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GROUPE

BANQUE PSA FINANCE

ANNUAL REPORT

17

BOARD OF DIRECTORS

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Chairman

Rémy Bayle
Director
Chief Executive Officer

Carlos Tavares
Director

Michel Philippin
Director
Chairman of the Audit & Risk Committee

François Pierson
Director
Member of the Audit & Risk Committee

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

AUTOMOBILES PEUGEOT
Director
Permanent Representative:
Jean-Philippe Imparato

EXECUTIVE COMMITTEE

Rémy Bayle
Director
Chief Executive Officer

Arnaud de Lamothe
Executive Managing Officer

STATUTORY AUDITORS

Ernst & Young Audit
Mazars

SUBSTITUTE AUDITORS

PICARLE et associés
Guillaume Potel

Position as of January 1, 2018

BANQUE PSA FINANCE

Société anonyme (limited company). Share capital: €199,619,936

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

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Registered with the Register of Insurance Intermediaries (ORIAS) under No. 07 008 501, which may be consulted at www.orias.fr

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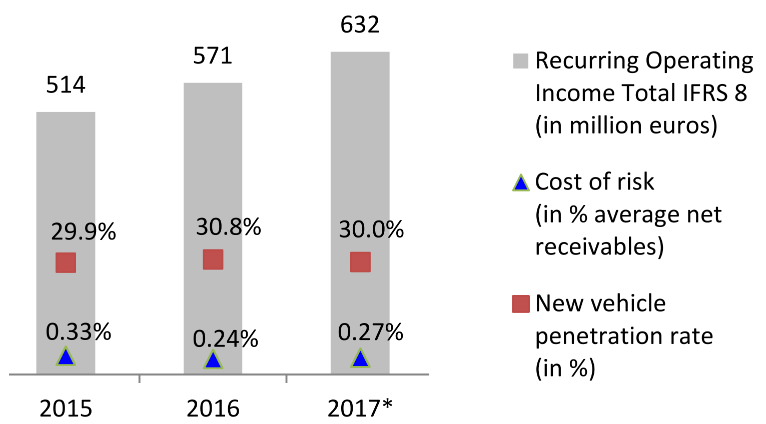
MANAGEMENT REPORT

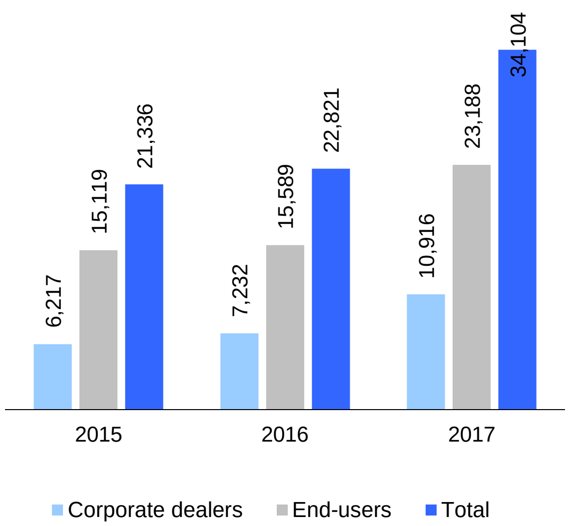
1.1 Key figures

1.1.1 Key figures Banque PSA Finance all activities

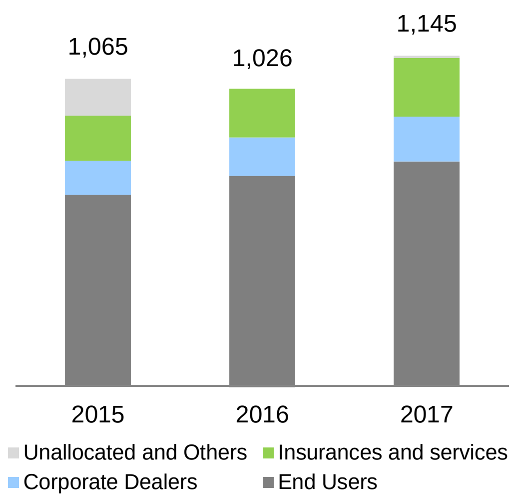
RECURRING OPERATING INCOME, TOTAL NEW VEHICLE FINANCING PENETRATION RATE AND COST OF RISK (IFRS 8(**))



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



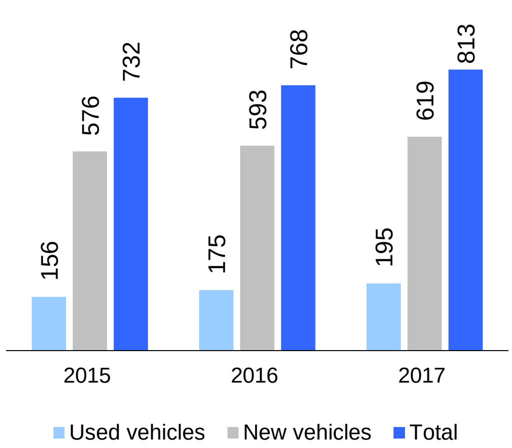
EVOLUTION OF NET BANKING REVENUE (IFRS 8(**))
(in million euros)



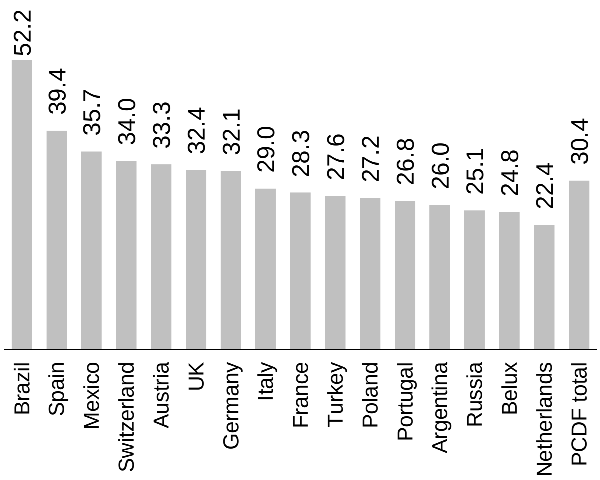
* In 2017, only 2 months of activity Opel Vauxhall Finance
** Out of China

1.1.2 Activities Peugeot Citroën DS Finance

Evolution of vehicles financed for end users *(in thousands of vehicles)*

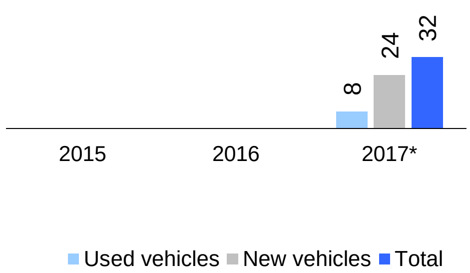


Penetration rate by country (%) at December 31, 2017
(New vehicles financed / New vehicles registered Peugeot, Citroën, DS)

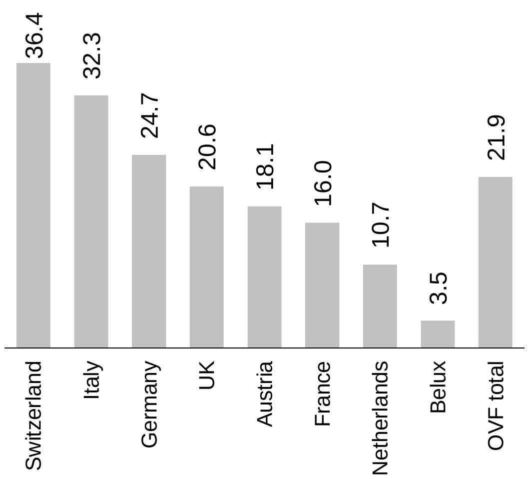


1.1.3 Activities Opel Vauxhall Finance

End user vehicles financed
(in thousands of vehicles)



Penetration rate by country (%) at December 31, 2017
(New vehicles financed / New vehicles registered Opel Vauxhall)



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

1.2 Letter from the Chief Executive Officer

In 2017, Banque PSA Finance (BPF) stepped up the transformation of its economic model. Continuing to boost its performance as a financing and mobility services provider, BPF supports the PSA Group's "Push to Pass" growth plan, offering solutions designed to meet the new needs of its customers, both current and future.

BPF posted a total recurring operating income for all activities of €632 million for the year 2017. It now has a new vehicle financing penetration rate of 30.0% and a managed cost of risk of 0.27% of average net book value.

In 2017, BPF carried out its goal of supporting brand sales by the companies in the PSA Group, with the brands Peugeot, Citroën and DS accounting for 30.4% of the market share of sales financed, a scope covering 89% of total sales(*).

In total, 813,000 new and used vehicle financing contracts were granted (scope: Peugeot, Citroën and DS), an increase of 45,000 contracts compared with 2016, accompanied by growth of +4.5% in Insurance and Services, for which more than 1.6 million contracts were set up.

This strong performance was achieved thanks to the professionalism of its teams, which managed to make the partnership with Santander Consumer Finance (SCF) a key driver of success, giving BPF the best possible positioning to showcase its product offerings and thus boost sales.

2017 was marked by a second major agreement, confirming BPF's "Cooperation" business model. The agreement concerns the joint acquisition of Opel Vauxhall's financial activities, by the PSA Group and by BNP Paribas, in the form of a single joint venture. This cooperative venture will benefit from the combined experience of BPF's captive finance and of the specialist in consumer credit, BNP Paribas Personal Finance (BNPP PF), to better serve Opel/Vauxhall's dealers and customers in Europe.

For Opel and Vauxhall, financing activities are an essential lever that contributes to the sales performance of 1,800 dealers in eight major European countries. They offer a full range for automobile financing and represent loans of around €9.2 billion at end 2017. These financing activities will bring a strong support to the "PACE!" growth plan for Opel and Vauxhall brands.

BPF is fully playing its role as a supplier of mobility services, in support of its "Push to Pass" plan, which will make the PSA Group a major global player in new mobility solutions for consumers. In this area, in late 2017, BPF created e-payment solutions thanks to an operating partnership with leading European players.

In 2018, BPF will continue to improve its sales and digital strategy by combining growth, efficiency and risk management, as well as its strategy as a provider of mobility services. BPF will assist in an agile way the expansion of PSA Group in new growing markets.

This goal will enable BPF to ensure the growth and profitability of its activities and to contribute to the success of the PSA Group's brands.

(*) scope of vehicle sales by Peugeot Citroën DS, not including vehicles produced in Iran under Peugeot license in 2017 following a final joint venture agreement signed with Iran Khodro on June 21, 2016

Rémy Bayle
Chief Executive Officer

1.3 Presentation of Banque PSA Finance and its activities

1.3.1 Definition of concepts in the Management Report

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

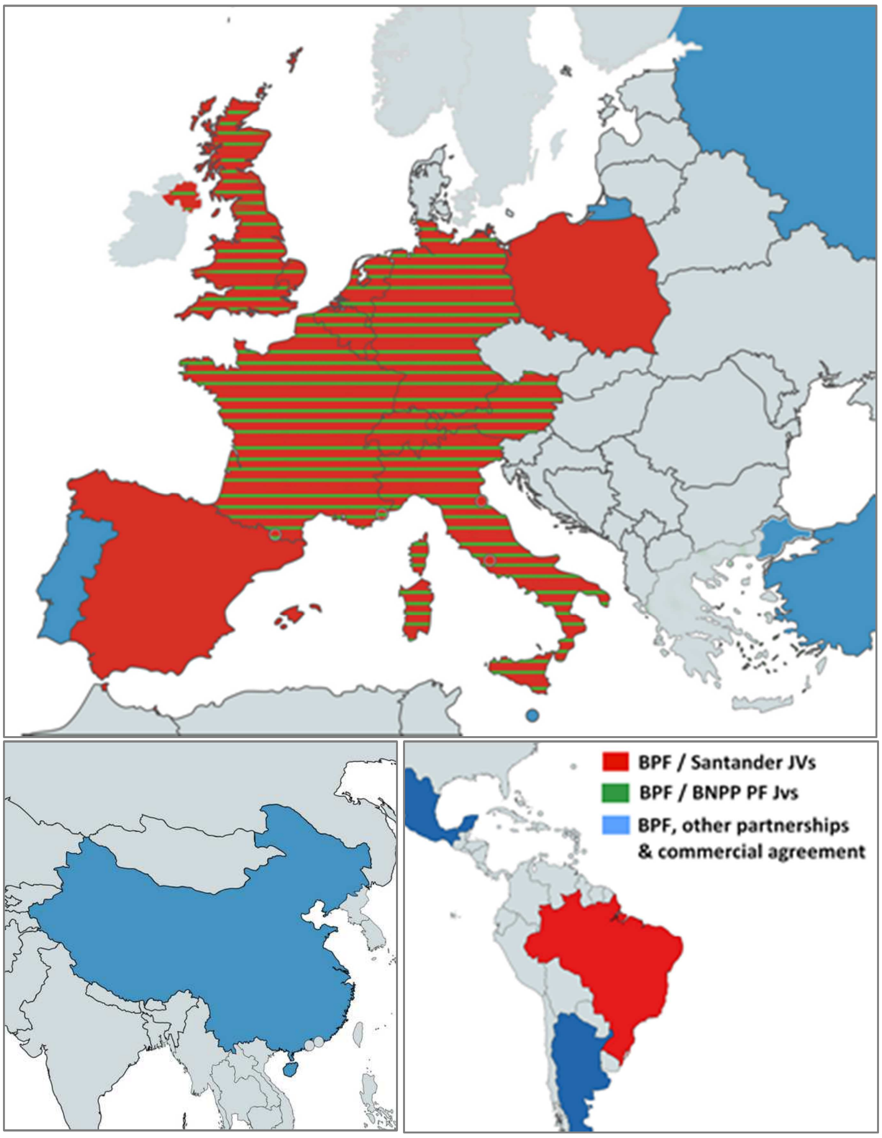
- **Consolidated** information corresponding to the financial statements of Banque PSA Finance (BPF) fully-consolidated companies, and to the financial statements of the companies in the scope of cooperation of BPF and Santander, in the scope of cooperation of BPF and BNP Paribas Personal Finance (BNPP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

Note 27 of the consolidated financial statements shows the transition between consolidated data and IFRS 8 data.

Unless otherwise specified, data in the Annual Report are presented without the activities of China.

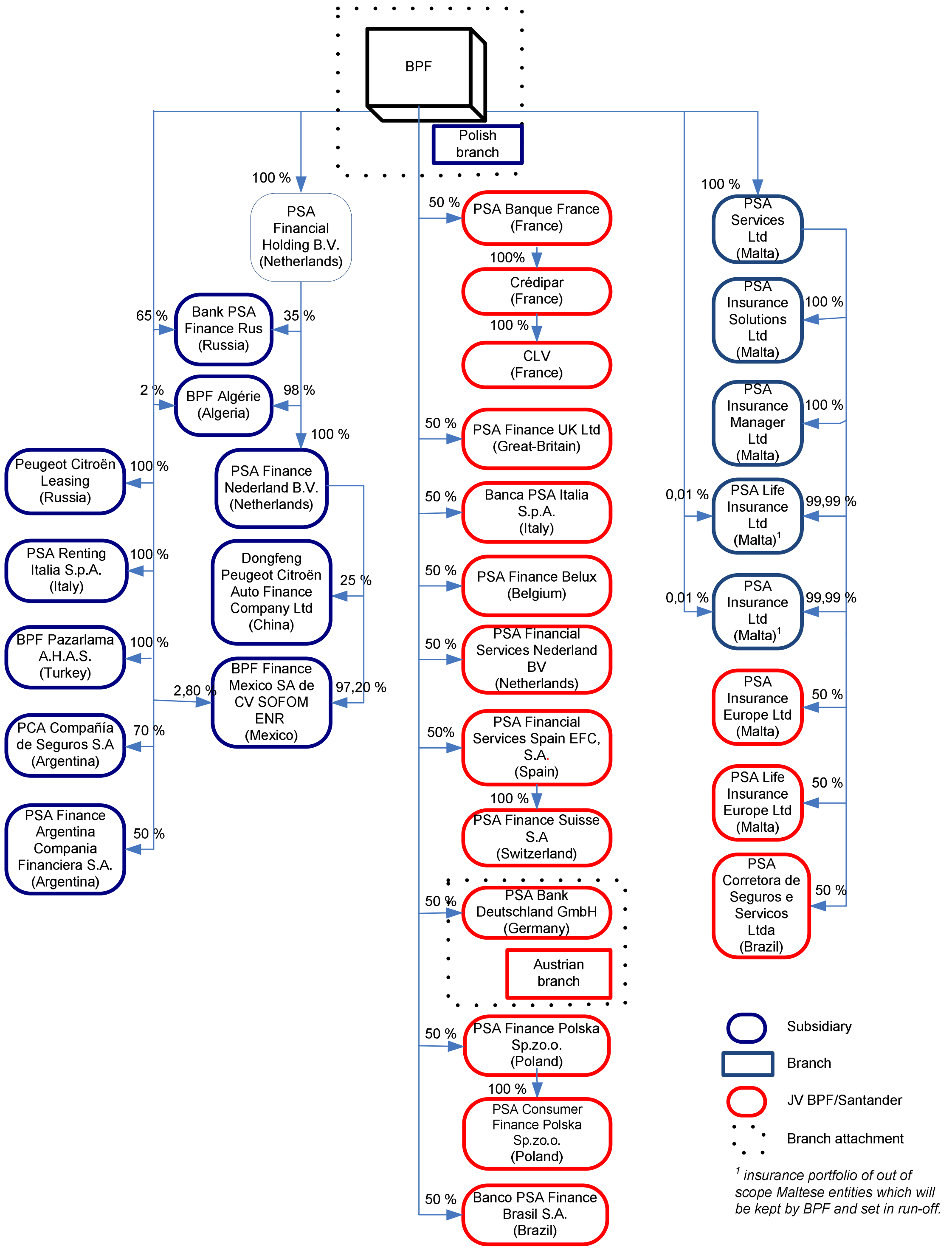
1.3.2 Organization at December 31, 2017

Geographical presence of BPF at December 31, 2017:



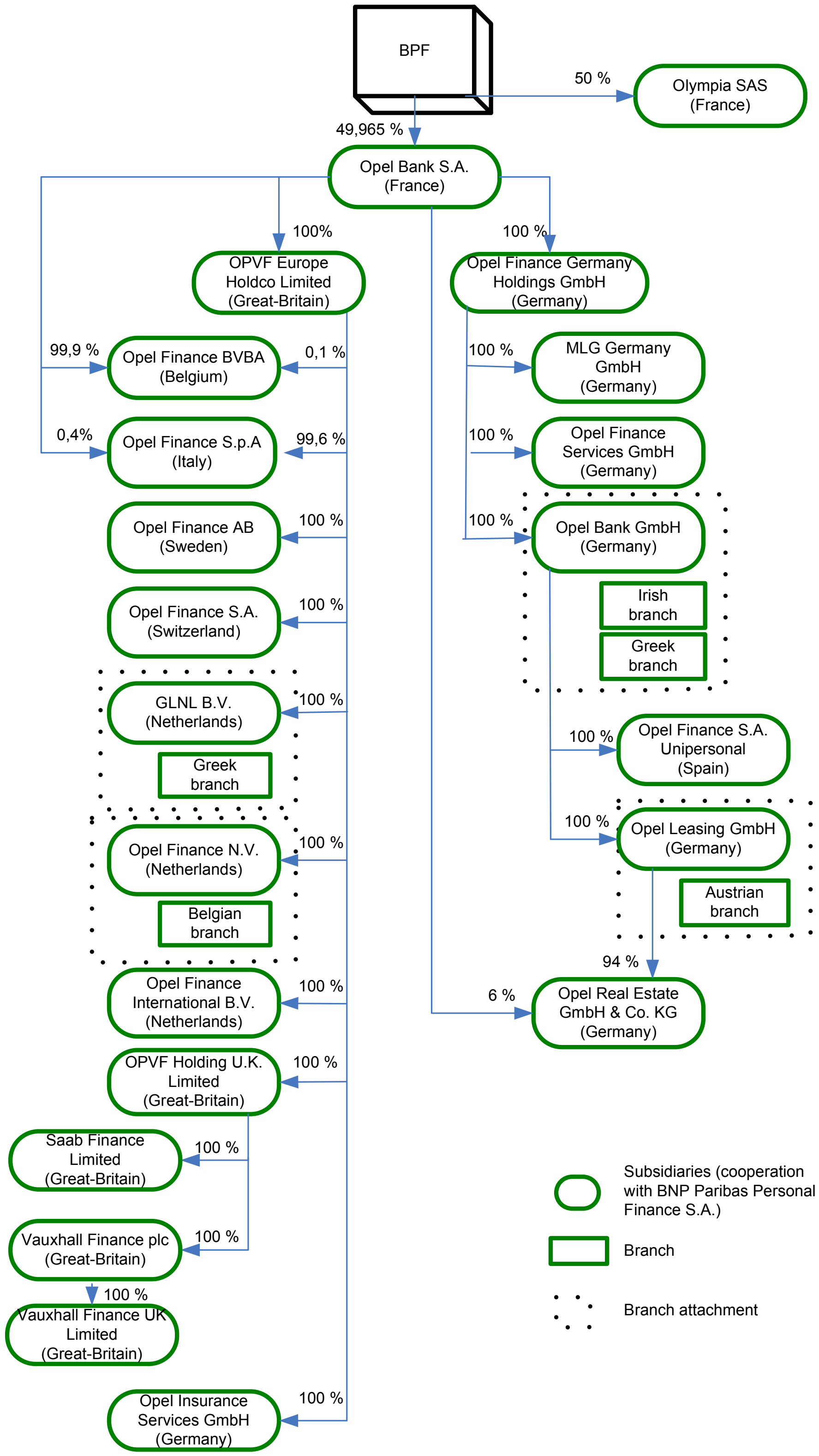
The following organizational charts only show the BPF entities with significant operations.

Organizational chart for the Peugeot Citroën DS Finance activities



[1] *insurance portfolio of out of scope Maltese entities which will be kept by BPF and set in run-off.*

Organizational chart for the Opel Vauxhall Finance activities



1.3.3 The main operational activities of Banque PSA Finance

Closely associated with the sales policies of the brands of the PSA Group, BPF, which is fully and directly controlled by companies in the PSA Group, handles the distribution of financing and service offerings in 18 countries , with partners in most of said countries, in order to promote vehicle sales by the brand networks of the PSA Group.

BPF, via its local operational entities:

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

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

In its principal markets, BPF carries out its business through joint ventures:

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

- a partnership with the Santander Consumer Finance (SCF) Group started in 2015, with10 JV in 11 European countries (Germany, Austria, Belgium / Luxembourg, Spain, France, Italy, Netherlands, Poland, United Kingdom, Switzerland), a sales agreement in Portugal, and a JV with Banco Santander Brazil in Brazil; not including financing activities, two BPF - SCF joint subsidiaries were created in Malta in May 2015 as insurance companies;

- an agreement in the form of a single Joint Venture between the PSA Group and BNP Paribas, started in November 2017, with the acquisition of the financial activities of Opel Vauxhall, which operates in 8 major countries (Germany, United Kingdom, France, Italy, Belgium, Netherlands, Switzerland and Austria).

Outside Europe, BPF also carries out its business through joint ventures:

- **in China**, through the joint company Dongfeng Peugeot Citroën Auto Finance Co. (DPCAFC) which is 25% held by BPF, 50% held by Dongfeng Peugeot Citroën Automobiles (DPCA) and 25% held by Dongfeng Motor Group. DPCAFC financial statements are consolidated using the equity accounting method in the BPF financial statements;

- **in Argentina**, BPF finances end-users via PSA Finance Argentina Compania Financiera, a joint venture in which we have a 50% stake with a BBVA Group subsidiary and for which we provide operations management. Refinancing for the loans is supplied half by the partner. In 2017, a new insurance business was started in partnership with BNP Paribas;

- in Turkey with TEB/CETELEM;

- in Mexico with BNP Paribas.

BPF also works alone:

- **in Russia**, whether it be for the banking activity or the new leasing activity that started in 2017.

1.3.4 Background

The current structure of BPF is the result, on the one hand, of the grouping of the financing activities of Citroën launched in **1919** and of those of Peugeot launched ten years later. Both automobile manufacturers included financing in their growth strategy early on, thus making the acquisition of a vehicle accessible to the largest number of buyers; and, on the other hand, and more recently, of the establishment of local banking and industrial partnerships.

In **1979**, PSA Group created Crédipar, its vehicle financing arm in France and today a major entity of BPF. PSA Finance Holding was then created in **1982** to consolidate Peugeot and Citroën's financing operations for the other European countries.

In **1995**, PSA Finance Holding became a licensed credit institution in France and was renamed "Banque PSA Finance". BPF continues to expand, particularly in Latin America.

In **2009**, BPF created PSA Insurance, bringing together the necessary expertise for the growth and proper management of the insurance and services activity.

In **2014**, BPF and the Santander Group signed a strategic agreement covering 11 European countries and Brazil, representing 98.5% of total outstanding loans per IFRS 8.

In **2017**, the Opel and Vauxhall brands joined the PSA Group, which has now become the second largest automobile manufacturer in Europe.

With the joint acquisition of the financial activities of Open Vauxhall by the PSA Group and BNP Paribas, a new organization in the form of a single joint venture was born, grouping together the existing brands Opel Bank, Opel Financial Services and Vauxhall Finance.

1.3.5 Strategy

BPF's strategy is to support the PSA Group in implementing and rolling out its "Push to Pass" and "PACE!" strategic growth plans. This strategy is broken down into several components.

A business model based on joint ventures

In 2015, BPF set up a business model based on cooperation, notably with two major joint ventures.

An initial joint venture started in 2015 with the Santander Group, in 11 European countries and Brazil. It is a structured agreement covering 98% of the bank's loans (not including China) that makes it possible to enjoy an optimal positioning of its offers in terms of competitiveness, in support of the sales activities of the Peugeot, Citroën and DS brands.

A second major agreement, signed in 2017, with the acquisition of the financial activities of Opel Vauxhall, in the form of a single joint venture between the PSA Group and the BNP Paribas group. This new cooperative venture will benefit from the combined experience of BPF's automobile captive finance and of the specialist in consumer credit, BNPP PF, to better serve Opel/Vauxhall's dealers and customers in Europe.

New financing and services solutions

To enhance its efficiency and support the growth of its business, BPF promotes products that make it possible to finance the use of a vehicle only, and, in early 2017, it began a reorganization of its long-term leasing operations for business clients under the name Free2Move Lease. Thus, BPF offers business clients financing and services solutions, a secure and controlled budget, and mobility offerings.

BPF also provides solutions in the field of insurance, offering all clients diversified insurance and service offerings with a high added value.

A mobility player and payment facilitator

BPF supports the PSA Group so that it can become a major global player in new mobility services for consumers. Solutions which for B2C as well as B2B customers include mobility solutions such as car sharing.

In late 2017 BPF created e-payment solutions based on an operational partnership with top-ranking European players. Implementing this new activity within BPF offers a unique solution in Europe to pay, simply and rapidly, for services and products.

Digital transformation

BPF is also part of the digital strategy of the Group's growth plan, the goal of which is to place customers at the heart of its activities. Online customer pathways allow all customers to conduct their own financing simulations. The "Do It Yourself" policy now lets customers handle their own after-sales service via a dedicated personal space. The E-signature on financing contracts is becoming a concrete reality in the networks. Lastly, a large number of digital tools aimed at improving customer experience and efficiency - chat, robotics, document recognition, dematerialization - have all been implemented.

New frontiers

Globally, BPF has always supported the commercial development of the PSA Group, which has thus expanded geographically, first in Europe, then in the most dynamic emerging markets. Entry into new markets is systematically carried out via a partnership with a long-established, local banking or industrial player, making it possible for BPF to rapidly become operational, while limiting its development costs. This controlled geographical expansion strategy is carried out in all the regions where the PSA Group is present, which helps the Group's brands meet the needs of all customers, wherever they are located.

This comprehensive strategy demonstrates BPF's agility in meeting the primary objective of serving the customer, the heart of the PSA Group's strategy, while achieving the goal of becoming its customers' preferred supplier of financing, services and mobility.

1.3.6 Peugeot Citroën DS financing

1.3.6.1 Peugeot Citroën DS Finance (PCDF) Products and Services

The financing solutions, insurance and services offered by BPF for vehicles of the Peugeot, Citroën and DS brands includes:

- ***End-user financing: 82% of outstanding customer loans in consolidated format and 68% per IFRS 8 as at December 31, 2017***. We offer individuals, small and medium-sized businesses, and corporate and equivalent customers a range of solutions, including financing for the purchase of new and used vehicles, various leasing solutions with or without purchase options and now a range of mobility services.

- ***Financing of the corporate dealership network: 18% of outstanding customer loans in consolidated format and 32% per IFRS 8 as at December 31, 2017***. We provide dealers of the Peugeot, Citroën and DS networks with financing solutions for inventories of new and used vehicles and spare parts, as well as other types of financing such as financing of working capital requirements.

- ***Insurance and services***. We provide end-user customers and corporate dealers with a wide range of insurance products and services, such as whole-life insurance, unemployment insurance, disability insurance, supplemental insurance to protect vehicles, automobile insurance, and vehicle-related services such as extended warranties, maintenance contracts or service provisions.

- ***Retail savings.*** The retail savings market is active in France and Germany and consists of savings passbooks and term deposit accounts. The proportion of outstanding loans, for all countries combined, is 86% for savings passbooks and 14% for term deposit accounts. The highly satisfactory results of this business in Europe confirm the relevance of the system in place. The commercial success achieved is also testament to the confidence of savers in the future development of the PSA Group and BPF. This business is fully consolidated within the scope of the SCF partnership in France and in Germany.

1.3.6.2 Geographical coverage of PCDF

End-user financing is offered in 18 countries (including China), which represents coverage of around 89% of sales of assembled vehicles (*). Our principal markets are France, China and other Western European countries (mainly the United Kingdom, Germany, Italy and Spain), Brazil and Argentina.

(*) scope of vehicle sales by Peugeot Citroën DS, not including vehicles produced in Iran under Peugeot license in 2017 following a final joint venture agreement signed with Iran Khodro on June 21, 2016

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

1.3.7 Opel Vauxhall Finance financing

Acquisition of Opel/Vauxhall automobile financing activities in partnership with BNP Paribas

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

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

On the closing date and for the acquisition of its 50% share, BPF paid a price of €489 million. This price corresponds to the provisional estimate of the transaction in accordance with the provisions of the contract. This price is below the share of the net position of the acquired company, and at December 31, 2017, the work to identify and assess the fair value of the assets and liabilities was underway.

Therefore, at December 31, 2017, the group made a temporary allocation in respect of this estimated initial consolidated first consolidation difference. It was temporarily allocated in full to different asset and liability items.

Pursuant to IFRS 3 as revised, the group has 12 months to finalize the fair value assessment and the allocation of this first consolidation difference. Therefore, this allocation may be subject to revisions until the end of October 2018.

The balance sheet at December 31, 2017 presented in Note 27 "segment information" includes this temporary allocation of the assets and liabilities identified and assessed at fair value, pursuant to IFRS 3 as revised. The 2017 income presented in Note 27 includes the income of the two months of business between the closing date of the transaction and the closing date of the financial statements.

OVF Products and Services

The Opel/Vauxhall financing activities support the commercial performance of 1,800 dealers in 8 major European countries. They offer a full range of automobile financing: car loans, leasing and service agreements, dealer financing and insurance products. They accounted for outstanding loans of around €9.2 billion at end-2017.

The 100 days plan

Opel Vauxhall Finance launches its strategic plan, 100 days after its acquisition through BNP Paribas and Groupe PSA. All initiatives are dedicated to support Opel/Vauxhall's profitable growth. The Opel Vauxhall Finance initiatives complement Opel/Vauxhall´s plan PACE!

The captive finance organisation will focus on launching new competitive automotive finance solutions across Europe as well as expanding into new customer segments and markets. OVF will improve operational efficiency and strengthen the collaboration framework with Opel/Vauxhall to increase the volume of financed/leased vehicles while at the same time raising retail margins across Europe. The aim is to finance every third Opel vehicle by 2020, a 50 percent increase compared to 2017.

In the financially attractive commercial vehicle business, OVF will offer full-service leasing for fleet customers in Germany in 2018 through Opel Bank. Other markets, e.g. UK, France, Italy and Austria, will also benefit from competitive B2B finance solutions. Opel/Vauxhall has the clear goal to increase its LCV (light commercial vehicle) sales by 25% by 2020 against 2017, and attractive finance products for commercial customers are key to accomplishing this target. Mobility packages that combine leasing, insurance and service products are additional strategic growth elements for OVF. These will help to increase customer loyalty for both the finance company and the automotive brand. While these product bundles are already available in some countries, the objective is to launch them in all OVF markets, boosting Opel and Vauxhall sales through joint marketing campaigns.

As well as broadening the product portfolio in existing markets, OVF also plans to enter new markets. One example is Spain – one of fastest growing automotive markets in Europe with more than 1,200,000 new car registrations in 2017. In the long term, Opel Vauxhall Finance plans to expand its geographical footprint to 90 percent of Opel/Vauxhall's European markets.

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

1.4 Business analysis

1.4.1 Vehicle sales for Peugeot, Citroën, DS, Opel and Vauxhall

Strong acceleration in 2017: Groupe PSA worldwide sales up 15.4%

- Groupe PSA sold 3,632,300 vehicles worldwide
- 4th consecutive year of improvement in Groupe PSA sales
- Successful SUV product offensive supporting the Group's profitable growth
- Strengthening European leadership in Light Commercial Vehicles (LCV) for PEUGEOT and CITROËN, with a 20.2% market share

The Push to Pass plan's SUV offensive accelerates and the five SUV models launched in the past 18 months have enjoyed growing success. Overall, SUV sales accounted for 23% of consolidated sales at the year-end.

PEUGEOT brand sold nearly 600,000 SUVs in 2017 worldwide and ranks 2nd in the SUV European market with a strong expansion of nearly 60%.

In autumn 2017, CITROËN kicked off its SUV offensive in China with the C5 Aircross, launched in September, and in Europe with the C3 Aircross, launched in October. Each model sold around 22,700 and 35,400 units, respectively, and will be rolled out worldwide in 2018.

At the end of February 2017, DS Automobiles debuted its first SUV, DS 7 CROSSBACK, and opened up online reservations for the La Première limited edition model. In October, the brand launched its exclusive network in parallel with order taking for all the line-up's versions. The first deliveries are set for February 2018.

In 2017, OPEL and VAUXHALL rationalized the channel mix, in line with PACE! turnaround plan and led a record-breaking product offensive in 2017, with two new SUVs, the Crossland X and Grandland X, launched in May and September with sales of 33,900 and 18,700 units, respectively.

In 2017, Groupe PSA reported its best LCV sales ever, with 476,500 units sold, up 15% on 2016. And with Passenger Car derivatives (PEUGEOT Traveler and CITROËN SpaceTourer for example) these are 658,000 units sold by the Group in 2017.

The PEUGEOT and CITROËN brands strengthened the Group's leadership status in Europe, where it holds a market share of 20.2% in LCV (1.3 point market share gain) allowing the Group to capture more than 50% of European LCV market growth thanks to the new PEUGEOT Expert and CITROËN Jumpy.

Outside Europe, the Group's LCV offensive also began to deliver results. In Eurasia, sales were up 55% before the start of local production of new PEUGEOT Expert and CITROËN

Jumpy planned in the first half of 2018. In Latin America, sales increased 13% and a full range of renewed products and a complete range of services will be offered in 2018.

Consolidated sales **in Europe** came in at 2,378,600 units, representing a year-on-year increase of nearly 450,000 vehicles (up 23.2%), of which 376,400 OPEL and VAUXHALL units since 1 August 2017.

Groupe PSA's market share increased in all of the Group's main host countries, excluding the United Kingdom. For the first time since 2010, the Group added 0.3 points to its market share (11.1%) from PEUGEOT, CITROËN and DS sales alone.

Consolidated sales in the **Middle East & Africa region** up a sharp 61.4% year on year at 618,800 units, of which 26,800 for the OPEL brand. This performance was driven by the Group's development in Iran (444,600 units sold in 2017) and higher sales in Turkey, Israel and the French overseas departments

The year also saw the production start-up and market launch of the PEUGEOT 2008 SUV in Iran, and the creation of an Iranian joint venture between CITROËN and SAIPA based at the Kashan plant. The Group continued to expand its manufacturing base, breaking ground on the Kenitra plant in Morocco, starting up local production in Kenya and Ethiopia, and signing a memorandum of understanding to set up a new plant in Oran, Algeria.

In China & Southeast Asia, in a difficult economic environment, the Group sold 387,000 vehicles in the China & Southeast Asia region. Showing the first signs of a sales recovery, the Group has seen a rise in sales since July, and a market share gain of 0.3 points in second-half 2017 compared with the first half. The SUV line-up proved to be a triumph, with the successful launch in 2017 of the PEUGEOT 4008 and 5008, and the CITROËN C5 Aircross.

Further rebound in Latin America, with sales climbing 12.2% to 206,300 units.

In Latin America, PEUGEOT sales rose 11.1% due to strong momentum in most of the region's markets.

CITROËN's sales were up 13.8% in most of the region's markets.

DS Automobiles recorded sales growth of 21.6%, led by Argentina's performance, where the brand ranks fourth in the premium automotive market thanks to the DS 3, the leading vehicle in its class for the fourth year in a row. The DS brand opened two DS Stores at the end of the year and is set to accelerate the expansion of the network in 2018. In the coming months, the brand will launch the DS 7 CROSSBACK.

India-Pacific region reports in 2017, 26,100 cars sold and 31% growth ahead of India market launch in 2020

In Japan, the Group grew by 20% and recorded its best performance in more than 20 years.

PEUGEOT contributed significantly to this growth, reporting a 37% increase in sales driven by the successful launch of the PEUGEOT 3008 and 5008.

CITROËN's sales also rose sharply (up 36%) thanks to strong demand for the new C3.

Sales up 45% **in Eurasia**, outpacing the auto market

The Group made headway in the region's major markets, including Russia (up 38%) and Ukraine (up 62%), with a total of 15,200 units sold.

1.4.2 End-user financing for Peugeot Citroën DS Finance

PENETRATION RATE BY COUNTRY (NOT INCLUDING CHINA) – PEUGEOT CITROEN DS FINANCE ACTIVITIES

	New Vehicle Financing Peugeot Citroën DS (passenger and utility vehicles)[1]		Penetration rate Activities PCDF (in %)	
Countries	**2017**	**2016**	**2017**	**2016**
France	**206,951**	**201,123**	**28.3**	**29.2**
Germany	47,939	40,515	32.1	31.3
Portugal	12,051	10,537	26.8	25.3
Spain	85,575	79,630	39.4	40.2
Switzerland	7,251	7,119	34.0	31.5
United Kingdom	67,013	81,540	32.4	34.1
Italy	62,188	54,211	29.0	29.4
Belux	23,142	20,656	24.8	23.7
Austria	7,973	6,042	33.3	28.5
Netherlands	12,783	11,902	22.4	22.8
Western Europe (excluding France)	**325,915**	**312,152**	**31.7**	**32.0**
Central and Eastern Europe	**9,686**	**12,637**	**27.2**	**27.5**
Brazil	25,623	25,514	52.2	50.8
Argentina	27,209	18,985	26.0	21.8
Mexico	3,168	2,568	35.7	32.6
Latin America	**56,000**	**47,067**	**34.5**	**32.4**
Russia	2,332	2,476	25.1	33.5
Turkey	17,538	17,333	27.6	28.3
Rest of the World	**19,870**	**19,809**	**27.3**	**28.8**
Total	**618,422**	**592,788**	**30.4**	**30.8**

[1] Passenger cars and light commercial vehicles.

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

(in number of contracts)	2017	2 016	% change
Installment contracts	529,403	500,874	+ 5.7
Leasing activity and other financing	284,024	266,974	+ 6.4
TOTAL	**813,427**	**767,848**	**+ 5.9**

(in million euros, excluding accrued interests)	2017	2 016	% change
Installment contracts	5,216	4,691	+ 11.2
Leasing activity and other financing	4,271	3,808	+ 12.2
TOTAL	**9,487**	**8,499**	**+ 11.6**

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

(in number of contracts)	2017	2 016	% change
End-user financing	**813,427**	**767,848**	**+ 5.9**
of which new vehicles	618,711	593,022	+ 4.3
of which used vehicles	194,716	174,826	+ 11.4

(in million euros)	2017	2 016	% change
End-user financing	**9,487**	**8,499**	**+ 11.6**
of which new vehicles	7,788	7,065	+ 10.2
of which used vehicles	1,699	1,434	+ 18.5

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

(in number of contracts)	2017	2 016	% change
France	289,006	275,925	+ 4.7
Europe (excluding France)	433,137	412,702	+ 5.0
Latin America	65,953	54,238	+ 21.6
Rest of the World	25,331	24,983	+ 1.4
Total	**813,427**	**767,848**	**+ 5.9**

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

Our end-user customers consist of individuals, small and medium-sized businesses and corporate and equivalent customers. The average term of new end-user financing contracts was 44 months in 2017.

Most of our financing is for new vehicles (76% of contracts). Financing is also offered for the purchase of used vehicles. In 2017, we provided end-users financing for 813,427 vehicles of which 194,716 were used vehicles.

The production of new contracts in 2017 increased (5.9%) to a total amount of €9,487 million, representing 529,403 units financed by installment loans and 284,024 units by leasing contracts. In 2017, BPF continued its strategy of setting up loyalty offers (financing + services + taking back the vehicle at the end of the contract). The volume of loyalty products (leasing techniques + balloon loans) in the G11 scope represented 54% of new vehicle contracts with individuals. A major training program was introduced to promote this type of product. In 2017, this type of offer also began to be rolled out with used vehicle customers and accounted for 24% of the G11 scope.

Marketing and Penetration rates

In 2017, BPF financed 30.4% of the sales by the PSA Group on the PCDF scope.

Market studies confirm that the automobile renewal rate in the Brand is greater when the clients finance the purchase of their vehicle through the captive finance company of the Group (BPF). This significantly positive contribution to automobile customer loyalty constitutes a strong incentive for each dealer to enhance their cooperation with the Group.

Our information management systems are integrated with those of the dealer networks, allowing them greater reactivity with regard to client negotiation and contracting processes. This capacity of “one-stop shopping” is an advantage that is particularly appreciated by customers. Thus, eligible customers can obtain a tentative decision on their credit applications.

In 2017, BPF stepped up the digitization of its applications. To complement the communications and product offerings of the Peugeot, Citroën and DS brands on their websites, BPF has continued to develop monthly-payment simulation tools and features for tentative agreements. Similarly, BPF is expanding its digital strategy and helping to develop online sales apps in the Netherlands, Belgium and Great Britain, and is also involved in the development of new models like electric vehicles.

In the context of a stable market share for PSA, BPF's penetration is down slightly (0.4 pts) compared with 2016, notably as a result of the more complicated context in Great Britain.

As regards volumes, BPF recorded an increase (+4.3%) in the number of new vehicle contracts.

In 2017, vehicle registration levels followed different trends depending on the region: the G5 (France, United Kingdom, Germany, Spain and Italy) was up +5.7%, despite a -13.4% fall in Great Britain, while the M5 (Belgium, Switzerland, Austria, Netherlands and Portugal) was up +7.1% (increase in vehicle registrations across the five countries). Latin America saw an increase of +11.84% with notable results in Argentina (+19.85%) and stable results in Brazil. In an economic context that remains difficult in Russia, PSA sales started to increase again compared with 2016.

Overall, BPF recorded an increase (+5.9%) in volumes of new vehicle/used vehicle financing. The positive trend observed in used vehicles in 2016 was confirmed with a marked increase in this business (+11.4%), i.e. 20,000 additional contracts thanks to the renewal of the sales force and better competitiveness.

Production as an amount of new financing for individuals and small and medium-sized businesses increased by +11.6% between 2016 and 2017. The amount of new vehicle financing for this segment increased by +10.2% and by +18.5% for used vehicles.

A. New Vehicle Financing

In 2017, BPF financed 618,711 new PSA vehicles, an increase of +4.3% compared with 2016.

It should be noted that these results include higher rates of growth in the second part of the year. As a comparison, the new vehicle penetration was 29.3% in the first half and 31.6% in the second half. These improved performances are tied to the success of loyalty offers and promotional campaigns introduced with the brands.

Performance by the G5 countries , which represents 76% of the production of new vehicle files, reached the high level of 30.9%, marked notably by high penetration in Spain (39.4%), and by the increase in Germany (+0.8 pt compared with 2016).

In Latin America, performances continued to improve with a penetration of 26% (+4.2 pts) in Argentina and, in a context that remains complicated in Brazil, BPF achieved a penetration of 52.2% or +1.4 pts compared with 2016.

Here is the way the various markets changed over time:

Western Europe

The number of new PSA vehicle financing contracts grew by +3.8% in 2017, representing 532,866 PSA financing contracts. The main changes in penetration being as follows:

- in France, the volumes of new vehicle financing were up by +2.9%, with 206,951 financing agreements in 2017 compared to 201,123 in 2016. Penetration reached 28.3% or -0.9 pts compared with 2016 owing to a poorer performance of the

B2B channel. As regards B2B, performances remain strong, at 43%;

- in Germany, a better performance was observed with a penetration of 32.1%, i.e. an increase of +0.9 pt compared with 2016. A new sales framework made this improvement possible;
- after a very good year in 2016, Spain sustained a strong performance with a penetration rate of 39.4% (third best performance of the BPF scope);
- in the United Kingdom, in a highly tense market down -13.4% compared with last year, penetration was maintained at a high level, i.e. 32.4%;
- in Italy, where the number of vehicle registrations was up sharply for PSA (+16.4%), the penetration rate remained high, reaching 29%;
- in Belgium and Luxembourg, in a growing automobile market characterized by very competitive financing products from banks in particular, penetration was 24.8%, +1.1 pts against 2016.

Central and Eastern Europe

In Poland, BPF recorded a penetration rate that was up +2.6 pts to 27.2%.

Latin America

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

In Argentina, BPF operates through a partnership with BBVA: PSA Finance Argentina (see "1.3.3 The main operational activities of BPF" for more information on this agreement). In Argentina, PSA recorded an increase in new vehicle registrations: +19.9% compared with 2016. In this context, financing performance was up sharply, with penetration reaching 26% or +4.2 pts compared with 2016, an all-time high.

In Brazil, BPF's subsidiary achieved a record penetration rate of 52.2% (50.8% in 2016), the highest performance in the BPF scope, owing to the success of promotional operations. These results make it possible to increase the volume of new vehicle contracts, it being noted that registrations by the PSA Group are stable.

In Mexico, penetration reached 35.7%, an increase of +3.1%. Peugeot sales grew by +12.8% and the volume of new vehicle financing agreements was up +23.4%.

Rest of World

In Russia, the market saw its first increase in four years and sales by PSA increased by +25.9% to 9,308 vehicles. In this context, the penetration rate fell to 25.1% owing to a government program of assistance in the acquisition of a less favorable vehicle and a market more focused on B2B, where the risk is high.

As regards other countries, in 2017, a slight decline in performance should be noted in Turkey which fell to 27.6% (-0.7 pts). The loans outstanding are booked by the partner, while BPF receives a marketing commission.

B. Used Vehicle Financing

Volumes of used vehicle financing agreements rose sharply (+11.4%) compared with 2016, confirming the positive trend observed since the start of the year. The BPF used vehicle financing business is concentrated in five countries: France, Germany, United Kingdom, Spain and Italy, which account for 84% of total BPF production.

This increase is backed by improved performances in France (+9.7%), in Great Britain (+8.7%), in Italy (+25.5%), in Spain (+36.8%), in Argentina (+37.5%), in Brazil (+40.8%) and in Turkey (+82.7%) with the success of the action plans (new products, growth of business with retail Groups).

The implementation of action plans based on operations with the brands, the launch of new products (loyalty offers in France and Great Britain), the growth of business with Groups, or the redefinition of wage and salary policies led to a significant volume increase.

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

1.4.3 Corporate dealer loans for PCDF

Production of new financing for corporate dealer clients

	2017	2 016	% change
Number of vehicles	**1,688,578**	**1,651,755**	**+ 2.2**
Amount (in million euros)	**38,327**	**36,286**	**+ 5.6**
of which vehicles	35,699	33,137	+ 7.7
of which spare parts and other	2,628	3,149	- 16.6

BPF is a strategic partner of the Brands' distribution networks. While ensuring risk control independently, BPF offers inventory financing solutions (new vehicles, used vehicles and spare parts), short-term cash needs financing, and even medium and long-term investments allowing business to be sustained long-term.

In 2017, 1,688,578 vehicles were financed in dealerships, representing a slight increase (+2.2%) over 2016, stemming from the increased sales performance by the distribution networks. The amount of new financing granted to the Brands' dealers rose by +5.6%.

The vehicle financing portion rose owing to a volume effect and the upgrade of the vehicle catalog. The decline in the spare parts and other portion may be explained by the review of the distribution policy for this activity, a greater concentration of players, and optimized logistic flows leading to optimized inventories.

1.4.4 Insurance and Services for PCDF

New insurance and service contracts

(in number of contracts)	2017	2 016	% change
Financial services	697,843	666,728	+ 4.7
Car insurance	255,277	248,023	+ 2.9
Vehicle-related services	672,241	640,602	+ 4.9
Total	**1,625,361**	**1,555,353**	**+ 4.5**

Penetration rate on financing

(In %)	2017	2 016	Pts change
Financial services	84.4	84.9	- 0.5
Car insurance	30.9	31.6	- 0.7
Vehicle-related services	81.3	81.5	- 0.2
Total	**196.6**	**198.0**	**- 1.4**

Over the years the product range offered has expended to offer insurance products and services with various insurance partners as well as the PSA Brands. This has led to Insurance and Services being a major contribution to the Group's Production Margin income where it has increased by +26.3% over the same period last year. The insurance business unit is therefore:

- The hub where all the insurance expertise is gathered;
- The hub where all best practices linked with insurance and services sales are gathered and known;
- The insurers for all products known as MAKE Insurance Products via the four insurance companies under the Freedom of Services principle;
- Entrusted to ensure that the product development process is adhered to however also reducing the Route to Market regardless whether BUY or MAKE Products;
- The Watchdog on product performance which leads to aiding the country in identifying the cause of the problem.

To date, the countries in which the insurance business unit provides insurance products are France, Great-Britain, Spain, Portugal, Italy, Germany, Austria, Belgium and Poland. Consultancy services are offered to all these countries as well as Netherlands, Switzerland, Turkey, Russia, Ukraine, China, Argentina, Brazil and Mexico.

As a result of this organizational structure, BPF and the brands offer our end-user customers a whole range of individual and vehicle-related insurance products and other services, which may or may not be packaged together with our financing solutions. By providing a “one-stop shopping” we believe that financing products and services are more attractive to customers and also cover our customers and protect their vehicles in the most comprehensive and competitive manner. For example, the Just Add Fuel and SImplyDrive packaged offers provided in Great-Britain by Peugeot and Citroën include all the insurance and services a client would need when obtaining a new car including Car Insurance and Credit Protection. In addition, offers provided are tailored made for the market needs such as Flat Rate insurance Car Insurance in Switzerland. Car Insurance is thus available within all markets registering a 12.3% penetration on vehicles sold.

Other strategic projects being worked on include Usage Based Insurance for Car Insurance and a new online sales channel. In addition, the products that are developed and monitored by the insurance business unit may be sold both connected with the finance product as well as standalone when finance is not taken.

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

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

Despite a decrease of penetration of -1,4pts compared to 2016, mainly due to France, Germany, Austria and Poland, the volumes of contracts has increased by +4,5%.

In addition, with a global penetration rate of 196.6%, on average BPF sold just under two insurance and/or service contracts per financed customer. Concerted efforts have been made to expand such business leading to almost doubling in performance since 2002 from 1.1 to 1.96 in 2017.

1.4.5 Retail savings market for PCDF

SAVINGS BUSINESS

	IFRS8		
	Dec. 31, 2017	**Dec. 31, 2016**	**% change**
Outstanding (in million euros)	**3,134**	**2,720**	+ 15.2
Of which France	1,897	1,570	+ 20.8
Of which Germany	1,237	1,150	+ 7.5

	2017	**2 016**	**% change**
Number of active contracts	109,436	105,635	+ 3.6
Average outstanding by contract (in K €)	29	26	+ 12.0

The retail savings market allows BPF to diversify its sources of financing by offering individual savers who are tax residents of the country attractive product pricing for passbook saving accounts and term deposit accounts.

Total loans outstanding from the savings business, in line with European levels, were up +15.2% compared with end-2016. This increase was mainly driven by France, with an increase of +20.8% with loans outstanding (IFRS 8) at December 31, 2017 of €1,897 million (of which €314 million in term deposit accounts in 2017), compared with a total of €1,570 million at December 31, 2016. Deposits from the savings business in Germany were up 7.5% this year and now amount to €1,237 million (compared with €1,150 million at December31, 2016). Overall, in both countries, the inventory of accounts opened was up +3.6% compared with 2016, while average loans outstanding per contract rose even more: +12% compared with 2016.

At December 31, 2017, total loans (IFRS 8) amounted to €3,134 million, up +€414 million compared with 2016.

The online savings business "PSA Banque", transferred from BPF to the French joint venture PSA Banque France in April 2015, was marked by strong growth in 2016 and 2017. This result is partly due to PSA Banque's ability to grow customer loyalty (owing in particular to the success of the term deposit account and customer loyalty products) and partly to its ability to attract new customers.

As for Germany, the "PSA Direktbank" deposit activity transferred from BPF to the German joint venture PSA BANK Deutschland in July 2016, saw its loans increase in 2017.

The outlook for 2018 is based on a solid foundation in both countries where the savings business exists, a foundation calling for innovative marketing techniques and an in situ organization, which is both efficient and effective.

1.4.6 The financing business in China

FINANCING IN CHINA

	2017	2 016	% change
New vehicle penetration rate *(in %)*[1]	40.7	27.2	+ 13.5
End-user loans *(including leases)*			
Number of vehicles financed (new and used)	182,449	169,039	+ 7.9
Amount of financing *(in million euros, excluding interests)*	1,802	1,479	+ 21.8
Corporate dealer loans			
Number of vehicles financed	244,463	389,983	- 37.3
Amount of financing *(in million euros, including spare parts)*	4,206	5,650	- 25.6

Outstanding loans *(in million euros)*	Dec. 31, 2017	Dec. 31, 2016	% change
End-user loans *(including leases)*	1,935	1,538	+ 25.9
Corporate dealers loans	473	682	- 30.6
Total loans	**2,408**	**2,220**	**+ 8.5**

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

BPF via DPCAFC (DPCA's captive finance company) continued its transformation through its mission as a supplier of mobility services in China to better meet the needs of the Peugeot, Citroën and DS brands, and of the networks and customers. This transformation is part of a new product offensive by the brands in the very buoyant SUV segment in China (end-2016: 4008, June 2017: 5008, September 2017: C5 Aircross).

Total loans by DPCAFC amounted to €2,408 million at December 31, 2017 versus €2,220 at end-2016, i.e. an increase of +8.5% of which -6.2 points in relation to the foreign exchange and +14.7 points in relation to the volume and mix effect. End-user loans were up +25.9% through the effect of the sharp increase of the end-user new-vehicle penetration, while the slowdown in brand invoicing impacted corporate dealer loans to a lesser degree.

End-user new vehicle penetration attained a record level in 2017, amounting to 40.7%, or +13.5 pts compared to 2016, thereby bearing witness to Chinese customers' increasing reliance on automobile loans and the appeal of the financing campaigns organized with DPCA. This performance was achieved, notably, by proposing new and innovative loyalty products such as balloon loans with the option to buy or renew (8.4% of production in 2017), which enhanced the growth of new partnerships and online distribution channels for both new and used vehicles. DPCAFC also supported the growth of the used vehicle market in China with more than 7,000 used vehicle financing agreements in 2017.

BPF in China has also been active through the DS brand since the end of 2015 under the tripartite sales agreement between PSA Wuhan Management (initially PSA Shanghai Management), CAPSA and Chang'An Auto Finance Co. (initially China South Group Finance). Penetration of end-user new vehicles resulting from this agreement reached 23.5% in 2017, or +2.7 pts compared with 2016.

The cooperation agreement signed at the end of 2016 between DPCAFC and CAPSA/DS covering the corporate dealer and end-user financing and services of the DS brand supplements this system.

1.4.7 Financing for Opel Vauxhall Finance

1.4.7.1 End-user financing for OVF

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

End users are mainly individuals and small to medium-sized companies. Receivables from individual customers and small and medium-sized companies account for most of the end user loans. The average term of new end-user financing contracts was 45 months in 2017.

Most of our financing is for new vehicles (76% of contracts). Financing is also offered for the purchase of used vehicles.

Financing penetration for new Opel & Vauxhall vehicles in November and December 2017 amounted to 21.9%.

Most of the production consisted of installment contracts amounting to 72% of the total amount of financing, versus 28% in leasing.

65% of the contracts distributed in Europe originated in Germany and Great Britain.

1.4.7.2 Corporate dealer loans for OVF

OVF offers financing solutions for vehicles (new, demonstration, used vehicles) to dealers of the Opel and Vauxhall networks.

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

1.4.7.3 Insurance and Services for OVF

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

The objective is to give the OVF customer the best protection against all risks related to himself or his Opel/Vauxhall car. This helps the customer to ensure the usage of his Opel/Vauxhall car under all circumstances.

1.4.7.4 Retail savings market for OVF

To diversify its funding strategy, Opel Bank GmbH is offering deposit accounts through a fully online platform to consumers in Germany. The bank is offering overnight deposits and term deposits (1, 2, 3 years). Total deposit volume as per year end 2017 is €1,762 million.

1.4.8 Other information

1.4.8.1 Employees

At December 31, 2017, the number of employees of BPF subsidiaries and branches on a full time equivalent basis was 146.

For the other employees of BPF, a wholly-owned subsidiary of the PSA Group, employees are managed through the Group's Human Resources policy, the details of which are provided in the PSA Group's 2017 Registration Document.

The 2,044 employees of the joint ventures created under the BPF/Santander partnership who began their activities between 2015 and 2016 are not recognized in the number of BPF employees and are subject to a joint BPF/Santander HR governance.

In 2017, the year was marked by the implementation of a new partnership with BNPP PF as part of the acquisition of Opel Vauxhall Finance. This new scope includes 1,155 employees at December 31, 2017 and is also subject to a joint BPF / BNPP PF HR governance.

1.4.8.2 Real estate holdings

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

1.4.8.3 Legal proceedings and investigations

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

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

It should be noted that in March 2014 the Swiss Competition Commission opened an inquiry into various captive finance companies, including PSA Finance Suisse S.A., concerning any possible exchanges of information about interest rates, contractual terms and commissions paid to dealers. The investigation should conclude with a decision during 2018.

In Italy, in July 2015, the Italian competition authority opened an investigation against various long-term leasing firms, including PSA Renting Italia SpA, which received a notification in December 2015. This investigation, which targeted possible exchanges of statistical information in the framework of the Italian association of long-term leasing firms (of which PSA Renting Italia SpA has not been a member since the end of 2013), was finally abandoned on March 30, 2017.

Furthermore, as part of a new investigation conducted in May 2017, this time in respect of different captive finance companies, including the company Banca PSA Italia S.p.A. (JV between BPF and SCF), targeting any possible exchanges of sensitive information between those captive finance companies, notably through professional associations, the Italian competition authority expanded this inquiry in October 2017 to BPF as the parent company of Banca PSA Italia S.p.A.

1.4.9 Outlook

BPF will continue to underline its operational excellence as the PSA Group's "Captive Finance Institution", and thus contribute actively to fulfilling the PSA Group's growth plans PUSH TO PASS and PACE!. The objective is, on the one hand, to continue to actively support the sales of PSA Group’s brands with innovative and competitive financing and services offers and, on the other, to continue its transformation by marketing new mobility services offers meeting changing market and more and more digitalized needs.

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

1.5 Analysis of financial results

CONSOLIDATED STATEMENT OF INCOME

(in million euros)	*Consolidated*[1]			*IFRS 8*[(1) (2)]		
	2017	**2016**	**% change**	**2017**	**2016**	**% change**
Net banking revenue	46	41	+ 12.2	1,145	1,026	+ 11.6
General operating expenses and equivalent[3]	-28	-35	- 20.0	-449	-403	+ 11.4
Cost of risk	-5	-5	+ 0.0	-64	-52	+ 23.1
Recurring Operating income	**13**	**1**		**632**	**571**	**+ 10.7**
Share in net income of associates and joint ventures accounted for using the equity method[4]	226	195	+ 15.9	17	15	+ 13.3
Other Non operating income[5]	4	-12	- 133.3	-7	-12	- 41.7
Pre-tax net income	**243**	**184**	**+ 32.1**	**642**	**574**	**+ 11.8**
Income taxes	-10	-13	- 23.1	-205	-206	- 0.5
Net income from continuing operations	**233**	**171**	**+ 36.3**	**437**	**368**	**+ 18.8**
Net income from operations to be taken over by partnership or held for sale		**31**	**- 100.0**	0	0	
Net income	**233**	**202**	**+ 15.3**	**437**	**368**	**+ 18.8**

1 - The items on the income statement transitioning from IFRS 8 to Consolidated format can be found in note 27.2 of the consolidated financial statements. P&L data as of December, 31st 2017, are consolidated financial results in consolidated format.

2 - In 2017, only 2 months of activity for Opel Vauxhall Finance

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

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

5 - Including costs of the non-transferred liabilities of operations to be taken over by partnership in consolidated format as of December, 31st 2017.

1.5.1 Net banking revenue

NET BANKING REVENUE BY PORTFOLIO

(in million euros)	*Consolidated*			*IFRS 8*[2]		
	2017	**2016**	**% change**	**2017**	**2016**	**% change**
End-users	15	17	- 11.8	779	729	+ 6.9
Corporate dealers	2	2	+ 0.0	155	133	+ 16.5
Insurances and Services (including net refinancing costs)	35	38	- 7.9	203	169	+ 20.1
Unallocated and other[1]	-6	-16	- 62.5	8	-5	- 260.0
Total	**46**	**41**	**+ 12.2**	**1,145**	**1,026**	**+ 11.6**

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

2 - In 2017, only 2 months of activity for Opel Vauxhall Finance

Net banking revenue in consolidated format stood at €46 million at December 31, 2017.

Net banking revenue per IFRS 8 increased by +11.6% to €1,145 million at December 31, 2017, compared to €1,026 million at December 31, 2016. It includes 2 months of OVF business in 2017 for €66 million. Net banking revenue is derived primarily from net interest income on customer loans and leases. Insurance and other services offered to customers of the Group's brands also contributed significantly to net banking revenue over the period. This increase mainly relates to a +€50 million rise in end-user net banking revenue following a rise in loans, as well as to an increase of +€34 million in Insurance and Services products.

1.5.2 General Operating Expenses

In 2017, general operating expenses and equivalent amounted to €28 million in consolidated format.

Per IFRS 8, general operating expenses rose to €449 million in 2017 compared with €403 million in 2016. They remain under control in the context of a growing business and the acquisition of Opel Vauxhall financial activities.

1.5.3 Cost of risk

Cost of risk in consolidated format amounted to €5 million in 2017.

The cost of risk stood at €64 million per IFRS 8, or 0.27% of average net outstanding loans, compared to €52 million in 2016, or 0.24% of average net outstanding loans. This figure includes two months of OVF business.

The cost of risk for retail exposure (individuals and small and medium businesses) stood at €60 million in 2017 per IFRS 8 (0.37% of average net outstanding retail loans). This figure includes a provision for the risk of prepayments carried out in England. The extremely low cost of this risk underscores the limited risk attached to the Group's Retail loan portfolio. 2017 was the first full year of operations of all the joint ventures created with Santander Consumer Finance. The Group's modernization work, initiated in 2015 and which has led to a greater automation of loan approval tools, began to bear fruit against a backdrop of an increase in outstanding loans in a number of countries.

The cost of risk attached to the Corporate Dealers and the Corporate and Equivalent per IFRS 8 came to €4 million (0.05% of average net outstanding Corporate loans).

1.5.4 Recurring Operating Income

Recurring Operating income in consolidated format amounted to €13 million in 2017.

Recurring Operating income per IFRS 8 came to €632 million, up +10.7% compared to €571 million in 2016. This increase mainly stemmed from a growth in business, from a cost of risk that remained particularly low over the fiscal year and from tight management of operating costs. It includes two months of OVF business in 2017 for €22 million.

1.5.5 Consolidated Net Income

Consolidated net income in consolidated format amounted to €233 million, up +15.3%.

1.6 Financial position

1.6.1 Balance sheet

The balance sheet presented below includes a temporary allocation of the first consolidation difference of the assets and liabilities and notably customer loans and receivables, linked to the acquisition of the financial activities of Opel and Vauxhall (see Note 1.A Main events of the period, and Note 27.1 Segment information).

CONSOLIDATED BALANCE SHEET

(in million euros)	*Consolidated*[1]			*IFRS 8*[(1) (2)]		
Assets	**Dec. 31, 2017**	**Dec. 31, 2016**	**% change**	**Dec. 31, 2017**	**Dec. 31, 2016**	**% change**
Financial assets at fair value through profit or loss	165	389	- 57.6	164	361	- 54.6
Available-for-sale financial assets	2	5	- 60.0	77	87	- 11.5
Loans and advances to credit institutions	294	223	+ 31.8	2,049	1,311	+ 56.3
Customer loans and receivables	331	346	- 4.3	34,104	22,821	+ 49.4
Deferred tax assets	9	16	- 43.8	160	65	+ 146.2
Investments in associates and joint ventures accounted for using the equity method	2,116	1,527	+ 38.6	89	770	- 88.4
Other assets	257	229	+ 12.2	1,713	663	+ 158.4
Assets of operations to be taken over by partnership or sold	0	0	+ 0.0	0	0	+ 0.0
Total assets	**3,174**	**2,735**	**+ 16.1**	**38,356**	**26,078**	**+ 47.1**

Equity and liabilities	**Dec. 31, 2017**	**Dec. 31, 2016**	**% change**	**Dec. 31, 2017**	**Dec. 31, 2016**	**% change**
Financial liabilities at fair value through profit or loss	0	0		14	13	+ 7.7
Hedging instruments	1	1	+ 0.0	30	20	+ 50.0
Deposits from credit institutions	150	126	+ 19.0	15,226	12,320	+ 23.6
Due to customers	8	4	+ 100.0	5,264	3,045	+ 72.9
Debt securities	248	286	- 13.3	11,246	5,675	+ 98.2
Deferred tax liabilities	3	12	- 75.0	290	268	+ 8.2
Other liabilities	217	214	+ 1.4	1,703	1,182	+ 44.1
Equity	2,547	2,092	+ 21.7	4,583	3,555	+ 28.9
Liabilities of operations to be taken over by partnership or sold	0	0	+ 0.0	0	0	+ 0.0
Total equity and liabilities	**3,174**	**2,735**	**+ 16.1**	**38,356**	**26,078**	**+ 47.1**

[1] The items on the balance sheet transitioning from IFRS 8 to Consolidated accounts can be found in note 27.1 of the consolidated financial statements as of December, 31st 2017.

[2] Pursuant to IFRS3 as revised, the group has 12 months to finalize the fair value assessment and the allocation of this first consolidation difference. Therefore, this allocation may be subject to revisions until the end of October 2018 (c. Note 1.A Main events of the period).

1.6.2 Outstanding Loans

OUTSTANDING LOANS BY CUSTOMER SEGMENT

(in million euros)	*Consolidated*			*IFRS 8*[1]		
	Dec. 31, 2017	**Dec. 31, 2016**	**% change**	**Dec. 31, 2017**	**Dec. 31, 2016**	**% change**
Corporate dealers	61	60	+ 1.7	10,916	7,232	+ 50.9
End-users	270	286	- 5.6	23,188	15,589	+ 48.7
Total Customer Loans and Receivables	**331**	**346**	**- 4.3**	**34,104**	**22,821**	**+ 49.4**

[1] Pursuant to IFRS3 as revised, the group has 12 months to finalize the fair value assessment and the allocation of this first consolidation difference. Therefore, this allocation may be subject to revisions until the end of October 2018 (c. Note 1.A Main events of the period).

OUTSTANDING LOANS BY REGION

(in million euros)	*Consolidated*			*IFRS 8*		
	Dec. 31, 2017	**Dec. 31, 2016**	**% change**	**Dec. 31, 2017**	**Dec. 31, 2016**	**% change**
France[1]	0	-8	- 10.0	10,820	9,216	+ 17.4
Europe (excluding France)	62	89	- 3.0	22,587	12,843	+ 75.9
Latin America	208	184	+ 1.3	635	680	- 6.6
Russia	61	81	- 2.5	62	82	- 24.4
Total	**331**	**346**	**- 0.4**	**34,104**	**22,821**	**+ 49.4**

1 - Negative outstandings in consolidated format accounts are linked to netting underwriting with PSAI current accounts.

1.6.3 Impairment of outstanding loans and IFRS 9 impact

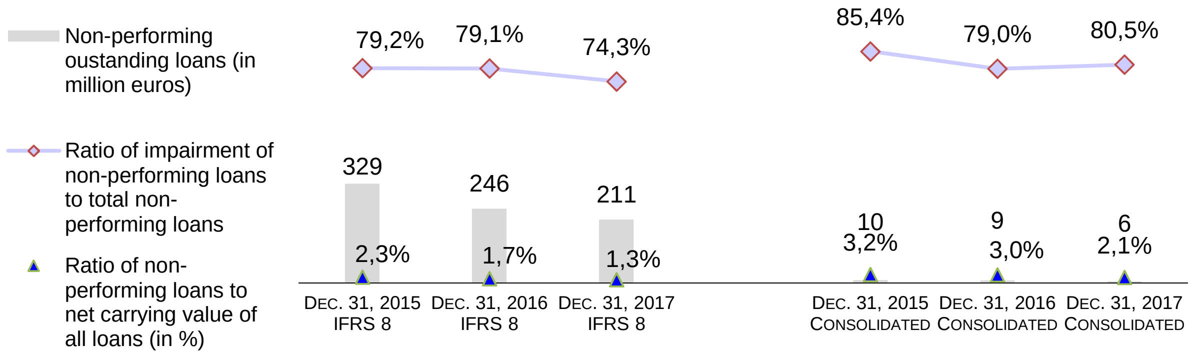
The impairment of outstanding loans on the Peugeot Citroen DS Finance activities corrects the value of loans on the balance sheet, from the moment there is a sign of risk. The procedures for the recognition of the impairment charges on the outstandings are described in Note 2.C.6.4 to the consolidated financial statements. When we determine that a loan or receivable is unrecoverable, it is written off through profit and loss. Any previously recognized impairment loss is also reversed through the income statement. Any subsequent recoveries are credited to the income statement. All of this is recorded under the cost of risk.

The table in Note 25 to BPF's consolidated financial statements shows our sound loans without past-due installments, sound loans with past-due installments (delinquent loans), non-performing loans and related impairment amounts, in each case as of December 31, 2017 and 2016. For retail financing to individuals and small and medium businesses, statistical impairment charges were recorded in respect of delinquent loans, as well as in respect of non-performing loans in consolidated format and per IFRS 8 , and of sound loans with no past-due installments per IFRS 8, for the countries that are covered by joint ventures with Santander.

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

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

NON-PERFORMING RETAIL LOANS
IFRS 8 FORMAT ON PCDF ACTIVITIES & CONSOLIDATED FORMAT



The quality of the Retail portfolio and some adjustments on delays for credit losses resulted in a steady decline in non-performing loans in 2017 to reach the historically low level of 1.3%.

The hedging rate for non-performing loans by provisions was maintained at the high level of 74.3% as per IFRS 8 facilitating a proper hedging of portfolio risks.

Concerning the OVF activities, the quality of the retail portfolio and the write off as corporate losses of past-dues only four months after being recognized led to non-performing loans that only amounted to €3.6 million, i.e. 0.1% of outstanding retail loans at the end of the period.

Provisional impact of the transition to IFRS 9 at January 1, 2018

BPF applied IFRS 9 as of January 1, 2018. Asset impairment thus led to an impairment of all financial assets in accordance with the expected loss. Exposures are divided into three "stages", notably with a downgrading to stage 2 when a significant deterioration of the credit risk is identified after the loan originated, and provisions equal to the expected loss over the life of the contract are recognized to cover the exposures classified in this "stage".

The provisional impact of IFRS 9 on equity at January 1, 2018 for all of BPF's fully-consolidated companies is an estimated increase of less than €5 million (net after tax).

Regarding the scope of investments accounted for using the equity method, the estimated impact is an increase of IFRS 8 equity by €10 to €30 million (net after tax), which represents a scope between €5 to €15 million for BPF quota-share.

1.6.4 Refinancing

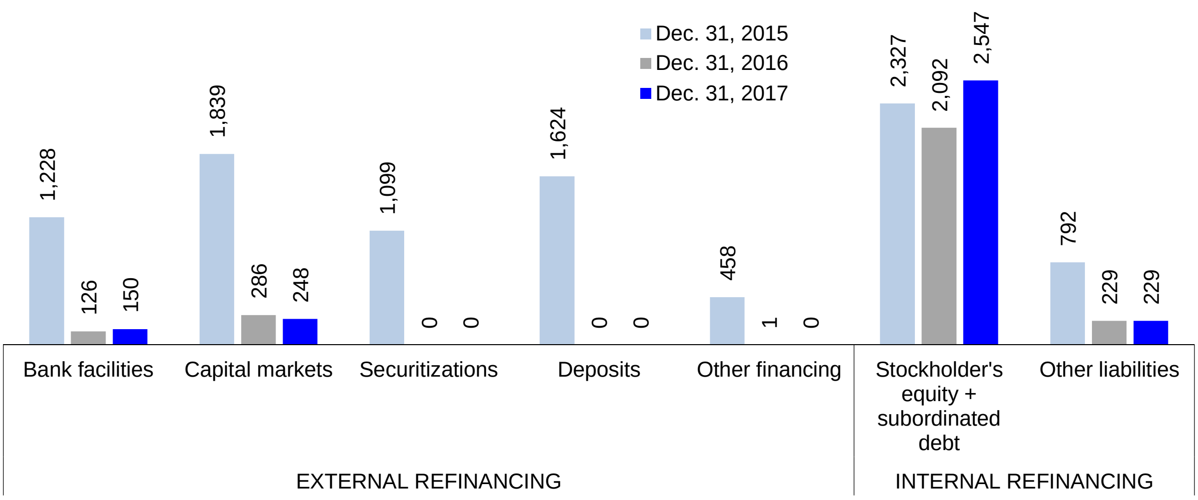
Financing arrangements by source

(in million euros)	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Bank facilities	**150**	**126**	**1,228**
Bonds + BMTN	35	24	56
EMTN	208	257	1,737
Other	5	5	19
Long-Term	*248*	*286*	*1,812*
CD	0	0	0
CP	0	0	0
Other	0	0	27
Short-Term	*0*	*0*	*27*
Capital markets	**248**	**286**	**1,839**
Securitizations[1]	**0**	**0**	**1,099**
Deposits	**0**	**0**	**1,624**
Other financing[2]	**0**	**1**	**458**
Total external refinancing	**398**	**414**	**6,248**
Stockholder's equity + subordinated debt	2,547	2,092	2,327
Other liabilities	229	229	792
Total assets	**3,174**	**2,735**	**9,367**

[1] Securitizations include all loan securitizations and the brazilian FIDC.

[2] This Item represents GIE's loans to Banque PSA Finance (€455 million) and Peugeot Citroen Argentina's loan to PSA Finance Argentina (€3 million).

Sources of financing *(in million euros)*
(EXCLUDING UNDRAWN CONFIRMED BANK CREDIT LINES)



After the partnership with Santander was entered into, BPF is no longer responsible for financing the companies of the joint venture. Since the last launch on October 1, 2016, BPF is only responsible for the financing of activities not in the scope of the framework agreement with SCF and not in Brazil, i.e. mainly in Argentina, Mexico and Russia.

In 2017, the PSA Group and BNP Paribas finalized their joint acquisition of the captive finance companies owned by Opel and Vauxhall. In the context of this agreement, BNPP PF is responsible for financing.

For the financing of activities not in the scope of the partnerships with Santander and BNPP PF, BPF relies on a capital structure and an equity ratio that is in compliance with regulatory requirements and which is underpinned by the quality of the bank's assets. Its financing is done with the greatest possible diversification in the sources of liquidity and a matching of the maturities of the sources of financing and those of its outstanding loans.

At December 31, 2017, as at December 31, 2016, the Group had not sought any structured financing from the ECB (see Note 13 to the consolidated financial statements), and had not made any collateral deposits with the ECB (see Note 22.1 to the consolidated financial statements).

At December 31, 2017, as at December 31, 2016, only the sources of bond financing and a few credit lines outside the Euro zone remained on BPF's balance sheet. This was due to the transfer or end of securitization transactions carried out in the context of the creation of joint ventures with SCF and the disposal of its banking deposits business (passbook savings accounts for the general public) in Belgium at the beginning of December 2016. Following the repayment of the issue maturing in April 2016, BPF no longer has any bond issues guaranteed by the French State on its balance sheet.

1.6.5 Security of liquidity

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

At December 31, 2017, the liquidity reserve (available invested cash) represented €271 million (see Note 22.2 to the consolidated financial statements) including €95 million of high-quality liquid assets, before weighting for the calculation of the liquidity coverage ratio (LCR). BPF's LCR was 414% at December 31, 2017.

Moreover, at December 31, 2017, BPF had undrawn committed credit facilities totaling €280 million (see Note 22.2 to the consolidated financial statements).

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

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

1.6.6 Credit ratings

Given the gradual establishment of joint ventures with Santander Consumer Finance and the increased financing of businesses, BPF decided at the beginning of 2016 to stop seeking ratings from credit rating agencies.

1.7 Equity, Risks and Pillar 3

1.7.1 Capital management

At December 31, 2017, consolidated equity Group share totaled €2,531 million, up by €460 million compared to €2,071 million at December 31, 2016. This difference stems mainly from the capital increase carried out in July 2017 which raised €270 million, and retained earnings in the amount of €227 million.

1.7.1.1 The Bank's equity

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

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

(in million euros)	Consolidated Balance Sheet	Regulatory Restatements[1]	Regulatory Balance Sheet
Assets at Dec. 31, 2016	**3,174**	**-107**	**3,066**
Cash, central banks, post office banks	98		98
Financial assets at fair value through profit or loss	164	-111	53
Hedging instruments	2		2
Available-for-sale financial assets	2		2
Loans and advances to credit institutions	294	-34	260
Customer loans and receivables	331	3	334
Tax assets	24	-7	17
Accruals and other assets	84	-23	61
Investments in associates and joint ventures accounted for using the equity method	2,116	69	2,185
Fixed assets	57	-4	54
Goodwill	1		1
Liabilities at Dec. 31, 2016	**3,174**	**-107**	**3,066**
Hedging instruments	1		1
Deposits from credit institutions	150		150
Due to customers	8	3	11
Debt Securities	248		248
Fair value adjustments to debt portfolios hedged against interest rate risks	9		9
Tax liabilities	11	-1	10
Accruals and other liabilities	81	-14	67
Liabilities related to insurance contracts	82	-82	
Provisions	38	-13	25
Equity	2,547		2,547

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

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

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

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

- amount of the share capital and the associated issue premiums;
- undistributed income;
- retained earnings;
- components of income recognized directly as equity;
- other reserves.

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

- minority interests;
- estimated amounts of dividend forecasts;
- goodwill and other intangible assets;
- securitization positions excluded from the calculation of weighted assets and subject to a 1,250% risk weighting;
- gains and losses generated by cash flow hedging;
- subordinate loans issued;
- deferred tax assets dependent on future profits and that are not the result of timing differences subsequently to the deduction of the associated tax liabilities;
- investments in associates and joint ventures accounted for using the equity method or not consolidated. A share of these investments, up to certain thresholds, may be used in the capital requirements calculation, but the remainder will be deducted from the regulatory capital.

The reserve capital of BPF reached €254 million at the end of 2017, compared to €310 million at the end of 2016.

TRANSITION TABLE FROM ACCOUNTING EQUITY TO CAPITAL

(in million euros)	Dec. 31, 2017	Dec. 31, 2016
Accounting equity	**2,547**	**2,092**
Adjustment related to the difference between the consolidated regulatory and accounting scopes		
Regulatory equity	**2,547**	**2,092**
Investments in associates and joint ventures accounted for using the equity method or not consolidated	2,114	1,552
Dividend distribution plan		-115
Minority interests	-16	-22
Goodwill and other intangible assets	-52	-58
Securitization positions	-13	-36
Deferred tax assets on tax loss carryforwards	-1	
Cash flow hedge reserve	3	2
Negative amounts resulting from the calculation of the expected loss amounts[1]		
Subornated loans to entities using the equity method	-100	0
Other regulatory deductions		-1
Tier 1 regulatory capital	**254**	**310**

1 - Since December 2016, Banque PSA Finance applies a standard method for equity calculation

1.7.1.2 Capital requirements

As a result of Banque PSA Finance's partnership with the Santander group, the entities included in this scope, with the exception of those in France, had to switch to a standard processing approach to calculate capital requirements. In 2017, the French joint venture received the permanent authorization from the ECB to use the internal rating approach for its Retail portfolios (advanced method) and its corporate portfolios (Foundation method).

BPF and Santander Consumer Finance intend to reuse certain internal rating models developed by BPF. Work will first be carried out on these models to integrate the methodological standards of the Santander Group and an independent validation will be carried out. Once these steps have been completed, a demand for certification will be made to the competent supervisory authorities.

The tools used to gather and archive the data necessary for modeling and calculating credit risk in place at the time the joint ventures were launched have been retained, thus enabling homogenous monitoring of all of the bank's risk parameters.

It should be noted that since December 2016, following the implementation of the partnership and the subsequent reduction of its regulatory scope, Banque PSA Finance no longer uses the internal rating approach to measure its weighted assets. The amount of BPF's interest in these joint ventures, in accordance with the CRR and up to certain thresholds, is deducted from the regulatory capital which forms the numerator of the solvency ratio calculation.

As part of the application of the new Basel III regulation, BPF confirms a strong financial position. At December 31, 2017, the Basel III solvency ratio in respect of pillar I thereby amounted to 34.65%, compared with 37% at December 31, 2016. Basel III regulatory capital amounted to €254 million and capital requirements stood at €58 million.

The decline in this ratio between December 31, 2016 and December 31, 2017 stems from the change in the regulatory capital of Banque PSA Finance. It should be noted that weighted assets and capital requirements stabilized in 2017 compared with fluctuating trends in previous years, notably between 2015 and 2016.

CAPITAL REQUIREMENTS AND RISK WEIGHTED ASSETS

	December 31, 2017		December 31, 2016	
(in million euros)	**Weighted assets**	**Capital requirements**	**Weighted assets**	**Capital requirements**
Credit risk	**656**	**52**	**727**	**58**
Standard approach	**656**	**52**	**727**	**58**
Sovereign	7	1	9	1
Institutions	43	3	45	4
Companies	174	14	113	9
Retail customers	205	16	220	18
Other weighted assets	228	18	339	27
Operational risk (standard method)	**77**	**6**	**109**	**9**
Market risk				
Totals	**733**	**58**	**836**	**67**
Total regulatory capital		**254**		**310**
Solvency ratio		**34,7%**		**37%**

Leverage ratio

The leverage ratio, which corresponds to the non-weighted ratio of the gross exposure to hard equity (Tier 1), is particularly intended to control the excessive use of off-balance sheet items in banking activities. The European Union does not impose any requirements regarding this ratio prior to 2018; however, it is subject to a disclosure requirement for banks since January 1, 2015. The Group chose to manage its consolidated leverage ratio at a minimum level of 3%, as recommended by the Basel Committee. A monitoring, control and warning system was established in order to manage any excessive leverage risks.

The leverage ratio is calculated according to the terms of Regulation (EU) No. 575/2013 Article 429, and, for Banque PSA Finance, it remained relatively stable amounting to 30% at December 31, 2017, compared to 27% at December 31, 2016.

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

LEVERAGE RATIO AND DETAILS OF LEVERAGE EXPOSURE

(in million euros)	**Dec. 31, 2017**
Tier 1 regulatory capital	**254**
Total assets according to the consolidated financial statements	**3,174**
Adjustment related to the difference between the consolidated regulatory and accounting scopes	-107
Regulatory deductions on CET1 equity	2,277
Exclusion of hedging derivatives non taken into account in the balance sheet exposure	
Total exposure on balance sheet	**788**
Application of mark-to-market derivatives increase	11
Replacement cost of derivatives transactions after clearing on margin calls	
Total exposure on derivatives	**11**
Exposure related to commitments given	77
Application of regulatory conversion factors	-21
Total exposure to off-balance sheet items	**56**
Total leverage exposure	**855**
LEVERAGE RATIO	**29.8%**

1.7.2 Overview of encumbered assets

As at December 31, 2016, BPF had no encumbered assets at December 31, 2017.

1.7.3 Risk factors and risk management

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

Risk governance notably includes:

- inventorying risks and evaluating potential risk criticality in light of the management policies retained and the general economic environment;
- determining acceptable risk levels and managing these risks by way of BPF's risk appetite dashboard approved by the Board of Directors;
- validation of risk measurement methods or models;
- implementing stress tests and/or risk mitigation tools such as those requested or recommended by regulations (ICAAP, ILAAP, PUL, Prevention & Recovery Plan, etc.) which, as the case may be, are approved by or submitted to the Board of Directors of the Bank.

These different elements are presented, analyzed and decided upon within the Committees: the Risk Management Committee (twice a month), the ALM Committee (once a month), the Model Committee (twice a month) and the Audit and Risk Committee (four times a month). The executive management and the members of the Board either sit on these Committees or are informed of their work.

Risk monitoring within the Santander and BNPP PF JVs is carried out by joint Global Risk Committees, and deployed in each JV by local Risk Committees.

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

1.7.3.1 Business risk

Risk factors

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

- external factors that influence vehicle purchases;
- government policies to incentivize new vehicle purchases;
- regulatory or fiscal changes which could lead to a modification of the activity or alter the profitability thereof;
- sales volumes of the Peugeot, Citroën, DS and Opel/Vauxhall brands;
- BPF's competitive positioning, in terms of both product range and price;
- country risk, which is managed by focusing on local financing whenever possible.

Risk measurement, control and monitoring

These risk factors are assessed at least on an annual basis as part of the process of preparing the budget and medium-term plan. BPF reviews its budget forecasts on four occasions during the fiscal year. Business risk is also monitored through stress tests, notably those of ICAAP, ILAAP and the Prevention & Recovery Plan.

1.7.3.2 Credit risk

Risk factors

Credit risk is the risk of loss arising from the failure of a customer to meet the payment or other terms of a contract with us. While we generally have the ability to recover and resell the financed vehicle following a customer default, the resale value of a recovered vehicle may not be adequate to cover our default loss.

Regarding operations on PCDF activities, BPF does not contractually assume residual value risk, except in the UK where regulations offer individual customers (installment contracts) the possibility of asking for the repurchase of a vehicle by the lender under certain conditions.

In the case of operations on OVF activities, BPF's residual value risk is limited in all countries, including the UK and Germany. This risk is closely monitored.

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

Risk measurement, control and monitoring

Operations on Peugeot Citroën DS Finance activities

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

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

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

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

All decisions are governed by strict rules on discretionary lending limits. For the Corporate portfolios, they rely on the decision of the local or central Credit Committees, and now include, for the highest loan amounts, those of the Santander Group for joint venture subsidiaries.

Pursuant to IFRS standards, for the accounting measurement of credit risk, impairments for retail delinquent loans and sound loans with past-due installments are calculated based on impairment rates. These impairment rates are calculated twice a year according to an estimated discounted future collections model, based on historical recovery data for impaired loans. For the JVs, in accordance with SCF's accounting rules, sound loans without past-due installments are also impaired according to the IBNR

(Incurred But Not Reported) loss principle over a 12 month-period.

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

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

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

The Corporate Dealers and the Corporate and Equivalent portfolios also include:

- setting non-transferable credit lines from one financial product to another, cancelable without conditions, and their associated periods of validity;
- collective security packages or securities taken when the relationship is established, on renewal of credit lines or if creditworthiness is downgraded between renewal dates. Securities may be personal guarantees, related to identified assets, be provided by loan protection insurers or take the form of bank guarantees;
- daily monitoring of payment incidents;
- a progressive alert system, from placing on watch to declaring a delinquent loan, including conditional delinquency, i.e. even if the loan is not delinquent according to the Basel definition;
- a system triggering a new rating of a dealer, according to financial or sales indicators;
- stock audits, scheduled based on the dealer's risk profile, retention of vehicle registration documents, and financing contracts providing for the pledging of the financed vehicles at any time, in accordance with national legislation.

Monthly risk monitoring in the retail segment mainly concerns:

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

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

Monitoring of risk for our Corporate portfolio primarily consists of:

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

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

Operations on Opel Vauxhall Finance activities

After the acquisition of Opel Vauxhall Finance, an in-depth analysis of the tools and procedures in place at the time of the acquisition was launched by the risk team set up at OVF, pursuant to the agreement signed with BNPP PF. The operating rules will be progressively adapted to meet the measure and control principles in force at BNPP PF. Rules on delegated lending limits, notably for the Corporate business, were reviewed as soon as the transaction was finalized to adapt them to the new organization.

In the context of the partnership with BNPP PF, credit risk attached to the operations with Opel. Vauxhall Finance is monitored by the joint BPF/BNPP PF Risk and Collection Committee which began work as soon as the transaction was finalized.

Risk measurement, control and monitoring

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

GEOGRAPHIC BREAKDOWN OF THE GROUP'S GROSS EXPOSURE AT DECEMBER 31, 2017

(in million euros)	**Bank and Administration**	**Companies**	***Of which SME***	**Retail**	***Of which SME***	**Other categories**	**Total gross exposure**	**Distribution in %**
France	294	42	*0*	0	*0*	103	**439**	46%
Europe (excluding France)	71	36	*6*	31	*13*	12	**149**	16%
Latin America	22	36	*0*	218	*0*	2	**278**	29%
Rest of the World	6	47	*0*	34	*0*	2	**90**	9%
Overall total	**393**	**162**	***6***	**283**	***13***	**119**	**957**	100%
Distribution in %	41%	17%	1%	30%	1%	12%	100%	

BREAKDOWN BY RESIDUAL MATURITY OF THE GROUP'S BALANCE SHEET EXPOSURE AT DECEMBER 31, 2017

(in million euros)	**Bank and Administration**	**Companies**	**Retail**	**Other categories**	**Total balance sheet exposure**
Residual value lower than 3 months	258	91	27	2,322	**2,698**
3 months to 1 year	1	33	114	0	**147**
1 to 5 years	0	11	110	0	**121**
More than 5 years	0	0	0	100	**100**
Overall total	**259**	**134**	**251**	**2,422**	**3,066**

BREAKDOWN OF THE GROUP'S NET EXPOSURE AT DECEMBER 31, 2017

(in million euros)	**Gross exposure**	**Exposure in default**	**Adjustment for general risk**	**Adjustment for specific risk**	**Net exposure of provisions**
Bank and Administration	393	0	0	0	**393**
Companies	162	12	4	1	**157**
Retail	283	5	2	4	**277**
Other categories	119	0	0	0	**119**
Overall total	**957**	**18**	**6**	**5**	**945**

REGIONAL BREAKDOWN OF THE GROUP'S NET EXPOSURE AT DECEMBER 31, 2017

(in million euros)	**Gross exposure**	**Exposure in default**	**Adjustment for general risk**	**Adjustment for specific risk**	**Net exposure of provisions**
France	439	0	0	0	**439**
Europe (excluding France)	149	13	1	2	**146**
Latin America	278	2	1	1	**277**
Rest of the World	90	3	4	2	**83**
Overall total	**957**	**18**	**6**	**5**	**945**

DETAILS OF ADJUSTMENTS FOR CREDIT RISK AT DECEMBER 31, 2017

(in million euros)	**Bank and Administration**	**Companies**	**Retail**	**Other categories**	**Overall total**
Gross exposure	393	162	283	119	957
Balance sheet exposure	255	101	271	119	746
Off-balance sheet exposure	4	61	12	0	77
Provisions	0	-5	-6	0	-11
Collateral	-43	-4	-1	0	-48
Off-balance sheet average CCF	100%	66%	100%	NC	73%
Value exposed to risk	**393**	**141**	**283**	**119**	**936**
RWA	**84**	**139**	**205**	**228**	**656**
Average RW	21%	99%	72%	192%	70%

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

1.7.3.3 Financial and market risks

All the principles explained below apply to BPF fully controlled entities. Risk management of BPF / SCF joint ventures is done country by country by each JV under the supervision of shareholders, following the governance set forth when the partnership with Santander was created. This also applies, as part of the new partnership forged between BNPP PF and BPF, to vehicle financing for the Opel and Vauxhall brands.

Liquidity risk

Risk factors

The liquidity risk to which BPF is exposed depends on:

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

These risks are potentially lower than those of previous years as a result of the bank's liquidity position at year-end 2017 and the changes in the scope financed.

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

Risk measurement, control and monitoring

Measurement of liquidity risk entails:

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

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

There are two aspects to control of liquidity risk:

- a general policy founded on an appropriate equity structure, diversification of external financing sources and lenders and liquidity facilities. Moreover, this general policy aims at full matching (balancing of assets and liabilities over time);
- the definition of liquidity risk indicators and related limits enabling characterization of BPF's exposure to liquidity risk currently and in the near future. The main indicators are:
  - a minimum LCR ratio in excess of the regulatory requirement,
  - the simulation of stress scenarios and preparation of a liquidity emergency plan.

Risk monitoring is based on the daily or monthly calculation, depending on the case, of risk indicators as well as on ALM Committee meetings held once a month to monitor the implementation of the defined general policy, the current and forecast risk levels, the compliance with limits and the potential measures to be taken to better assess, control and monitor the liquidity risk, and on the Risk Management Committee of BPF.

Interest rate risk

Risk factors

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

Risk measurement, control and monitoring

At least once a month, residual rate positions and sensitivity to stress scenarios are calculated. Figures relating to BPF's sensitivity to an increase in interest rates are presented in the table below, with a new approach to interest rate risk (exclusion of equity, and sensitivity to an increase in interest rates of 2% rather than 1%).

At December 31, 2017, sensitivity to a 2% increase across the rate curve would amount to a negative result of -€3 million. During the full year, in 2017, the result from this simulation fluctuated between -€2.7 million and -€4.5 million.

There are several aspects to rate risk control:

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

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

Counterparty risk

Risk factors

BPF is exposed to counterparty risk on two fronts:

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

Risk measurement, control and monitoring

Investments are made either in mutual funds (French OPCVM) or in the form of bank deposits with top-tier banks. A financial analysis of each counterparty is carried out to make sure they are sustainable in the long term and solvent. Investment ceilings are defined by type of counterparty and their external credit ratings.

Derivatives are governed by ISDA or national agreements and contracts with the most frequently used counterparties and provide for regular margin calls (100% of outstanding amounts at the end of December 2017). Bank counterparties for derivatives contracts are all rated “Investment Grade”.

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

Currency risk

Risk factors

BPF is exposed to two types of currency risk:

- structural currency risk (the Bank's structural currency position amounted to €292 million at December 31, 2017);
- the operational currency risk (at December 31, 2017, the operational position in foreign currencies was €1.6 million, lower than our internal limit of €5 million in exchange value and €1 million per currency).

Risk measurement, control and monitoring

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

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

Currency risk is monitored through monthly reporting which highlights the Bank's structural and operational currency positions. In addition, the Bank's operational currency risk is reviewed at the monthly ALM Committee meeting, and by BPF's Audit and Risk Committee and Risk Management Committee.

Market risk

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

1.7.3.4 Risks related to securitization operations

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

The retention of the economic risk through the ownership of subordinated securities for up to 5% of the securitized debt was entirely transferred from BPF to the joint ventures, with the exception of securitizations in the UK (operation which matured in April 2017) and in Germany for which BPF retains the obligation on the receivables sold to SPV prior to the startup of the joint ventures given the local regulator's requirements.

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

1.7.3.5 Concentration risk

Risk factors

BPF is exposed to several types of concentration risk:

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

Risk measurement, control and monitoring

The level of concentration risk is analyzed using concentration indices for sector and individual credit operations. The Bank has set limits for concentration risks related to individuals, sectors and credit institutions granting bank credit lines to BPF.

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

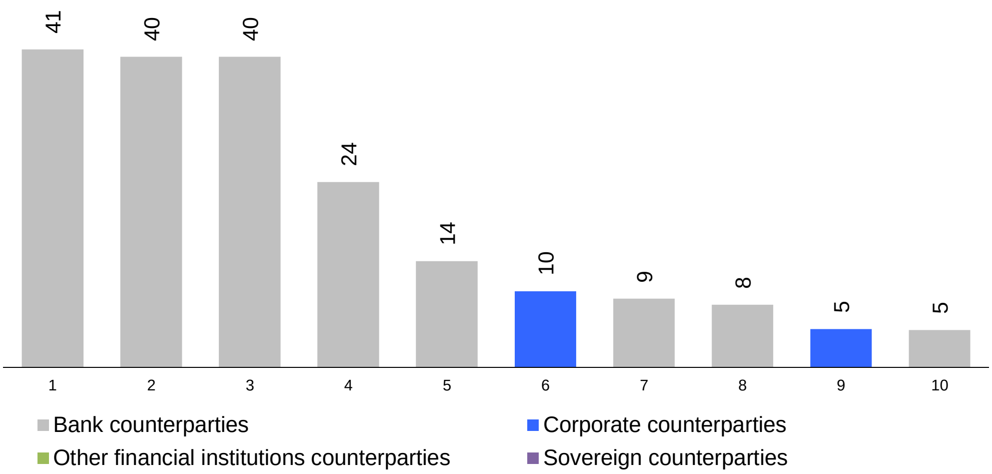
BPF takes the impact of the PSA Group's credit rating into account when calculating the maximum commitment to its shareholder.

At December 31, 2017, BPF's commitments to the PSA Group stood at €41.6 million or 16.4% of the regulatory capital.

On the same date, the Bank's top ten commitments, excluding those to the PSA Group, amounted to €194.8 million or 76.7% of the regulatory capital. By counterparty category, the top ten commitments break down as follows:

- banks: €180.1 million / 70.9% of the regulatory equity;
- corporate dealers (excluding PSA): €14.7 million / 5.8% of the regulatory equity;
- counterparties Other institutions: €0 million;
- sovereign counterparties: €0 million.

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



1.7.3.6 Operational risk

Definition of risk and risk factors

BPF defines operational risk as "the risk resulting from a maladaptation or failure attributable to procedures, Bank's personnel, internal systems, or to external events, including events with a low probability of occurrence but with substantial risk of loss".

Risk identification, assessment, control and monitoring

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

- internal fraud;
- external fraud;
- employment practices and workplace safety;
- customers, products and business practices;
- damage to physical assets;
- business disruption and systems failures;
- execution, delivery and process management.

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

BPF and the joint ventures' risk mapping covers all their activities and is constantly updated. It is broken down by activity, process and sub-process. The degree of risk criticality is measured on the basis of impact and frequency.

Risk control and mitigation mechanisms are an integral part of working procedures or instructions and are subject to tier one controls within the bank's operating units, and tier two controls by the bank's permanent risk-control departments. They may also take the form of decision and discretionary limits rules, as well as specific processes incorporated in our IT systems. Business continuity plans have been prepared and deployed for information systems and premises at both head office and in subsidiaries and JVs. These are tested annually.

1.7.3.7 Non-compliance risk

Definition of risk and risk factors

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

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

Risk measurement, control and monitoring

The risk is assessed through regulatory intelligence. The system in place is designed to identify the changes and the reasons underpinning supervisory authority sanctions, as well as to analyze the information gathered and assess the impacts thereof on: customer relations, processes and organization, IT systems, business scope, and, more generally, the business model.

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

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

In the framework of the partnership with Santander, the non-compliance risk of joint companies is monitored once a month by the Partnership Committees. A monitoring system is to be set up for the activities related to the partnership with BNPP PF.

1.7.3.8 Reputational risk

Definition of reputational risk and risk factors

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

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

Reputational risk measurement, control and monitoring

Image and reputational risk is, to a large extent, related to risks already identified and covered by the internal control systems. This is notably the case for risks of internal and external fraud and non-compliance risk.

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

- compliance with banking secrecy and professional reserve;
- approval of standard letters to customers and advertising messages by the legal department;
- monitoring of the quality of customer relations;
- approval of new products by the legal, fiscal and compliance departments;
- the professional alert system.

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

1.7.3.9 Insurance business and services risk

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

Risk factors

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

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

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

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

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

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

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

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

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

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

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

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

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

1.7.3.10 Correlation between BPF and its shareholders

Definition of correlation risk and risk factors

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

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

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

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

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

Given the gradual establishment of the joint ventures set up with Santander and BNPP PF, as well as the increased financing of businesses, BPF decided at the beginning of 2016 to stop seeking ratings from credit rating agencies. In fact, the correlation risk with the PSA Group's rating no longer exists.

In 2017, BPF completed the "Recovery Plan" initiated in 2016 with its supervisory authorities. The plan, which incorporates theoretical stress scenarios and tough assumptions for the automotive manufacturer, underscores the solidity of the bank's business model, in particular thanks to its matching policy in relation to refinancing.

1.8 Internal control

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

1.8.1 Recurring controls

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

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

1.8.1.2 Second-tier controls

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

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

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

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

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

The duties of the two departments tasked with monitoring financial and accounting risks on the one hand, and operating and IT risks on the other, include:

- recurring assessments of the effectiveness of controls over operational risks within the corporate functions and subsidiaries as well as for outsourced services;
- the implementation of specific second-tier controls throughout all structures of the Bank and the application of a certification mechanism for first-tier controls whereby operation officers certify the execution and outcome of key controls carried out on major risks, and are then challenged by the operational risk control department;
- issuance of written recommendations and follow-up of their implementation;
- collecting and analyzing operational losses and incidents identified in a dedicated monitoring tool.

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

On the scope of the Santander partnership

The fundamentals described above (three control levels, risk mapping approach, implementation of certificates, issuing recommendations, etc.) also apply to the partnership scope.

In addition, a compliance control system has been adapted, resulting in:

- the preparation of a set of joint procedures: "Code of Conduct", "Whistleblowing Policy", "Monitoring Inspections and other communications with SCF-PSA JVs' supervisory authorities " (which defines how the JVs should manage their exchanges with regulators and supervisors);
- and the extension of internal compliance control certification set up at the end of 2014 to include new JVs.

The system implemented in the framework of the partnership is monitored by the monthly Partnership Compliance Committee (which does not negate BPF's own Compliance Committee).

Given that these risk control functions are related to financial and accounting activities on the one hand, and operating and IT activities on the other, a document entitled "Internal control and operational risk functions reference model" has been drawn up and approved by the Global Risk Committee (GRC) of the partnership. This document notably defines:

- how governance is exercised. Governance is overseen, on the one hand, centrally by the Global Risk Committee, which exercises a supervisory role for the system as a whole, and, on the other, at the local level by the regional Risk Committees of each JV;
- the target organization, which foresees a separation of the Internal Control (IC) and Operational Risk (OR) functions, although there may be exemptions approved by the GRC;
- The responsibilities of the IC and OR functions at central level (BPF and SCF) and local level (JV). The JV's operational activities are controlled by their tier-two control bodies, within the methodological framework defined and monitored by BPE's permanent control function.

On the scope of the BNPP PF partnership

Following the joint acquisition with BNPP FP of the financial activities of Opel Vauxhall, the control bodies of the two parties deliberated with a view to defining an adapted new organization, working methods and governance, based notably on the following principles:

- whenever possible, priority should be given to maintaining the systems in place when the partnership began;
- close coordination of risk management and control functions acting within a second line of defense under the supervision of a dedicated steering body within the partnership;
- risk controls within this second line of defense are carried out by agents who do not exercise operational activities;
- articulation of controls on the basis of risk mapping;
- oversight of local control functions by the centralized functions of BPF and BNPP PF.

1.8.2 Periodic Controls

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

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

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

1.8.3 Oversight by Executive Management and the Board

The internal control system is overseen by executive management and the Board, supported by various committees.

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

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

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

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

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

1.8.4 Organization of Internal Control

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

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

The committee also reviews and makes decisions concerning:

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

1.9 Share ownership

1.9.1 Share capital

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

Following a decision of the Board of Directors of June 26, 2017, taken in the wake of a decision of the General Meeting of April 11, 2016, BPF's share capital was increased from €177,408,000 to €199,619,936. It is divided into 12,476,246 fully paid shares having a nominal value of €16 each.

All the share capital of BPF is owned by the majority shareholder Peugeot S.A. (9,348,180 shares, representing 74.93% of the equity) and by two wholly-owned subsidiaries of Peugeot S.A, namely Automobiles Peugeot S.A. (which owns 2,002,862 shares or 16.05% of BPF's equity) and by Automobiles Citroën SA (which owns 1,125,203 shares or 9.02% of BPF's equity). One share is also personally owned by one member of the Board of Directors.

1.9.2 Intra-Group Agreements

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

PSA is paid a service fee for these services, in addition to fees for specific transactions or operations. The total amount paid by the BPF Group to the PSA Group in 2017 was €97 million.

1.9.3 Proposed appropriation of income to be submitted to the Ordinary General Meeting of April 17, 2018

The financial statements at December 31, 2017 showed net income of €236,919,917.28.

It will be proposed to the General Meeting that this profit be carried forward in full in retained earnings.

1.9.4 Information about the administrative and management bodies

1.9.4.1 Board of Directors

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

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

List of the corporate positions held and expired during the 2017 financial year by the Directors of Banque PSA Finance and the permanent representatives of Directors

Olivier BOURGES

Chairman of the Board of Directors and Director
Since September 29, 2016
Current term expires in 2020
Born on December 24, 1966

Other positions held during the year 2017

Member of the Supervisory Board
- GEFCO

Chairman of the Board of Directors and Director
- SAIPA Citroën Company (Iran)

Director
- Automobiles Peugeot
- Peugeot Citroën Automoviles Espana S.A. (Spain)
- PCMA Holding B.V. (Netherlands)
- Iran Khodro Automobiles Peugeot
- ALSTOM

Chairman of the Audit Commission
- Peugeot Citroën Automoviles Espana S.A. (Spain)

Permanent Representative of Peugeot S.A.
- Board of Directors of Automobiles Citroën

Managing Director
- DJ56

Rémy BAYLE

Chief Executive Officer and Director
First appointed to the Board on April 23, 2015
Current term expires in 2021
Born on December 26, 1961

Other positions held during the year 2017

Chairman of the Board of Directors and Director
- Compagnie pour la location de véhicules - CLV
- PSA Banque France (formerly SOFIB)

Vice-President and Director
- Opel Bank S.A. (France)

Vice-President
- Association Française des Sociétés Financières

Positions terminated during the year 2017

Director
- PSA Finance UK Ltd (United Kingdom)
- Compagnie Générale de Crédit aux Particuliers - CREDIPAR

Carlos TAVARES

Director
First appointed to the Board on April 2, 2014
Current term expires in 2021
Born on August 14, 1958

Other positions held during the year 2017

Chairman of the Managing Board
- Peugeot S.A.

Chairman of the Board of Directors and Director
- Peugeot Citroën Automobiles

Director
- Faurecia
- Airbus Group
- Total S.A.

Michel PHILIPPIN
Director and Chairman of the Audit and Risk Committee
First appointed to the Board on April 20, 2012
Current term expires in 2018
Born on June 26, 1948

Other positions held during the year 2017

Director
- ONG 1001 Fontaines
- Centre des professions Financières

François PIERSON
Director and member of the Audit and Risk Committee
First appointed to the Board on July 9, 2012
Current term expires in 2019
Born on May 29, 1947

Other positions held during the year 2017

Chief Executive Officer
- AGIPI (Association)

Chairman of the Board of Directors
- Inter Partner Assistance SA (Belgium)
- AGIPI Retraite (Association)

Director
- UCAR (SA)
- Banque PSA Finance (SA)
- ASAF (Association)
- UFPS (Association)
- APRS (Association)
- Kedge Business School (Association)
- BEM Dakar (Business School)
- AXA Assurance Maroc (SA)
- AXA Cameroun (SA)
- AXA Côte d'Ivoire (SA)
- AXA Gabon (SA)
- AXA Sénégal (SA)
- AXA Holding Maroc (SA)
- AXA Assurances Algérie Dommage (SPA Algeria)
- AXA Assurance Algérie Vie (SPA Algeria)
- AXA Aurora Vida, S.A.(SA Spain)
- AXA Seguros Generales, S.A. (SA Spain)
- AXA Vida S.A. (SA Spain)

Positions terminated during the year 2017

Chairman of the Board of Directors
- Kedge Business School

Chairman
- Association Prévention Routière

Peugeot S.A
Director
First appointed to the Board on December 15, 1982
Current term expires in 2018

Other positions held during the year 2017

Director
- Automobiles Citroën
- Automobiles Peugeot
- GIE PSA Trésorerie
- ANSA

Founding member
- GIE PSA Peugeot Citroën

Jean-Baptiste CHASSELOUP de CHATILLON **Permanent Representative of Peugeot S.A. and Member of the Audit and Risk Committee** First appointed to the Board on September 29, 2016 Born on March 19, 1965	**Other positions held during the year 2017**

Member of the Managing Board
- Peugeot S.A.

Vice-Chairman and Director
- PSA International S.A. (Switzerland)

Vice-chairman and Member of the Supervisory Board
- Gefco

Director
- Automobiles Citroën
- Faurecia
- Dongfeng Peugeot Citroën Automobiles Company Ltd (China)
- Changan PSA Automobiles Company, Ltd (China)
- PSA Management Company Ltd (China)
- Iran Khodro Automobiles Peugeot (Iran)
- SAIPA Citroën Company (Iran)

Permanent Representative of Peugeot S.A.
- Conseil d'administration d'Automobiles Peugeot

Chairman
- CarOnWay
- Mister AUTO

Automobiles Peugeot **Director** First appointed to the Board on December 15, 1982 Current term expires in 2020	**Other positions held during the year 2017**

Director
- GLM1
- Peugeot Algérie (Algeria)
- SOPRIAM (Morocco)
- SOMACA (Morocco)
- Société Tunisienne Automobile Financière Immobilière et Maritime (Tunisia)

Associate Manager
- Peugeot Média Production SNC

Positions terminated during the year 2017

Director
- Peugeot Espana S.A. (Spain)

Jean-Philippe IMPARATO
Permanent Representative of Automobiles Peugeot
Since September 29, 2016
Born on August 27, 1966

Other positions held during the year 2017

Chief Executive Officer
• Automobiles Peugeot

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

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

Director
• PSAG Automoviles Comercial Espana S.A.
• Peugeot Citroën Retail UK Limited
• Dongfeng Peugeot Citroën Automobile Sales Company Ltd
• Dongfeng Peugeot Citroën Automobiles Company Ltd

Director
• Peugeot Motor Company PLC

Positions terminated during the year 2017

Director
• Peugeot Espana S.A. (Spain)

List of the corporate positions held and expired in 2017 by the Executive Managing Officers non Directors of Banque PSA Finance

Alain MARTINEZ
Executive Managing Officer
First appointed to the Board on July 25, 2011
Current term expired on February 1st, 2017
Born on September 20, 1958

Other positions held during the year 2017

Chairman and Director
• PSA Renting ITALIA SPA (Italy)

Director
• Opel Bank S.A.

Positions terminated during the year 2017

Chairman and Director
• PSA Factor ITALIA SPA (Italy)

Member of the Supervisory Board
• PSA Financial Holding B.V. (Netherlands)

Chairman
• Bank PSA Finance Rus (Russia)

Director
• PSA Banque France (formerly SOFIB)
• PSA Bank Deutschland GmbH (Germany)
• PSA Financial d.o.o. (Croatia)
• Banca PSA Italia SpA
• PSA Financial Services Spain EFC SA

Arnaud de LAMOTHE

Executive Managing Officer

First appointed to the Board on February 1st, 2017

Current term expires in 2021

Duration of term of office aligned with that of the Chief Executive Officer

Born on September 24, 1966

Other positions held during the year 2017

Chairman and Director

• Bank PSA Finance Rus (Russia)

• Compagnie Générale de Crédit aux Particuliers - CREDIPAR

Member of the Supervisory Board

• PSA Bank Deutschland GmbH (Germany)

Director

• Opel Bank S.A.

• PSA Banque France (formerly SOFIB)

• PSA Financial Services Spain EFC SA

• Banca PSA Italia SpA

• Peugeot Citroën Leasing (Russia)

• PSA Finance UK (Great-Britain)

Positions terminated during the year 2017

Chairman

• Citroën Champs de Mars (France)

Director

• Citroën Österreich Gesellschaft GmbH (Austria)

• Citroën Suisse S.A.

1.9.4.2 Committees

A. The Audit and Risk Committee

At **January 1**, **2018**, the Audit and Risk Committee is comprised of the following members:

Name	Position within the PSA Peugeot Citroën group
Michel PHILIPPIN, Chairman	Board Member of Banque PSA Finance
François PIERSON	Board Member of Banque PSA Finance
Jean-Baptiste de CHATILLON	Permanent Representative of Peugeot S.A. and Chief Financial Officer of PSA Group

B. The Executive Committee

As **of January 1**, 2018, the executive committee consists of the following members:

Name	Position
Rémy BAYLE	Chief Executive Officer
Arnaud de LAMOTHE	Executive Managing Officer and Regional Director for Europe, Eurasia, Middle-East Africa, Commerce and marketing
Jean-François MADY	Regional Officer for China and ASEAN
Laurent AUBINEAU	Chief Executive Officer of PSA BANQUE France
Jean-Louis GRUMET	General Secretary and Permanent Control Officer
Laurent DECOTTIGNIES	Audit Officer
Paul-Philippe UHEL	Human Resources & Excellence System Officer
Frédéric LEGRAND	Digital Projects Officer
Alexandre SOREL	Chief Executive Officer Opel Bank S.A.
Magalie DURRECHE	Chief Financial Officer
Philippe TERDJMAN	Marketing & Innovation Officer
Patrice VOLOVIK	Risk Management Officer
Edouard de LAMARZELLE	Insurances Officer
Alain BADOUX	Bank and services information system Officer

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

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

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

2

CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2017

2.1 Consolidated Balance Sheet

(in million euros)	*Notes*	**Dec. 31, 2017**	**Dec. 31, 2016**
Assets			
Cash, central banks, post office banks	*3*	98	58
Financial assets at fair value through profit or loss	*4*	165	389
Hedging instruments	*5*	2	5
Available-for-sale financial assets	*6*	2	5
Loans and advances to credit institutions	*7*	294	223
Customer loans and receivables	*8, 25*	331	346
Fair value adjustments to finance receivables portfolios hedged against interest rate risks		-	-
Held-to-maturity investments		-	-
Current tax assets	*26.1*	15	13
Deferred tax assets	*26.1*	9	16
Accruals and other assets	*9*	84	89
Investments in associates and joint ventures accounted for using the equity method	*10*	2,116	1,527
Property and equipment		3	2
Intangible assets	*11*	54	61
Goodwill	*12*	1	1
Total assets of continuing operations		**3,174**	**2,735**
Total assets of operations to be taken over by partnership (or held for sale)		**-**	**-**
Total assets		**3,174**	**2,735**

(in million euros)	*Notes*	**Dec. 31, 2017**	**Dec. 31, 2016**
Equity and liabilities			
Central banks, post office banks		-	-
Financial liabilities at fair value through profit or loss		-	-
Hedging instruments		1	1
Deposits from credit institutions	*13*	150	126
Due to customers	*14*	8	4
Debt securities	*15*	248	286
Fair value adjustments to debt portfolios hedged against interest rate risks		9	15
Current tax liabilities	*26.1*	8	-
Deferred tax liabilities	*26.1*	3	12
Accruals and other liabilities	*16*	81	73
Liabilities related to insurance contracts	*17.1*	81	88
Provisions	*18*	38	38
Subordinated debt		-	-
Total liabilities of continuing operations		**627**	**643**
Total transferred liabilities of operations to be taken over by partnership (or held for sale)		**-**	**-**
Equity		**2,547**	**2,092**
- Equity attributable to equity holders of the parent		2,531	2,071
- Share capital and other reserves		1,160	835
- Consolidated reserves		1,536	1,373
- *Of which Net income - equity holders of the parent*		*218*	*98*
- Income and expenses recognized directly in Equity		(165)	(137)
- *Of which Net income - equity holders of the parent (share of items recycled in profit or loss)*		*9*	*100*
- Minority interests		16	21
Total equity and liabilities		**3,174**	**2,735**

2.2 Consolidated Statement of Income

(in million euros)	*Notes*	**Dec. 31, 2017**	**Dec. 31, 2016**
Net interest revenue on customer transactions		**56**	**41**
- Interest and other revenue on assets at amortized cost	*23*	72	72
- Fair value adjustments to finance receivables hedged against interest rate risks		-	1
- Interest on hedging instruments		-	(2)
- Fair value adjustments to hedging instruments		-	(2)
- Interest expense on customer transactions		(1)	(2)
- Other revenue and expense		(15)	(26)
Net investment revenue		**-**	**1**
- Interest and dividends on marketable securities		-	1
- Fair value adjustments to assets valued using the fair value option		-	-
- Gains and losses on sales of marketable securities		-	-
- Investment acquisition costs		-	-
Net refinancing cost		**(45)**	**(36)**
- Interest and other revenue from loans and advances to credit institutions		1	4
- Interest on deposits from credit institutions		(27)	(26)
- Interest on debt securities		(21)	(18)
- Interest on passbook savings accounts		-	-
- Expenses related to financing commitments received		(1)	(9)
- Fair value adjustments to financing liabilities hedged against interest rate risks		6	10
- Interest on hedging instruments		9	16
- Fair value adjustments to hedging instruments		(12)	(10)
- Fair value adjustments to financing liabilities valued using the fair value option		-	-
- Debt issuing costs		-	(3)
Net gains and losses on trading transactions		**-**	**(3)**
- Interest rate instruments		-	(1)
- Currency instruments		-	(2)
Net gains and losses on available-for-sale financial assets		**-**	**-**
Margin on sales of Insurance services	*17.2*	**31**	**28**
- Earned premiums		78	104
- Paid claims and change in liabilities related to insurance contracts		(47)	(76)
Margin on sales of services		**4**	**10**
- Revenues		4	10
- Expenses		-	-
Net banking revenue		**46**	**41**
General operating expenses	*24*	**(15)**	**(14)**
- Personnel costs		(7)	(9)
- Other general operating expenses		(8)	(5)
Depreciation and amortization of intangible and tangible assets	*11*	**(13)**	**(21)**
Gains and losses on investments in companies and other disposals of fixed assets		**-**	**-**
Gross operating income		**18**	**6**
Cost of risk	*25*	(5)	(5)
Operating income		**13**	**1**
Share in net income of associates and joint ventures accounted for using the equity method	*10*	226	195
Impairment on goodwill		-	-
Pension obligation - expense		-	-
Pension obligation - income		-	-
Other non-operating items		4	4
Costs of non-transferred debts of operations to be taken over by partnership		-	(16)
Pre-tax income		**243**	**184**
Income taxes	*26.2*	(10)	(13)
Net income of continuing operations		**233**	**171**
- of which attributable to equity holders of the parent		*227*	*163*
- of which minority interests		*6*	*8*
Gross income of operations to be taken over by partnership (or held for sale)		-	53
Income tax on operations to be taken over by partnership (or held for sale)	*26.2*	-	(22)
Net income of operations to be taken over by partnership (or held for		**-**	**31**
- of which attributable to equity holders of the parent		-	*35*
- of which minority interests		-	*(4)*
Net income for the year		**233**	**202**
- of which attributable to equity holders of the parent		*227*	*198*
- of which minority interests		*6*	*4*
Net income of continuing operations - attributable to equity holders of the parent - per share (in €)		*18.2*	*14.6*
Net income - Earnings per share (in €)		*18.2*	*17.8*

2.3 Net Income and Income and Expenses Recognized Directly in Equity

	Dec. 31, 2017			Dec. 31, 2016		
(in million euros)	**Before tax**	**Tax**	**After tax**	**Before tax**	**Tax**	**After tax**
Net income	243	(10)	**233**	237	(35)	**202**
- of which minority interests			*6*			*4*
Recyclable in profit and loss items						
Fair value adjustments to hedging instruments (1)	-	-	**-**	1	-	**1**
- of which revaluation reversed in net income	-	-	**-**	-	-	**-**
- of which revaluation directly by equity	-	-	**-**	*1*	-	***1***
Exchange difference	(17)	-	**(17)**	35	-	**35**
- of which operations to be taken over by partnership	-	-	**-**	-	-	**-**
OCI of joint ventures	(21)	-	**(21)**	(29)	-	**(29)**
Total recyclable in profit and loss items	(38)	-	**(38)**	7	-	**7**
- of which minority interests			*(5)*			*(4)*
Not recyclable in profit and loss items						
Actuarial gains and losses on pension obligations	-	-	**-**	-	-	**-**
OCI of joint ventures	(5)	1	**(4)**	6	(1)	**5**
Total income and expenses recognized directly in Equity	(43)	1	**(42)**	13	(1)	**12**
- of which minority interests			*(5)*			*(4)*
Total net income and income and expenses recognized directly in Equity	200	(9)	**191**	250	(36)	**214**
- of which attributable to equity holders of the parent			*190*			*214*
- of which minority interests			*1*			-

(1) Including a €0,3 million loss due to hedging cross currency swaps' basis spread at December 31, 2017 (€1 million gain at December 31, 2016).

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

	Share capital and other reserves (1)				Fair value adjustments - equity holders of the parent						
(in million euros)	Share capital	Issue, share and merger premiums and liquidation surplus	Legal reserve and other reserves	Consoli-dated reserves	Fair value adjustments to hedging instruments	Actuarial gains and losses on pension obligations	Exchange difference	OCI of joint ventures	Equity attributable to equity holders of the parent	Minority interests	Total equity
At December 31, 2015	**177**	**340**	**318**	**1,713**	**(3)**	**(4)**	**(259)**	**13**	**2,295**	**32**	**2,327**
Distribution of dividends by:											
- Banque PSA Finance				(434)					**(434)**		**(434)**
- Other companies									**-**	(6)	**(6)**
Net Income				98	-	4	98	(2)	**198**	4	**202**
Income and Expenses Recognized Directly in Equity				-	1	-	39	(24)	**16**	(4)	**12**
Effect of a change in ownership interest (2)				(5)					**(5)**	(5)	**(10)**
Other				1	-	-	-	-	**1**	-	**1**
At December 31, 2016	**177**	**340**	**318**	**1,373**	**(2)**	**-**	**(122)**	**(13)**	**2,071**	**21**	**2,092**
Capital increase	22	248							**270**		**270**
Distribution of dividends by:											
- Banque PSA Finance				-					**-**		**-**
- Other companies									**-**	(6)	**(6)**
Net Income				218	-	-	9	-	**227**	6	**233**
Income and Expenses Recognized Directly in Equity				-	-	-	(12)	(25)	**(37)**	(5)	**(42)**
Other (3)		55		(55)	-	-	-	-	**-**	-	**-**
At December 31, 2017	**199**	**643**	**318**	**1,536**	**(2)**	**-**	**(125)**	**(38)**	**2,531**	**16**	**2,547**

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

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

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

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

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

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

2.5 Consolidated Statement of Cash Flows

(in million euros)	**Dec. 31, 2017**	**Dec. 31, 2016**
Net income of continuing operations attributable to equity holders of the parent	**227**	**163**
Restatement of costs of non-transferred debts of operations to be taken over by partnership, after taxes	-	11
Elimination of income without cash effect:		
- Minority interests in income of subsidiaries	6	8
- Net income of associates accounted for using the equity method, net of dividends received	(88)	(107)
- Net income of associates accounted for using the equity method	*(226)*	*(195)*
- Dividends received from associates accounted for using the equity method	*138*	*88*
- Change in depreciation, amortization and other provisions	8	(8)
- Change in deferred taxes	(3)	6
- (Profit)/loss on disposals of assets	(5)	(4)
Funds from operations	**145**	**69**
Increase/decrease in:		
- loans and advances to credit institutions	(114)	1,470
- deposits from credit institutions	64	(701)
Change in customer loans and receivables	(47)	(40)
Increase/decrease in:		
- amounts due to customers	5	(156)
- financial assets at fair value through profit or loss	15	262
- financial liabilities at fair value through profit or loss	-	(2)
- hedging instruments	4	9
- debt securities	(38)	239
Change in working capital: assets	13	58
Change in working capital: liabilities	16	148
Net cash provided by operating activities	**63**	**1,356**
Acquisitions of shares in subsidiaries	(489)	(71)
Proceeds from disposals of shares in subsidiaries	4	202
Capital (increase) / decrease	(36)	(5)
Investments in fixed assets	(16)	(19)
Proceeds from disposals of fixed assets	-	1
Effect of changes in scope of consolidation	2	-
Net cash used by investing activities	**(535)**	**108**
Dividends paid to PSA Group	-	(434)
Dividends paid to minority interests	(6)	(11)
Capital increase / (decrease)	270	-
Net dividends received from operations to be taken over by partnership	-	120
Net cash used by financing activities	**264**	**(325)**
Costs of non-transferred debts of operations to be taken over by partnership, after taxes	-	(11)
Changes in liabilities due to financing of operations to be taken over by partnership	-	(2,604)
Total net cash of financing operations to be taken over by partnership	**-**	**(2,615)**
Net income of operations to be taken over by partnership	-	31
Change in assets and liabilities of operations to be taken over by partnership	-	1,186
Net dividends paid by operations to be taken over by partnership	-	(120)
Total net cash from operations to be taken over by partnership	**-**	**1,097**
Effect of changes in exchange rates	(2)	16
Net change in cash and cash equivalents	**(210)**	**(363)**
Cash and cash equivalents at the beginning of the period	**530**	**893**
Cash, central banks, post office banks	58	182
- of which operations to be taken over by partnership	*-*	*28*
Marketable securities qualified as cash equivalents	249	340
Current account advances and loans and advances at overnight rates	223	347
- of which operations to be taken over by partnership	*-*	*280*
Time accounts qualified as cash equivalents	-	24
Cash and cash equivalents at the end of the period	**320**	**530**
Cash, central banks, post office banks	98	58
Marketable securities qualified as cash equivalents	40	249
Current account advances and loans and advances at overnight rates	182	223
Time accounts qualified as cash equivalents	-	-

2.6 Notes to the Consolidated Financial Statements

Notes

Note 1 Main Events of the period and Group Structure

A. Main Events of the period

Acquisition of Opel/Vauxhall automobile financing activities in partnership with BNP Paribas.

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

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

On the closing date and for the acquisition of its 50% share, BPF paid a price of €488.8 million. This price corresponds to the provisional estimate of the transaction in accordance with the provisions of the contract. This price is below the share of the net position of the acquired company, and at December 31, 2017, the work to identify and assess the fair value of the assets and liabilities was underway.
Therefore, at December 31, 2017, the group made a temporary allocation in respect of this estimated first consolidation difference. It was temporarily allocated in full to different asset and liability items.
Pursuant to IFRS 3 as revised, the group has 12 months to finalize the fair value assessment and the allocation of this first consolidation difference. Therefore, this allocation may be subject to revisions until the end of October 2018.

The balance sheet at December 31, 2017 presented in Note 27 "Segment Information" includes this temporary allocation of the assets and liabilities identified and assessed at fair value, pursuant to IFRS 3 as revised. The 2017 income presented in Note 27 includes the income of the two months of business between the closing date of the transaction and the closing date of the financial statements.

B. Changes in Group Structure

In January 2017, Banque PSA Finance carried out the dissolution of its fully owned subsidiary PSA Assurance SAS, through a complete transfer of assets and liabilities. The transaction had no impact on the consolidated financial statements of Banque PSA Finance Group.

Since January 2017, the fully owned insurance company PCA Compañía de Seguros S.A., operating in Argentina, has been fully consolidated in the financial statements of Banque PSA Finance Group.

In February 2017, the non-significant structure under liquidation proceedings PSA Financial Hungaria Zrt. was deconsolidated with no significant impact on the financial statements of Banque PSA Finance Group.

Since March 2017, the fully owned Russian subsidiary Peugeot Citroën Leasing has been fully consolidated in the financial statements of Banque PSA Finance Group.

In July 2017, the joint venture Crédipar repurchased the loans sold in 2014 to the Auto ABS3 2014-1 fund, and the fund was wound up in advance. As the fund was accounted for using the equity method, the transaction had no impact on the consolidated financial statements of Banque PSA Finance Group.

In July 2017, the joint venture Crédipar sold €350 million worth of future finance long term lease revenues to the Auto ABS LT Lease Master fund. The fund issued €244 million worth of A bonds and €106 million worth of B bonds. The subsidiary is entitled to the bulk of the operating income generated by the receivables after payment of interest on the bonds. Crédipar has been accounted by the equity method since February 2015. As a consequence, the associated fund Auto ABS LT Lease Master has been accounted by the equity method since July 2017.

In October 2017, the joint venture Crédipar repurchased the loans sold in 2013 to the Auto ABS 2013-2 fund, and the fund was wound up in advance. As the fund was consolidated, the transaction had no impact on the consolidated financial statements of Banque PSA Finance group.

On 2017 November 1st, Banque PSA Finance and BNP Paribas PF acquired Opel Bank S.A. In accordance with revised IAS 28 – Investments in Associates and Joint Ventures, Opel Bank S.A. is a joint venture. As such, it has been accounted for using the equity method in the consolidated financial statements of Banque PSA Finance Group since November 2017, along with the 15 subsidiaries, sub-subsidiaries and branches associated.

In November 2017, the joint venture PSA Finance UK Ltd sold £400 million (€445 million) worth of automobile loans to the Auto ABS UK Loans fund 2017 plc. The fund issued £315 million (€350 million) worth of AAA rated A bonds and £85 million (€95 million) worth of B bonds. The joint venture is entitled to the bulk of the operating income generated by the receivables after payment of interest on the bonds. PSA Finance UK Ltd has been accounted by the equity method since February 2015. As a consequence, the associated fund Auto ABS UK Loans has been accounted by the equity method since November 2017.

Since December 2017, a new insurance intermediary in Malta : PSA Insurance Solutions Ltd., 100% owned by the subsidiary PSA Service Ltd, has been fully consolidated.

In December 2017, the joint venture Crédipar repurchased the loans sold in 2013 to the Auto ABS2 2013-A fund, and the fund was wound up in advance. As the fund was accounted for using the equity method, the transaction had no impact on the consolidated financial statements of Banque PSA Finance Group.

C. List of Consolidated Companies

Companies	Country ISO code	% Direct	Banque PSA Finance interest – Indirect %	Held by	Dec. 31, 2017 Consolidation method	Dec. 31, 2017 % interest	Dec. 31, 2016 Consolidation method	Dec. 31, 2016 % interest
Branches								
Polish branch	PL	-	-		FC	100	FC	100
Subsidiaries								
Sales financing in Europe								
PSA Finance Hungaria Zrt.	HU	2.44	97.56	PSA Financial Holding B.V.	-	-	FC	100
PSA Renting Italia S.p.A.	IT	100	-		FC	100	FC	100
Sales financing outside Europe								
PSA Finance Argentina Compania Financiera S.A.	AR	50	-		FC	50	FC	50
BPF Algérie	DZ	2	98	PSA Financial Holding B.V.	FC	100	FC	100
Banque PSA Finance Mexico SA de CV SOFOM ENR	MX	2.80	97.20	PSA Finance Nederland B.V.	FC	100	FC	100
Bank PSA Finance Rus	RU	65	35	PSA Financial Holding B.V.	FC	100	FC	100
BPF Pazarlama A.H.A.S.	TR	100	-		FC	100	FC	100
Peugeot Citroën Leasing Russie	RU	100	-		FC	100	-	-
Insurance								
PSA Assurances S.A.S.	FR	-	-		-	-	FC	100
PSA Services Ltd	MT	100	-		FC	100	FC	100
PSA Insurance Ltd	MT	0.01	99.99	PSA Services Ltd	FC	100	FC	100
PSA Life Insurance Ltd	MT	0.01	99.99	PSA Services Ltd	FC	100	FC	100
PSA Insurance Manager Ltd	MT	-	100	PSA Services Ltd	FC	100	FC	100
PSA Insurance Solutions Ltd	MT	-	100	PSA Services Ltd	FC	100	-	-
PCA Compañía de Seguros S.A	AR	70	-		FC	70	-	-
Other companies								
Economy Drive Cars Ltd	GB	100	-		FC	100	FC	100
Vernon Wholesale Investments Company Ltd	GB	-	100	Economy Drive Cars Ltd	FC	100	FC	100
PSA Factor Italia S.p.A.	IT	94.54	-		FC	94.54	FC	94.54
PSA Finance Nederland B.V.	NL	-	100	PSA Financial Holding B.V.	FC	100	FC	100
PSA Financial Holding B.V.	NL	100	-		FC	100	FC	100
Joint ventures (1)								
Joint ventures in Europe :								
- with Santander CF								
PSA Finance Belux	BE	50	-		EM	50	EM	50
PSA Finance Suisse S.A.	CH	-	50	PSA Financial Services Spain E.F.C. S.A.	EM	50	EM	50
PSA Bank Deutschland GmbH	DE	50	-		EM	50	EM	50
PSA Bank Österreich GmbH, Austria Branch	*AT*	-	-		*EM*	*50*	*EM*	*50*
PSA Financial Services Spain E.F.C. S.A.	ES	50	-		EM	50	EM	50
PSA Banque France	FR	50	-		EM	50	EM	50
Crédipar	FR	-	50	PSA Banque France	EM	50	EM	50
CLV	FR	-	50	Crédipar	EM	50	EM	50
PSA Finance UK Ltd	GB	50	-		EM	50	EM	50
Banca PSA Italia S.p.A.	IT	50	-		EM	50	EM	50
PSA Insurance Europe Ltd	MT	-	50	PSA Services Ltd	EM	50	EM	50
PSA Life Insurance Europe Ltd	MT	-	50	PSA Services Ltd	EM	50	EM	50
PSA Financial Services Nederland B.V.	NL	50	-		EM	50	EM	50
PSA Finance Polska Sp.zo.o.	PL	50	-		EM	50	EM	50
PSA Consumer Finance Polska Sp. z o.o	PL	-	50	PSA Finance Polska Sp.zo.o.	EM	50	EM	50
- with BNP Paribas PF								
Opel Finance BVBA	BE	-	50	Opel Bank S.A	EM	50	-	-
Opel Finance SA	CH	-	50	OPVF Europe Holdco Limited	EM	50	-	-
Opel Finance Germany Holdings GmbH	DE	-	50	Opel Bank S.A	EM	50	-	-
Opel Bank GmbH	DE	-	50	Opel Finance Germany Holdings GmbH	EM	50	-	-
Opel Bank GmbH, Greece Branch	*GR*	-	-		*EM*	50	-	-
Opel Bank GmbH, Ireland Branch	*IE*	-	-		*EM*	50	-	-
Opel Leasing GmbH	DE	-	50	Opel Bank GmbH	EM	50	-	-
Opel Leasing GmbH, Austria Branch	*AT*	-	-		*EM*	50	-	-
Opel Bank S.A	FR	50	-		EM	50	-	-
OPVF Europe Holdco Limited	GB	-	50	Opel Bank S.A	EM	50	-	-
OPVF Holdings U.K. Limited	GB	-	50	OPVF Europe Holdco Limited	EM	50	-	-
Vauxhall Finance plc	GB	-	50	OPVF Holdings U.K. Limited	EM	50	-	-
Opel Finance SpA	IT	-	50	OPVF Europe Holdco Limited	EM	50	-	-
Opel Finance International B.V.	NL	-	50	OPVF Europe Holdco Limited	EM	50	-	-
Opel Finance N.V.	NL	-	50	OPVF Europe Holdco Limited	EM	50	-	-
Opel Finance AB	SE	-	50	OPVF Europe Holdco Limited	EM	50	-	-
Joint ventures in Brazil, with Santander								
Banco PSA Finance Brasil S.A.	BR	50	-		EM	50	EM	50
PSA Corretora de Seguros e Serviços Ltda	BR	-	50	PSA Services Ltd	EM	50	EM	50
Joint venture in China, with Dongfeng Peugeot Citroën								
Dongfeng Peugeot Citroën Auto Finance Company Ltd	CN	-	25	PSA Finance Nederland B.V.	EM	25	EM	25
Special purpose entities (1)								
Auto ABS Swiss Leases 2013 GmbH	CH	-	-		EM	50	EM	50
Auto ABS 2012-3	ES	-	-		EM	50	EM	50
Auto ABS Spanish Loans 2016	ES	-	-		EM	50	EM	50
Auto ABS DFP Master Compartment France 2013	FR	-	-		EM	50	EM	50
Auto ABS French Loans Master	FR	-	-		EM	50	EM	50
Auto ABS2 2013-A	FR	-	-		-	-	EM	50
Auto ABS 2013-2	FR	-	-		-	-	EM	50
Auto ABS German Loans Master	FR	-	-		EM	50	EM	50
Auto ABS3 2014-1	FR	-	-		-	-	EM	50
Auto ABS French Leases Master	FR	-	-		EM	50	EM	50
FCT Auto ABS LT Leases Master	FR	-	-		EM	50	-	-
Auto ABS UK Loans plc	GB	-	-		EM	50	EM	50
FCT Auto ABS UK Loans 2017 plc	GB	-	-		EM	50	-	-
Auto ABS Italian Loans Master S.r.l.	IT	-	-		EM	50	EM	50

(1) *see Note 10.2 Detailed information about Associates - Joint ventures.*

Note 2 Accounting Policies

In accordance with European Council Regulation 1606/2002/EC dated July 19, 2002 on the application of international accounting standards from January 1, 2005, Banque PSA Finance's consolidated financial statements for the year ended December 31, 2017 have been prepared in accordance with the International Financial Reporting Standards (IFRSs) applicable and adopted by the European Union as of that date.

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

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

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

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

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

- Amendments to IAS 7 - Disclosure Initiative

These amendments concern proposals for the disclosure of a reconciliation of liabilities whose cash flows were, or future cash flows would be, classified as financing activities in the statement of cash flows; and restrictions that affect the decisions of an entity to use cash and cash equivalent balances.

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

These amendments are to clarify that a company should account for all income tax consequences of dividends in the same way, regardless of how the tax arises.

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

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

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

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

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

The final version of IFRS 9 groups together 3 phases:

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

The package of improvements introduced by IFRS 9 includes:

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

IFRS 9 comes into effect on January 1, 2018.

The analysis of the impacts of IFRS 9 on Banque PSA Finance was carried out in 2016 and 2017. Phases 1, 2 and 3 will be applied on January 1, 2018.

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

As a consequence, Banque PSA Finance will recognise any difference between the previous carrying amount (2017) and the carrying amount at the beginning of the annual reporting period (2018) that includes the date of initial application in the opening equity of the annual reporting period that includes the date of initial application (2018). The estimated impact is indicated in the management report.

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

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

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

The investments in companies that are not consolidated are booked at amortised cost under IAS39 owing to a non-significant operational activity. They will be classified at fair value through profit or loss according to IFRS 9 without

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

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

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

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

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

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

- IFRS 16 – **Leases.** This standard is not supposed to have a significant impact on Banque PSA Finance for the lessor accounting model, as the measures required by the standard on this issue are convergent with IAS 17. However, impacts are expected for the financial statements of some clients of Banque PSA Finance, as lessees will need to disclose new information.

IFRS 17 - Insurance Contracts

On May 18, 2017 the IASB published IFRS 17 – Insurance Contracts. IFRS 17 will replace the interim standard IFRS 4, for financial periods commencing on or after January 1, 2021, if adopted by the European Union.

Under the IFRS 17 model, insurance contract liabilities will be calculated as the present value of future insurance cash flows with a provision for risk. This standard establishes models, tools and procedures for the recognition, measurement, presentation and disclosure of insurance contracts issued.

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

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

Format of the Financial Statements:

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

The consolidated financial statements include the financial statements of Banque PSA Finance and the French and foreign companies in the Banque PSA Finance Group, based on the consolidation methods described in section A below.
The individual statutory financial statements of Banque PSA Finance and its subsidiaries are prepared in accordance with the accounting principles in force in the countries where they do business. These statements are adjusted to comply with Group accounting policies for inclusion in the consolidated financial statements.

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

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

The annual consolidated financial statements and notes for Banque PSA Finance Group were approved by the Board of Directors on February 23, 2018.

A. Basis of Consolidation

A.1 Consolidation Methods

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

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

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

A.2 Translation of Financial Statements of Foreign Subsidiaries

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

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

A.3 Foreign Currency Transactions

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

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

A.4 Use of Estimates

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

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

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

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

A.5 Main Consolidation Adjustments

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

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

Deferred Taxes

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

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

B. Fixed Assets

B.1. Property and Equipment

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

- Buildings	20 to 30 years
- Vehicles	4 years
- Other	3 to 10 years

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

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

B.2. Intangible Assets

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

B.3. Goodwill

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

In accordance with IFRS 3 – Business Combinations, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired (see note 12).

B.4. Impairment of Long-lived Assets

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

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

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

C. Financial Assets and Liabilities

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

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

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

C.1 Derivatives – Application of Hedge Accounting

C.1.1 Recognition and Measurement

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

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

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

The effects of hedge accounting are as follows:
- for fair value hedges of existing assets and liabilities, the hedged portion of the asset or liability is recognized in the balance sheet and measured at fair value. Gains and losses arising from remeasurement at fair value are recognized in profit or loss, and are offset by the effective portion of the loss or gain arising from remeasurement at fair value of the hedging instrument. Fair value adjustments to hedged financial assets and liabilities are reported under "Fair value adjustments to portfolios hedged against interest rate risks", in assets for hedged finance receivables and in liabilities for hedged debt;
- for cash flow hedges, the effective portion of the gain or loss arising from remeasurement at fair value of the hedging instrument is recognized in equity. The cumulative gains and losses recognized in equity are included in profit or loss when the hedged item affects profit or loss.

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

C.1.2 Derivatives – Financial Statement Presentation

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

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

IFRS 13 requires to present the valuation methods of the financial assets and liabilities at fair value as well as their hierarchy (level 1, 2 or 3).
The valuation methods have to maximize the use of observable market data. These methods are classified according to the same three levels hierarchy (in descending order of priority) as IFRS 7 for financial instruments:
- level 1: quoted price (without adjustment) for similar instruments on an active market;
An active market is a market in which there are sufficiently frequent and large volumes on assets or liabilities to provide price information in a continuous way.
- level 2: valuation using only observable data for a similar instrument on an active market;
- level 3: valuation making significant use of at least one non-observable item of data.
In the balance sheet, the valuations are of level 1 or 2, presented in the related notes. Only the specific note “Fair Value of Financial Assets and Liabilities” uses valuation methods of level 3, detailed in note 21.

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

Financial assets at fair value through profit or loss correspond, in particular, to liquidity reserves invested as securities.

These fixed income securities are accounted for using the fair value option, whereby changes in the fair value of the hedged securities are recognized directly in profit or loss, together with the offsetting change in fair value of the economic hedges. Liquidity reserves are also partly invested in mutual funds, whose units are not consolidated because they do not meet the criteria regarding control or rights in the majority of the benefits and corresponding risks (see IFRS 10 – Consolidated Financial Statements, and the amendment to IAS 27 – Separate Financial Statements).

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

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

This item comprises liabilities valued using the fair value option. The Group has elected to use this option in certain instances to improve the presentation of its financial statements by recognizing fair value adjustments to the liabilities symmetrically with the fair value adjustments made to the derivatives used to hedge the interest rate risk on those liabilities. Accordingly, the fair value adjustments include any changes in Banque PSA Finance's issuer spread. At December 31, 2017, no liabilities were measured using the fair value option.

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

C.4 Available-for-sale Assets

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

C.5 Held-to-maturity Investments

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

C.6 Loans and Receivables

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

Customer loans and receivables are analysed by type of financing:

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

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**.

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

C.6.1 Loans and Receivables Measured at Amortized Cost

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

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

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

C.6.2 Lease Financing

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

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

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

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

C.6.4 Impairment Losses

Impairment losses are identified separately under specific line items.

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

Retail financing impairment losses

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

- ***For the joint ventures with Santander, impairment losses on sound loans without and with past-due installments:***

Distinct default probabilities are calculated over the sound loans without and with past-due installments according to the principle IBNR (Incurred But Not Reported) loss according to IAS 39. AG90: loss event not being known by the bank (e.g. loss of a job, unexpected family events,..).

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

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

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

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

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

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

- ***Restructured performing loans:***

As soon as the customer is officially declared in restructuration, the loan is classified as non-performing. At the end of the moratorium, if the customer complies with his or her repayment obligations, the loan is reclassified as sound and an impairment loss is booked at the rate applied to sound loans with past-due installments. In the event of a subsequent default, the loan is immediately reclassified as non-performing. To be noted that restructured loans are not identified for the subsidiaries (mainly Russia and Argentina).

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

The standards of Banque PSA Finance for the classification in loss / write off concern any type of financing with past-due installments of more than 48, 36, or 24 months, depending on the type of financing and country concerned. When a finance receivable is considered as irrecoverable, it is written off through profit or loss as of the individual financial statements. The previously-recognized impairment loss is also reversed through profit or loss. Any subsequent recoveries are credited to the income statement under "Cost of risk".

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

- ***Sound receivables - Impairment on collective basis (IAS 39. AG90)***

Further to the request of the regulator, an impairment model for the impairment of Corporate sound receivables was implemented since 2015.

- ***Impairment losses on an individual basis for non-performing***

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

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

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

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

C.7 Financing Liabilities

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

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

C.7.1 Hedges of Interest Rate Risks on Financing Liabilities

Financing liabilities hedged by interest rate swaps are remeasured at fair value in accordance with hedge accounting principles applicable to fair value hedges.

Gains and losses arising from remeasurement at fair value of the hedged portion of the liability are recognized in profit or loss and are offset by the effective portion of changes in the fair value of the swaps (see section C.1.1 "Derivatives – recognition and measurement").

C.7.2 Debt Securities

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

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

D. Liabilities Related to Insurance Contracts

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

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

E. Provisions

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

Provisions are discounted only when the impact is material.

F. Segment Information

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

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

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

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

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

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

G. Pension Obligations

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

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

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

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

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

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

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

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

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

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

Other employee benefits covered by provisions mainly concern long-service awards payable by French subsidiaries and some foreign subsidiaries.

Employee benefits relate to joint ventures.

H. Signature Commitments

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

Provisions are taken for impairment of financing or guarantee commitments in accordance with IAS 37. These signature commitments are reported at their nominal amount in note 22 – 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 19 – Derivatives.

I. Price allocation

On November 1, 2018 Group PSA and BNP Paribas finalized their joint acquisition of Opel and Vauxhall financial operations in Europe. Group PSA, together with BNP Paribas, thus acquired the entirety of the European activities of GM Financial via Opel Bank. This entity is equally held by BNP Paribas Personal Finance and Banque PSA Finance. Banque PSA Finance has significant control over Opel Bank which is consolidated via equity method. This operation is accounted according to IFRS 3 - Business Combinations and is described in note 1 “Main Events of the period and Group Structure”.

Note 3 Cash, Central Banks, Post Office Banks

(in million euros)	Dec. 31, 2017	Dec. 31, 2016
Cash and post office banks	-	-
Central banks (1)	98	58
- *of which compulsory reserves deposited with the Banque de France*	-	-
Total	**98**	**58**

(1) *The reserves deposited with the central banks are included in Banque PSA Finance Group's liquidity reserve (see Note 22.2).*

Note 4 Financial Assets at Fair Value Through Profit or Loss

(in million euros)	Dec. 31, 2017	31.12.2016
Marketable securities	165	389
- Mutual funds	129	329
- Mutual funds qualified as cash equivalents (1)	40	249
- Units held by insurance companies	89	80
- Certificates of deposit and Treasury bills	-	-
- Bonds issued by the securitization funds in the Santander joint venture	36	60
- *of which held by insurance companies*	*23*	*23*
Fair value adjustments	-	-
Marketable securities booked at fair value through profit or loss	**165**	**389**
- *of which accrued interest*	*1*	*1*
Foreign exchange hedging instruments	**-**	**-**
Accrued interest on trading derivatives	**-**	**-**
Fair value of trading derivatives	**-**	**-**
Total	**165**	**389**

Fair value is determined by applying valuation techniques based on observable market data (level 2), except for mutual fund units which are valued at the latest published net asset value (level 1).

(1) *The mutual funds qualified as cash equivalents are included in Banque PSA Finance Group's liquidity reserve (see Note 22.2).*

Note 5 Hedging Instruments - Assets

5.1 Analysis by Nature

(in million euros)	Dec. 31, 2017	Dec. 31, 2016
Adjustment accounts - commitments in foreign currencies (1)	**31**	**60**
- *of which related companies*	-	*1*
Accrued income on swaps designated as hedges	**3**	**4**
- *of which related companies*	-	-
Positive fair value of instruments designated as hedges of:	**9**	**21**
- Borrowings	-	-
- EMTNs/BMTNs	8	21
- *of which due to hedging cross currency swaps' basis spread*	*(3)*	*(3)*
- Bonds	-	-
- Customer loans (Installment contracts, Buyback contracts and Long-term leases)	-	-
- Variable rate EMTN (Cash Flow Hedge)	1	-
Offsetting positive fair value and received margin calls	**(41)**	**(80)**
Total	**2**	**5**

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

(1) *Adjustment accounts are used to record fair value adjustments to currency swaps designated as hedges of foreign currency customer loans refinanced in euros and foreign currency financing liabilities. These fair value adjustments are offset by adjustments arising from the remeasurement of the underlying foreign currency customer loans and financing liabilities at period-end exchange rates (see "A. Operational Positions in Foreign Currencies" in Note 19).*

5.2 Offsetting swaps with margin call designated as hedges - Assets

For 2017

(in million 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
Adjustment accounts - commitments in foreign currencies	**209**	**(178)**	**31**	**-**	**31**
- Cross currency swap with margin call	209	(178)	31	-	31
- Other instruments			-	-	-
Accrued income	**3**	**-**	**3**	**-**	**3**
- Swaps with margin call	3	-	3	-	3
- Swaps without margin call	-	-	-	-	-
Positive fair value	**200**	**(191)**	**9**	**-**	**9**
- Swaps with margin call	200	(191)	9	-	9
- Swaps without margin call	-	-	-	-	-
Offsetting	-	-	-	(41)	**(41)**
Total assets	**412**	**(369)**	**43**	**(41)**	**2**
Margin calls received on swaps designated as hedges	-	-	43	(41)	**2**
Total liabilities	**-**	**-**	**43**	**(41)**	**2**

For 2016

(in million 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
Adjustment accounts - commitments in foreign currencies	**238**	**(178)**	**60**	**-**	**60**
- Cross currency swap with margin call	237	(178)	59	-	59
- Other instruments	1	-	1	-	1
Accrued income	**4**	**-**	**4**	**-**	**4**
- Swaps with margin call	4	-	4	-	4
- Swaps without margin call	-	-	-	-	-
Positive fair value	**296**	**(275)**	**21**	**-**	**21**
- Swaps with margin call	296	(275)	21	-	21
- Swaps without margin call	-	-	-	-	-
Offsetting	-	-	-	(80)	**(80)**
Total assets	**538**	**(453)**	**85**	**(80)**	**5**
Margin calls received on swaps designated as hedges	-	-	80	(80)	**-**
Total liabilities	**-**	**-**	**80**	**(80)**	**-**

Note 6 Available-for-sale Financial Assets

Available-for-sale financial assets consist mainly of investments in companies that are not consolidated, because the size of their business at the period-end is not material. Marketable securities are included in "Financial assets at fair value through profit or loss" (see Note 4).
The fair value of these assets is considered as being equal to the most recent transaction price, corresponding to the purchase of the shares. An impairment is recognized in the rare cases when long-term losses are anticipated.

(in million euros)	Dec. 31, 2017	Dec. 31, 2016
PSA Finance P.L.C. (1)	2	3
PSA Financial d.o.o. (2)	3	3
PSA Finance Hungaria Zrt (3)	26	-
Peugeot Citroen Leasing Russie (4)	-	1
PCA Compañía de Seguros S.A (5)	-	1
Gross value	**31**	**8**
Impairment (2)(3)	(29)	(3)
Net value	**2**	**5**

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

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

(3) *The PSA Financial d.o.o. 100%-owned non-operating subsidiary in Croatia was removed from the scope of consolidation at March 1, 2017. The shares in this subsidiary have been fully impaired.*

(4) *The subsidiary Peugeot Citroen Leasing Russie is included in the scope of consolidation since February 1, 2017.*

(5) *The subsidiary PCA Compañía de Seguros S.A is included in the scope of consolidation since January 1, 2017.*

Note 7 Loans and Advances to Credit Institutions

Analysis of Demand and Time Accounts

(in million euros)	Dec. 31, 2017	Dec. 31, 2016
Demand accounts	**182**	**223**
- Ordinary accounts in debit	182	223
- of which allocated to the liquidity reserve (1)	*133*	*167*
- of which held by insurance companies	*32*	*49*
- of which related companies	*23*	*40*
Time accounts	**112**	**-**
- Time accounts qualified as cash equivalents (1)	-	-
- of which related companies	*100*	-
- Other	12	-
- of which held by insurance companies	*2*	-
Accrued interest	**-**	**-**
Total	**294**	**223**

(1) The part of ordinary accounts allocated to the liquidity reserve and time accounts qualified as cash equivalents are included in Banque PSA Finance Group's liquidity reserve (see Note 22.2).

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

Note 8 Customer Loans and Receivables

8.1 Analysis by Type of Financing

(in million euros)	Dec. 31, 2017	Dec. 31, 2016
Installment contracts	**255**	**272**
Buyback contracts (1)	**5**	**5**
Principal and interest	6	7
Unaccrued interest on buyback contracts	(2)	(2)
Long-term leases (1)	**39**	**33**
Principal and interest	43	37
- Related companies	-	-
- Non-group companies	43	37
Unaccrued interest on long-term leases	(3)	(3)
Leasing deposits	(1)	(1)
Wholesale financing	**55**	**47**
Principal and interest	55	47
- Related companies	-	-
- Non-group companies	55	47
Other finance receivables	**4**	**8**
- Related companies	-	-
- Non-group companies	4	8
Ordinary accounts in debit	**-**	**-**
- Related companies	-	-
- Cash pooling (2):		
- Before offsetting	3	8
- Offsetting of continuing operations	(3)	(8)
- Other	-	-
- Non-group companies	-	-
Deferred items included in amortized cost - Customers loans and receivables	**(27)**	**(19)**
- Deferred acquisition costs	1	2
- Deferred loan set-up costs	(15)	(9)
- Deferred manufacturer and dealer contributions	(13)	(12)
Total Loans and Receivables at Amortized Cost	**331**	**346**

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

(2) Under the cash pooling agreement with PSA International, the asset and liability amounts are offset in accordance with IAS 32 (see Note 14).

8.2 Customer Loans and Receivables by Segment

For 2017

(in million euros) / IFRS 8 Segment	Corporate Dealers (A - see B Note 25.1)	End user: Retail (B - see A Note 25.1)	End user: Corporate and equivalent (C - see C Note 25.1)	Total at Dcember 31, 2017
Type of financing				
Installment contracts	-	254	1	255
Buyback contracts	-	2	3	5
Long-term leases	2	21	16	39
Wholesale financing	55	-	-	55
Other finance receivables	4	-	-	4
Ordinary accounts in debit	-	-	-	-
Deferred items included in amortized cost	-	(26)	(1)	(27)
Total customer loans by segment (based on IFRS 8)	**61**	**251**	**19**	**331**

For 2016

(in million euros) / IFRS 8 Segment	Corporate Dealers (A - see B Note 25.1)	End user: Retail (B - see A Note 25.1)	End user: Corporate and equivalent (C - see C Note 25.1)	Total at December 31, 2016
Type of financing				
Installment contracts	-	270	2	272
Buyback contracts	-	3	2	5
Long-term leases	5	19	9	33
Wholesale financing	47	-	-	47
Other finance receivables	8	-	-	8
Ordinary accounts in debit	-	-	-	-
Deferred items included in amortized cost	-	(19)	-	(19)
Total customer loans by segment (based on IFRS 8)	**60**	**273**	**13**	**346**

8.3 Analysis by Currency

(in million euros)	Dec. 31, 2017	Dec. 31, 2016
Net loans and receivables		
ARS	185	166
EUR	39	26
GBP	-	8
MXN	26	18
PLN	19	47
RUB	62	81
Total	**331**	**346**

The adjustments arising from the remeasurement of foreign currency customer loans refinanced in euros at period-end exchange rates are offset by the fair value adjustments to currency swaps hedging these loans (see Note 5).

8.4 Analysis by Maturity

For 2017

(in million euros)	Not broken down	0 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Total at Dec. 31, 2017
Installment contracts	**1**	**51**	**37**	**63**	**103**	**-**	**255**
Gross	6	51	37	63	103	-	260
Impairment	(5)	-	-	-	-	-	(5)
Buyback contracts	**-**	**1**	**-**	**1**	**3**	**-**	**5**
Gross	-	1	-	1	3	-	5
Impairment	-	-	-	-	-	-	-
Long-term leases	**-**	**3**	**15**	**10**	**11**	**-**	**39**
Gross	3	3	15	10	11	-	42
Guarantee deposits	(1)	-	-	-	-	-	(1)
Impairment	(2)	-	-	-	-	-	(2)
Wholesale financing	**-**	**44**	**9**	**2**	**-**	**-**	**55**
Gross	4	44	9	2	-	-	59
Guarantee deposits	-	-	-	-	-	-	-
Impairment	(4)	-	-	-	-	-	(4)
Other finance receivables	**-**	**1**	**2**	**1**	**-**	**-**	**4**
Gross	-	1	2	1	-	-	4
Impairment	-	-	-	-	-	-	-
Ordinary accounts in debit	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Gross	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-
Deferred items included in amortized cost	**(27)**	**-**	**-**	**-**	**-**	**-**	**(27)**
Total net loans and receivables	**(26)**	**100**	**63**	**77**	**117**	**-**	**331**
Gross	13	100	63	77	117	-	370
Guarantee deposits	(1)	-	-	-	-	-	(1)
Impairment	(11)	-	-	-	-	-	(11)
Deferred items included in amortized cost	(27)	-	-	-	-	-	(27)

For 2016

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

Note 9 Accruals and Other Assets

(in million euros)	Dec. 31, 2017	Dec. 31, 2016
Other receivables	**29**	**38**
- Related companies	22	28
- of which insurance activities	*8*	*14*
- Non-group companies	7	10
- of which insurance activities	-	-
Dividends receivable from Joint Ventures with Santander	**1**	**3**
- of which insurance activities	-	*3*
Prepaid and recoverable taxes	**22**	**14**
- of which insurance activities	*3*	-
Accrued income	**21**	**27**
- Related companies	9	9
- Non-group companies	12	18
- of which insurance activities	*12*	*13*
Prepaid expenses	**3**	**2**
Other	**8**	**5**
- Related companies	-	-
- Non-group companies	8	5
- of which insurance activities	-	-
Total	**84**	**89**

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

10.1 Investments

(in million euros)	Dec. 31, 2017	Dec. 31, 2016
At the beginning of the period	**1,527**	**981**
Change in Group structure	489	448
Capital increase/(decrease) and contributions to reserves	37	20
Share in net income	226	195
Distribution of dividends	(138)	(91)
Income and Expenses Recognized Directly in Equity	(6)	4
Exchange difference	(19)	(30)
At the end of the period	**2,116**	**1,527**
- of which goodwill (1)	*3*	*3*

Table of Changes by Geographical Area

	Europe		Brazil	China		
(in million euros) Partnership with	Santander CF	BNP Paribas PF	Santander	Dongfeng Peugeot Citroën	*of which goodwill (1)*	Total
At December 31, 2015	**916**			**65**	***3***	**981**
Change in Group structure	410		38	-	-	448
Capital increase/(decrease) and contributions to reserves	20		-	-	-	20
Share in net income	179		2	14	-	195
Distribution of dividends	(91)		-	-	-	(91)
Income and Expenses Recognized Directly in Equity	4		-	-	-	4
Exchange difference	(30)		2	(2)	-	(30)
At December 31, 2016	**1,408**		**42**	**77**	***3***	**1,527**
Change in Group structure	-	489	-	-	-	489
Capital increase/(decrease) and contributions to reserves	37	-	-	-	-	37
Share in net income	195	8	5	18	-	226
Distribution of dividends	(136)	-	(2)	-	-	(138)
Income and Expenses Recognized Directly in Equity	(2)	(4)	-	-	-	(6)
Exchange difference	(8)	-	(6)	(5)	-	(19)
At December 31, 2017	**1,494**	**493**	**39**	**90**	***3***	**2,116**

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

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

On December 27, 2012, the proceeds from disposal of 25% shares in the Chinese subsidiary reduced the goodwill to CNY37.8 million and on March 2015, the proceeds from disposal of 25% shares in the Chinese subsidiary reduced the goodwill to CNY18.8 million (€2.4 million at December 31, 2017 versus €2.6 million at December 31, 2016).

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

10.2 Detailed information about Associates - Joint ventures

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

The following information is given according to IFRS 12:

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

10.2.1 Partnership with Santander CF in Europe

The partnership in Europe concerns the following countries:

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

Equity accounted percentage: 50%

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

Key Balance Sheet Items

(in million euros)	Dec. 31, 2017	Dec. 31, 2016
Customer loans and receivables	24,180	21,954
Other assets	2,585	2,419
Total assets	**26,765**	**24,373**
Refinancing	18,594	17,174
Other liabilities	5,182	4,383
Equity	2,989	2,816
Total equity and liabilities	**26,765**	**24,373**

Key Income Statement Items

(in million euros)	Dec. 31, 2017	Dec. 31, 2016
Net banking revenue	**1,007**	**882**
General operating expenses and equivalent	(362)	(323)
Gross operating income	**645**	**559**
Cost of risk (1)	(57)	(28)
Operating income	**588**	**531**
Non-operating items	(12)	-
Pre-tax income	**576**	**531**
Income taxes	(185)	(174)
Net income for the year	**391**	**357**

(1) See the "Additional information on the cost of risk of joint ventures" section in Note 27.2.

Statement of changes from 100% Equity to equity method

(in million euros)	Equity before equity method	Percentage of equity method	Share of profit of equity method	Elimination of shareholder's equity (1)	Goodwill	Equity after equity method	*of which exchange difference*
At December 31, 2015	**1,833**	**50%**	**916**	**(782)**	**-**	**134**	***4***
Change in Group structure	819		410	(440)		(30)	
Capital increase and contributions to reserves	40		20	(15)		5	
Net income of the period	357		179			179	
Distribution of dividends	(182)		(91)			(91)	
Income and Expenses Recognized Directly in Equity	8		4			4	
Exchange difference	(59)		(30)			(30)	*(30)*
At December 31, 2016	**2,816**	**50%**	**1,408**	**(1,237)**	**-**	**171**	**(26)**
Capital increase and contributions to reserves	74		37	(36)		1	
Net income of the period	391		195			195	
Distribution of dividends	(273)		(136)			(136)	
Income and Expenses Recognized Directly in Equity	(3)		(2)			(2)	
Exchange difference	(16)		(8)			(8)	*(8)*
At December 31, 2017	**2,989**	**50%**	**1,494**	**(1,273)**	**-**	**221**	***(34)***

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

Consolidated Balance Sheet items after equity method

(in million euros)	Dec. 31, 2017	Dec. 31, 2016
Investments in associates and joint ventures accounted for using the equity method	1,494	1,408
Total assets	**1,494**	**1,408**
Equity		
- Historical value of the shares owned (1)	1,273	1,237
- Consolidated reserves - equity holders of the parent	221	171
- of which share in net income accounted for using the equity method	*195*	*179*
Total equity and liabilities	**1,494**	**1,408**

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

10.2.2 Partnership with BNP Paribas PF in Europe

The partnership with BNP Paribas PF began in November 2017 and concerns the main following countries: France (FR), Belgium (BE), Switzerland (CH), Germany (DE), United Kingdom (UK), Italia (IT), Netherlands (NL) and Austria (AT).
Details of the concerned entities are given in Note 1-C.

Equity accounted percentage: 50%

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

Key Balance Sheet Items

(in million euros)	Dec. 31, 2017
Customer loans and receivables	9,157
Other assets	1,020
Total assets	**10,177**
Refinancing	7,133
Other liabilities	2,057
Equity	987
Total equity and liabilities	**10,177**

Key Income Statement Items (1)

(in million euros)	Dec. 31, 2017
Net banking revenue	**66**
General operating expenses and equivalent	(43)
Gross operating income	**23**
Cost of risk	(1)
Operating income	**22**
Income taxes	(6)
Net income for the year	**16**

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

Statement of changes from 100% Equity to equity method

(in million euros)	Equity before equity method	Percentage of equity method	Share of profit of equity method	Elimination of shareholder's equity (1)	Goodwill (2)	Equity after equity method	*of which exchange difference*
Change in Group structure	978		489	(489)	-	-	-
Net income of the period	16		8			8	
Income and Expenses Recognized Directly in Equity	(7)		(4)			(4)	
Exchange difference	-		-			-	-
At December 31, 2017	**987**	**50%**	**493**	**(489)**	**-**	**4**	**-**

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

Consolidated Balance Sheet items after equity method

(in million euros)	Dec. 31, 2017
Investments in associates and joint ventures accounted for using the equity method	493
Total assets	**493**
Equity	
- Historical value of the shares owned (1)	489
- Consolidated reserves - equity holders of the parent	4
- *of which share in net income accounted for using the equity method*	*8*
Total equity and liabilities	**493**

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

(2) *Pursuant to IFRS 3 as revised, the group has 12 months to finalize the fair value assessment and the allocation of the initial consolidated goodwill. As of December 31, 2017, the Balance Sheet includes this temporary allocation of the assets and liabilities identified and assessed at fair value.This allocation may be subject to revisions until the end of October 2018 (see Note 1.A Main Events of the period).*

10.2.3 Partnership with Santander in Brazil

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

Equity accounted percentage: 50%

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

Key Balance Sheet Items

(in million euros)	Dec. 31, 2017	Dec. 31, 2016
Customer loans and receivables	425	496
Other assets	54	62
Total assets	**479**	**558**
Refinancing	384	461
Other liabilities	17	13
Equity	78	84
Total equity and liabilities	**479**	**558**

Key Income Statement Items

(in million euros)	Dec. 31, 2017	Dec. 31, 2016
Net banking revenue	**34**	**13**
General operating expenses and equivalent	(18)	(7)
Gross operating income	**16**	**6**
Cost of risk (1)	(1)	-
Operating income	**15**	**6**
Income taxes	(5)	(2)
Net income for the year	**10**	**4**

(1) See the "Additional information on the cost of risk of joint ventures" section in Note 27.2.

Statement of changes from 100% Equity to equity method

(in million euros)	Equity before equity method	Percentage of equity method	Share of profit of equity method	Elimination of shareholder's equity (1)	Goodwill	Equity after equity method	*of which exchange difference*
At December 31, 2016	**84**	**50%**	**42**	**(27)**	**-**	**15**	***2***
Net income of the period	10		5			5	
Distribution of dividends	(4)		(2)			(2)	
Income and Expenses Recognized Directly in Equity	-		-			-	
Exchange difference	(12)		(6)			(6)	*(6)*
Au 31 décembre 2017	**78**	**50%**	**39**	**(27)**	**-**	**12**	***(4)***

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

Consolidated Balance Sheet items after equity method

(in million euros)	Dec. 31, 2017	Dec. 31, 2016
Investments in associates and joint ventures accounted for using the equity method	39	42
Total assets	**39**	**42**
Equity		
- Historical value of the shares owned (1)	27	27
- Consolidated reserves - equity holders of the parent	12	15
- of which share in net income accounted for using the equity method	*5*	*2*
Total equity and liabilities	**39**	**42**

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

10.2.4 Partnership with Dongfeng Peugeot Citroën in China

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

Equity accounted percentage: 25%

Fully financial information

Key Balance Sheet Items

(in million euros)	Dec. 31, 2017	Dec. 31, 2016
Customer loans and receivables	2,408	2,220
Other assets	195	101
Total assets	**2,603**	**2,321**
Refinancing	1,464	1,357
Other liabilities	791	665
Equity	348	299
Total equity and liabilities	**2,603**	**2,321**

Key Income Statement Items

(in million euros)	Dec. 31, 2017	Dec. 31, 2016
Net banking revenue	**120**	**116**
General operating expenses and equivalent	(27)	(28)
Gross operating income	**93**	**88**
Cost of risk	(7)	(9)
Operating income	**86**	**79**
Income taxes	(14)	(20)
Net income for the year	**72**	**59**

Statement of changes from 100% Equity to equity method

(in million euros)	Equity before equity method	Percentage of equity method	Share of profit of equity method	Elimination of shareholder's equity (1)	Goodwill (2)	Equity after equity method	*of which exchange difference*
At December 31, 2015	**248**	**25%**	**62**	**(33)**	**3**	**32**	*9*
Net income of the period	59		14			14	
Exchange difference after disposal	(8)		(2)			(2)	*(2)*
At December 31, 2016	**299**	**25%**	**74**	**(33)**	**3**	**44**	**7**
Net income of the period	72		18			18	
Exchange difference after disposal	(20)		(5)		-	(5)	*(5)*
At December 31, 2017	**351**	**25%**	**87**	**(33)**	**3**	**57**	***2***

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

Consolidated Balance Sheet items after equity method

(in million euros)	Dec. 31, 2017	Dec. 31, 2016
Investments in associates and joint ventures accounted for using the equity method (2)	90	77
Total assets	**90**	**77**
Equity		
- Historical value of the shares owned (1)	33	33
- Consolidated reserves - equity holders of the parent	57	44
- of which share in net income accounted for using the equity method	*18*	*14*
Total equity and liabilities	**90**	**77**

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

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

Note 11 Intangible Assets

Intangible assets can be analyzed as follows:

	Dec. 31, 2017			Dec. 31, 2016		
(in million euros)	Cost	Depreciation/ amortization	Net	Cost	Depreciation/ amortization	Net
Intangible assets	**230**	**(176)**	**54**	**225**	**(164)**	**61**
- Softwares	226	(172)	54	221	(160)	61
- Other	4	(4)	-	4	(4)	-
Total	**230**	**(176)**	**54**	**225**	**(164)**	**61**

Table of changes in gross values

(in million euros)	Dec. 31, 2016 Gross value Fixed Assets	Additions	Disposals	Other movements	Dec. 31, 2017 Gross value Fixed Assets
Intangible assets	**225**	**14**	**-**	**(9)**	**230**
- Softwares	221	14	-	(9)	**226**
- Other	4	-	-	-	**4**
Total	**225**	**14**	**-**	**(9)**	**230**

Table of changes in amortization

(in million euros)	Dec. 31, 2016 Amortization Fixed Assets	Charges	Reversals	Other movements	Dec. 31, 2017 Amortization Fixed Assets
Intangible assets	**(164)**	**(12)**	**-**	**-**	**(176)**
- Softwares	(160)	(12)		-	**(172)**
- Other	(4)	-	-	-	**(4)**
Total	**(164)**	**(12)**	**-**	**-**	**(176)**

Note 12 Goodwill

During the 2017 financial year, the significant business goodwills of the Banque PSA Finance group (only China is concerned: see Note 10) was subjected to impairment tests, based on assessments of the utility value of the Cash Generation Units (CGUs) to which they are attached.

Bank PSA Finance Rus Goodwill

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

Note 13 Deposits from Credit Institutions

Note 13.1 Analysis of Demand and Time Accounts

(in million euros)	Dec. 31, 2017	Dec. 31, 2016
Demand deposits (non-group institutions)	**6**	**10**
- Ordinary accounts in credit	4	8
- Accounts and deposits at overnight rates	2	2
- Other amounts due to credit institutions	-	-
Accrued interest	**-**	**-**
Time deposits (non-group institutions)	**133**	**107**
- Conventional bank deposits	133	107
Accrued interest	**11**	**9**
Total deposits from credit institutions at amortized cost	**150**	**126**

Note 13.2 Analysis by Currency

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

	Dec. 31, 2017		Dec. 31, 2016	
(in million euros)	Demand deposits	Time deposits	Demand deposits	Time deposits
ARS	-	108	-	84
EUR	2	-	1	-
GBP	2	-	2	-
MXN	-	22	-	13
PLN	2	-	7	-
RUB	-	3	-	10
Total	**6**	**133**	**10**	**107**

Note 13.3 Analysis by Maturity of Deposits from Credit Institutions

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

	Dec. 31, 2017	Dec. 31, 2016
(in million euros)	Time deposits	Time deposits
0 to 3 months	64	63
3 to 6 months	34	25
6 months to 1 year	31	19
1 to 5 years	10	-
Over 5 years	-	-
Total	**139**	**107**

Note 14 Due to Customers

(in million euros)	Dec. 31, 2017	Dec. 31, 2016
Demand accounts	**2**	**1**
- Ordinary accounts in credit		
- Dealers' ordinary accounts in credit		
- Non-group companies	1	-
- Cash pooling (1):		
- Before offsetting	3	8
- Offsetting of continuing operations	(3)	(8)
- Other amounts due to Customers		
- Non-group companies	1	1
Accrued interest	**-**	**-**
Time deposits	**6**	**3**
- Corporate time deposit		
- Related companies	-	2
- Other		
- Non-group companies	6	1
Accrued interest	**-**	**-**
Total	**8**	**4**

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

Analysis by Currency

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

	Dec. 31, 2017		Dec. 31, 2016	
(in million euros)	Demand deposits	Time deposits	Demand deposits	Time deposits
ARS	-	5	-	3
EUR	1	-	-	-
GBP	-	-	-	-
MXN	-	-	-	-
PLN	-	-	1	-
RUB	1	1	-	-
Total	**2**	**6**	**1**	**3**

Note 15 Debt Securities

15.1 Analysis by Nature

(in million euros)	Dec. 31, 2017	Dec. 31, 2016
Interbank instruments and money-market securities (non-group institutions)	**243**	**281**
- EMTNs and BMTNs	243	281
- Certificates of deposit and "billets de trésorerie"	-	-
Accrued interest	**5**	**5**
Total debt securities at amortized cost	**248**	**286**

15.2 Analysis by Repayment Currency (1)

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

(in million euros)	Dec. 31, 2017	Dec. 31, 2016
ARS	35	24
EUR	-	20
USD (1)	208	237
Total	**243**	**281**

(1) *Adjustments arising from the remeasurement of hedged foreign currency financing liabilities (including €29 million due to USD issued debt at December 31, 2017) at period-end exchange rates are offset by fair value adjustments to the corresponding currency swaps (see Note 5).*

Banque PSA Finance's residual currency position is presented in Note 19.

15.3 Analysis by Maturity of Debt Securities

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

(in million euros)	Dec. 31, 2017	Dec. 31, 2016
0 to 3 months	2	-
3 to 6 months	2	23
6 months to 1 year	4	16
1 to 5 years	235	242
Over 5 years	-	-
Total	**243**	**281**

Note 16 Accruals and Other Liabilities

(in million euros)	Dec. 31, 2017	Dec. 31, 2016
Trade payables	**40**	**25**
- Related companies (1)	35	21
- of which insurance activities	*2*	*2*
- Non-group companies	5	4
- of which insurance activities	-	-
Accrued payroll and other taxes	**9**	**6**
Accrued charges	**20**	**25**
- Related companies	5	12
- of which insurance activities	*2*	*2*
- Non-group companies	15	13
- of which insurance activities	*3*	*1*
Other payables	**8**	**10**
- Related companies	6	8
- of which insurance activities	*6*	*8*
- Non-group companies	2	2
- of which insurance activities	*1*	*1*
Deferred income	**3**	**7**
- Related companies	-	-
- Non-group companies	3	7
- of which margin calls received on swaps designated as hedges (2)	*2*	-
Other	**1**	**-**
- Non-group companies	1	-
Total	**81**	**73**

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

(2) At December 31, 2017, the margin calls received on swaps designated as hedges were offset with the positive fair value for an amount of €41 million, compared to €80 million at December,31, 2016 (see Note 5.2).

Note 17 Insurance Activities

17.1 Liabilities Related to Insurance Contracts

(in million euros)	Dec. 31, 2016	Written premiums	Earned premiums	Claims paid	Claims incurred	Dec. 31, 2017
Unearned premium reserve (UPR)	9	75	(79)			**5**
Claims reserve						
- Claims reserve - reported claims	21			(11)	10	**20**
- Claims reserve - claims incurred but not reported (IBNR)	58			-	(2)	**56**
Total liabilities related to insurance contracts	**88**	**75**	**(79)**	**(11)**	**8**	**81**

17.2 Income from Activities

(in million euros)	Dec. 31, 2017	Dec. 31, 2016
+ Earned premiums	**78**	**104**
Written premiums	75	101
Change in insurance liabilities (UPR)	3	3
- Cost	**(47)**	**(76)**
Claims expenses	(11)	(14)
Change in insurance liabilities (except for UPR)	3	(8)
Other income (expense)	(39)	(54)
- of which related companies	*(37)*	*(52)*
Margin on sales of Insurance activities	**31**	**28**

Note 18 Provisions

(in million euros)	Dec. 31, 2016	Charges	Reversals Utilized	Reversals Unutilized	Equity	Reclassifi-cations, currency effect	Dec. 31, 2017
Provisions for pensions and other post-retirement benefits	-	-	-	-	-	-	-
Provisions for doubtful commitments:							
- Corporate dealers	-	-	-	-	-	-	-
- Corporate and equivalent	-	-	-	-	-	-	-
Provisions for fiscal risks (1)	19	1	(14)	(4)	-	-	2
Provisions for commercial and tax disputes	16	22	(2)	(3)	-	-	33
Other	3	3	-	(3)	-	-	3
Total	38	**26**	**(16)**	**(10)**	**-**	-	**38**

(1) The provision for tax adjustments relating to deductible VAT at Banque PSA Finance (totaling €17 million at December 31, 2016) was reduced by €14 million for the part paid to the tax authorities and by €3 million for the part without object.

Note 19 Derivatives

Group Interest Rate Management Policy

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

Interest rate risk:

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

In BPF, the $250 million cross currency swap is hedging the issued $250 million EMTN. In Argentina the interest rate swaps as cash flow hedge amounts to ARS831 million at December 31, 2017 vs ARS271 million at December 31, 2016.

Currency risk:

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

Counterparty risk:

Banque PSA Finance's exposure to counterparty risk is limited to its use of derivatives governed by standard FBF or ISDA agreements and very short term cash investments with leading counterparties. The cross currency swap is stated with weekly margin call. In Argentina, the cash flow hedging instruments are not stated with margin call. Customer credit risk is discussed in Note 25.

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

Banque PSA Finance Residual Positions in Foreign Currencies

A. Operational Positions in Foreign Currencies

These positions are hedged using currency swaps, cross currency swaps and forward foreign exchange contracts. The residual position at the end of December 2017 is not significant (€1,6 million at December 31, 2017 versus €1 million at the end of 2016.

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

B. Structural Positions in Foreign Currencies

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

(in million euros)	ARS	CNY	GBP	HRK	HUF	MXN	PLN	RUB	TRY	USD (1)	TOTAL
Position at December 31, 2017	1	35	125	3	20	5	16	40	-	47	**292**
Note: December 2016	*1*	*38*	*129*	*3*	*20*	*5*	*22*	*44*	-	*54*	***316***

(1) On 2017, the structural position in US dollars arises from the financing in dollars of the bank's net investment in its Argentinian and Russian subsidiaries.

Note 20 Analysis by Maturity and Liquidity Risks

The Liquidity Risk Management is described in the "Security of Liquidity" section of the Management Report.
The scheduled maturities of the three items involved are given in Note 8.4 with respect to Customer Loans and Receivables, in Note 13.3 with respect to Deposits from Credit Institutions and in Note 15.3 with respect to Debt Securities.

Covenants

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

- negative pledge clauses whereby the borrower undertakes not to grant any collateral to any third parties. In the case of Banque PSA Finance, these clauses nevertheless comprise exceptions allowing the Group to carry out securitization programs or to give assets as
- material adverse change clauses in the case of a significant negative change in the economic and financial conditions;
- pari passu clauses which ensure that lenders enjoy at least the same treatment as the borrower's other creditors;
- cross default clauses whereby if one loan goes into default, all other loans from the same lender automatically become repayable
- clauses whereby the borrower undertakes to provide regular information to the lenders;
- clauses whereby the borrower undertakes to comply with the applicable legislation;
- change of control clauses.

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

All applicable clauses were complied with in 2017.

Note 21 Fair Value of Financial Assets and Liabilities

	Fair value		Book value		Difference	
(in million euros)	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Assets						
Cash, central banks, post office banks	98	58	98	58	-	-
Financial assets at fair value through profit or loss (1)	165	389	165	389	-	-
Hedging instruments (1)	2	5	2	5	-	-
Available-for-sale financial assets (2)	2	5	2	5	-	-
Loans and advances to credit institutions (3)(4)	297	223	294	223	3	-
Customer loans and receivables (5)	327	346	331	346	(4)	-
Equity and liabilities						
Central banks, post office banks	-	-	-	-	-	-
Financial liabilities at fair value through profit or loss (1)	-	-	-	-	-	-
Hedging instruments (1)	1	1	1	1	-	-
Deposits from credit institutions (6)	150	126	150	126	-	-
Due to customers (3)	8	4	8	4	-	-
Debt securities (6)	265	301	257	301	(8)	-

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

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

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

(3) *With the exception of Subordinated loans, the Loans and advances to credit institutions and Customer loans and receivables are short-term operations at adjustable rate, are accordingly close to their amortized cost.*

In accordance with IFRS 13, the calculation of the fair value is presented below:
- For Subordinated loans see footnote (4),
- For Customer loans and receivables see footnote (5),
- For Debts see footnote (6).

(4) *Subordinated loans are stated at amortized cost and are not hedged.*
The fair value presented above therefore corresponds mainly to the change in the spread (premium over the risk-free rate) paid by Banque PSA Finance on its financial market borrowings. It is determined by applying valuation based on data from our financial partners. In this case, the fair value is determined by applying valuation making significant use of at least one non-observable item of data (level 3).

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

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

Note 22 Other Commitments

22.1 Other Commitments

(in million euros)	Dec. 31, 2017	Dec. 31, 2016
Financing commitments		
Commitments received from credit institutions (1)	301	365
Commitments given to credit institutions	-	-
Commitments given to customers (2)	12	10
Guarantee commitments		
Commitments received from credit institutions	9	17
- guarantees received in respect of customer loans	9	17
- guarantees received in respect of securities held	-	-
- other guarantees received from credit institutions	-	-
Guarantees given to credit institutions	4	4
Commitments given to customers	39	42
- Banque PSA Finance	39	42
Other commitments received		
Securities received as collateral	-	-

(1) *This refers to undrawn bank facilities (see Note 22.2)*

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

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

22.2 Financial Security

Financial security refers to liquidity reserve and undrawn bank facilities

(in million euros)	Dec. 31, 2017	Dec. 31, 2016
Liquidity Reserve	**271**	**474**
- Reserves deposited with the central banks (see Note 3)	98	58
- Mutual funds qualified as cash equivalents (see Note 4)	40	249
- Ordinary accounts in debit (see Note 7)	133	167
Undrawn bank facilities	**301**	**365**
- Revolving bilateral bank facilities (1)	280	360
- Other bank facilities	21	5
Total	**572**	**839**

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

22.3 Management of liquidity risk

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

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

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

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

Note 23 Interest and Other Revenue on Assets at Amortized Cost

(in million euros)	Dec. 31, 2017	Dec. 31, 2016
Installment contracts	**65**	**60**
- *of which related companies*	*18*	*10*
Buyback contracts	**1**	**4**
- *of which related companies*	-	-
Long-term leases	**3**	**4**
- *of which related companies*	-	-
Wholesale financing	**7**	**7**
- *of which related companies*	*5*	*5*
Other finance receivables	**-**	**1**
- *of which related companies*	-	*1*
Commissions paid to referral agents	**(2)**	**(4)**
- Installment contracts	(2)	(3)
- Buyback contracts	-	(1)
- Long-term leases	-	-
- *of which related companies*	-	-
Other business acquisition costs	**(2)**	**-**
Interest on ordinary accounts	**-**	**-**
Interest on guarantee commitments	**-**	**-**
Total	**72**	**72**

Note 24 General Operating Expenses

(in million euros)	Dec. 31, 2017	Dec. 31, 2016
Personnel costs	**(7)**	**(9)**
- Wages and salaries	(6)	(7)
- Payroll taxes	(1)	(2)
- Employee profit sharing and profit-related bonuses	-	-
Other general operating expenses	**(8)**	**(5)**
- External expenses	(122)	(108)
- of which related companies	*(101)*	*(98)*
- Re-invoicing (1)	114	103
- of which operations to be taken over by partnership	*-*	*10*
- of which related companies	*101*	*91*
Total	**(15)**	**(14)**

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

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

General Operating Expenses by Geographical Area

(in million euros)	Dec. 31, 2017	Dec. 31, 2016
Country ISO code:		
AR	(7)	(5)
CZ	-	(1)
FR (1)	7	8
GB	-	-
HU	-	(1)
IT	(1)	(1)
MT	(4)	(3)
MX	(1)	(1)
NL	(1)	-
PL	(1)	(2)
RU	(6)	(6)
SK	-	(1)
TR	(1)	(1)
Total	**(15)**	**(14)**

(1) *The provision for tax adjustments relating to deductible VAT at Banque PSA Finance (totaling €38 million at December 31, 2015 and adjusted for €17 million at December 31, 2016) was reduced by €14 million for the part paid to the tax authorities and by €3 million for the part without object.*

Note 25 Cost of Risk

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

25.1 Cost of Risk and changes in Loans

(in million euros)	Balance Sheet at Dec. 31, 2016	Net new loans and exchange difference (1)(2)	Cost of risk for the period at Dec. 31, 2017	Balance at Dec. 31, 2017
Retail				
Sound loans with no past-due installments	277	(9)		268
Sound loans with past-due installments	14	(3)		11
Guarantee deposits (lease financing)	(1)			(1)
Non-performing loans	9	3	(6)	6
Total	**299**	**(9)**	**(6)**	**284**
Impairment of sound loans with past-due installments	(1)	-	(1)	(2)
Impairment of non-performing loans	(6)	-	1	(5)
Total impairment	**(7)**	**-**	**-**	**(7)**
Deferred items included in amortized cost	**(19)**	**(7)**		**(26)**
Net book value (A - see B Note 8.2)	**273**	**(16)**	**(6)**	**251**
Recoveries on loans written off in prior periods			1	1
Impairment of doubtful commitments			-	-
Retail cost of risk	**(1)**		**(5)**	**(6)**
Corporate dealers				-
Sound loans with no past-due installments	63	1		64
Sound loans with past-due installments	-	-		-
Non-performing loans	8	(6)	-	2
Total	**71**	**(5)**	**-**	**66**
Impairment of sound loans	(4)	-	-	(4)
Impairment of non-performing loans	(7)	6	-	(1)
Total impairment	**(11)**	**6**	**-**	**(5)**
Deferred items included in amortized cost	**-**	**-**		**-**
Net book value (B - see A Note 8.2)	**60**	**1**	**-**	**61**
Recoveries on loans written off in prior periods			-	-
Impairment of doubtful commitments			-	-
Corporate dealers cost of risk	**(4)**	**-**	**-**	**(4)**
Corporate and equivalent				-
Sound loans with no past-due installments	13	7		20
Sound loans with past-due installments	-			-
Non-performing loans	-	-	-	-
Total	**13**	**7**	**-**	**20**
Impairment of sound loans	-	-	-	-
Impairment of non-performing loans	-	-	-	-
Total impairment	**-**	**-**	**-**	**-**
Deferred items included in amortized cost	**-**	**(1)**		**(1)**
Net book value (C - see C Note 8.2)	**13**	**6**	**-**	**19**
Recoveries on loans written off in prior periods			-	-
Impairment of doubtful commitments			-	-
Corporate and equivalent cost of risk			**-**	**-**
Total loans				-
Sound loans with no past-due installments	353	(1)		352
Sound loans with past-due installments	14	(3)		11
Guarantee deposits	(1)			(1)
Non-performing loans	17	(3)	(6)	8
Total (2)	**383**	**(7)**	**(6)**	**370**
Impairment of sound loans	(4)	-	-	(4)
Impairment of sound loans with past-due installments	(1)	-	(1)	(2)
Impairment of non-performing loans	(13)	6	1	(6)
Total impairment (2)	**(18)**	**6**	**-**	**(12)**
Deferred items included in amortized cost	**(19)**	**(8)**	**-**	**(27)**
Net book value	**346**	**(9)**	**(6)**	**331**
Recoveries on loans written off in prior periods			1	
Impairment of doubtful commitments			-	
Total cost of risk			**(5)**	

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

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

(2) The deconsolidation of the subsidiary in Hungary resulted in a negative €6 million impact on gross outstandings and a positive €6 million impact on impairment.

25.2 Change in Cost of Risk

(in million euros)	Retail	Corporate dealers	Corporate and equivalent	Dec. 31, 2017	Dec. 31, 2016
Sound loans with past-due installments (1)					
Charges	(2)	-	-	(2)	(4)
Reversals	1	-	-	1	-
Non-performing loans					
Charges	(3)	-	-	(3)	(14)
Reversals	4	-	-	4	15
Doubtful commitments					
Charges	-	-	-	-	-
Reversals	-	-	-	-	-
Credit losses	(6)	-	-	(6)	(2)
Recoveries on loans written off in prior periods	1	-	-	1	-
Cost of risk	**(5)**	**-**	**-**	(5)	**(5)**

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

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

25.3 Information about Defaults with no Impairment

As regards Retail, sound loans in default are systematically impaired (see footnote (1) of Note 25.2).
As regards Corporate, given the statistical impairment applied to Corporate sound receivables (see footnote (1) of Note 25.2) there is not any such receivable in default that is not impaired.

Note 26 Income Taxes

26.1 Evolution of Balance Sheet Items

(in million euros)	Dec. 31, 2016	Income	Equity	Payment	Exchange difference and other (1)	Dec. 31, 2017
Current tax						
Assets	13					15
Liabilities	-					(8)
Total	**13**	**(13)**	**-**	**6**	**-**	**7**
Deferred tax						
Assets	16					9
Liabilities	(12)					(3)
Total	**4**	**3**	**-**	**-**	**-**	**6**

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

26.2 Income taxes of fully-consolidated companies

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

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

(in million euros)	Dec. 31, 2017	Dec. 31, 2016
Income taxes on continuing operations		
Current tax	**(13)**	**(7)**
Deferred tax	**3**	**(6)**
Deferred taxes arising in the year	3	(6)
Unrecognized deferred tax assets and impairment losses	-	-
Income taxes on operations to be taken over by partnership		
Current and deferred tax	-	(22)
Total	**(10)**	**(35)**

26.3 Banque PSA Finance tax proof

(in million euros)	Dec. 31, 2017	Dec. 31, 2016
Pre-tax income of continuing operations	243	184
Pre-tax income of operations to be taken over by partnership	-	53
Neutralization of the share in net income of associates and joint ventures accounted for using the equity method	(226)	(195)
Permanent differences	40	32
Taxable Income	**57**	**74**
Legal tax rate in France for the period	*34.4%*	*34.4%*
Theoretical tax	**(20)**	**(25)**
Impact of differences in foreign tax rates	3	2
Impact of changes in foreign tax rates	-	-
Impact of provisional surtax in France	-	-
Adjustment related to the previous year	(1)	-
Tax disputes and adjustments	-	-
Other	4	(6)
Income taxes before impairment of assets on tax loss carry fowards	**(14)**	**(29)**
Group effective tax rate	*23.8%*	*38.6%*
Deferred tax assets on tax loss carry forwards:		
- Charges	-	(6)
- Reversals	4	-
Income taxes	**(10)**	**(35)**

26.4 Deferred Tax Assets on Tax Loss Carry Forwards

(in million euros)	Dec. 31, 2016	New tax losses	Tax losses utilized in the year	Charges / Reversals	Exchange difference and other (1)	Dec. 31, 2017
Deferred tax assets on tax loss carry forwards	47	1	(12)		(1)	35
Allowances (2)	(34)			4	-	(30)
Total	**13**	**1**	**(12)**	**4**	**(1)**	**5**

(1) *The exchange difference is due to the fact that balance sheets of companies using currencies other than the euro are translated at the closing exchange whereas their income statement items are translated on a month-by-month basis at the average monthly rate.*
(2) *Banque PSA Finance's deferred tax asset on the tax loss carry forward has been fully written down, for an amount of €28 million at end of December 2017.*

Note 27 Segment Information

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

27.1 Key Balance Sheet Items

For 2017

(in million euros)	IFRS 8 segment information Balance Sheet as at Dec. 31, 2017	Presentation differences IFRS 8 vs Consolidated Balance Sheet	Equity-method accounting of equity attributable to Group in JV	Consolidated Balance Sheet at Dec. 31, 2017
Assets				
Customers loans and receivables	34,104	(11)	(33,762)	331
- *Corporate dealers*	*10,916*	-	*(10,855)*	*61*
- *Retail*	*21,890*	*(11)*	*(21,628)*	*251*
- *Corporate and equivalent*	*1,298*	-	*(1,279)*	*19*
Available-for-sale financial assets	77	-	(75)	2
Securities	164	-	1	165
Loans and advances to credit institutions	2,049	-	(1,755)	294
Deferred tax assets	160	-	(151)	9
Investments in associates and joint ventures accounted for using the equity method (1)	89	-	2,027	2,116
Other assets	1,713	-	(1,456)	257
Total Assets	**38,356**	**(11)**	**(35,171)**	**3,174**
Liabilities				
Deposits from credit institutions	15,226	-	(15,076)	150
Due to customers	5,264	-	(5,256)	8
Debt securities	11,246	-	(10,998)	248
Liabilities related to insurance contracts	119	-	(38)	81
Deferred tax liabilities	290	(3)	(284)	3
Other liabilities	1,628	1	(1,492)	137
Equity	4,583	(9)	(2,027)	2,547
Total Liabilities	**38,356**	**(11)**	**(35,171)**	**3,174**

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

For 2016

	IFRS 8 segment information Balance Sheet as at Dec. 31, 2016	Presentation differences IFRS 8 vs Consolidated Balance Sheet	Equity-method accounting of equity attributable to Group in JV	Consolidated Balance Sheet at Dec. 31, 2016
Assets				
Customers loans and receivables	22,821	(18)	(22,457)	346
- *Corporate dealers*	*7,232*	-	*(7,172)*	*60*
- *Retail*	*14,241*	*(18)*	*(13,950)*	*273*
- *Corporate and equivalent*	*1,348*	-	*(1,335)*	*13*
Available-for-sale financial assets	87	-	(82)	5
Securities	361	-	28	389
Loans and advances to credit institutions	1,311	-	(1,088)	223
Deferred tax assets	65	-	(49)	16
Investments in associates and joint ventures accounted for using the equity method (1)	77	-	1,450	1,527
Other assets	1,356	-	(1,127)	229
Total Assets	**26,078**	**(18)**	**(23,325)**	**2,735**
Liabilities				
Deposits from credit institutions	12,319	-	(12,193)	126
Due to customers	3,045	-	(3,041)	4
Debt securities	5,675	-	(5,389)	286
Liabilities related to insurance contracts	105	-	(17)	88
Deferred tax liabilities	268	(5)	(251)	12
Other liabilities	1,111	-	(984)	127
Equity	3,555	(13)	(1,450)	2,092
Total Liabilities	**26,078**	**(18)**	**(23,325)**	**2,735**

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

27.2 Key Income Statement Items

At December 31, 2017

(in million euros)	IFRS 8 Income statement at December 31, 2017	Presentation differences IFRS 8 vs Publishable Income Statement	Equity-method accounting of equity attributable to Group in JV	Publishable Income Statement at December 31, 2017
Net banking revenue	**1,145**	**7**	**(1,106)**	**46**
- Financing activities	***942***	***7***	***(938)***	***11***
- Corporate dealers	*155*	*-*	*(153)*	*2*
- Retail	*720*	*7*	*(713)*	*14*
- Corporate and equivalent	*59*	*-*	*(58)*	*1*
- Unallocated	*8*	*-*	*(14)*	*(6)*
- Insurance and services	***203***	***-***	***(168)***	***35***
Cost of risk (A)	**(64)**	**-**	**59**	**(5)**
- Financing activities	***(64)***	***-***	***59***	***(5)***
- Corporate dealers	*(4)*	*-*	*4*	*-*
- Retail	*(60)*	*-*	*55*	*(5)*
- Corporate and equivalent	*-*	*-*	*-*	*-*
Net income after cost of risk	**1,081**	**7**	**(1,047)**	**41**
- Financing activities	***878***	***7***	***(879)***	***6***
- Corporate dealers	*151*	*-*	*(149)*	*2*
- Retail	*660*	*7*	*(658)*	*9*
- Corporate and equivalent	*59*	*-*	*(58)*	*1*
- Unallocated	*8*	*-*	*(14)*	*(6)*
- Insurance and services	***203***	***-***	***(168)***	***35***
General operating expenses and equivalent	**(449)**	**(1)**	**422**	**(28)**
Operating income	**632**	**6**	**(625)**	**13**
Share in net income of associates and joint ventures accounted for using the equity method (1)	17		209	226
Other items	(7)	-	11	4
Pre-tax income	**642**	**6**	**(405)**	**243**
Income taxes	(205)	(2)	197	(10)
Net income	**437**	**4**	**(208)**	**233**

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

At December 31, 2016

(in million euros)	**IFRS 8 Income statement at December 31, 2016**	Reclassifications per IFRS 5	Presentation differences IFRS 8 vs Publishable Income Statement	Equity-method accounting of equity attributable to Group in JV	**Publishable Income Statement at December 31, 2016**
Net banking revenue	**1,026**	**(115)**	**34**	**(904)**	**41**
- Financing activities	***857***	***(110)***	***34***	***(778)***	***3***
- Corporate dealers	*133*	*(14)*	*-*	*(117)*	*2*
- Retail	*695*	*(60)*	*18*	*(637)*	*16*
- Corporate and equivalent	*34*	*(4)*	*-*	*(29)*	*1*
- Unallocated	*(5)*	*(32)*	*16*	*5*	*(16)*
- Insurance and services	***169***	***(5)***	***-***	***(126)***	***38***
Cost of risk (A)	**(52)**	**8**	**-**	**39**	**(5)**
- Financing activities	***(51)***	***8***	***-***	***38***	***(5)***
- Corporate dealers	*(4)*	*2*	*-*	*(1)*	*(3)*
- Retail	*(47)*	*6*	*-*	*39*	*(2)*
- Corporate and equivalent	-	-	-	-	-
- Unallocated	-	-	-	-	-
Net income after cost of risk	**974**	**(107)**	**34**	**(865)**	**36**
- Financing activities	***806***	***(102)***	***34***	***(740)***	***(2)***
- Corporate dealers	*129*	*(12)*	*-*	*(118)*	*(1)*
- Retail	*648*	*(54)*	*18*	*(598)*	*14*
- Corporate and equivalent	*34*	*(4)*	*-*	*(29)*	*1*
- Unallocated	*(5)*	*(32)*	*16*	*5*	*(16)*
- Insurance and services	***169***	***(5)***	***-***	***(126)***	***38***
General operating expenses and equivalent	**(403)**	**40**	**-**	**328**	**(35)**
Operating income	**571**	**(67)**	**34**	**(537)**	**1**
Share in net income of associates and joint ventures accounted for using the equity method (1)	15	-	-	180	195
Costs of the non-transferred debts of operations to be taken over by partnership	-	-	(16)	-	(16)
Other items	(12)	16	-	-	4
Pre-tax income	**574**	**(51)**	**18**	**(357)**	**184**
Income taxes	(206)	21	(5)	177	(13)
Net income	**368**	**(30)**	**13**	**(180)**	**171**
Gross income of operations to be taken over by partnership	-	51	2	-	53
Tax on the net income of operations to be taken over by partnership	-	(21)	(1)	-	(22)
Net income of operations to be taken over by partnership	**-**	**30**	**1**	**-**	**31**
Net income for the year	**368**	**-**	**14**	**(180)**	**202**

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

(A) ***Additional information on the cost of risk of joint ventures:***
In addition to the accounting policies on the cost of risk set out in Note 2 of the annual report, separate probabilities of default are calculated for the joint ventures in partnership with Santander group and BNP Paribas PF group for sound loans with and without past-due installments. This calculation is done in the manner indicated in the guidance for IAS 39 (sections AG89 and AG90), where the concept of "losses incurred but not yet reported" is defined.

Note 28 Information on establishments

This information is given to meet the requirement described in Article L. 511-45 of the French Monetary and Financial Code.

Note 28.1 Locations by country

Country ISO code	Entity	Consolidation method Dec. 2017	Consolidation method Dec. 2016	Localization	Type of activity (NACE code)
AR	PSA Finance Argentina Compania Financiera S.A.	FC	FC	Buenos Aires	K64
	PCA Compañía de Seguros S.A	FC	-	Buenos Aires	K65
AT	PSA Bank Österreich GmbH, succursale en Autriche	EM	EM	Vienna	K64
	Opel Leasing GmbH, Austria Branch	EM	-	Vienna	K64
BE	PSA Finance Belux	EM	EM	Brussels	K64
	Opel Finance BVBA	EM	-	Kontich	K64
BR	Banco PSA Finance Brasil S.A.	EM	EM	Sao Paulo	K64
	PSA Corretora de Seguros e Serviços Ltda	EM	EM	Sao Paulo	K65
CH	PSA Finance Suisse S.A.	EM	EM	Schlieren	K64
	Auto ABS Swiss Leases 2013 GmbH	EM	EM	Zug	K64
	Opel Finance SA	EM	-	Studen	K64
CN	Dongfeng Peugeot Citroën Auto Finance Company Ltd	EM	EM	Beijing	K64
DE	PSA Bank Deutschland GmbH	EM	EM	Neu-Isenburg	K64
	Opel Finance Germany Holdings GmbH	EM	-	Russelsheim	K64
	Opel Bank GmbH	EM	-	Russelsheim	K64
	Opel Leasing Gmbh	EM	-	Russelsheim	K64
DZ	BPF Algérie	FC	FC	Algiers	K64
ES	PSA Financial Services Spain E.F.C. S.A.	EM	EM	Madrid	K64
	Auto ABS 2012-3	EM	EM	Madrid	K64
	Auto ABS Spanish Loans 2016	EM	EM	Madrid	K64
FR	Banque PSA Finance	FC	FC	Gennevilliers	K64
	Crédipar	EM	EM	Gennevilliers	K64
	CLV	EM	EM	Gennevilliers	N77
	PSA Banque France	EM	EM	Gennevilliers	K64
	PSA Assurances S.A.S.	-	FC	Paris	K64
	Auto ABS French Loans Master	EM	EM	Paris	K64
	Auto ABS DFP Master Compartment France 2013	EM	EM	Paris	K64
	Auto ABS 2013-2	-	EM	Paris	K64
	Auto ABS2 2013-A	-	EM	Paris	K64
	Auto ABS German Loans Master	EM	EM	Paris	K64
	Auto ABS3 2014-1	-	EM	Paris	K64
	Auto ABS French Loans Master	EM	EM	Paris	K64
	FCT Auto ABS LT Leases Master	EM	-	Paris	K64
	Opel Bank S.A	EM	-	Argenteuil	K64
GB	PSA Finance UK Ltd	EM	EM	Redhill	K64
	Vernon Wholesale Investments Company Ltd	FC	FC	Redhill	K64
	Auto ABS UK Loans plc	EM	EM	London	K64
	Economy Drive Cars Ltd	FC	FC	West Midland	G45
	FCT Auto ABS UK Loans 2017 plc	EM	-	London	K64
	Vauxhall Finance plc	EM	-	Cardiff	K64
	OPVF Holdings U.K. Limited	EM	-	Cardiff	K64
	OPVF Europe Holdco Limited	EM	-	Cardiff	K64
GR	Opel Bank GmbH, Greece Branch	EM	-	Maroussi - Athens	K64
HU	PSA Finance Hungaria Zrt.	-	FC	Budapest	K64
IE	Opel Bank GmbH, Ireland Branch	EM	-	Dublin	K64
IT	PSA Renting Italia S.p.A.	FC	FC	Milan	N77
	PSA Factor Italia S.p.A.	FC	FC	Milan	K64
	Banca PSA Italia S.p.A.	EM	EM	Milan	K64
	Auto ABS Italian Loans Master S.r.l.	EM	EM	Conegliano	K64
	Opel Finance SpA	EM	-	Rome	K64
MT	PSA Services Ltd	FC	FC	Ta' Xbiex	K64
	PSA Insurance Ltd	FC	FC	Ta' Xbiex	K65
	PSA Life Insurance Ltd	FC	FC	Ta' Xbiex	K65
	PSA Insurance Manager Ltd	FC	FC	Ta' Xbiex	K65
	PSA Insurance Solutions Ltd	FC	-	Ta' Xbiex	K65
	PSA Insurance Europe Ltd	EM	EM	Ta' Xbiex	K65
	PSA Life Insurance Europe Ltd	EM	EM	Ta' Xbiex	K65
MX	Banque PSA Finance Mexico SA de CV SOFOM ENR	FC	FC	Mexico	K64
NL	PSA Finance Nederland B.V.	FC	FC	Rotterdam	K64
	PSA Financial Holding B.V.	FC	FC	Rotterdam	K64
	PSA Financial Services Nederland B.V.	EM	EM	Rotterdam	K64
	Opel Finance International B.V.	EM	-	The Hague	K64
	Opel Finance N.V.	EM	-	Breda	K64
PL	Banque PSA Finance, Polish branch	FC	FC	Warsaw	K64
	PSA Consumer Finance Polska Sp. z o.o	EM	EM	Warsaw	K64
	PSA Finance Polska Sp.zo.o.	EM	EM	Warsaw	K64
RU	Bank PSA Finance Rus	FC	FC	Moscow	K64
	Peugeot Citroën Leasing Russie	FC	-	Moscow	K64
SE	Opel Finance AB	EM	-	Stockholm	K64
TR	BPF Pazarlama A.H.A.S.	FC	FC	Atasehir - Istanbul	K64

The types of activity are presented according to the NACE codes:

- K section: Financial and insurance activities
  - K64 - Financial service activities, except insurance and pension funding
  - K65 - Insurance, reinsurance and pension funding, except compulsory social security
- N section: Administrative and support service activities
  - N77 - Rental and leasing activities
- G section: Cars and motor vehicles trade
  - G45 - Trade and repair of automobiles and motorcycles

Note 28.2 Income statement items and employees by country

At December 31, 2017

(in million euros)	Income statement items							
				Pre-tax income				
Country	Public investment subsidies received	Sales and revenue (1)	Net banking revenue	Total	*o/w share in net income of associates and joint ventures accounted for using the equity method*	Current tax	Deferred tax	Number of employees (2)
AR	-	73	27	19		(6)	-	22
AT	-			3	*3*			
BE	-			8	*7*			
BR	-			5	*5*			
CH	-			7	*5*			
CN	-			18	*18*			
DE	-			99	*22*			
DZ	-	-	-	-		-	-	1
ES	-			19	*19*			
FR	-	69	(27)	48	*85*	(4)	4	-
GB	-	1	-	(46)	*28*	(6)	6	-
GR	-			-	*-*			
HU	-	-	-	25		-	-	-
IR	-			-	*-*			
IT	-	7	4	36	*18*	-	-	14
MT	-	70	25	29	*9*	3	(6)	41
MX	-	4	2	1		-	-	-
NL	-	-	-	(32)	*6*	-	-	-
PL	-	3	1	1	*1*	-	-	12
RU	-	13	12	3		-	(1)	45
SE	-			-	*-*			
TR	-	2	2	-		-	-	11
Total	**-**	**242**	**46**	**243**	***226***	**(13)**	**3**	**146**

(1) In accordance with the "Autorité de Contrôle Prudentiel et de Résolution" instruction, the reported sales and revenue correspond to the total of banking operating income.

(2) Corresponds to full-time legal staff directly employed by the Banque PSA Finance's subsidiaries and branches which are fully consolidated at December 31, 2017.

Income statement items are disclosed before elimination of inter and intra company transactions.
The "Revenues", "Net Banking Revenue", "Current Tax" and "Deferred Tax" items only relate to the fully consolidated entities.

Note 29 Information on subsidiaries held by significant minority interests

This information is given according to IFRS 12 and relates to the subsidiary PSA Finance Argentina Compania Financiera S.A.
Minority interests in the other subsidiaries are not significant.

PSA Finance Argentina Compania Financiera S.A. *50% owned by Banque PSA Finance*

Minority interest: 50%

Key Balance Sheet Items

(in million euros)	Dec. 31, 2017	Dec. 31, 2016
Customer loans and receivables	184	166
Other assets	22	9
Total assets	**206**	**175**
Refinancing	156	117
Other liabilities	19	14
Equity		
- Elimination (1)	13	13
- Consolidated reserves - equity holders of the parent	2	9
- Minority interests	16	22
Total equity and liabilities	**206**	**175**

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

Key Income Statement Items

(in million euros)	Dec. 31, 2017	Dec. 31, 2016
Net banking revenue	**21**	**29**
General operating expenses	(5)	(5)
Gross operating income	**16**	**24**
Cost of risk	(1)	-
Operating income	**15**	**24**
Income taxes	(5)	(8)
Net income for the year	**10**	**16**
- of which minority interests	5	8
- of which attributable to equity holders of the parent	5	8

Changes in minority interests

		Minority interests			
(in million euros)	Total net equity	Percentage interest	Total	Share capital and other reserves	Exchange difference
At December 31, 2015	**47**	**50%**	**24**	**56**	**(32)**
Net income of the period	16		8	8	
Dividends	(11)		(6)	(6)	
Exchange difference	(8)		(4)		(4)
At December 31, 2016	**44**	**50%**	**22**	**58**	**(36)**
Net income of the period	10		5	5	
Dividends	(11)		(6)	(6)	
Exchange difference	(12)		(6)		(6)
At December 31, 2017	**31**	**50%**	**15**	**57**	**(42)**

Note 30 Auditors fees

(in million euros)	Ernst & Young Dec. 31, 2017	Ernst & Young Dec. 31, 2016	Mazars Dec. 31, 2017	Mazars Dec. 31, 2016
Audit				
- Statutory and contractual audit services				
- Banque PSA Finance	0.2	0.2	0.1	0.1
- Fully-consolidated companies	0.2	0.2	0.1	0.1
- *of which France*	-	-	-	-
- Audit-related services				
- Banque PSA Finance	0.2	-	-	-
- Fully-consolidated companies	-	-	-	-
- *of which France*	-	-	-	-
Other services provided to fully-consolidated subsidiaries				
- Legal and tax services	-	-	-	-
- Other	-	-	-	-
Total	**0.6**	**0.4**	**0.2**	**0.2**

Note 31 Subsequent Events

Disposal of PSA Renting Italia S.p.A. to Banca PSA Italia S.p.A.

The subsidiary PSA Renting Italia S.p.A., wholly-owned by Banque PSA Finance and fully consolidated at December 31, 2017, became, on January 1, 2018, a wholly-owned subsidiary of Banca PSA Italia S.p.A., a joint venture with Santander CF. As a result, in 2018, the subsidiary PSA Renting Italia S.p.A. will be accounted for using the equity method.

On an indicative basis, the contribution of PSA Renting Italia S.p.A. in the consolidated statements of Banque PSA Finance as of December 31, 2017 is the following:

Key Balance Sheet Items

(in million euros)	Consolidated Balance Sheet at Dec. 31, 2017 Total	o/w "PSA Renting Italia S.p.a"
Customer loans and receivables	331	39
Other assets	2,843	17
Total assets	**3,174**	**56**
Refinancing	398	47
Other liabilities	229	9
Equity	2,547	-
Total equity and liabilities	**3,174**	**56**

Key Income Statement Items

(in million euros)	Consolidated Statement of Income at Dec. 31, 2017 Total	o/w "PSA Renting Italia S.p.a"
Net banking revenue	**46**	**4**
General operating expenses and equivalent	**(28)**	**(1)**
Gross operating income	**18**	**3**
Cost of risk	(5)	(1)
Operating income	**13**	**2**
Pre-tax income	**243**	**2**
Net income for the year	**233**	**2**

No other event occurred between December 31, 2017 and the Board of Directors' meeting to review the financial statement on February 23, 2018 that could have a material impact on business decisions made on the basis of these financial statements.

2.7 Statutory auditors' report on the consolidated financial statements

For the year ended December 31, 2017

This is a translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.
This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the information concerning the Group presented in the 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,

1. Opinion on the consolidated financial statements

In compliance with the engagement entrusted to us by your General Assembly annual general meeting, we have audited the accompanying consolidated financial statements of the company Banque PSA Finance for the year ended 12/31/2017.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31/12/2017 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

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

2. Basis for opinion

- Audit Framework

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

Our responsibilities under those standards are further described in the Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

- Independence

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

Furthermore, the non-audit services that we provided to your Company and its controlled undertakings during the financial year that are not disclosed in the management report or in the notes to the consolidated financial statements are as follows:

The Audit Firm Ernst & Young et Associés has conducted the Implementation of agreed procedures with Banque PSA Finance in connection with an equity acquisition scheme.

3. Justification of assessments – Key audit matters

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

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

- Acquisition of Opel Vauxhall Finance

Risk identified	Our response
On November 1st, 2017 Banque PSA Finance and BNP Paribas Personal Finance, finalized the joint acquisition of all the European activities of GM Financial (grouping the existing brands Opel Bank, Opel Financial Services and Vauxhaull Finance, there after "OVF"). Banque PSA Finance do not have the strategic control over OVF and recognized it using the equity method in its consolidated financial statements. Pursuant to IFRS 3 as revised, the group has 12 months to finalize the fair value assessment of the acquired net equity which is recognized using the equity method in the Banque PSA Finance's consolidated statements. On December 31st, 2017, Banque PSA Finance estimated that it did not have sufficient information to finalize the fair value assessment and the determination of a potential goodwil. In this context, we considered that financial information related to this significant transaction was a key audit matter. Please refer to Notes 1 et 10 of the consolidated financial statements.	Our audit response consisted in : • Acknowledging the acquisition operation of OVF • Conducting interviews with the management in order to understand the ongoing analysis of the fair value assessment and the determination of a potential goodwill • Examining the financial information related to this significant transaction

- Value of the shares carried under the equity method

Risk identified	Our response
The value of the shares carried under the equity method corresponds to the percentage of ownership interest held in jointly controlled entities, increased by any potential goodwill. These securities are subject to impairment testing whenever there is an indication of loss in value, which are based on a comparison between the carrying value and generally the recoverable amount of these securities. To identify these loss events, Banque PSA Finance relies on financial trajectories 2018-2020 designed under the strategic plans (Medium Term Plan, or “Plan à Moyen Terme”, "PMT") and submitted for approval to the relevant bodies. We considered that the identification of impairment signs for equity-accounted securities is a key point of the audit due to the judgments and inherent assumptions in the conception of the economic scenarios and the financial trajectories retained by the management. Please refer to Note 10 of the consolidated financial statements.	In detail, our work consisted in: • Analysing and Understanding the process set up by the group to identify any potential signs of impairment and measuring the need for depreciation of equity-accounted securities; • Examining the approval process by the relevant bodies and the economic scenarios included in the PMT; • Analyzing the reliability of the main underlying assumptions retained to establish the PMT in the light of the previous experiences

4. Specific verification

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

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

Courbevoie and Paris-La Défense, February 28, 2018

The statutory auditors
French original signed by

MAZARS	ERNST & YOUNG Audit
Matthew Brown	Vincent Roty

Statement from the person responsible for the 2017 annual report

Person responsible for the annual report

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

Certification of the person responsible for the annual report

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

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

I have obtained an end of mission report from the statutory auditors in which they indicate that they have verified the information on the financial situation and the financial statements provided in this document and in an overall reading of this document.

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

BANQUE PSA FINANCE

BANQUE PSA FINANCE
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