PSA
BANQUE
FRANCE

2016
Annual report



BOARD OF DIRECTORS

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

Carlos Aparicio Manuel
Director

Andrea Bandinelli
Director

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

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

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

EXECUTIVE COMMITTEE

Andrea Bandinelli
Chief Executive Officer

Carlos Aparicio Manuel
Deputy Chief Executive Officer

STATUTORY AUDITORS

Ernst & Young Audit
Mazars

SUBSTITUTE AUDITORS

PICARLE et associés
Guillaume Potel

Situation at December 31, 2016

PSA BANQUE FRANCE

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

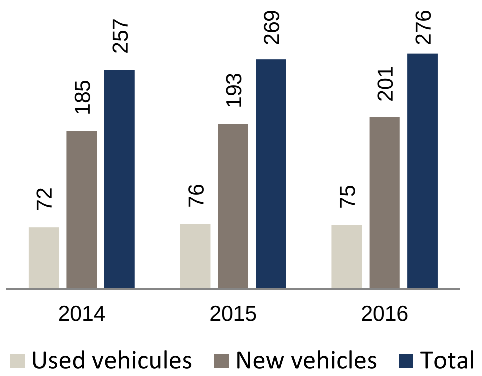
Registered office - 9, rue Henri Barbusse – 92230 GENNEVILLIERS
R.C.S. (Trade & Companies Register number) Nanterre 652 034 638 - Siret 652 034 638 00039
APE/NAF business identifier code: 6419Z
Interbank code: 14749

www.psa-banque-france.com
Tel.: + 33 (0) 1 46 39 65 55

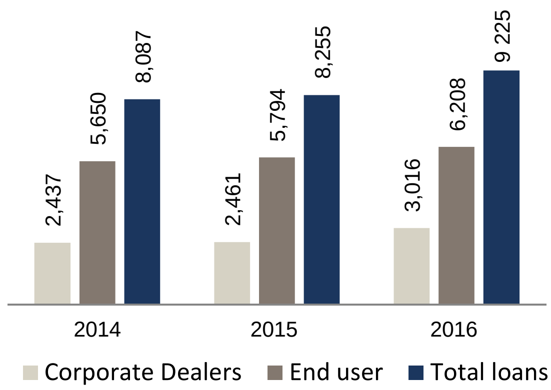
1 MANAGEMENT REPORT

1.1 Key figures

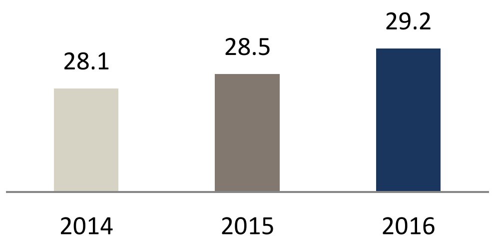
EVOLUTION OF VEHICLES FINANCED FOR END-USERS (in thousands of vehicles)



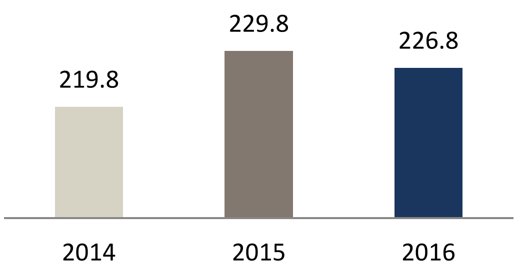
EVOLUTION OF END-USER AND DEALER LOANS OUTSTANDING (in million euros)



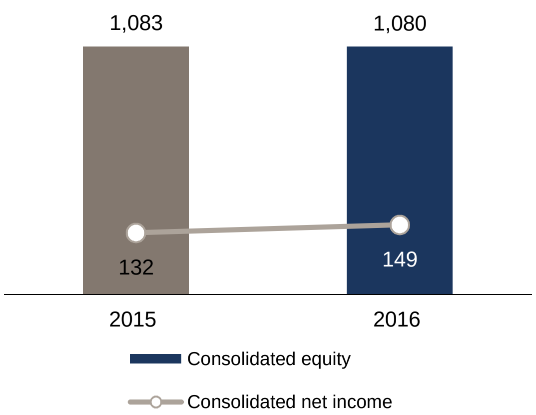
FINANCING PENETRATION RATE (in %)



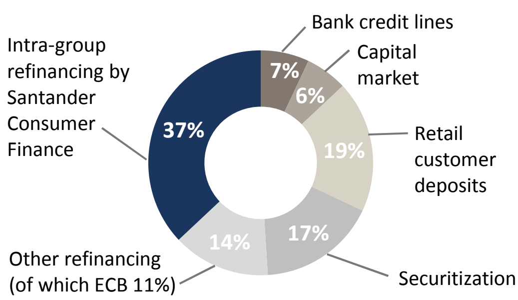
SERVICE PENETRATION RATE (in %)



EQUITY AND NET PROFIT
(in million euros)



SOURCES OF REFINANCING AT DECEMBER 31, 2016



1.2 Statement from the Chairman

In a highly complex, competitive and demanding environment, numbers are extremely positive for PSA Banque France, considering that the company ended 2016 with good earnings, demonstrating the quality of its products and services, the momentum of its teams, and the control over its costs and risks.

Once again, the period was marked by new growth in the volume of clients, loans, deposits, and insurance business, maintaining the company's strong position in the automotive financing sector in France. The strong performance of key indicators is notable, particularly the financing penetration rate of new vehicle registrations, the increase in revenues from leasing with a purchase option and the penetration of insurance and services on financed contracts.

PSA Banque France works hand-in-hand with the three automotive brands Peugeot, Citroën, and DS to effectively support vehicle sales through their networks, by offering a full, innovative range of financial products. This strategy has borne fruit and solidified PSA Banque France's strong position in the French market.

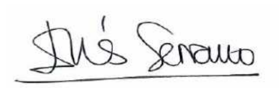
Net income for PSA Banque France stood at €148.7 million in 2016, up by 13%. In addition to business growth, this performance is also due to the competitive funding cost, as well as control of operating costs and costs of risk, which are historically low.

None of these results would have been possible without the commitment and high degree of professionalism of PSA Banque France employees.

Backed by a powerful, Europe-scaled bank (Santander Consumer Finance), PSA Banque France will continue to broaden and improve its products and services to meet its clients' various needs. Special attention will continue to be placed on mobility, rapid development of connected services and development of digital services.

Several challenges and opportunities are expected in 2017. PSA Banque France intends to give its business strategy a boost, reconciling growth, efficiency and risk control.

This ambitious strategy will garner greater business profitability for PSA Banque France and contribute to the success of the PSA Group brands.



Ines SERRANO-GONZALEZ

1.3 Letter from the Chief Executive Officer

The positive effects of the partnership created in early 2015 between Banque PSA Finance and Santander Consumer Finance were confirmed in 2016. 2016 was a transformational year for PSA Banque France, due to:

- The change in corporate name on July 18, from SOFIB to PSA Banque France;
- The creation of the "Free2Move" Business Unit, which now includes Brands, and Financing teams dedicated to Long-Term Lease. It will become a major B2B player as a result of this new structure;
- Access, since last June, to the capital markets with the issuance of negotiable debt securities.

Once again, this year, the commitment, professionalism, and know-how of PSA Banque France's employees confirmed the momentum of our commercial activity, aided in this by the vitality of the French auto market and the growth in PSA Group's vehicle sales.

Thus 276,000 financing contracts were extended to end-users, a 2.6% improvement over 2015. This growth was accompanied by an increase in the average amount financed and thus, a rise in the total amount financed, to €3,258 million.

Penetration on sales of new vehicles increased by 0.7 point compared to 2015, amounting to 29.2%. At the same time, financing-related services (service contracts, personal and property insurance, etc.) maintained a good level at 226.8%. They remain an area of strong profitability for PSA Banque France.

In 2016, PSA Banque France's outstanding loans evolved significantly (+12%) reaching at the end of December €9,225 million.

Net Banking Revenue was €419 million, up 2.4%.

Cost of risk was good: it represented 0.24% of total outstanding loans.

The combined effect of the growth in our commercial performance and the controlled risk management generated €149 million in net income, up 13% over the previous period.

Online savings business "DISTINGO" continued its development with a 143% increase over three years, in the number of passbook savings accounts and term deposits held by clients, and 64% of outstanding loans.

Finally, PSA Banque France pursued its strategy of diversifying its funding sources by developing its capital market access with the establishment of several issuance programs in 2016 and so, in early January 2017, carried out its first three-year bond issuance for €500 million.

The complementarity of the teams resulting from the partnership is a true source of wealth for the company. The combination of talents, paired with the commitment and involvement of PSA Banque France employees, forms the backbone of the company that will be used again this year to realize its ambitious goals.

PSA Banque France will continue to support and guide Peugeot, Citroën and DS in securing new clients, capitalizing on its strengths, its efficient processes, and its ability to offer innovative products and services.

Finally, digitization accelerates. It is a new way of conceiving the client relationship (a major focus of our concern), through direct, targeted, personalized interactions, opening up new development opportunities beyond the current scope of PSA Banque France.

Andrea Bandinelli

1.4 Activities of the PSA Banque France Group and its development

1.4.1 Summary of financial information

The financial information presented in the present annual report has been prepared in accordance with "IFRS" (International *Financial Reporting Standards*) adopted by the European Union countries. The consolidated financial statements were certified on December 31, 2016 by the statutory auditors, Ernst & Young audit and Mazars.

CONSOLIDATED INCOME STATEMENT

(in million euros)	Dec. 31, 2016	Dec. 31, 2015	Change (%)
Net banking revenue	419	409	+2.4
General operating expenses and equivalent	(155)	(150)	+3.3
Cost of risk	(20)	(61)	(67.2)
Operating income	**244**	**198**	+23.2
Other non-operating income	0	(7)	(100.0)
Pre-tax income	**244**	**191**	+27.7
Income taxes	(95)	(59)	+61.0
Net income for the year	**149**	**132**	+12.9

CONSOLIDATED BALANCE SHEET
(in million euros)

Assets	Dec. 31, 2016	Dec. 31, 2015	Change (%)
Cash, central banks, post office banks	261	98	+166.3
Financial assets	4	136	(97.1)
Loans and advances to credit institutions	473	663	(28.7)
Customers loans and receivables	9,225	8,255	+11.8
Tax assets	2	3	(33.3)
Other assets	231	170	+35.9
Property and equipment	10	5	+100.0
Total assets	**10,206**	**9,330**	**+9.4**

Equity and liabilities	Dec. 31, 2016	Dec. 31, 2015	Change (%)
Financial liabilities	3	3	0
Deposits from credit institutions	4,638	4,773	(2.8)
Due to customers	1,826	1,370	+33.3
Debt securities	1,967	1,542	+27.6
Tax liabilities	269	275	(2.2)
Other liabilities	423	284	+48.9
Equity	1,080	1,083	(0.3)
Total equity and liabilities	**10,206**	**9,330**	**+9.4**

OUTSTANDING LOANS BY CUSTOMER SEGMENT

(in million euros)	Dec. 31, 2016	Dec. 31, 2015	Change (%)
Corporate dealers	3,016	2,461	+22.6
End-users	6,208	5,794	+7.1
Total customer loans and receivables	**9,225**	**8,255**	**+11.8**

1.4.2 Activities of the PSA Banque France Group

1.4.2.1 Presentation

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

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

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

The new PSA Banque France Group was founded in 2015, initially through the combination of the financing activities of the PSA Group in France operated by CREDIPAR, CLV, SOFIRA, and SOFIB, which became PSA Banque France in 2016.

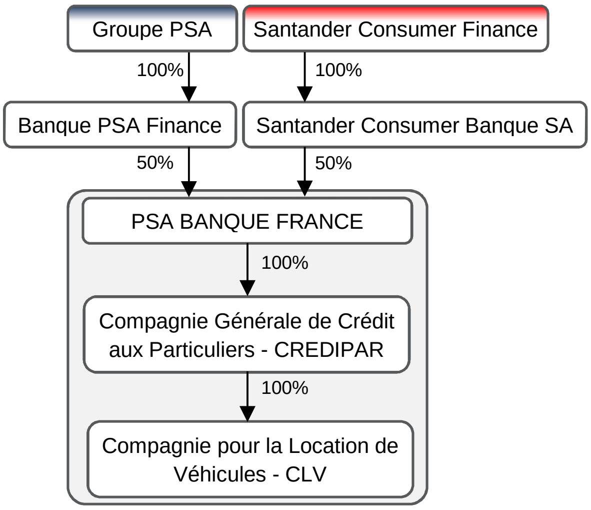
The cooperation with Santander Consumer Finance enhances the activities of PSA Banque France Group, as more competitive offers are reserved for Peugeot, Citroën and DS customers and networks. These offers are accompanied by a complete range of insurance products and services that enable customers to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

A. Organization

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

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

STRUCTURE OF THE PSA BANQUE FRANCE GROUP



The PSA Banque France Group is established and pursues its activity in the French territory from its new registered office located at 9, rue Henri Barbusse, Gennevilliers (92230) and its 13 agencies spread over the national territory.

B. Organization of the cooperation with Santander Consumer Finance

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

The governance rule of the committees implemented in the context of the cooperation in all areas (commerce, risk, finance, etc.) is compatible with the CRD IV corporate governance regulatory framework (appointments, remuneration, audit and risk committees).

C. Business model and strategy

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

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

- ***An extended, structured and customized selection of financing solutions.*** A comprehensive offering has been developed to meet the needs of the Peugeot, Citroën and DS dealer networks and their customers. A relationship of proximity with the commercial networks allows the PSA Banque France Group to develop financing solutions and services packages specifically designed to address their needs.
- ***A privileged and close relationship with Peugeot, Citroën and DS and with their dealer networks.*** Financing, insurance and services solutions are marketed through the Peugeot, Citroën and DS distribution networks, with a global approach by packaging the financing proposal with the sale of the vehicle. Vehicle renewal rates are usually higher when customers finance their vehicles via the PSA Banque France Group.
- ***A first-rate integrated sales point IT system.*** The information systems infrastructure of the PSA Banque France Group is integrated with that of Peugeot, Citroën and DS, enabling the dealers of these brands to make a global commercial proposal that encompasses the vehicle, the financing solution as well as any ancillary services. Eligible customers can thus obtain a decision concerning financing application directly from the dealer.
- ***Diversified insurance and service offerings with a high added value.*** End-users therefore have various insurance options and services related to the vehicle or ancillary to its financing, proposed either at the same time as the financing offers or during the period of vehicle detention. The idea of a "one-stop-shopping" and immediate approach is to make the financing, insurance and services more attractive for customers. Insurance and services increasingly represent a significant part of PSA Banque France Group's revenues.
- ***A diversified refinancing policy.*** PSA Banque France Group benefited in 2015 from intra-group financing provided by Santander Consumer Finance, since the entry of Santander Consumer France in its equity in February 2015, from financing provided by debt securitization, from the retail savings activity with French customers, from bilateral bank credit lines and its participation in the refinancing operations of the European Central Bank (ECB). Refinancing diversification continued in 2016, with the launch of negotiable debt securities (short and medium-term) and medium-term notes (EMTN) programs. First debt securities were issued in June 2016, and the first bond was issued in January 2017.

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

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

1.4.2.2 Products and services

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

- ***Financing for end-users (67% of outstanding loans at December 31, 2016)****.* Individuals and companies are offered a range of solutions including installment loans for the purchase of new and used vehicles, as well as leasing solutions with or without a purchase option.
- ***Funding of the corporate dealer network (33% of outstanding loans at December 31, 2016*****)** The Peugeot, Citroën and DS distribution networks have at their disposal solutions for financing their stock of new and used vehicles and spare parts as well as other types of financing such as working capital.
- ***Insurance products and services****.* An extensive range of services and insurance products intended

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

- ***Retail savings.*** The "PSA Banque" retail savings business consists of savings accounts and term deposits. 2016 was marked by a consolidation of PSA Banque France Group's position on the online savings market. This commercial success also proves the confidence of savers in the growth outlook for the PSA Group and the PSA Banque France Group and demonstrates the Group's ability to retain its customers.

A. Loan Portfolios

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

- End-user loans primarily consist of financing for the acquisition of vehicles by individuals, small and medium businesses and corporate and equivalent customers, either through installment loans or leasing contracts.
- Corporate dealer loans consist of financing the stock of new vehicles, used vehicles and spare parts granted to the Peugeot, Citroën and DS dealer networks. This segment also includes loans and leases provided to dealers in order to finance vehicles and equipment used in their everyday activity, working capital, as well as treasury loans, property loans to finance their premises and other types of products, including current accounts.

B. End-users financing

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

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

In 2016, the PSA Banque France Group supported the launch of new models by setting up package-type products (financing + insurance + service), which build customer loyalty, relying in particular on leasing techniques.

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

A number of operations consist of promotional offers which are supported by Peugeot, Citroën and DS to boost vehicle sales. The standard credit-scoring and pricing procedures are applied to these loans.

Marketing and Penetration rates

The PSA Banque France Group works closely and in a privileged manner in partnership with the Peugeot, Citroën and DS dealer networks. It finances 29.2% of new vehicles registered in France by the PSA Group in 2016.

The financing solutions are marketed through these dealer networks, with a global approach that combines the sale of the vehicle alongside the financing, insurance and service solutions.

The PSA Banque France Group's information systems infrastructure is integrated with that of the brands, giving the distribution network great responsiveness in conducting the processes of negotiation and concluding contracts with customers; this "one-stop-shopping" ability is an undeniable advantage that is appreciated by the customers. Eligible customers can thus obtain a decision concerning financing application directly from the dealer. About 90% of requests from individuals and nearly 70% of requests from companies can be managed with in less than four hours. This integrated information management system is also a key factor in driving down costs.

To support the communication and offers provided by Peugeot, Citroën and DS on their websites, the PSA Banque France Group has developed tools for simulating monthly installments.

A comprehensive offering is developed to meet the needs of the Peugeot, Citroën and DS networks and their customers. Its close relationship with the commercial networks enables the PSA Banque France Group to develop financing solutions that include insurance and services to meet the highest expectations of end-users. The PSA Banque France Group assists Peugeot, Citroën and DS in identifying and designing specific products that will appeal to target market segments, and in anticipating new market trends.

Penetration rates are measured by relating the number of new finance contracts for new Peugeot, Citroën and DS vehicles to the number of passenger cars and utility vehicles registered by the PSA Group.

The number of new vehicles registered includes vehicles purchased with cash, without financing. The PSA Banque France Group's share of the total number of Peugeot, Citroën and DS financed vehicles is significantly higher than that of its competitors (banks, specialized agencies, etc.).

__End-user installment loans for new and used vehicles__

End-user installment loans generally take the form of fixed monthly payments covering the payment of interests and the amortization of the principal, while PSA Banque France Group occasionally offers loans with a balloon payment and a final monthly payment higher than the previous ones. In the case of loans with a balloon payment, the buyer has the option to sell the vehicle to the dealer at the end of the contract for an amount equal to the last "balloon" payment, if a commitment to buy the vehicle back has been signed by the dealer for the benefit of the buyer.

This financing may cover all or part of the purchase price. In this latter case, the borrower makes a personal contribution. In all cases, the amount of financing cannot exceed 100% of the sale price of the vehicle, including options and accessories. Many customers (especially individuals) choose to partially finance the purchase price of vehicles.

Loan terms typically range from one to six years. Repayments are generally monthly. In some cases it is, however, possible to delay the first installment for 60 to 90 days. The borrower has the option to make early repayment at any time. Penalties may be required in case of early repayment.

Vehicles financing granted by the PSA Banque France Group may be associated with guarantees on the financed vehicle and/or due to the counterparty's risk level.

The PSA Banque France Group can therefore request a third party surety. For corporate customers, surety may also be required in the form of company or business assets.

__Lease activities to end-users__

Lease activities include long-term leasing and leasing with a purchase option or finance leasing. All leases are recorded as financial leases in PSA Banque France Group's consolidated financial statements and are included under customer loans and receivables. The leased vehicles are not recorded as fixed assets in the consolidated financial statements.

The PSA Banque France Group purchases vehicles from Peugeot, Citroën and DS dealers and leases them to end-user customers. Contracts are primarily offered for one to five-year terms. The PSA Banque France Group remains the owner of the vehicle throughout the term of the lease. At the term of the lease with a purchase option or finance leasing contract, the client has the option of returning the vehicle or purchasing it. Under long-term leasing, the dealer or the manufacturer is committed to repurchase the vehicle from the PSA Banque France Group directly upon delivery by the customer, at a price that is determined when the lease begins and corresponds to the vehicle's residual value at the end of the lease. As a result of the lease structure, the PSA Banque France Group does not bear the buy-back risk (provided that the dealer or manufacturer complies with its buy-back obligation). The price that the dealer or manufacturer pays to the PSA Banque France Group is not affected by any fees that the customer may incur if the vehicle is not in a satisfactory condition or has exceeded its agreed mileage. However, the PSA Banque France Group bears the risk on the value of the vehicle if, during the term of the contract, the customer stops making the lease payments, as the sale price of the vehicle may not be sufficient to compensate the loss of payments not made. Long-term leasing contracts therefore include a clause aiming to compensate for the loss caused by termination of the contract for payment default.

Underwriting, payments and collection

The PSA Banque France Group has developed differentiated acceptance scores for financing on new or used vehicles, for retail customers and corporate customers and depending on the financing techniques: loans or leasing. The data used to assess borrowers' counterparty risk come in particular from information and/or documents provided by the customers, internal databases established from detailed profiles of customers and payment histories. Customer information is verified using various credit databases and files, which are made available by public organizations (such as the Banque de France). For corporate customers, the PSA Banque France Group uses various sources of public and commercial information to verify creditworthiness. If the PSA Banque France Group rejects the financing application, it retains the file for a certain period, which raises an alert if a new application is submitted.

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

In case that unpaid amounts remain outstanding after 65 days, it is the pre-judicial collection teams that manage the payment incidents. Letters are sent and telephone calls are made. According to the elements of the case, the teams determine the most appropriate solution for the customer's situation, in order to collect the unpaid amounts. They may request a specialist to intervene on the field, establish consolidated debt arrangements, and if no other solution is possible, take back possession of the financed vehicle in an amicable or judicial manner, triggering the termination of the contract.

After recovering the vehicle, the PSA Banque France Group proceeds with existing legal procedures (typically auctions) to sell the vehicle.

For the unpaid exceeding 150 days, the contract is closed-out and the litigation teams are launching procedures to get the termination of the contract through amendments on the contract with the client or repossessing of the car if not already done.

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

C. Corporate dealer financing

The PSA Banque France Group provides financing solutions for new, showroom and used vehicles, as well as spare parts, to the Peugeot, Citroën and DS dealers networks. This portfolio also includes various financing arrangements to meet dealer requirements (working capital, standard current accounts...).

Credit lines may also be granted to dealers to finance their vehicle buy-back obligations in the case of leases and loans with balloon payments: in such case, they take the form of used-vehicle lines of credit. The financing covers the full purchase price of the vehicle purchased by dealers, within the limit fixed as an aggregate amount of financing per dealer. The PSA Banque France Group regularly reviews the dealers' solvency and overall financial position and adjusts credit limits if necessary.

D. Insurance products and services

For many years, the PSA Banque France Group has been expanding its range of solutions by distributing insurance products to its customers underwritten by:

- “PSA Insurance”, the insurance business unit that, since 2015, has been held 50/50 by Banque PSA Finance and Santander Consumer Banque (for Personal Protection and against financial loss);
- External insurance companies (assistance program, extended guarantee for used cars and car insurance);
- Peugeot, Citroën and DS brands for vehicle related services developed and distributed by PSA Banque France Group (maintenance contracts, connected services and others).

PSA Banque France Group offers the end-user, whether alone or jointly with the credit offer, a full range of personal and vehicle-related insurance and services.

The integrated approach to the sale of the vehicle, its financing, and the specific services associated with that sale at a sales point provide a more comprehensive automobile offer for customers. In addition to the services offered individually, the ability to put sales packages together provides a stronger competitive offering while providing further protection for both the customer and vehicle.

Dedicated offers "Peugeot & Go" and "Citroën Simply Drive" have been developed, integrating financing, insurance, and services. These offers include financing, a maintenance contract, and comprehensive car insurance. Products that are also specific to used vehicles, including financing, extended warranties, or maintenance contracts, have also been created to meet customers' need for an "all-in-one" product, still with the option of subscribing each of the items individually if they so prefer.

With regard to automobile insurance, PSA Banque France Group finalizes its offer, becoming a benchmark on the market. Thus responding to the "one-stop shopping" concept, PSA Banque France Group now puts the client in the position of acquiring at the sales point all products & services for its vehicle, its maintenance, or its car insurance.

In 2016, on the strength of its various insurance and service products, PSA Banque France continued to build up its peripheral product line, which plays a major role in customer satisfaction and retention, as well as its global profitability.

E. Retail savings market

In April 2015, the "PSA Banque" retail savings activity targeted to French customers was transferred by Banque PSA Finance to the PSA Banque France Group. It enables the Group to be present in the online savings market and to diversify its sources of funding. passbooks and fixed rate term deposits are intended only for savers who are private individuals and tax residents of France.

1.4.2.3 Positioning

Being Peugeot, Citroën and DS captive finance company, in France, PSA Banque France Group has unparalleled access to their dealer networks, with all the benefits arising from such a position. Consequently the Group is able to meet the financing needs of customers at the sales points, in close relationship with the three carmakers commercial policy. Furthermore, the PSA Banque France Group stands out from the competition due to the specific nature of the products and services offered to end-users through its "one-stop-shopping" packages. These products and services, designed with Peugeot, Citroën and DS, combine financing, insurance and services, and make it possible to respond instantaneously to each individual customer's requirements at the point of sale.

The Peugeot, Citroën and DS dealers are not contractually bound to use PSA Banque France Group for their corporate dealer or end-user financing. It therefore competes for both end-users and corporate dealer customers. Its main competitors are commercial banks and consumer finance companies. On a day-to-day basis, the option that end-users have to acquire their vehicles by paying cash or with alternative sources of financing is also a form of competition.

1.4.2.4 Employees

At December 31, 2016, the overall workforce of PSA Banque France Group stood at 858, representing 780.5 full-time equivalent employees. Recruitment continued in 2016 to support the joint venture's development, particularly in treasury/finance, compliance, and internal control reporting to the Secretary General, and in the risk management businesses.

1.4.2.5 Real property

The PSA Banque France Group does not own any real estate, neither for its registered office nor for its 13 agencies, which are the subject of lease contracts.

1.4.2.6 Legal proceedings and investigations

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

1.5 Analysis of operational results

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

The PSA Banque France Group's operating income in 2016 stood at €244 million, compared to €198 million in 2015.

1.5.1 Vehicle sales for Peugeot, Citroën and DS

In 2016, the sales of PSA Group in France increased by 1.4% to 688,000 units.

Sales of the Peugeot brand increased by 3.8% to 402,000 units, thanks notably to the excellent performance of the Peugeot 208 (+8.3%), the second-best-selling vehicle in France, as well as the Peugeot 2008 (+4.4%, growing for the fourth consecutive year).

Meanwhile, Citroën registered more than 257,000 cars in France, a performance almost equivalent to 2015, with more than 195,000 passenger cars and more than 62,000 light-duty vehicles. For passenger vehicles, the arrival of the New C3 at the tail end of the year bumped C3 registrations up by 23% in the fourth quarter.

With 29,000 registrations in 2016, DS is the number-four premium auto maker in France. A position held thanks to the DS3 and DS3 Cabrio duos, number one in premium city sedan category sales.

1.5.2 Commercial activity of the PSA Banque France Group

1.5.2.1 End-users financing

During 2016, the PSA Banque France Group saw a +2.6% increase in volume of financing new and used vehicles to end-users, rising from 268,845 to 275,925 contracts subscribed, for a total production of €3,258 million, up by more than 8.9% compared to 2015.

New vehicle penetration increased to 29.2% in 2016, up by +0.7 points compared to 2015, with performance up in the second half-year thanks to the continuation of good sales momentum and the close cooperation with the brands of the PSA Group, enabling the development of high-impact joint operations.

The PSA Banque France Group financed 201,123 new PSA Group vehicles, through installment loans or leases, which represents a 4.1% increase compared to 2015.

Financing to individual customers led this growth, with a significant increase in performance: +5 points at 46.2%. Better refinancing conditions combined with the dynamic policies of the brands as well as the strong interest of individual customers stimulated the leasing contracts offers on the market.

Lastly, used vehicle financing volumes remains at comparable level to 2015. The number of used vehicles financed in 2016 reached 74,802 units.

The tables below show the main activity indicators for financing to end-users for the PSA Banque France Group in 2016 and 2015.

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

	Dec. 31, 2016	Dec. 31, 2015	Change (%)
Number of new contracts	275,925	268,845	+2.6
Amount of production (in million euros)	3,258	2,992	+8.9

OUTSTANDING LOANS ON THE END-USER SEGMENT

(in million euros)	Dec. 31, 2016	Dec. 31, 2015	Change (%)
Outstanding loans	6,208	5,794	+7.1

This favorable development is related to higher volumes of contracts subscribed as well as to a higher average amount financed (+3.7% for new vehicles), notably thanks to the enhancement of the mix and a move upmarket in vehicles.

1.5.2.2 Corporate dealer financing

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

Outstanding loans at the end of 2016 increased by 22.6% compared to the end of 2015.

The table below shows the outstanding loans granted to dealers at the end of 2015 and 2016.

OUTSTANDING CORPORATE DEALER LOANS

(in million euros)	Dec. 31, 2016	Dec. 31, 2015	Change (%)
Outstanding loans	3,016	2,461	+22.6

1.5.2.3 Insurance and services

In 2016, volumes of insurance contracts and services increased by 1.4% compared to 2015, with 636,302 new contracts subscribed (vs. 627,776 in 2015).

The PSA Banque France Group sold an average of 2.27 insurance or service contracts per client financed, in line with 2015.

The increase is confirmed, both in insurance policies related to financing and car insurance and services.

The tables below show the main indicators for the PSA Banque France Group's insurance and services business in 2016 and 2015:

NEW INSURANCE AND SERVICE CONTRACTS

(in number of contracts)	Dec. 31, 2016	Dec. 31, 2015	Change (%)
Financial services	315,706	311,500	+1.4
Car insurance and vehicle-related services	320,596	316,276	+1.4
Total	**636,302**	**627,776**	**+1.4**

PENETRATION RATE ON FINANCING

(in %)	Dec. 31, 2016	Dec. 31, 2015	Change (Pts)
Financial services	112.5	114.0	(1.5)
Car insurance and vehicle-related services	114.3	115.8	(1.5)
Total	**226.8**	**229.8**	**(3.0)**

1.5.2.4 Retail savings market

The "PSA Banque" online savings activity was transferred from BPF to the PSA Banque France Group on April 1, 2015, demonstrating the Group's intention to diversify its sources of funding. It is characterized by a very strong propensity to gain customer loyalty, particularly through the success of the term deposit account and positioning in relation to the real economy.

Deposit oustandings increased by 41% over 2016, reaching €1,570 million at the end of the year, representing an increase of nearly €458 million compared to the end of 2015.

Forecasts for 2017 are directly related to the agreements with Santander Consumer Finance and are now based on a sound foundation which makes use of marketing techniques and an efficient and performing organization. Furthermore, customer satisfaction surveys have given excellent results.

SAVINGS BUSINESS

(in million euros)	Dec. 31, 2016	Dec. 31, 2015	Change (%)
Outstanding	1,570	1,112	+41.2

1.5.3 Results of operations

NET INCOME

(in million euros)	Dec. 31, 2016	Dec. 31, 2015	Change (%)
Net banking revenue	**419**	**409**	**+2.4**
of which end-users	282	288	(2.1)
of which corporate dealers	51	46	+10.9
of which insurance and services	87	81	+7.4
of which unallocated and other	(1)	(6)	(83.3)
General operating expenses and equivalent	**(155)**	**(150)**	**+3.3**
Cost of risk [1]	**(20)**	**(61)**	**(67.2)**
of which end-users	(18)	(54)	(66.7)
of which corporate dealers	(2)	(7)	(71.4)
Operating income	**244**	**198**	**+23.2**
Other non-operating income	0	(7)	(100.0)
Pre-tax income	**244**	**191**	**+27.7**
Income taxes	(95)	(59)	+61.0
Net income for the year	**149**	**132**	**+12.9**

(1) The cost of risk for 2015 included a depreciation of outstanding performing loans without past-due installments, in application of the principle of losses incurred but not yet reported (see paragraph C.6.4 of Note 2 of the annual report). This change of estimation related to the homogenization of the accounting methods and principles of the new shareholder, Santander Consumer Banque, had an impact of - €28.7 million on the 2015 pre-tax earnings of the PSA Banque France Group (see Note 33.2 – Change in the cost of risk) and - €17.8 million after tax.

1.5.3.1 Net banking revenue

Net banking revenue increased by 2.4% to €419 million at December 31, 2016, compared to €409 million at December 31, 2015.

This increase is essentially the result of a more competitive funding cost (impact of the Banque PSA Finance-Santander Consumer Finance partnership, the diversification of sources of financing, and the decline in rates), and a margin on sales of insurance and services up by €87 million in 2016, compared with €81 million the previous year.

1.5.3.2 General Operating Expenses

General operating expenses and equivalent reached €155 million at December 31, 2016, against €150 million at December 31, 2015.

This increase is mainly the result of costs related to the strengthening of the partnership with Santander Consumer Finance.

1.5.3.3 Cost of risk

The cost of risk at December 31, 2016 stood at €20.5 million, representing 0.24% of average net outstanding loans, against €61.2 million at December 31, 2015, representing 0.77% of average net outstanding loans.

The cost of risk at December 31, 2015 included a depreciation of outstanding performing loans without past-due installments, in application of the principle of losses incurred but not yet reported (see paragraph C.6.4 of Note 2 – Accounting principles) recorded for an amount of - €28.7 million, at the creation of the cooperation.

All of the performing and non-performing loans are the subject of provisions and two reviews of retail depreciation rates took place during the year, enabling the most accurate amounts to be determined for the various portfolios. For the corporate dealers portfolio, the depreciation rates on performing loans were revised during the second half of 2016.

The cost of risk on retail financing activity stood at €17.2 million at the end of 2016. Collection activities continued at a sustained level within the Group. This led to an increase of the recovery levels throughout all the collection phases and a decrease in unpaid inflows throughout the whole recovery process.

The cost of risk for corporate and equivalent stood at €3.3 million. The cost of risk for the corporate and equivalent portfolio (excluding dealers) stood at €1.1 million in 2016. This increase was essentially due to a policy of increasing the levels of allowances on existing defaults. The cost of risk for the corporate dealers portfolio stood at €2.1 million. This increase is a result of new defaults during the second half of 2016.

1.5.3.4 Consolidated income

Operating income stood at €244 million at December 31, 2016, which represents a significant increase of 27.7% compared to the €191 million recorded at December 31, 2015, essentially due to the - €28.7 million in depreciation on outstanding performing loans without past-due installments recorded in 2015 in application of the principle of losses incurred but not yet reported.

The consolidated net income therefore stood at €149 million.

The effective corporate tax rate increased to 39.5% of taxable earnings, compared to 30.8% in 2015. This increase is linked primarily to the reclassification of the contribution based on added value of income taxes (*CVAE*), as current tax (IAS12) and the special tax contribution on dividends distributed (see Note 35.3 – PSA Banque France Group tax proof).

1.6 Financial situation

1.6.1 Assets

Assets at December 31, 2016 stand at a total of €10,206 million, up by 9.4% compared to December 31, 2015.

The outstanding loans (installment loans and lease contracts) stand at €9,225 million, up by 11.8% compared to December 31, 2015. End-user loans increased by 7.1% whereas corporate dealer financing increased by 22.6%.

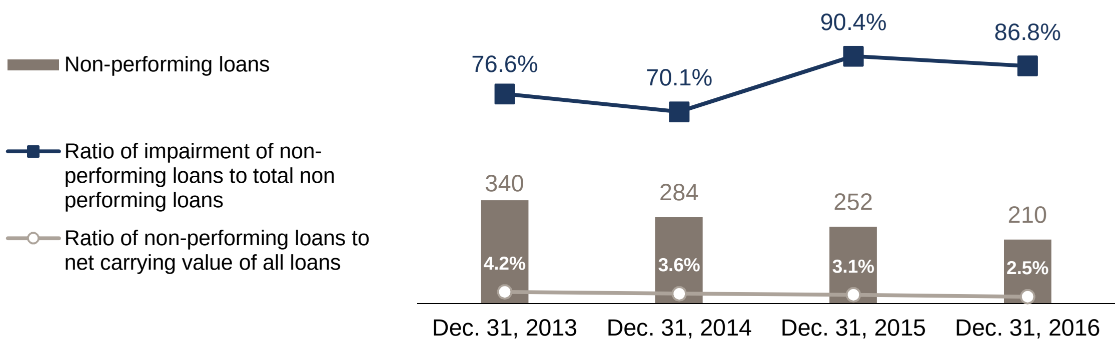
1.6.2 Provisions for non-performing loans

Impairment losses are deducted from the carrying value of loans and receivables as they are recorded. The procedures for the recognition of the impairment charges on the outstanding loans are described in Note 2.C.6.4. When a loan or receivable is deemed 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 contained in Note 33.1 of the group's consolidated financial statements sets forth performing loans with past-due installments (delinquent loans), non-performing loans and their related impairment amounts, in each case at December 31, 2016 and 2015. For retail financing to individuals and small and medium businesses, statistical impairment charges are recorded in respect of all debts (performing, delinquent and non-performing).

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

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



2016 sees the continuation of the evolution of non-performing loans as experienced in 2015, under the effect of the improvement of the risk profile of customers, resulting in a reduction of new compromised doubtful loans.

The coverage rate of non-performing loans by provisions stayed close to 90% in 2016 (rates greater than 100% on retail portfolios, individuals, and small and medium-sized companies). This increase is the result of the joint effect of a reduced defaulted loans balance and an increase in corporate debt provisions.

1.6.3 Refinancing

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

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

- On February 2, 2015, the day of establishing the joint venture, the financing granted by Banque PSA Finance to the entities of the PSA Banque France Group has been replaced by that provided by Santander Consumer Finance, in addition to the current financing provided by securitization transactions publicly or privately placed among investors.
- On April 1, 2015, the "PSA Banque" deposit business (retail savings accounts and term accounts) covering French customers has been transferred by Banque PSA Finance to the PSA Banque France Group.
- From June 2015, bilateral credit lines were established with various bank counterparties.
- Since September 2015, the PSA Banque France Group as an approved credit institution has access (through the remittance of assets as collateral by its subsidiary CREDIPAR) to the refinancing operations of the European Central Bank (ECB).
- In June 2016, negotiable debt securities (short and medium-term) and medium-term notes (EMTN) programs were launched. The first negotiable debt securities of PSA Banque France Group were issued at the end of the first half of 2016.
- In July 2016, a securitization plan was set up for leases with a purchase option.

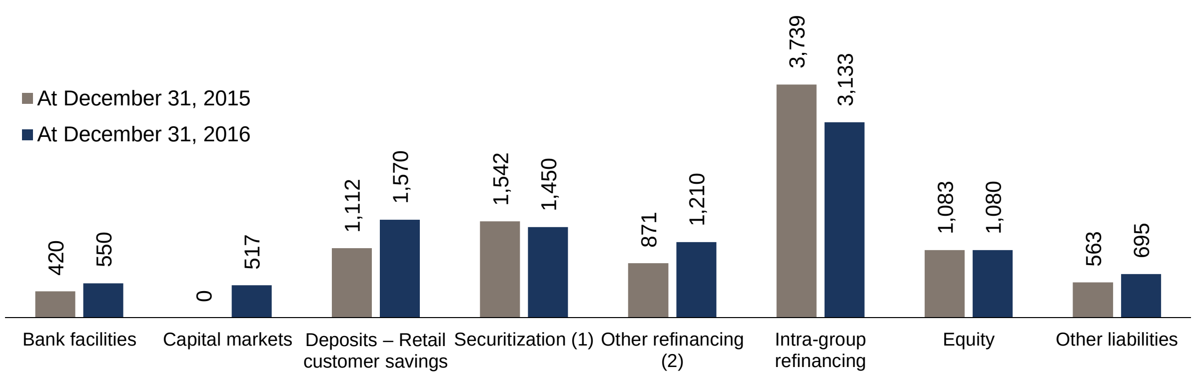
At December 31, 2016, 7% of the Group's refinancing originated from drawn bank loans, 6% from the first issuances of negotiable debt securities on the capital markets, 19% from the bank deposit activity, 17% from securitization transactions publicly or privately placed among investors, 14% from other refinancing sources (including 11% from the ECB), and 37% from intra-group loans granted by Santander Consumer Finance.

The following table and graphs display a breakdown of the refinancing sources, at December 31, 2016 and December 31, 2015.

FINANCING BREAKDOWN BY SOURCE

(in million euros)	Dec. 31, 2016		Dec. 31, 2015	
Bank facilities	550	*7%*	420	*5%*
Capital markets	517	*6%*	-	-
Deposits - Retail customer savings	1,570	*19%*	1,112	*14%*
Securitization [1]	1,450	*17%*	1,542	*20%*
Other refinancing [2]	1,210	*14%*	871	*11%*
External refinancing	**5,297**	***63%***	**3,945**	***51%***
Intra-group refinancing	**3,133**	***37%***	**3,739**	***49%***
Equity	**1,080**		**1,083**	
Other liabilities	**695**		**563**	
Balance sheet total	**10,206**		**9,330**	

SOURCES OF FINANCING (in million euros)



(1) securitization includes all of the securitizations placed on the market.
(2) of which refinancing through the ECB (participation in TLTRO-I and TLTRO-II) for a total of €950 million at December 31, 2016 and dealer deposits.

Outstanding bank loans (as bilateral bank credit lines fully drawn when implemented) stood at €550 million at December 31, 2016.

Outstanding debt on capital markets stood at €517 million at December 31, 2016, following the first issuances of negotiable debt securities since June 2016 under the program approved by Banque de France.

The outstanding of the retail savings activity stood at €1,570 million.

The PSA Banque Group's refinancing by securitization was based on 6 transactions at December 31, 2016, with a total amount of €3,356 million in receivables sold to securitization vehicles (see Note 8.4 of the consolidated financial statements):

- Compartment 2013-2 of the Auto ABS Securitization Fund, in amortization phase since November 2014.
- Compartment 2013-A of the Auto ABS2 Securitization Fund, in amortization phase since November 2015.
- Compartment 2014-1 of the AUTO ABS3 Securitization Fund.
- The Auto ABS French Loans Master monthly issue program for which the reload period (revolving period) was extended to four years at the time of the annual renewal of the program in June 2015.
- The Auto ABS DFP Master Compartment France 2013 monthly issue program, for which the financing by a pool of investors of senior class A securities was renewed following the two-year extension in the expected maturity of the senior class A securities, at time of the annual renewal of this program in May 2015.
- In the second half of 2016, the Auto ABS French Leases Master Compartment 2016, a new monthly issue program, was financed for €635 million in senior securities by a pool of private investors.

With this latest transaction, outstanding securitization in the market represents €1,450 million at December 31, 2016.

Furthermore, the PSA Banque France Group benefits from collateralized financing obtained from the ECB refinancing operations under TLTRO I and the first series of TLTRO II of June 2016, for a total of €950 million (see Note 14 of the consolidated financial statements).

1.6.4 Security of liquidity

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

As of December 31, 2016, financing with an original maturity of 12 months or more represented almost 50% of the total.

The average maturity of medium and long-term financing raised in 2016 is approximately 2.5 years, after participation in June in the first series of TLTRO II operations (4-year maturity) announced by the ECB.

Bank credit lines, existing as of December 31, 2016, do not require specific obligations in terms of the constitution of sureties, default and similar terms, compared to standard market practices. Three factors can trigger the cancellation of these credit lines:

- If Banque PSA Finance and Santander Consumer Finance do not each directly or indirectly hold 50% of the shares of PSA Banque France;
- The loss by the PSA Banque France Group of its status as a bank;
- Non-compliance with the regulatory level for the Common Equity Tier One ratio.

In addition, the PSA Banque France Group has sound financial security based on the support of Santander Consumer Finance and a €240 million liquidity reserve at December 31, 2016, in the form of high-quality liquid assets, composed exclusively of reserves with the central bank and thus of level 1 under the Liquidity Coverage Ratio (LCR) classification. The PSA Banque France Group's consolidated LCR is 122% at December 31, 2016.

At December 31, 2016, the PSA Banque France Group granted to its customers financing commitments representing €438 million. In addition, the amount of guarantee commitments given in favor of customers is valued at €8 million (see Note 23 to the consolidated financial statements).

1.6.5 Credit ratings

After the establishment of the partnership between Banque PSA Finance and Santander Consumer Finance, Moody's Investors Service, at December 23, 2015, assigned to the PSA Banque France Group the rating Baa2/P2 with a positive outlook.

This rating was confirmed on April 15 and November 4, 2016 by Moody's Investors Service.

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

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

CREDIT RATINGS AT DECEMBER 31, 2016

(in million euros)	Active programs	Programs size at Dec. 31, 2016	Outstanding at Dec. 31, 2016
Moody's			
Short-term			
P2	CD/NEU CP	1,000	217
Long term			
Baa2	BMTN/NEU MTN	500	300
Baa2	EMTN	4,000	0

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

1.6.6 Capital and capital requirement

Under the application of the Basel III CRD IV regulation, the PSA Banque France Group has a strong financial position. At December 31, 2016, the Basel III CRD IV capital ratio in respect of Pillar I amounted to 12.6%. The Basel III regulatory capital amounted to €884 million, taking into account the deduction of the difference between recognized impairment and expected actual losses on the IRB scope (- €48 million), and the minimum capital requirement stood at €562 million.

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

Regulatory capital

Note that the prudential scope used to calculate the solvency ratio is identical to the consolidation scope as described in Note 1-C to the consolidated financial statements.

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

- Amount of share capital and related issuance premiums;
- Retained earnings and other reserves;
- Income recognized directly in equity.

Regulatory deductions from this capital include the following:

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

RECONCILIATION OF ACCOUNTING EQUITY TO REGULATORY CAPITAL

(in million euros)	Dec. 31, 2016	Dec. 31, 2015
Accounting Equity[1]	**1,080**	**1,083**
2016 distributable income [2] / Dividends paid in 2015	(149)	(150)
Negative amounts resulting from the calculation of expected losses	(47)	(47)
Tier 1 regulatory capital	**884**	**886**

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

Capital requirement

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

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

In this context, PSA Banque France has received temporary authorization from the European Central Bank to maintain the internal methods developed by Banque PSA Finance for the calculation of weighted assets. An action plan has been implemented within PSA Banque France in order to allow the integration of the internal ratings system within Santander Consumer Banque's scope of consolidation whilst complying with Santander Group’s standards. The PSA Banque France Group's internal ratings system is being reassessed by the ECB.

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

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

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

Moreover, according to the provisions of the Regulation 575/2013/EU, as the Basel III capital requirements for the PSA Banque France Group are greater than the 80% floor of Basel I, there are no additional capital requirements for the Basel I floor.

GROUP CAPITAL REQUIREMENT AND RISK-WEIGHTED ASSETS

	Dec. 31, 2016		Dec. 31, 2015	
(in million euros)	Risk-weighted assets	Capital requirements	Risk-weighted assets	Capital requirements
Credit risk	**6,377**	**510**	**6,042**	**482**
Standard method	**768**	**62**	**995**	**79**
Sovereigns	12	1	12	1
Institutions	115	9	151	12
Corporate	296	24	342	27
Retail	111	9	246	20
Other risk-weighted assets	234	19	244	19
Internal Rating Based Foundation approach (IRBF)	**3,098**	**247**	**2,759**	**221**
Corporate	3,098	247	2,759	221
Internal Rating Based Advanced approach (IRBA)	**2,511**	**201**	**2,288**	**183**
Retail	2,511	201	2,288	183
Operational risk (standard approach)	**645**	**52**	**609**	**49**
Market Risk	**0**	**0**	**0**	**0**
Total Risks	**7,022**	**562**	**6,652**	**532**
Total Regulatory Capital		**884**		**886**
Solvency Ratio		**12.6%**		**13.3%**

Leverage Ratio

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

The leverage ratio is calculated using the procedures of Regulation (EU) no. 575/2013 Article 429, and stands at 8.4% for PSA Banque France at December 31, 2016, compared to 9.0% at December 31, 2015.

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

LEVERAGE RATIO AND LEVERAGE EXPOSURES AT 12/31/2016

(in million euros)	Dec. 31, 2016
Total assets per published financial statements	**10,206**
Prudential deductions on CET1 Capital	(47)
Total Exposures on Balance Sheet	**10,159**
Exposures on derivatives	10
Cost of replacing transactions on derivatives	6
Total exposure on derivatives	**16**
Exposures on other commitments given	1,409
Application of regulatory conversion factors	(956)
Total Exposure on Off-Balance Sheet Items	**453**
Total Other Adjustments	**(125)**
Total Leverage Exposure	**10,503**
Tier 1 regulatory capital	**884**
Leverage Ratio	**8.4%**

1.6.7 Outlook

For the PSA Banque France Group, 2017 will be the third year of cooperation between Banque PSA Finance and Santander Consumer Finance. It will further strengthen the sales and marketing momentum of the Peugeot, Citroën and DS brands in France, primarily through more competitive financing offers proposed to customers.

Finally, the PSA Banque France Group intends to pursue its strategy of diversifying its refinancing in 2017, notably by developing its capital market access after its first bond issuance carried out in January 2017 under the EMTN program.

1.7 Risk factors and risk management

1.7.1 Governance of risks

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

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

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

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

A fundamental pillar of the risk management model is the risk policies defined by the Risk Department and validated by the PSA Banque France Group's Board of Directors in 2015. In this context, risk management is based on the following principles:

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

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

1.7.2 Business risk

Risk factors

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

- External factors that influence vehicle purchases;
- Government policies to incentivize new vehicle purchases;
- Regulatory or 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 the PSA Banque France Group;
- The PSA Banque France Group's competitive positioning, in terms of both product range and price.

Risk measurement, control and monitoring

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

1.7.3 Credit risk

Risk factors

Credit risk is the risk of loss arising from the failure of a customer to meet the payment or other terms of a contract concluded with the PSA Banque France Group. While the Group generally has the ability to recover and resell the financed vehicle following a customer default, the resale value of a recovered vehicle may not be adequate to cover the default loss. Furthermore, contractually, the PSA Banque France Group does not assume the residual value risk.

Regardless of the prudent risk selection policy of the Group, the level of credit risk is influenced by the economic conditions, both at the level of defaults and at the level of the market value of recovered vehicles.

Risk measurement, control and monitoring

Risk is measured daily.

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

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

All decisions are governed by strict delegation of authority rules on lending limits. For corporate portfolios, the approval decisions escalate up to the PSA Banque France Group's Credit Committees or shareholders' Credit Committees.

Internal loan acceptance risk measurement models are developed and back-tested by the teams at Banque PSA Finance and controlled by the teams at Santander. Each development must be validated by the PSA Banque France Group. The risk teams verify that all of the customer profiles are correctly entered into the risk measurement tools.

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

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

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

Risk management is based on:

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

In addition to the above for the corporate portfolios:

- Setting credit lines and their associated periods of validity; credit lines are linked to financial products which have their own dedicated credit lines; however one may not be used in place of the other;
- 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 review of a dealer's credit rating, according to financial or sales indicators;
- Stock audits, scheduled based on the dealer's risk profile, retention of vehicle registration documents, and financing contracts providing for the pledging of the financed vehicles at any time, in accordance with legislation.

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, and other indicators;
- Basel risk measurement indicators for the loan portfolio.

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

Monitoring of risk for the corporate portfolio primarily consists of:

- Monitoring drawdowns of credit lines;
- Monitoring of the counterparty's financial position;
- Tracking payment incidents and unpaid amounts;
- Monitoring potentially serious incidents, such as winding up a business, restructuring or court-ordered liquidation;
- Tracking credit line drawdowns, payment incidents and reports from stock audits;
- Very close monitoring of dealers included in the watch table, or those with delinquent or conditionally delinquent accounts;
- A monthly Credit Committee meeting attended by non-voting representatives of Peugeot, Citroën and DS.

Transverse risk monitoring is also performed continuously by the Risk *Oversight Department*. Very regular monitoring (quantitative and qualitative) of the credit risk is done on all portfolios and communicated within the PSA Banque France Group and to shareholders.

Credit risk exposure

PSA Banque France's credit risk exposure, partially stated in the advanced method, are based on the carrying value of the financial assets, plus off-balance sheet items, financing and guarantee commitments given, and authorized lines not drawn down. These assets are restated for depreciation, as well as assets not subject to credit risk and items directly deducted from regulatory capital.

BREAKDOWN OF THE GROUP'S GROSS EXPOSURES AT 12/31/2016

(in million euros)	Banking and Administration	Corporate	*of which SME*	Retail	*of which SME*	Other categories	Total Gross Exposure	Distribution (%)
France	**854**	**5,065**	***1,162***	**5,503**	***1,984***	**227**	**11,649**	100%
Standard method	854	1,389	144	212	*148*	227	**2,682**	23%
Advanced method	-	3,676	1,018	5,291	*1,836*	-	**8,967**	77%
Europe (outside France)	**37**	**-**	***-***	**-**	***-***	**-**	**37**	0%
Standard method	37	-	-	-	-	-	**37**	0%
Advanced method	-	-	-	-	-	-	**-**	0%
Grand total	**891**	**5,065**	***1,162***	**5,503**	***1,984***	**227**	**11,686**	100%
Standard method	*891*	*1,389*	*144*	212	*148*	227	**2,719**	23%
Advanced method	-	*3,676*	*1,018*	5,291	*1,836*	-	**8,967**	77%
Distribution (%)	7%	44%	*10%*	47%	*17%*	2%	100%	

BREAKDOWN BY RESIDUAL MATURITY OF EXPOSURES ON THE GROUP BALANCE SHEET AT 12/31/2016[1]

(in million euros)	Banking and Administration	Corporate	Retail	Other categories	Total Exposures on Balance Sheet
Residual life <3 months	750	2,292	578	247	**3,868**
3 months - 1 year	20	952	1,224	0	**2,197**
1-5 years	31	653	3,439	0	**4,122**
>5 years	0	5	14	0	**19**
Grand total	**801**	**3,902**	**5,256**	**247**	**10,206**

(1) These exposures are not restated for items deducted from regulatory capital. Breakdowns by residual maturity are based on NSFR regulatory reporting at December 31, 2016.

BREAKDOWN OF THE GROUP'S NET EXPOSURES AT 12/31/2016, BY EXPOSURE CATEGORY

(in million euros)	Gross exposures	Exposures in default	Adjustments for general risk	Adjustments for specific risk	Exposures net of provisions
Banking and Administration	859	0	0	0	**858**
Corporate	5,097	(72)	(6)	(24)	**4,996**
Retail	5,503	(134)	(40)	(81)	**5,249**
Other categories	227	0	0	0	**227**
Grand total	**11,686**	**(206)**	**(46)**	**(105)**	**11,329**

ITEMIZED ADJUSTMENTS FOR CREDIT RISK AT 12/31/2016

(in million euros)	Banking and Administration	Corporate	Retail	Other categories	Grand total
Gross exposures	859	5,097	5,503	227	**11,686**
Exposures on balance sheet	838	3,874	5,082	227	**10,021**
Exposures on off-balance sheet	5	1,147	257	0	**1,409**
Other exposures to credit risk[1]	16	72	134	0	**222**
Average CCF of off-balance sheet	100%	95%	100%	100%	**97%**
Value exposed to risk	**859**	**4,028**	**5,457**	**227**	**10,571**
RWA	**111**	**3,415**	**2,624**	**227**	**6,377**
Average RW	**13%**	**85%**	**48%**	**100%**	**60%**

(1) Exposures on derivatives and exposures in default.

1.7.4 Financial risks and market risk

1.7.4.1 Liquidity risk

Risk factors

The PSA Banque France Group refinances itself through bank credit lines, securitization transactions, customer deposit activities, participation in European Central Bank refinancing operations, and issuance of short and medium-term Negotiable Debt Securities.

The liquidity risk is therefore one of the main financial risks where the group is exposed.

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

The main objectives of liquidity risk management are:

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

These are accompanied by the following implementation principles:

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

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

- The end of period balance sheet with contractual or conventional outflow;
- And the inclusion of behavioral data (e.g. early repayments).

Risk measurement, control and monitoring

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

- Liquidity gap: the liquidity gap is defined as the difference between the flows of assets and the flows of liabilities at a given period;
- Internal liquidity ratios: these ratios are indicators of structural liquidity requirements. Their analysis provides an approximation of the evolution of liquidity, taking into account the specific characteristics of the balance sheet;

  Example: Minimum liquidity ratio ("MLR")

$$\mathrm{MLR} = \frac{\text{Availability + cash inflows over a period of up to 12 months}}{\text{Cash outflows over a period of up to 12 months}}$$

- The LCR and NSFR ratios, in the context of requirements of the European CRR regulation. The NSFR ratio will be effective from January 1, 2018;
- In addition to the previous indicators, to increase effective supervision of liquidity and be in compliance with the European Commission's prudential requirement, PSA Banque France has implemented additional liquidity monitoring through monthly reporting (Additional Liquidity Monitoring Metrics) on the relevant items since 2016;
- The requirements of the regulator have been respected at all times during the 2016 financial year;
- Liquidity stress test: can simulate the period of time during which the entity can continue to operate with cash outflows under various crisis scenarios. It is one component in the liquidity contingency plan that PSA Banque France has in order to evaluate the measures to be considered during a crisis.

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

The monitoring of liquidity risk is therefore based on daily, monthly or quarterly calculation, as the case may be, of risk indicators in order to assess the current risk level and anticipate compliance with limits and any measures to be taken to better measure, control or monitor the risk.

This monitoring is subject to monthly management reports to the ALCO Committee and to the Risk Committee, as well as monthly and quarterly regulatory liquidity reporting (CRD IV).

The PSA Banque France Group's average LCR was 102% for 2016.

AVERAGE LIQUIDITY COVERAGE RATIO (LCR) FOR 2016

(in million euros)	Risk-weighted values (monthly average)
Total HQLA	**226.5**
Total cash outflows	891.6
Total cash inflows after cap	668.7
Total net cash outflows	**222.9**
LCR	**102%**

Encumbered assets are calculated and monitored within the context of liquidity management, pursuant to the Decree issued by the *Ministre des Finances et des comptes publics* on December 19, 2014. The consolidated statement of encumbered assets at December 31, 2016 appears below:

Publications relating to the encumbered assets

TEMPLATE A - ASSETS

	(in million euros)	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of non-encumbered assets	Fair value of non-encumbered assets
		010	040	060	090
010	**Assets of the reporting institution**	**3,414**	**-**	**6,792**	**-**
020	Loans on demand	195		539	
030	Equity instruments	0	0	0	0
040	Debt securities	0	0	0	0
100	Loans and advances other than loans on demand	3,219		6,005	
120	Other assets	0	-	248	-

Not applicable for the fair value

TEMPLATE B - COLLATERAL RECEIVED

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

TEMPLATE C - ENCUMBERED ASSETS/COLLATERAL RECEIVED AND ASSOCIATED LIABILITIES

	(in million euros)	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
		010	030
010	**Carrying amount of selected financial liabilities**	**2,400**	**3,414**
020	Derivatives	0	0
040	Deposits *(including: central banks)*	950	1,481
090	Debt securities issued *(including: securitizations)*	1,450	1,933
120	Other	0	0

TEMPLATE D – INFORMATION ON IMPORTANCE OF ASSET ENCUMBRANCE

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

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

1.7.4.2 Interest rate risk

Risk factors

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

The PSA Banque France Group's objective is to limit the unfavorable effects of market rate trends on its profits and economic value as much as possible, and become more secure and solid. To adjust the structure of borrowing rates with that of loans, limited flexibility is allowed in hedging the interest rate risk.

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

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

During the 2016 financial year, the interest rate swaps portfolio was one of the main elements used to hedge exposure to interest rate risk on the balance sheet.

Risk measurement, control and monitoring

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

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

- The interest rate gap: this is the difference between the assets and liabilities according to the type of rate (fixed or variable) over a given period;
- Net Interest Margin (NIM) sensitivity: a measure of the additional losses or profits on the entity's interest margins caused by a change in interest rates over the next 12 months. Evaluation of the sensitivity of the Net Interest Margin is a short-term approach and is based on the analysis from interest rate gap tools;
- Market Value of Equity (MVE) sensitivity: the impact on the current value of the entity's assets and liabilities when there is a change in the interest rate. The concept of the MVE refers to a long-term approach. The sensitivity of the market value of equity is also calculated using interest rate gap metrics.

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

- Static balance sheet: the amounts which reach maturity are renewed by new production of an identical quantity, the balances consequently remaining constant;
- The analysis is based on contractual and conventional maturity and repricing dates;
- The calculations take into account a zero coupon rate curve and different scenarios for the variation of interest rates. For example: +/-100 bp; +/-75 bp; +/-50 bp; and +/-25 bp.

The interest rate risk limits are fixed by reference to interest rate risk indicators, which are the NIM sensitivity and the MVE sensitivity. These limits are formally approved by the Board of Directors. When the measurements reveals a situation which could lead for the Group to be exposed to risk levels outside of the agreed limits, indicating a change in market conditions, the financial department will have to design and propose appropriate action plans.

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

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

At December 31, 2016, the sensitivity of the different indicators to a 1% increase in the global rate curve remained compliant with the limits fixed by the Group's Board of Directors.

Interest rate gap at December 31, 2016

(in million euros)

	Total	< 1 month	1-3 months	3 months - 1 year	<= 2 years	<= 5 years	Over 5 years	Not Sensitive
Assets	**10,206**	2,440	1,738	1,869	1,844	1,825	41	449
Liabilities	**10,206**	3,043	2,560	1,357	549	886	0	1,811
Off-balance sheet	**0**	1	407	(275)	(181)	47	1	0
Net interest rate gap	**0**	(602)	(415)	236	1,115	986	41	(1,362)

In December 2016, NIM sensitivity to a parallel +100 bp rate increase scenario amounted to -€17 million.

In December 2016, MVE sensitivity to a parallel +100 bp rate increase scenario amounted to -€44 million.

1.7.4.3 Counterparty risk

Risk factors

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

1.7.4.3.1 Bank counterparty risk

Risk factors

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

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

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

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

Risk measurement, control and monitoring

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

Risk monitoring is based on the following principles:

- Each counterparty is subject to a financial analysis to ensure that it is sustainable and solvent, and is given an evaluation based on a rating from a rating agency;
- Allocation limits are fixed for each counterparty according to its external rating;
- Verifying compliance with prudential limits, representing 25% of regulatory capital;
- Internal management limits, per counterparty, have been established. These internal limits strengthen the existing counterparty risk control procedure;
- Usage up to limits is measured and controlled daily as a routine activity: any overruns are communicated on a daily basis;
- Information related to monitoring counterparty risk is the subject of a monthly report to the ALCO Committee (concerning financial exposure) and to the Risk Management and Control Committee.

1.7.4.3.2 Corporate counterparty risk

Risk factors

Concerning loans granted to corporate customers (fleets and dealers), the PSA Banque France Group is exposed to a credit risk characterized by a potential loss in case of default of the financed counterparty.

Risk measurement, control and monitoring

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

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

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

- The daily use of limits for the financing of stocks and bank credit lines for dealers;
- Monitoring of overruns or returns in the lines on a daily and weekly basis;
- The daily monitoring of unpaid amounts, payment delays and checks of network stocks;
- Monitoring defaults and provisions on a monthly basis;
- Verifying compliance with prudential limits, representing 25% of regulatory capital.

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

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

1.7.4.4 Currency Risk

Risk factors

The PSA Banque France Group no longer had any activity in currencies which could create exposure to currency risk. Nevertheless, in case of foreign exchange positions, the hedging of transactions in currencies would be validated by the competent committee.

1.7.4.5 Market risks

It is the PSA Banque France Group's policy not to be exposed to market risk, as defined by banking regulations. Interest rate or currency derivative transactions are undertaken to hedge balance sheet items not intended for sale in the short term.

The PSA Banque France Group is not authorized, on behalf of customers or for its own account, to perform any speculative market activities.

The Group consistently ensures compliance with this rule and that the hedging instrument and hedged item are correctly matched.

The governance bodies must be regularly informed of exposure to market risk through the main competent committees.

1.7.5 Risks related to securitization operations

Risk factors

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

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

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

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

Risk measurement, control and monitoring

The PSA Banque France Group is advised by arranging banks when preparing a securitization transaction. Furthermore, the PSA Banque France Group has developed expertise over ten years of successful securitization programs. To ensure that it can continually draw on in-depth knowledge of securitized receivables, each securitization transaction addresses a very consistent 'portfolio'; namely a financing technique, a customer typology. The receivables are consistently originated, held and managed by CREDIPAR, a subsidiary of the PSA Banque France Group (the customer and collections management team have no indication as to whether or not the receivables on which they are working are securitized). The securitization transactions undertaken by the PSA Banque France Group are generally rated by the rating agencies and monitored throughout the life of the funds. Accordingly, a range of crisis scenarios are analyzed before the securities are invested and throughout the life of the fund.

1.7.6 Concentration risk

Risk factors

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

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

Risk measurement, control and monitoring

Bank facilities

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

Thus, in the context of setting up the financing lines necessary for its activity, a borrowing threshold was established for each authorized counterparty bank based on:

- A step-up amount for diversification, based on total loans outstanding;
- The total amount financed;
- Geographic criteria (French counterparty, eurozone member outside France or outside the eurozone);
- External ratings (rating agencies)).

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

- When a bank counterparty exclusively controls one or more other bank counterparties, the Group thus constituted is considered as a single counterparty for compliance with them;
- The monitoring system that is implemented enables periodic checking, and during conclusion of a new loan, of compliance with the fixed thresholds;
- For each new finance transaction involving overrunning a level fixed on one of the counterparties, before its implementation, it must be presented to the ALCO Committee and a request for authorization must be made to the Risk Committee.

Credit transactions

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

Based on their type, concentration risk limits are presented quarterly to the Risk Committee and the various monitoring bodies within the PSA Banque France Group.

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

At December 31, 2016, the outstanding loans of the PSA Banque France Group to the PSA Group stood at €144.5 million, representing 16% of prudential capital.

At that same date, the ten main outstanding loans of the PSA Banque France Group, other than those to the PSA Group, represented a total amount of €1,223 million. By counterparty category, the top ten most significant commitments break down as follows:

- Banks: €98.2 million / 11% of regulatory capital;
- Corporate dealers (excluding PSA): €972.3 million / 110% of regulatory capital;
- Corporate excluding dealers and equivalent: €152.9 million / 17% of regulatory capital.

No net exposure to one counterparty exceeds 25% of regulatory capital.

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1.7.7 Operational risk

Definition of risk and risk factors

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

Risk identification, assessment, control and monitoring

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

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

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

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

Risk control mechanisms are an integral part of working procedures or instructions and are subject to 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 IT systems. Business continuity plans have been defined and deployed for information systems. These are tested annually.

1.7.8 Non-compliance risk

Definition of risk and risk factors

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

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

Risk measurement, control and monitoring

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

The risk of non-compliance is controlled by adapting procedures, instructions or operating methods, detecting people who are exposed politically or whose assets have been frozen, setting materiality criteria and thresholds to identify money-laundering and the financing of terrorism, as well as a professional alert system.

Non-compliance risks are monitored through the implementation of a program of controls. The results of these checks are presented to the Compliance Committee meetings, which are meet on a quarterly basis.

1.7.9 Reputational risk

Definition of reputational risk and risk factors

For the PSA Banque France Group, reputational risk breaks down as:

- 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.

1.7.10 Correlation between the PSA Banque France Group and its shareholders

Definition of correlation risk and risk factors

As part of both Banque PSA Finance and Santander Consumer Banque (as well as the PSA and Santander Groups), the activity and profitability of the PSA Banque France Group may be partially influenced by various factors arising at the level of its shareholders:

- Economic and financial factors: commercial performance, financial results, profitability prospects, and the rating of the PSA and Santander Groups;
- Strategic factors: product development and geographical presence;
- Factors related to the reputation and brand image of both shareholders.

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

The main correlation risk, due to the methodology used by the ratings agency, refers to the link between the level of short and long term rating of its shareholders. The repercussion of any downgrade of the rating of its shareholders on the rating of the PSA Banque France Group has been studied under liquidity stress scenarios, including the liquidity contingency plan.

1.8 Internal control

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

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

1.8.1 Permanent control system

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

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

1.8.1.2 Permanent control

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

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

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

Operational risk control tasks cover:

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

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

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

1.8.2 Periodic controls

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

They are performed by the internal auditors, based on a three-year internal audit plan for all of PSA Banque France Group's units (including outsourced activities).

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

1.8.3 Oversight by Executive Management and the Board

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

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

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

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

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

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

1.8.4 Organization of internal control

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

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

These committees also review and make decisions concerning:

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

1.9 General information concerning PSA Banque France and share ownership

1.9.1 General presentation

Corporate name:
PSA BANQUE FRANCE

Nationality: French

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

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

Register and identification number: PSA Banque France is registered with the Nanterre Trade and Companies Register under number 652 034 638.

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

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

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

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

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

1.9.2 Capital

Shareholders: at December 31, 2016, PSA Banque France's share capital stood at €144,842,528 divided into 9,052,658 shares with a value of €16 each, fully paid-up, with equal distribution between:

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

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

1.9.3 Board of Directors and management bodies

PSA Banque France Board of Directors is composed of six members, consisting of three chosen by each of the two shareholders. For the first three years of the cooperation between Banque PSA Finance and Santander Consumer Banque, both shareholders of PSA Banque France, the Chairman of the Board is a director designated by Santander Consumer Banque, as is the Deputy CEO. For its part, Banque PSA Finance has designated the Chief Executive Officer of the Bank. Following the first period of three years of cooperation, this principle will be reversed. The latter functions will rotate in this way every three years between the partners. Eight board meetings were held in 2016. The governance of the PSA Banque France Group results from the application of agreements concluded between both shareholders, which strictly comply with the legal and regulatory obligations in force. Thus, the Chairman with her Board and specialized committees monitor the activity of PSA Banque France controlled by the Chief Executive Officer, the Deputy CEO, the Executive Committee and the operational committees. Currently, there is no conflict of interest between the obligations of the members of the management bodies and their private interests with regard to the PSA Banque France Group. It is hereby stated that no delegation, either valid or used during the 2016 financial year, was granted by the General Meeting to the Board of Directors regarding a capital increase.

1.9.4 Remunerations

Executive officers' wages and salaries

Pursuant to Article L.225-102-1 of the French Commercial Code, the Company states that the wages, salaries, and benefits in kind paid not by itself, but by an affiliated company, to its corporate officers during the past financial year, totaled €586,105.81 (gross tax amount) for officers performing duties and exercising activities at PSA Banque France.

Regarding the amount of wages and salaries paid to corporate officers of the company who also exercise a mandate within entities having joint control of the company is not indicated in wages described above but may be published by the latter in accordance with their applicable regulation.

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

Pursuant to Article L.511-73 of the French Monetary and Financial Code, the total budget for wages and salaries paid during the 2016 financial year, to the five individuals in the Company who met the criteria defined in Article L.511-71 of that same Code, not by the Company itself but by an affiliated company, stood at a total (gross tax amount) of €1,097,066.69, broken down into €656,691.50 in fixed wages, €185,000.84 in variable wages, and €255,374.35 in salaries and benefits in kind, with the specification that no employee receives annual wages of over €1 million.

While the total amount of variable wages and salaries was in excess of the €50,000 threshold for the 2016 financial year, they were spread over a three-year period and can, in part, be paid in non-redeemable financial instruments during their first year of holding.

PSA Banque France allots no shares or stock options.

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

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

Indeed, by emphasizing representation within its Board of Directors as well as its Management Board of various social demographic categories and different skills, appraised using objective performance criteria in a quest for complementarity, PSA Banque France makes these differences into an asset and reflects the richness generated by the February 2015 establishment of the partnership agreement in France, between Banque PSA Finance and Santander Consumer Finance.

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

1.9.6 Persons responsible for auditing the accounts

Ernst & Young audit

1/2, place des Saisons,
92400 Courbevoie – Paris La Défense 1,
company with variable capital registered at the Trade and Companies Register of Nanterre No. 344 366 315

Statutory auditors member of the Compagnie régionale de Versailles

Duration of mandate: six years

Date of end of mandate: 2016 financial year

Represented at December 31, 2016 by Luc Valverde

Mazars

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

Statutory auditors member of the Compagnie régionale de Versailles

Duration of mandate: six years

Date of end of mandate: 2019 financial year

Represented at December 31, 2016 by Anne Veaute

1.9.7 Investments

Main investments made during the last 5 years:

Years	Disposals - dissolutions - mergers	Acquisitions
2016	-	-
2015	May 1, 2015: absorption merger of SOFIRA into CREDIPAR	January 30, 2015: acquisition of CREDIPAR and SOFIRA
2012-2014	-	-

1.9.8 Intra-group agreements

The PSA Banque France Group is linked to the Banque PSA Finance Group for the supply of support services to the PSA Banque France Group particularly relating to accountancy and IT services. Furthermore, the PSA Banque France Group is also linked to Santander Consumer Banque and the Santander Group with its entities, concerning certain services such as internal audit, supervision, evaluation and risk monitoring.

1.9.9 Resolutions adopted by the General Meeting of March 15, 2017, as proposed by the Board of Directors on March 1, 2017 concerning PSA Banque France consolidated and statutory financial statements

First resolution: Approval of the financial statements for the financial year ending at December 31, 2016

The General Meeting approves the financial statements for the financial year ending at December 31, 2016, as they are presented, which show net income of €282,204,445.87.

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

The General Meeting, after having read the statutory financial statements for the 2016 financial year, the management report from the Board of Directors for this same financial year and the general report of the statutory auditors on these same financial statements, approves, in all of its provisions, the management report from the Board of Directors.

Third resolution: Approval of the consolidated financial statements at December 31, 2016

The General Meeting, after having read the consolidated financial statements for the 2016 financial year, prepared according to IFRS standards, which show a net banking revenue of €419,438 K, approves these accounts as presented.

Fourth resolution: Approval of the management report on the separate financial statements and the general report of the statutory auditors

The General Meeting, after having read the consolidated financial statements for the 2016 financial year, the consolidated management report from the Board of Directors for this same financial year and the general report of the statutory auditors on these same financial statements, approves, in all of its provisions, the consolidated management report from the Board of Directors.

Fifth resolution: Appropriation of profit

The General Meeting, upon proposal by the Board of Directors, ascertains that the distributable net income is €329,082,080.57, consisting of net income for the 2016 financial year of €282,204,445.87, cumulated with the balance of "retained earnings" standing at €46,877,634.70.

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

- To "the legal reserve" €13,442,541.03
- To "retained earnings" €243,942,488.18
- To shares €71,697,051.36

A dividend of **€7.92** per share will be payable in two stages after the General Meeting is held. In accordance with the law, the General Meeting ascertains that a dividend of €16.58 was distributed for the 2015 financial year, and that no dividend was distributed for the 2013 or 2014 financial years.

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

The General Meeting, after having heard the reading of the special report presented by the statutory auditors on regulated agreements, approves this report.

Seventh resolution: Ratification of the co-optation of a new director

The General Meeting decided to ratify the co-optation of Mr. Arnaud de Lamothe, born September 24, 1966, as director, per a decision made by the Board of Directors on February 8, 2017, replacing Mr. Alain Martinez, who resigned, for the remaining term of this latter's office, i.e. until the General Meeting convened in 2021 to approve the 2020 financial statements.

Eighth resolution: Appointment of a statutory auditor

The General Meeting decided to appoint PricewaterhouseCoopers Audit, a firm whose registered office is located at 63, rue de Villiers, 92200 Neuilly-sur-Seine, as statutory auditors, replacing ERNST & YOUNG Audit (whose term of office was not renewed upon its expiry), for a period of six financial years, until the General Meeting convened in 2023 to approve the 2022 financial statements.

Ninth resolution: Appointment of a Substitute Auditor

The General Meeting decided to appoint Mr. Jean-Baptiste Deschryver, 63, rue de Villiers, 92200 Neuilly-sur-Seine, as Substitute Auditor, replacing PICARLE (a firm whose term of office was not renewed upon its expiry), for a period of six financial years, until the General Meeting convened in 2023 to approve the 2022 financial statements.

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

In accordance with Article L. 511-73 of the French Monetary and Financial Code, the General Meeting is consulted concerning the overall amount of wages and salaries paid to the persons in the company covered by Article L. 511-71 of the same code during the 2016 financial year.

The Company states that in 2016, it paid to the persons mentioned in Article L.511-71, an overall amount (gross tax amount) of €1,097,066.69, broken down into €656,691.50 in fixed wages, €185,000.84 in variable wages, and €255,374.35 in salaries and benefits in kind, not directly but by an associated company.

The amount of wages and salaries paid to corporate officers of the company who also exercise a mandate within entities having joint control of the company is published by these latter in accordance with their applicable regulation.

Eleventh resolution: Formalities

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

1.9.10 Information about the administrative and management bodies

1.9.10.1 Board of Directors

List of mandates held and expired during the 2016 financial year by the Directors of PSA Banque France and the Permanent Representatives of Directors.

Ines Serrano-Gonzalez

Chairman of the Board of Directors

First appointed to the Board on April 23, 2015

Current term expires in 2021

Director

First appointed to the Board on January 30, 2015

Current term expires in 2021

Born on July 31, 1965

Other positions held during the year 2016

Chief Executive Officer, Member of the Executive Committee and Director

• Santander Consumer Finance S.A. (Spain)

Member of the Supervisory Board

• Santander Consumer Banque S.A.

• Santander Consumer Bank AG (Germany)

• Santander Consumer Holding GmbH (Germany)

Director

• Compagnie Générale de Crédit aux Particuliers - CREDIPAR

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

• Grupo Multitel S.A. (Spain)

Position terminated during the year 2016

Member of the Supervisory Board

• PSA Bank Deutschland GmbH

Andrea Bandinelli

Chief Executive Officer and Director

First appointed to the Board on September 14, 2012

Current term expires in 2018

Born on August 5, 1974

Other positions held during the year 2016

Chief Executive Officer and Director

• Compagnie Générale de Crédit aux Particuliers - CREDIPAR

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

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

No position terminated during the year 2016

Carlos APARICIO MANUEL

Deputy Chief Executive Officer

First appointed to the Board on February 2, 2015

Current term expires in 2021

Director

First appointed to the Board on January 30, 2015

Current term expires in 2021

Born on February 1, 1967

Other position held during the year 2016

Deputy Chief Executive Officer and Director

• Compagnie Générale de Crédit aux Particuliers - CREDIPAR

No position terminated during the year 2016

Rémy BAYLE

Director

First appointed to the Board on April 23, 2015

Current term expires in 2021

Born on December 26, 1961

Other positions held during the year 2016

Chief Executive Officer and Director

• Banque PSA Finance

Chairman and Director

• Compagnie pour la location de véhicules - CLV

Director

• Compagnie Générale de Crédit aux Particuliers - CREDIPAR

• PSA Finance UK (United Kingdom)

Position terminated during the year 2016

Chairman

• France Lion S.A.S.

Alain MARTINEZ

Director

First appointed to the Board on January 30, 2015

End of appointment: February 8, 2017

Born on September 20, 1958

Other positions held during the year 2016

Deputy Chief Executive Officer

• Banque PSA Finance

Chairman and Board Member

• PSA Factor Italia SPA

• PSA Renting Italia SPA

Chairman

• Bank PSA Finance Rus

Member of the Supervisory Board

• PSA Financial Holding B.V. (Netherlands)

Director

• Peugeot Finance International NV (Netherlands)

• PSA Financial d.o.o. (Croatia)

• PSA Bank Deutschland

• Banco PSA Italia

• PSA Financial Services Spain.

Position terminated during the year 2016

Member of the Supervisory Board

• PSA Financiranje d.o.o. (Slovenia)

Martin THOMAS

Director

First appointed to the Board on January 30, 2015

Current term expires in 2021

Born on February 22, 1974

Other positions held during the year 2016

Chairman and Director

• Compagnie Générale de Crédit aux Particuliers - CREDIPAR

Chairman of the Managing Board

• Santander Consumer Banque S.A.

No position terminated during the year 2016

1.9.10.2 Committees

A. Audit and Risk Committee

As at December 31, 2016, the Audit and Risk Committee had the following members:

Name	Title within the PSA Banque France Group
Ines SERRANO-GONZALEZ, Chairman	Chairman of the Board of PSA Banque France
Rémy BAYLE	Director of PSA Banque France
Martin THOMAS	Director of PSA Banque France
Alain MARTINEZ	Director of PSA Banque France

B. Appointments Committee

As at December 31, 2016, the Appointments Committee had the following members:

Name	Title within the PSA Banque France Group
Ines SERRANO-GONZALEZ, Chairman	Chairman of the Board of PSA Banque France
Rémy BAYLE	Director of PSA Banque France
Martin THOMAS	Director of PSA Banque France
Alain MARTINEZ	Director of PSA Banque France

C. Remuneration Committee

As at December 31, 2016, the Remuneration Committee had the following members:

Name	Function within the PSA Banque France Group
Ines SERRANO-GONZALEZ, Chairman	Chairman of the Board of PSA Banque France
Rémy BAYLE	Director of PSA Banque France
Martin THOMAS	Director of PSA Banque France
Alain MARTINEZ	Director of PSA Banque France

D. Executive Committee

As at December 31, 2016, the Executive Committee had the following members:

Name	Title
Andrea BANDINELLI	Chief Executive Officer
Carlos APARICIO MANUEL	Deputy Chief Executive Officer
Laurent AUBINEAU	Marketing and Digital Director
Joaquin BERRAL CHACON	Chief Risk Officer
Philippe JEUNET	Human Resources Director
Philippe MEOT	Operations Director
Catherine NOGUIER	Secretary General
Gilles PEREZ	Collection Director
Frédéric VUARIN	Sales Director
Artur WAWRZYNIAK	Chief Financial Officer

2

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2016

2.1 Consolidated Balance Sheet

(in thousand euros)	**Dec. 31, 2016**	**Dec. 31, 2015**
Assets		
Cash, central banks, post office banks (Note 3)	260,506	98,378
Financial assets at fair value through profit or loss (Note 4)	4,251	3,188
Hedging instruments (Note 5)	242	3,969
Available-for-sale financial assets (Note 6)	3	132,922
Loans and advances to credit institutions (Note 7)	472,947	662,878
Customer loans and receivables (Notes 8 and 33)	9,224,565	8,254,557
Fair value adjustments to finance receivables portfolios hedged against interest rate risks (Notes 9 and 20.2)	(5,600)	3,520
Held-to-maturity investments	-	-
Current tax assets (Note 35.1)	933	893
Deferred tax assets (Note 35.1)	959	1,834
Accruals and other assets (Note 10)	237,446	162,586
Investments in associates and joint ventures accounted for using the equity method	-	-
Property and equipment (Note 11)	9,623	5,331
Intangible assets	-	-
Goodwill	-	-
Total assets	**10,205,875**	**9,330,056**

(in thousand euros)	**Dec. 31, 2016**	**Dec. 31, 2015**
Equity and liabilities		
Central banks, post office banks	44	-
Financial liabilities at fair value through profit or loss (Note 12)	2,954	3,196
Hedging instruments (Note 13)	832	1,496
Deposits from credit institutions (Note 14)	4,637,609	4,772,750
Due to customers (Note 15)	1,826,121	1,369,609
Debt securities (Note 16)	1,967,051	1,541,761
Fair value adjustments to debt portfolios hedged against interest rate risks (Notes 17 and 20.2)	589	(56)
Current tax liabilities (Note 35.1)	17,221	17,472
Deferred tax liabilities (Note 35.1)	251,307	257,372
Accruals and other liabilities (Note 18)	405,151	267,726
Provisions (Note 19)	16,738	15,936
Subordinated debt	-	-
Equity	1,080,258	1,082,794
- Equity attributable to equity holders of the parent	1,080,258	1,082,794
- Share capital and other reserves	743,617	892,103
- Consolidated reserves	338,537	191,433
- *Of which Net income - equity holders of the parent*	*148,710*	*132,458*
- Income and expenses recognized directly in Equity	(1,896)	(742)
- Minority interests	-	-
Total equity and liabilities	**10,205,875**	**9,330,056**

2.2 Consolidated Income Statement

(in thousand euros)	Dec. 31, 2016	Dec. 31, 2015
Net interest revenue on customer transactions	**392,329**	**411,566**
- Interest and other revenue on assets at amortized cost (Note 24)	391,981	423,636
- Fair value adjustments to finance receivables hedged against interest rate risks (Note 20.2)	(9,120)	(8,282)
- Interest on hedging instruments (Note 25)	(7,443)	(12,555)
- Fair value adjustments to hedging instruments (Note 20.2)	3,950	1,271
- Interest expense on customer transactions	(290)	(1,151)
- Other revenue and expense (Note 26)	13,251	8,647
Net investment revenue	**12**	**(233)**
- Interest and dividends on marketable securities	-	(237)
- Fair value adjustments to assets valued using the fair value option	-	-
- Gains and losses on sales of marketable securities	7	4
- Investment acquisition costs	5	-
Net refinancing cost	**(59,913)**	**(83,306)**
- Interest and other revenue from loans and advances to credit institutions (Note 27)	11	5,746
- Interest on deposits from credit institutions (Note 28)	(20,099)	(44,596)
- Interest on debt securities (Note 29)	(8,751)	(22,131)
- Interest on savings accounts (Note 30)	(26,267)	(15,832)
- Expenses related to financing commitments received	(1,219)	(1)
- Fair value adjustments to financing liabilities hedged against interest rate risks	(645)	56
- Interest on hedging instruments	290	(17)
- Fair value adjustments to hedging instruments	652	(61)
- Fair value adjustments to financing liabilities valued using the fair value option	-	-
- Debt issuing costs	(3,666)	(6,470)
- Other Revenue and Expense - Miscellaneous	(219)	-
Net gains and losses on trading transactions	-	**27**
- Interest rate instruments	-	-
- Currency instruments	-	27
Net gains and losses on available-for-sale financial assets	**(74)**	**(137)**
Margin on sales of services (Note 31)	**87,084**	**81,458**
- Revenues	89,842	84,310
- Expenses	(2,758)	(2,852)
Net banking revenue	**419,438**	**409,375**
General operating expenses (Note 32)	**(151,620)**	**(148,289)**
- Personnel costs	(59,612)	(57,125)
- Other general operating expenses	(92,008)	(91,164)
Depreciation and amortization of intangible and tangible assets (Note 11)	**(1,854)**	**(1,671)**
Gains and losses on investments in companies that can be consolidated and other disposals of fixed assets	**(1,098)**	**(191)**
Gross operating income	**264,866**	**259,224**
Cost of risk (Note 33)	**(20,456)**	**(61,230)**
Operating income	**244,410**	**197,994**
Share in net income of associates and joint ventures accounted for using the equity method	-	-
Impairment on goodwill	-	-
Pension obligation - expense	(210)	(186)
Pension obligation - income	-	1
Other non-operating items (Note 34)	-	(6,419)
Pre-tax income	**244,200**	**191,390**
Income taxes (Notes 35.2 and 35.3)	(95,490)	(58,932)
Net income for the year	**148,710**	**132,458**
- of which minority interests	-	-
- of which attributable to equity holders of the parent	148,710	132,458
Earnings per share (in euros)	*16.43 €*	*14.63 €*

2.3 Net Income and Income and Expenses Recognized Directly in Equity

	Dec. 31, 2016			Dec. 31, 2015		
(in thousand euros)	Before tax	Tax	After tax	Before tax	Tax	After tax
Net income	244,200	(95,490)	**148,710**	191,390	(58,932)	**132,458**
- of which minority interest			-			-
Recyclable in profit and loss elements						
Financial assets at fair value through profit or loss:	20	-	**20**	(20)	-	**(20)**
- of which revaluation reversed in net income	-	-	**-**	-	-	**-**
- of which revaluation directly in equity	*20*	-	***20***	*(20)*	-	***(20)***
Not recyclable in profit and loss elements						
Actuarial gains and losses on pension obligations	(1,791)	617	**(1,174)**	1,515	(522)	**993**
Total income and expenses recognized directly in Equity	(1,771)	617	**(1,154)**	1,495	(522)	**973**
- of which minority interest			-			-
Total net income and income and expenses recognized directly in Equity	242,429	(94,873)	**147,556**	192,885	(59,454)	**133,431**
- of which minority interest			-			-
- of which attributable to equity holders of the parent			*147,556*			*133,431*

2.4 Consolidated Statement of Changes in Equity

	Share capital and other reserves				Fair value adjustments - equity holders of the parent				
(in thousand euros)	Share capital	Issue, share and merger premiums	Legal reserve and other reserves	Consoli-dated reserves	Financial assets at fair value through profit or loss: revaluation	Actuarial gains and losses on pension obligations	Equity attributable to equity holders of the parent	Minority interests	Total equity
At December 31, 2014	**71,354**	**684,940**	**5,108**	**59,212**	**-**	**(1,715)**	**818,899**	**-**	**818,899**
Appropriation of profit from the previous financial year	-	-	237	(237)	-	-	-	-	-
Net Income and Income and Expenses Recognized Directly in Equity	-	-	-	132,458	(20)	993	133,431	-	133,431
Capital increase in cash (SOFIRA)	69,874	37,142	-	-	-	-	107,016	-	107,016
Capital increase in cash (PSA Banque France)	3,615	19,833	-	-	-	-	23,448	-	23,448
At December 31, 2015	**144,843**	**741,915**	**5,345**	**191,433**	**(20)**	**(722)**	**1,082,794**	**-**	**1,082,794**
Appropriation of profit from the previous financial year	-		82	(82)	-	-	-	-	-
Net Income and Income and Expenses Recognized Directly in Equity	-	-	-	148,710	20	(1,174)	147,556	-	147,556
Dividend paid to Santander Consumer Banque		(74,284)	-	(762)	-	-	(75,046)	-	(75,046)
Dividend paid to Banque PSA Finance		(74,284)	-	(762)	-	-	(75,046)	-	(75,046)
At December 31, 2016	**144,843**	**593,347**	**5,427**	**338,537**	**-**	**(1,896)**	**1,080,258**	**-**	**1,080,258**

In application of the "pooling of interest" method

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

On legal terms:

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

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

It is the same on December 31, 2016, no movement having taken place over the period.

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

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

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

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

2.5 Consolidated Statement of Cash Flows

(in thousand euros)	Dec. 31, 2016	Dec. 31, 2015
Income attributable to equity holders of the PSA Banque France Group	**148,710**	**132,458**
Adjustments for:		
- Change in depreciation, amortization and other provisions	1,343	6,098
- Change in deferred taxes	(4,573)	(23,974)
- (Profit)/loss on disposals of assets	1,098	191
Funds from operations	**146,578**	**114,773**
Increase/decrease in:		
- loans and advances to credit institutions	-	3,934,158
- deposits from credit institutions	(134,495)	(2,903,878)
Change in customer loans and receivables	(960,920)	(159,868)
Increase/decrease in:		
- amounts due to customers	456,512	1,161,838
- financial assets at fair value through profit or loss	(1,064)	12,373
- financial liabilities at fair value through profit or loss	(242)	(12,357)
- hedging instruments	3,064	(7,974)
- debt securities	425,291	(2,169,940)
Change in working capital: assets	(75,343)	113,144
Change in working capital: liabilities	137,213	(91,226)
Net cash provided by operating activities	**(3,406)**	**(8,957)**
Acquisitions of shares in subsidiaries	-	-
Proceeds from disposals of shares in subsidiaries	-	-
Investments in fixed assets	(8,865)	(3,636)
Proceeds from disposals of fixed assets	1,621	1,663
Effect of changes in scope of consolidation	-	-
Net cash used by investing activities	**(7,244)**	**(1,973)**
Dividends paid to Santander Consumer Banque	(75,046)	
Dividends paid to Banque PSA Finance	(75,046)	-
Capital increase	-	128,750
Net cash used by financing activities	**(150,092)**	**128,750**
Effect of changes in exchange rates	-	-
Net change in cash and cash equivalents	**(160,742)**	**117,820**
Cash and cash equivalents at the beginning of the period	**894,195**	**776,375**
Cash, central banks, post office banks	98,378	10
Treasury Bonds (Note 6)	132,939	-
Current account advances and loans and advances at overnight rates	662,878	776,365
Cash and cash equivalents at the end of the period	**733,453**	**894,195**
Cash, central banks, post office banks (Note 3)	260,506	98,378
Treasury Bonds (Note 6)	-	132,939
Current account advances and loans and advances at overnight rates (Note 7)	472,947	662,878

2.6 Notes to the Consolidated Financial Statements

Notes

Note 1 Main Events of the Financial Year and Group Structure

A. Main events

Refinancing strategy

PSA Banque France Group benefited in 2015 from intra-group financing provided by Santander Consumer Finance, since the entry of Santander Consumer France in its equity in February 2015, from financing provided by debt securitization, from the retail savings activity with French customers, from bilateral bank credit lines and its participation in the refinancing operations of the European Central Bank (ECB). Its refinancing policy continued its diversification in 2016, with the launch of negotiable debt securities (short and medium-term) and medium-term notes (EMTN) programs. First negotiable debt securities were issued in June 2016, and the first bond was issued in January 2017.

B. Changes in Group structure

In July 2016, CREDIPAR sold receivables to FCT Auto ABS French Leases Master corresponding to future payments for leases with a purchase option. CREDIPAR retains the majority of the operating income attached to the receivables sold to the fund. Consequently, this latter has been fully consolidated since July 2016.

In November 2016, CREDIPAR repurchased the loans sold in 2012 to the Auto ABS 2012-1 securitization fund in the context of the anticipated liquidation of that compartment. With the securitization fund consolidated, this transaction is neutral on the PSA Banque France Group's consolidated financial statements.

C. List of Consolidated Companies

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

Companies	Country	PSA Banque France interest			Dec. 31, 2015	
		% Direct	Indirect %	Indirect Held by	Integration method	% interest
Subsidiaries						
Sales financing						
CREDIPAR	France	100	-		IG	100
CLV	France	-	100	CREDIPAR	IG	100
SOFIRA (1)	France	-	-		-	-
Special purpose entities						
FCT Auto ABS - Compartiment 2011-1	France	-	-		-	-
FCT Auto ABS - Compartiment 2012-1	France	-	-		IG	100
FCT Auto ABS French Loans Master	France	-	-		IG	100
FCT Auto ABS DFP Master - Compartment France 2013	France	-	-		IG	100
FCT Auto ABS - Compartiment 2013-2	France	-	-		IG	100
FCT Auto ABS2 - Compartiment 2013-A	France	-	-		IG	100
FCT Auto ABS3 - Compartiment 2014-1	France	-	-		IG	100

(1) Absorption merger of SOFIRA by CREDIPAR on May 1, 2015.

Note 2 Accounting Policies

In accordance with European Council Regulation 1606/2002/EC dated July 19, 2002 on the application of international accounting standards from January 1, 2005, PSA Banque France consolidated financial statements for the year ended December 31, 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 PSA Banque France 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.

The amendments aim to simplify and clarify the accounting for employee or third party 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 PSA Banque France.

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, 2014, or not yet adopted by the European Union is currently being analyzed; such is especially the case for:

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

- IFRS 9 – Financial Instruments which is to replace IAS 39 – Financial Instruments. The final version of 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.

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

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

Format of the Financial Statements:

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

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

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

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

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

The annual consolidated financial statements and notes for PSA Banque France were approved by the Board of Directors on March 1, 2017.

A. Basis of Consolidation

A.1 Consolidation Methods

Companies in which PSA Banque France directly or indirectly holds a majority interest are fully consolidated. In particular, it is the case of the Special Purpose Entities as part of securitization operations.

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

A.2 Foreign Currency Transactions

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

A.3 Use of Estimates

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

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

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

Estimates and assumptions are used in particular to measure the following:

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

A.4 Main Consolidation Adjustments

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

In the financial statements 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. Impairment of Long-lived Assets

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

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

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

C. Financial Assets and Liabilities

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

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

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

C.1 Derivatives – Application of Hedge Accounting

C.1.1 Recognition and Measurement

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

Derivatives may be designated as hedging instruments in one of two types of hedging relationships:
- fair value hedge, corresponding to a hedge of the exposure to changes in fair value of an asset or liability due to changes in exchange rates or interest rates;
- cash flow hedge, corresponding to a hedge of the exposure to variability in cash flows from existing or future assets or liabilities.

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

The effects of hedge accounting are as follows:

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

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

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

C.1.2 Derivatives – Financial Statement Presentation

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

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

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

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

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

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

This item comprises liabilities valued using the fair value option. The Group has elected to use this option in certain instances to improve the presentation of its financial statements by recognizing fair value adjustments to the liabilities symmetrically with the fair value adjustments made to the derivatives used to hedge the interest rate risk on those liabilities. Accordingly, the fair value adjustments include any changes in PSA Banque France's issuer spread. 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 shares or units qualified as liquid assets according to the regulation (EU) No 575/2013 and the regulation (EU) No 2015/61 as well as shares in companies that are not consolidated. These investments are stated at fair value, which generally corresponds to their cost.

C.5 Held-to-maturity Investments

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

C.6 Loans and Receivables

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

Customer loans and receivables are analysed by type of financing:

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

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

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

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

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

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

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

C.6.1 Loans and Receivables Measured at Amortized Cost

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

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

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

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

C.6.2 Lease Financing

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

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

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

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

C.6.4 Impairment Losses

Impairment losses are identified separately under specific line items.

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

Retail financing impairment losses

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

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

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

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

  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.

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

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

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

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

“Corporate Dealers” and “Corporate and equivalent” financing impairment losses

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

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

As a consequence, according to IAS 39.AG90, Banque PSA France 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. Any subsequent recoveries are credited to the income statement under "Cost of risk".

C.7 Financing Liabilities

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

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

C.7.1 Hedges of Interest Rate Risks on Financing Liabilities

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

C.7.2 Debt Securities

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

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

D. Provisions

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

Provisions are discounted only when the impact is material.

E. Segment Information

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

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

- **Corporate dealers**, corresponding to captive and independent Peugeot and Citroën dealers, 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).

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

F. Pension Obligations

In addition to standard pensions payable under local legislation, Group employees receive supplementary pension benefits and retirement bonuses (see Note 19). These benefits are paid either under defined contribution or defined benefit plans.

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

In accordance with IAS 19 – Employee Benefits, obligations under defined benefit plans are measured by independent actuaries using the projected unit credit method. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final

obligation, which is then discounted to present value. The calculations mainly take into account:
- an assumed retirement date;
- a discount rate;
- an inflation rate;
- assumptions concerning future salary levels and staff turnover rates.

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

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

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

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

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

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

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

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

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

G. Signature Commitments

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

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

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

Note 3 Cash, Central Banks, Post Office Banks

(in thousand euros)	Dec. 31, 2016	Dec. 31, 2015
Cash and post office banks	1	-
Central bank (1)	260,505	98,378
- of which compulsory reserves deposited with the Banque de France	*20,291*	*10,716*
Total	**260,506**	**98,378**

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

Note 4 Financial Assets at Fair Value Through Profit or Loss

4.1 Analysis by Nature

(in thousand euros)	Dec. 31, 2016	Dec. 31, 2015
Accrued interest on trading derivatives	**81**	**58**
- of which related companies with Santander Consumer Finance Group	*21*	*27*
Fair value of trading derivatives	**6,538**	**3,130**
- of which related companies with Santander Consumer Finance Group	*1,679*	*2,316*
Offsetting positive fair value and received margin calls	**(2,368)**	**-**
Total	**4,251**	**3,188**

The swaps classified as held for trading are related to securitization activities for which reverse swaps are systematically neutralized, with no impact on income (see Note 12).

4.2 Offsetting swaps with margin call designated as trading - Assets

For 2016

(in thousand euros) Positive valued swaps	Asset gross amount: Swap's winning leg	Asset gross amount: Swap's losing leg	Asset net amount before offsetting	Offsetting with received margin calls	Balance sheet amount after offsetting
Accrued income	**108**	**(27)**	**81**	**-**	**81**
- Swaps with margin call	108	(27)	81	-	81
- Swaps without margin call	-	-	-	-	**-**
Positive fair value	**6,590**	**(52)**	**6,538**	**-**	**6,538**
- Swaps with margin call	2,898	(25)	2,873	-	2,873
- Swaps without margin call	3,692	(27)	3,665	-	3,665
Offsetting	-	-	-	(2,368)	**(2,368)**
Total assets	**6,698**	**(79)**	**6,619**	**(2,368)**	**4,251**
Margin calls received on swaps designated as trading (deferred income - see Note 18)	-	-	2,738	(2,368)	**370**
Total liabilities	**-**	**-**	**2,738**	**(2,368)**	**370**

Note 5 Hedging Instruments - Assets

5.1 Analysis by Nature

(in thousand euros)	Dec. 31, 2016	Dec. 31, 2015
Adjustment accounts - commitments in foreign currencies	**-**	**-**
Accrued income on swaps designated as hedges	**3**	**95**
Positive fair value of instruments designated as hedges of:	**591**	**4,903**
- Bonds (1)	-	4,892
- Borrowings	591	11
- Customer loans (Installment contracts, Leasing with a purchase option and Long-term leases)	-	-
Offsetting positive fair value and received margin calls (see Note 5.2)	**(352)**	**(1,029)**
Total	**242**	**3,969**

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

Fair Value Hedge effectiveness is analysed in Note 20.2.

(1) *In 2015, these swaps were related to certain securitization activities for which reverse swaps are systematically neutralized, with no impact on income (see Note 13). From 2016, these transactions have been reclassified as trading for the purpose of a homogeneous accounting treatment applied to all securitization activities over the period (see Note 4).*

5.2 Offsetting swaps with margin call designated as hedges - Assets

For 2016

(in thousand euros)	Asset gross amount				
Positive valued swaps	Swap's winning leg	Swap's losing leg	**Asset net amount before offsetting**	**Offsetting with received margin calls**	**Balance sheet amount after offsetting**
Accrued income	**13**	**(10)**	**3**	**-**	**3**
- Swaps with margin call	13	(10)	3	-	3
- Swaps without margin call	-	-	-	-	**-**
Positive fair value	**2,617**	**(2,026)**	**591**	**-**	**591**
- Swaps with margin call	2,617	(2,026)	591	-	591
- Swaps without margin call	-	-	-	-	-
Offsetting	-	-	-	(352)	**(352)**
Total assets	**2,630**	**(2,036)**	**594**	**(352)**	**242**
Margin calls received on swaps designated as hedges (deferred income - see Note 18)	-	-	352	(352)	**-**
Total liabilities	**-**	**-**	**352**	**(352)**	**-**

For 2015

(in thousand euros)	Asset gross amount				
Positive valued swaps	Swap's winning leg	Swap's losing leg	**Asset net amount before offsetting**	**Offsetting with received margin calls**	**Balance sheet amount after offsetting**
Accrued income	**100**	**(5)**	**95**	**-**	**95**
- Swaps with margin call	100	(5)	95	-	95
- Swaps without margin call	-	-	-	-	-
Positive fair value	**6,476**	**(1,573)**	**4,903**	**-**	**4,903**
- Swaps with margin call	2,519	(1,573)	946	-	946
- Swaps without margin call	3,957	-	3,957	-	3,957
Offsetting	-	-	-	(1,029)	**(1,029)**
Total assets	**6,576**	**(1,578)**	**4,998**	**(1,029)**	**3,969**
Margin calls received on swaps designated as hedges (deferred income - see Note 18)	-	-	2,730	(1,029)	**1,701**
Total liabilities	**-**	**-**	**2,730**	**(1,029)**	**1,701**

Note 6 Available-for-sale Financial Assets

(in thousand euros)	Dec. 31, 2016	Dec. 31, 2015
- Equity securities		
- BPIFrance (ex SOFARIS)	3	3
- Treasury bonds (1)	-	132,919
- of which fair value adjustment recognized directly in equity	-	*(20)*
Gross value	**3**	**132,922**
Impairment	-	-
Net value	**3**	**132,922**

(1) *In 2015, Treasury Bonds corresponded to a HQLA type investment in order to comply with the Liquidity Coverage Ratio (LCR). At end of December 2016, these investments have been replaced by additional deposits on the Banque de France account (see Note 3).*

Note 7 Loans and Advances to Credit Institutions

Analysis of Demand and Time Accounts

(in thousand euros)	Dec. 31, 2016	Dec. 31, 2015
Demand accounts	**472,947**	**662,878**
- Ordinary accounts in debit	472,947	628,878
- of which held by securitization funds	*207,050*	*324,822*
- Current accounts and overnight loans	-	34,000
- of which related companies with Santander Consumer Finance Group	-	*34,000*
Time accounts	**-**	**-**
Accrued interest	**-**	**-**
Total	**472,947**	**662,878**

Note 8 Customer Loans and Receivables

8.1 Analysis by Type of Financing

(in thousand euros)	Dec. 31, 2016	Dec. 31, 2015
Installment contracts	**1,928,396**	**1,974,917**
- of which securitized (1)	*1,237,834*	*1,307,023*
Leasing with a purchase option (2)	**2,034,338**	**1,519,026**
Principal and interest	2,306,476	1,748,685
- of which securitized (1)	*957,538*	*687,809*
Unaccrued interest on leasing with a purchase option	(272,138)	(229,659)
- of which securitized (1)	*(116,087)*	*(81,698)*
Long-term leases (2)	**2,197,728**	**2,213,562**
Principal and interest	2,403,713	2,442,089
- of which securitized (1)	*370,114*	*727,961*
Unaccrued interest on long-term leases	(205,932)	(228,474)
- of which securitized (1)	*(28,221)*	*(76,094)*
Leasing deposits	(53)	(53)
- of which securitized (1)	-	-
Trade receivables	**2,188,523**	**1,657,486**
- Related companies with PSA Group	22,487	*22,487*
- Non-group companies	2,166,036	*1,634,999*
- of which securitized (1)	*934,831*	*1,134,704*
Other finance receivables (including equipment loans, revolving credit)	**636,819**	**668,805**
Ordinary accounts in debit	**108,220**	**96,816**
- Related companies with PSA Group	1,390	6,813
- Non-group companies	106,830	90,003
Deferred items included in amortized cost - Customers loans and receivables	**130,541**	**123,945**
- Deferred acquisition costs	192,554	170,965
- Deferred loan set-up costs	(24,247)	(25,962)
- Deferred manufacturer and dealer contributions	(37,766)	(21,058)
Total Loans and Receivables at Amortized Cost (3)	**9,224,565**	**8,254,557**
- of which securitized (1)	*3,356,009*	*3,699,705*

(1) The PSA Banque France Group has set up several securitization programs (see Note 8.4).

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

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

8.2 Customer Loans and Receivables by Segment

IFRS 8 Segment	Corporate Dealers		End user				Total	
			Retail		Corporate and equivalent			
Type of financing	(A - see B Note 33.1)		(B - see A Note 33.1)		(C - see C Note 33.1)			
(in thousand euros)	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015
Installment contracts	3,484	3,641	1,923,087	1,969,635	1,825	1,641	1,928,396	1,974,917
Leasing with a purchase option	10,097	11,551	1,999,773	1,488,263	24,468	19,212	2,034,338	1,519,026
Long-term leases	112,942	84,230	1,200,013	1,156,087	884,773	973,245	2,197,728	2,213,562
Trade Receivables	2,188,523	1,657,486	-	-	-	-	2,188,523	1,657,486
Other finance receivables	598,208	606,803	36,057	59,604	2,554	2,398	636,819	668,805
Ordinary accounts in debit	108,214	96,813	-	-	6	3	108,220	96,816
Deferred items included in amortized cost	(4,969)	-	96,888	87,309	38,622	36,636	130,541	123,945
Total customer loans by segment (based on IFRS 8)	**3,016,499**	**2,460,524**	**5,255,818**	**4,760,898**	**952,248**	**1,033,135**	**9,224,565**	**8,254,557**

8.3 Analysis by Maturity

For 2016

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

For 2015

(in thousand euros)	Not broken down	0 to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Total at Dec. 31, 2015
Installment contracts	**7,167**	**162,791**	**158,449**	**298,910**	**1,338,211**	**9,389**	**1,974,917**
Gross	93,885	162,791	158,449	298,910	1,338,211	9,389	2,061,635
Total impairment	(86,718)	-	-	-	-	-	(86,718)
Leasing with a purchase option	**8,017**	**112,683**	**109,950**	**206,932**	**1,081,306**	**138**	**1,519,026**
Gross	49,126	112,683	109,950	206,932	1,081,306	138	1,560,135
Total impairment	(41,109)	-	-	-	-	-	(41,109)
Long-term leases	**29,749**	**343,541**	**273,651**	**441,633**	**1,124,988**	**-**	**2,213,562**
Gross	62,884	343,541	273,651	441,633	1,124,988	-	2,246,697
Guarantee deposits	(53)	-	-	-	-	-	(53)
Total impairment	(33,082)	-	-	-	-	-	(33,082)
Trade receivables	**25,659**	**1,320,933**	**223,692**	**85,363**	**1,839**	**-**	**1,657,486**
Gross	30,629	1,320,933	223,692	85,363	1,839	-	1,662,456
Guarantee deposits	-	-	-	-	-	-	-
Total impairment	(4,970)	-	-	-	-	-	(4,970)
Other finance receivables	**4,934**	**187,783**	**29,232**	**223,968**	**185,243**	**37,645**	**668,805**
Gross	62,487	187,783	29,232	223,968	185,243	37,645	726,358
Total impairment	(57,553)	-	-	-	-	-	(57,553)
Ordinary accounts in debit	**96,816**	**-**	**-**	**-**	**-**	**-**	**96,816**
Gross	96,816	-	-	-	-	-	96,816
Total impairment	-	-	-	-	-	-	-
Deferred items included in amortized	**123,945**	**-**	**-**	**-**	**-**	**-**	**123,945**
Total net loans and receivables	**296,287**	**2,127,731**	**794,974**	**1,256,806**	**3,731,587**	**47,172**	**8,254,557**
Gross	395,827	2,127,731	794,974	1,256,806	3,731,587	47,172	8,354,097
Guarantee deposits	(53)	-	-	-	-	-	(53)
Total impairment	(223,432)	-	-	-	-	-	(223,432)
Deferred items included in amortized cost	123,945	-	-	-	-	-	123,945

8.4 Securitization programs

			Sold receivables		
Fund	**Date of Sale**	**Type of Financing**	**at Dec. 31, 2016**	**at Dec. 31, 2015**	**at the origin**
FCT Auto ABS - Compartiment 2012-1	July 12, 2012	Buyback contracts (1)	-	606,111	1,080,000
FCT Auto ABS French Loans Master	First sale on Nov. 29, 2012 (2)	Installment contracts	736,687	667,821	N/A
FCT Auto ABS DFP Master - Compartment France 2013	First sale on Apr. 09, 2013 (2)	Trade receivables	934,831	1,134,704	N/A
FCT Auto ABS - Compartiment 2013-2	June 7, 2013	Installment contracts	98,319	228,552	494,550
FCT Auto ABS2 - Compartiment 2013-A	Oct. 31, 2013	Long-term leases (3)	341,893	651,867	735,000
FCT Auto ABS3 - Compartiment 2014-1	Dec. 04, 2014	Installment contracts	402,828	410,650	430,000
FCT Auto ABS French Leases Master - Compartment 2016	July 28, 2016 (2)	Buyback contracts (1)	841,451	-	N/A
Total			**3,356,009**	**3,699,705**	

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

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

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

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

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

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

Note 9 Fair Value Adjustments to Finance Receivables Portfolios Hedged against Interest Rate Risks

(in thousand euros)	Dec. 31, 2016	Dec. 31, 2015
Fair value adjustments to		
Installment contracts	(2,377)	1,577
Leasing with a purchase option	(1,786)	1,057
Long-term leases	(1,437)	886
Total	**(5,600)**	**3,520**

Hedging effectiveness is analyzed in Note 20.2.

Note 10 Accruals and Other Assets

(in thousand euros)	Dec. 31, 2016	Dec. 31, 2015
Other receivables	**123,520**	**104,983**
- of which related companies with PSA Group	*86,413*	*68,404*
Prepaid and recoverable taxes	**38,728**	**28,276**
Accrued income	**11,459**	**7,433**
- of which related companies with PSA Group	*10,082*	*6,622*
Prepaid expenses	**3,204**	**4,691**
- of which margin calls paid on swaps (1)	*374*	*2,385*
- of which related companies with Santander Consumer Finance Group	*-*	*145*
Other	**60,535**	**17,203**
- of which related companies with PSA Group	*-*	*1*
Total	**237,446**	**162,586**

(1) At December 31, 2016, margin calls paid on swaps were offset with the negative fair value for an amount of €8.2 million, compared to €15.9 million at December, 31, 2015 (see Notes 12.2 and 13.2).

Note 11 Property and Equipment and Intangible Assets

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

(in thousand euros)	Dec. 31, 2016 Cost	Dec. 31, 2016 Depreciation/ amortization	Dec. 31, 2016 Net	Dec. 31, 2015 Cost	Dec. 31, 2015 Depreciation/ amortization	Dec. 31, 2015 Net
Property and equipment	**12,531**	**(2,908)**	**9,623**	**8,717**	**(3,386)**	**5,331**
- Land and buildings	-	-	-	-	-	-
- Vehicles	5,658	(1,510)	4,148	5,257	(1,295)	3,962
- Other	6,873	(1,398)	5,475	3,460	(2,091)	1,369
Intangible assets	**-**	**-**	**-**	**-**	**-**	**-**
Total	**12,531**	**(2,908)**	**9,623**	**8,717**	**(3,386)**	**5,331**

Changes in gross values

(in thousand euros)	Dec. 31, 2015	Additions	Disposals	Dec. 31, 2016
Property and equipment	**8,717**	**8,865**	**(5,051)**	**12,531**
- Land and buildings	-	-	-	-
- Vehicles	5,257	3,418	(3,017)	5,658
- Other	3,460	5,447	(2,034)	6,873
Intangible assets	**-**	**-**	**-**	**-**
Total	**8,717**	**8,865**	**(5,051)**	**12,531**

Changes in amortization

(in thousand euros)	Dec. 31, 2015	Charges	Reversals	Other movements	Dec. 31, 2016
Property and equipment	**(3,386)**	**(1,854)**	**2,332**	**-**	**(2,908)**
- Land and buildings	-	-	-	-	-
- Vehicles	(1,295)	(1,401)	1,186	-	(1,510)
- Other	(2,091)	(453)	1,146	-	(1,398)
Intangible assets	**-**	**-**	**-**	**-**	**-**
Total	**(3,386)**	**(1,854)**	**2,332**	**-**	**(2,908)**

Note 12 Financial Liabilities at Fair Value Through Profit or Loss

12.1 Analysis by Nature

(in thousand euros)	Dec. 31, 2016	Dec. 31, 2015
Accrued expense on trading derivatives	**81**	66
- of which related companies with Santander Consumer Finance Group	*21*	*27*
Fair value of trading derivatives	**6,538**	3,130
- of which related companies with Santander Consumer Finance Group	*1,679*	*2,316*
Offsetting negative fair value and paid margin calls	**(3,665)**	**-**
Total	**2,954**	**3,196**

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

12.2 Offsetting swaps with margin call designated as trading - Liabilities

For 2016

(in thousand euros) **Negative valued swaps**	**Liability gross amount** Swap's winning leg	Swap's losing leg	**Liability net amount before offsetting**	**Offsetting with paid margin calls**	**Balance sheet amount after offsetting**
Accrued expense	**108**	**(27)**	**81**	**-**	**81**
- Swaps with margin call	-	-	-	-	-
- Swaps without margin call	108	(27)	81	-	81
Negative fair value	**(44)**	**6,582**	**6,538**	**-**	**6,538**
- Swaps with margin call	(27)	3,692	3,665	-	3,665
- Swaps without margin call	(17)	2,890	2,873	-	2,873
Offsetting	-	-	-	(3,665)	**(3,665)**
Total liabilities	**64**	**6,555**	**6,619**	**(3,665)**	**2,954**
Margin calls paid on swaps designated as trading (prepaid expenses - see Note 10)	-	-	3,872	(3,665)	**207**
Total assets	**-**	**-**	**3,872**	**(3,665)**	**207**

Note 13 Hedging Instruments - Liabilities

13.1 Analysis by Nature

(in thousand euros)	Dec. 31, 2016	Dec. 31, 2015
Adjustment accounts - commitments in foreign currencies	**-**	**-**
Accrued expenses on swaps designated as hedges	**1,086**	**4,176**
- of which related companies with Santander Consumer Finance Group	*62*	*78*
Negative fair value of instruments designated as hedges of:	**4,312**	**13,225**
- Borrowings	-	72
- EMTNs/BMTNs	-	-
- Bonds (1)	-	4,892
- Certificates of deposit	-	-
- Customer loans (Installment contracts, Leasing with a purchase option and Long-term leases)	4,312	8,261
- of which related companies with Santander Consumer Finance Group	*597*	*415*
Offsetting negative fair value and paid margin calls (see Note 13.2)	**(4,566)**	**(15,905)**
Total	**832**	**1,496**

Fair value is determined by applying valuation techniques based on observable market data (level 2).
Fair Value Hedge effectiveness is analysed in Note 20.2.

(1) *In 2015, these swaps were related to certain securitization activities for which reverse swaps are systematically neutralized, with no impact on income (see Note 5). From 2016, these transactions have been reclassified as trading for the purpose of a homogeneous accounting treatment applied to all securitization activities over the period (see Note 12).*

13.2 Offsetting swaps with margin call designated as hedges - Liabilities

For 2016

(in thousand euros)	Liability gross amount		Liability net		Balance sheet
Negative valued swaps	Swap's winning leg	Swap's losing leg	amount before offsetting	Offsetting with paid margin calls	amount after offsetting
Accrued expense	**-**	**1,086**	**1,086**	**-**	**1,086**
- Swaps with margin call	-	1,086	1,086	-	1,086
- Swaps without margin call	-	-	-	-	-
Negative fair value	**-**	**4,312**	**4,312**	**-**	**4,312**
- Swaps with margin call	-	4,312	4,312	-	4,312
- Swaps without margin call	-	-	-	-	-
Offsetting	-	-	-	(4,566)	**(4,566)**
Total liabilities	**-**	**5,398**	**5,398**	**(4,566)**	**832**
Margin calls paid on swaps designated as hedges (prepaid expenses - see Note 10)	-	-	4,733	(4,566)	**167**
Total assets	**-**	**-**	**4,733**	**(4,566)**	**167**

For 2015

(in thousand euros)	Liability gross amount		Liability net		Balance sheet
Negative valued swaps	Swap's winning leg	Swap's losing leg	amount before offsetting	Offsetting with paid margin calls	amount after offsetting
Accrued expense	**-**	**4,176**	**4,176**	**-**	**4,176**
- Swaps with margin call	-	4,081	4,081	-	4,081
- Swaps without margin call	-	95	95	-	95
Negative fair value	**(2,799)**	**16,024**	**13,225**	**-**	**13,225**
- Swaps with margin call	(2,786)	15,076	12,290	-	12,290
- Swaps without margin call	(13)	948	935	-	935
Offsetting	-	-	-	(15,905)	**(15,905)**
Total liabilities	**(2,799)**	**20,200**	**17,401**	**(15,905)**	**1,496**
Margin calls paid on swaps designated as hedges (prepaid expenses - see Note 10)	-	-	18,290	(15,905)	**2,385**
Total assets	**-**	**-**	**18,290**	**(15,905)**	**2,385**

Note 14 Deposits from Credit Institutions

Analysis of Demand and Time Accounts

(in thousand euros)	Dec. 31, 2016	Dec. 31, 2015
Demand deposits	**137,340**	**13,808**
- Ordinary accounts in credit	4,457	13,005
- of which related companies with PSA Group	*426*	*302*
- Accounts and deposits at overnight rates	132,000	
- of which related companies with Santander Consumer Finance Group	*132,000*	*-*
- Other amounts due to credit institutions	883	803
Accrued interest	**4**	**-**
Time deposits (non-group institutions)	**4,500,260**	**4,756,721**
- Conventional bank deposits	3,550,260	4,156,721
- of which related companies with Santander Consumer Finance Group	*3,000,260*	*3,736,720*
- Deposits from the ECB (see Note 23)	950,000	600,000
Deferred items included in amortized cost of deposits from credit institutions	**(1,190)**	**(249)**
- Debt issuing costs (deferred charges)	(1,190)	(249)
Accrued interest	**1,195**	**2,470**
- of which related companies with Santander Consumer Finance Group	*1,160*	*2,347*
Total deposits from credit institutions at amortized cost (1)	**4,637,609**	**4,772,750**

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

Note 15 Due to Customers

(in thousand euros)	Dec. 31, 2016	Dec. 31, 2015
Demand accounts	**1,451,167**	**1,097,832**
- ordinary accounts in credit	209,771	177,285
- Related companies with PSA Group	111,383	87,836
- Non-group companies	98,388	89,449
- Passbook savings accounts (1)	1,212,527	879,118
- Other amounts due to Customers	28,869	41,429
- Related companies with PSA Group	-	19,550
- Non-group companies	28,869	21,879
Accrued interest	**11,803**	**-**
- of which passbook savings accounts	*11,803*	*-*
Time deposits	**355,462**	**265,171**
- Term deposit accounts (1)	338,382	227,131
- Other	17,080	38,040
- Related companies	-	-
- Non-group companies	17,080	38,040
Accrued interest	**7,689**	**6,606**
- of which time deposits	*7,616*	*6,212*
Total (2)	**1,826,121**	**1,369,609**

(1) *In April 2015, PSA Banque France acquired, from Banque PSA Finance, the passbook savings account business in France, known under the commercial name of DISTINGO.*

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

Note 16 Debt Securities

16.1 Analysis by Nature

(in thousand euros)	Dec. 31, 2016	Dec. 31, 2015
Interbank instruments and money-market securities (non-group institutions)	**517,000**	**-**
- EMTNs and BMTNs	300,000	-
- of which paper in the process of being delivered	-	-
- Certificates of deposit	217,000	-
- of which paper in the process of being delivered	-	-
Bonds	**1,450,495**	**1,542,682**
- Issued by securitization funds (see Note 16.3)	1,450,495	1,542,682
Accrued interest	**188**	**125**
- Securitization	88	125
Deferred items included in amortized cost of debt securities	**(632)**	**(1,046)**
- Debt issuing costs and premiums (deferred charges)	(632)	(1,046)
Total debt securities at amortized cost (1)	**1,967,051**	**1,541,761**

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

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

(in thousand euros)	Dec. 31, 2016 Bonds	Dec. 31, 2016 Money-market securities	Dec. 31, 2016 Other	Dec. 31, 2015 Bonds	Dec. 31, 2015 Money-market securities	Dec. 31, 2015 Other
0 to 3 months	82,158	-	-	220,237	-	-
3 to 6 months	626,733	97,000	-	188,921	-	-
6 months to 1 year	106,604	120,000	-	299,513	-	-
1 to 5 years	635,000	300,000	-	834,011	-	-
Over 5 years	-	-	-	-	-	-
Total	**1,450,495**	**517,000**	**-**	**1,542,682**	**-**	**-**

16.3 Securitization programs

Bonds (Except Accrued interest)

(in thousand euros)			Issued Bonds		
Fund	**Bonds**	**Rating (1)**	**Dec. 31, 2016**	**at Dec. 31, 2015**	**at the origin**
		Fitch/S&P			
FCT Auto ABS - Compartiment 2012-1	A Bonds	AAA/AAA	-	273,712	723,600
	B Bonds	-	-	356,400	356,400
		Fitch/Moody's			
FCT Auto ABS French Loans Master	A Bonds	AAA/Aaa	688,700	618,817	N/A
	B Bonds	-	83,400	75,000	N/A
		Fitch/Moody's			
FCT Auto ABS - Compartiment 2013-2	A Bonds	AAA/Aaa	61,448	197,875	450,000
	B Bonds	A+/A2	19,700	19,700	19,700
	C Bonds	-	24,850	24,850	24,850
		Moody's/S&P			
FCT Auto ABS DFP Master - Compartment France 2013	A Bonds	Aaa/AAA	550,000	550,000	N/A
	S Bonds	Aaa/AAA	161,800	172,900	N/A
	B Bonds	-	261,600	295,400	N/A
		DBRS/Moody's			
FCT Auto ABS2 - Compartiment 2013-A	A Bonds	AAA/Aaa	164,667	462,596	522,000
	B Bonds	A/A2	32,379	51,500	51,500
	C Bonds	-	161,500	161,500	161,500
		Fitch/DBRS			
FCT Auto ABS3 - Compartiment 2014-1	Classe A	AAA/AAA	397,300	397,300	397,300
	Classe B	A/A(high)	22,800	22,800	22,800
	Classe C	-	9,900	9,900	9,900
		Not Rated			
FCT Auto ABS French Leases Master- Compartment 2016	A Bonds	-	635,000	-	N/A
	B Bonds	-	230,000	-	N/A
Elimination of intercompany transactions (2)			(2,054,549)	(2,147,568)	
Total			**1,450,495**	**1,542,682**	

(1) *Rating obtained at closing of the transaction.*
(2) *CREDIPAR purchases subordinated securities and can also purchase senior securities, in order to use them as collateral by the ECB.*

Note 17 Fair Value Adjustments to Debt Portfolios Hedged against Interest Rate Risks

(in thousand euros)	Dec. 31, 2016	Dec. 31, 2015
Fair value adjustments to borrowings	589	(56)
Fair value adjustments to EMTNs/BMTNs	-	-
Fair value adjustment to certificates of deposit	-	-
Fair value adjustments to bonds	-	-
Total	**589**	**(56)**

Hedging effectiveness is analyzed in Note 20.2.

Note 18 Accruals and Other Liabilities

(in thousand euros)	Dec. 31, 2016	Dec. 31, 2015
Trade payables	**196,523**	**79,763**
- Related companies	168,829	50,474
- of which related companies with PSA Group	*168,829*	*50,056*
- of which related companies with Santander Consumer Finance Group	*-*	*418*
- Non-group companies	27,694	29,289
Accrued payroll and other taxes	**34,193**	**34,192**
Accrued charges	**112,110**	**105,403**
- Related companies	15,541	10,363
- of which related companies with PSA Group	*13,957*	*8,766*
- of which related companies with Santander Consumer Finance Group	*1,584*	*1,597*
- Non-group companies	96,569	95,040
Other payables	**17,002**	**14,558**
- Related companies	10,522	9,533
- of which related companies with PSA Group	*10,522*	*9,533*
- Non-group companies	6,480	5,025
Deferred income	**9,610**	**7,342**
- of which margin calls received on swaps (1)	*370*	*1,701*
- Related companies	8,449	6,437
- of which related companies with PSA Group	*8,449*	*5,117*
- of which related companies with Santander Consumer Finance Group	*-*	*1,320*
- Non-group companies	1,161	905
Other	**35,713**	**26,468**
- Non-group companies	35,713	26,468
Total	**405,151**	**267,726**

(1) At December, 31, 2016, margin calls paid on swaps were offset with the positive fair value for an amount of €2.7 millions, compared to €1 million at December, 31, 2015 (see Notes 4.2 & 5.2).

Note 19 Provisions

(in thousand euros)	Dec. 31, 2015	Charges	Reversals Utilized	Reversals Unutilized	Equity	Reclassifi-cations and other	Dec. 31, 2016
Provisions for pensions and other post-retirement benefits	7,646	731	-	-	1,791	-	10,168
Provisions for doubtful commitments:							
- Corporate dealers	3,447	226	(262)	-	-	-	3,411
- Corporate and equivalent	-	-	-	-	-	-	-
Provisions for commercial and tax disputes	1,125	232	(1,125)	-	-	-	232
Other provisions	3,718	1,156	(1,947)	-	-	-	2,927
Total	**15,936**	**2,345**	**(3,334)**	**-**	**1,791**	**-**	**16,738**

19.1 Pension Obligations

Residual commitments of the Banking Industry Pension Fund plan

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

Commitments for retirement benefits and supplementary pensions specific to the Group

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

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

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

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

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

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

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

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

19.2 Long-service awards

Long-service award commitments

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

Note 20 Derivatives

PSA Banque France Group Interest Rate Management Policy

(See the "Financial risks and market risk" section of the Management Report)

Interest rate risk:

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

Currency risk:

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

Counterparty risk:

PSA Banque France Group's exposure to counterparty risk is limited to its use of derivatives governed by standard FBF or ISDA agreements and very short term cash investments with leading counterparties. Almost all swaps are subject to contracts with weekly margin calls. Customer credit risk is discussed in Note 33.

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

20.1 PSA Banque France Group Interest Rate Position

(See the "Interest rate risk" section of the Management Report)

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

(in thousand euros)	Dec. 31, 2016	Dec 31, 2015	Fair value adjustments	Ineffective portion recognized in profit or loss
Fair value adjustments to customer loans (Installment contracts, Leasing with purchase option and Long-term leases)				
- Installment contracts	(2,377)	1,577		
- Leasing with purchase option	(1,786)	1,057		
- Long-term leases	(1,437)	886		
Total valuation, net	**(5,600)**	**3,520**	**(9,120)**	
Derivatives designated as hedges of customer loans				
- Assets (Note 5)	-	-		
- Liabilities (Note 13)	(4,312)	(8,261)		
Total valuation, net	**(4,312)**	**(8,261)**	**3,949**	**(5,171)**
Ineffective portion of gain and losses on outstanding hedging	**(9,912)**	**(4,741)**		**(5,171)**
Fair value adjustments to hedged debt				
- Valuation, net (Note 17)	(589)	56		
Total valuation, net	**(589)**	**56**	**(645)**	
Derivatives designated as hedges of debt				
- Assets (Note 5)	591	11		
- Liabilities (Note 13)	-	(72)		
Total valuation, net	**591**	**(61)**	**652**	**7**
Ineffective portion of gain and losses on outstanding hedging	**2**	**(5)**		**7**
Fair value adjustments to hedged bonds				
- Valuation, net	-	-		
Total valuation, net	**-**	**-**	**-**	
Derivatives designated as hedges of bonds (1)				
- Assets (Note 5)	-	4,892		
- Liabilities (Note 13)	-	(4,892)		
Total valuation, net	**-**	**-**	**-**	**0**
Ineffective portion of gain and losses on outstanding hedging	**0**	**0**		**0**

(1) *Symmetrical position swaps (set up by CREDIPAR and the securitization funds) designated in 2015 as hedges of the securitization funds' bond debt have been reclassified as trading for the purpose of a homogeneous accounting treatment applied to all securitization activities over the period (see Note 20.3).*

20.3 Impact in Profit and Loss of Fair Value Adjustments to Financial Assets and Liabilities at Fair Value

(in thousand euros)	Dec. 31, 2016	Dec. 31, 2015	Fair value adjustments
Financial assets at fair value (Note 4)			
- Fair value of trading derivatives	6,538	3,130	**3,408**
Total valuation, net	**6,538**	**3,130**	**3,408**
Financial liabilities at fair value (Note 12)			
- Fair value of trading derivatives	(6,538)	(3,130)	**(3,408)**
Total valuation, net	**(6,538)**	**(3,130)**	**(3,408)**
Impact in profit or loss			**0**

Note 21 Analysis by Maturity and Liquidity Risks

The Liquidity Risk Management is described in the "Security of liquidity" section of the Management Report.
The following liquidity risk presentation is based on a detailed breakdown of assets and liabilities analysed by maturity, according to maturities. As a consequence, future interest cash flows are not included in installments.
Derivative instruments designated as hedges of future contractual interest payments are not analysed by maturity.
The analysis by maturity is based on the following principles:
- Non-performing loans and accrued interest are reported in the "not broken down" column;
- Overnight loans and borrowings are reported in the "0 to 3 months" column.

Equity, which has no fixed maturity, is considered repayable beyond five years, except for dividends which are paid in the second quarter of the following annual closing. The fifth resolution adopted by the General Meeting on March 15, 2017 expects €72 millions of dividend payments.

For 2016

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

For 2015

(in thousand euros)	Not broken down	0 to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Dec. 31, 2015
Assets							
Cash, central banks, post office banks	-	98,378	-	-	-	-	**98,378**
Financial assets at fair value through profit or loss	3,188	-	-	-	-	-	**3,188**
Hedging instruments	3,969	-	-	-	-	-	**3,969**
Available-for-sale financial assets	3	132,919	-	-	-	-	**132,922**
Loans and advances to credit institutions	-	662,878	-	-	-	-	**662,878**
Customer loans and receivables	296,286	2,127,732	794,974	1,256,806	3,731,587	47,172	**8,254,557**
Fair value adjustments to finance receivables portfolios hedged against interest rate risks	3,520	-	-	-	-	-	**3,520**
Other assets	170,644	-	-	-	-	-	**170,644**
Total assets	**477,610**	**3,021,907**	**794,974**	**1,256,806**	**3,731,587**	**47,172**	**9,330,056**
Equity and liabilities							
Central banks, post office banks	-	-	-	-	-	-	**-**
Financial liabilities at fair value through profit or loss	3,196	-	-	-	-	-	**3,196**
Hedging instruments	1,496	-	-	-	-	-	**1,496**
Deposits from credit institutions	3,025	603,145	656,540	1,073,680	2,436,360	-	**4,772,750**
Due to customers	6,606	1,119,255	52,597	56,548	134,603		**1,369,609**
Debt securities	(921)	220,237	188,921	299,513	834,011		**1,541,761**
Fair value adjustments to debt portfolios hedged against interest rate risks	(56)	-	-	-	-	-	**(56)**
Other liabilities	558,506						**558,506**
Equity	-	-	150,121	-	-	932,673	**1,082,794**
Total equity and liabilities	**571,852**	**1,942,637**	**1,048,179**	**1,429,741**	**3,404,974**	**932,673**	**9,330,056**

Covenants

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

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

Furthermore, agreements include three specific acceleration clauses requiring:

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

Note 22 Fair Value of Financial Assets and Liabilities

	Fair value		Book value		Difference	
(in thousand euros)	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015
Assets						
Cash, central banks, post office banks	260,506	98,378	260,506	98,378	-	-
Financial assets at fair value through profit or loss (1)	4,251	3,188	4,251	3,188	-	-
Hedging instruments (1)	242	3,969	242	3,969	-	-
Available-for-sale financial assets (2)	3	132,922	3	132,922	-	-
Loans and advances to credit institutions (3)	472,947	662,878	472,947	662,878	-	-
Customer loans and receivables (4)	9,280,868	8,337,877	9,218,965	8,258,077	61,903	79,800
Equity and liabilities						
Central banks, post office banks	44	-	44	-	-	-
Financial liabilities at fair value through profit or loss (1)	2,954	3,196	2,954	3,196	-	-
Hedging instruments (1)	832	1,496	832	1,496	-	-
Deposits from credit institutions (5)	4,638,876	4,779,495	4,638,198	4,772,693	(678)	(6,802)
Due to customers (3)	1,826,121	1,369,609	1,826,121	1,369,609	-	-
Debt securities (5)	1,966,866	1,542,651	1,967,051	1,541,762	185	(889)

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

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

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

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

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

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

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

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

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

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

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

Note 23 Other Commitments

(in thousand euros)	Dec. 31, 2016	Dec. 31, 2015
Financing commitments		
Commitments received from credit institutions	-	-
Commitments given to credit institutions	-	-
Commitments given to customers (1)	438,006	561,686
Guarantee commitments		
Commitments received from credit institutions	18,876	48,833
- guarantees received in respect of customer loans	18,000	48,095
- guarantees received in respect of securities held	-	-
- other guarantees received from credit institutions	876	738
Guarantees given to credit institutions	115	115
- of which related companies with PSA Group	*115*	*115*
Commitments given to customers	7,532	43,048
- of which related companies with PSA Group (2)	*3,128*	*37,985*
Other commitments received		
Securities received as collateral	-	-
Other commitments given		
Assets given as collateral for proprietary transactions, mobilisable rest (3)	116,826	465,437
- to the ECB	116,826	465,437
- Other	-	-

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

(2) *Guarantee commitments granted to companies within PSA Group amount to €3.1 million at December 31, 2016 compared to €38 million at December 31,2015 due to the takeover of part of guarantee commitments granted to customers from PSA Banque France to Banque PSA Finance.*

(3) *It corresponds to the amount that remains available at the European Central Bank, bearing in mind that €1,227 million was mobilized in order to obtain €1,049 million in financing after haircut. PSA Banque France has used €950 million in financing, so it remains €116 million available, given a non-used authorized financing of €99 million after haircut (see Note 14).*

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

Note 24 Interest and Other Revenue on Assets at Amortized Cost

(in thousand euros)	Dec. 31, 2016	Dec. 31, 2015
Installment contracts	**163,757**	**175,115**
- of which related companies with PSA Group	*3,487*	*3,482*
- of which securitized	*94,588*	*103,795*
Leasing with a purchase option	**143,396**	**125,631**
- of which related companies with PSA Group	*10,930*	*2,900*
- of which securitized	*56,413*	*78,697*
Long-term leases	**164,366**	**177,151**
- of which related companies with PSA Group	-	-
- of which securitized	*37,664*	*58,195*
Trade receivables	**46,055**	**49,565**
- of which related companies with PSA Group	*34,688*	*48,697*
Other finance receivables (including equipment loans, revolving credit)	**16,199**	**24,413**
- of which related companies with PSA Group	*344*	*647*
Commissions paid to referral agents	**(127,421)**	**(115,124)**
- Installment contracts	(45,717)	(41,250)
- Leasing with a purchase option	(33,966)	(24,823)
- Long-term leases	(47,738)	(49,093)
- Other financing	-	42
- of which related companies with PSA Group	*(30,115)*	*(27,072)*
Other business acquisition costs	**(14,442)**	**(13,418)**
Interest on ordinary accounts	**-**	**-**
Interest on guarantee commitments	**71**	**303**
Total	**391,981**	**423,636**

Note 25 Interest Expense on Hedging Instruments

(in thousand euros)	**Dec. 31, 2016**	**Dec. 31, 2015**
Swaps hedging retail financing (Fair Value Hedge)	(7,443)	(12,555)
- of which related companies with PSA Group (1)	*-*	*(1,965)*
- of which related companies with Santander Consumer Finance Group	*(311)*	*(164)*
Total	**(7,443)**	**(12,555)**

(1) Intercompany transactions with PSA group are exclusively related to January 2015. Since February 2015, following the acquisition of 50% of the shares by Santander Consumer Finance, intercompany transactions with PSA Group have been reimbursed.

Note 26 Other Revenue and Expense

(in thousand euros)	**Dec. 31, 2016**	**Dec. 31, 2015**
- Fees and commissions on retail customer transactions	12,955	11,739
- Fees and commissions on other customer transactions	2,787	2,813
- Bank charges	190	90
- Provisions and gains and losses on sales of used vehicles, net	6,978	9,818
- Other	2,125	466
Other revenue	**25,035**	**24,926**
- Share of joint venture operations	(4,934)	(10,089)
- Other	(6,850)	(6,190)
Other expense	**(11,784)**	**(16,279)**
Other revenue and expense	**13,251**	**8,647**

Note 27 Interest and Other Revenue from Loans and Advances to Credit Institutions

(in thousand euros)	**Dec. 31, 2016**	**Dec. 31, 2015**
Interest on treasury and interbank transactions	11	5,746
- of which related companies with PSA Group (1)	*-*	*5,713*
Total	**11**	**5,746**

(1) Until January 2015, the refinancing obtained via the securitization funds (see Note 29) was systematically passed on to the parent company Banque PSA Finance. Since February 2015, following the acquisition of 50% of the shares by Santander Consumer Finance, intercompany transactions with PSA Group have been reimbursed.

Note 28 Interest on Deposits from Credit Institutions

(in thousand euros)	**Dec. 31, 2016**	**Dec. 31, 2015**
Interest on treasury and interbank transactions	(20,099)	(44,596)
- of which related companies with PSA Group (1)	*-*	*(21,508)*
- of which related companies with Santander Consumer Finance Group	*(15,650)*	*(20,718)*
Total	**(20,099)**	**(44,596)**

(1) Until January 2015, the refinancing obtained via the securitization funds (see Note 29) was systematically passed on to the parent company Banque PSA Finance (see Note 27), which re-lent it in return in the form of conventional term debt. Since February 2015, following the acquisition of 50% of the shares by Santander Consumer Finance, intercompany transactions with PSA Group have been reimbursed.

Note 29 Interest on Debt Securities

(in thousand euros)	Dec. 31, 2016	Dec. 31, 2015
Interest expense on debt securities	(244)	-
Interest expense on bonds and other fixed income securities	(8,507)	(22,131)
- of which securitization: preferred bonds (1)	(8,507)	*(22,131)*
- of which related companies with PSA Group (2)	-	*(1,637)*
Total	**(8,751)**	**(22,131)**

(1) With the exception of the effect described below in footnote (2), the decrease of interest expenses is due to both lower interest rates as well as the amortization of bonds issued by the securitization funds and not subscribed by CREDIPAR (€1,450 million at December 31, 2016, €1,543 million at December 31, 2015 and €2,439 million at December 31, 2014) (see Note 16.2).

(2) The part of the bonds issued by securitization funds that was formerly subscribed by Banque PSA Finance is subscribed by CREDIPAR since February 2015. The related cost is eliminated in the consolidation process from this date.

Note 30 Interest on Savings Accounts

(in thousand euros)	Dec. 31, 2016	Dec. 31, 2015
Interest on savings accounts (1)	(26,267)	(15,832)
- on passbook savings accounts	(19,074)	(11,620)
- on term deposits	(7,193)	(4,212)
Total	**(26,267)**	**(15,832)**

(1) Increase of passbook savings accounts and term deposits (see Note 15), on the one hand, and the takeover of Distingo activity by PSA Banque France since April 2015, on the other hand, explain the increase of interest expense over the period.

Note 31 Margin on Sales of Services

(in thousand euros)	Dec. 31, 2016	Dec. 31, 2015
Revenue on sales of services	89,842	84,310
Expense on sales of services	(2,758)	(2,852)
Total	**87,084**	**81,458**

Note 32 General Operating Expenses

(in thousand euros)	Dec. 31, 2016	Dec. 31, 2015
Personnel costs (1)	**(59,612)**	**(57,125)**
- Wages and salaries	(36,968)	(35,819)
- Payroll taxes	(17,314)	(16,405)
- Employee profit sharing and profit-related bonuses	(5,330)	(4,901)
Other general operating expenses	**(92,008)**	**(91,164)**
- of which related companies with PSA Group	*(40,276)*	*(37,521)*
- of which related companies with Santander Consumer Finance Group	*(1,176)*	*(985)*
Total	**(151,620)**	**(148,289)**

(1) Average number of employees during the year 2016 is 857.2.

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

Note 33 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.

33.1 Changes in Loans

(in thousand euros)	Balance at Dec 31, 2015	Net new loans	Cost of risk: Charges	Cost of risk: Reversals	Cost of risk: Credit losses	Cost of risk: Recoveries on loans written off in prior periods	Cost of risk for the period at Dec. 31, 2016	Balance at Dec. 31, 2016
Retail (1)								
Sound loans with no past-due installments	4,614,322	493,557	-	-	-	-	-	5,107,879
Sound loans with past-due installments	61,997	(1,068)	-	-	-	-	-	60,929
Guarantee deposits (lease financing)	(53)	-	-	-	-	-	-	(53)
Non-performing loans	193,737	27,059	-	-	(82,218)	-	(82,218)	138,578
Total	**4,870,003**	**519,548**	**-**	**-**	**(82,218)**	**-**	**(82,218)**	**5,307,333**
Impairment of sound loans	(29,367)	1	(8,769)	7,684	-	-	(1,085)	(30,451)
Impairment of sound loans with past-due installments	(10,099)	(1)	(1,536)	2,171	-	-	635	(9,465)
Impairment of non-performing loans	(156,948)	(9)	(32,055)	80,525	-	-	48,470	(108,487)
Total impairment	**(196,414)**	**(9)**	**(42,360)**	**90,380**	**-**	**-**	**48,020**	**(148,403)**
Deferred items included in amortized cost	**87,309**	**9,579**			**-**	**-**	**-**	**96,888**
Net book value (A - see B Note 8.2)	**4,760,898**	**529,118**	**(42,360)**	**90,380**	**(82,218)**	**-**	**(34,198)**	**5,255,818**
Recoveries on loans written off in prior periods						17,020	17,020	
Impairment of doubtful commitments			-	-	-	-	-	
Retail cost of risk			**(42,360)**	**90,380**	**(82,218)**	**17,020**	**(17,178)**	
Corporate dealers								
Sound loans with no past-due installments	2,433,336	547,437	-	-	-	-	-	2,980,773
Guarantee deposits	-	-	-	-	-	-	-	-
Non-performing loans	50,205	16,596	-	-	(1,095)		(1,095)	65,706
Total	**2,483,541**	**564,033**	**-**	**-**	**(1,095)**	**-**	**(1,095)**	**3,046,479**
Impairment of sound loans with no past-due installments	(2,886)	(19)	(1,475)	216	-	-	(1,259)	(4,164)
Impairment of non-performing loans	(20,131)	(378)	(2,442)	2,104	-	-	(338)	(20,847)
Total impairment	**(23,017)**	**(397)**	**(3,917)**	**2,320**	**-**	**-**	**(1,597)**	**(25,011)**
Deferred items included in amortized cost	**-**	**(4,969)**	**-**	**-**	**-**	**-**	**-**	**(4,969)**
Net book value (B - see A Note 8.2)	**2,460,524**	**558,667**	**(3,917)**	**2,320**	**(1,095)**	**-**	**(2,692)**	**3,016,499**
Recoveries on loans written off in prior periods		-	-	-	-	507	507	
Impairment of doubtful commitments			(318)	354	-	-	36	
Corporate dealers cost of risk			**(4,235)**	**2,674**	**(1,095)**	**507**	**(2,149)**	
Corporate and equivalent								
Sound loans with no past-due installments	993,219	(79,754)	-	-	-	-	-	913,465
Guarantee deposits	-	-	-	-	-	-	-	-
Non-performing loans	7,281	(1,909)	-	-	(242)	-	(242)	5,130
Total	**1,000,500**	**(81,663)**	**-**	**-**	**(242)**	**-**	**(242)**	**918,595**
Impairment of sound loans with no past-due installments	(1,691)	2	(29)	174	-	-	145	(1,544)
Impairment of non-performing loans	(2,310)	(81)	(1,315)	281	-	-	(1,034)	(3,425)
Total impairment	**(4,001)**	**(79)**	**(1,344)**	**455**	**-**	**-**	**(889)**	**(4,969)**
Deferred items included in amortized cost	**36,636**	**1,986**	**-**	**-**	**-**	**-**	**-**	**38,622**
Net book value (C - see C Note 8.2)	**1,033,135**	**(79,756)**	**(1,344)**	**455**	**(242)**	**-**	**(1,131)**	**952,248**
Recoveries on loans written off in prior periods			-	-	-	2	2	
Impairment of doubtful commitments			-	-	-	-	-	
Corporate and equivalent cost of risk			**(1,344)**	**455**	**(242)**	**2**	**(1,129)**	
Total loans								
Sound loans with no past-due installments	8,040,877	961,240	-	-	-	-	-	9,002,117
Sound loans with past-due installments	61,997	(1,068)	-	-	-	-	-	60,929
Guarantee deposits	(53)	-	-	-	-	-	-	(53)
Non-performing loans	251,223	41,746	-	-	(83,555)	-	(83,555)	209,414
Total	**8,354,044**	**1,001,918**	**-**	**-**	**(83,555)**	**-**	**(83,555)**	**9,272,407**
Impairment of sound loans with or without any past-due installments	(44,043)	(17)	(11,809)	10,245	-	-	(1,564)	(45,624)
Impairment of non-performing loans	(179,389)	(468)	(35,812)	82,910	-	-	47,098	(132,759)
Total impairment	**(223,432)**	**(485)**	**(47,621)**	**93,155**	**-**	**-**	**45,534**	**(178,383)**
Deferred items included in amortized cost	**123,945**	**6,596**	**-**	**-**	**-**	**-**	**-**	**130,541**
Net book value	**8,254,557**	**1,008,029**	**(47,621)**	**93,155**	**(83,555)**	**-**	**(38,021)**	**9,224,565**
Recoveries on loans written off in prior periods						17,529	17,529	
Impairment of doubtful commitments			(318)	354	-	-	36	
Total cost of risk			**(47,939)**	**93,509**	**(83,555)**	**17,529**	**(20,456)**	

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

(1) At December 31, 2016, restructured loans amount to €142 million.

33.2 Change in Cost of Risk

(in thousand euros)	Retail	Corporate dealers	Corporate and equivalent	Dec. 31, 2016	Dec. 31, 2015
Sound loans with or without any past-due installments (1)					
Charges (2)	(10,305)	(1,475)	(29)	(11,809)	(37,914)
Reversals	9,855	216	174	10,245	9,447
Non-performing loans					
Charges	(32,055)	(2,442)	(1,315)	(35,812)	(28,128)
Reversals	80,525	2,104	281	82,910	35,943
Doubtful commitments					
Charges	-	(318)	-	(318)	(152)
Reversals	-	354	-	354	716
Credit losses	(82,218)	(1,095)	(242)	(83,555)	(44,938)
Recoveries on loans written off in prior periods	17,020	507	2	17,529	3,796
Cost of risk	**(17,178)**	**(2,149)**	**(1,129)**	**(20,456)**	**(61,230)**

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

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

(2) *For the Retail business, a depreciation of outstanding sound loans without past-due installments was recorded in application of the principle of losses incurred but not yet reported (see paragraph C.6.4 of Note 2). This change of estimation from 2015, related to the homogenization of the accounting methods and principles of the Santander Consumer Finance Group, which entered PSA Banque France's share capital on February 2, 2015, had an impact of -€28.7 million on the cost of risk in 2015.*

33.3 Information about Defaults with no Impairment

As regards Retail, sound loans in default are systematically impaired.
As regards Corporate, given the statistical impairment applied to Corporate sound receivables (see footnote (1) of Note 33.2) there is no receivable in default not impaired.

Note 34 Other Non-operating Items

In 2015, it corresponds to an exceptional cost invoiced by Banque PSA Finance in relation to the debt repaid early.

Note 35 Income Taxes

35.1 Evolution of Balance Sheet Items

(in thousand euros)	Balance at Dec 31, 2015	Income	Equity	Payment	Exchange difference and other	Dec. 31, 2016
Current tax						
Assets	893					933
Liabilities	(17,472)					(17,221)
Total	**(16,579)**	**(100,063)**	**-**	**100,354**	**-**	**(16,288)**
Deferred tax						
Assets	1,834					959
Liabilities	(257,372)					(251,307)
Total	**(255,538)**	**4,573**	**-**	**-**	**617**	**(250,348)**

35.2 Income taxes of fully-consolidated companies

Deferred income taxes relate to timing differences between the recognition of certain items of income and expense for consolidated financial reporting and tax purposes. These differences relate principally to the accounting treatment of leasing and long-term rental transactions, 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 PSA Banque France is subject is reduced from 38% in 2015 to 34.43% in 2016.

(in thousand euros)	Dec. 31, 2016	Dec. 31, 2015
Current tax		
Income taxes	(100,063)	(82,906)
Deferred tax		
Deferred taxes arising in the year	4,573	23,974
Unrecognized deferred tax assets and impairment losses	-	-
Total	**(95,490)**	**(58,932)**

35.3 PSA Banque France Group tax proof

(in thousand euros)	Dec. 31, 2016	Dec. 31, 2015
Pre-tax income	244,200	191,390
Permanent differences	(2,164)	(276)
Taxable Income	**242,036**	**191,114**
Theoretical tax	(83,340)	(72,624)
Theoretical rate	*34.43%*	*38.0%*
Impact of provisional surtax in France	-	11,878
Adjustment related to the previous year		1,814
Special tax contribution on dividend distributed	(4,503)	-
Reclassification of the contribution on added value of incomes taxes (CVAE) as current tax (IAS12)	(8,218)	-
Other	571	-
Income taxes	**(95,490)**	**(58,932)**
Group effective tax rate	*39.5%*	*30.8%*

35.4 Deferred Tax Assets on Tax Loss Carryforwards

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

Note 36 Segment Information

36.1 Key Balance Sheet Items

For 2016

(in thousand euros)	Financing activities Corporate dealers	End user Retail	End user Corporate and equivalent	Unallocated	Insurance and services	Total at Dec. 31, 2016
Assets						
Customers loans and receivables	3,016,499	5,255,818	952,248	-		9,224,565
Securities				892		892
Loans and advances to credit institutions			472,947	-		472,947
Other assets				507,471		507,471
Total Assets						**10,205,875**
Liabilities						
Refinancing (1)	2,660,681	4,862,437	878,754	-		8,401,872
Due to customers (1)	4,717	17,853	6,341	(2)		28,909
Other liabilities				694,836		694,836
Equity				1,080,258		1,080,258
Total Liabilities						**10,205,875**

For 2015

(in thousand euros)	Financing activities Corporate dealers	End user Retail	End user Corporate and equivalent	Unallocated	Insurance and services	Total at Dec. 31, 2015
Assets						
Customers loans and receivables	2,460,524	4,760,898	1,033,135	-		8,254,557
Securities				3,188		3,188
Loans and advances to credit institutions			662,878	-		662,878
Other assets				409,433		409,433
Total Assets						**9,330,056**
Liabilities						
Refinancing (1)	2,001,010	4,635,680	1,005,962	-		7,642,652
Due to customers (1)	22,028	14,014	5,426	-		41,468
Other liabilities				563,142		563,142
Equity				1,082,794		1,082,794
Total Liabilities						**9,330,056**

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

36.2 Key Income Statement Items

At December 31, 2016

(in thousand 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)	66,505	306,548	38,640	(11,921)	(7,443)		392,329
Net investment revenue	-	-	-	12			12
Net refinancing cost (2) (3)	(15,319)	(52,806)	(10,339)	11,108	7,443		(59,913)
Net gains or losses on trading transactions				-			-
Net gains or losses on available-for-sale financial assets				(74)			(74)
Margin on sales of other services						87,084	87,084
Net banking revenue	**51,186**	**253,742**	**28,301**	**(875)**	**-**	**87,084**	**419,438**
Cost of risk	(2,149)	(17,178)	(1,129)				(20,456)
Net income after cost of risk	**49,037**	**236,564**	**27,172**	**(875)**	**-**	**87,084**	**398,982**
General operating expenses and equivalent				(154,572)			(154,572)
Operating Income	**49,037**	**236,564**	**27,172**	**(155,447)**	**-**	**87,084**	**244,410**

At December 31, 2015

(in thousand 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)	70,773	326,096	48,749	(21,497)	(12,555)		411,566
Net investment revenue	-	-	-	(233)			(233)
Net refinancing cost (2) (3)	(24,412)	(70,541)	(16,360)	15,452	12,555		(83,306)
Net gains or losses on trading transactions				27			27
Net gains or losses on available-for-sale financial assets				(137)			(137)
Margin on sales of other services						81,458	81,458
Net banking revenue	**46,361**	**255,555**	**32,389**	**(6,388)**	**-**	**81,458**	**409,375**
Cost of risk	(7,246)	(53,525)	(459)				(61,230)
Net income after cost of risk	**39,115**	**202,030**	**31,930**	**(6,388)**	**-**	**81,458**	**348,145**
General operating expenses and equivalent				(150,151)			(150,151)
Operating Income	**39,115**	**202,030**	**31,930**	**(156,539)**	**-**	**81,458**	**197,994**

(1) *Unallocated interest revenue on customer transactions for the part corresponds to the ineffective portion of gains or losses on hedging instruments recognized in the income statement in accordance with IAS 39 for a negative €5.2 million at December 31, 2016 (compared to a negative €7 million at December 31, 2015). The other part 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 theoritical 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) *The interest differential on hedging swaps on fixed rate customer loans is reported in the income statement under "Net interest revenue from hedging instruments" in "Net interest revenue on customer transactions" and is not analyzed by segment. However the interest differential on these swaps is included by the management controllers in the net refinancing cost split by segment. This explains the €7.4 million reclassification at December 31, 2016 (€12.6 million at December 31, 2015) between "Net refinancing cost" and "Net interest revenue on customer transactions" in the "Financial derivatives instruments" column.*

Note 37 Auditors fees

(in thousand euros)	Ernst & Young Dec. 31, 2016	Ernst & Young Dec. 31, 2015	Mazars Dec. 31, 2016	Mazars Dec. 31, 2015	Pricewaterhouse Coopers Dec. 31, 2016	Pricewaterhouse Coopers Dec. 31, 2015
Audit						
- Statutory and contractual audit services						
- PSA Banque France	**66**	34	**59**	41	**-**	-
- Fully-consolidated companies	-	195	**218**	193	**261**	-
- Audit-related services						
- PSA Banque France	**24**	15	**24**	15	**-**	-
- Fully-consolidated companies	-	-	**12**	-	**12**	-
Other services provided to fully-consolidated subsidiaries						
- Legal and tax services	-	-	**-**	-	**-**	-
- Other	-	-	**-**	-	**-**	-
Total	**90**	244	**313**	249	**273**	-

Note 38 Subsequent Events

Between December 31, 2016 and the Board of Directors' meeting to review the financial statement on March 1, 2017, a first bond issuance (EMTN) has been realized in January 2017.

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

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 PSA Banque France;
- 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.

I. 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.

II. 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 matter(s):

- 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 33 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 individual and collective 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.

III. 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, March 1st, 2017

The statutory auditors
French original signed by

MAZARS	ERNST & YOUNG Audit
Anne Veaute	Luc Valverde

Statement by the person responsible for the 2016 annual report

Person responsible for the annual report

Andrea Bandinelli
Chief Executive Officer of PSA Banque France

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 an accurate image of PSA Banque France assets, financial situation and earning and of all of the companies included in the consolidation, and that the management report hereof presents a true picture of the business, the earnings, the financial situation of the company and 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.

Andrea Bandinelli
Chief Executive Officer of PSA Banque France

PSA BANQUE FRANCE

Société anonyme (limited company). Share capital: € 144,842,528
Registered office : 9, rue Henri Barbusse - 92 230 GENNEVILLIERS
R.C.S. (Trade and Companies Register number) : Nanterre 652 034 638
Siret 652 034 638 00039
APE business identifier code : 6419Z
Interbank code : 14749

www.psa-banque-france.com
Tel : + 33 (0) 1 46 39 65 55