Société Générale Effekten GmbH
Frankfurt am Main

Consolidated Interim Management Report for the period from January 1 to June 30, 2017

A. Fundamental information about the Group

I. Preliminary remarks

Société Générale Effekten GmbH (SGE), Frankfurt am Main, acquired the interest in Société Générale Securities Services GmbH (SGSS), Unterföhring, including its subsidiaries, as well as ALD Lease Finanz GmbH (ALD LF), Hamburg, with the execution of the purchase agreement on January 1, 2017. Based on the rules set forth under section 290 of the German Commercial Code (Handelsgesetzbuch, HGB) and section 37y of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG), SGE is obligated for the first time to prepare consolidated financial statements and a group management report at December 31, 2017, as well as consolidated interim financial statements and a group interim management report at June 30, 2017.

II. Business model

The SGE Group operates in three segments that are managed respectively by SGE, SGSS and ALD LF.

SGE is a wholly owned subsidiary of Société Générale S.A. Frankfurt, which is a branch of Société Générale S.A., Paris. The purpose of the Company is to issue warrants and certificates that are each sold in their entirety to Société Générale S.A., Paris, Société Générale Option Europe S.A., Paris, Société Générale Madrid branch, and inora LIFE Limited, Dublin. All counterparties are companies of the Société Générale S.A. Group. Another area in which the Company is active is the acquisition as well as holding and management of equity investments.

Due to the introduction of the "European passport" and the fact that the responsible supervisory authorities (BaFin) only have to approve the securities prospectus once, the Company can list its products on various stock markets in the European Union (stock markets in Madrid, Milan, Paris, Luxembourg, London, Stockholm, Helsinki, etc.). In the event of a listing on an exchange in a country that is not a member of the European Union, approval is obtained through the corresponding supervisory authorities of the respective country. The Company ended its issuing activities involving new transactions with listings on other European stock exchanges as a result of internal restructuring in mid-2016. In the future, the Company is not to list offerings on a regulated market in the sense of the EU prospectus guidelines. Listings in unregulated stock exchange segments, such as over-the-counter stock exchanges in Germany, continue to be planned.

Following the acquisition by the aforementioned counterparties, Société Générale S.A., Paris, places offerings with the ultimate buyers in a second step in such a manner that it does not have an impact on the economic relationships of the issuer SGE.

As an independent leasing company not affiliated with any manufacturers, **ALD LF** is a professional and reliable trading partner. Its aspiration is to promote the independence of the automotive plants with its service portfolio and to increase the profitability of commercial transactions.

Together with collaborative partners, in particular the subsidiary Bank Deutsches Kraftfahrzeuggewerbe GmbH (BDK), Hamburg, the automotive business and its customers are offered financing solutions and services covering all their automotive needs. The product range covers all financial products in the dealership: sales financing and leasing, purchase financing and insurance that increase the loyalty of the customers to the dealership and thus increase earning opportunities. As a subsidiary of ALD LF, BDK also works with several manufacturers and importers together, whereby it assumes a portion of the captive business up to and including the complete servicing of a manufacturer bank.

All essential sales and processing functions are shown in connection with the provision of services by employees of BDK. Therefore, the collaborative partners and customers receive the service for all products from one source.

SGSS is an asset management company as defined under sections 17 and 18 of the Investment Code (Kapitalanlagegesetzbuch, KAGB). The business model of SGSS involves the management of investment funds in connection with the so-called Master AMC Model as well as the insourcing of fund management from other asset management companies. Direct investments continue to be managed. These services are provided primarily to European customers.

III. Branches

BDK maintains a branch office in Stuttgart in which lending decisions and loan processing are carried out as part of a collaboration with the FFS Group.

IV. Internal management system

Due to the different business models of individual Group companies, Group management is carried out locally in the individual segments, whereby a differentiation is made between the segments Global Banking and Investor Solutions (SGE's warrant and certificate business), Financial Services to Corporates and Retail (ALD LF's lending and leasing business), and Asset Management (SGSS). Please refer to our comments under B. IV. for the performance indicators and key figures applied with respect to this management.

B. Report on economic position

I. Macroeconomic and sector-specific environment

The global economic environment developed better in the first half of financial year 2017 than in the first half of financial year 2016.

In addition to robust economic growth in the U.S.A., stimulus packages implemented by Asian governments also contributed to the overall positive economic environment in the first half of 2017. The economic data of the United States improved compared with the previous year due to greater domestic consumption and higher capital expenditures. The labor market situation in the euro zone is to be regarded as positive thanks to continued expansive monetary policies. In Germany, in particular consumer spending and the positive contribution of foreign trade support the economy.

Gross domestic product increased by 0.6% both in Germany as well as in the euro zone in the second quarter of 2017, whereby the steady growth course confirms that growth in the first quarter was continued.[1]

The unemployment rate in Germany fell slightly more in 2017. Based on the entire civilian labor force, this rate was 5.6% in June (end of 2016: 5.8%). The unemployment rate, which has been low now for years, has a positive effect on the economic strength of consumers.

The number of consumer bankruptcies decreased by 7.5% compared with the first half of the previous year. The number of corporate insolvencies also further decreased in 2017 and at 10,300 cases is down 5.9% year-on-year.

Political risks from the European elections in France and the Netherlands did not materialize. On the contrary, the result of the French election could initiate a reform process in France.

The ECB continued its expansive monetary policy in 2017 and provided banks with generous liquidity. Correspondingly, short-term as well as long-term interest rates remain at a low level and in some cases are even negative. In contrast, the U.S. central bank continued the turnaround in interest rates initiated in 2015. Nevertheless, the euro appreciated over the course of the first half of 2017 and was quoted at USD 1.14 on June 30, 2017 (end of the year: USD/EUR 1.05).

The changes in underlying amounts (shares and exchange rates, indices, etc.) associated with the economic trend are the anchor for investors' expectations and therefore crucial for the concept of products issued in the warrant and certificate business. The Group reacted to the volatility of the markets in the first half of financial 2017 by introducing new products on a timely basis and launched new products and/or adjusted existing products accordingly.

The complexity of regulation and supervision remains very high (equity rules, detailed requirements for risk management systems; information and frequency of disclosure obligations, amended prospectus laws). The complexity is based essentially on European harmonization and the application to internationally active entities. In order to ensure uniform standards in banking supervision, a standard supervisory mechanism was created. The majority of the rules and procedural provisions applicable in Germany are now determined in light of a European background.

SGE is one of the ten leading issuers for derivative securities in Germany. As a part of Société Générale's Global Banking and Investor Solutions segment, it is the global leader in the segments for derivative and structured products.

The German automobile market proved stable in the first half of 2017 also in light of the excellent economic environment. In the first half of 2017, 1,787,026 new automobiles were registered according to the German Federal Office for Motor Vehicles. That would be 3.1% more than in the first half of the previous year.

VW registered 3.8% fewer automobiles in the first half of 2017 and lost market as a result; however, at 18.6% it remained the unchallenged market leader despite the diesel affair.

With respect to the German brands Mercedes Benz (+6.6%), Mini (+5.9%), and Porsche (+2.4%), positive signs manifested themselves in the first half of the year, whereas other manufacturers exhibited setbacks. Opel recorded a slight decrease of 0.7% compared with the first half of 2016.

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[1] Federal Statistical Office of Germany

With respect to the importers, the Tesla brand increased the most (143.6%), whereby Hyundai exhibited the smallest increase (0.5%).

As a brand-independent automobile financier, the Group entity ALD LF profited from the stable trend on the automotive market. Together with the subsidiary BDK, ALD LF remains the number two in the market of brand-independent automobile financiers.

The German fund industry further increased the assets under its management in the first half of 2017. Based on BVI's investment statistics, a net amount of EUR 79.1 billion flowed to the German fund industry in the first six months of the year. That is the second-best new business statistic in a half-year. At EUR 110.8 billion, the fund companies only collected more euros from the beginning of January to the end of June in the record year 2015. The driver in new business remains open-ended special funds with additions of EUR 49.2 billion in the current year. EUR 36.4 billion was attributable to open-ended mutual funds at the end of June. The fund companies managed EUR 2.9 trillion in assets at the end of June. SGSS ranks 12th in self-managed assets with respect to BVI's investment statistics.

In appreciation of all facts, management classifies the management of the economic and industry-specific developments as positive on the Group.

II. Course of business

Global Banking and Investor Solutions

As a result of the intended target to expand the market position in Germany in the warrant and certificate business continues in 2017, the number of products issued in the segment for warrants increased by 75% compared with the first half of 2016. However, this increase in the area of warrants did not take place to the same degree in the segment for the issue of certificates (38% decrease year-on-year).

Financial Services to Corporates and Retail

New business in the area of sales financing increased compared with the previous year by EUR 51 million (6.7%) to a total of EUR 826 million. The budgeted value of EUR 593 million was clearly exceeded (+39.3%).

At the end of the second quarter, the portfolio volume for sales financing exceeded the prior-year amount of EUR 2,808 million and 16.5% and reached EUR 3,272 million. The planned value of EUR 3,178 million was exceeded by 2.9%.

In the segment of dealer financing, the portfolio of EUR 1,053 million at the end of June exceeded the previous year's level by 56.8% (EUR 672 million) and exceeded the budgeted amount of EUR 1,028 million by 2.5%. The reason for this is the collaboration initiated with Hyundai Capital Bank Europe for the KIA brand in January 2017.

The end of direct cooperation with Hyundai was largely compensated by other sales activities.

In unit figures, the leasing portfolio, which designates the number of active leasing contracts, developed as follows:

Financial year	2013	2014	2015	2016	6/30/2017
Additions to the portfolio	18,718	17,315	16,762	21,313	11,221
Portfolio of vehicles	63,956	62,040	60,875	62,941	64,435

Asset Management

The first half of 2017 turned out as expected in the Asset Management segment with a planned loss of EUR 5.6 million. Income depends essentially on the development of the managed assets. This was below expectations in the first half of 2017 due to fund liquidations and delayed new business. Therefore, net bank income remained 5% below expectations. In contrast, the operating costs were 4% lower than expected, which can be attributed primarily to job vacancies. The shift in new customer business also had an impact on software expenditures in the first half of 2017, which turned out to be lower than planned. There were cost increases in particular due to higher-than-expected management fees for the SG Group.

The projects to implement the statutory and regulatory requirements were a significant cost factor in the first half of 2017, whereby the focus was on the projects for Fund Taxation (implementation of the German Investment Tax Reform Act (Investmentsteuerreformgesetz)), IFRS 9, and MiFID 2. In addition to the statutory and regulatory projects, we are working intensively on customer-related projects. The focus here was on the acquisition of new customers as well as on the development of our Middle Office Services as a stand-alone product (Middle Office Stand Alone).

Overall appraisal

In consideration of the developments in the individual segments described above, the Group's course of business was positive on the whole in the first half of 2017 from the perspective of the management.

III. Financial performance, cash flows and liquidity position, financial position

a) Financial performance

The SGE Group's financial performance includes the period from January 1, 2017, to June 30, 2017. Due to the first-time preparation of consolidated (interim) financial statements, no prior-year comparison figures are shown.

	in € millions 6/30/2017
Net interest income	72
Net commission income	34
Result from financial transactions	-2
Result from other activities	-13
Bank result	**91**
Personnel expenses	-32
Other administrative expenditures	-24
Gross operating result	**35**
Risk expenses	-7
Operating result	**28**
Net profit before tax	**28**

Income taxes	-11
Net profit of all companies included in the basis of consolidation	**17**
Non-controlling interests	-1
Net profit (share attributable to the Group)	**16**

Net interest income in the first half of 2017 amounted to EUR 72 million and can be attributed primarily to the lending and leasing business in the Financial Services to Corporates and Retail segment.

Net commission income reached EUR 34 million at June 30, 2017, EUR 21 million of which can be attributed to the Financial Services to Corporates and Retail segment and EUR 13 million to the Asset Management segment.

The result from other activities of EUR -13 million can be attributed mainly to the Financial Services to Corporates and Retail segment and comprises in particular expenses and income from operating leases in connection with lessor relationships.

At June 30, 2017, the Group shows a bank result of EUR 91 million.

Key expense items in the Group include Personnel expenses and Other administrative expenditures. Personnel expenses amount to EUR 32 million and Other administrative expenditures to EUR 24 million, each primarily incurred in the Financial Services to Corporates and Retail and Asset Management segments.

After deducting income taxes in the amount of EUR 11 million, the Group's net profit amounts to EUR 16 million at June 30, 2017, after taking into account noncontrolling interests.

The financial performance for each segment can be presented as follows:

Global Banking and Investor Solutions

The Company does not generate any profit from new issue activities, because the proceeds from the sale of issued warrants and certificates are always offset by the expenses for the acquisition of corresponding hedging transactions.

As a result of the hedging of currency risks, there are no effects from exchange rate fluctuations on the income statement.

Personnel and other operating expenses are charged to Société Générale S.A., Paris, on the basis of a "cost-plus rule".

At June 30, 2017, there was a half-yearly loss of EUR 1.4 million in the segment. This can be attributed mainly to interest expenses in the amount of EUR 1.5 million for the loan extended by Société Générale S.A. Frankfurt for the purchase of the interest in ALD LF and SGSS. The financial performance developed in line with the business plan.

Financial Services to Corporates and Retail

Net interest income further increased in the second quarter of 2017 as a result of robust new business and the associated increase in inventories so that the planned amount was exceeded by EUR 3.3 million.

Due to the brisk new business and the commission income from the brokerage of insurance policies realized as a result, net commission income clearly exceeded the planned amount by EUR 5.6 million.

The risk provisions exceed the planned amount by EUR 1.8 million.

The result totaled EUR 23 million, which exceeded the planned result by EUR 0.9 million.

ROE for the first half of 2017 was 13.7%.

Asset Management

In the Asset Management segment, net commission income for the first half of 2017 amounts to EUR 13 million and includes primarily administrative payments as well as payments for fund management services provided to third parties. Net interest income amounts to EUR 0.2 million.

The costs in the first half of 2017 comprise personnel expenses in the amount of EUR 8.7 million and other administrative expenditures in the amount of EUR 9.9 million. These include external costs for projects in the amount of EUR 2.2 million.

At June 30, 2017, there is a half-yearly loss of EUR 5.6 million in the segment, which is in line with the loss expected in the business planning.

b) Cash flows and liquidity position

The nature and execution of the Group's business activities are oriented toward ensuring that its liquidity position is always sufficient.

Liabilities from the emission of certificates and warrants are generally hedged using financial instruments with matching maturities denominated in the same currency and with identical price risks.

Cash transactions involving warrants and certificates arise from the issues and their hedging transactions, from the settlement of personnel and other operating expenses, as well as their cost transfer to Société Générale S.A., Paris.

Due to the full reimbursement of all costs incurred by Société Générale S.A. in connection with the issues, the Group has sufficient liquidity at its disposal and is in a position to satisfy all payment obligations.

In addition to equity, the Group uses in particular financial funds from Société Générale S.A. with a fixed interest rate with bullet maturity or an amortizing structure in order to finance its leasing activities, whereby we follow the principle of refinancing based primarily on matching maturities.

Credit lines based on the business plan were also agreed with Société Générale S.A. and other financial institutions in order the ensure the fundamental liquidity. On the reporting date, these credit lines amounted to EUR 3,441 million, from which EUR 346 million was not drawn down.

In addition, we also use the instrument of the securitization of loan receivables in the Financial Services to Corporates and Retail segment. We bundled and publicly placed receivables from the leasing business previously in four structures under the names "Red & Black", which are used for securitizations on the part of the Société Générale Group. At the reporting date, there were three active structures. We report liabilities to the special purpose entities from securitization under "Certified obligations". At the reporting date, these amounted to EUR 1,058 million (January 1, 2017: EUR 1,385 million).

The Group has liquid funds in the amount of EUR 106 million at its disposal at June 30, 2017 (January 1, 2017: EUR 182 million).

Liabilities to banks increased to EUR 3,568 million primarily as a consequence of larger time money deposits (January 1, 2017: EUR 2,961 million).

Other financial liabilities fell by EUR 119 million to EUR 105 million compared with the end of the year. They include primarily liabilities under other administrative expenditures.

In addition to provisions from the personnel area and for taxes, provisions in the amount of EUR 17 million (January 1, 2017: EUR 17 million) include primarily provisions for bonus payments to our collaborative partner.

At June 30, 2017, there are off-balance-sheet liabilities in the form of loan commitments in the amount of EUR 133 million.

c) Financial position

The statement of financial position mainly includes the item of issued securities as well as the associated hedging transactions and varies in amount with the Group's issuing activity.

Total assets decreased by EUR 1,761 million compared with the date of first-time consolidation on January 1, 2017, to now EUR 21,072 million. On the one hand, this is due to lower nominal amounts actually placed for each product and on the other hand to delisting measures from products that were not placed.

Receivables from customers increased by EUR 345 million to EUR 3,577 million compared with January 1, 2017. This can be attributed essentially to installment loans with a pre-agreed term and fixed interest rate in connection with sales financing in the Financial Services to Corporates and Retail segment. The loan volume associated with the sales financing amounted to EUR 3,273 million at June 30, 2017 (January 1, 2017: EUR 3,273 million).
Receivables from banks in the amount of EUR 139 million relate primarily to current credits at Société Générale S.A. and Deutsche Bank AG.

Noncurrent assets consist mainly of leasing assets in the amount of EUR 402 million (January 1, 2017: EUR 389 million) and intangible assets in the amount of EUR 6 million (January 1, 2017: EUR 7 million).

Receivables under leases amount to EUR 416 million at June 30, 2017 (January 1, 2017: EUR 390 million).

Other assets include mainly prepayments accrued in the amount of EUR 75 million (January 1, 2017: EUR 72 million) and other receivables in the amount of EUR 65 million (January 1, 2017: EUR 176 million).

There are liabilities in particular from financial liabilities recognized at fair value in profit or loss. In addition, there are liabilities to banks from the refinancing of the lending and leasing business.

The Group's equity at June 30, 2017, amounts to EUR 51 million (January 1, 2017: EUR 33 million). Please refer to Note 17 for further information.

Overall appraisal

Taking into account the developments in the individual segments described above, both the Group's course of business as well as its financial position, financial performance and cash flows are to be assessed positively on the whole from the perspective of the management in the first half of 2017.

IV. Financial/non-financial performance indicators

Global Banking and Investor Solutions

The business in the Global Banking and Investor Solutions segment is focused on the issue of warrants and certificates. Therefore, the issue volume is used as a financial performance indicator at the level of SGE.

In the first half of financial year 2017, warrants were issued over a total of 157,796 products (in the first half of 2016: 90,383).

Furthermore, 13,979 certificate products were issued (in the first half of 2016: 22,402). The certificates in question were primarily bonus and discount certificates.

Financial Services to Corporates and Retail

Net profit before profit transfer and return on equity (ROE) are used as financial performance indicators in the Financial Services to Corporates and Retail segment. ROE places the result including subsidiaries after taxes in relation to standardized equity. ROE for the first half of 2017 was 13.7%.

The number of new contracts in the leasing business represents another key figure. In the first half of 2017, 11,221 new leasing agreements were entered into. The contract portfolio expanded by 2.4% from 62,941 to 64,435 leases.

Asset Management

The fund assets managed in self-managed mutual funds and special funds, including funds of funds, as a key performance indicator of SGSS amounts to around EUR 58.3 billion at June 30, 2017. Thus, the volumes in this segment (Master Asset Management Company) rose by EUR 0.8 billion (+1%) compared with the beginning of the year. The increase in managed assets in this segment results from both cash inflows as well as market price effects. The assets managed in the form of direct investments amount to around EUR 3.1 billion at the end of June 2017 and thus exceed the EUR 3.0 billion managed at the beginning of the year.

The fund assets managed for other AMCs (insourcing) at June 30, 2017, amount to around EUR 27.0 billion. Therefore, the fund assets increased by EUR 0.4 billion as a result of cash inflows compared with the beginning of the year. In total, around EUR 88.4 billion was managed at June 30, 2017 (January 1, 2017: EUR 87.1 billion).

With respect to the Key Performance Indicators (KPI) defined for our customers, the results were once again very good. In total, more than 99% of all KPIs were again reached. Customer complaints remained at a constant low level.

C. Report on future developments of the Group as well as on opportunities and risks

I. Expected development of the Group (Outlook)

General economic development

The risk of a slowdown in global economic growth, in part due to the increase in protectionist trends as well as the risk of an escalation of geopolitical conflicts, can have a negative effect on the second half of financial year 2017.

Analogous to the economic research institutes, we nevertheless expect positive economic growth in Germany for the second half of 2017, so that growth for the full year could be of a magnitude similar to that of 2016.

The European economies have returned to a growth trajectory in the past few quarters. However, the overall environment remains susceptible to crises, as e.g. the banking crisis in Italy has shown. Another crisis in the banking sector or in a euro zone country can result in a clear slowdown in business activity in the economic environment. The stabilization measures of the European Central Bank (ECB) are currently having a positive effect on the sovereign debt of euro zone countries and provide the countries with time for reforms. Nevertheless, the ECB's measures will not be permanent. The rising inflation can very quickly cause the central banks to reconsider and lead to increasing interest rates, which would limit the flexibility for necessary government spending.

The economic situation in the United States is currently very positive. Positive economic growth supported by low – albeit rising – interest rates is providing for employment growth. The newly elected government would like to increase the number of jobs, in particular in industry, by means of protectionist measures. It is difficult to predict whether or not these measures will be positive for the U.S.A. in the medium to long term. Major adjustments on the part of a country, in particular in economic orientation, always signify uncertainty for the country itself, and with respect to the largest economy in the world also uncertainty for all other economies.

A look at Asia shows how difficult and long-term problems can be when viewed separately. Despite massive fiscal and monetary measures, Japan has not succeeded in overcoming deflation. In China, the restructuring of the economic system toward a consumer society is leading to a decrease in growth rates, albeit at a high level. The collapse may not be as sharp as feared, but is nevertheless clear. The greatest pillar of growth remains the state, which is trying to maintain stable growth. The sharply increased corporate debt, which – supported by monetary stimulus – has reached a magnitude to be taken seriously, is meanwhile alarming. In particular companies in the construction and commodities sector are deeply in debt. This could lead to increasing default risks for the Chinese economy as well as for the global economy due to the level of global integration.

Global Banking and Investor Solutions

The focus of the Société Générale Group is on Germany as one of the two largest markets for warrants and certificates in the world. Société Générale Effekten GmbH aims to further expand its market position as part of a project to expand its issuing activities.

The management presumes that the entity's issuing activities will continue to expand. This relates in particular to the German market. This desire can be met with the help of automation already introduced in the issuing process in 2015 as well as the associated expansion of capacity and greater efficiency in the issuing process. Furthermore, an increased volume of follow-up issues of turbo warrants must be expected when the barriers are violated in a volatile market environment.

As before in previous years, a broad range of products will also be offered in the area of warrants and certificates in the full year 2017. Currently, 150,000 different products are offered; by the end of the year this number should increase to more than 300,000.

For 2018, the Group expects greater competition. The factors of success will be price, services, and product quality. The issue of regulation will be even more prominent than in 2017. The European Parliament, the Council, and the Commission have come to an understanding on new provisions for the revision of prospectus law.

Financial Services to Corporates and Retail

There has been a collaboration with FFS Bank GmbH and FFS Leasing GmbH in the area of sales since October 1, 2012, whereby our sales financing and leasing products are offered under the "FFS Group" brand over cooperating dealers of FFS Bank GmbH and FFS Leasing GmbH. As part of this collaboration, in particular new vehicles of the Hyundai brand were successfully offered for leasing in the past. Since Hyundai established its own Captive for Hyundai and the collaboration expired in 2017, we expect new business to decline slightly in the second half of 2017 in a competitive environment that remains challenging. Due to the resulting decrease in new business commissions, we expect higher earnings before profit transfer and a correspondingly higher return on equity.

For the full year 2017, we expect earnings of around EUR 50 million in this segment and a return on equity of around 14%.

Asset Management

For the second half of 2017, we expect the loss in the Asset Management segment to be EUR 2.2 million greater than in the first half of 2017. This can be explained in particular by rising project costs for the implementation of the new statutory and regulatory requirements, as the requirements under IFRS 9, MiFID 2, and the German Investment Tax Reform Act (Investmentsteuerreformgesetz) must be implemented by the end of the year. We also expect project costs in connection with the acquisition of new customers as well as the completion of our "Middle Office Stand Alone" product. However, the full effect of income from newly attracted customers and new products will not be seen in profit or loss until the following year. Therefore, with respect to income, we only expect a slight increase of 2% essentially as a result of the likewise expected 2% increase in managed fund assets.

The management has already taken action to limit the increase in costs. In addition to process optimization measures, further opportunities for outsourcing and the negotiation of terms and conditions with suppliers are also being reviewed and will be implemented in part in the second half of the year. Positive effects on earnings from these measures are only expected proportionately by the end of the year and the full effect will only be felt in the following years. We intend to continue maintaining the high level of quality of our services, whereby a very high degree of goal achievement with respect to the KPIs remains one of our most important indicators of quality.

We presume that our earnings will gradually improve in subsequent years. In addition to a slightly higher cost basis, we expect steadily improving income due to the expansion of the business with new and existing customers as well as a continuous inflow of revenues in our expanded service portfolio.

II. Risk report

Risk management system

Risk management in the Group is carried out at the level of the risk-relevant entities ALD LF/BDK and SGSS. Dedicated risk management and/or internal controlling is not necessary for SGE's business with warrants and certificates at the level of the SGE group, as all risk arising in connection with a "Global Guarantee" is transferred to the Société Générale Group.

Risks incurred by the subgroup are presented on a net basis.

Key elements of the risk management system include the risk strategy, risk inventory, and the risk-bearing capacity as well as the risk management and controlling processes.

Risk inventory

The following types of risk were identified as significant by the Group companies during the risk inventory that is carried out at least once every year:

- Counterparty risk
- Market price and residual value risk
- Liquidity risk
- Operational risk
- Business and reputational risk
- Compliance risk

For the special assets held in Asset Management, the focus is on classic investment risks such as market, liquidity, compliance, and counterparty risk, whereby these "indirect" risks are subsumed under business risk or, in the event of statutory or contractual violations, reflected as loss risk under operational risk from the perspective of the Group.

Risk strategy

Every Group company has its own risk strategy that is based on the respective company's business strategy and which defines goals and actions for every type of risk. The risk strategies are reviewed annually and adjusted if necessary.

Working instructions coordinated with the risk strategies, structured reporting, and limit systems adapted for the type of risk as well as the training and further education of our employees are key elements of the risk management system for all types of risk.

Key risk indicators are also analyzed on a monthly and/or quarterly basis and documented in the Société Générale Group tool "GPS". Complaints and grievances are recorded in another central databank, analyzed monthly, and reported to the management and all department heads. Specific measures to minimize risk are derived using these instruments.

a) Counterparty risk

Global Banking and Investor Solutions

The Company is not exposed to settlement risk from the warrant and certificate business, since payments from the sale of issued securities always offset payments for hedges and payments related to the exercise of warrants. Receivables from the counter-transactions entered into exist solely from Société Générale S.A., Paris. The creditworthiness of Société Générale S.A., Paris, and its subsidiaries is the determining factor for assessing the Company's risk.

Financial Services to Corporates and Retail

The Credit Risk Management area (CRM) manages the credit risks in the leasing company. Decisions regarding creditworthiness are made here that apply to the granting or rejection of credit. Beginning with a defined credit volume, loan decisions are made with the cooperation of Société Générale's loan department.

In the area of purchase financing, we manage 1,303 loan commitments, whereby the 186 largest borrowers account for a 54% share of the credit volume. CRM prepares a monthly credit risk report for the management, supported by risk controlling. This is a component of the Bank's risk report and is provided to the Chairman of the Supervisory Board each month and made available to the entire Supervisory Board on a quarterly basis.

In connection with our refinancing activities, we have sold the majority of the purchase financing portfolio (EUR 790 million) within the Group without recourse. For this portfolio, we continue to serve the dealers and the financing portfolio; however, we do not bear the credit risk.

In the sales financing business, we exhibit a comparatively low exposure to sector-specific individual risk due to broad diversification. More than 80 % of our loan agreements have a credit volume of less than EUR 25,000.

The loan decision in sales financing is made based on a standardized and system-supported loan decision-making process primarily in the Service Center Purchasing department in Hamburg and Stuttgart. Larger individual loans are also voted on and decided by CRM.

For the loan receivables sold as part of ABS transactions, we continue to bear the credit risk, since we hold the class B securities, which are redeemed as subordinated debt, entirely in our own portfolio. We continue to recognize these loan receivables accordingly and also recognize valuation allowances for the corresponding credit risk.

We account for the identified and latent credit risks by recognizing specific and global valuation allowances. The specific allowances for bad debt are dealt with in sales financing through the application of general valuation allowance rates ranging between 5% and 85% depending on the length of the default and the status of the loan. In total, the existing specific valuation allowances recognized for credit risks amount to 0.9% of the sales financing portfolio (January 1, 2017: 0.7%).

The specific valuation allowances in purchase financing are determined by analyzing individual cases. In total, specific valuation allowances are recognized in the amount of 2.3% for the purchase financing portfolio reported on the statement of financial position. The risk expenses resulting from the impairment writedowns on receivables as well as the addition to and reversal of recognized valuation allowances amounted to EUR 0.6 million in the financial year.

The so-called Herfindahl index is used to measure concentration risk in the leasing companies of ALD LF. This is a "model-free" approach to quantifying concentration risk.

Well-diversified portfolios exhibit an index near '0', whereas highly concentrated portfolios reach values approaching 1.0. At June 30, 2017, both the new business portfolio as well as the existing portfolio exhibit values ranging between 0.24 and 0.45 with respect to size categories, terms, and products.

Asset Management

In Asset Management, counterparty risk from business partners is managed and monitored on a continuous basis at the level of the entity and the fund with the use of ratings, risk analyses, and corresponding limits. As a result of the structure of the receivables, we presume there is no identifiable default risk for Group.

Please refer to our comments under Note 29 regarding the further presentation of credit risk.

b) Market price and residual value risk

Global Banking and Investor Solutions
All market risk from issued warrants and certificates is fully hedged by means of hedging transactions entered into with Société Générale S.A., Paris. Therefore, there is no price risk, currency risk, or interest rate risk.

Financial Services to Corporates and Retail

The residual value risk results in connection with the leasing business from the Financial Services to Corporates and Retail segment.

At June 30, 2017, the share of vehicles for which ALD LF bears the residual value risk amounts to 51% of the existing contracts and is therefore below the internal limit of 60%.

ALD LF relies on the expertise of ALD LF AutoLeasing und Dienstleistungs GmbH (ALD LF D), Hamburg, for the assumption of residual value risk. ALD LF D's many years of experience in the marketing of individual vehicles and vehicle fleets is an essential basis for a reliable estimate of the sales prices to be realized after the vehicles are returned.

The residual values calculated for new contracts are reviewed and determined in regular meetings of the ALD LF D Residual Value Committee. Forecasts are prepared by ALD LF D in order to ascertain the risk inherent in the portfolio.

As a general rule, ALD LF strives for break-even results at the end of the term when calculating residual values for the marketing of its used vehicles taking into account the final invoices at the end of the contract. This goal was not always achieved in the past year and for the coming year it can also be presumed that some losses will be incurred in the marketing of the lease returns. A provision was recognized for these expected marketing losses.

Overall, we are basing our planning on a break-even marketing result for 2017.

Since no loans are extended in foreign currency in the Financial Services to Corporates and Retail segment and we refinance ourselves exclusively in euros, foreign currency risk can be ruled out.

The interest rate risk is managed by means of an interest rate sensitivity report that is prepared and analyzed on a monthly basis by Risk controlling. In order to measure risk, the key figure "sensitivity" is used, which makes a statement regarding the change in present value on the assets side and liabilities side based on various variations of the yield curve. Sensitivity is thereby defined as a variation in the present value of future positions given a 1% or 2% shift in the yield curve. The highest negative change in value of the portfolio in the scenarios amounts respectively to EUR 23.5 million (ALD LF) and EUR 13.0 million (BDK).

In connection with the ABS transactions, the Group acquired the complete tranche of class B securities in each case and will hold them for the full term of the transaction. As a result of their structure, these securities bear the counterparty risk of the loan receivables respectively sold to the special purpose entities.

The risk of default for these securities is already factored into the credit default risk of the loan receivables sold to the special purpose entities.

With respect to refinancing, the Group uses short and medium-term means of refinancing as well as interest rate swaps.

As a result of the refinancing based largely on matching maturities and the use of derivatives, there is no elevated interest rate risk on the reporting date.

The intention is to hold all instruments until the end of their respective contracts.

At the reporting date, three instruments had a negative market value of EUR 3 million. The other 15 miscellaneous instruments had a positive market value.
We estimate the counterparty and liquidity risk resulting from the financial instruments to be low.

<u>Asset Management</u>

The market price risk from equity investment positions is to be classified as low on the whole, since liquid funds are invested primarily in the form of current accounts and time deposit accounts as well as to a minor extent in the form of investment shares. The market price risk on the fund side is measured and managed continuously based on KAGB's specifications.

c) Liquidity risk

Due to the inclusion in the Société Générale Group, there are no identifiable liquidity risks at the present time. The refinancing requirements are determined annually during the planning process and coordinated with Société Générale. The refinancing therefore largely takes place over credit lines of Société Générale.

It is ensured that the Group companies are capable of meeting their payment obligations at all times by monitoring the cash flows on a daily basis and by close coordination with the back office departments of Société Générale in Paris.

As part of liquidity controlling, the management of the individual Group companies is also regularly informed of any liquidity risk. With respect to the management of the liquidity risk, statistical analyses of the past are used, in particular for the purpose of forecasting early loan repayments. The funds' liquidity risks are monitored independently of this, using methods approved by the supervisory authorities.

At June 30, 2017, there was a total of EUR 346 million in freely disposable credit lines.

Please refer to Note 29 for the further presentation of the management of liquidity risk.

d) Operational risk

The Group strives to reduce its operational risk to a minimum. Société Générale S.A., Paris, has developed processes and systems to monitor and manage operational risks that are used by the Group. These are based mainly on the principle of permanent monitoring. Processes are documented in specially designed applications and assessed based on specified criteria in order to rule out losses from operational risk. This also includes precautionary measures as part of the Business Continuity Plan (BCP) in order to maintain smooth operations if the infrastructure is disrupted.

The same rules and principles apply for the outsourced processes in the service centers in Bangalore and Bucharest as for the Group companies. Compliance with the specified processes is ensured by means of standardized committees and "Key Performance Indicators".

The function of fraud prevention, which monitors new business and the loan portfolio, identifies suspicious events, and initiates measures to mitigate losses and also educates our employees is especially important for the Financial Services to Corporates and Retail segment.

In addition, the use of standardized loan agreements, the review of individual contracts by lawyers, published organizational guidelines and working instructions, and a functioning internal control system also minimizes operational risk.

In the Asset Management segment there is a general risk that the Group will be liable to recourse as a result of violations of statutory or contractual provisions or due to violations of a duty to exercise due care and diligence vis-à-vis the investors. The Group counters these risks in particular by means of careful selection and further education of its personnel as well as through the use of adequate controlling instruments. If necessary, external consultants are also brought in. Furthermore, the Group has extensive insurance policies (personal injury, property damage, financial losses, etc.) to protect against these risks. In connection with the management of special assets, compliance with statutory and contractual provisions is taken into account by means of organizational, personnel and technical measures. The business processes are handled by high-performance computer systems. Risk management also analyzes and identifies operational errors and reports every two weeks to the management of SGSS on the current status of errors and implemented countermeasures.

Furthermore, emergency and crisis management is a key component of risk management. The implementation of the concepts is documented in the Company's emergency handbook, which is revised and updated every financial year. The most recent test of the Company's emergency workstations as part of a test of functionality and operational readiness in the third quarter of 2016 was conducted successfully.

We were able to ensure through the described measures and processes that there were no significant operational risks within the Group in the following areas:

- Notifications required under supervisory law
- Risks associated with information technology
- Outsourcing risks
- Fraud risks

in the first half of 2017.

e) Business and reputational risk

Realized business risks are identified by means of deviations in the financial/budgetary planning, taking into account their type, scope, and complexity.

Asset Management monitors customer satisfaction by means of customer KPIs, inquiry and complaint management and regular customer surveys.

f) Compliance risk

Compliance risks are relevant primarily in connection with Asset Management.

The review of adherence to fund compliance rules and the risk limits is conducted by the relevant operational departments in the respective areas. The results of the review are reported to Compliance on a monthly basis. In the event of anomalies, countermeasures are initiated immediately ("Action Plans"). If necessary, a tool intended for ad-hoc reporting is used by the Group. The efficiency of such control measures is inspected periodically and adjusted if necessary. A report of the results is submitted to the Compliance department of Société Générale S.A. on a monthly basis. Furthermore, the management is informed on a quarterly basis and the Supervisory Board on an annual basis.

Risk management and control processes

The senior managers of the individual Group companies are responsible for risk management, whereby SGE's management focuses primarily on the "Global Guarantee" of the Société Générale Group. They determine the risk strategies and decide furthermore on the design of the risk-bearing concepts, the economic capital, and the amount of the assigned limits. At the Group level, there are no overriding risk management and control processes due to the inclusion in the Société Générale Group.

With respect to both procedural as well as organizational structure, rules were issued regarding compliance with the requisite separation of functions in all Group companies. The responsibilities for the initiation of risky transactions are separated from the responsibilities for risk management, back office functions, processing, and accounting.

Potential legal risks

The Group is exposed to risks from legal disputes or proceedings involving investors, authorities, or business partners in which we are either currently participating or which could arise in the future. In addition, the Group and its products are subject to constant tax and regulatory audits. The outcome of current, pending, or future audits and proceedings cannot be foreseen; as a result, expenses can be incurred due to decisions handed down by courts or other authorities or the agreement of settlements that are not covered in full or in part by insurance benefits and which could have an impact on the Company and its results. Significant legal risks are covered by counterguarantees on the part of the Group parent entity.

Ongoing or future investigations and inquiries as a result of potential violations of statutory or regulatory provisions can lead to sanctions under criminal and civil laws, including monetary penalties and other financial disadvantages, have a negative impact on the Group's reputation, and ultimately have a negative impact on the success of the business.

In order to ensure compliance with laws and rules, the Group established a compliance program, which is an integral part of the corporate culture. This program builds on the compliance handbook, in which the rules and standards for compliant behavior and a dedicated compliance organization are established.

III. Report on opportunities

The strategies of the individual Group companies are designed to identify arising opportunities early, to assess them using the risk management systems and/or based on resource estimates and to take advantage of them by means of appropriate actions for the successful development of the Group.

Global Banking and Investor Solutions

As part of its warrants and certificates business, the Group uses a New Products Committee (NPC) convened in each case for the conception of new products, in which all departments participating in the issuing process present their requirements and resource allocations.

The examination focuses on all relevant factors for the Company, such as markets, the competitive situation, strategic orientation, existing organization, personnel, back office technical processing potential and volumes.

For the second half of 2017, the Group expects opportunities from the further expansion of the warrant and certificate business, but does not expect this to have a significant impact on its risk situation.

Financial Services to Corporates and Retail

The strategic orientation of the Financial Services to Corporates and Retail segment in the German market is coordinated with the international strategy of the Société Générale Group. The strategy is compared on an ongoing basis with the Group's strategy as part of regular reporting to Société Générale S.A.

As in the past, our activities are focused on the intensification and expansion of the trade partnerships and therefore on greater market penetration, which leads to opportunities for future development. For this purpose, we offer car dealers additional services that enable them to attract customers together with us in a changing market environment. This includes the financial calculator developed by us for the dealer's website, the multi-brand vehicle configurator, the calculation app for mobile devices, and in particular the integration of our POS systems in the most important dealer management systems available in the business.

The distribution success is closely associated with the success of our distribution partners – the collaborating dealers. Thanks to the collaborations in the individual segments with the manufacturer Opel, access was obtained to additional dealers of these brands. In particular thanks to the collaboration with the shareholder ZDK (over Kfz-Gewerbe mbH's subsidiary) as well as its national associations and affiliated guilds, we succeeded in establishing and expanding relationships with the automotive plants acting as agents. All in all, we put our sales financing on sound footing by expanding the collaborations. More than 4,000 car dealerships actively placed customers with us in the current financial year.

In addition, our success depends in part on factors that we cannot directly influence. Above all, the development of the new and used vehicle market prompts us to continuously evaluate the product portfolio in the Financial Services to Corporates and Retail segment and to further develop it based on market demand.

In particular the very good situation on the labor market and rising income for private households could provide for stability with respect to private registrations and on the used vehicle market, despite the consequences of Volkswagen AG's emissions scandal.

For the full year 2017, the German Federation for Motor Trades and Repairs (Zentralverband Deutsches Kraftfahrzeuggewerbe (ZDK)) expects only a slightly declining new vehicle market of 3.2 million vehicles and a stable used vehicle market of 7.3 to 7.4 million transfers of title.

Asset Management

The current economic and monetary environment remains positive and affords opportunities for sustained growth in the Asset Management segment. The monetary policy of central banks remains very expansive and ensures lending at favorable terms and conditions to private individuals and enterprises. At the same time, European countries can also continue to borrow at very low interest rates, which creates flexibility for investments. This should have positive effects on the labor markets. Cheap money and rising employment are not only drivers of economic growth. Investments in assets such as equities and real estate also benefit, as alternative interest-earning investments promise very low returns. The long-term trend toward fund investments on the part of both institutional investors as well as private individuals should therefore remain stable. This would also have an overall positive effect on the fund volumes managed in Asset Management and would manifest itself correspondingly in growing commission income. The inflation expectations remain low and support the Company's goal of keeping ongoing operating costs stable.

The current regulatory environment continues to be challenging and demands additional capital, constant adjustments, and optimizations from asset management companies. Nevertheless, the Europe-wide regulation also leads to opportunities, since uniform standards are established in Europe that support the expansion of our European activities and also make them more cost-efficient in some cases. The opportunities for us consist in being able to expand the business in Europe even more rapidly than planned with the support of the Group and thereby generating additional income. We also view the current discussion regarding the strengthening of company pensions as thoroughly positive, since asset management companies can offer efficient solutions in connection with company pensions. Whether these efficient solutions will also be chosen at the end of the discussions regarding company pensions depends primarily on the political will and its implementation into law.

Overall appraisal

Taking into account the risks and opportunities described above, the management assesses the prospects for the second half of 2017 to be positive, since the current market environment mainly presents opportunities for each segment.

D. Internal control and risk management system with respect to the accounting process

With respect to the accounting process, the internal control system (ICS) and risk management system (RMS) include the basic principles, processes, and measures to ensure the effectiveness and efficiency of the accounting as well as to ensure compliance with the relevant legal provisions, and also the hedging of risks and the use of hedge accounting. It ensures that the assets and liabilities are recognized, presented, and measured appropriately in the financial statements.

The safeguarding of controls is ensured by means of applications that are centrally prepared by the Group.

Periodically conducted inspections by the internal auditing department as well as the elimination of identified weaknesses likewise contribute to more effective monitoring.

Responsibilities in the accounting-related ICS and RMS

The management of SGE manages the Group under its own responsibility and cooperates trustfully with the other governing bodies for the good of the Group. Its responsibilities include overall responsibility for the preparation of the consolidated financial statements.

Management assures according to the best of its knowledge that the consolidated financial statements represent a true and fair view of the Company's financial position, financial performance and cash flows in accordance with the applicable accounting principles.

The scope and orientation of the ICS and RMS are determined for every Group company and steps are taken to further develop the systems and adapt them to changing conditions.

The value systems practiced for years in all the countries of the Société Générale Group, such as the "Code of Conduct" and the "Compliance Rules", form the basis for responsible behavior also for the employees entrusted with carrying out the accounting process.

The employees of the Group must complete a course in money laundering and compliance once every two years as part of a computer-based learning program.

Despite all risk-mitigating measures established within the scope of the ICS and RMS, established systems and processes that are also adequate and functional cannot guarantee with absolute certainty that risks will be identified and managed. The Accounting department is responsible for the accounting process and for the process of preparing the consolidated financial statements. The Accounting department is supported by the back office departments of Société Générale S.A., Paris, in particular with respect to the measurement of financial instruments and receivables.

The data processing systems necessary for the accounting process are provided by Société Générale S.A.

An Audit Committee comprising six individuals (one staffer from Société Générale Effekten GmbH and five from Société Générale Frankfurt) at the reporting date was set up to support the management with respect to the accounting process. The Audit Committee regularly deals with the development of the Group's financial position, financial performance and cash flows. As part of the process of preparing the consolidated financial statements, the shareholders must approve the consolidated financial statements. In order to fulfill these duties, the financial statement documents, including the preliminary auditor's report, are made available to the Audit Committee. The members of the Audit Committee also receive a summary report on the results of the Group companies and their accounting once every quarter.

Organization and components of the accounting-related ICS and RMS

The transactions to be processed by SGE are recorded centrally by means of data entry in existing product-specific applications by a back office department of Société Générale S.A. in Paris. The transactions (contracts) are recorded in the applications and approved in application of the dual control principle.

Accounts payable for supplier invoices is handled in Bangalore by Société Générale Global Solution Centre Private Limited (99% subsidiary of Société Générale S.A., Paris).

The services to be rendered are set down in the service agreement dated November 29, 2011, between Société Générale Frankfurt and Société Générale Global Solution Centre Private Limited, Bangalore, for Société Générale Effekten GmbH.

The scanned records are recorded and allocated to an account in Bangalore; the funds are approved and released for payment by employees of the company.

The production of the Head Office Report as the basis for the consolidated financial statements as well as the production of the Regulatory Report to the German Bundesbank is carried out in Bucharest by Société Générale European Business Services S.A. (99.95% subsidiary of Société Générale S.A., Paris). The services to be rendered are set forth in the Client Services Agreement dated December 15, 2016, between Société Générale Frankfurt, and Société Générale European Business Services SA, Bucharest, for Société Générale Effekten GmbH.

The Group's accounting is maintained on the central server in Paris; all accounting-related data of the Group companies are processed and stored on this server.

The daily monitoring of the current cash accounts by employees of Group companies serves to safeguard accurate accounting treatment as well as the subsequent processing in the service centers. The information recorded in the accounting for business operations in general and for facts and circumstances related to accounting in specific is accessed online over the intranet. Technical system maintenance with respect to the preparation of the financial statements is outsourced to the subsidiary responsible for IT in the Société Générale Group.

Société Générale S.A. is responsible for monitoring. The technical consulting processes in the central advisory unit are governed in the working instructions. The security and archiving of the data sets for application systems is carried out under the responsibility of Société Générale S.A. The statutory retention periods are adhered to. Contingency plans are updated and monitored by employees of the Company. The central data security systems for the mainframe computers as well as the storage networks for the Open Systems area form the primary basis for data security. The data is mirrored reduntantly in Paris.

The necessary protection from unauthorized access and the maintenance of functional separation with respect to the use of the Company's application systems relevant to accounting are ensured in particular by the concept of workstation profiles as well as by processes to create the workstation profiles. The job profiles are issued and monitored by means of a specially developed system to the individual back office departments in Paris as well as to the employees of the service center in Bangalore and Bucharest by entitled individuals in the Company.

<u>Documentation of the processes</u>

As a part of the Société Générale Group, the documentation of the processes is specified. This is summarized in the "Accounting & Finance Manual". The main components of the documented processes are automatic controls that ensure the accuracy of data inputs.

The most important procedures of the accounting process are listed in the application "Global Permanent Supervision (GPS)". The application contributes to completing the documentation process and, in the event of internal as well as external auditing, having an appropriate instrument at the Company's disposal in order to safeguard the accounting process.

Measures for continuous updating of the ICS and RMS

Any changes in legal requirements and regulations with respect to the accounting are to be reviewed to determine whether and what consequences they have for the accounting process. The accounting departments of the Group companies are responsible for handling the contents. In the event of changes or new provisions having significant effects on the procedural processing of the accounting, the existing process cartography is relied upon, whereby all measures such as computer adjustments, work processes, accounting entry instructions, etc., are analyzed and correspondingly implemented in the back office departments as well as in the outsourced service departments and monitored and controlled by employees of SGE in Frankfurt.

E. Nonfinancial Group statement

Due to the affiliation with the Société Générale Group, SGE Group takes advantage of the exemption granted under section 315b (2) sentence 2 of the German Commercial Code (Handelsgesetzbuch, HGB). Société Générale S.A., Paris, publishes a separate nonfinancial Group report in English annually on its website (www.societegenerale.com).

F. Responsibility statement

To the best of our knowledge, the half-yearly financial statements give a true and fair view of the financial position, financial performance and cash flows of the Company in compliance with German accepted accounting principles, and the management report presents a true and fair view of the development of the business, including the operating results and position of the Group, as well as the significant opportunities and risks associated with the expected development of the Company.

Frankfurt am Main, September 29, 2017

The Management

Société Générale Effekten GmbH

(signed)

Françoise Esnouf	Helmut Höfer	Rainer Welfens

Consolidated Interim Financial Statements of

Société Générale Effekten GmbH

Semiannual Financial Report

at June 30, 2017

(unaudited numbers)

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - ASSETS

(In euro thousands)	Note	06/30/2017	01/01/2017
Financial assets at fair value through profit or loss	Note 4, 5, 7	16,230,522	18,183,215
Available-for-sale financial assets	Note 6	73,488	83,664
Derivative financial assets held for trading purposes	Note 5, 7	131	-
Loans to and receivables from banks	Note 8	138,550	214,988
Loans to and receivables from customers	Note 8	3,577,025	3,232,425
Receivables under finance leases	Note 8, 13	415,998	390,123
Tax assets	Note 16	11,752	9,064
Other assets	Note 12	139,909	248,154
Property, plant and equipment and intangible assets	Note 10	411,236	398,206
Goodwill	Note 11	73,754	73,754
Total		**21,072,365**	**22,833,593**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – LIABILITIES AND EQUITY

(In euro thousands)	Note	06/30/2017	01/01/2017
Financial liabilities at fair value through profit or loss	Note 4, 5, 7	16,226,085	18,177,635
Liabilities to banks	Note 9	3,567,842	2,961,353
Liabilities to customers	Note 9	2,354	2,372
Securitized liabilities	Note 9	1,057,656	1,385,193
Tax liabilities	Note 16	45,491	33,993
Other liabilities	Note 12	104,664	223,198
Provisions	Note 14, 15	17,324	16,936
Total liabilities		**21,021,416**	**22,800,680**
EQUITY	Note 17		
Subscribed capital		26	26
Profit carried forward		1,138	1,138
Consolidated reserves		32,914	32,913
Period profit or loss		16,102	-
Subtotal		**50,180**	**34,077**
Other comprehensive income		208	(699)
Subtotal equity (Group share)		**50,388**	**33,378**
Non-controlling interests		561	(465)
Total equity		**50,949**	**32,913**
Total		**21,072,365**	**22,833,593**

CONSOLIDATED INCOME STATEMENT

(In euro thousands)	Note	06/30/2017
Interest and similar income	Note 18	83,833
Interest and similar expenses	Note 18	(11,937)
Commission income	Note 19	43,101
Commission expenses	Note 19	(8,976)
Net result from financial transactions		(1,891)
thereof net gains or losses on financial instruments measured at fair value through profit or loss	Note 4	*(1,891)*
thereof net gains or losses on available-for-sale financial assets	Note 6	-
Income from other activities	Note 22	112,960
Expenses for other activities	Note 22	(125,893)
Net banking income		**91,197**
Personnel expenses		(32,247)
Other administrative expenses		(23,079)
Expenses for amortization, depreciation and impairments of intangible assets and property, plant and equipment		(1,367)
Gross operating result		**34,504**
Risk expenses	Note 21	(6,299)
Operating result		**28,205**
Net gains or losses on other assets		17
Impairments of goodwill		-
Profit before taxes		**28,222**
Income taxes	Note 16	(10,897)
Net profit/loss of all companies in the consolidation group		**17,325**
Non-controlling interests		1,223
Net profit/loss (Group share)		**16,102**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(In euro thousands)	06/30/2017
Net profit/loss	**17,325**
Gains and losses recognized directly in equity, to be reclassified to profit or loss at a later time:	
Available-for-sale financial assets	(217)
Net measurement differences from hedge instruments	1,664
Reclassified to profit or loss	-
Taxes on items to be reclassified to profit or loss at a later time	(540)
Gains and losses recognized directly in equity, not to be reclassified to profit or loss at a later time:	
Reclassifications	-
Actuarial gains and losses on post-employment benefits	-
Taxes on items not to be reclassified to profit or loss at a later time	-
Total other comprehensive income	**907**
Comprehensive income (net profit/loss and other comprehensive income)	**18,232**
thereof Group share	16,964
thereof non-controlling interests	1,268

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(In euro thousands)	Equity at 01/01/2017	Gains and losses recognized directly in equity	Other changes	Net profit/loss 01/01 – 06/30/2017	Equity at 06/30/2017
Capital and related reserves					
Subscribed capital	26	-	-	-	26
Profit carried forward	1,138	-	-	-	1,138
Consolidated reserves	32,913	-	1	-	32,914
Net profit/loss (Group share)	-	-	-	16,102	16,102
Total	**34,077**	**-**	**1**	**16,102**	**50,180**
Gains and losses recognized directly in equity, to be reclassified to profit or loss at a later time (after taxes)					
Change in fair value of available-for-sale financial assets	293	(217)	-	-	76
Change in fair value of derivative hedging instruments	(1,452)	1,664	-	-	212
Taxes on items to be reclassified to profit or loss at a later time	460	(540)	-	-	(80)
Total	**(699)**	**907**	**-**	**-**	**208**
Gains and losses recognized directly in equity, not to be reclassified to profit or loss at a later time					
Reclassifications	-	-	-	-	-
Total	-	-	-	-	-
Equity, Group share	**33,378**	**907**	**1**	**16,102**	**50,388**
Non-controlling interests					
Capital and reserves	(465)	-	(197)	1,223	561
Total	**(465)**	**-**	**(197)**	**1,223**	**561**
Total Group equity	**32,913**	**907**	**(196)**	**17,325**	**50,949**

CONSOLIDATED STATEMENT OF CASH FLOWS -

	06/30/30/2017
Net profit/loss	**17,325**
Expenses for depreciation and amortization of property, plant and equipment and intangible assets (including operating leases)	41,830
Expenses for impairments of property, plant and equipment and intangible assets (including operating leases) and net additions to provisions	7,528
Changes in deferred taxes	10,639
Other changes	(84,681)
Non-monetary elements included in net profit/loss after taxes, and other adjustments, excluding the result from financial instruments at fair value through profit or loss	**(24,684)**
Net result from financial instruments measured at fair value through profit or loss	1,891
Interbank transactions	115,851
Transactions with customers	(275,084)
Transactions with other financial assets/ liabilities	(462,485)
Transactions with other non-financial financial assets/ liabilities	4,468
Net increases/ decreases in operating assets/ liabilities	**(615,359)**
NET CASH FLOWS FROM OPERATING ACTIVITIES	**(622,718)**
Cash flows from acquisitions and sales of property, plant and equipment and intangible assets	(58,699)
NET CASH FLOWS FROM INVESTING ACTIVITIES	**(58,699)**
Other cash flows from financing activities	592,076
NET CASH FLOWS FROM FINANCING ACTIVITIES	**592,076**
NET CASH FLOWS FROM CASH AND CASH EQUIVALENTS	**(89,340)**

CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	**131,918**
Net amount of accounts, sight deposits and deposits/loans with banks	(89,340)

CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	**42,578**	

In accordance with the guideline of Société Générale Group, the SGE Group considers cash on hand, sight deposits, loans and advances with central banks and banks as cash and cash equivalents in preparing the statement of cash flows. At June 30, 2017, cash and cash equivalents consisted only of call deposits with banks in the amount of EUR 106 million (Note 8), less loans to banks payable at call in the amount of EUR 63 million (Note 9).

Cash flows from taxes amounted to EUR 10.9 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – BASIC INFORMATION ABOUT THE CONSOLIDATED FINANCIAL STATEMENTS

Société Générale Effekten GmbH is a limited liability company under German law, with its registered head office in Frankfurt am Main (Neue Mainzer Str. 46-50, 60311 Frankfurt am Main, Germany). It is entered in the Frankfurt am Main Local Court under record no. HRB 32283. The company's consolidated financial statements include the company and the subsidiaries it controls (referred to collectively as the "Group"). The Group is primarily active in the issuance of options and certificates, the provision of leasing services and asset management.

The parent company Société Générale Effekten GmbH is a wholly-owned subsidiary of Société Générale Frankfurt, a branch of Société Générale S.A. Paris, in the consolidated financial statements of which it is included.

The consolidated interim financial statements of Société Générale Effekten GmbH cover the period from January 1, 2017 to June 30, 2017. They were prepared in accordance with the International Financial Reporting Standards (IFRS) and the corresponding Interpretations of the International Financial Reporting Standards Interpretations Committee (IFRIC) as they are to be applied in the European Union. The disclosures required by Section 315e para. 1 German Commercial Code (HGB) were made in the notes to the consolidated financial statements.

The present consolidated financial statements are presented in euros, the functional currency of the parent company. Unless otherwise indicated, all financial information presented in euros is rounded to one thousand euros.

USE OF DISCRETIONARY DECISIONS AND ESTIMATES

In preparing the consolidated financial statements, the management is required to make certain discretionary decisions, estimates and assumptions pertaining to the application of financial reporting methods and the stated amounts of assets, liabilities, income and expenses. Actual results could differ from these estimates.

In making these estimates and formulating these assumptions, the management applies the information available at the time of preparing the consolidated financial statements and decides on the basis of its own judgment. Naturally, the measurements based on these estimates are subject to certain risks and uncertainties concerning their occurrence in the future, so that the actual values in the future may differ from the estimates. In that case, they could potentially have a material effect on the financial statements.

Estimates were applied particularly with respect to the measurement of the following items:

- Measurement of the stated fair value of financial instruments that are not traded in an active market, which are presented under "Financial assets and liabilities measured at fair value through profit or loss," "Derivative hedging instruments" or "Available-for-sale financial assets," and the fair value of financial instruments for which this value is disclosed in the notes to the consolidated financial statements.

- Measurement of the amount of impairments of financial assets ("Loans and receivables," "Available-for-sale financial assets") and the statement of financial position items "Receivables under finance leases," "Property, plant and equipment and intangible assets" and "Goodwill."

- Measurement of the provisions recognized on the equity and liabilities side of the statement of financial position, including the provisions for employee benefits.

- Measurement of the deferred tax assets recognized in the statement of financial position.

- Measurement of "Goodwill" arising from business combinations upon initial recognition.

NEW STANDARDS OR AMENDMENTS TO BE APPLIED FOR THE FIRST TIME IN 2017

AMENDMENTS TO IAS 12 "RECOGNITION OF DEFERRED TAX ASSETS FOR UNREALIZED LOSSES" (PUBLISHED ON JANUARY 19, 2016)

The amendments concretize the accounting treatment of deferred tax assets for unrealized losses related to debt instruments measured at fair value.

The amendments are to be applied for the first time in annual periods that begin on or after January 1, 2017 and are therefore observed by the Group.

IAS 7 STATEMENT OF CASH FLOWS DISCLOSURE INITIATIVE

The amendments to this Standard require disclosures that enable the users of financial statements to evaluate changes in liabilities arising from financing activities, including changes that affect cash flows and those that do not.

The amendments are to be applied for the first time in annual periods that begin on or after January 1, 2017 and are therefore observed by the Group.

NEW FINANCIAL REPORTING STANDARDS, AMENDMENTS OR INTERPRETATIONS TO BE APPLIED BY THE GROUP IN THE FUTURE

The following Standards and Interpretations relevant for the Group had not yet taken effect at the reporting date of June 30, 2017 and were therefore not considered in the preparation of the consolidated financial statements.

FINANCIAL REPORTING STANDARDS, AMENDMENTS OR INTERPRETATIONS THAT HAVE ALREADY BEEN ADOPTED BY THE EUROPEAN UNION

IFRS 9 FINANCIAL INSTRUMENTS

The new Standard IFRS 9 Financial Instruments takes effect for annual periods beginning on January 1, 2018 and supersedes the regulations of the existing Standard IAS 39. Early application is permitted. At the present time, the Group intends to apply IFRS 9 for the first time as of January 1, 2018. The Standard includes new regulations particularly applicable to the classification and measurement of financial instruments and the determination of impairments and requires changes to the accounting treatment of the effects of changes in credit risk for financial liabilities measured at fair value and the accounting treatment of hedging transactions.

The first analyses on the effects of IFRS 9 and the development of a project structure to implement the new regulations began in 2013 and 2014, so that the Standard can be applied as of January 1, 2018.

Classification and measurement

In the first step, the portfolio of financial assets was analyzed at the level of the overarching consolidated financial statements in order to determine the future accounting treatment according to IFRS 9. The necessary adjustments of information systems, the consolidation process and reporting schedules were elaborated further in 2017. Furthermore, an analysis of required disclosures in the notes and information procurement was conducted. The company conducted "dry runs" for the second and third quarters of 2017 in order to test the system in its entirety before the first-time application.

The new classification and measurement regulations are expected to have only minor effects on the consolidated financial statements, on the whole.

Impairments

In 2015, the Group began to establish a methodical framework to model expected credit losses under the new regulations. A focal point involves the conversion of the 12-month analysis to the analysis of expected credit losses over the lifetime of the loan in Level 2. The framework was coordinated and approved in 2016 in relation to the following points:

- Implementation of a methodical framework in all companies;
- Commencement of IT development in order to transition to the testing phase in early 2017;
- First description of organizational processes, including operational management.

The Group expects to have completed the main parts of this project by the end of the third quarter of 2017. The introduction of IFRS 9 is expected to result in a modest increase in risk provisions, on the whole.

Hedging relationships

The Group has analyzed the various possibilities allowed by the transitional provisions of IFRS 9 and decided not to change the currently applied financial reporting methods for hedging relationships according to IAS 39. The Group will continue to follow the IASB's research concerning the accounting methods for macro hedges.

At the current stage of the IFRS 9 implementation process, the effects of applying the Standard on the Group's consolidated financial statements cannot yet be reliably estimated.

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

This Standard includes regulations applicable to the recognition of revenue from contracts with customers, with the exception of leases, insurance contracts, financial instruments and guaranties. In accordance with IFRS 15, revenue is recognized on the basis of a five-step model, beginning with the identification of a contract and leading to the recognition of revenue upon the satisfaction of the performance obligation. This Standard is to be applied for the first time in annual periods beginning on January 1, 2018.

The Group is currently analyzing the effects of the new Standard on the Group's net income and equity. As expected, the main contracts affected are service agreements that lead to commission income. However, the Group does not expect any significant effects to result from the introduction of the new Standard.

FINANCIAL REPORTING STANDARDS, AMENDMENTS OR INTERPRETATIONS THAT WERE NOT YET ADOPTED BY THE EUROPEAN UNION AT THE REPORTING DATE

AMENDMENTS TO IFRS 2 CLASSIFICATION AND MEASUREMENT OF SHARE-BASED PAYMENT TRANSACTIONS

The amendments pertain to the accounting treatment of certain kinds of share-based payment: accounting for cash-settled share-based payments that include a performance condition; share-based payments for which the type of settlement depends on future events; share-based payments settled without retention of taxes; and the modification of share-based payments that change the classification.

The Group does not anticipate any (material) effects to result from the introduction of the new regulations.

The amendments to this Standard are to be applied in financial year 2018.

AMENDMENTS TO IFRS 4: APPLICATION OF IFRS 9 FINANCIAL INSTRUMENTS WITH IFRS 4 INSURANCE CONTRACTS

The amendments pertain to IFRS 4 Insurance Contracts in relation to the first-time application of IFRS 9 Financial Instruments (application of IFRS 9 Financial Instruments jointly with IFRS 4 Insurance Contracts). The amendments introduce two approaches for countering the challenges resulting from different effective dates for IFRS 9 and the successor standard IFRS 4.

The amendments to this Standard are to be applied in financial year 2018. Given the current business model, no effects on the consolidated financial statements are expected.

AMENDMENTS TO IFRS 12 DISCLOSURE OF INTERESTS IN OTHER ENTITIES AND IAS 28 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

As part of the Annual Improvements of International Financial Reporting Standards, the IASB published amendments to IFRS 12 and IAS 28.

The IASB has postponed the effective date of application of the amendments to a date still to be determined.

The amendments will lead to changes in disclosures concerning investments in structured entities.

IFRIC 22 FOREIGN CURRENCY TRANSACTIONS AND ADVANCE CONSIDERATION

The Interpretation clarifies the accounting treatment of transactions that involve the receipt or payment of advance consideration in foreign currency (payments and advance payments). It applies to transactions in foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, income or expense.

The Interpretation takes effect in financial year 2018. Given the current business model, no material effects on the consolidated financial statements are expected.

IFRS 16 LEASES

The new Standard IFRS 16 Leases supersedes the previously applicable Standard IAS 17 for financial years beginning on January 1, 2019. IFRS 16 introduces new rules for the accounting treatment and measurement of leases. Essentially, these amendments affect the lessee; only a few adjustments pertain to lessors. For all leases except short-term leases or leases for low-value objects, the lessor must recognize a right of use as an asset and a payment obligation as a liability.

In the fourth quarter of 2016, the Group launched a project to introduce the new regulations to the existing information systems and processes and to identify the contracts that fall under the scope of IFRS 16 according to the new definition of a lease relationship.

The concrete effects on the Group's consolidated financial statements are currently being analyzed and cannot yet be quantified.

NOTE 2 – CONSOLIDATION GROUP

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the financial statements of the parent company Société Générale Effekten GmbH and all companies that it controls. The separate financial statements of the aforementioned companies form the basis for the consolidated financial statements. Intercompany balances, transactions and all unrealized income and expenses from intercompany transactions are eliminated in the preparation of the consolidated financial statements.

SUBSIDIARIES

Subsidiaries are companies controlled by the Group. The Group controls a company when it is exposed to or holds rights to variable returns from its investment in the company and has the ability to affect those returns through its power over the company. The financial statements of subsidiaries are to be included in the consolidated financial statements from the date on which control begins and up to the date on which control ends.

Subsidiaries are fully consolidated. In preparing the consolidated statement of financial position, the investment held by the Group parent company in a fully consolidated subsidiary is replaced with the assets and liabilities of the subsidiary. Where applicable, goodwill may also be recognized. All expenses and income of the subsidiaries are aggregated with those of the Group in the consolidated income statement.

CONSOLIDATION GROUP

Company name	Company's registered head office	Business activity	Share of equity held	Share of voting rights held
			06/30/2017	
Consolidated companies				
ALD LEASE FINANZ GMBH	Hamburg, Germany	Leasing company	100	100
SOCIÉTÉ GÉNÉRALE SECURITIES SERVICES GMBH	Unterföhring, Germany	Capital management company	100	100
BANK DEUTSCHES KRAFTFAHRZEUGGEWERBE GMBH	Hamburg, Germany	Specialized financing institution	99.9	51
BDK LEASING UND SERVICE GMBH	Hamburg, Germany	Service company	100	100
RED & BLACK AUTO GERMANY 2 UG (HAFTUNGSBESCHRÄNKT)	Frankfurt, Germany	Structured entity	-	100
RED & BLACK AUTO GERMANY 3 UG (HAFTUNGSBESCHRANKT)	Frankfurt, Germany	Structured entity	-	100
RED & BLACK AUTO GERMANY 4 UG (HAFTUNGSBESCHRANKT)	Frankfurt, Germany	Structured entity	-	100
Non-consolidated companies				
ALD AUTOLEASING UND DIENSTLEISTUNGS GMBH	Hamburg, Germany	Service company	43.8	43.8
NEDDERFELD 95 IMMOBILIEN GMBH & CO.KG	Hamburg, Germany	Real estate company	65	50

Effective January 1, 2017, the shares in Société Générale Securities Services GmbH, Unterföhring (Commercial Register No. HRB 169711 with the Munich Local Court) held by Société Générale Securities Services Holding S.A., Paris and the shares in ALD Lease Finanz GmbH, Hamburg (Commercial Register No. HRB 92469 with the Hamburg Local Court) held by SG Consumer Finance S.A. Frankreich were transferred to Société Générale Effekten GmbH, Frankfurt, as part of an intra-group restructuring of the Société Générale Group. In this connection, the ALD Group comprising the bank Deutsches Kraftfahrzeuggewerbe GmbH and its subsidiaries, including the aforementioned structured Red & Black companies, was acquired.

The purchase price for Société Générale Securities Services GmbH, Unterföhring was EUR 0.5 million and the purchase price for ALD Lease Finanz GmbH, Hamburg, was EUR 407 million, which were paid in cash.

For time reasons, the analysis of acquired assets and liabilities could not be completed before the publication of the present semiannual consolidated financial statements. According to a provisional calculation, the business combinations gave rise to goodwill in the amount of EUR 73 million for ALD Lease Finanz GmbH and badwill of EUR 33.5 million for Société Générale Securities Services GmbH.

The provisional allocation of the purchase price to the assets and liabilities is presented in the table below:

In euro thousands	**Société Générale Securities Services GmbH**	**ALD Lease Finanz GmbH**
Financial assets measured at fair value through profit or loss	-	10,691
Available-for-sale financial assets	-	83,479
Loans to and receivables from banks	185	172,535
Loans to and receivables from customers	39,562	3,232,425
Receivables under finance leases	-	390,123
Tax assets	3,522	8,593
Other assets	7,345	122,998
Property, plant and equipment and intangible assets	4,928	395,278
Goodwill	-	-
TOTAL ASSETS	**55,542**	**4,416,122**
Liabilities measured at fair value through profit or loss	-	2,072
Derivative hedging instruments	-	1,590
Liabilities to banks	-	2,553,988
Liabilities to customers	-	2,372
Securitized liabilities	-	1,385,193
Tax liabilities	244	36,826
Other liabilities	13,121	92,583
Provisions	8,184	8,252
TOTAL LIABILITIES	**21,549**	**4,082,876**

INVESTMENTS IN CONSOLIDATED STRUCTURED ENTITIES

The Group controls voting right shares in structured entities. These are included in the consolidated financial statements by reason of their design. In particular, the investments consist of holdings in debt instruments in securitization companies, which leads to risks and inflows, depending on the profitability of the structured entity.

(In euro thousands)	RED & BLACK AUTO GERMANY 2 UG	RED & BLACK AUTO GERMANY 3 UG	RED & BLACK AUTO GERMANY 4 UG
Equity	18	17	16
Total assets	116,032	380,199	817,774
Profit/loss at 06/30/2017	21	662	520

Apart from the contractual obligations, the Group did not financially support the structured entities and also does not plan to do so at the present time.

The maximum loss risk of the consolidated structured entities is determined by the carrying amount of the assets held in relation to the structured entities.

NOTE 3 – ACCOUNTING PRINCIPLES AND MEASUREMENT METHODS

The separate financial statements of the subsidiaries included in the consolidated financial statements were prepared in accordance with the Groupwide accounting and measurement principles based on IFRS, which are described in the following.

The Group subject to the reporting obligation was formed at January 1, 2017. Therefore, the opening statement of financial position was prepared as of this date in accordance with the criteria of IFRS 1 First-time Adoption of International Financial Reporting Standards. The opening statement of financial position and the present semiannual financial statements are based on the same International Financial Reporting Standards according to which the Group's first complete consolidated financial statements were prepared at 12/31/2017. The permissible exceptions regarding the retrospective application of International Financial Reporting Standards were not utilized.

The subsidiaries were included in the opening statement of financial position with effect as of January 1, 2017 in accordance with the criteria of IFRS 3 Business Combination and employing the acquisition method. Under this method, all acquired assets and liabilities and non-controlling interests are to be measured at their fair value at the acquisition date and presented separately from goodwill (see Note 2 Consolidation group).

Because the Group did not exist in this form in the prior year, no prior-year comparison values are presented. The criteria of IAS 34 Interim Financial Reporting were applied in the preparation of the present semiannual financial statements.

TRANSACTIONS IN FOREIGN CURRENCY

Items of the statement of financial position denominated in foreign currencies are translated to the company's functional currency at the reporting date using the exchange rate at the reporting date. Unrealized or realized currency translation differences are recognized in profit or loss.

Forward exchange transactions are measured at fair value on the basis of the current forward exchange rate for the remaining term to maturity. Spot exchange positions are translated to the official spot exchange rates at the reporting date. The resulting revaluation differences are recognized in profit or loss.

Non-monetary financial assets denominated in foreign currencies, particularly including equities and other variable-yield securities that do not belong to the trading portfolio, are translated to the company's functional currency at the exchange rate on the reporting date. The resulting exchange rate differences are to be recognized in profit or loss only upon disposal or impairment and when their fair value is hedged against currency risk. Non-monetary assets are translated at the spot exchange rate at the reporting date, particularly when they are financed by a liability denominated in the same foreign currency. The effect of exchange rate fluctuations is recognized in profit or loss if a hedging relationship has been established between the two financial instruments.

DETERMINATION OF FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. If no observable prices for identical assets or liabilities are available, the fair value of financial instruments is determined by application of another measurement technique under which the use of the determining input factors is kept at the highest level possible, based on the assumptions that market participants would apply for pricing the asset or liability.

The measurement methods employed by the Group for determining the fair value of financial instruments are described in Note 7.

FINANCIAL ASSETS AND LIABILITIES

Upon initial recognition, financial assets and liabilities are measured at fair value. In the derivatives and certificates business and in asset management, the recognition date is the trade date, and in the credit and leasing business it is the settlement date. This also includes the transaction costs attributable directly to the acquisition or issue of the security in question (with the exception of financial assets measured at fair value through profit or loss). For purposes of subsequent measurement, financial instruments must be assigned to categories that determine the rules applicable for subsequent measurement.

Financial assets are fundamentally assigned to one of the following categories:

- Financial assets measured at fair value through profit or loss
- Loans and receivables
- Held-to-maturity financial assets
- Available-for-sale financial assets

Financial liabilities are assigned to one of the two following categories:

- Financial liabilities measured at fair value through profit or loss
- Other financial liabilities

Financial assets and liabilities measured at fair value through profit or loss

This category comprises financial instruments held for trading (including derivatives not classified as hedging instruments) and non-derivative financial assets and liabilities that are measured at fair value upon initial recognition by exercising the option allowed in IAS 39.

The fair value option according to IAS 39 may only be exercised in the following cases:

- Elimination or significant reduction of mismatches in the accounting treatment of certain financial assets and financial liabilities;
- When the instrument in question is a hybrid instrument containing one or more embedded derivatives that would otherwise be recognized and measured separately;
- When a group of financial assets and/or liabilities is managed and its performance is evaluated on a fair value basis.

The trading portfolio (held for trading purposes) comprises financial assets and liabilities that

- were purchased with the intention of selling them in the short term,
- are held for market-making purposes,
- or were purchased for purposes of the specialized management of the trading portfolio, including derivative financial instruments, securities or other financial instruments that are managed jointly and for which proof of short-term profit-taking can be presented,

upon initial recognition. Financial instruments assigned to this category are measured at their fair value at the reporting date.

Changes in fair value are recognized in period profit or loss as *"Net gains or losses on financial instruments measured at fair value through profit or loss."*

Loans and receivables

Loans and receivables comprise non-derivative financial assets yielding a fixed or quantifiable income that are not listed in an active market and are neither held for trading purposes, nor were intended for sale at the purchase date, nor were measured at fair value by exercise of the fair value option. All financial instruments belonging to this category are recognized in the items of Loans to and receivables from banks or customers. Subsequent to initial recognition in the statement of financial position, they are measured at amortized cost by application of the effective interest rate method. The resulting interest is recognized in net interest income/expenses. When necessary, impairments are recognized as risk expenses in the income statement at the loan or portfolio level (see Note 8 “Loans and receivables”).

Available-for-sale financial assets

This category comprises non-derivative financial assets that are held for an indefinite period of time and can be sold by the Group at any time. These are financial instruments that cannot be assigned to the three aforementioned categories. They are measured at fair value at the reporting date.

Interest collected on fixed-income securities is recognized as interest income in the income statement. It is calculated by application of the effective interest rate method. It is measured at fair value at the reporting date and all changes in fair value are recognized directly in equity in the item of “Gains and losses on financial instruments recognized directly in equity.” If the financial assets are sold, the unrealized gains and losses recognized in equity are reclassified to Net profit/loss from available-for-sale financial assets.

If assets are impaired at the reporting date, the unrealized loss on debt instruments recognized previously in equity is reclassified to the item of “Risk expenses” and the unrealized loss on equity instruments is reclassified to the “Net profit/loss on available-for-sale financial assets.”

In addition, the Group has exercised the option of measuring equity instruments belonging to this category at cost if their fair value cannot be reliably determined.

Reclassification of financial assets

Subsequent to initial recognition in the statement of financial position, financial assets may not be reclassified to the category of “Financial assets measured at fair value through profit or loss.”

A financial asset that was initially classified as “Financial assets measured at fair value through profit or loss” may only be reclassified from this category to another category under the following circumstances:

- If a financial asset yielding a fixed or quantifiable income that was originally held for trading purposes is no longer tradable in an active market after being purchased, and if the Group has the intent and ability to hold it for the foreseeable future or until maturity, this financial asset may be reclassified to the category of “Loans and receivables,” provided that the qualifying criteria for this category are met at the time of reclassification.

- If rare circumstances lead to a change in the holding strategy for non-derivative debt or equity instruments that were originally held for trading, these assets may be reclassified either to the category of "Available-for-sale financial assets" or the category of "Held-to-maturity financial assets," provided that the qualifying criteria for these categories are met at the time of reclassification.

Derivative financial instruments and financial assets measured by the fair value option may never be reclassified out of the category of "Financial assets and liabilities measured at fair value through profit or loss."

A financial asset that was originally classified as "Available-for-sale financial assets" may be reclassified to the category of "Held-to-maturity financial assets," provided that the qualifying criteria for this category are met.

The so reclassified financial assets are transferred to the new category at their fair value at the date of reclassification and then measured in accordance with the method applicable to this new category. The amortized cost of financial assets reclassified from the category of "Financial assets measured at fair value through profit or loss" or the category of "Available-for-sale financial assets" to the category of "Loans and receivables," and the acquisition cost of financial assets reclassified from the category of "Financial assets measured at fair value through profit or loss" to the category of "Available-for-sale financial assets" are determined on the basis of the expected future cash flows at the date of reclassification. These estimates of expected future cash flows must be reviewed and corrected when necessary at every reporting date. If the estimates of expected future cash flows increase due to an improvement of their recoverability, the effective interest rate is adjusted prospectively. If, on the other hand, there is an objective indication of an impairment due to an event that occurred after the reclassification of the corresponding financial assets, and if this event has an adverse effect on the originally expected future cash flows, an impairment of the corresponding assets is recognized in the item of "Risk expenses" in the income statement.

Derecognition of financial assets

The Group derecognizes a financial asset (or a group of similar assets) in full or in part when the contractual claims to the cash flows from the financial asset no longer exist or when the Group has transferred the contractual claims to cash flows from the asset, as well as substantially all the risks and rewards associated with ownership of the financial asset.

If the Group has neither transferred nor retained substantially all the risks and rewards of ownership of a transferred asset, an assessment is made as to whether the Group has relinquished control of the asset or not. If the Group no longer controls the asset, the asset is derecognized; if, however, the Group has retained control of the asset, the Group continues to recognize the asset to the extent to which it has a continuing involvement in the asset.

When a financial asset is derecognized in full, a gain or loss on disposal is recognized in profit or loss in the amount of the difference between the carrying amount of this asset and the value of consideration received, adjusted where applicable for the unrealized gain or loss that may have been recognized directly in equity at an earlier time, and the value of assets or liabilities under management.

The Group derecognizes a financial liability (or part of it) only when it is extinguished, that is, when the obligation specified in the contract is either discharged or cancelled or expires. A gain or loss from extinguishment of the original financial liability is recognized in profit or loss.

Impairment of financial assets

Financial assets measured at amortized cost

At every reporting date, the Group determines whether there are objective indications of an impairment of a financial asset or group of financial assets resulting from one or more events that occurred after the initial recognition of the asset. It must be determined whether this loss-generating event leads to effects on the estimated future cash flows from the financial asset or group of financial assets that can be reliably estimated.

The Group first assesses whether objective indications of an impairment of financial assets, considered either individually or as a group, are significant. Regardless of the existence of collateral, one of the criteria for the objective determination of a credit risk from individual loans is the existence of payment arrears since at least 90 days, and regardless of the existence of payment arrears, the existence of a demonstrable credit or litigation risk.

If objective indications of an impairment are found to exist, the amount of the impairment is equal to the difference between the carrying amount of the asset and the discounted present value of the estimated, recoverable future cash flows with due regard for collateral, discounted by application of the original effective interest rate of the financial asset. Impairments and reversals of impairments are recognized in profit or loss under "Risk expenses." The reversal of the discounting effect represents the accounting remuneration of the impaired receivables and is recognized in profit or loss under "Interest and similar income."

If there are no objective indications of an impairment of an individually considered financial asset (significant or not), the Group adds this financial asset to a group of financial assets with a similar credit risk profile and subjects them jointly to an impairment test. The existence of a demonstrable credit risk for a group of financial instruments within a homogeneous portfolio leads to the recognition of an impairment, without waiting to see if the risk individually has effects on one or more receivables. Thusly impaired homogeneous portfolios may include the following items in particular:

- Outstanding loans of counterparties whose financial situation has worsened in the time since initial recognition even though no objective indication of an impairment was found in each individual case (sensitive outstanding loans), or
- Outstanding loans of counterparties in sectors that are deemed to be in crisis as a result of loss-generating events, or
- Outstanding loans from regions or countries in which a worsening of credit risk has been determined.

The amount of impairment of a group of homogeneous assets is primarily determined on the basis of historical data on default and loss ratios, which are recognized for each homogeneous portfolio, or by means of grave loss scenarios applied to the portfolio or where applicable by means of ad-hoc studies. The changes in impairments calculated in this way are recognized in "Risk expenses."

The foregoing procedure is applied analogously to "Receivables under finance leases."

Restructuring of loans and receivables

An asset classified as "Loans and receivables" is deemed to be restructured when contractual changes are made to the amount, term or financial conditions of the transaction previously approved by the Group by reason of financial difficulties or insolvency of the borrower and when these changes would not have been taken into consideration under other circumstances.

Restructured financial assets are classified as impaired and the borrowers are deemed to be in default.

At the date of restructuring, the carrying amount of the financial asset is reduced to the current amount of estimated future cash flows, which is discounted by application of the corresponding effective interest rate. The loss is recognized in profit or loss in the item of "Risk expenses."

Available-for-sale financial assets

An available-for-sale financial asset is impaired if there is an objective indication of an impairment resulting from one or more events after the initial recognition of the asset.

For listed equity instruments, a substantial or longer-lasting decline of the price below the level of acquisition cost represents an objective indication of an impairment. In this case, an impairment loss is recognized in profit or loss in the amount of the difference between the listed price of the security at the reporting date and its acquisition cost.

For unlisted equity instruments, the same impairment criteria as those indicated above are applied. The value of the instruments at the reporting date is determined with the aid of the measurement methods described in Note 3.

The criteria for impairments of debt instruments are similar to those applied for the impairment of financial assets measured at amortized cost.

If a reduction in the fair value of an available-for-sale financial asset is recognized directly in equity in the item of "Gains and losses recognized directly in equity" and if an objective indication of the impairment of this asset arises subsequently, the Group recognizes the cumulative loss that had previously been recognized in equity in profit or loss. In the case of debt instruments, the reduction is recognized in "Risk expenses" and in the case of variable-yield securities, it is recognized in "Net gains or losses from available-for-sale financial assets."

The amount of this cumulative loss is equal to the difference between the acquisition cost (after redemptions and writedowns) and the current fair value, reduced where applicable by earlier impairments of this financial asset recognized in profit or loss.

An impairment loss recognized in profit or loss of an equity instrument classified as available for sale is only reversed and recognized in profit or loss when the financial asset is sold. As soon as an equity instrument is impaired, all other impairment losses represent an additional impairment. In the case of debt instruments, on the other hand, impairments are reversed and recognized in profit or loss if the value increases later in connection with an improvement of the issuer's credit risk.

Liabilities

Liabilities include non-derivative financial assets that are not classified as at fair value through profit or loss. Liabilities are sub-divided into liabilities to banks and liabilities to customers, as well as securitized liabilities and subordinated liabilities.

Upon initial recognition, liabilities are measured at cost, which corresponds to the fair value of the borrowed amount less transaction costs. At the reporting date, they are measured at amortized cost by application of the effective interest rate method.

Derivative financial instruments and hedging transactions

Derivatives are financial instruments that meet the following criteria:

- Their value changes in response to the change in a specified interest rate, foreign exchange rate, share price, price index, commodity price, credit rating, etc.;
- They require little or no investment;
- They are settled at future date.

Derivative financial instruments are sub-divided into two categories:

- Held-for-trading financial instruments

  Derivative financial instruments are generally regarded as held-for-trading derivative instruments unless they can be classified as hedging instruments from an accounting standpoint. They are recognized in the statement of financial position within the item of "Financial assets measured at fair value through profit or loss." Changes in fair value are recognized in profit or loss.

  Changes in the fair value of derivative financial instruments with counterparties that default at a later time are recognized in "Net gains or losses from financial instruments measured at fair value through profit or loss" until the date when they are annulled. At this date, receivables from or liabilities to the corresponding counterparties are recognized at their fair value. Any subsequent impairments of these receivables are recognized in "Risk expenses" in the income statement.

- Derivative hedging instruments
  In order to classify a financial instrument as a derivative hedging instrument, the Group documents this hedging relationship already upon inception. This documentation covers the asset, the liability or the hedged future transaction, the nature of hedged risk, the type of derivative financing instruments used, and the measurement method to be applied to assess the effectiveness of the hedging relationship. The derivative financial instrument designed as a hedging instrument must be highly effective in order to offset the changes in fair value or cash flows resulting from the hedged risk. This effectiveness is continually assessed over the life of a hedging instrument from the date of inception. If derivative

financial instruments are used for hedging purposes, they are presented in the statement of financial position within the Item of “Derivative hedging instruments.” Depending on the nature of the hedged risk, the Group designates the derivative financial instrument as a fair value hedge or a cash flow hedge.

Embedded derivatives

An embedded derivative is part of a hybrid instrument. If it is not measured at fair value through profit or loss, the Group accounts for the embedded derivative separately from the host contract. The prerequisite for this treatment is that the economic characteristics and risk of the derivative are different from those of the host contract at the time of entering into the transaction, and the derivative meets the definition of a derivative. If the derivative is accounted for separately from the host contract, it is presented at fair value in the statement of financial position as a "Financial asset or financial liability measured at fair value through profit or loss."

FINANCE LEASE RELATIONSHIPS

Upon initial recognition of a lease relationship, the lease is classified either as a finance lease or an operating lease. The classification depends on the party to which economic ownership is attributable. A lease relationship is classified as a finance lease when substantially all the risks and rewards incidental to ownership of the leased object are transferred to the lessee. If this is not the case, the lease relationship is classified as an operating lease.

Accounting for leases by lessors

If the lease is classified as a finance lease, the lessor recognizes a receivable in the amount of its net investment in the lease. This net investment is the discounted amount of the gross investment, which is defined as the sum of minimum lease payments plus any unguaranteed residual value. The gross investment is discounted to present value at the interest rate implicit in the lease. The receivable is recognized within the statement of financial position item of “Receivables under leases.”

The interest included in the lease payments is presented in the income statement under “Interest and similar income” so that the lease relationship generates a constant periodic rate of return on the net investment. If the unguaranteed residual values applied for the purpose of calculating the lessor’s net investment in the finance lease decrease, the discounted present value of this decrease is recognized in the income statement as an impairment of the finance lease receivable. The individual or collective impairments recognized in receivables under finance leases are subject to the same rules as those described for financial assets measured at amortized cost.

The leased objects held under operating leases are presented in the statement of financial position as operational plant and equipment in the item of “Property, plant and equipment and intangible assets.” Regardless of the residual value, they are depreciated over the term of the lease. Lease revenues are recognized in the income statement on a straight-line basis over the term of the lease. In addition, the income billed and recognized for maintenance work in connection with operating leases is presented as a constant margin between this income and the corresponding expenses incurred over the term of the lease.

Accounting for leases by lessees

Upon initial recognition of leases classified as finance leases, the leased object is measured at the lower of its fair value and the discounted present value of minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the financial reporting method applicable to this asset.

Assets under other lease relationships are classified as operating leases and are not recognized in the Group's statement of financial position.

Payments made under operating leases are recognized in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognized as part of the total lease expense over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated over the term of the lease in such a way as to produce a constant periodic rate of interest on the remaining balance of the liability.

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Property, plant and equipment and intangible assets comprise operational assets. Assets held under operating leases are presented within operational plant and equipment, whereas buildings held under leases are presented as Investment property.

Property, plant and equipment and intangible assets are measured at cost less accumulated depreciation, amortization and impairments. Property, plant and equipment are depreciated over their customary useful lives, which are estimated at between 3 and 20 years.

Property, plant and equipment that belong to a cash-generating unit are subjected to impairment tests as soon as indications of an impairment arise.

Gains or losses on the sale of operationally used property, plant and equipment are presented under "Net gains or losses on other assets."

GOODWILL

The Group utilizes the acquisition method according to IFRS 3 in accounting for acquisitions of companies. If the purchase price paid for the acquisition of a subsidiary or associate is higher than the value of the net assets acquired at the acquisition date, goodwill arises and must be recognized in the company's statement of financial position.

For purposes of calculating goodwill, all assets, liabilities, off-balance sheet items and contingent liabilities of the acquired company that are identified in accordance with IFRS 3 are measured at fair value at the acquisition date. In addition, non-controlling interests are measured at their proportion of the fair value of identified assets and liabilities of the acquired company. The difference between the net assets measured at fair value and the value of consideration is capitalized as goodwill. For the purpose of conducting impairment tests, the calculated goodwill is allocated to one or more cash-generating units that are expected to benefit from the business combination. Costs that can be directly attributed to the business combination are recognized in the income statement, with the exception of costs related to the issuance of equity instruments.

The Group periodically reviews goodwill and subjects it to an annual impairment test. When indications of an impairment arise, an impairment test may also be necessary during the year. The company determines whether goodwill is impaired by comparing the recoverable amount of the cash-generating units with their carrying amount. If the recoverable amount is less than the carrying amount, an impairment loss is recognized in profit or loss.

PROVISIONS

Provisions mainly consist of provisions for employee benefits and provisions for risks and other administrative expenses.

If it is more likely than not that the company will receive a reimbursement upon the settlement of a liability for which a provision was recognized, the reimbursement claim is treated as an Other asset. The amount recognized for the reimbursement is limited to the amount of the provision.

A provision must be recognized when:

- An outflow of economic resources is probable by reason of a liability to a third party, without receiving at least the equivalent value in exchange;
- The amount of the liability can be estimated reliably.

To calculate the amount of the provision, the expected outflow of resources is discounted to present value if the effect of discounting is material. Additions to and reversals of provisions are recognized in profit or loss.

LOAN COMMITMENTS

If loan commitments are not treated as derivative financial instruments, the Group measures them at fair value upon initial recognition. In subsequent periods, any required provisions for these commitments are recognized in accordance with the financial reporting principles applicable to provisions.

DISTINCTION BETWEEN INSTRUMENTS AND EQUITY INSTRUMENTS

The financial instruments issued by the Group are classified as debt instruments or equity instruments in full or in part, depending on whether the issuer is contractually obligated to distribute cash to the holders of the securities.

If they meet the criteria for debt instruments, the issued securities are classified as "Securitized liabilities" or "Subordinated liabilities," depending on their characteristics.

If they meet the criteria for equity instruments, the securities issued by Société Générale are presented under "Equity instruments and related reserves." If the equity instruments of subsidiaries are issued to third parties, these instruments are presented under "Non-controlling interests" and the dividends distributed to the holders of these instruments are presented in the income statement under "Non-controlling interests."

NON-CONTROLLING INTERESTS

"Non-controlling interests" represent the investments in fully consolidated subsidiaries that cannot be attributed to the Group directly or indirectly. They include the equity instruments issued by these subsidiaries and not held by the Group.

INTEREST INCOME AND EXPENSES

Interest income and expenses are recognized in the income statement for all financial instruments measured at amortized cost under "Interest and similar income/expenses" utilizing the effective interest rate method.

The effective interest rate is the interest rate that exactly discounts future cash receipts and payments through the expected life of the financial instrument to the net carrying amount of the financial asset or liability. To calculate the effective interest rate, the cash flows estimated on the basis of the contractual terms of the financial instrument are considered, without regard for any future loan losses. The calculation also includes commissions paid or received between the parties if they are comparable to interest, directly attributable transaction fees, premiums or discounts.

If a financial asset or group of similar financial assets has been impaired by reason of an impairment loss, the subsequently accrued interest income is recognized on the basis of the same effective interest rate used to discount future cash flows to present value for the purpose of calculating the impairment loss.

Analogously, interest accrued from the compounding of receivables under finance leases is recognized as Interest income.

In addition, all provisions recognized on the equity and liabilities side of the statement of financial position — with the exception of provisions for employee benefits — lead to interest expenses from an accounting standpoint, which are calculated using the same interest rate applied to discount expected outflows of resources to present value.

NET INCOME FROM COMMISSIONS FOR SERVICES

The Group recognizes income from fees and commissions for services rendered and expenses for services utilized in profit or loss, depending on the type of services in question.

The fees and commissions earned as compensation for ongoing services, such as certain fees and commissions for cash, for the safe custody of securities in custody accounts or for purchases of telecommunications services are recognized as income in the income statement over the duration of the services in question. The fees and commissions earned as compensation for one-time services such as money transfer fees, brokerage fees, arbitrage fees and penalty interest related to payment events are completely recognized in profit or loss when the services are provided.

PERSONNEL EXPENSES

The item of "Personnel expenses" comprises all expenditures related to personnel. In particular, it includes expenses for wages and salaries and expenditures for the Group's various pension plans.

EMPLOYEE BENEFITS

The Group's company may grant the following benefits to their employees:

- Post-employment benefits such as pension plans or termination benefits for early retirement;
- Long-term benefits such as variable compensation, bonuses for many years of service with the company, and work time accounts;
- Termination benefits.

Post-employment benefits

The pension plans set up for employees may be either defined contribution plans or defined benefit plans.

Under the defined contribution plans, the Group's obligation is limited to the payment of a contribution, but does not include any obligation of the Group relative to the amount of benefits to be paid to employees. The paid contributions are recognized as expenses in the corresponding financial year.

Defined benefit plans are plans under which the Group is formally or tacitly obligated to pay a certain amount or level of benefits and therefore assumes a medium-term or long-term risk.

A provision is recognized on the equity and liabilities side of the statement of financial position to cover the entirety of these pension liabilities. It is regularly measured by independent actuaries on the basis of the projected unit credit method. This measurement method relies on assumptions concerning demographics, early departures from the company, wage and salary increases, the discount factor and the rate of inflation. When these plans are financed with borrowed funds that meet the definition of plan assets, the provision recognized to cover the corresponding liabilities is reduced by the fair value of these borrowed funds.

Differences arising from changes in calculation assumptions (early retirement, discount factor, etc.) or differences between the actuarial assumptions and actual developments are referred to as actuarial differences (gains or losses). These actuarial gains and losses, as well as income from plan assets from which the amount of net interest on net liabilities (or assets) already recognized as expenses is deducted, and the change in the effect of the limit on plan assets are the factors considered in making a renewed estimate (or measurement) of net liabilities (or net assets). These factors are recognized immediately and completely in equity and may not be reclassified to profit or loss at a later time.

The items of the statement of financial position that may not be reclassified to profit or loss at a later time are presented in a separate line item of the statement of comprehensive income. However, they are reclassified to reserves in the statement of changes in equity so that they are presented directly in the item of "Group reserves" on the equity and liabilities side of the statement of financial position.

When a new plan (or supplemental plan) is set up, past service cost is recognized directly in profit or loss.

The expenses for defined benefit plans recognized in "Personnel expenses" comprise:

- The additional claims earned by every employee (current service cost);
- The change in the liability resulting from a change or curtailment of a plan (past service cost);
- Financial costs resulting from the effect of compounding the liability and the interest income on plan assets (net interest on net liabilities or net assets);
- The effect of plan settlements.

Long-term benefits

These are benefits paid to employees more than 12 months after the close of the financial year in which the corresponding service was provided. The same measurement method as that applied to post-employment benefits is applied for this purpose, with the exception of actuarial gains or losses, which are recognized immediately in profit or loss.

RISK EXPENSES

The item of "Risk expenses" comprises the net amounts of impairment losses for identified risks, losses on non-performing loans, and the recovery of amortizing loans.

INCOME TAXES

Current taxes

Current tax expenses are calculated on the basis of the taxable profits of each consolidated taxpaying entity.

Tax credits on income from receivables and securities portfolios are recognized in the same line item as the income to which they relate if they are actually used to settle corporate income taxes payable for the financial year. The corresponding tax expenses are left in the "Income taxes" item of the income statement.

Deferred taxes

Deferred taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and the corresponding tax bases, provided that these differences will have an effect on future tax payments.

Deferred taxes are calculated for each taxpaying entity according to the applicable tax regulations. The tax rate in effect or announced to be in effect at the time of reversal of the temporary difference is applied for this purpose. If the tax rate changes, these deferred taxes are adjusted. They are calculated without any discounting to present value. Deferred tax assets may arise from deductible temporary differences or tax loss carry-forwards.

Deferred tax assets are only recognized when it is probable that the taxpaying entity in question will recover them within a certain time frame, particularly by offsetting such differences and loss carry-forwards against taxable future profits. Tax loss carry-forwards are reviewed annually on the basis of the tax laws applicable to each entity and a realistic forecast of the entity's tax result, based on the development prospects of their activities. Deferred tax assets not yet recognized are recognized in the statement of financial position when it is probable that a future taxable profit will make it possible to recover them. On the other hand, the carrying amounts of deferred tax assets already recognized in the statement of financial position are reduced as soon as the risk arises that they cannot be recovered in part or in full.

Current and deferred taxes are presented as tax expenses or tax income in the "Income taxes" line item of the consolidated income statement. Deferred taxes related to items recognized in "Gains or losses recognized directly in equity" are recognized in the same line item of equity.

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

NOTE 4 – FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	06/30/2017	
(In euro thousands)	**Assets**	**Liabilities**
Held for trading	15,934,436	15,930,096
Financial instruments measured at fair value through profit or loss	296,086	295,989
Total	**16,230,522**	**16,226,085**
thereof securities purchased or sold with a resale or repurchase agreement	-	-

The financial instruments measured at fair value through profit or loss are receivables from and liabilities to banks.

HELD-FOR-TRADING FINANCIAL INSTRUMENTS

Financial assets

(In euro thousands)	**06/30/2017**
Bonds and other debt instruments	213
Equities and other equity instruments	-
Derivatives	11,110,933
Other financial assets	4,823,290
Total	**15,934,436**

Financial liabilities

(In euro thousands)	**06/30/2017**
Securitized liabilities	4,822,827
Liabilities under loaned securities	-
Bonds and other short-sale debt instruments	-
Equities and other short-sale equity instruments	-
Derivatives	11,107,269
Total	**15,930,096**

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

Assets

(In euro thousands)	06/30/2017
Bonds and other debt instruments	-
Equities and other equity instruments	-
Loans to customers	-
Other financial assets	296,086
Special fund for employee benefits	-
Total	**296,086**

The Other financial assets consist of a countertrade to an issued certificate.

Liabilities

(In euro thousands)	06/30/2017
Bonds and other debt instruments	295,989
Equities and other equity instruments	-
Loans to customers	-
Other financial liabilities	-
Special fund for employee benefits	-
Total	**295,989**

NET RESULT FROM FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

(In euro thousands)	06/30/2017
Net result from trading portfolio	(109)
Net result from financial instruments for which the fair value option is exercised	97
Net result from derivative financial instruments	(1,868)
Net result from hedging instruments	-
Net result from fair value hedging instruments	-
Remeasurement of underlying transactions in relation to the hedged risk	-
Net result from foreign currency transactions	(11)
Total	**(1,891)**

NOTE 5 – DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are divided into the two categories of "held for trading" and "derivative hedging instruments."

HELD-FOR-TRADING DERIVATIVE FINANCIAL INSTRUMENTS

	06/30/2017	
(In euro thousands)	**Assets**	**Liabilities**
Interest rate instruments	8,697	302,687
Foreign currency instruments	150,962	151,609
Equity and index instruments	7,126,051	7,067,374
Commodity instruments	3,825,223	3,585,599
Credit derivatives	-	-
Other financial futures instruments	-	-
Total	**11,110,933**	**11,107,269**

DERIVATIVE FINANCIAL INSTRUMENTS HELD FOR HEDGING PURPOSES

	06/30/2017	
(In euro thousands)	**Assets**	**Liabilities**
Cash flow hedge	**131**	**-**
Interest rate instruments	131	-
Foreign currency instruments	-	-
Other financial instruments	-	-
Total	**131**	**-**

DERIVATIVE FINANCIAL INSTRUMENTS (NOMINAL VALUES)

Assets

(In euro thousands)	06/30/2017 Trading	06/30/2017 Hedging
Interest rate instruments	**3,229,491**	**1,059,879**
Binding instruments	-	-
Swaps	2,221,983	1,059,879
FRAs	-	-
Options	1,007,508	-
Foreign currency instruments	**18,272,751**	**-**
Binding instruments	-	-
Options	18,272,751	-
Equity and index instruments	**27,664,745**	**-**
Binding instruments	-	-
Options	27,664,745	-
Commodity instruments	**16,289,449**	**-**
Binding instruments	-	-
Options	16,289,449	-
Credit derivatives	**-**	**-**
Other financial futures instruments	**-**	**-**
Total	**65,456,436**	**1,059,879**

Liabilities

(In euro thousands)	06/30/2017 Trading	06/30/2017 Hedging
Interest rate instruments	**3,374,803**	**1,059,879**
Binding instruments	-	-
Swaps	2,224,235	1,059,879
FRAs	-	-
Options	1,150,568	-
Foreign currency instruments	**18,272,751**	**-**
Binding instruments	-	-
Options	18,272,751	-
Equity and index instruments	**28,314,591**	**-**
Binding instruments	-	-
Options	28,314,591	-
Commodity instruments	**15,745,594**	**-**
Binding instruments	-	-
Options	15,745,594	-
Credit derivatives	**-**	**-**
Other financial futures instruments	**-**	**-**
Total	**65,707,739**	**1,059,879**

Hedging derivatives are financial instruments that are employed for purposes of interest rate risk control of the credit receivables securitized by ALD LF.

NOTE 6 – AVAILABLE-FOR-SALE FINANCIAL ASSETS

BREAKDOWN OF AVAILABLE-FOR-SALE FINANCIAL ASSETS AT THE REPORTING DATE

	06/30/2017	
(In euro thousands)	**Net**	**Thereof impairments**
Bonds and other debt instruments	70,060	43
Equity instruments	211	33
Securities/ equities held on a long-term basis	3,217	-
Total	**73,488**	**76**
thereof loaned securities	-	-

CHANGE IN AVAILABLE-FOR-SALE FINANCIAL ASSETS DURING THE FINANCIAL YEAR

(In euro thousands)	**06/30/2017**
Balance at 01/01/2017	**83,664**
Acquisitions	24
Sales/ redemptions	(9,983)
Changes in consolidation group and other	-
Period gains and losses from changes in fair value, recognized in equity	(217)
Change in impairments of fixed-income securities, recognized in profit or loss	-
Increase	-
Impairment reversal	-
Other	-
Impairment losses on variable-yield securities, recognized in profit or loss	-
Change in the related receivables	-
Exchange rate differences	-
Balance at 06/30/2017	**73,488**

UNREALIZED GAINS AND LOSSES ON AVAILABLE-FOR-SALE FINANCIAL ASSETS

(In euro thousands)	06/30/2017
Unrealized gains and losses on available-for-sale equity instruments	2
Unrealized gains and losses on available-for-sale debt instruments	(219)
Total	(217)

NOTE 7 – FAIR VALUE OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

FAIR VALUE HIERARCHY

For information purposes, the fair value of financial instruments is presented in the notes to the consolidated financial statements on the basis of a fair value hierarchy that reflects the significance of the data used for measurement purposes. This fair value hierarchy consists of the following levels:

Level 1 (L1): Instruments measured on the basis of (non-adjusted) quoted prices in active markets for comparable assets or liabilities

The financial instruments included in this category and recognized in the statement of financial position particularly include equities and government or corporate bonds quoted in an active market, which benefit from direct external quotations (quotations by brokers/traders), derivative financial instruments (futures, options) traded in regulated markets, and fund units (including UCITs – Undertakings for Collective Investment in Transferable Securities), the liquidation value of which is available at the reporting date.

A financial instrument is deemed to be quoted in an active market when price quotations can be easily and regularly obtained from a stock exchange, broker, intermediary, industry association, pricing agency or regulatory authority, and are based on actual transactions that take place regularly under normal competition conditions.

The classification of a market as inactive is based on indicators such as a substantial decline of the trading volume and level of activity in the market, the wide temporal distribution and dispersal of available prices to the aforementioned different market participants, or the fact that the last transaction effected under normal competition conditions did not occur recently.

If a financial instrument is traded in different markets and if the Group has direct access to these markets, the price in the market in which the volume and level of activity is highest is applied for the fair value of the financial instrument.

Transactions that are the result of compulsory sale situations are generally not considered for the purpose of determining the market price.

Level 2 (L2): Instruments measured on the basis of other inputs besides the quoted prices indicated for Level 1, which are observable for the asset or liability in question either directly (i.e. in the form of prices) or indirectly (i.e. in the form of derived price information).

Financial instruments quoted in markets that are not deemed to be sufficiently active and those which are traded in OTC markets are assigned to this level. Derived price information is deemed to be prices derived from the measurement of similar instruments and published by an external source.

The L2 category particularly includes securities measured at fair value for which no direct quotations are available (this can include corporate bonds, mortgage-backed securities or fund units) and unconditional forward transactions and option contracts with derivatives on the OTC market: interest rate swaps, caps, floors, swaptions, warrant rights to shares, indices, exchange rates, commodities, credit derivatives. These instruments have maturities that correspond to maturities that are customarily traded in the market. They may be simple or also feature more complex income profiles (e.g. barrier options, products with underlying multiples). In this case, however, the complexity remains limited. The measurement benchmarks applied for this purpose correspond to the methods customarily applied by the most important market actors.

This category also includes the fair value of loans and receivables at amortized cost that are granted to counterparties whose credit risk is quoted in the form of credit default swaps (CDSs).

Level 3 (L3): Instruments for which the inputs applied for measurement purposes are not based on observable data (non-observable data).

These mainly consist of financial instruments measured at fair value in the statement of financial position, the trade margin of which is not directly recognized in profit or loss.

Thus, the financial instruments assigned to category L3 include both derivatives with longer maturities than customary in the markets and/or with income profiles that exhibit special features. Liabilities measured at fair value are likewise assigned to the L3 category when the embedded derivatives related to them are also measured on the basis of methods for which the input parameters are not observable.

As for complex derivatives, the most important instruments assigned to the L3 category are the following:

- Equity derivatives: These are option contracts with long maturities and/or tailored income mechanisms. These instruments are dependent on market parameters (volatilities, dividend ratios, correlations). Due to the lack of market depth and possibility of objectification by regular quotations, they are measured on the basis of proprietary methods (e.g. extrapolation of observable data, historical analysis). Hybrid equity products (i.e. equity products for which at least one underlying asset is not an equity instrument) are likewise assigned to the L3 category due to the correlation between normally unobservable different underlying assets.

- Interest rate derivatives: These are long-term and/or exotic options, i.e. products that are dependent on correlations between different interest rates and exchange rates or between interest rates and exchange rates, such as in the case of quanto products for which the underlying assets are not denominated in the payment currency. They are assigned to the L3 category due to the non-observable measurement parameters in consideration of the liquidity of the currency pairs and the residual maturity of the transactions; for example, the interest rate-interest rate correlations of the USD/JPY pair are deemed to be non-observable.

- Credit derivatives: In this case, the L3 category particularly includes financial instruments aggregated in a basket with exposure to the default time correlation (products of the type "N to default" under which the buyer of the protection is indemnified from the Nth default, with exposure to the credit quality of the signatures that make up the basket and their correlation, or the type "CDO Bespoke," which are CDOs (Collateralized Debt Obligations) with tailored tranches that are specifically created for a group of investors and structured according to their needs), and products which are exposed to the volatility of credit spreads.

- Commodity derivatives: They are assigned to this product category because they refer to non-observable parameters in relation to volatility or correlation (e.g. option rights to commodity swaps, financial assets measured at fair value).

(In euro thousands)	Level 1	Level 2	Level 3	Total
		06/30/2017		
Held for trading	**-**	**4,322,379**	**501,124**	**4,823,503**
Bonds and other debt instruments	-	213		213
Equities and other equity instruments				
Other trading assets		4,322,166	501,124	4,823,290
Financial assets for which the fair value option was exercised		**210,694**	**85,392**	**296,086**
Bonds and other debt instruments				
Equities and other equity instruments				
Other financial assets		210,694	85,392	296,086
Separate assets from employee programs				
Derivatives in the trading portfolio		**11,064,275**	**46,789**	**11,111,064**
Interest rate instruments		8,828		8,828
Foreign currency instruments		150,962		150,962
Equity and index instruments		7,079,262	46,789	7,126,051
Commodity instruments		3,825,223		3,825,223
Credit derivatives				
Other financial futures instruments				
Total financial assets measured at fair value through profit or loss		**15,597,217**	**633,305**	**16,230,522**
Derivative instruments held for hedging purposes		131		131
Interest rate instruments		131		131
Available-for-sale financial assets	**70,060**	**211**	**3,217**	**73,488**
Bonds and other debt instruments	70,060			**70,060**
Equity instruments		211		**211**
Securities/ equities held for the long term			3,217	**3,217**
Total financial assets at fair value	**70,060**	**15,597,559**	**636,522**	**16,304,141**

Hedging derivatives are financial instruments that are employed for purposes of interest rate risk control of the credit receivables securitized by ALD LF.

FINANCIAL LIABILITIES MEASURED AT FAIR VALUE

	06/30/2017			
(In euro thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
Held for trading	**-**	**4,321,703**	**501,124**	**4,822,827**
Securitized liabilities	-	4,321,703	501,124	4,822,827
Liabilities under loaned securities				
Bonds and other short-sale debt instruments				
Equities and other short-sale equity instruments				
Other financial liabilities				
Financial liabilities for which the fair value option was exercised		**210,597**	**85,392**	**295,989**
Trading derivatives		**11,060,480**	**46,789**	**11,107,269**
Interest rate instruments		302,687		302,687
Foreign currency instruments		151,609		151,609
Equity and index instruments		7,020,585	46,789	7,067,374
Commodity instruments		3,585,599		3,585,599
Credit derivatives				
Hedging derivatives				
Interest rate instruments				
Foreign currency instruments				
Equity and index instruments				
Other financial futures instruments				
Total financial liabilities at fair value		**15,592,780**	**633,305**	**16,226,085**

CHANGES IN LEVEL 3 FINANCIAL INSTRUMENTS

Financial assets measured at fair value

(In euro thousands)	Balance at 01/01/2017	Acquisitions	Sales/ redemptions	Reclassifications to Level 2
Held for trading	**722,507**	**118,302**	**(402,862)**	**(8,279)**
Bonds and other debt instruments				
Equities and other equity instruments	722,507	118,302	(402,862)	(8,279)
Other trading assets	-	-	-	-
Financial assets for which the fair value option was exercised	**109,379**	-	**(24,928)**	-
Bonds and other debt instruments	-	-	-	-
Equities and other equity instruments	-	-	-	-
Other financial assets	109,379	-	(24,928)	-
Separate assets from employee programs	-	-	-	-
Trading derivatives	**38,501**	**361**	**(9)**	**(278)**
Interest rate instruments	-	-	-	-
Foreign currency instruments	-	-	-	-
Equity and index instruments	38,501	361	(9)	(278)
Commodity instruments	-	-	-	-
Credit derivatives	-	-	-	-
Other financial futures instruments	-	-	-	-
Hedging derivatives	-	-	-	-
Available-for-sale financial assets	**3,217**	-	-	-
Bonds and other debt instruments	-	-	-	-
Equity instruments	-	-	-	-
Securities/ equities held for the long term	3,217	-	-	-
Total financial assets at fair value	**873,603**	**118,663**	**(427,799)**	**(8,557)**

(In euro thousands)	**Reclassifica-tions to Level 2**	**Period gains and losses**	**Exchange rate differences**	**Balance at 06/30/2017**
Held for trading	**68,587**	**2,869**		**501,124**
Bonds and other debt instruments	-	-	-	-
Equities and other equity instruments	-	-	-	-
Other trading assets	68,587	2,869		501,124
Financial assets for which the fair value option was exercised	-	**942**	-	**85,392**
Bonds and other debt instruments	-	-	-	-
Equities and other equity instruments	-	-	-	-
Other financial assets	-	942	-	85,392
Separate assets under employee programs	-	-	-	-
Trading derivatives	**2,580**	**5,635**		**46,789**
Interest rate instruments	-	-	-	-
Foreign currency instruments	-	-	-	-
Equity and index instruments	2,580	5,635		46,789
Commodity instruments	-	-	-	-
Credit derivatives	-	-	-	-
Other financial futures instruments	-	-	-	-
Hedging derivatives	-	-	-	-
Available-for-sale financial assets	-	-	-	**3,217**
Bonds and other debt instruments	-	-	-	-
Equity instruments	-	-	-	-
Securities/ equities held for the long term	-	-	-	3,217
Total financial assets at fair value	**71,167**	**9,446**	-	**636,522**

Financial liabilities measured at fair value

(In euro thousands)	Balance at 01/01/2017	Issues	Repurchases/ resales	Redemptions
Held for trading	**722,507**	**118,302**	**(402,862)**	**-**
Securitized liabilities	722,507	118,302	(402,862)	-
Liabilities under loaned securities				-
Bonds and other short-sale debt instruments				-
Equities and other short-sale equity instruments				-
Other financial liabilities				-
Financial liabilities for which the fair value option was exercised	**109,379**	**-**	**(24,928)**	**-**
Trading derivatives	**38,501**	**361**	**(9)**	**-**
Interest rate instruments				-
Foreign currency instruments				-
Equity and index instruments	38,501	361	(9)	-
Commodity instruments				-
Credit derivatives				-
Other financial futures instruments				-
Hedging derivatives				**-**
Total financial liabilities at fair value	**870,386**	**118,663**	**(427,799)**	**-**

(In euro thousands)	Reclassifications to Level 2	Reclassifications from Level 2	Period gains or losses	Exchange rate differences	Balance at 06/30/2017
Held for trading	**(8,279)**	**68,587**	**2,869**	**-**	**501,124**
Securitized liabilities	(8,279)	68,587	2,869		501,124
Liabilities under loaned securities	-	-	-	-	-
Bonds and other short-sale debt instruments	-	-	-	-	-
Equities and other short-sale equity instruments	-	-	-	-	-
Other financial liabilities	-	-	-	-	-
					-
Financial liabilities for which the fair value option was exercised	**-**	**-**	**942**	**-**	**85,392**
Trading derivatives	**(278)**	**2,580**	**5,635**	**-**	**46,789**
Interest rate instruments	-	-	-	-	-
Foreign currency instruments	-	-	-	-	-
Equity and index instruments	(278)	2,580	5,635	-	46,789
Commodity instruments	-	-	-	-	-
Credit derivatives	-	-	-	-	-
Other financial futures instruments	-	-	-	-	-
Hedging derivatives	**-**	**-**	**-**	**-**	**-**
Total financial liabilities at fair value	**(8,557)**	**71,167**	**9,446**	**-**	**633,305**

MEASUREMENT METHODS FOR FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE IN THE STATEMENT OF FINANCIAL POSITION

The fair value of financial instruments measured at fair value through profit or loss is primarily determined on the basis of prices quoted in an active market. These prices may possibly be adjusted if they are not available at the reporting date or if the settlement value does not reflect the transaction prices.

However, most of the financial products traded by the Group are not quoted directly in the markets due to the diverse characteristics of the OTC financial instruments traded in the financial markets. For these products, the fair value is determined with the aid of valuation methods that are commonly used by market participants to measure the value of financial instruments, such as discounted future cash flows or the Black-Scholes model for certain bonds, or measurement parameters the value of which is estimated on the basis of market conditions at the reporting date are applied. These valuation models are subjected to an independent validation by the experts of the Market Risks Department of the Risks Directorate of the higher-ranking corporate group of Société Générale Bank.

Regardless of whether they are based on observable data in the market or not, the parameters applied in the valuation models are subjected to monthly, detailed reviews by the bank's Finance Directorate for Key Customers and Investors (GBIS) in accordance with the methods specified by the Market Risks Department.

Where applicable, these valuations are supplemented by premiums and discounts (particularly including bid-ask or liquidity), which are determined in a meaningful and appropriate manner after reviewing the available information.

Because these instruments are derivative financial instruments and repos at fair value, an adjustment for counterparty risk ("Credit Valuation Adjustment"/"Debt Valuation Adjustment," CVA/DVA) is also recognized. All customers and clearing centers are included in this adjustment. In determining this adjustment, due consideration is also given to all clearing agreements in effect with all counterparties. The CVA is calculated on the basis of the entity's expected positive exposure to the counterparty, the counterparty's conditional default probability assuming non-default on the part of the affected entity, and the amount of losses to be incurred upon default. The DVA is calculated symmetrically on the basis of the expected negative exposure. The calculations are performed for the life of the potential exposure on the basis of observable and relevant market data.

For derivatives for which no clearing agreements are in effect, an adjustment is similarly applied on the basis of expenses or income related to the financing of these transactions (Funding Valuation Adjustment, FVA).

Observable data must exhibit the following characteristics: It must be non-proprietary (independent of the Group), available, publicly circulated data based on a broad consensus.

For example, consensus data provided by external counterparties is deemed to be observable if the underlying market is liquid and the stated prices are confirmed by genuine transactions. In the case of long maturities, such consensus data is not deemed to be observable. This is the case with implied volatilities, which are applied to measure equity option instruments with a horizon of longer than 5 years. On the other hand, the instrument may be considered for the purpose of measurement on the basis of observable parameters when its remaining term to maturity is less than the threshold value of 5 years.

In the event of unusual tensions in the markets that result in the absence of the reference data customarily applied to measure the value of a financial instrument, a new model based on the data available at the time may be employed, one that follows the pattern of the methods applied by other market participants as well.

Equities and other variable-yield securities

The fair value of listed securities is equal to their stock exchange price at the reporting date. The fair value of listed securities is determined with the aid of one of the following valuation methods, depending on the financial instrument in question:

- Measurement on the basis of a transaction in the recent past that affected the issuer, including (for example) the recent acquisition of company stock by a third party, measurement on the basis of an expert opinion;
- Measurement on the basis of a transaction in the recent past in the sector in which the issuer is active, including (for example) earnings multiples, asset multiples;
- Share of remeasured net assets held.

In the case of larger volumes of unlisted securities, the measurements performed on the basis of the aforementioned methods are supplemented with the use of methods based on the discounting to present value of the cash flows generated in the company's business activity or derived from business plans, or based on the valuation multiples of similar companies.

Debt instruments held (fixed-income securities), issues of structured securities and derivative financial instruments measured at fair value

The fair value of these financial instruments is calculated with reference to quoted prices at the reporting date or the prices provided by brokers for the same date, if available. The fair value of unlisted financial instruments is determined with the aid of measurement techniques. In the case of financial liabilities measured at fair value, the chosen measurement methods also take the effect of the Group's risk as an issuer into account.

Other liabilities

The fair value of listed financial instruments is equal to the fair value of the quoted prices at the reporting date. The fair value of unlisted financial instruments is determined by discounting future cash flows to present value at the market rate of interest (including counterparty, default and liquidity risk).

ESTIMATES OF THE MOST IMPORTANT NON-OBSERVABLE PARAMETERS

Level 3 instruments, their value presented in the statement of financial position and the value intervals of the most important non-observable parameters are presented by the main category of instruments in the table below:

Cash instruments and derivatives	Assets	Liabilities	Most important types of products	Measurement method applied	Most important non-observable data
Equities/ funds	250,670	250,670	Simple and complex derivative financial instruments on funds, equities or equity baskets	Different valuation models for option rights to funds, equities or equity baskets	Equity volatility
					Equity dividends
					Correlations
					Volatilities of hedge funds
					Volatilities of investment funds
Rates and Forex	11,932	11,932	Hybrid derivatives interest rate/ exchange rate, interest rate/ credit	Valuation model for hybrid products	Correlations
			Exchange rate derivatives	Valuation model for currency options	Valuation model for currency options
			Interest rate derivatives the nominal value of which is indexed to the development of early redemptions of the underlying European assets	Valuation model for products with early redemptions	Constant prices with early redemptions
			Inflation derivatives	Valuation model for inflation products	Correlations
Credit	364,299	364,299	CDO and index tranches	Method for projecting correlations and simulating collections	Correlation between default times
					Change in the collection rate of the underlying assets of a single issuer
			Other credit derivatives	Credit default models	Correlation between default times
					Quanto correlations
					Credit spreads
Commodity	6,404	6,404	Derivatives on commodity baskets	Valuation models for commodity options	Commodity correlations
Total	**633,305**	**633,305**			

Non-observable parameters are determined cautiously, particularly in this constantly uncertain economic market environment. Nonetheless, non-observable parameters always indicate a certain level of uncertainty in the measurement of Level 3 instruments.

To quantify this, a fair value sensitivity at 06/30/2017 was estimated for instruments which must be measured with the aid of non-observable parameters. The estimate is based either on "standardized" variations for non-observable parameters, which are calculated for each input on a net position, or on assumptions pertaining to the financial instruments in question, in accordance with valuation guidelines.

The "standardized" variation is:

- Either the standard deviation of consensus prices (TOTEM, etc.) used to measure the non-observable input,
- or the standard deviation of historical data used to measure the input.

The sensitivity is calculated for the following categories:

- Equity instruments,
- Rates and forex,
- Credit,
- Commodities.

In this regard, it should be noted that the sensitivity is higher for a positive result than that for a negative result, due to the cautious valuation methodology. Future deviations of fair value or the consequences of extreme market situations cannot be derived from or predicted by these estimates.

The other value to be recognized in the income statement, which is calculated as the difference between transaction prices and the values determined by the measurement methods at the reporting date, less the values already recognized in prior periods, is either recognized over time or when the factors become observable.

NOTE 8 – LOANS AND RECEIVABLES

LOANS TO AND RECEIVABLES FROM BANKS

(In euro thousands)	**06/30/2017**
Current accounts	105,420
Term deposits and loans	33,130
Loans and receivables without impairments	**138,550**
Impairment of individual receivables	-
Impairment of portfolios	-
Total net	**138,550**

LOANS TO AND RECEIVABLES FROM CUSTOMERS (INCLUDING FINANCE LEASES)

(In euro thousands)	**06/30/2017**
Loans to customers	3,618,471
Finance leases	420,598
Loans to customers without impairments	**4,039,069**
Impairment of individual receivables	(35,438)
Impairment of portfolios	(10,608)
Total net	**3,993,023**

NOTE 9 – LIABILITIES

LIABILITIES TO BANKS

(In euro thousands)	**06/30/2017**
Deposits and current accounts	62,842
Forward liabilities	3,503,039
Other liabilities	1,961
Remeasurement of hedged items of the statement of financial position	-
Securities sold with repurchase agreements	-
Total	**3,567,842**

LIABILITIES TO CUSTOMERS

(In euro thousands)	**06/30/2017**
Other sight deposits	2,354
Total liabilities to customers	**2,354**
Liabilities secured by bonds and securities	-
Securities sold to customers with repurchase agreements	-
Total	**2,354**

SECURITIZED LIABILITIES

(In euro thousands)	**06/30/2017**
Securities of the interbank market and tradable debt instruments	1,057,616
Other liabilities	40
Total	**1,057,656**

NOTE 10 – PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

In euro thousands	Intangible assets	Operational plant and equipment	Assets under lease relationships	Total
Acquisition and production cost				
Balance at January 1, 2017	21,300	9,359	542,715	**573,374**
Acquisitions	446	114	99,303	**99,863**
Disposals	-	-	(86,165)	**(86,165)**
Reclassifications	137	360	-	**497**
Balance at June 30, 2017	21,883	9,833	555,853	**587,569**
Accumulated depreciation, amortization and impairments				
Balance at January 1, 2017	(14,482)	(6,697)	(153,989)	**(175,168)**
Depreciation and amortization	(975)	(392)	(40,463)	**(41,830)**
Impairments	-	-	(2,769)	**(2,769)**
Impairment reversals/ disposals	-	-	43,434	**43,434**
Reclassifications	-	(1)	1	**-**
Balance at June 30, 2017	(15,457)	(7,090)	(153,786)	**(176,333)**
Carrying amounts				
At January 1, 2017	6.818	2.662	388.726	**398.206**
At June 30, 2017	6.426	2.743	402.067	**411.236**

NOTE 11 – GOODWILL

There were no changes in the carrying amount of goodwill at the level of the cash-generating units in the first half of 2017.

The goodwill of the cash-generating units is generally subjected to an impairment test annually in the fourth quarter. A cash-generating unit (CGU) is defined as the smallest identifiable group of assets that generates cash inflows that are independent of the cash inflows from other assets or groups of assets within the company.

The impairment tests involve an assessment of the recoverable amount of each CGU and the comparison of the recoverable amount with its carrying amount. An impairment loss is recognized when the carrying amount of a CGU, including the goodwill allocated to it, is higher than its recoverable amount. The impairment loss so calculated is primarily applied to write down the value of goodwill. The recoverable amount of a CGU is calculated in accordance with the best-suited method, particularly the method of discounted cash flows after taxes. The corresponding calculation method is generally applied at the level of the CGU.

The cash flows applied in this calculation are the distributable dividends of the entities that make up the CGU, with due regard for the Group's equity target, which has been assigned to each one of them. The starting point for calculating the cash flows is a business plan prepared on the basis of preliminary budgets for the next four years in every case, extrapolated to a period of sustainable growth (generally by another four years) and then extrapolated ad infinitum on the basis of a long-term growth rate:

- The discount rate is calculated on the basis of a risk-free interest rate to which a risk premium is added, depending on the underlying activity of each CGU. This specific risk premium for each business segment is determined on the basis of the equity risk premiums published by SG Research, and the estimated volatility (beta). Where applicable, a further premium is added to the risk-free rate for sovereign risk, calculated as the difference between the risk-free interest rate of the attribution zone (Eurozone) and the interest rate of the liquid, long-dated bonds issued by the corresponding country in the currency of the attribution zone, or the weighted average value according to the legally prescribed capital in the case of a CGU that comprises more than one country.
- The growth rate applied for the end value is based on a long-term forecast of economic growth and inflation.

The discount rates and long-term growth rates for each cash-generating unit are presented in the table below:

	Discount rate	Long-term growth rate
Financial Services to Corporates and Retail	9.5%	2%

The preliminary budgets in the segment of Financial Services to Corporates and Retail are primarily based on the following assumptions:

- Sustainable growth of activities due to new cooperation arrangements with automobile manufacturers,
- Continuing cost discipline.

NOTE 12 – OTHER ASSETS AND LIABILITIES

OTHER ASSETS

(In euro thousands)	06/30/2017
Prepaid expenses	74,669
Various other receivables	70,857
Total gross	**145,526**
Impairments	(5,486)

Total net	140,040

OTHER LIABILITIES

(In euro thousands)	06/30/2017
Income collected in advance	3,054
Deferred income	21,386
Various other payables	80,224
Total	**104,664**

NOTE 13 – LEASES

The Group exercises the role of lessor through its subsidiary ALD Lease Finanz GmbH, Hamburg. This company was founded as a manufacturer-independent leasing company specializing in leases for motor vehicles. Together with cooperation partners, particularly including the subsidiary Bank Deutsches Kraftfahrzeuggewerbe GmbH (BDK), financial solutions and services related to automobiles are offered. The product range encompasses all car dealership financing processes: sales financing and leasing, purchase financing and insurance, which increase the dealership's retention of customers and thus enhance their income prospects.

OPERATING LEASES

FUTURE MINIMUM LEASE PAYMENTS UNDER OPERATING LEASES

In euro thousands	06/30/2017
Breakdown of total amount of minimum lease payments to be received	
Due in less than one year	173,752
Due in one to five years	279,684
Due in more than 5 years	-
Total future minimum lease payments to be received	**453,436**

AMOUNTS RECOGNIZED IN PROFIT OR LOSS

Expenses and income as well as realized gains and losses from leased objects are recognized in Income and expenses from other activities.

The income and expenses recognized in profit or loss through June 30, 2017 are presented in the table below:

	06/30/2017		
In euro thousands	Income3	Expenses	Net
Equipment leases	112,018	(99,927)	**12,091**

FINANCE LEASES

In euro thousands	06/30/2017
Gross investments	**470,451**
Due in less than one year	145,657
Due in one to five years	324,794
Due in more than 5 years	-
Present value of minimum lease payments	**420,598**
Due in less than one year	130,222
Due in one to five years	290,376
Due in more than 5 years	-
Not yet realized financial income	**49,853**
Unguaranteed residual values in favor of the lessor	-
Accumulated impairments for uncollectible outstanding lease payments	

NOTE 14 – PROVISIONS

The provisions recognized in the statement of financial position at June 30, 2017 mainly consisted of provisions for employee benefits and provisions for risks and other administrative expenses.

Breakdown of significant provisions at the reporting date:

In euro thousands		06/30/2017
Provisions for employee benefits	*Note 15*	15,510
Provisions for risks and other administrative expenses		1,814
Total		**17,324**

Development of provisions for risks and other administrative expenses:

In euro thousands	**Provisions for risks and other administrative expenses**
Balance at 01/01/2017	1.918
Additions	2
Available reversals of impairments	(7)
Net additions	(5)
Reversals of impairments performed	(100)
Other changes	1
Balance at 06/30/2017	**1.814**

NOTE 15 – EMPLOYEE BENEFITS

All companies of the Group are permitted to grant the following benefits to their employees:

- Post-employment benefits, such as pension plans and pension benefits, for example;
- Long-term incentives such as variable compensation, gifts for employee service anniversaries or flexible work times;
- Termination benefits.

Development of provisions for employee benefits:

In euro thousands	**Provisions for employee benefits**
Balance at 01/01/2017	15,018
Additions	437
Available reversals of impairments	-
Net additions	437
Reversals of impairments performed	(181)
Other changes	236
Balance at 06/30/2017	**15,510**

POST-EMPLOYMENT BENEFITS

The Group's retirement benefits consist of the following retirement plans:

DEFINED CONTRIBUTION PLANS

Individual defined contribution pension plans exist for individual employees in the segment of Financial Services to Corporates.

DEFINED BENEFIT PLANS

Pension commitment according to the Pension Plan (VO) in the version of May 1, 1986

Employee pensions (retirement pensions, early retirement pensions, disability pensions) and survivor's pensions (surviving spouse's pensions, orphan's pensions) are granted.

A retirement pension is granted from the completion of the 65th year of life and an early retirement pension is granted when an early retirement pension is claimed under the statutory pension insurance system. The amount of benefits is determined on the basis of the eligible years of service and the pension benefit-eligible income. Eligible years of service are all years and full months in which the employment relationship was in effect, but not longer than up to the normal retirement date, maximum 40 years.

Pension benefit-eligible income equals the monthly base salary multiplied by 13. The retirement pension and disability pension are equal to 0.4% of pension benefit-eligible income up to the contribution assessment limit, plus 1.5% of eligible income beyond the contribution assessment limit under the statutory pension insurance system, multiplied by the eligible years of service. For an early retirement pension, the pension benefit is reduced by 0.5% for each month when it is claimed before the normal retirement date, but not more than 12%.

The surviving spouse's pension is equal to 60% of the paid pension or claim to a retirement and disability pension at the time of death.

The orphan's pension is equal to 15% of the paid pension or claim to a retirement and disability pension at the time of death.

The orphan's pension is paid until the completion of the 18th year of life; all other pensions are paid for life.

In addition, there is an individual commitment that differs from the preceding plan in the following respects:

The precondition for payment of benefits is a vesting period of 10 years.

The amount of benefits is determined on the basis of the pension benefit-eligible years of service and the pension benefit-eligible income. The pension benefit-eligible years of service are all full years in which the employment relationship was in effect up to the normal retirement age. Pension-eligible income is defined as twelve times the last monthly collective agreement wage, or the fixed annual salary for non-union employees.

The pension benefit is determined with reference to a salary-dependent and years of service-dependent table, to which additional pension benefit levels may be added from time to time. An additional pension benefit equal to 60% of the amount that exceeds the maximum salary provided for in the corresponding scale is granted after 40 years of service; the percentage rate is reduced by one for each year short of 40 years of service.

In the event of occupational disability and death, the years of service missed until completion of the 55th year of life are credited in full and the years of service missed between the 55th and 60th years of life are credited at the rate of one third.

The surviving spouse's pension is equal to 60% of the paid pension or the claim to a retirement pension at the time of death.

The orphan's pension is equal to 10% of the paid pension or the claim to a retirement pension at the time of death.

The orphan's pension is paid until completion of the 18th year of life, but not longer than until completion of the 25th year of life; all other pensions are paid for life.

Individual defined benefit pension plans exist for individual employees in the segment of Financial Services to Corporates and Retail.

In addition, the following defined benefit plans exist in the Group:

<u>Former Interleasing employees (pertains to the segment of Financial Services to Corporates and Retail)</u>

The commitment involves the payment of retirement benefits upon reaching the retirement age (65th year of life) and in cases of early disability and death. The prerequisite for receiving these benefits is a vesting period of 10 years. The time during which the pension beneficiary worked for the company without interruption after completing the 20th year of life and before completing the 65th year of life qualifies as the length of service. The retirement benefit consists of a base amount of DM 200 per month after 10 years of service and increases by DM 20 per month with every year of service. The total creditable length of service is limited to 30 years. Years in which the employee worked more than 6 months arecounted for purposes of calculating the retirement benefit. The pension commitment involves a limitation of the retirement benefit as soon as it together with the social insurance pension benefit exceeds 75% of the last gross salary (the limitation also applies in the presence of a life insurance policy that exempts the employee from the obligation to pay social insurance contributions).

In the event of death of the pension beneficiary, the surviving spouse receives 60% of the retirement benefit to which the pension beneficiary would have been entitled at the time of his death.

<u>Pension Plan 2000 (pertains to the segment of Asset Management)</u>

Employee pensions (retirement pension, early retirement pension, disability pension) and survivors' pensions (spouse's pension, orphan's pension) are granted.

The retirement pension is granted upon completing the 65th year of life; an early retirement pension is granted upon completing the 60th year of life if and as long as a retirement pension is claimed under the statutory pension insurance system.

The company makes a pension contribution equal to 4% of eligible income for each full calendar year of eligible service.

The annual pension benefits are determined by means of converting the pension contribution actuarially into annual pension units, which are aggregated over the eligible period of service until the pension benefit becomes payable. Current pension benefits are increased by 1% every year.

Employees who opted not to join the Pension Plan 2000 are insured by one of the following pension plans:

- **Pension plan of HYPO-INVEST of August 17, 1993 (VOHI) / Pension plan of Allfonds Gesellschaft für Investmentanlagen mbH (VOAI):**

  Employees of the former HYPO Capital Management Investmentgesellschaft mbH are granted pension benefits under the following terms and conditions:

  The company grants all employees who join or joined the company after January 1, 1990 a retirement pension (after completing the 65th year of life), an early retirement pension, an occupational disability pension and a survivor's pension after a five-year vesting period, with legally binding effect on the company.

  The amount of benefits depends on the eligible length of service after completing the 18th year of life (at the earliest from January 1, 1993), the income eligible for retirement benefits, the personal percentage and the annual increase amount.

  Eligible years of service are considered for the purpose of calculating the amount of an early retirement pension only up to the date when early retirement is taken. The retirement benefit calculated in this way is reduced by 0.5% for each month when pension benefits are received before completion of the 65th year of life, and this applies for the duration of the retirement benefit.

  In calculating the amount of pension benefits for occupational disability, the years of service missed until completion of the employee's 55th year of life are added to the eligible years of service worked until the employee became eligible for the disability pension.

  The surviving spouse's pension is equal to 60% of the pension which the deceased pension beneficiary received or would have received if he had become disabled at the time of his passing.

- **Pension plan for individual contractual pension commitments (VOAM):**

A retirement pension or early retirement pension, disability pension, surviving spouse's pension or orphan's pension is granted when the corresponding benefit conditions are met and after the expiration of a five-year vesting period. Under this plan, the company makes a pension contribution equal to 3% of pension-eligible income for each full calendar year of eligible service. This annual pension contribution is multiplied by the retirement rate corresponding to the age of life completed in the same calendar year, yielding the annual pension unit in every case. The sum of these pension units equals the pension benefit in the case of retirement at 65 or older and in the case of disability. In the case of early retirement, this sum is reduced by 0.5% for each month of early retirement before reaching the fixed retirement age of 65. The surviving spouse's pension is equal to 60%, the half-orphan's pension 12%, the full orphan's pension 20% of the reached sum of pension units.

Under the transitional arrangement, the employees coming from Hypo-Bank and Allfonds Management receive a basic unit for their earlier years of service in addition to the unit pension. This basic unit is increased in proportion to the personal development of pension-eligible income.

- **Pension plan for employees of Schweizerische Kreditanstalt (DEUTSCHLAND) AG (VOSK):**

Pension benefits are granted to employees of the former Schweizerische Kreditanstalt (Deutschland) AG under the following terms and conditions:

The company grants all regular employees whose employment relationship was not terminated at the time when the pension plan entered into effect and who had not yet completed their 50th year of life at the time of joining the bank a retirement pension (after completion of the 65th year of life), an early retirement pension, a occupational disability pension and a survivor's pension after the expiration of a ten-year vesting period.

The amount of benefits is determined on the basis of eligible years of services and pension benefit-eligible income. A pension equal to 0.2% of pension benefit-eligible income is granted as a pension entitlement for each eligible year of service completed after January 1, 1990. A pension equal to 1.2% of the amount of pension benefit-eligible income is additionally granted for each pension benefit-eligible year of service that exceeds the contribution assessment ceiling. A maximum total of 35 years of service is eligible for the pension amount. The increase amounts according to the earlier pension plans apply for years of service before January 1, 1990. The vested benefits earned at December 31, 1989 remain in effect in the percentage amount of pension benefit-eligible income.

For calculating the amount of an early retirement pension, only the eligible years of service up to the date of claiming the early retirement benefit are considered. The retirement pension so calculated is reduced by 0.5% of its value for each month when pension benefits are received before completion of the 65th year of life, and this applies for the duration of the retirement benefit. The total reduction may not exceed 20%.

In calculating the amount of pension benefits for occupational disability, the years of service missed until completion of the employee's 55th year of life are added to the eligible years of service worked until the employee became eligible for the disability pension.

The surviving spouse's pension is equal to 60% of the pension which the deceased pension beneficiary received or would have received if he had become disabled at the time of his passing.

- **Pension plan of Société Générale – Elsässische Bank & Co.**

Retirement benefits are granted for occupational disability according to the definition of the statutory pension insurance system or when the fixed retirement age (65th year of life) is reached. The employees receive a pension benefit equal to 0.4% of pension benefit-eligible income for each year of service worked and each full month worked up to the 65th year of life, plus 1.5% of the amount of pension benefit-eligible income that exceeds the contribution assessment limit under the statutory pension insurance system. However, no more than 40 years can be credited. The occupational disability pension is identical to the retirement pension entitlement achievable in the time remaining before the normal retirement date (supplementary period).

When the early retirement pension is claimed, a discount of 0.5% is deducted for each month when the early retirement pension is claimed, up to a maximum of 12 %.

The surviving spouse's pension is equal to 60% of the deceased spouse's pension.

- **Special total compensation agreements**

For employees with special TC agreements, the vested claims to a company pension earned until the transition to a TC agreement are maintained.

Any basic unit under the pension plan for individual contractual pension commitments (VOAM) increases in proportion to the personal development of pension-eligible income.

Any initial unit under the Pension Plan '95/'98 (RP95/RP98) or RP 2000 increases until the employee's departure from the company in accordance with the wage increases in the highest collective wage group for private-sector bank employees.

The pension units earned in addition to any basic or initial unit until the time of switching from the VOAM, RP95/RP98 or RP 2000 to a TC agreement are also maintained.

When an early retirement pension is claimed, the vested pension benefit under the VOAM and RP 2000 is reduced by 0.5% for each started month when pension benefits are drawn before completion of the 65th year of life.

- **Deferred compensation**

Some persons have individual contractual agreements under which cash compensation is converted into company pension benefits:

For commitments under the RP 2000 model (insurance principle), the amount of the pension is determined by converting the annual pension contribution actuarially into annual increases of the vested pension benefit ("pension units"), which are aggregated over the time until the pension benefit becomes payable. The pension units are calculated by multiplying the annual pension contribution by the retirement rate applicable for the completed age in every case. When an early retirement pension is claimed before the age of 65, the vested pension benefit achieved at the time of retirement is reduced by 0.5% for each started month when the early retirement pension is drawn before completion of the 65th year of life.

For commitments under the pension fund model (savings principle), the amount of pension benefits is determined by the interest-bearing accumulation of pension capital plus, plus surplus participation. The pension capital available when the pension is claimed is converted into a lifelong pension benefit by multiplying it by the retirement rate applicable for the age at the time of retirement.

OTHER LONG-TERM BENEFITS TO EMPLOYEES

The other long-term benefits granted to employees of the Group comprise work time accounts and bonuses for many years of service. These are other employee benefits (other than post-employment benefits and termination benefits), which are payable in full within 12 months of the end of the reporting period in which the related service was provided.

NOTE 16 – INCOME TAXES

INCOME TAX EXPENSES

In euro thousands	**06/30/2017**
Current income taxes	10,408
Deferred taxes	489
Total	**10,897**

TAX ASSETS AND TAX LIABILITIES

Tax assets

In euro thousands	**06/30/2017**
Current tax assets	9,742
Deferred tax assets	2,010
thereof deferred taxes on loss carry-forwards	-
thereof deferred taxes on temporary differences	2,010
Total	**11,752**

Tax liabilities

In euro thousands	**06/30/2017**
Current tax expenses	15,123
Deferred tax expenses	30,368
Total	**45,491**

DEFERRED TAXES ON ITEMS THAT WERE RECOGNIZED DIRECTLY IN EQUITY

In euro thousands	**06/30/2017**
On items that will be subsequently reclassified to profit or loss	(80)
On available-for-sale financial assets	(12)
Derivative hedging instruments	(68)
On items that will not be subsequently reclassified to profit or loss	**988***
Actuarial gains and losses from post-employment benefits	988
Total	**908**

* This amount is posted to the Group reserves.

NOTE 17 – EQUITY

The Group's equity amounted to EUR 51 million at June 30, 2017. It is composed of Subscribed capital in the amount of EUR 26 thousand (January 1, 2017: EUR 26 thousand) and SGE's profit carried forward, calculated in accordance with the provisions of German commercial law, in the amount of EUR 1.1 million. Other components of equity are the Group reserves arising from consolidation in the amount of EUR 32.9 million and the consolidated net profit of EUR 16.1 million at June 30, 2017.

Changes in equity during the financial year are indicated in the consolidated statement of changes in equity on page 8.

The individual Group companies manage their capital requirements in dependence on the Group's parent company.

The subsidiary BDK manages its capital requirements in dependence on the regulatory capital regulations.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

NOTE 18 – INTEREST INCOME AND INTEREST EXPENSES

	01/01/2017 - 06/30/2017		
(In euro thousands)	Income	Expenses	Net
Transactions with banks	**212**	**(11,684)**	**(11,472)**
Current accounts and interbank loans	212	(11,684)	(11,472)
Securities received under repurchase agreements	-	-	-
Transactions with customers	**73,433**	**-**	**73,433**
Trading receivables	-	-	-
Other loans to customers	73,433	-	73,433
Sight deposits and current accounts	-	-	-
Overdraft facilities	-	-	-
Securities received under repurchase agreements	-	-	-
Transactions with financial instruments	**106**	**(253)**	**(147)**
Held-to maturity financial assets	-	-	-
Issued bonds	-	(253)	(253)
Subordinated liabilities and convertible bonds	-	-	-
Other financial instruments	106	-	106
Finance leases	**10,082**	**-**	**10,082**
Equipment finance leases	10,082	-	10,082
Total interest income and interest expenses	**83,833**	**(11,937)**	**71,896**

NOTE 19 – COMMISSION INCOME AND EXPENSES

	01/01/2017 - 06/30/2017		
(In euro thousands)	Income	Expenses	Net
Transactions with banks	-	(23)	(23)
Transactions with customers	20,240	(7,599)	12,641
Loan and guaranty commitments	-	(72)	(72)
Services	21,330	-	21,330
Other	1,531	(1,282)	249
Total	**43,101**	**(8,976)**	**34,125**

NOTE 20 – IMPAIRMENTS OF FINANCIAL ASSETS

Overview of impairments of financial assets:

(In euro thousands)	Banks	Loans to customers	Receivables under finance leases	Groups of similar assets	Available-for-sale financial assets
Impairments at 01/01/2017	-	(26,150)	(4,383)	(10,608)	-
Additions	-	(10,458)	(490)	(516)	-
Available reversals of impairments	-	1,596	-	-	-
Net impairment losses	-	-	-	-	-
Reversals of impairments performed	-	4,175	272	516	-
Other changes	-	(1)	1	-	-
Impairments at 06/30/2017	**-**	**(30,838)**	**(4,600)**	**(10,608)**	**-**

NOTE 21 – RISK EXPENSES

In euro thousands	**01/01/2017 - 06/30/2017**
Counterparty risk	
Net additions for impairments	(7,960)
Unhedged losses	-
thereof from uncollectible receivables	-
thereof from other risks	-
Realized amounts	1,563
thereof from uncollectible receivables	*1,563*
thereof from other risks	-
Other risks	
Net additions to Other provisions	98
Total	**(6,299)**

NOTE 22 – INCOME AND EXPENSES FOR OTHER ACTIVIIES

The income from other activities comprises the following items:

In euro thousands	06/30/2017
Income from the sale of operating lease objects	52,839
Refund of grants for operating lease objects	159
Income from operating leases	50,648
Other income from operating leases	8,322
Income from fees for late payments	50
Other income	942
Total	**112,960**

The expenses for other activities comprise the following items:

In euro thousands	06/30/2017
Discounts on operating leases	2,769
Book losses on the sale of operating lease objects	43,602
Depreciation and impairments of operating lease objects	40,463
Other expenditures for finance leases	13,093
Expenditures for inventory-taking	43
Expenditures for other activities not belonging to the banking business	25,623
Other discounts	300
Total	**125,893**

NOTE 23 – TRANSACTIONS IN FOREIGN CURRENCY

No reportable transactions were effected in foreign currency in the first half of 2017.

NOTE 24 – DIVIDENDS PAID

The non-controlling interests Beteiligungsgesellschaft des Kfz-Gewerbes mbH and Techno Versicherungsdienst GmbH hold interests in the Group's bank Deutsches Kraftfahrzeuggewerbe GmbH. In the first half, profits of EUR 265 thousand were distributed to these shareholders for financial year 2016.

ADDITIONAL DISCLOSURES

NOTE 25 – SEGMENT REPORT

As described in the following, the Group has three reportable segments, which represent the Group's strategic business activities. The segments offer different products and services and are managed separately from each other. The business activities in each reportable segment of the Group are described in the table below.

Reportable segments	Business Activity
Global Banking and Investor Solutions	The object of this operating segment is the issuance of options and certificates via the Group's parent company Société Générale Effekten GmbH. They are sold to counterparties that are all wholly-owned subsidiaries of the parent company Société Générale S.A., Paris, or the parent company itself.
Financial Services to Corporates	The segment comprises all activities conducted by a manufacturer-independent leasing company, including the provision of financing solutions and services for automobiles to car dealers and their customers. The product range covers all financing processes in the car dealership, such as sales financing and leasing, purchase financing and insurance. In addition, smart IT solutions such as web services and an internally developed POS system are offered to car dealers.
Asset Management	This segment comprises the management of investment funds under so-called Master KVG Models and the in-sourcing of fund administration from other asset management firms. Direct investments are administered as well. These services are mainly provided to European customers.

(In euro thousands)	Global Banking and Investor Solutions	Financial Services to Corp. and Retail	Asset Management	Group
Net banking result	(1,502)	78,662	14,037	91,197
Administrative expenses	85	(37,522)	(19,256)	(56,693)
Gross operating result	**(1,417)**	**41,140**	**(5,219)**	**34,504**
Risk expenses	-	(6,299)	-	(6,299)
Operating result	**(1,417)**	**34,841**	**(5,219)**	**28,205**
Net gains or losses from other assets	-	17	-	17
Profit/loss before taxes	**(1,417)**	**34,858**	**(5,219)**	**28,222**
Income taxes	(28)	(10,537)	(332)	(10,897)
Net profit/loss of all companies in the consolidation group	**(1,445)**	**24,321**	**(5,551)**	**17,325**
Non-controlling interests	-	1,223	-	1,223
Net profit/loss (Group share)	**(1,445)**	**23,098**	**(5,551)**	**16,102**
Assets	16,526,947	4,489,876	55,542	21,072,365
Liabilities	16,916,991	4,082,876	21,549	21,021,416

NOTE 26 – OTHER FINANCIAL COMMITMENTS

In addition to the liabilities presented in the statement of financial position, the Group also has off-balance sheet other financial commitments. They are summarized in the table below:

In euro thousands	**06/30/2017**
Due within one year	1,621
Due in more than one to five years	**1,618**
Due in more than five years	-
Total	**3,239**

In addition, irrevocable loan commitments totaling EUR 182,012 thousand exist in the segment of "Financial Services to Corporates and Retail."

NOTE 27 – DEALINGS WITH RELATED ENTITIES AND PERSONS

Both persons and entities which the Group controls or has significant influence over and persons and companies which control the Group itself or have significant influence over it are deemed to be related parties within the meaning of IAS 24.

The related parties of the Group include:

- Persons in key positions and their close family members;

- The higher-ranking parent company Société Générale Bank and companies of the same corporate group;
- Companies of the same corporate group as Société Générale Effekten GmbH (subsidiaries).

BUSINESS DEALINGS WITH RELATED PERSONS IN KEY POSITIONS

The managing directors are regarded as members of the company in key positions of SG Effekten GmbH. As of June 30, 2017, the managing directors received compensation totaling EUR 11 thousand as short-term benefits.

The current managing directors Ms. Françoise Esnouf, Mr. Helmut Höfer and Mr. Rainer Welfens are employees of Société Générale S.A., Frankfurt am Main branch (parent company of Société Générale Effekten GmbH).

BUSINESS DEALINGS WITH SUBSIDIARIES

No dealings were conducted with subsidiaries in the first half of 2017.

DEALINGS WITH ENTITIES OF THE SAME CORPORATE GROUP

The parent company Société Générale Effekten GmbH is a wholly-owned subsidiary of Société Générale Frankfurt, a branch of Société Générale S.A. Paris. For this reason, it is fully consolidated in the higher-ranking consolidated financial statements. The business object of the company is the issuance of options and certificates, all of which are sold in full to the parent company Société Générale S.A., Paris, Société Générale Option Europe S.A., Paris, Société Générale Madrid branch, and inora LIFE Limited, Dublin. All counterparties are wholly-owned subsidiaries of Société Générale S.A. or the parent company itself.

Transactions conducted with related entities:

In euro thousands	Existing balances at 06/30/2017
Assets	16,350,170
Liabilities	18,116,751
Income	2,008,165
Expenses	2,375,150

Transactions totaling EUR 11 thousand were conducted with persons in key positions.

NOTE 28 – SIGNIFICANT EVENTS AFTER THE REPORTING DATE

NOTE 29 – DISCLOSURES CONCERNING SIGNIFICANT RISKS FROM FINANCIAL INSTRUMENTS

For information on the general organization of risk management, we refer to the comments in the Group interim management report at June 30, 2017.

Default risks:

Overview of default risks by item of the statement of financial position, based on carrying amounts:

In euro thousands	06/30/2017
Financial assets measured at fair value through profit or loss	16,230,522
Available-for-sale financial assets	73,277
Derivative financial instruments held for hedging purposes	131
Loans to and receivables from banks	138,550
Loans to and receivables from customers	3,577,025
Receivables under finance leases	415,998
Other assets	139,909
Total	**20,575,412**

In addition, there are loan commitments for a nominal volume of EUR 182,012 thousand.

Significant default risks exist only in the segment of Financial Services to Corporates and Retail.

The rating system in this segment is based on a systematic assessment of credit risks utilizing models that estimate the internal parameters according to Basel.

In calculating the capital requirements according to the advanced methods based on internal rating models, (Advanced Internal Ratings Based: A-IRB), the following Basel parameters are applied:

- Default risk (Exposure at Default, EAD) is defined as the Group's risk given a counterparty default. The EAD comprises the risks recognized in the statement of financial position (loans, receivables, outstanding income, market transactions, etc.) and off-balance risks, which are converted into the corresponding balance sheet values through the application of internal or regulatory conversion factors (Credit Conversion Factor, CCF). (Drawing assumption)
- The Probability of Default (PD) is the probability that a counterparty will default in up to one year.
- The Loss Given Default (LGD) is the ratio between the loss sustained from an Exposure at Default of a counterparty and the amount of exposure at the time of the incident.

These parameters make it possible to estimate the regulatory capital requirements for calculating Risk-Weighted Assets (RWAs) and Expected Loss (EL), i.e. the loss that could arise in consideration of the quality of the transaction, the solidity of the counterparty and all measures taken to mitigate the risk.

The Credit-Value at Risk with a confidence level of 99.90% at June 30, 2017 is presented in the table below:

	Sales Financing			
In euro millions	EAD	Expected Loss	Unexpected Loss	Credit Value at Risk
Individual customers	2,909.6	14.5	38.0	52.5
Commercial customers	445.6	4.6	10.0	14.6

Total portfolio	3,355.2	19.1	48.0	67.1

			Purchase Financing	
In euro millions	EAD	Expected Loss	Unexpected Loss	Credit Value at Risk
Without manufacturer guarantee	112.3	5.0	2.5	7.5
Without manufacturer guarantee	160.0	1.3	6.4	7.7
Total portfolio	**272.3**	**6.3**	**8.9**	**15.2**

			Leasing	
In euro millions	EAD	Expected Loss	Unexpected Loss	Credit Value at Risk
Commercial customers	681.2	5.4	17.5	22.9
Individual customers	185.6	0.9	5.0	5.8
Overall portfolio	**866.8**	**6.3**	**22.5**	**28.7**

The portfolio sold without recourse within the higher-ranking group was not included in the calculation for purchase financing.

The Group's portfolio in the area of sales financing is divided among individual and commercial customers. Commercial customers include small business owners and self-employed persons. Due to the broad diversification, we have relatively few individual risks in this area. More than 80% of the loan agreements are for less than EUR 25,000.

In purchase financing, there is no borrower group with an exposure that exceeds 3% of the overall portfolio. The 20 biggest exposures account for 32% of the overall portfolio.

The so-called Herfindahl-Index is used to measure concentration risks in ALD's leasing business. This is a "model-free" approach to quantifying concentration risk. Well diversified portfolios have an index close to '0', whereas heavily concentrated portfolios can reach values close to 1.0. At June 30, 2017, both the new business portfolio and the existing portfolio exhibit values between 0.24 and 0.45 in relation to size classes, maturities and vehicle makes.

Liquidity risk:

The Group funds its operations mainly through companies of the higher-ranking group. The principles and rules for managing liquidity risk are established at the level of the departments of Société Générale S.A.

The primary goal of liquidity risk management is to secure the funding of its activities at optimal costs, with well diversified liquidity risk and in compliance with legal requirements. The liquidity management system makes it possible to create a target structure consisting of assets and liabilities for the statement of financial position that conforms to the risk appetite established by the Board of Directors.

- The structure of assets must enable the operating segments to develop their activity in a liquidity-conserving way and in conformance with the structure of the target value of liabilities. This development must be pursued in coformance with the liquidity bottlenecks specified within the Group (or a static or stress scenario) and the regulatory requirements.
- The structure of liabilities depends on the ability of the operating segments to borrow funds from banks and customers and the Group's ability to permanently borrow funds in the markets in accordance with its risk appetite. The control system relies on measuring and limiting the liquidity bottlenecks of the operating segments in reference scenarios or in stress situations, their financing needs with the Group, the financing borrowed by the Group in the market, the available suitable assets and the contribution of the operating segments to the regulatory indicators.
- In conducting their activities, the operating segments must heed static bottlenecks in the event of lacking or low liquidity by turning to the parent company's central Treasury Department. Where appropriate, the Treasury Department can maintain a conversion or counter-conversion position, which it must monitor, manage and control within the scope of the risk limits imposed on it.
- The internal liquidity stress tests conducted on the basis of systemic, specific or combined scenarios are supported at the level of the parent company. They are used to ensure that the time horizon established by the Board of Directors for the company's continuation as a going concern is met, and to calibrate the amount of the liquidity reserve. They are supported by a Contingency Funding Plan, which defines the measures to be taken in the event of a liquidity crisis.
- The financing requirements of the operating segments (short-term and long-term) are limited in accordance with the business development objectives and in accordance with the capacities and objectives for the Group's borrowing of funds.
- A long-term funding plan is prepared to cover future redemptions and fund the growth of the operating segments.
- The Group's short-term funds are scaled in such a way as to fund the short-term needs of the operating segment over the time horizons corresponding to asset management and in line with the requirements applicable to the business. As mentioned above, they are scaled on the assets side according to the liquidity reserve and in accordance with the specified survival horizons under stress conditions and the target set for the regulatory liquidity ratios (LCR/NSFR)

- Finally, the liquidity costs are limited by the internal funding scale. The funds allocated to the operating segments are charged to them on the basis of scales that reflect the Group's liquidity costs. The goal of this system is to optimize the use of external funding sources by the operating segments. It serves to control the equilibrium of financing in the statement of financial position.

According to the assessment of the individual Group companies and the Société Générale Group, the Group is currently not exposed to any discernible liquidity risks.

The maturities of the Group's liabilities at June 30, 2017 are presented in the table below:

In euro thousands	**Up to 3 months**	**3 months to 1 year**	**1 to 5 years**	**More than 5 years**	**Indefinite maturity**	**Total**
Liabilities to central banks	-	-	-	-	-	-
Financial liabilities measured at fair value through profit or loss, excluding derivatives	2,059,557	865,206	1,250,166	943,886	-	5,118,815
Liabilities to banks	399,036	866,024	1,893,913	408,869	-	3,567,842
Liabilities to customers	2,354	-	-	-	-	2,354
Securitized liabilities	140,181	323,061	594,414	-	-	1,057,656
Subordinated liabilities	-	-	-	-	-	-
Total liabilities	**2,601,128**	**2,054,291**	**3,738,493**	**1,352,755**	**-**	**9,746,667**
Loan commitments received	5,060	22,770	96,810	8,500	-	133,140
Guaranty commitments received	-	-	-	-	-	-
Total commitments	**5,060**	**22,770**	**96,810**	**8,500**	**-**	**133,140**

Please refer to the management report for a description of other risks.

NOTE 30 – DISCLOSURES PURSUANT TO SECTION 315E GERMAN COMMERCIAL CODE (HGB)

Personnel expenses

The personnel expenses for the first half of 2017 break down as follows:

In euro thousands	**01/01/2017 – 06/30/2017**
Wages and salaries	27,299
Employee benefits	4,948
thereof: for pensions	*438*

Employees

The average number of employees in the first half of 2017 was:

	Male	**Female**	**Total**
Global Banking and Investor Solutions	2	2	4
Financial Services to Corporates and Retail	209	232	441
Asset Management	130	100	230
Total	**341**	**334**	**675**

Compensation of the management

The members of the management of SGE only receive a fixed salary of EUR 600 per month. Accordingly, the total compensation granted in the first half of 2017 was EUR 10,800.