-	-	(15)	19
Net banking revenue	**1,065**	**(543)**	**141**	**-**	**-**	**(550)**	**113**
General operating expenses	(461)	178	-	-	-	192	(91)
Depreciation and amortization of intangible and tangible assets	(21)	2	-	-	-	2	(17)
that can be consolidated and other disposals of fixed assets	-	-	-	-	-	-	-
Gross operating income	**583**	**(363)**	**141**	**-**	**-**	**(356)**	**5**
Cost of risk	(69)	34	-	-	-	34	(1)
Operating Income	**514**	**(329)**	**141**	**-**	**-**	**(322)**	**4**
Share in net income of associates and joint ventures accounted for using the equity method	11	-	-	-	-	112	123
Impairment on goodwill	-	-	-	-	-	-	-
Pension obligation - expense	-	-	-	-	-	-	-
Pension obligation - income	-	-	-	-	-	-	-
Other non-operating items	(22)	3	21	-	-	-	2
Costs of the non-transferred debts of operations to be taken over by partnership	-	-	(162)	(12)	-	-	(174)
Pre-tax income	**503**	**(326)**	**-**	**(12)**	**-**	**(210)**	**(45)**
Income taxes	(148)	89	-	2	-	98	41
Net income from continued operations	**355**	**(237)**	**-**	**(10)**	**-**	**(112)**	**(4)**
Gross income of operations to be taken over by partnership	-	326	-		(76)	-	250
Tax on the net income of operations to be taken over by partnership	-	(89)	-		16	-	(73)
Net income of operations to be taken over by partnership	**-**	**237**	**-**	**-**	**(60)**	**-**	**177**
Net income for the year	**355**	**-**	**-**	**(10)**	**(60)**	**(112)**	**173**

(1) Partnership implementation with Santander :

- *in Europe (see Note 11.2.1)*

led to equity-method accounting of the joint ventures.

Note 31 Information on establishments

This information is given to meet the requirement described in Article L. 511-45 of the French Monetary and Financial Code.

31.1 Locations by country

Country ISO code	Entity	Consolidation method 31.12.2016	Consolidation method 31.12.2015	Localization	Type of activity (NACE code)
AR	PSA Finance Argentina Compania Financiera S.A.	FC	FC	Buenos Aires	K64
AT	Banque PSA Finance Niederlassung Österreich	-	FC	Vienna	K64
	PSA Bank Österreich GmbH	EM	-	Vienna	K64
BE	PSA Finance Belux	EM	FC	Brussels	K64
	Belgium branch	-	FC	Brussels	K64
BR	Banco PSA Finance Brasil S.A.	EM	FC	Sao Paulo	K64
	PSA Finance Arrendamento Mercantil S.A.	-	FC	Sao Paulo	N77
	PSA Corretora de Seguros e Serviços Ltda	EM	-	Sao Paulo	K65
	FIDC	-	FC	Sao Paulo	K64
CH	PSA Finance Suisse S.A.	EM	EM	Schlieren	K64
	Auto ABS Swiss Leases 2013 GmbH	EM	EM	Zug	K64
CN	Dongfeng Peugeot Citroën Auto Finance Company Ltd	EM	EM	Beijing	K64
CZ	PSA Finance Ceska Republika S.r.o.	-	FC	Prague 4	K64
DZ	BPF Algérie	FC	FC	Algiers	K64
DE	Banque PSA Finance S.A. Niederlassung Deutschland	-	FC	Neu-Isenburg	K64
	PSA Bank Deutschland GmbH	EM	-	Neu-Isenburg	K64
ES	PSA Financial Services Spain E.F.C. S.A.	EM	EM	Madrid	K64
	Auto ABS 2012-3	EM	EM	Madrid	K64
	Auto ABS Spanish Loans 2016	EM	-	Madrid	K64
FR	Banque PSA Finance	FC	FC	Paris	K64
	Crédipar	EM	EM	Levallois-Perret	K64
	CLV	EM	EM	Levallois-Perret	N77
	Sofib	EM	EM	Levallois-Perret	K64
	PSA Assurance S.A.S.	FC	FC	Paris	K64
	German Loans Auto ABS 2011-2	-	FC	Paris	K64
	Auto ABS 2012-1	-	EM	Paris	K64
	Auto ABS French Loans Master	EM	EM	Paris	K64
	Auto ABS DFP Master Compartment France 2013	EM	EM	Paris	K64
	Auto ABS 2013-1	-	FC	Paris	K64
	Auto ABS 2013-2	EM	EM	Paris	K64
	Auto ABS2 2013-A	EM	EM	Paris	K64
	Auto ABS German Loans Master	EM	FC	Paris	K64
	Auto ABS3 2014-1	EM	EM	Paris	K64
	Auto ABS French Loans Master	EM	-	Paris	K64
GB	Banque PSA Finance - UK Branch	-	FC	Redhill	K64
	PSA Finance UK Ltd	EM	EM	Redhill	K64
	Vernon Wholesale Investments Company Ltd	FC	FC	Redhill	K64
	Auto ABS UK Loans PLC	EM	EM	London	K64
	Economy Drive Cars Limited	FC	FC	West Midland	G45
HR	PSA Financial d.o.o.	-	FC	Zagreb-Buzin	K64
HU	PSA Finance Hungaria Zrt.	FC	FC	Budapest	K64
IT	Banque PSA Finance Succursale in Italia	-	FC	Milan	K64
	PSA Renting Italia S.p.A.	FC	FC	Milan	N77
	PSA Factor Italia S.p.A.	FC	FC	Milan	K64
	Banca Italia S.P.A	EM	-	Milan	K64
	Auto ABS Italian Loans Master S.r.l.	EM	FC	Conegliano	K64
MT	PSA Services Ltd	FC	FC	Ta' Xbiex	K64
	PSA Insurance Ltd	FC	FC	Ta' Xbiex	K65
	PSA Life Insurance Ltd	FC	FC	Ta' Xbiex	K65
	PSA Insurance Manager Ltd	FC	FC	Ta' Xbiex	K65
	PSA Insurance Europe Ltd	EM	EM	Ta' Xbiex	K65
	PSA Life Insurance Europe Ltd	EM	EM	Ta' Xbiex	K65
MX	Banque PSA Finance Mexico SA de CV SOFOM	FC	FC	Mexico	K64
NL	PSA Finance Nederland B.V.	FC	FC	Rotterdam	K64
	PSA Financial Holding B.V.	FC	FC	Rotterdam	K64
	PSA Financial Services Nederland B.V.	EM	FC	Rotterdam	K64
	Peugeot Finance International N.V.	-	FC	Rotterdam	K64
PL	Banque PSA Finance SA Oddzial w Polsce	FC	FC	Warsaw	K64
	PSA Consumer Finance Polska Sp. z o.o	EM	-	Warsaw	K64
	PSA Finance Polska Sp.zo.o.	EM	FC	Warsaw	K64
RU	Bank PSA Finance Rus	FC	FC	Moscow	K64
SK	PSA Finance Slovakia S.r.o.	-	FC	Bratislava 2	K64
SI	BPF Financiranje d.o.o.	-	FC	Ljubljana	K64
TR	BPF Pazarlama A.H.A.S.	FC	FC	Atasehir - Istanbul	K64

The types of activity are presented according to the NACE codes:

- K section: Financial and insurance activities
  - K64 - Financial service activities, except insurance and pension funding
  - K65 - Insurance, reinsurance and pension funding, except compulsory social security
- N section: Administrative and support service activities
  - N77 - Rental and leasing activities
- G section: Cars and motor vehicles trade
  - G45 - Trade and repair of automobiles and motorcycles

31.2 Income statement items and employees by country

At December 31, 2016

	(in million euros)	Income statement items						
				Pre-tax income				
Country	**Public investment subsidies received**	**Sales and revenue (1)**	**Net banking revenue**	**Total**	***o/w share in net income of associates and joint ventures accounted for using the equity method***	**Current tax**	**Deferred tax**	**Number of employees (2)**
AR	-	53	29	25		(8)	-	17
AT (3)	-	10	6	5	*1*	(1)	-	
BE (3)	-	27	14	(23)	*5*	(3)	-	
BR (3)	-	61	25	(8)	*1*	(4)	(1)	
CH	-			5	*5*			
CN	-			15	*15*			
CZ	-	4	2	(3)		-	-	-
DE (3)	-	54	57	40	*11*	(10)	(2)	
DZ	-	-	-	-		-	-	1
ES	-			26	*26*			
FR	-	208	(43)	24	*75*	-	4	-
GB	-	6	-	33	*33*	-	(2)	-
HR	-	1	-	1		-	-	-
HU	-	-	-	(1)		-	-	1
IT (3)	-	3	(2)	10	*13*	-	-	2
MT	-	113	26	26	*3*	2	(8)	31
MX	-	3	2	-		-	-	-
NL (3)	-	5	2	65	*7*	-	-	-
PL (3)	-	14	7	3	-	(2)	-	20
RU	-	13	12	1		-	-	45
SK	-	2	1	(3)		-	-	-
SI	-	2	1	(4)		-	-	-
TR	-	1	1	-		-	-	11
Total	**-**	**580**	**140**	**237**	***195***	**(26)**	**(9)**	**128**

(1) In accordance with the "Autorité de Contrôle Prudentiel et de Résolution" instruction, the reported sales and revenue correspond to the total of banking operating income.

(2) Corresponds to full-time legal staff directly employed by the Banque PSA Finance's subsidiaries and branches which are fully consolidated at December 31, 2016.

(3) Country in which a partnership was undertaken in 2016.

Income statement items are disclosed before elimination of inter and intra company transactions, before reclassification of costs of non-transferred debts of operations to be taken over by partnership, and before IFRS 5 reclassifications.
The "Revenues", "Net Banking Revenue", "Current Tax" and "Deferred Tax" items only relate to the fully consolidated entities. For joint ventures undertaken in 2016, this information does not include transactions concluded following the establishment of the partnership.

The reconciliation with the items in the consolidated income statement at Décember 31, 2016 is as follows:

(in million euros)	Totals of the table above	Reclassification: costs of non-transferred debts of operations to be taken over by partnership	IFRS 5 reclassification: income of operations to be taken over by partnership	**Income of continuing operations**	**Income of operations to be taken over by partnership (see Note 3.2)**
Net banking revenue	140	16	(115)	**41**	**115**
Share in net income of associates and joint ventures accounted for using the equity method	195	-	-	**195**	**-**
Costs of non-transferred debts of operations to be taken over by partnership	-	(16)	-	**(16)**	**-**
Pre-tax income	237	-	(53)	**184**	**53**
Income taxes	(35)	-	22	**(13)**	**(22)**
Pre-tax income	202	-	(31)	**171**	**31**

Note 32 Information on subsidiaries held by significant minority interests

This information is given according to IFRS 12 and relates to the subsidiary located in Argentina. Banque PSA Finance considers as significant a minority interest when it holds at least 20% of the subsidiary concerned.

Subsidiary in Argentina

PSA Finance Argentina Compania Financiera S.A. *50% owned by Banque PSA Finance*

Minority interest: 50%

Key Balance Sheet Items

(in million euros)	Dec. 31, 2016	Dec. 31, 2015
Customer loans and receivables	166	144
Other assets	9	20
Total assets	**175**	**164**
Refinancing	117	82
Other liabilities	14	35
Equity		
- Elimination (1)	13	13
- Consolidated reserves - equity holders of the parent	9	10
- Minority interests	22	24
Total equity and liabilities	**175**	**164**

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

Key Income Statement Items

(in million euros)	Dec. 31, 2016	Dec. 31, 2015
Net banking revenue	**29**	**43**
General operating expenses	(5)	(5)
Gross operating income	**24**	**38**
Cost of risk	-	1
Operating income	**24**	**39**
Income taxes	(8)	(13)
Net income for the year	**16**	**26**
- of which minority interests	8	13
- of which attributable to equity holders of the parent	8	13

Changes in minority interests

(in million euros)	Total net equity	Minority interests			
		Percentage interest	Total	Share capital and other reserves	Exchange difference
At December 31, 2014	**53**	**50%**	**27**	**50**	**(23)**
Net income of the period	26		13	13	
Dividends	(14)		(7)	(7)	
Exchange difference	(18)		(9)		(9)
At December 31, 2015	**47**	**50%**	**24**	**56**	**(32)**
Net income of the period	16		8	8	
Dividends	(11)		(6)	(6)	
Exchange difference	(8)		(4)		(4)
At December 31, 2016	**44**	**50%**	**22**	**58**	**(36)**

Note 33 Auditors fees

	Ernst & Young		Mazars	
(in million euros)	**Dec. 31, 2016**	**Dec. 31, 2015**	**Dec. 31, 2016**	**Dec. 31, 2015**
Audit				
- Statutory and contractual audit services				
- Banque PSA Finance	0.2	0.1	0.1	0.1
- Fully-consolidated companies	0.2	0.6	0.1	0.2
- *of which France*	-	-	-	-
- Audit-related services				
- Banque PSA Finance	-	-		-
- Fully-consolidated companies	-	-		-
- *of which France*	-	-		-
Other services provided to fully-consolidated subsidiaries				
- Legal and tax services	-	-		-
- Other	-	-		-
Total	**0.4**	**0.7**	**0.2**	**0.3**

Note 34 Subsequent Events

No event occurred between December 31, 2016 and the Board of Directors' meeting to review the financial statement on February 20, 2017 that could have a material impact on business 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, 2016

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking users.
The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures.
This report also includes information relating to the specific verification of information given in the group's management report.
This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your annual general meeting, we hereby report to you, for the year ended December 31, 2016, on:

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

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

1. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the group as at December 31, 2016 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.

2. Justification of our assessments

In accordance with the requirements of article L. 823-9 of the French commercial code *(Code de commerce)* relating to the justification of our assessments, we bring to your attention the following matters:

- The partnership with Santander is fully operational in all countries of the cooperation. These transactions are disclosed in notes 1.A, 1.B and 3 to the consolidated financial statements. We have examined the correct accounting and presentation of these transactions.

- For all companies with banking operations significant estimates have to be used for the impairment of credit risks. Your company group sets aside impairments to cover credit risks that are inherent to its business, as disclosed in notes 2.C.6.4 and 28 to the consolidated financial statements. As part of our assessment of these estimates, we have examined the processes implemented by management in order to identify and assess these risks and to determine the extent to which impairments are recognized.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

3. Specific verification

As required by law we have also verified in accordance with professional standards applicable in France the information presented in the Group's management report.

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

Courbevoie and Paris-La Défense, February 23, 2017

The statutory auditors
French original signed by

MAZARS	ERNST & YOUNG Audit
Anne Veaute	Luc Valverde

Statement from the person responsible for the 2016 annual report

Person responsible for the annual report

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

Certification of the person responsible for the annual report

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

I hereby certify, to my knowledge, that the financial statements have been prepared in accordance with the applicable accounting standards and provide a true image of the company's assets, financial situation and earning and of all of the companies included in the consolidation, and that the management report of this document 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.

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

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

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BANQUE PSA FINANCE

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