

Registration Document

pursuant to Sec. 12 (1) of the German Securities Prospectus Act
(*Wertpapierprospektgesetz – WpPG*) in conjunction with Art. 7
and Annex IV of Commission Regulation (EC) No. 809/2004 of
April 29, 2004

of

Société Générale Effekten GmbH

Frankfurt am Main

dated

7 September 2018

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I. RISK FACTORS RELATING TO THE SOCIÉTÉ GÉNÉRALE EFFEKTEN GMBH

1. Risks Involving the Legal Form and Organization of the Société Générale Effekten GmbH

There is a risk that the Société Générale Effekten GmbH (hereinafter also referred to as the “**Issuer**”, the “**Company**” or “**SGE**”) may not or only partially be able to fulfil its obligations arising from the securities. Investors should therefore consider the credit quality of the Issuer when making investment decisions. The credit risk is understood to be the risk of insolvency or illiquidity of the Issuer, i.e. the possible, temporary or ultimate inability to meet its interest and principal payment obligations. Issuers with a low credit rating are usually associated with a higher insolvency risk.

Please also note that the credit quality of the Issuer may change before the securities mature due to developments in the overall economy or company-specific circumstances. Principal causes could be economic changes that have a lasting adverse impact on the earnings situation and solvency of the Issuer. Other causes include changes in individual companies, industries, or countries, e.g. economic crises, as well as political developments with significant economic repercussions.

In accordance with its articles of association, the purpose of the Issuer of the securities, Société Générale Effekten GmbH, Frankfurt am Main, is to issue and sell securities and engage in associated activities, as well as to purchase, sell, hold and manage its own interests in other companies in Germany and abroad, particularly those in the financial and service area generally. The liable capital stock of the Issuer amounts to EUR 25,564.59. **By acquiring securities from the Issuer, investors are exposed to a considerably higher credit risk compared to an issuer with much greater capital resources.**

The Issuer is not a member of a deposit guarantee fund or similar assurance system that would fully or partially cover the claims of security holders in the event of insolvency of the Issuer.

Securities in the form of bearer bonds are neither included in the deposit guarantee and investor compensation law or the deposit guarantee fund of the Federal Association of German Banks (Bundesverband Deutscher Banken).

In the case of the insolvency of the Issuer the investors will not have any right to any claims from such assurance institutes.

In addition to the insolvency risk of the Issuer, investors are also exposed to the insolvency risk of the parties with whom the Issuer concludes derivative transactions to hedge its obligations from the issue of securities. As opposed to an issuer with a more diversified range of potential contracting parties, the Issuer is subject to a cluster risk as it only concludes hedging transactions with affiliated companies. In this context, cluster risk is the credit risk resulting from the limited range of potential contracting parties with whom various hedging transactions can be conducted. There is a risk that the insolvency of companies affiliated to the Issuer could directly

trigger the insolvency of the Issuer.

2. Risks Relating to the Economic Activities of the Issuer

The Issuer is primarily engaged in issuing and selling securities. The Issuer's activities and annual issue volume may be influenced by negative trends on the markets in which it operates. Difficult market conditions, however, may lead to a lower issue volume and adversely impact the Issuer's results of operations.

The general market trend for securities is primarily linked to capital market trends, themselves shaped by the global economy as well as economic and political factors at national level (market risk).

3. Risks Relating to the Issuer under the Trust Agreement

Any payment obligations of the Issuer under the securities are limited to the funds received from the Société Générale, Paris (France), (hereinafter also referred to as the "**Guarantor**") under the Trust Agreement if the respective securities are issued under the trust structure. To the extent the funds to be received from the Guarantor under the Trust Agreement prove ultimately insufficient to satisfy the claims of all Noteholders in full, then the claims of the Noteholders will be extinguished proportionately in the amount of the Issuer's shortfall arising therefrom and no Noteholder has any further claims against the Issuer (subject, however, to the right to exercise any termination or early redemption rights). This applies irrespective of whether the Issuer would be able to make such payments out of other funds available to it.

Pursuant to the Trust Agreement, the Guarantor is obliged to make available to the Issuer funds that equal the amount of any payments owed by the Issuer under the securities as and when such payment obligations fall due and in a manner that allows the Issuer to fulfil its payment obligations in a timely manner. Due to this fiduciary issue structure the Noteholders depend solely and directly on the payments under the Trust Agreement and thus on the credit risk of the Guarantor.

4. Further Risks – Risk inventory of the SGE Group companies

Following the acquisition of two subsidiaries the Issuer is the parent company of a group (hereinafter also referred to as the "**SGE Group**") as of 1 January 2017. The following types of risk were identified as significant by the SGE Group companies during the risk inventory that is carried out at least once every year:

- Counterparty Default Risks

Risk of losses arising from the inability of the SGE Group's customers, issuers or other counterparties to meet their financial commitments.

- Market Price and Residual Value Risks

The market price risk is the risk of a loss of value on financial instruments arising from changes in market parameters, the volatility of these parameters and correlations between them.

- Liquidity risks

Liquidity risk is defined as the inability of the SGE Group to meet its financial obligations at a reasonable cost.

- Operational Risks

Risk of losses resulting from inadequacies or failures in processes, personnel or information systems, or from external events.

In the Asset Management segment there is a general risk that the SGE Group will be liable to recourse as a result of violations of statutory or contractual provisions or due to breaches of a duty to exercise due care and diligence vis-à-vis investors.

- Business and Reputational Risks

Reputational risk is the risk arising from a negative perception on the part of customers, counterparties, shareholders, investors or regulators that could negatively impact the SGE Group's ability to maintain or engage in business relationships and to sustain access to sources of financing.

- Compliance Risks

Risk of court-ordered, administrative or disciplinary sanctions, or of material financial loss, due to failure to comply with the provisions governing the SGE Group's activities.

The SGE Group is exposed to risks from legal disputes or proceedings involving investors, authorities, or business partners in which it is either currently involved or which could arise in the future. In addition, the SGE Group and its products are subject to constant tax and regulatory audits.

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

II. RESPONSIBILITY FOR THE INFORMATION IN THE REGISTRATION DOCUMENT

Société Générale Effekten GmbH, Frankfurt am Main, as the Issuer, and Société Générale, Paris, as the Offeror, assume responsibility for the information contained in this registration document.

They also declare that the information contained in the Registration Document is, to the best of their knowledge, accurate and does not contain any material omissions.

III. THIRD PARTY INFORMATION

Where information has been sourced from a third party, the issuer confirms that this information has been accurately reproduced and that so far as the issuer is aware and able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

IV. AUDITOR AND SELECTED FINANCIAL INFORMATION

1. Auditor

The annual financial statements of Société Générale Effekten GmbH, Frankfurt am Main prepared in accordance with the IFRS reporting standards for the financial year 2016 (from 1 January 2016 to 31 December 2016) as well as the consolidated financial statements of Société Générale Effekten GmbH, Frankfurt am Main prepared in accordance with the IFRS reporting standards for the financial year 2017 (from 1 January 2017 to 31 December 2017) have been audited by Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Franklinstraße 50, D-60486 Frankfurt am Main.

Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Franklinstraße 50, D-60486 Frankfurt am Main, is a member of the public law institution German Chambers of Auditors ("Wirtschaftsprüferkammer K.d.ö.R."), Rauchstrasse 26, D-10787 Berlin.

2. Selected Financial Information

The following selected financial information was excerpted from the Issuer's audited annual financial statements prepared in accordance with the IFRS reporting standards for the financial year 2016 and Issuer's audited consolidated financial statements prepared in accordance with the IFRS reporting standards for the financial year 2017.

Financial Information for the financial year 2017 and the financial year 2016 prepared in accordance with the IFRS reporting standards

a) Balance Sheet of Société Générale Effekten GmbH, Frankfurt am Main as at 31 December 2017 and 31 December 2016

Assets

| <i>(In euro thousands)</i> | | 31.12.2017* | 31.12.2016** |
|---|--|--------------------|---------------------|
| Financial assets at fair value through profit or loss | | 5,194,717 | 12,795,502 |
| Available-for-sale financial assets | | 74,321 | - |
| Loans to and receivables from banks | | 157,587 | 2,891 |
| Loans to and receivables from customers | | 3,629,045 | - |
| Receivables under finance leases | | 428,203 | - |
| Tax assets | | 25,537 | 5 |
| Other assets | | 119,456 | 465,607 |
| Property, plant and equipment and intangible assets | | 456,817 | - |
| Goodwill | | 3,569 | - |
| Total | | 10,089,252 | 13,264,005 |

* The information as at 31 December 2017 has been taken from the consolidated statement of financial position contained in the consolidated financial statements of Société Générale Effekten GmbH for the financial year 2017

The information as at 31 December 2016 has been taken from the statement of financial position contained in the annual financial statements of Société Générale Effekten GmbH for the financial year 2016. For the financial year 2016 consolidated financial statements were not prepared.

Equity and Liabilities

| <i>(In euro thousands)</i> | | 31.12.2017* | 31.12.2016** |
|--|--|--------------------|---------------------|
| Financial liabilities at fair value through profit or loss | | 5,192,135 | 12,798,762 |
| Liabilities to banks | | 3,880,971 | 407,365 |
| Liabilities to customers | | 1,997 | - |
| Securitized liabilities | | 797,652 | - |
| Tax liabilities | | 3,848 | 44 |
| Other liabilities | | 225,289 | 56,319 |
| Provisions | | 17,160 | 500 |
| Total liabilities | | 10,119,051 | 13,262,990 |
| EQUITY | | | |
| Subscribed capital | | 26 | 26 |
| Profit carried forward | | 1,138 | 1,093 |
| Consolidated provisions*** / Other reserves**** | | -88,765 | -157 |
| Financial year profit/loss*** / Net profit/loss**** | | 57,799 | 54 |
| Subtotal | | -29,803 | 1,016 |
| Other comprehensive income | | -129 | - |
| Subtotal equity (Group share)*** | | -29,932 | - |
| Non-controlling interests*** | | 133 | - |
| Total equity | | -29,799 | 1,016 |
| Total | | 10,089,252 | 13,264,005 |

* The information as at 31 December 2017 has been taken from the consolidated statement of financial position contained in the consolidated financial statements of Société Générale Effekten GmbH for the financial year 2017

** The information as at 31 December 2016 has been taken from the statement of financial position contained in the annual financial statements of Société Générale Effekten GmbH for the financial year 2016. For the financial year 2016 consolidated financial statements were not prepared.

*** This line item is only applicable for the consolidated statement of financial position of Société Générale Effekten GmbH as at 31 December 2017.

**** This line item is only applicable for the statement of financial position of Société Générale Effekten GmbH as at 31 December 2016.

b) Income Statement of Société Générale Effekten GmbH, Frankfurt am Main as at 31 December 2017 and 31 December 2016

| <i>(in euro thousands)</i> | | 31.12.2017* | 31.12.2016** |
|-------------------------------|--|--------------------|---------------------|
| Interest and similar income | | 168,613 | - |
| Interest and similar expenses | | -25,185 | -144 |
| Commission income | | 86,011 | - |
| Commission expenses | | -17,602 | -5 |

| | | | |
|--|--|----------------|------------|
| Net result from financial transactions | | -2,185 | 54 |
| <i>thereof net gains or losses on financial instruments measured at fair value through profit or loss</i> | | -2,272 | 54 |
| <i>thereof net gains or losses on available-for-sale financial assets</i> | | 87 | - |
| Income from other activities | | 227,203 | 123 |
| Expenses for other activities | | -251,289 | -1 |
| Net Banking Income | | 185,566 | 28 |
| Personnel expenses | | -65,007 | -294 |
| Other operating income **** | | - | 2,323 |
| Other operating expenses **** | | - | -1,938 |
| Other administrative expenses *** | | -48,880 | - |
| Expenses for amortization, depreciation and impairments of intangible assets and property, plant and equipment | | -2,783 | - |
| Gross operating result *** / Operating result before risk expenses | | 68,896 | 119 |
| Risk expenses | | -10,996 | - |
| Operating result | | 57,900 | 119 |
| Net gains or losses on other assets | | 11 | - |
| Impairments of goodwill | | - | - |
| Profit before taxes | | 57,911 | 119 |
| Income taxes | | - | -65 |
| Net profit/loss (of all companies in the consolidation group) **** | | 57,911 | 54 |
| Non-controlling interests *** | | 112 | - |
| Net profit/loss (Group share) **** | | 57,799 | - |

* The information as at 31 December 2017 has been taken from the consolidated income statement contained in the consolidated financial statements of Société Générale Effekten GmbH for the financial year 2017

** The information as at 31 December 2016 has been taken from the income statement contained in the annual financial statements of Société Générale Effekten GmbH for the financial year 2016. For the financial year 2016 consolidated financial statements were not prepared.

*** This line item is only applicable for the consolidated income statement of Société Générale Effekten GmbH as at 31 December 2017.

**** This line item is only applicable for the income statement of Société Générale Effekten GmbH as at 31 December 2016.

***** The information in the brackets is only applicable to the consolidated income statement of Société Générale Effekten GmbH as at 31 December 2017.

V. INFORMATION ON THE ISSUER

1. History and development

Société Générale Effekten GmbH has its registered office in Frankfurt am Main and is entered in the commercial register of Frankfurt local court under no. HRB 32283. It came into existence after LT Industriebeteiligungs-Gesellschaft mbH, which was founded on March 3, 1977, was renamed by resolution of the shareholders' meeting on October 5, 1990. Société Générale Effekten GmbH was founded as a limited liability company (*Gesellschaft mit beschränkter Haftung* - GmbH) under German law. Société Générale Effekten GmbH is the legal and commercial name of the Issuer.

The Issuer acquired the interests in Société Générale Securities Services GmbH (hereinafter referred to as "**SGSS**"), Unterföhring, and ALD Lease Finanz GmbH (hereinafter referred to as "**ALD LF**"), Hamburg, including its subsidiaries (the Issuer, SGSS and ALD LF together the "**SGE Group**"), with the execution of the purchase agreement on 1 January 2017. Following the aforementioned acquisition the Issuer became the parent company of the SGE Group as of 1 January 2017.

The business address and telephone number of the Issuer are:

Société Générale Effekten GmbH
Neue Mainzer Straße 46-50
D-60311 Frankfurt am Main
Tel. 069/71 74 0

2. Business Overview

The business purpose of the Issuer, as stipulated in its articles of association, is to issue and sell securities and engage in associated activities, as well as to purchase, sell, hold and manage its own interests in other companies in Germany and abroad, particularly those in the financial and service area generally, but excluding those activities and interests that would require authorization for the Issuer itself or would result in the Issuer being classified as a (mixed) financial holding company..

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

The purpose of the Issuer is to issue warrants and certificates that are both sold in their entirety to Société Générale, 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 Group (consisting of the parent company Société Générale, Paris and its affiliates) (the "**SG Group**"). Another area in which the Issuer is active is the acquisition and holding and management of equity investments.

Due to the introduction of the “European passport” the Issuer can list its products on various stock markets in the European Union (stock markets in Madrid, Milan, Paris, Luxembourg, London, Stockholm, Helsinki, etc.) under a valid securities prospectus that has been approved by the responsible supervisory authority and passported into the respective country. In the event of a listing on a stock exchange in a country that is not a member of the European Union, approval is obtained through the corresponding supervisory authority of the respective country. The Issuer 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 Issuer does not intend to list offerings on a regulated market in the sense of the Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC (EU Prospectus Directive). 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, 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. Warrants for a total of 332,943 products were issued in financial year 2017 (previous year: 241,682). In addition, 30,095 certificates were issued in 2017 (previous year: 32,280).

The securities are primarily issued on the German and Austrian market. The German capital market is one of the most important derivatives markets. The securities may also be sold publicly in certain other EU member states.

As an independent leasing company not affiliated with any manufacturers, ALD LF is a professional and reliable partner to car dealers. Its aspiration is to promote the independence of car dealerships with its service portfolio and to increase the profitability of car dealers.

Together with cooperation partners, in particular the subsidiary Bank Deutsches Kraftfahrzeuggewerbe GmbH (hereinafter referred to as “**BDK**”), Hamburg, car dealerships and their 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, assuming 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 cooperation 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.

3. Organizational Structure

Due to the different business models of individual SGE Group companies, SGE Group management is carried out locally in the individual segments and 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).

The Issuer is a wholly owned subsidiary of Société Générale, Paris. According to its own appraisal, the SG Group is one of the leading financial services groups in Europe.

The SG Group teams offer advisory and other services to individual customers, companies and institutions as part of three complementary core businesses:

- French Retail Banking, which encompasses the Société Générale, Crédit du Nord and Boursorama brands. Each offers a full range of financial services with omnichannel products at the cutting edge of digital innovation;
- International Retail Banking, Insurance and Financial Services to Corporates, with networks in Africa, Russia, Central and Eastern Europe and specialised businesses that are leaders in their markets;
- Global Banking and Investor Solutions, which offer recognised expertise, key international locations and integrated solutions.

The principal markets in which the SG Group is operating are France, other European Union countries and the United States.

Société Générale, Paris the parent company of the SG Group, is listed on the Euronext Paris (Euronext).

The issuer is a 100 per cent. subsidiary of Société Générale, Paris, France, and consequently a part of the Société Générale Group.

Service level agreements are in place between the Issuer and Société Générale, Paris. Within the scope of these service level agreements the Issuer has access to resources of Société Générale, Frankfurt am Main branch, and/or Société Générale, Paris.

The Issuer depends on Société Générale, Paris.

The consolidated financial statements prepared by Société Générale, Paris can be inspected at Société Générale, Frankfurt branch, Frankfurt am Main.

4. Trend Information

Since the date of its last published audited financial statements on 31 December 2017, there has been no material adverse change in the prospects of the Issuer.

5. Management and Company Representatives

The managing directors of Société Générale Effekten GmbH are currently Ms. Françoise Esnouf, Frankfurt am Main, Mr. Helmut Höfer, Frankfurt am Main and Mr. Rainer Welfens, Frankfurt am Main.

Ms. Françoise Esnouf, Mr. Helmut Höfer and Mr. Rainer Welfens can be contacted at Société Générale, Frankfurt am Main branch, Neue Mainzer Straße 46-50, D-60311 Frankfurt am Main.

The Company is represented jointly by two managing directors or by one managing director together with an authorized signatory.

The articles of association do not contain any provisions on the appointment of a supervisory board. No supervisory board existed during the past financial year.

Provided that the above mentioned persons perform any activities out of the range of the scope of the Issuers activities, these activities are not relevant for the Issuer.

There are no potential conflicts of interest between the obligations of the managing directors in respect of Société Générale Effekten GmbH and their private interests and other obligations.

The issuer as a capital market-oriented company according to Sec. 264d HGB (German Commercial Code (Handelsgesetzbuch, "HGB")) has established an audit committee according to Sec. 324 HGB. As at the date of this Registration Document the audit committee consists of the following members:

Mr. Peter Boesenberg (chair)
Mr. Dimitri Brunot
Mr. Marco Maibaum
Mr. Achim Oswald
Mr. Rainer Welfens
Ms. Heike Stuebban

The Audit Committee regularly deals with the development of the SGE 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 are made available to the Audit Committee. The members of the Audit Committee also receive a summary report on SGE's issuing activities and its accounting once every quarter.

German Corporate Governance Codex

As the Issuer is not a stock exchange listed company it does not comply with the German Corporate Governance Codex as amended on the 7 February 2017.

6. Financial Information on the Net Assets, Financial Position and Results of Operations of the Issuer

a) Historical Financial Information

The financial information contained in this Registration document is based on the audited consolidated financial statements of Société Générale Effekten GmbH prepared in accordance with the IFRS reporting standards for the financial year 2017 and the audited annual financial statements of Société Générale Effekten GmbH prepared in accordance with the IFRS reporting standards for the financial year 2016.

The audited consolidated financial statements of Société Générale Effekten GmbH for the fiscal year 2017 and the audited annual financial statements of Société Générale Effekten GmbH for the financial year 2016 are set out on the F-pages in this Registration Document.

b) Comments on the consolidated financial statements at 31 December 2017

The consolidated financial statements of Société Générale Effekten GmbH cover the period from 1 January 2017 to 31 December 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 as a binding requirement in financial year 2017. The disclosures required by Section 315e para. 1 German Commercial Code (HGB) were made in the notes to the consolidated financial statements. The consolidated financial statements are presented in euros.

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 SGE Group subject to the reporting obligation was formed at 1 January 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 on the basis of the IFRS to be applied in the EU at 31 December 2017.

The subsidiaries added as a result of the intragroup restructuring were included in the opening statement of financial position by analogy to the pooling of interests method (predecessor accounting). Because the controlling group in Société Générale Effekten GmbH is pooling the interests that had previously been dispersed legally, the carrying amounts of the two companies are to be continued. Adjustments of the uniform SGE Group accounting methods were not necessary. In the SGE Group's opinion, no business combination that would fall within the scope of IFRS 3 was conducted because definitive control was exercised by the same persons both before and after the transaction (IFRS 3.B1). The restructuring is treated in accordance with the IFRS 10 requirements for the elimination of intercompany results. The difference between the purchase price for the transaction and the carrying amounts of the companies'

assets and liabilities is presented within equity (SGE Group reserves) in accordance with IDW RS HFA 2 para. 21. Because the SGE Group did not exist in this form in the prior year, no prior-year comparison values are presented.

c) Comments on the annual financial statements at 31 December 2016

The annual financial statements of Société Générale Effekten GmbH cover the period from 1 January 2016 to 31 December 2016. 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) that must be applied in the European Union in financial year 2016. The annual financial statements are presented in euros.

Accounting Principles and Measurement Methods

The annual financial statements of Société Générale Effekten GmbH were prepared in accordance with the Groupwide accounting and measurement principles based on IFRS, which are described in the following. The Company is preparing annual financial statements according to IFRS for the first time at 31 December 2016 for reasons of prospectus law. Therefore, the financial statements, including the prior-year figures, were prepared in accordance with the criteria of IFRS 1 First-Time Adoption of International Financial Reporting Standards on the basis of the IFRSs applicable in the EU at 31 December 2016.

d) Audit of the Financial Information

The annual financial statements of Société Générale Effekten GmbH, Frankfurt am Main for the financial year 2016 (from 1 January 2016 to 31 December 2016) and the consolidated financial statements of Société Générale Effekten GmbH, Frankfurt am Main for the financial year 2017 (from 1 January 2017 to 31 December 2017) have been audited by Deloitte GmbH Wirtschaftsprüfungsgesellschaft in accordance with the IFRS reporting standards, and an unqualified audit opinion has been issued thereon.

e) Significant Court or Arbitration Proceedings

Any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the issuer is aware), during a period covering at least the previous 12 months which may have, or have had in the recent past, significant effects on the issuer and/or group's financial position or profitability, do not exist or have not existed.

f) Significant Changes in the Financial Position or Trading Position of the Issuer

Since the end of the last financial year, 31 December 2017, no significant changes in the financial or trading position of the SGE Group have occurred.

7. Additional Notes

The fully paid-in capital stock of Société Générale Effekten GmbH amounts to EUR 25,564.59. All shares in the Company are held by Société Générale, Paris.

Société Générale Effekten GmbH is entered in the commercial register of Frankfurt local court under no. HRB 32283.

The business purpose of the Issuer as stipulated in Art. 2 of its articles of association dated 8 December 2016, is to issue and sell securities and engage in associated activities, as well as to purchase, sell, hold and manage its own interests in other companies in Germany and abroad, particularly those in the financial and service area generally, but excluding those activities and interests that would require authorization for the Issuer itself or would result in the Issuer being classified as a (mixed) financial holding company.

8. Significant Contracts

With effect from February 28, 2006, Société Générale Effekten GmbH concluded a framework trust agreement with Société Générale, Paris. The trust agreement governs the issue of debt securities in Société Générale Effekten GmbH's name for the account of Société Générale, Paris. Société Générale Effekten GmbH agrees to receive all proceeds from the issue of debt securities and pass them on to Société Générale, Paris. The trust agreement was concluded for a one-year term and will renew itself automatically by one more year unless it has been terminated with 15 days' notice.

Furthermore, Société Générale Effekten GmbH and Société Générale, Paris have entered into an agreement on May 1, 2005 regarding the refunding of the costs incurred by Société Générale Effekten GmbH in connection with its issuing activities. Under the terms of the agreement, Société Générale Effekten GmbH also receives a monthly management fee of 5% of the issue costs.

By signature of 7 September 2016, Société Générale Effekten GmbH entered into a profit transfer agreement for an indefinite term with Société Générale, Frankfurt am Main branch, with retroactive effect to 1 January 2016. The agreement can be terminated after five financial years with advance notice of one month before the end of a financial year.

By signature of 26 September 2017, ALD Lease Finanz GmbH entered into a profit transfer agreement for an indefinite term with Société Générale Effekten GmbH.

By signature of 1 December 2017, Société Générale Securities Services GmbH entered into a profit transfer agreement for an indefinite term with Société Générale Effekten GmbH.

9. Documents Available for Inspection

The documents named in this registration document relating to Société Générale Effekten GmbH and intended for publication are available for inspection at Société Générale, Frankfurt am Main branch, Neue Mainzer Straße 46 - 50, D-60311 Frankfurt am Main, during normal office hours.

While this registration document is valid, a copy of the following documents can be inspected in paper form in particular:

- The articles of association of Société Générale Effekten GmbH as amended on 8 December 2016;
- The financial statements of Société Générale Effekten GmbH prepared in accordance with the IFRS reporting standards as of 31 December 2016; and
- The consolidated financial statements of Société Générale Effekten GmbH prepared in accordance with the IFRS reporting standards as of 31 December 2017.

VI. FINANCIAL STATEMENTS

1. Annual financial statements of Société Générale Effekten GmbH prepared in accordance with the IFRS reporting standards as at 31 December 2016

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Annual Financial Statements of Société Générale Effekten GmbH

at December 31, 2016

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INCOME STATEMENT

| <i>(in euro thousands)</i> | Note | 12/31/2016 | 12/31/2015 |
|--|---------|-------------------|-------------------|
| Interest and similar income | Note 13 | - | (1) |
| Interest and similar expenses | Note 13 | (144) | (8) |
| Commission income | Note 14 | - | - |
| Commission expenses | Note 14 | (5) | (4) |
| Net result from financial transactions | | 54 | (16) |
| <i>thereof net gains or losses on financial instruments measured at fair value through profit or loss</i> | Note 3 | 54 | (16) |
| <i>thereof net gains or losses on available-for-sale financial assets</i> | | - | - |
| Income from other activities | | 123 | - |
| Expenses for other activities | | (1) | (1) |
| Net banking income | | 28 | (30) |
| Personnel expenses | | (294) | (249) |
| Other operating income | Note 15 | 2,323 | 4,920 |
| Other operating expenses | Note 15 | (1,938) | (4,487) |
| Expenses for amortization, depreciation and impairments of intangible assets and property, plant and equipment | | - | - |
| Operating result before risk expenses | | 119 | 154 |
| Risk expenses | | - | - |
| Operating result | | 119 | 154 |
| Net gains or losses on other assets | | - | - |
| Impairments of goodwill | | - | - |
| Profit before taxes | | 119 | 154 |
| Income taxes | Note 11 | (65) | (51) |
| Net profit/loss | | 54 | 103 |

STATEMENT OF COMPREHENSIVE INCOME

| <i>(in euro thousands)</i> | 12/31/2016 | 12/31/2015 |
|---|-------------------|------------|
| Net profit/loss | 54 | 103 |
| Gains and losses recognized directly in equity, to be reclassified to profit or loss at a later time: | | |
| Available-for-sale financial instruments | - | - |
| Net measurement differences from hedge instruments | - | - |
| Reclassified to profit or loss | - | - |
| Taxes on items to be reclassified to profit or loss at a later time | - | - |
| Gains or 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 | (59) | 41 |
| Taxes on items not to be reclassified to profit or loss at a later time | 19 | (13) |
| Total other comprehensive income | (40) | 28 |
| Comprehensive income (net profit/loss and other comprehensive income) | 14 | 131 |

The other comprehensive income for financial years 2016 and 2015 was reclassified to Other reserves.

STATEMENT OF FINANCIAL POSITION – ASSETS

| <i>(in euro thousands)</i> | Note | 12/31/2016 | 12/31/2015 |
|--|--------------|-------------------|-------------------|
| Financial assets at fair value through profit or loss | Note 3, 4, 5 | 12,795,502 | 24,697,311 |
| Available-for-sale financial assets | | - | - |
| Derivative financial instruments held for hedging purposes | Note 4, 5 | - | - |
| Loans to and receivables from banks | Note 6 | 2,891 | 581 |
| Loans to and receivables from customers | | - | - |
| Receivables under finance leases | | - | - |
| Tax assets | Note 11 | 5 | 67 |
| Other assets | Note 8 | 465,607 | 159,158 |
| Property, plant and equipment and intangible assets | | - | - |
| Goodwill | | - | - |
| Total | | 13,264,005 | 24,857,117 |

STATEMENT OF FINANCIAL POSITION – LIABILITIES AND EQUITY

| <i>(in euro thousands)</i> | Note | 12/31/2016 | 12/31/2015 |
|--|--------------|-------------------|-------------------|
| Financial liabilities at fair value through profit or loss | Note 3, 4, 5 | 12,798,762 | 24,679,436 |
| Liabilities to banks | Note 7 | 407,365 | - |
| Liabilities to customers | | - | - |
| Securitized liabilities | | - | - |
| Tax liabilities | Note 11 | 44 | - |
| Other liabilities | Note 8 | 56,319 | 176,273 |
| Provisions | Note 9, 10 | 500 | 406 |
| Total liabilities | | 13,262,990 | 24,856,115 |
| EQUITY | Note 12 | | |
| Subscribed capital | | 26 | 26 |
| Profit carried forward | | 1,093 | 991 |
| Other reserves | | (157) | (117) |
| Net profit/loss | | 54 | 103 |
| Subtotal | | 1,016 | 1,003 |
| Other comprehensive income | | - | - |
| Total equity | | 1,016 | 1,003 |
| Total | | 13,264,005 | 24,857,117 |

STATEMENT OF CHANGES IN EQUITY

| <i>(in euro thousands)</i> | Equity at 01/01/2015 | Gains and losses recognized directly in equity | Other changes | Net profit/loss 01/01/ – 12/31/2015 | Equity at 12/31/2015 |
|---|-------------------------|--|------------------|--|----------------------------|
| Capital and related reserves | | | | | |
| Subscribed capital | 26 | - | - | - | 26 |
| Profit carried forward | 912 | - | 79 | - | 991 |
| Other reserves | (144) | 28 | (1) | - | (117) |
| Net profit/loss | 79 | - | (79) | 103 | 103 |
| Total | 873 | 28 | (1) | 103 | 1.003 |
| Gains and losses recognized directly in equity, to be reclassified to profit or loss at a later time (after taxes) | | | | | |
| Available-for-sale financial assets | - | - | - | - | - |
| Net measurement differences from hedge instruments, reclassified to profit or loss | - | - | - | - | - |
| Tax on items to be reclassified to profit or loss at a later time | - | - | - | - | - |
| Total | - | - | - | - | - |
| Gains and losses recognized directly in equity, not to be reclassified to profit or loss at a later time | | | | | |
| Reclassifications | - | (28) | - | - | - |
| Actuarial gains and losses on post-employment benefits | - | 41 | - | - | - |
| Taxes on items not to be reclassified to profit or loss at a later time | - | (13) | - | - | - |
| Total | - | - | - | - | - |
| Total equity | 873 | 28 | (1) | 103 | 1.003 |

| <i>(in euro thousands)</i> | Equity at 01/01/2016 | Gains and losses recognized directly in equity | Other changes | Net profit 01/01 – 12/31/2016 | Equity at 12/31/2016 |
|--|-------------------------|--|------------------|-------------------------------------|----------------------------|
| Capital and related reserves | | | | | |
| Subscribed capital | 26 | - | - | - | 26 |
| Profit carried forward | 991 | - | 102 | - | 1,093 |
| Other reserves | (117) | (40) | - | - | (157) |
| Net profit/loss | 103 | - | (103) | 54 | 54 |
| Total | 1,003 | (40) | (1) | 54 | 1.016 |
| Gains and losses recognized directly in equity, to be reclassified for profit or loss at a later time (after taxes) | | | | | |
| Available-for-sale financial assets | - | - | - | - | - |
| Net measurement differences from hedge instruments, to be reclassified to profit or loss at a later time | - | - | - | - | - |
| Taxes on items to be reclassified to profit or loss at a later time | - | - | - | - | - |
| Total | - | - | - | - | - |
| Gains and losses recognized directly in equity, not to be reclassified to profit or loss at a later time | | | | | |
| Reclassifications | - | 40 | - | - | - |
| Actuarial gains and losses on post-employment benefits | - | (59) | - | - | - |
| Taxes on items not to be reclassified to profit or loss at a later time | - | 19 | - | - | - |
| Total | - | - | - | - | - |
| Total equity | 1,003 | (40) | (1) | 54 | 1.016 |

STATEMENT OF CASH FLOWS

| <i>(in euro thousands)</i> | 12/31/2016 | 12/31/2015 |
|---|-------------------|-------------------|
| Net profit/loss | 53 | 103 |
| Expenses for depreciation and amortization of property, plant and equipment and intangible assets (including operating leases) | - | - |
| Expenses for impairments of property, plant and equipment and intangible assets and intangible assets (including operating leases) and net additions to provisions | 35 | 71 |
| Changes in deferred taxes | 65 | 21 |
| Other changes | 254 | 37 |
| Non-monetary components included in net profit/loss after taxes, and other adjustments, excluding the result from financial instruments at fair value through profit or loss | 354 | 129 |
| Result from financial instruments measured at fair value through profit or loss | 54 | 20 |
| Interbank transactions | 212,772 | 13,990 |
| Transactions with customers | - | - |
| Transactions with other financial assets/ liabilities | (210,922) | (13,581) |
| Transactions with other non-financial assets/ liabilities | - | - |
| Net increases/ decreases in operating assets/ liabilities | 1,904 | 428 |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | 2,310 | 660 |
| Cash flows from acquisitions and sales of property, plant and equipment and intangible assets | (407,223) | - |
| NET CASH FLOWS FROM INVESTING ACTIVITIES | (407,223) | - |
| Other cash flows from financing activities | 407,223 | - |
| NET CASH FLOWS FROM FINANCING ACTIVITIES | 407,223- | - |
| NET CASH FLOWS FROM CASH AND CASH EQUIVALENTS | 2,310 | 660 |
| CASH AND CASH EQUIVALENTS, AT THE BEGINNING OF THE FINANCIAL YEAR | 581 | (79) |

| | | |
|---|--------------|------------|
| Net amount of accounts, sight deposits and deposits/ loans with banks | 2,310 | 660 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR | 2,891 | 581 |

In accordance with the guideline of Société Générale Group, SGE 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 December 31, 2016, cash and cash equivalents consisted only of call deposits with banks (Note 6).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

NOTE 1 – BASIC INFORMATION ABOUT THE ANNUAL 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 is active in the issuance of options and certificates.

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 annual financial statements of Société Générale Effekten GmbH cover the period from January 1, 2016 to December 31, 2016. 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) that must be applied in the European Union in financial year 2016.

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

PROFIT TRANSFER AGREEMENT

By signature of September 7, 2016, Société Générale Effekten GmbH (subsidiary company) entered into a profit transfer agreement with Société Générale S.A. Frankfurt Branch (parent company) for an indefinite term, with retroactive effect to January 1, 2016. The agreement can be terminated after five financial years with advance notice of one month before the end of the financial year.

INCOME TAX UNITY

The conclusion of the profit transfer agreement of September 7, 2016 between Société Générale Effekten GmbH (subsidiary company) with Société Générale S.A. Frankfurt Branch (parent company) established an income tax unity with Société Générale S.A. Frankfurt Branch with retroactive effect to January 1, 2016.

USE OF DISCRETIONARY DECISIONS AND ESTIMATES

In preparing the 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.

In making these estimates and formulating these assumptions, the management applies the information available at the time of preparing the annual 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,” and the fair value of financial instruments for which this value is disclosed in the notes to the financial statements;
- 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.

NEW STANDARDS OR AMENDMENTS TO BE APPLIED FOR THE FIRST TIME IN 2016

The following amendments are to be applied for the first time in annual periods that begin on or after January 1, 2016 and are therefore observed by the Company.

AMENDMENTS TO IAS 1 DISCLOSURE INITIATIVE

These amendments result from an initiative to improve financial statements with respect to presentation and disclosures in the notes. They clarify that the principle of materiality applies to all parts of the financial statements, that professional estimates should be made in determining the order of disclosures in the notes, and that the inclusion of non-material information can reduce the effectiveness of disclosures in the notes.

AMENDMENTS TO IFRS (2010 - 2012) AND (2012 - 2014)

These amendments result from the IASB annual improvement projects. They include changes to different IFRSs with effects on the recognition, measurement and presentation of transactions, as well as terminological and editorial corrections.

AMENDMENTS TO IAS 19 EMPLOYEE BENEFITS

These amendments pertain to the rules for employee benefits and specifically employee contributions that are tied to the employee’s length of service. They are meant to simplify the accounting treatment of benefits that do not depend on the length of service.

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

The following Standards and Interpretations relevant for the Company had not yet taken effect at the reporting date of December 31, 2016 and were therefore not considered in the preparation of the annual 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 Company 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.

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 and the consolidation process, as well as the reporting schedules were elaborated further in 2016. Furthermore, the required disclosures in the notes and information procurement were analyzed further.

The new classification and measurement regulations are expected to have no effects on the annual financial statements because all issued products are measured at fair value and there are no hedge relationships.

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 Company is currently analyzing the effects of the new Standard on the Company's net income and equity. The Company is currently analyzing the effects of the new Standard on the Company's net income and equity. However, the Company does not expect any significant effects to result from the introduction of the new Standard because the Company's income is mainly based on the cost reimbursement agreements with Société Générale S.A., Paris, and Société Générale S.A. Frankfurt Branch.

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

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

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.

Due to the existing tax unity with Société Générale S.A. Frankfurt Branch, the Company does not expect any effects to result from the introduction of the new rules.

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 the reporting period of a financial year that begins on or after January 1, 2017.

The Company does not expect any (material) effects to result from the introduction of the new rules.

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 amendments to this Standard are to be applied for the first time in financial year 2018.

The Company does not expect any effects to result from the introduction of the new rules because Société Générale Effekten GmbH does not grant share-based payment.

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 annual financial statements are expected.

FIRST-TIME ADOPTION OF IFRS FINANCIAL STATEMENTS

The Company is preparing IFRS financial statements for the first time at December 31, 2016. The opening balance sheet at January 1, 2015 is formatted as follows; the balance sheet at December 31, 2014 prepared in accordance with the accounting principles of the German Commercial Code is presented by way of comparison.

Assets

| <i>IFRS (in euro thousands)</i> | 01/01/2015 | <i>GCC (in euro thousands)</i> | 12/31/2014 |
|--|-------------------|---|-------------------|
| Financial assets measured at fair value through profit or loss | 18,452,406 | A. Current assets | 17,065,165 |
| Available-for-sale financial assets | - | Receivables and other assets | 17,065,165 |
| Derivative financial instruments held for hedging purposes | - | 1. Receivables from affiliated companies | |
| Loans to and receivables from banks | - | a) From the investment of issuance proceeds | 7,011,368 |
| Loans to and receivables from customers | - | b) Other receivables | 1,826 |
| Receivables under finance leases | - | 2. Other assets | 10,051,970 |
| Tax assets | 84 | | |
| Other assets | 450,141 | B. Deferred tax assets | 20 |
| Property, plant and equipment and intangible assets | - | | |
| Goodwill | - | C. Trust assets | 5,238,971 |
| | | Receivables | 5,238,971 |
| | | | |
| Total | 18,902,631 | Total | 22,304,156 |

The changes in the presentation of assets mainly result from the trust assets in the amount of EUR 5,238,971 thousand, which are not recognized under IFRS, and the reclassification of receivables from affiliated companies and other assets as financial assets measured at fair value through profit or loss, loans to and receivables from banks and other assets, as well as measurement differences resulting from fair value measurement.

Equity and liabilities

| <i>IFRS (in euro thousands)</i> | 01/01/2015 | <i>GCC (in euro thousands)</i> | 12/31/2014 |
|---|-------------------|--|-------------------|
| Financial liabilities measured at fair value through profit or loss | 18,013,391 | A. Equity | 1,034 |
| Liabilities to banks | 79 | I. Subscribed capital | 26 |
| Liabilities to customers | - | II. Profit carried forward | 905 |
| Securitized liabilities | - | III. Net profit/loss | 103 |
| Tax liabilities | 20 | | |
| Other liabilities | 887,893 | B. Provisions | 501 |
| Provisions | 376 | I. Provisions for pensions and similar obligations | 178 |
| Total liabilities | 18,901,759 | II. Tax provisions | - |
| | | III. Other provisions | 323 |
| EQUITY | | | |
| Subscribed capital | 26 | C. Liabilities | 17,063,650 |
| Profit carried forward | 912 | I. Liabilities from issued certificates | 7,011,368 |
| Other reserves | (144) | II. Trade payables | 248 |
| Net profit/loss | 79 | III. Liabilities to affiliated companies | 79 |
| Subtotal | 873 | IV. Other liabilities | 10,051,955 |
| Other comprehensive income | - | | |
| Total equity | 873 | D. Trust liabilities | 5,238,971 |
| | | Certificates | 5,238,971 |
| Total | 18.902.632 | Total | 22,304,156 |

The changes in the presentation of equity and liabilities mainly result from the trust liabilities in the amount of EUR 5.238,971 thousand, which are not recognized under IFRS, and the reclassification of liabilities from certificates, trade payables, liabilities to affiliated companies and other liabilities as financial liabilities measured

at fair value through profit or loss, liabilities to banks and other liabilities. In addition, there are measurement differences resulting from fair value measurement and measurement effects in equity.

The negative other reserves at January 1, 2015 in the amount of EUR 144 thousand result mainly from the measurement of pension provisions in connection with the first-time preparation of IFRS financial statements.

NOTE 2 – ACCOUNTING PRINCIPLES AND MEASUREMENT METHODS

The annual financial statements of Société Générale Effekten GmbH were prepared in accordance with the Groupwide accounting and measurement principles based on IFRS, which are described in the following.

The Company is preparing annual financial statements according to IFRS for the first time at December 31, 2016 for reasons of prospectus law. Therefore, the present financial statements, including the prior-year figures, were prepared in accordance with the criteria of IFRS 1 First-Time Adoption of International Financial Reporting Standards on the basis of the IFRSs applicable in the EU at December 31, 2016.

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 items denominated in foreign currency are translated at the exchange rate in effect on the reporting date. Non-monetary items denominated in foreign currency that are measured at fair value are translated at the exchange rates in effect at the date of determination of fair value. Non-monetary items measured at acquisition or production cost are translated at the exchange rate in effect at the date of initial recognition.

In the case of financial assets and liabilities measured at fair value through profit or loss, gains or losses arising from currency translation as a component of fair value are recognized in the period result under "Net gains or losses from financial instruments measured at fair value through profit or loss."

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, observable 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 Company for determining the fair value of financial instruments are described in Note 5.

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. In the case of assets that are not measured at fair value through profit or loss, this also includes the transaction costs attributable directly to the acquisition or issue of the security in question. Costs that can be attributed directly to the acquisition of financial assets measured at fair value through profit or loss are recognized directly in 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

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 trading portfolio (held for trading purposes) comprises financial assets and liabilities that at the time of initial recognition

- 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,
- are derivatives that were not designated as hedging instruments.

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.

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 6 „Receivables from banks“).

Derecognition of financial assets

The Company 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 Company 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 Company 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 Company has relinquished control of the asset or not. If the Company no longer controls the asset, the asset is derecognized.

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 Company 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 Company 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 Company 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 Company 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."

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.

- Derivatives designated as hedging instruments

In order to classify a financial instrument as a derivative hedging instrument, the Company 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 Company designates the derivative financial instrument as a fair value hedge or a cash flow hedge.

PROVISIONS

Provisions consist of provisions for employee benefits.

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.

DISTINCTION BETWEEN LIABILITIES AND EQUITY INSTRUMENTS

The financial instruments issued by the Company 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 fundamentally 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.”

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.

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 Company 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.

NET INCOME FROM FINANCIAL TRANSACTIONS (THEREOF NET GAINS OR LOSSES FROM FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS)

The net gains or losses from financial instruments measured at fair value through profit or loss include the unrealized result from fair value measurement, the realized result on disposal of the financial instrument, and current income from financial instruments measured at fair value through profit or loss.

In determining the unrealized result, all changes in fair value are included in the fair value measurement, so that changes in interest rates, credit ratings, exchange rates and other rates affect the net gains or losses from financial instruments measured at fair value through profit or loss.

Interest income and expenses and dividend income and expenses of financial instruments measured at fair value through profit or loss are classified as current income and recognized as net gains or losses from financial instruments measured at fair value through profit or loss.

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 Company's various pension plans.

EMPLOYEE BENEFITS

The Company may grant the following benefits to its 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 are defined benefit plans.

Defined benefit plans are plans under which the Company 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 "Other 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.

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.

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 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.

The conclusion of the profit transfer agreement of September 7, 2016 between Société Générale Effekten GmbH (subsidiary company) and Société Générale S.A. Frankfurt Branch (parent company) established an income tax unity with Société Générale S.A. Frankfurt Branch with retroactive effect to January 1, 2016. Due to this income tax unity, Société Générale Effekten GmbH does not present deferred taxes in its annual financial statements.

NOTES TO THE STATEMENT OF FINANCIAL POSITION

NOTE 3 – FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

| <i>(in euro thousands)</i> | 12/31/2016 | | 12/31/2015 | |
|---|-------------------|--------------------|-------------------|--------------------|
| | Assets | Liabilities | Assets | Liabilities |
| Held for trading | 7,582,259 | 7,583,867 | 13,859,504 | 13,859,132 |
| Financial instruments measured at fair value through profit or loss | 5,213,243 | 5,214,895 | 10,837,808 | 10,820,304 |
| Total | 12,795,502 | 12,798,762 | 24,697,312 | 24,679,436 |
| <i>thereof securities purchased or sold with a resale or repurchase agreement</i> | - | - | - | - |

The financial instruments measured at fair value through profit or loss are issued certificates and hedging transactions concluded with Société Générale S.A., Paris, in this connection. The fair value option was exercised for these financial instruments because they contain embedded derivatives that must be separated

HELD-FOR-TRADING FINANCIAL INSTRUMENTS

Financial assets

| <i>(in euro thousands)</i> | 12/31/2016 | 12/31/2015 |
|---------------------------------------|-------------------|-------------------|
| Bonds and other debt instruments | - | - |
| Equities and other equity instruments | - | - |
| Derivatives | 7,582,259 | 13,859,504 |
| Other financial assets | - | - |
| Total | 7,582,259 | 13,859,504 |

Financial liabilities

| <i>(in euro thousands)</i> | 12/31/2016 | 12/31/2015 |
|----------------------------|-------------------|-------------------|
| Securitized liabilities | - | - |

| | | |
|--|------------------|-------------------|
| Liabilities from loaned securities | - | - |
| Bonds and other short-sale debt instruments | - | - |
| Equities and other short-sale debt instruments | - | - |
| Derivatives | 7,583,867 | 13,859,132 |
| Other financial liabilities | - | - |
| Total | 7,583,867 | 13,859,132 |

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

Assets

| <i>(in euro thousands)</i> | 12/31/2016 | 12/31/2015 |
|---------------------------------------|-------------------|-------------------|
| Bonds and other debt instruments | 5,213,243 | 10,837,808 |
| Equities and other equity instruments | - | - |
| Loans to customers | - | - |
| Other financial assets | - | - |
| Special fund for employee benefits | - | - |
| Total | 5,213,243 | 10,837,808 |

The bonds and other debt instruments consist of countertrades to certificates issued by the Company.

Liabilities

| <i>(in euro thousands)</i> | 12/31/2016 | 12/31/2015 |
|--|-------------------|-------------------|
| Securitized liabilities | 5,214,895 | 10,820,304 |
| Liabilities from loaned securities | - | - |
| Bonds and other short-sale debt instruments | - | - |
| Equities and other short-sale equity instruments | - | - |
| Other financial liabilities | - | - |
| Special fund for employee benefits | - | - |
| Total | 5,214,895 | 10,820,304 |

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

| <i>(in euro thousands)</i> | 01/01/2016- 12/31/2016 | 01/01/2015- 12/31/2015 |
|-----------------------------------|-----------------------------------|-----------------------------------|
| Net result from trading portfolio | - | - |

| | | |
|--|-----------|-------------|
| Net result from financial instruments for which the fair value option is exercised | (95) | (27) |
| Net result from derivative financial instruments | 167 | 74 |
| Net result from hedging instruments | - | - |
| <i>Net result from fair value hedging instruments</i> | - | - |
| <i>Remeasurement of underlying transactions in relation to the hedged risk</i> | - | - |
| Net result from foreign currency transactions | (18) | (63) |
| Total | 54 | (16) |

NOTE 4 – DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are divided into the two categories of “held for trading” and “derivative hedging instruments.” Because the Company does not employ hedge accounting, there are no derivatives concluded for hedging purposes.

HELD-FOR-TRADING DERIVATIVE FINANCIAL INSTRUMENTS

| <i>(in euro thousands)</i> | 12/31/2016 | | 12/31/2015 | |
|-------------------------------------|-------------------|--------------------|-------------------|--------------------|
| | Assets | Liabilities | Assets | Liabilities |
| Interest rate instruments | 67,548 | 67,603 | 261,876 | 262,240 |
| Foreign currency instruments | 343,384 | 334,315 | 310,805 | 259,810 |
| Equity and index instruments | 6,459,296 | 6,459,884 | 11,326,839 | 11,352,786 |
| Commodity instruments | 712,031 | 722,064 | 1,959,984 | 1,984,296 |
| Credit derivatives | - | - | - | - |
| Other financial futures instruments | - | - | - | - |
| Total | 7,582,259 | 7,583,867 | 13,859,504 | 13,859,132 |

NOTE 5 – 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 annual 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 Company 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, 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).

FINANCIAL ASSETS MEASURED AT FAIR VALUE

| <i>(in euro thousands)</i> | 12/31/2016 | | | | 12/31/2015 | | | |
|---|------------|------------|---------|------------|------------|------------|---------|------------|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| Held for trading | - | - | - | - | - | - | - | - |
| Bonds and other debt instruments | - | - | - | - | - | - | - | - |
| Other financial assets | - | - | - | - | - | - | - | - |
| Financial assets for which the fair value option was exercised | - | 4,894,689 | 318,554 | 5,213,243 | - | 10,585,817 | 251,991 | 10,837,808 |
| Bonds and other debt instruments | - | 4,894,689 | 318,554 | 5,213,243 | - | 10,585,817 | 251,991 | 10,837,808 |
| Equities and other equity instruments | - | - | - | - | - | - | - | - |
| Loans to customers | - | - | - | - | - | - | - | - |
| Other financial assets | - | - | - | - | - | - | - | - |
| Special fund for employee benefits | - | - | - | - | - | - | - | - |
| Derivatives in the trading portfolio | - | 7,543,758 | 38,501 | 7,582,259 | - | 13,838,998 | 20,506 | 13,859,504 |
| Interest rate instruments | - | 67,548 | - | 67,548 | - | 261,876 | - | 261,876 |
| Foreign currency instruments | - | 343,384 | - | 343,384 | - | ~ | - | 310,805 |
| Equity and index instruments | - | 6,420,795 | 38,501 | 6,459,296 | - | 11,306,333 | 20,506 | 11,326,839 |
| Commodity instruments | - | 4,413,286 | - | 4,413,286 | - | 3,748,361 | - | 3,748,361 |
| Credit derivatives | - | - | - | - | - | - | - | - |
| Other financial futures instruments | - | - | - | - | - | - | - | - |
| Hedging derivatives | - | - | - | - | - | - | - | - |
| Foreign currency instruments | - | - | - | - | - | - | - | - |
| Total financial assets at fair value | - | 12,438,447 | 357,055 | 12,795,502 | - | 24,424,815 | 272,496 | 24,697,311 |

FINANCIAL LIABILITIES MEASURED AT FAIR VALUE

| <i>(in euro thousands)</i> | 12/31/2016 | | | | 12/31/2015 | | | |
|----------------------------|------------|---------|---------|-------|------------|---------|---------|-------|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| Held for trading | - | - | - | - | - | - | - | - |

| | | | | | | | | |
|--|------------------|-------------------|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Securitized liabilities | - | - | - | - | - | - | - | - |
| Liabilities from 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 | 4,896,341 | 318,554 | 5,214,895 | - | 10,568,313 | 251,991 | 10,820,304 | - |
| Securitized liabilities | - | 4,896,341 | 318,554 | 5,214,895 | - | 10,568,313 | 251,991 | 10,820,304 |
| Trading derivatives | - | 7,545,366 | 38,501 | 7,583,867 | - | 13,838,626 | 20,506 | 13,859,132 |
| Interest rate instruments | - | 67,603 | - | 67,603 | - | 262,240 | - | 262,240 |
| Foreign currency instruments | - | 334,315 | - | 334,315 | - | 259,810 | - | 259,810 |
| Equity and index instruments | - | 6,421,383 | 38,501 | 6,459,884 | - | 11,332,280 | 20,506 | 11,352,786 |
| Commodity instruments | - | 722,064 | - | 722,064 | - | 1,984,296 | - | 1,984,296 |
| Credit derivatives | - | - | - | - | - | - | - | - |
| Hedging derivatives | - | - | - | - | - | - | - | - |
| Foreign currency instruments | - | - | - | - | - | - | - | - |
| Total financial liabilities at fair value | - | 12,441,707 | 357,055 | 12,798,762 | - | 24,406,939 | 272,497 | 24,679,436 |

CHANGES IN LEVEL 3 FINANCIAL INSTRUMENTS

Financial assets measured at fair value

| <i>(in euro thousands)</i> | Balance at 01/01/2016 | Additions | Sales/ redemptions | Reclassifications to Level 2 |
|---------------------------------------|------------------------------|------------------|---------------------------|-------------------------------------|
| Held for trading | - | - | - | - |
| Bonds and other debt instruments | - | - | - | - |
| Equities and other equity instruments | - | - | - | - |

| | | | | |
|---|----------------|----------------|------------------|-----------------|
| Other trading assets | - | - | - | - |
| Financial assets for which the fair value option was exercised wurde | 251,991 | 167,812 | (244,921) | (12,513) |
| Bonds and other debt instruments | 251,991 | 167,812 | (244,921) | (12,513) |
| Equities and other equity instruments | - | - | - | - |
| Other financial assets | - | - | - | - |
| Separate assets from employee programs | - | - | - | - |
| Trading derivatives | 20,506 | 15,120 | (300,238) | (1,947) |
| Interest rate instruments | - | - | - | - |
| Foreign currency instruments | - | - | - | - |
| Equity and index instruments | 20,506 | 15,120 | (300,238) | (1,947) |
| Commodity instruments | - | - | - | - |
| Credit derivatives | - | - | - | - |
| Other financial futures instruments | - | - | - | - |
| Total financial assets at fair value | 272,497 | 182,932 | (545,159) | (14,460) |

| <i>(in euro thousands)</i> | Reclassifications from Level 2 | Period gains and losses | Exchange rate differences | Balance at 12/31/2016 |
|---|--------------------------------|-------------------------|---------------------------|-----------------------|
| Held for trading | - | - | - | - |
| Bonds and other debt instruments | - | - | - | - |
| Equities and other equity instruments | - | - | - | - |
| Other trading assets | - | - | - | - |
| Financial assets for which the fair value option was exercised | 48,781 | 107,404 | - | 318,554 |
| Bonds and other debt instruments | 48,781 | 107,404 | - | 318,554 |
| Equities and other equity instruments | - | - | - | - |
| Other financial assets | - | - | - | - |
| Separate assets from employee programs | - | - | - | - |
| Trading derivatives | - | 305,060 | - | 38,501 |
| Interest rate instruments | - | - | - | - |
| Foreign currency instruments | - | - | - | - |
| Equity and index instruments | - | 305,060 | - | 38,501 |
| Commodity instruments | - | - | - | - |
| Credit derivatives | - | - | - | - |
| Other financial futures instruments | - | - | - | - |
| Total financial assets at fair value | 48,781 | 412,731 | - | 357,055 |

Financial liabilities measured at fair value

| <i>(in euro thousands)</i> | Balance at 01/01/2016 | Issues | Repurchases/ resales | Redemptions |
|--|-----------------------|--------|----------------------|-------------|
| Held for trading | - | - | - | - |
| Securitized liabilities | - | - | - | - |
| Liabilities from 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 | 251,991 | 167,812 | (244,921) | - |
| Securitized liabilities | 251,991 | 167,812 | (244,921) | - |
| Trading derivatives | 20,506 | 15,120 | (300,238) | - |
| Interest rate instruments | - | - | - | - |
| Foreign currency instruments | - | - | - | - |
| Equity and index instruments | 20,506 | 15,120 | (300,238) | - |
| Commodity instruments | - | - | - | - |
| Credit derivatives | - | - | - | - |
| Other financial futures instruments | - | - | - | - |
| Total financial liabilities at fair value | 272,497 | 182,932 | (545,159) | - |

| <i>(in euro thousands)</i> | Reclassificati ons to Level 2 | Reclassificati ons from Level 2 | Period gains or losses | Exchange rate differences | Balance at 12/31/2016 |
|--|----------------------------------|---------------------------------------|------------------------------|------------------------------|--------------------------|
| Held for trading | - | - | - | - | - |
| Securitized liabilities | - | - | - | - | - |
| Liabilities from loaned securities | - | - | - | - | - |
| Bonds and other short-sale bond instruments | - | - | - | - | - |
| Equities and other short-sale equity instruments | - | - | - | - | - |
| Other financial liabilities | - | - | - | - | - |
| Financial liabilities for which the fair value option was exercised | (12,513) | 48,781 | 107,404 | - | 318,554 |
| Securitized liabilities | (12,513) | 48,781 | 107,404 | - | 318,554 |
| Trading derivatives | (1,947) | - | 305,060 | - | 38,501 |
| Interest rate instruments | - | - | - | - | - |
| Foreign currency instruments | - | - | - | - | - |
| Equity and index instruments | (1,947) | - | 305,060 | - | 38,501 |
| Commodity instruments | - | - | - | - | - |
| Credit derivatives | - | - | - | - | - |
| Other financial futures instruments | - | - | - | - | - |
| Total financial liabilities at fair value | (14,460) | 48,781 | 412,464 | - | 357,055 |

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 Company 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 S.A., Paris.

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 Finance Directorate for Key Customers and Investors (GBIS) of Société Générale S.A., Paris, 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 Company), 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 Company'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 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 | 123,768 | 123,768 | 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 |
| Rates and forex | - | - | 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 | 221,524 | 221,524 | CDO and index tranches | Method for projecting correlations and simulating collections | Correlation between default times |
| | | | Other credit derivatives | Credit default models | Change in the collection rate of the underlying assets of a single issuer |
| Commodity | 11,763 | 11,763 | Derivatives on commodity baskets | Valuation models for commodity options | Correlation between default times |
| | | | | | Quanto correlations |
| | | | | | Credit spreads |
| Total | 357,055 | 357,055 | | | Commodity correlations |

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 December 31, 2016 is estimated centrally in the Risk Department in Paris 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,
- Interest rates and currencies,
- 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 6 – RECEIVABLES FROM BANKS

LOANS TO AND RECEIVABLES FROM BANKS

| <i>(in euro thousands)</i> | 12/31/2016 | 12/31/2015 |
|--|-------------------|-------------------|
| Current accounts | 2,891 | 581 |
| Term deposits and loans | - | - |
| Loans and receivables without impairments | 2,891 | 581 |
| Impairments of individual receivables | - | - |
| Impairments of portfolios | - | - |
| Total net | 2,891 | 581 |

NOTE 7 – LIABILITIES TO BANKS

LIABILITIES TO BANKS

| <i>(in euro thousands)</i> | 12/31/2016 | 12/31/2015 |
|--|-------------------|-------------------|
| Deposits and current accounts | - | - |
| Forward liabilities | 407,223 | - |
| Other liabilities | 142- | - |
| Remeasurement of hedged items in the statement of financial position | - | - |
| Securities sold with repurchase agreements | - | - |
| Total | 407,365 | - |

NOTE 8 – OTHER ASSETS AND LIABILITIES

OTHER ASSETS

| <i>(in euro thousands)</i> | 12/31/2016 | 12/31/2015 |
|--|-------------------|-------------------|
| Paid guaranty deposits | - | - |
| Clearing accounts from securities transactions | (584) | - |
| Prepaid expenses | 1 | 1 |
| Miscellaneous other receivables | 466,190 | 159,157 |
| Total gross | 465,607 | 159,158 |
| Impairments | - | - |
| Total net | 465,607 | 159,158 |

The miscellaneous other receivables at December 31, 2016 mainly include receivables from the parent companies of SGSS and ALD (down payments for the acquisition of these companies); at December 31, 2015, deal-related suspense accounts were mainly presented under miscellaneous other receivables. The increase resulted mainly from down payments for investments in subsidiaries.

OTHER LIABILITIES

| <i>(in euro thousands)</i> | 12/31/2016 | 12/31/2015 |
|--|-------------------|-------------------|
| Income collected in advance | - | - |
| Clearing accounts from securities transactions | (2,592) | 17,475 |
| Other securities transactions | - | - |
| Liabilities for employee benefits | (2) | (5) |
| Deferred income | - | - |
| Miscellaneous other liabilities | 58,913 | 158,803 |
| Total | 56,319 | 176,273 |

The miscellaneous other liabilities mainly include balances of deal-related suspense accounts. The decrease resulted mainly from transfers to the deal-related asset accounts.

NOTE 9 – PROVISIONS

The provisions recognized in the statement of financial position at December 31, 2016 consist entirely of provisions for employee benefits.

Breakdown of significant provisions at the reporting date:

| <i>(in euro thousands)</i> | Note | 12/31/2016 | 12/31/2015 |
|----------------------------------|----------------|-------------------|-------------------|
| Provisions for employee benefits | <i>Note 10</i> | 500 | 406 |
| Total | | 500 | 406 |

NOTE 10 – EMPLOYEE BENEFITS

The Company grants the following benefits to its 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:

| <i>(in euro thousands)</i> | Provisions for employee benefits |
|-------------------------------------|---|
| Balance at 01/01/2016 | 406 |
| Additions | 36 |
| Available reversals of impairments | - |
| Net additions | 36 |
| Recognized reversals of impairments | - |
| Other changes | 58 |
| Balance at 12/31/2016 | 500 |

POST-EMPLOYMENT BENEFITS

In calculating the provision for employee benefits, an actuarial interest rate of 1.70% (PY: 2.50%), a salary trend of 2.81% (PY: 2.90%) and a pension trend of 1.81% (PY: 1.90%) were assumed.

The Company's retirement benefits consist of the following pension plans:

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.

OTHER LONG-TERM BENEFITS TO EMPLOYEES

The other long-term benefits granted to employees of the Company 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 not payable in full within 12 months of the end of the reporting period in which the related service was provided.

The Company either grants no other long-term benefits to employees or any such benefits are negligibly small. A bonus is paid to employees only for many years of service (two employees affected). This bonus amounted to EUR 25 thousand at 12/31/2016.

NOTE 11 – INCOME TAXES

INCOME TAX EXPENSES

| <i>(in euro thousands)</i> | 01/01/2016- 12/31/2016 | 01/01/2015- 12/31/2015 |
|----------------------------|-----------------------------------|-----------------------------------|
|----------------------------|-----------------------------------|-----------------------------------|

| | | |
|----------------------|-----------|-----------|
| Current income taxes | - | 30 |
| Deferred taxes | 65 | 21 |
| Total | 65 | 51 |

RECONCILIATION OF THE COMPANY'S STATUTORY TAX RATE WITH THE EFFECTIVE TAX RATE

| <i>(in euro thousands)</i> | 01/01/2016- 12/31/2016 | 01/01/2015- 12/31/2015 |
|--|-----------------------------------|-----------------------------------|
| Profit before taxes, excluding the result of companies accounted for by the equity method and impairments of goodwill | 54 | 154 |
| Normal tax rate applicable for German companies | 32% | 32% |
| Theoretical income tax | (17) | (49) |
| Current taxes | - | (30) |
| Permanent differences/ deferred taxes | (65) | (21) |
| Difference from tax-exempt securities or securities taxes at a reduced rate | - | - |
| Tax rate difference from profits taxed abroad | - | - |
| Effect of non-deductible losses in the financial year and the use of loss carry-forwards | - | - |
| Effective tax rate | - | 33% |

Due to the tax unity in effect as of 2016, no more income taxes are incurred at the level of the Company. The tax expenses presented in the income statement in the amount of EUR 65 thousand resulted from deferred taxes. In view of the tax unity, an effective tax rate has not been calculated for 2016.

In financial year 2015, the Company was subject to the 32% tax rate applicable to German companies on the profit before taxes in the amount of EUR 154 thousand. . The Company incurred current income taxes of EUR 30 thousand and deferred taxes of EUR 21 thousand in 2015, reflecting an effective tax rate of 33%.

TAX ASSETS AND TAX LIABILITIES

Tax assets

| <i>(in euro thousands)</i> | 12/31/2016 | 12/31/2015 |
|--|------------|------------|
| Current tax assets | 5 | 20 |
| Deferred tax assets | - | 47 |
| <i>thereof deferred taxes on loss carry-forwards</i> | - | - |
| <i>thereof deferred taxes on temporary differences</i> | - | 47 |
| Total | 5 | 67 |

Tax liabilities

| <i>(in euro thousands)</i> | 12/31/2016 | 12/31/2015 |
|----------------------------|------------|------------|
| Current tax expenses | 44 | - |
| Deferred tax expenses | - | - |
| Total | 44 | - |

DEFERRED TAXES ON ITEMS THAT WERE RECOGNIZED DIRECTLY IN EQUITY

| <i>(in euro thousands)</i> | 12/31/2016 | 12/31/2015 |
|--|------------|------------|
| On items to be reclassified to profit or loss at a later time | - | - |
| Available-for-sale financial assets | - | - |
| Derivative hedging instruments | - | - |
| On items not to be reclassified to profit or loss at a later time | 38* | 19 |
| Actuarial gains and losses on post-employment benefits | 38 | 19 |
| Total | 38 | 19 |

* This amount is posted to the Other reserves.

NOTE 12 – EQUITY

SGE's equity amounted to EUR 1,016 thousand at December 31, 2016 (December 31, 2015: EUR 1,003 thousand). It is composed of subscribed capital in the amount of EUR 26 thousand (December 31, 2015: EUR 26 thousand) and SGE's profit carried forward, calculated in accordance with IFRS, in the amount of EUR 1,1 million. Other components of equity are the Other reserves in the amount of EUR (157) thousand and the financial year net profit of EUR 54 thousand.

Changes in equity during the financial year are indicated in the statement of changes in equity on pages 7 - 8.

NOTE 13 – INTEREST INCOME AND INTEREST EXPENSES

| <i>(in euro thousands)</i> | 01/01/2016-12/31/2016 | | | 01/01/2015-12/31/2015 | | |
|--|-----------------------|----------|-------|-----------------------|----------|-----|
| | Income | Expenses | Net | Income | Expenses | Net |
| Transactions with banks | - | (144) | (144) | (1) | (8) | (9) |
| Transactions with customers | - | - | - | - | - | - |
| Transactions with financial instruments | - | - | - | - | - | - |
| Held-to-maturity financial assets | - | - | - | - | - | - |
| Issued bonds | - | - | - | - | - | - |
| Subordinated liabilities and convertible bonds | - | - | - | - | - | - |
| Other financial instruments | - | - | - | - | - | - |
| Total interest income and interest expenses | - | (144) | (144) | (1) | (8) | (9) |

NOTE 14 – COMMISSION INCOME AND EXPENSES

| <i>(in euro thousands)</i> | 2016 | | | 2015 | | |
|-------------------------------|--------|----------|-----|--------|----------|-----|
| | Income | Expenses | Net | Income | Expenses | Net |
| Transactions with banks | - | (5) | (5) | - | (4) | (4) |
| Transactions with customers | - | - | - | - | - | - |
| Loan and guaranty commitments | - | - | - | - | - | - |
| Services | - | - | - | - | - | - |
| Other | - | - | - | - | - | - |
| Total | - | (5) | (5) | - | (4) | (4) |

NOTE 15 – OTHER OPERATING INCOME AND EXPENSES

Other operating income consists of the shareholder's assumption of expenses for services with a 5% cost-plus mark-up. The services consist of the administrative processing of the issuance business. It amounted to EUR 2,323 thousand (PY: EUR 4,920 thousand) in financial year 2016.

Other operating expenses mainly consist of issuance expenses, legal and consulting expenses and stock exchange expenses.

NOTE 16 – TRANSACTIONS IN FOREIGN CURRENCIES

The assets and liabilities arising from transactions in foreign currencies are presented in the table below:

| <i>(in euro thousands)</i> | 12/31/2016 | | 12/31/2015 | |
|----------------------------|-------------------|--------------------|-------------------|--------------------|
| | Assets | Liabilities | Assets | Liabilities |
| SEK | 2,843,470 | 2,843,470 | 4,046,658 | 4,046,658 |
| USD | 13,159 | 13,159 | 57,016 | 57,016 |
| GBP | 111,536 | 111,536 | 174,609 | 174,609 |
| AUD | - | - | (0) | (0) |
| Other currencies | 9,389 | 9,389 | 9,015 | 9,015 |
| Total | 2,977,554 | 2,977,554 | 4,287,298 | 4,287,298 |

Foreign currency transactions were conducted in SEK in the amount of EUR 131 million and EUR 2 million in GBP in financial year 2016. At the reporting date, all assets and liabilities arising from transactions in foreign currencies are recognized in the item of Financial assets and liabilities measured at fair value through profit or loss.

ADDITIONAL DISCLOSURES

NOTE 17 – SEGMENT REPORT

The Company's business object is the issuance of options and certificates in Germany and Europe. The counterparties to which these products are sold are all wholly owned subsidiaries of the parent company Société Générale S.A., Paris, or the parent company itself. This business is not managed on the basis of different segments and business units.

NOTE 18 – OTHER FINANCIAL COMMITMENTS

In addition to the liabilities presented in the statement of financial position, the Company also has off-balance sheet other financial commitments under certificates for which the value date had not yet occurred at the date hereof. The maturity structure is indicated in the table below:

| <i>(in euro thousands)</i> | 12/31/2016 | 12/31/2015 |
|------------------------------------|-------------------|-------------------|
| Due within one year | 9,273 | 57,091 |
| Due in more than one to five years | 1,165 | 45,544 |
| Due after more than five years | 2,000 | - |
| Total | 12,437 | 102,635 |

NOTE 19 – DEALINGS WITH RELATED ENTITIES AND PERSONS

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

The related parties of the Company 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.

DEALINGS WITH RELATED PERSONS IN KEY POSITIONS

The managing directors are regarded as members of the Company in key positions of SG Effekten GmbH. Until December 31, 2016, the managing directors received compensation of EUR 22 thousand in the form of 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).

DEALINGS WITH ENTITIES OF THE SAME CORPORATE GROUP

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. The Company conducts hedging transactions with Société Générale S.A., Paris, in relation to the issued options and certificates.

Transactions conducted with related entities:

| <i>(in euro thousands)</i> | Existing balances at | |
|----------------------------|----------------------|-------------------|
| | 12/31/2016 | 12/31/2015 |
| Assets | 13,264,000 | 24,857,066 |
| Liabilities* | 12,034,095 | 23,555,497 |
| Income | 11,395,943 | 24,803,140 |
| Expenses | 16,422,852 | 22,855,398 |

*Placements with third parties are excluded from liabilities.

NOTE 20 – TRUST BUSINESS

In addition to the transactions presented in the statement of financial position, the Company operates within the scope of a trust agreement with the sole shareholder Société Générale S.A., Paris. In this connection, Société Générale Effekten GmbH handles the issuance of debt instruments in its own name and for account of Société Générale S.A., Paris, within the scope of trust activities. The certificates issued under trust activities are offset by hedging transactions of the same amount. These amounts are not presented in the statement of financial position because the Company has no power of disposal over them. The volume of trust transactions measured at fair value amounted to EUR 2,356,033 thousand at the reporting date (PY: EUR 4,538,542).

NOTE 21 – SIGNIFICANT EVENTS AFTER THE REPORTING DATE

With effect at 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. France were sold to Société Générale Effekten GmbH.

Aside from the foregoing, no further events that would have a material effect on the Company's financial position, cash flows and financial performance have occurred since the reporting date.

NOTE 22 – DISCLOSURES CONCERNING SIGNIFICANT RISKS FROM FINANCIAL INSTRUMENTS

The Company's risk situation is characterized by the manageable business structure and the Company's close integration into the Société Générale Group. The Company does not need to maintain its own risk management system or internal controls because all risks are transferred to the parent company under a "global guaranty."

Independently of the global guaranty, the risk situation is described below:

DEFAULT RISKS

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

| <i>(in euro thousands)</i> | 12/31/2016 | 12/31/2015 |
|--|-------------------|-------------------|
| Financial assets measured at fair value through profit or loss | 12,795,502 | 24,697,311 |
| Available-for-sale financial assets | - | - |
| Derivative financial instruments held for hedging purposes | - | - |
| Loans to and receivables from banks | 2,891 | 581 |
| Loans to and receivables from customers | - | - |
| Receivables under finance leases | - | - |
| Other assets | 465,607 | 159,158 |
| Total | 13,264,000 | 24,857,050 |

There are no settlement risks because the payments from the sale of issued securities and from the purchase of hedging transactions and those resulting from exercises always offset each other. Receivables from concluded hedging transactions are owed exclusively by Société Générale S.A., Paris. The creditworthiness of Société Générale S.A., Paris, and its subsidiaries is determining for the assessment of the related risks.

MARKET PRICE RISKS

All market price risks from issued options and certificates are completely covered by hedging transactions with Société Générale S.A., Paris. Therefore, there are no price risks, currency risks or interest rate risks.

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.

Due to the integration into the Société Générale Group, no liquidity risks are currently discernible. The funding requirement is determined annually as part of the planning process and coordinated with Société Générale. Therefore, most funding is provided through credit lines of Société Générale.

Daily monitoring of cash flows and close coordination with the back-office departments in Paris ensure that the Company is always able to fulfill its payment obligations. Due to the integration into the Société Générale Group, no liquidity risks are currently discernible.

At 12/31/2016, a credit line in the amount of EUR 10 million was in effect with Société Générale S.A. Frankfurt Branch and has not been utilized.

In the Company's estimation, no liquidity risks for Société Générale Effekten GmbH are currently discernible with respect to the issued options and certificates due to the conclusion of maturity-matched hedging transactions with Société Générale S.A., Paris.

The maturities of the Company's receivables and liabilities at December 31, 2016 are presented in the table below:

| <i>(in euro thousands)</i> | Up to 3 months | 3 months to 1 year | 1 to 5 years | More than 5 years | Indefinite term | 12/31/2016 |
|--|------------------|--------------------|------------------|-------------------|-----------------|-------------------|
| Receivables from central banks | - | - | - | - | - | - |
| Financial assets measured at fair value through profit or loss | 1,329,464 | 2,925,768 | 2,643,839 | 5,134,266 | 762,165 | 12,795,502 |
| Receivables from banks | 2,891 | - | - | - | - | 2,891 |
| Receivables from customers | - | - | - | - | - | - |
| Other assets | 465,607 | - | - | - | - | 465,607 |
| Total receivables | 1,797,962 | 2,925,768 | 2,643,839 | 5,134,266 | 762,165 | 13,264,000 |

| <i>(in euro thousands)</i> | Up to 3 months | 3 months to 1 year | 1 to 5 years | More than 5 years | Indefinite term | 12/31/2016 |
|---|------------------|--------------------|------------------|-------------------|-----------------|-------------------|
| Liabilities to central banks | - | - | - | - | - | - |
| Financial liabilities measured at fair value through profit or loss | 1,328,908 | 2,919,275 | 2,643,471 | 5,144,943 | 762,165 | 12,798,762 |
| Liabilities to banks | 142 | - | - | 407,223 | - | 407,365 |
| Liabilities to customers | - | - | - | - | - | - |
| Securitized liabilities | - | - | - | - | - | - |
| Other liabilities | 56,319 | - | - | - | - | 56,319 |
| Total liabilities | 1,385,369 | 2,919,275 | 2,643,471 | 5,552,166 | 762,165 | 13,262,446 |
| Loan commitments received | - | - | - | - | 10,000 | 10,000 |
| Guaranty commitments received | - | - | - | - | - | - |
| Total commitments | - | - | - | - | 10,000 | 10,000 |

OPERATIONAL RISKS

Société Générale S.A., Paris, has developed processes and systems for monitoring and controlling operational risks, which are applied by Société Générale Effekten GmbH. These are mainly based on the principle of

permanent monitoring. Processes are documented in special applications and evaluated on the basis of predefined criteria in order to rule out losses from operational risks. These also include safeguards within the scope of the Business Continuity Plan (BCP) in order to continue seamless business operations in the event of infrastructure disruptions.

The same rules and principles applicable at Société Générale Effekten GmbH are also applied to the outsourced processes in the service centers in Bangalore and Bucharest. Adherence to the predefined processes is assured by means of standardized committees and key process indicators (KPIs).

The described measures and processes ensured that no significant operational risks arose in financial year 2016 in the areas of:

- Regulatory reports,
- Information technology risks,
- Outsourcing risks,
- Fraud risks.

Frankfurt, January 19, 2018

The Management

Françoise Esnouf

Helmut Höfer

Rainer Welfens

Auditors' report

To Société Générale Effekten GmbH, Frankfurt am Main

We audited the annual financial statements – consisting of the income statement and statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and notes to the financial statements – prepared by Société Générale Effekten GmbH, Frankfurt am Main, for the financial year from January 1 to December 31, 2016. The accounting records and the preparation of the annual financial statements according to IFRS, as they are to be applied in the EU, are the responsibility of the Company's legal representatives. Our task is to express an opinion of the annual financial statements on the basis of our audit.

We conducted our audit pursuant to Section 317 GCC in accordance with the German Generally Accepted Auditing Standards promulgated by the Institute of Public Auditors (IDW) and additionally in accordance with the International Standards on Auditing (ISA). According to these standards, the audit should be planned and executed in such a way as to detect, with reasonable assurance, any misstatements and violations that would materially affect the presentation of a true and fair view of the financial position, cash flows and financial performance in the annual financial statements according to IFRS, as they are to be applied in the EU. In determining the audit procedures, due consideration is given to our knowledge of the Company's business activity and its economic and legal environment, as well as any expectations of possible errors. In the course of the audit, the efficacy of the accounting-related internal control system and evidence for the statements made in the annual financial statements are assessed mainly on the basis of test samples. The audit includes an assessment of the accounting principles applied and the significant estimations of the legal representatives, as well as an assessment of the overall presentation of the annual financial statements. We believe that our audit provides a sufficiently certain basis for our opinion. Based on our audit, we have no reservations to note.

In our opinion, based on the knowledge we obtained in the audit, the annual financial statements of Société Générale Effekten GmbH, Frankfurt am Main, prepared in accordance with IFRS as they are to be applied in the EU, present a true and fair view of the Company's financial position, cash flows and financial performance.

Frankfurt am Main, January 22, 2018

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

(Nemet)
Auditor

(Bühmann)
Auditor

**Société Générale Effekten GmbH
Frankfurt am Main**

**Group Management Report
for the financial year from January 1 to December 31, 2017**

A. Basic information about the Group

I. Preliminary remarks

Société Générale Effekten GmbH (SGE), Frankfurt am Main, acquired the interests in Société Générale Securities Services GmbH (SGSS), Unterföhring, and ALD Lease Finanz GmbH (ALD LF), Hamburg, including its subsidiaries, 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.

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 both 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 and holding and management of equity investments.

Due to the introduction of the “European passport” and the fact that the responsible supervisory authority (BaFin) only has 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 a stock exchange in a country that is not a member of the European Union, approval is obtained through the corresponding supervisory authority 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 does not intend 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 partner to car dealers. Its aspiration is to promote the independence of car dealerships with its service portfolio and to increase the profitability of car dealers.

Together with cooperation partners, in particular the subsidiary Bank Deutsches Kraftfahrzeuggewerbe GmbH (BDK), Hamburg, car dealerships and their 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, assuming 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 cooperation 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 at which lending decisions and loan processing are carried out as part of a cooperation with the FFS Group. The FFS Group comprises three successful companies with specialized expertise: a bank, a leasing company and an insurance service that put their comprehensive expertise and capabilities to work for car dealers.

IV. Internal management system

Due to the different business models of individual Group companies, Group management is carried out locally in the individual segments and 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. General economic and sector-specific environment

The economic situation in Germany was characterized by strong growth in 2017. According to the preliminary calculations of the German Federal Statistical Office, inflation-adjusted gross domestic product in 2017 was 2.2% higher than in the preceding year. GDP had already grown substantially by 1.9% in 2016 and 1.7% in 2015.

Positive growth momentum was primarily provided by the domestic economy. Inflation-adjusted consumer spending increased by 2.0% in 2017 compared to last year, whereas government spending only rose by 1.4%. Gross fixed capital formation increased by 3.0% in 2017. On an inflation-adjusted basis, 3.5% more was invested in equipment – mainly machinery and equipment, as well as motor vehicles – than in 2016.

The unemployment rate declined substantially further in 2017. Based on the entire civilian labor force, this rate was 5.3% in December (PY: 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 declined markedly by 6.7%. At the same time, there was a modest increase in over-indebtedness. A total of 6.9 million people over 18 years of age were over-indebted in 2017 (PY: 6.8 million). The over-indebtedness ratio fell slightly from 10.06% to 10.04% due to the appreciable expansion of the population in the meantime.

The number of business bankruptcies declined again (-6.3%) to 20,200, the lowest level since 1994.

Political risks from the European elections in France and the Netherlands did not materialize. On the other hand, the independence efforts in Catalonia in the autumn made it clear that centrifugal forces are still strong in Europe; and the balance of political power in Italy after the parliamentary elections in the spring of 2018 is still uncertain due to the highly fragmented party system in that country.¹

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. By contrast, the U.S. central bank continued the turnaround in interest rates initiated in 2015 and raised its base interest rate several times. Nonetheless, the euro appreciated markedly against the dollar in 2017, reaching USD 1.20 (PY: 1.05 USD/EUR) at year's end.

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

Monetary policy in the advanced economics will be tightened only very gradually. The US central bank has raised its base interest rate on several occasions over the last two years; the now sixth increase in the target range to 1.25–1.5 percent was done on December 13. Despite the strengthening of the U.S. economy, financial markets apparently continue to anticipate a flat interest rate trajectory. This is mainly due to low inflation, which justifies a gradual increase in interest rates, according to the central bank. Moreover, the markets apparently do not yet expect that the economy will be strongly simulated by the fiscal stimulus.²

Issuance business

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

¹ Weltkonjunktur im Winter 2017 (The World Economy in Winter 2017) from the Kiel Institute Economic Reports

² Weltkonjunktur im Winter 2017 (The World Economy in Winter 2017) from the Kiel Institute Economic Reports

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 of 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.

Automobile industry

The German automobile market benefited again from the excellent economic environment in 2017. A total of 3,441,262 new cars were registered in 2017, 2.7% more than in the preceding year. Individual registrations, which increased by 4.4%, were mainly responsible for the overall increase.

The aftermath of the diesel emissions scandal was reflected in the registration statistics for the first time in 2017, with diesel vehicles only accounting for 38.8% of all new registrations (PY: 45.9%).

VW registered 3.3% fewer automobiles and again lost market share as a result; however, at 18.4%, it remained the unchallenged market leader in 2017 despite the diesel affair.

The number of Opel brand cars registered in 2017 was nearly the same as in 2016. Due to the fact that the market has grown in the meantime, the market share declined from 7.3% to 7.1%.

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

Asset Management

The German investment fund industry increased assets under management substantially in 2017 and had its second-best year for sales. Sales of mutual funds in particular increased substantially in 2017. Based on the BVI's investment statistics (excluding open-ended real estate funds), assets under management increased by 6.9% to EUR 2,839 billion (PY: EUR 2,655 billion). This increase was the result of both net fund inflows (EUR 129 billion) and asset appreciation (EUR 55 billion). Of the total net inflows, EUR 68 billion went to mutual funds and EUR 78 billion to special funds. Investment vehicles besides investment funds experienced net fund outflows of EUR 16 billion. With its self-managed assets (excluding open-ended real estate funds), SGSS ranks 11th place in the BVI's investment statistics.

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

II. Course of business

Global Banking and Investor Solutions

As a result of the intended goal to further extend the market position in Germany in 2017, the number of products issued in the segment of warrants increased by 38% and the number of products issued in the segment of certificates decreased by 7% from the previous year. Warrants for a total of 332,943 products were issued in financial year 2017 (PY: 241,682). A total of 166,938 warrants were issued for stocks, 63,962 for various indices, 22 for interest rates, 53,341 for currencies, 794 for volatility and 47,886 for commodities.

In addition, 30,095 certificates were issued in 2017 (PY: 32,280). These are mainly bonus and discount certificates, as in prior years.

In accordance with its plan, the Company's new issues were floated in unregulated stock exchange segments in Germany in 2017.

Financial Services to Corporates and Retails

New business in the area of sales financing increased compared with the previous year by EUR 26 million (1,68 %) to a total of EUR 1,587 million. The budgeted value of EUR 1,190 million was clearly exceeded (+33,4 %).

Accordingly, the volume of receivables in sales financing rose by 10% to EUR 3,483 million (PY: EUR 3,167 million). The budgeted amount of EUR 3,222 million was exceeded by 8.1%. The number of credit accounts rose by 6% to 350,568.

In the segment of dealer financing, the portfolio of EUR 1,073 million at the end of December 2017 exceeded the previous year's level by 48,0 % (EUR 725 million) and exceeded the budgeted amount of EUR 1.050 million by 2,2 %. The reason for this is the cooperation with Hyundai Capital Bank Europe for the KIA brand in 2017. In addition, sales activities outside of cooperation arrangements were stepped up considerably.

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

| Financial year | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|----------------------------|-------------|-------------|-------------|-------------|-------------|
| Additions to the portfolio | 18,718 | 17,315 | 16,762 | 21,313 | 22,435 |
| Portfolio of vehicles | 63,956 | 62,040 | 60,875 | 62,941 | 67,021 |

Asset Management

The Asset Management segment did not perform as well as expected in financial year 2017, posting an operating loss of EUR 12.8 million. Income depends essentially on the development of the assets under management. Income was slightly higher than expected at the end of 2017. However, the net banking result was 3% less than expected because new business led to recognized income only very late in the year and the income that is not dependent on assets under management declined in 2017. Due to extraordinary additional project expenses, operating expenses were 2% higher than expected. Other cost increases resulted particularly from the higher-than-expected management fees charged by the SG Group.

The projects to implement the statutory and regulatory requirements were a significant cost factor in 2017. The focus was on the projects for Fund Taxation (implementation of the German Investment Tax Reform Act (Investmentsteuerreformgesetz)), IFRS 9, and MiFID 2 implementation for our clients. In addition to the statutory and regulatory projects, we are working intensively on customer-related projects. In this regard, we successfully developed a front-to-back solution for international clients with our "Integra" product and have already placed it successfully in the market.

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 2017 from the perspective of the management.

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

a) Financial performance

The SGE Group's financial performance includes the period from January 1, 2017, to December 31, 2017. Due to the first-time preparation of consolidated financial statements, no prior-year comparison figures are shown.

| | In euro millions |
|--|------------------|
| | 12/31/2017 |
| Net interest income | 143 |
| Net commission income | 68 |
| Result from financial transactions | -2 |
| Result from other activities | -24 |
| Net banking result | 185 |
| Personnel expenses | -65 |
| Other administrative expenses | -49 |
| Depreciation, amortization and impairments | -3 |
| Gross operating result | 69 |
| Risk expenses | -11 |
| Operating result | 58 |
| Profit before taxes | 58 |
| Income taxes | 0 |
| Net profit of all companies included in consolidation | 58 |
| Non-controlling interests | 0 |
| Net profit (Group share) | 58 |

Net interest income in 2017 amounted to EUR 143 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 68.4 million in 2017, EUR 41.7 million of which can be attributed to the Financial Services to Corporates and Retail segment and EUR 26.7 million to the Asset Management segment.

The result from other activities of EUR -24 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.

The consolidated net banking result is EUR 185 million.

Key expense items in the Group include Personnel expenses and Other administrative expenses. Personnel expenses amount to EUR 65 million and Other administrative expenses to EUR 49 million, both primarily incurred in the Financial Services to Corporates and Retail and Asset Management segments.

The Group's net profit amounts to EUR 58 million in 2017, after taking into account non-controlling 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".

This segment incurred a loss of EUR -2,830 thousand in 2017. This can be attributed mainly to the difference in income collected under the cost-plus method, as well as the interest expenses of EUR 3.1 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 Retails

Net interest income increased further to EUR 146.0 million in 2017 as a result of robust new business and the associated increase in inventories.

Due to the brisk new business and the commission income from the brokerage of insurance policies realized as a result, net commission income came to EUR 41.7 million.

The risk provisions exceed the planned amount by EUR 2.0 million.

In total, the segment's net banking result of EUR 73.6 million is higher than the planned figure for the year.

Asset Management

The Asset Management segment generated a net banking result of EUR 28.6 million in 2017. It is mainly composed of net commission income. Net interest income amounts to EUR 0.4 million.

Administrative expenses amounted to EUR -41.4 million in 2017 and consisted mainly of personnel expenses in the amount of EUR 17.6 million and other administrative expenses in the amount of EUR 22.6 million. These include external costs for projects in the amount of EUR 5.8 million.

Including depreciation and amortization and income from other activities, the segment generated a higher-than-planned operating loss of EUR 12.8 million in 2017.

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

In the segment of Global Banking and Investor Solutions, cash transactions involving warrants and certificates arise from the issues and their hedging transactions, from the payment of personnel and other operating expenses, as well as their cost transfer to Société Générale S.A., Paris and Société Générale Frankfurt. 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 the Global Banking and Investor Solutions segment.

In addition to equity, the Group uses in particular financial funds from Société Générale S.A., Paris, with a fixed interest rate with bullet maturity or an amortizing structure in order to finance its leasing activities. We follow the principle of funding 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 to ensure the fundamental liquidity. At the reporting date, these credit lines amounted to EUR 5,106 million, from which 887 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 in four structures to date under the names "Red & Black", which are used for securitizations on the part of the Société Générale Group. At the reporting date, there were two active structures. We report liabilities to the special purpose entities from securitization under "Securitized liabilities". At the reporting date, these amounted to EUR 798 million (January 1, 2017: EUR 1,385 million).

The Group has liquid funds in the amount of EUR 134 million at its disposal at December 31, 2017 (January 1, 2017: EUR 182 million).

Liabilities to banks increased to EUR 3,881 million, primarily as a consequence of higher term deposits (January 1, 2017: EUR 2,961 million).

Other financial liabilities rose by EUR 63 million to EUR 225 million compared with January 1, 2017. They include primarily liabilities for other administrative expenses.

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

At December 31, 2017, there are off-balance-sheet liabilities in the form of loan commitments in the amount of EUR 170 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.

Compared with the date of first-time consolidation on January 1, 2017, total assets decreased by EUR 7,237 million to EUR 10.089 million. This resulted mainly from the decrease in financial assets and liabilities measured at fair value through profit or loss in the Global Banking and Investor Solutions segment, due in part to the lower nominal amounts actually placed per product and in part to the delisting measures for unplaced products and the increased breaching of barrier levels leading to more product knock-outs.

Compared with January 1, 2017, receivables from customers increased by EUR 397 million to EUR 3,629 million. 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 3,483 million at December 31, 2017 (January 1, 2017: EUR 3,167 million).

Receivables from banks in the amount of EUR 158 million relate primarily to short-term deposits at Société Générale S.A. and Deutsche Bank AG.

The noncurrent assets of EUR 457 million (January 1, 2017: EUR 398 million) consist mainly of leasing assets in the amount of EUR 448 million (January 1, 2017: EUR 389 million) and intangible assets in the amount of EUR 7 million (January 1, 2017: EUR 7 million).

Receivables under leases amount to EUR 428 million at December 31, 2017 (January 1, 2017: EUR 390 million).

Other assets including tax assets include mainly prepaid expenses in the amount of EUR 60 million (January 1, 2017: EUR 72 million) and other receivables in the amount of EUR 85 million (January 1, 2017: EUR 122 million).

The liabilities of EUR 10,119 million consist mainly of financial liabilities measured at fair value through profit or loss in the amount of EUR 5,192 million and liabilities to banks in the amount of EUR 3,881 million resulting from the funding of the lending and leasing business and the borrowing of loans to acquire subsidiaries.

The Group's equity at December 31, 2017 amounted to EUR -29.8 million (January 1, 2017: EUR -37.4 million). Please refer to Note 19 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 2017.

IV. Financial/ non-financial performance indicators

Global Banking and Investor Solutions

Due to the fact that SG Effekten GmbH, which makes up the Global Banking and Investor Solutions segment, is a pure issuance vehicle of the Société Générale S.A. Group, which generates its income from the cost-plus agreements in effect with Société Générale S.A. Paris and Société Générale Frankfurt, financial performance indicators are not relevant.

The Company's internal management system is mainly operated through the systems and control procedures of the parent company. As part of its efforts to enhance operational efficiency, the parent company plans to continuously adjust and supplement the existing systems and control processes. Extensive improvements in the execution of the issuance process have led to efficiency enhancements that were necessary for increasing the issuance volume.

No other non-financial performance indicators are used.

Financial Services to Corporates and Retails

The net profit before profit transfer of the individual companies and return on equity (ROE) are used as financial performance indicators in the Financial Services to Corporates and Retail segment. ROE is the ratio of the result after taxes including subsidiaries to standardized equity. At this level, RoE for 2017 was 14%.

The number of new contracts in the leasing business represents another key figure. In 2017, 22,435 new leasing agreements were entered into. The contract portfolio expanded by 10% from 62,941 to 67,021 leases.

Asset Management

The fund assets managed in self-managed mutual funds and special funds, including funds of funds of SGSS, amounts to around EUR 61.3 billion at December 31, 2017. The increase over the previous year of around EUR 3.8 billion (+6%) resulted from fund inflows and asset appreciation. At the end of 2017, managed assets in direct investments amounted to around EUR 3.0 billion and were little changed from the previous year.

At December 31, 2017, the fund assets managed for other AMC's (insourcing) amounted to around EUR 29.2 billion, indicative of an increase in volumes of around EUR 2.5 billion from the previous year. This increase resulted from fund inflows and asset appreciation. Managed fund assets totaled around EUR 93.5 billion at December 31, 2017 (PY: EUR 87.1 billion).

With respect to the Key Performance Indicators (KPI) defined for our customers, the results were very good, as in the previous year. In total, more than 99% of all KPIs were again reached. The number of customer complaints declined from the previous year and remains at a constant low level.

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

I. Expected development of the Group (Forecast Report)

General economic developments

Despite the positive economic environment, the German, European and global economies are still exposed to risks as a result of expansive fiscal and monetary policies. A reversal toward a more restrictive monetary policy could particularly endanger countries and companies with high levels of debt.

In line with the economic research institutions, however, we anticipate positive economic growth in Germany of at least 2.0% in 2018.

In Europe, the European Central Bank (ECB) is currently sticking with its low interest rate policy; however, it is foreseeable that these measures cannot be continued as prices rise further. Purchases of government bonds are to be substantially reduced already in 2018. Therefore, it is questionable whether economic growth is sustainable in the medium term and can be sustained in the absence of structural reforms that would cushion the effects of rising interest rates and lower government spending.

Moreover, the tax reform in the United States of America (USA) is a potential risk factor for the German and European economy and is the subject of much debate. The tax cuts, which benefit businesses in particular, should generally have a positive effect on the overall global economy. However, there are fears in Germany and Europe that U.S. companies will withdraw their capital from Europe and transfer it to the United States and that Europe's attractiveness as a place to invest could be adversely affected.

Furthermore, "Brexit" is still in the negotiating phase, which is increasing the uncertainty among companies that export to the United Kingdom. Declining and possibly restricted trade, coupled with exchange rate fluctuations, could damage the economy on both sides. However, Britain's exit from the European Union (EU) could also entail positive effects for Germany because Germany could raise its profile as a financial center, among other things. Therefore, the ultimate consequences for Germany of protectionist measures in other countries are not foreseeable.

It was also shown in 2017 that political uncertainties, geopolitical conflicts and extreme weather conditions can present risks to economic growth and lead to high costs. Such unforeseeable events could also pose a threat in 2018 as well, leading to short-term and medium-term economic effects that should not be under-estimated.

Global Banking and Investor Solutions

The focus of Société Générale 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 expects that the entity's issuing activities will continue to expand. This relates in particular to the German market.

This desire can be further met with the help of automation already introduced in the issuing process in the previous years, 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 barrier levels are breached in a volatile market environment.

As in previous years, a broad range of products will also be offered in the area of warrants and certificates in 2018.

Including accrued interest on borrowed loans in the amount of around EUR 3 million and the reimbursements paid on the basis of cost-plus agreements, we expect a loss of around EUR 3 million before profit transfer to Société Générale Frankfurt on the basis of the existing profit transfer agreement.

At the Group level, Société Générale Effekten GmbH and its subsidiaries are managed primarily by the parent company Société Générale S.A., Paris, whose subsidiary controlling function covers these companies.

No liquidity shortfalls will occur.

Financial Services for Corporates

The Company's development is mainly dependent on the success of the Opel brand and the comparable treatment of dealer-owned leasing companies with the captive.

It remains to be seen what effect the sale of the Opel Group to PSA will have on the sales success of the Opel brand.

It is still not to be expected that Opel's detrimental marketing policy toward dealer-owned leasing companies compared with its own captive will be discontinued and so we expect similar business referral numbers in 2018 as in 2017 and therefore a financial year net profit at around the same level as in the past financial year.

For 2018, we anticipate a slightly higher volume of new business and a profit before profit transfer and a return on equity at around the same levels as in the past financial year.

Asset Management

We anticipate a continued positive economic environment in 2018, supported by expansive monetary and fiscal policies. This should have a positive effect on demand for fund products among both individual and institutional investors and also support the financial markets. Accordingly, we expect our fund volume to rise by around 8% over the 2017 level, which should have a positive effect on our net commission income. In addition, we anticipate a slight decrease in project expenditures particularly as a result of lower expenditures for the implementation of legal requirements. Most of the investment budget freed up as a result of these developments will be reinvested in customer projects and product developments. We also expect an increase in personnel expenses due to wage increases and the filling of vacant positions. As part of our product development efforts, we plan to further expand our middle-office offering and implement the product of "tax-exempt share classes". In addition, we are working on the digitalization of internal processes and interfaces with our customers. Overall, we expect to reduce our operating loss by around EUR 2 million to around EUR 11 million.

As in the previous years, we want to keep the quality of our services at the same high level and improve it on the basis of feedback from our customers. One of our most important quality indicators is the high degree of KPI target attainment.

For the following years, we expect a steady improvement of the profit before taxes and profit transfer. In addition to a modestly rising cost base, we expect to improve our net commission

income substantially by expanding our business with new and existing customers and continually routing income to new products.

Overall appraisal

In consideration of the foregoing segment forecasts, the management anticipates an overall positive development of the Group.

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 risks arising in connection with a "Global Guarantee" are 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 default risks
- Market price and residual value risks
- Liquidity risks
- Operational risks
- Business and reputational risks
- Compliance risks

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

Work 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". Protests and complaints 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 default risks

Global Banking and Investor Solutions

The Company is not exposed to settlement risks 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 Retails

The Credit Risk Management area (CRM) of the subsidiary BDK manages the credit risks of this segment. 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 1,279 exposures, with the 307 largest borrowers accounting for 70 % 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 funding activities, we have sold the majority of the purchase financing portfolio (EUR 916 million) within the Group on a non-recourse basis. 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 90% 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.

We account for the identified and latent credit risks by recognizing specific and global valuation allowances. The specific allowances for bad debt in sales financing are formed 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 1.0% of the sales financing portfolio (PY: 0.8%).

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% (PY: 5 %) for the purchase financing portfolio reported on the statement of financial position. The risk expenses resulting from the writedowns of receivables as well as the addition to and reversal of recognized valuation allowances amounted to EUR 1.7 million in the financial year.

The so-called Herfindahl index is used to measure concentration risk in the leasing business 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 December 31, 2017, both the new business portfolio as well as the existing portfolio exhibit values ranging between 0.23 and 0.46 with respect to size categories, terms, and products.

Asset Management

In Asset Management, counterparty default 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 the Group.

Please refer to our comments under Note 32 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 are no price risks, currency risks, or interest rate risks.

Financial Services to Corporates and Retails

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

We assumed the residual value risk for 54% of new contracts in financial year 2017 (PY: 48 %). Therefore, the percentage of vehicles for which ALD LF assumes the residual value risk is 53% (PY: 52 %) of the total volume and is therefore below the internal limit of 60%.

ALD LF relies on the expertise of AutoLeasing D GmbH, Hamburg (ALDD), for the assumption of residual value risk. ALD 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 Residual Value Committee. Forecasts are used 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 expected that some losses will be incurred in the marketing of the lease returns. A provision for anticipated losses was recognized for these anticipated marketing losses.

Overall, we are basing our planning on a break-even marketing result for 2018.

Since no loans are extended in foreign currencies in the Financial Services to Corporates and Retail segment and we refinance our operations 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 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 24,796 thousand (PY: EUR 19,201 thousand). Derivative financial instruments are not used.

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 default risk of the loan receivables 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 funding, the Group uses short and medium-term means of funding as well as interest rate swaps.

As a result of the funding 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 contracts.

Asset Management

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

c) Liquidity risks

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

It is ensured that the Company is capable of meeting its payment obligations at all times by monitoring the cash flows on a daily basis and by close coordination with the back office departments in Paris. No liquidity risks are discernible at the present time due to the integration with the Société Générale Group.

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 December 31, 2017, there was a total of EUR 887 million in freely disposable credit lines.

Please refer to Note 32 for the further presentation of the management of liquidity risk.

d) Operational risks

The Group strives to reduce its operational risks 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 risks. 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 Société Générale Effekten GmbH. Compliance with the specified processes is ensured by means of standardized committees and “Key Process 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 work instructions, and a functioning internal control system also minimize operational risk. Our service providers are integrated into BDK’s control system by means of regular reporting and outsourcing monitoring.

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 breaches of a duty to exercise due care and diligence vis-à-vis investors. The Group counters these risks in particular by means of the careful selection and continuing 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 performed with the aid of 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 to check functionality and operational readiness was successfully performed in the first quarter of 2018.

We were able to ensure through the described measures and processes that there were no significant losses resulting from operational risks within the Group in the following areas in 2017:

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

e) Business and reputational risks

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

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

f) Compliance risks

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. SGE's management focuses primarily on the "Global Guarantee" of the Société Générale Group. SGE's management determines the risk strategies and also decides 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 the procedural and organizational structure, rules have been issued to ensure 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 involved 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 counter-guarantees on the part of the Société Générale S.A. Frankfurt.

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.

The management anticipates a further increase in business activity.

Financial Services to Corporates and Retails

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 partnerships with car dealers and therefore on greater market penetration. 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 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 sales success is closely associated with the success of our sales partners – the cooperating dealers. Thanks to the cooperation arrangements in the individual segments with the manufacturer Opel, access was obtained to additional dealers of these brands. In particular thanks to the cooperation 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 business-referring car dealerships. All in all, we put our sales financing on sound footing by expanding such cooperation arrangements. 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.

The continued healthy state of the labor market and the rising incomes of private households should support a stable development of individual registrations and the used car market. The

discussion about the future of the diesel engine poses risks to the motor vehicle market and dealers.

In light of the positive economic outlook, the German Federation for Motor Trades and Repairs (ZDK) expects the new car market to remain stable at between 3.4 and 3.5 million vehicles in 2018, along with 7.2 to 7.4 million title transfers in the used car market, despite the discussion about the future of the diesel engine.

Asset Management

The environment for economic growth and investment is currently very positive and should continue to offer good chances for continuous growth. Expansive monetary policy continues to keep borrowing costs low as an incentive for investment and consumption. The primary surplus of the Federal Republic of Germany makes it possible to afford both higher government spending and debt reduction, leading to further economic growth and stable demand for workers. In times of low interest rates on savings deposits, retirement saving has become a topic of sustained interest, with a strong focus on investing in material assets. In this regard, investment funds offer the chance to sustainably earn good returns with appropriate risk diversification in many different investments. The fact that investors have recognized this chance is reflected in the fact that investment fund sales have been rising for years. Therefore, the stable trend of investing in funds should continue, leading to higher fund volumes for the Company.

With respect to investments, the Company is now able to focus again more on new products and customer wishes due to the reduced amount of investments required to implement new legal and regulatory requirements. In this respect, we observe that sustainable investment is becoming increasingly important for clients, who are therefore looking for appropriate solutions. As a service provider, we can develop and offer innovative solutions. SGSS has already begun to develop suitable products for this purpose. We have made substantial progress with the expansion of our European activities in league with our Group, creating very good chances to generate sustainable growth in accordance with the strategy of Société Générale. We see additional growth potential in the Master KVG business.

Overall appraisal

Taking into account the risks and opportunities described above, the management assesses the prospects for 2018 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 correction 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 Company must complete a course in money laundering and compliance once a year 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 are made available to the Audit Committee. The members of the Audit Committee also receive a summary report on SGE's issuing activities and its 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 are 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 SGE 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 observed. 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 redundantly 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 centers in Bangalore and Bucharest by entitled individuals in the Company.

Documentation of the processes

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 SGE 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 in Paris as well as in the outsourced service departments in Bangalore and Bucharest and monitored and controlled by employees of SGE in Frankfurt.

E. Non-financial Group statement

Due to the affiliation with the Société Générale Group, SGE Group avails itself 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 non-financial Group report in English annually on its website (www.societegenerale.com).

Frankfurt am Main, April 30, 2018

The Management

Société Générale Effekten GmbH



Françoise Esnouf



Helmut Höfer



Rainer Welfens

Consolidated Financial Statements of Société Générale Effekten GmbH

at December 31, 2017

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CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

| <i>(In euro thousands)</i> | Note | 12/31/2017 |
|--|-------------|----------------|
| Interest and similar income | Note 20 | 168,613 |
| Interest and similar expenses | Note 20 | -25,185 |
| Commission income | Note 21 | 86,011 |
| Commission expenses | Note 21 | -17,602 |
| Net result from financial transactions | | -2,185 |
| <i>thereof net gains or losses on financial instruments measured at fair value through profit or loss</i> | Note 4 | -2,272 |
| <i>thereof net gains or losses on available-for-sale financial assets</i> | Note 6 | 87 |
| Income from other activities | Note 24 | 227,203 |
| Expenses for other activities | Note 24 | -251,289 |
| Net banking income | | 185,566 |
| Personnel expenses | | -65,007 |
| Other administrative expenses | | -48,880 |
| Expenses for amortization, depreciation and impairments of intangible assets and property, plant and equipment | | -2,783 |
| Gross operating result | | 68,896 |
| Risk expenses | Note 22, 23 | -10,996 |
| Operating result | | 57,900 |
| Net gains or losses on other assets | | 11 |
| Impairments of goodwill | | - |
| Profit before taxes | | 57,911 |
| Income taxes | Note 18 | - |
| Net profit/loss of all companies in the consolidation group | | 57,911 |
| Non-controlling interests | | 112 |
| Net profit/loss (Group share) | | 57,799 |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(In euro thousands)

12/31/2017

| | |
|--|---------------|
| Net profit/loss | 57,911 |
| Gains and losses recognized directly in equity, that will or could be reclassified to profit or loss at a later time: | |
| Available-for-sale financial assets | -370 |
| Net measurement differences from hedging instruments | 1,370 |
| Reclassified to profit or loss | - |
| Taxes on items to be reclassified to profit or loss at a later time | -430 |
| 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 | 570 |
| Comprehensive income (net profit/loss and other comprehensive income) | 58,481 |
| thereof Group share | 58,742 |
| thereof non-controlling interests | -261 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – ASSETS

| <i>(In euro thousands)</i> | Note | 12/31/2017 | 01/01/2017 |
|---|--------------|-------------------|-------------------|
| Financial assets at fair value through profit or loss | Note 4, 5, 7 | 5,194,717 | 12,806,193 |
| Available-for-sale financial assets | Note 6 | 74,321 | 83,664 |
| Loans to and receivables from banks | Note 8 | 157,587 | 214,988 |
| Loans to and receivables from customers | Note 8, 9 | 3,629,045 | 3,232,425 |
| Receivables under finance leases | Note 8, 15 | 428,203 | 390,123 |
| Tax assets | Note 18 | 25,537 | 8,999 |
| Other assets | Note 14 | 119,456 | 188,727 |
| Property, plant and equipment and intangible assets | Note 12 | 456,817 | 398,206 |
| Goodwill | Note 13 | 3,569 | 3,569 |
| Total | | 10,089,252 | 17,326,894 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – EQUITY AND LIABILITIES

| <i>(In euro thousands)</i> | Note | 12/31/2017 | 01/01/2017 |
|--|--------------|-------------------|-------------------|
| Financial liabilities at fair value through profit or loss | Note 4, 5, 7 | 5,192,135 | 12,802,424 |
| Liabilities to banks | Note 10 | 3,880,971 | 2,961,353 |
| Liabilities to customers | Note 10 | 1,997 | 2,372 |
| Securitized liabilities | Note 9, 10 | 797,652 | 1,385,193 |
| Tax liabilities | Note 18 | 3,848 | 33,993 |
| Other liabilities | Note 14 | 225,289 | 162,023 |
| Provisions | Note 16, 17 | 17,160 | 16,936 |
| Total liabilities | | 10,119,051 | 17,364,295 |
| EQUITY | Note 19 | | |
| Subscribed capital | | 26 | 26 |
| Profit carried forward | | 1,138 | 1,138 |
| Consolidated provisions | | -88,765 | -37,400 |
| Financial year profit/loss | | 57,799 | - |
| Subtotal | | -29,803 | -36,236 |
| Other comprehensive income | | -129 | -699 |
| Subtotal equity (Group share) | | -29,932 | -36,935 |
| Non-controlling interests | | 133 | -465 |
| Total equity | | -29,799 | -37,400 |
| Total | | 10,089,252 | 17,326,894 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| <i>(In euro thousands)</i> | Equity at 01/01/2017 | Gains and losses recognized directly in equity | Other changes | Net profit/loss | Equity at 12/31/2017 |
|---|-------------------------|--|------------------|--------------------|-------------------------|
| Capital and related reserves | | | | | |
| Subscribed capital | 26 | | | | 26 |
| Profit carried forward | 1,138 | | | | 1,138 |
| Consolidated reserves | -37,400 | | -51,365 | | -88,765 |
| Net profit/loss (Group share) | - | | | 57,799 | 57,799 |
| Total | -37,374 | | -51,365 | 57,799 | -29,803 |
| Gains and losses recognized directly in equity, to be reclassified to profit or loss at a later time (after taxes) | | | | | |
| Available-for-sale financial assets | 293 | -370 | | | -77 |
| Remeasurement differences from hedging instruments | (1,452) | 1,370 | | | -82 |
| Reclassified to profit or loss | | | | | |
| Taxes on items to be reclassified to profit or loss at a later time | 460 | -430 | | | 30 |
| Total | (699) | 570 | | | -129 |
| 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 | - | | | | |
| Equity, Group share | -36,935 | 570 | -54,808 | 61,241 | -29,932 |
| Non-controlling interests | | | | | |
| Capital and reserves | (465) | | 486 | 112 | 133 |
| Total | (465) | | 486 | 112 | 133 |
| Total Group equity | 37,400 | 570 | -54,322 | 61,353 | -29,799 |

The Other changes resulted from the reversal in equity of deferred tax liabilities in the amount of EUR 27,085 thousand and liabilities to Société Générale S.A. Frankfurt Branch arising from the transfer of the 2017 profit calculated in accordance with the German Commercial Code (HGB) in the amount of EUR 78,450 thousand on the basis of the profit transfer agreement concluded by signature of September 7, 2016.

CONSOLIDATED STATEMENT OF CASH FLOWS

| <i>(In euro thousands)</i> | 12/31/2017 |
|---|-------------------|
| Net profit/loss | 57,911 |
| Expenses for depreciation and amortization of property, plant and equipment and intangible assets (including operating leases) | 84,902 |
| Expenses for impairments of property, plant and equipment and intangible assets (including operating leases) and net additions to provisions | 14,323 |
| Changes in deferred taxes | - |
| Net result on the sale of available-for-sale noncurrent assets and consolidated subsidiaries | -104 |
| Other changes | 12,461 |
| Non-monetary elements included in the net profit/loss after taxes, and other adjustments, excluding the result from financial instruments at fair value through profit or loss | 111,582 |
| Net result from financial instruments measured at fair value through profit or loss | 2,273 |
| Interbank transactions | 2,372,762 |
| Transactions with customers | -403,504 |
| Transactions with other financial assets/ liabilities | -3,003,986 |
| Transactions with other non-financial assets/ liabilities | 48,857 |
| Net increases/ decreases in operating assets/ liabilities | -983,598 |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | -814,105 |
| Thereof cash flow from interest | 143,101 |
| Thereof cash flow from taxes | -13,204 |
| Thereof dividends paid | - |
| Cash flows from purchases and sales of financial assets and equity investments | 80 |
| Cash flows from purchases and sales of property, plant and equipment and intangible assets | -153,693 |
| NET CASH FLOWS FROM INVESTING ACTIVITIES | -153,613 |
| Cash flows from/ to shareholders | 0 |
| Other cash flows from financing activities | 917,072 |
| NET CASH FLOWS FROM FINANCING ACTIVITIES | 917,072 |
| NET CASH FLOWS FROM CASH AND CASH EQUIVALENTS | -50,647 |

| | |
|---|----------------|
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR | 131,918 |
| Net inflows/outflows to/from accounts, sight deposits and deposits/loans with banks | -50,647 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR | 81,271 |

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 December 31, 2017, cash and cash equivalents consisted only of call deposits with banks in the amount of EUR 134 million (Note 8), less loans to banks payable at call in the amount of (deposits and current accounts) in the amount of EUR 53 million (Note 10).

The cash flows from interest amounted to EUR 143 million and the cash flows from taxes amounted to EUR -13 million. The taxes were prepaid amounts that were reclaimed.

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 and financing services and asset management.

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

The consolidated financial statements of Société Générale Effekten GmbH cover the period from January 1, 2017 to December 31, 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 as a binding requirement in financial year 2017. 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.

PROFIT TRANSFER AGREEMENT

By signature of September 7, 2016, Société Générale Effekten GmbH (subsidiary company) entered into a profit transfer agreement for an indefinite term with Société Générale S.A., Frankfurt (parent company), with retroactive effect to January 1, 2016. The agreement can be terminated after five financial years with advance notice of one month before the end of a financial year.

By signature of September 26, 2017, ALD Lease Finanz GmbH (subsidiary company) entered into a profit transfer agreement for an indefinite term with Société Générale Effekten GmbH (parent company).

By signature of December 1, 2017, Société Générale Securities Services GmbH (subsidiary company) entered into a profit transfer agreement for an indefinite term with Société Générale Effekten GmbH (parent company).

CONSOLIDATED TAX GROUP FOR INCOME TAX PURPOSES

The profit transfer agreement of September 7, 2016 between Société Générale Effekten GmbH (subsidiary company) and Société Générale S.A. Frankfurt Branch (parent company) established a consolidated tax group for income tax purposes with Société Générale S.A. Frankfurt Branch with retroactive effect to January 1, 2016. In addition, ALD Lease Finanz GmbH (subsidiary company) and Société Générale Securities Services GmbH (subsidiary company) were integrated into the consolidated tax group for income tax purposes with retroactive effect to January 1, 2017 by virtue of the profit transfer agreements with Société Générale Effekten GmbH (parent company). As a result of the formation of the consolidated tax group for income tax purposes, Société Générale Effekten GmbH does not recognize any deferred taxes in its financial statements.

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.

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.

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 December 31, 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 because all issued products are measured at fair value and hedging relationships are only of subordinate importance.

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
- IT development project to model the new requirements in the computer systems
- First description of organizational processes, including operational management

After the start in 2016, the development of the methodical framework and IT environment was continued in 2017. In the course of this work, simulations of various management regulations and methods for the estimation of parameters (where possible consistent with the parameters that were developed for the Basel requirements) were conducted in order to identify the best links between the normative and business criteria. The Company participated successfully in the parent company’s functional and procedural test run in October and November. The Group is also developing back-tests on the basis of data analyses and has adopted a set of rules governing the up-dating of the models and the weighted macroeconomic scenarios.

The development will be continued in the first half of 2018 until the final implementation. Based on the reclassification and application of the expected credit loss model according to IFRS 9, a EUR 6.2 million increase in risk provisions is planned at the date of application.

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.

Transition period

The new regulations of IFRS 9, particularly those applicable to the classification and measurement of financial instruments and the determination of impairments, are to be introduced with retroactive effect to January 1, 2018. Applying the transitional arrangements of IFRS 9, the Group will not adjust the prior-period comparison figures. Beginning on January 1, 2018, changes resulting from the measurement of financial assets and

liabilities, provisions and individual value adjustments, as well as unrealized or deferred/accrued gains and losses due to the retroactive application of IFRS 9 will be recognized directly in equity. On October 12, 2017, moreover, the IASB issued an amendment to IFRS 9 regarding the measurement of financial assets featuring negative prepayment compensation. After being adopted by the European Union, the amendment is expected to enter into effect as of January 1, 2019; earlier application is permitted. On November 9, 2017, the EFRAG (European Financial Reporting Advisory Group) issued a recommendation to adopt the amendment. The Group will follow the process and expects that the amendment will be adopted before the publication of the semiannual financial statements. If so, the Group will apply the amendment early as of January 1, 2018, following the recommendation of the supervisory authorities (ESMA and AMF). Therefore, no adjustments were made in the financial statements at December 31, 2017 to the IFRS 9 measurement of SPPI (Solely Payments of Principal and Interest) loans with prepayment features.

First-time application of IFRS 9

The Group determined the assignment of financial assets to the fair value hierarchy and the parameters applied to determine impairments and provisions for credit risks before December 31, 2017. The measurement of the financial assets that were reclassified and the determination of impairments and provisions for credit risks based on the financial assets reclassified as of January 1, 2018 have been successfully completed. Controls regarding the IFRS 9 measurement and recognition regulations were implemented for the preparation of the opening statement of financial position at January 1, 2018.

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

The Group does not anticipate any effects to result from the introduction of the new regulations because no share-based payments are made within the Group.

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

12/31/2017

| Company name | Company's registered head office | Business activity | Share of equity held [%] | Share of voting rights held [%] |
|--|----------------------------------|-----------------------------------|--------------------------|---------------------------------|
| Consolidated companies | | | | |
| ALD LEASE FINANZ GMBH | Hamburg, Germany | Leasing company | 100 | 100 |
| SOCIÉTÉ GÉNÉRALE SECURITIES SERVICES GMBH | Unterföhring, Germany | Investment 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 3 UG (HAFTUNGSBESCHRANKT) | Frankfurt, Germany | Structured entity | - | - |
| RED & BLACK AUTO GERMANY 4 UG (HAFTUNGSBESCHRANKT) | Frankfurt, Germany | Structured entity | - | - |
| 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 |

The Group holds interests in the associated companies ALD AutoLeasing und Dienstleistungs GmbH and Nedderfeld 95 Immobilien GmbH & Co.KG. The Group exercises significant influence over the companies through its voting rights.

ALD AutoLeasing und Dienstleistungs GmbH refers leases to ALD Lease Finanz GmbH and receives a commission in exchange. Because the leases are concluded directly with ALD Lease Finanz GmbH, the risk to the Group from this company is to be regarded as minor. The company generated a net and overall result of EUR 85 thousand in financial year 2017.

Nedderfeld 95 Immobilien GmbH & Co.KG conducts rental and leasing business with the property it owns. Because the renter of the property is ALD Lease Finanz GmbH, the risk to the Group from this company is to be regarded as minor. The company generated a net and overall result of EUR 0 in financial year 2017.

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) (ALD LF) held by SG Consumer Finance S.A. Frankreich were transferred to Société Générale Effekten GmbH, Frankfurt, as part of an intragroup restructuring conducted through a transaction under the joint control 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. Since the acquisition of ALD Lease Finanz GmbH, this company has contributed a profit of EUR 73.6 million to the Group's result as of 12/31/2017.

The purchase price for the transaction conducted under joint control 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 transferred in the form of cash. Since the acquisition of Société Générale Securities Services GmbH, the company has contributed a loss of EUR 12.8 million to the Group's result as of 12/31/2017.

The calculation yielded a difference between the purchase price and carrying amounts of the intragroup restructuring of EUR 73.9 million for ALD Lease Finanz GmbH and a negative difference of EUR 33.5 million for Société Générale Securities Services GmbH. The negative difference is attributable to the company's expected losses in the future.

The Société Générale Effekten GmbH Group emerged from the intragroup restructuring conducted through transactions under joint control. The assets and liabilities received are presented in the opening statement of financial position of Société Générale Effekten GmbH at the values that were applied in the consolidated financial statements of Société Générale S.A., Paris, at the transaction date. A breakdown of these values at 01/01/2017 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 | 185 | 83,479 |
| Loans to and receivables from banks | 39,562 | 172,535 |
| Loans to and receivables from customers | - | 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 | - | 1,569 |
| TOTAL ASSETS | 55,542 | 4,417,691 |
| Liabilities measured at fair value through profit or loss | - | 3,662 |
| Derivative hedging instruments | - | - |
| 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 the structured entities. The entities 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 3 UG | RED & BLACK AUTO GERMANY 4 UG |
|---------------------------|-------------------------------------|-------------------------------------|
| Equity | -318.5 | 323.1 |
| Total assets | 278,174.8 | 680,692.6 |
| Profit/loss at 12/31/2017 | 915.3 | 58.8 |

The only contractual obligations toward the structured entities are the promissory note loans assumed. 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.

| (In euro thousands) | Financing of assets |
|---|---------------------|
| Amortized cost or fair value of non-derivative financial assets concluded with the structured entity, depending on their measurement in the statement of financial position | 907,612 |
| Fair value of derivatives presented on the assets side of the statement of financial position | 0 |
| Nominal value of CDS sold (highest amount payable) | 0 |
| Nominal value of financing or guarantee commitments made | 0 |
| Maximum loss risk | 958,269 |

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 on the basis of the IFRS to be applied in the EU at December 31, 2017.

The subsidiaries added as a result of the intragroup restructuring were included in the opening statement of financial position by analogy to the pooling of interests method (predecessor accounting). Because the controlling group in Société Générale Effekten GmbH is pooling the interests that had previously been dispersed legally, the carrying amounts of the two companies are to be continued (see Note 2 Consolidation group). Adjustments of the uniform Group accounting methods were not necessary. In the Group's opinion, no business combination that would fall within the scope of IFRS 3 was conducted because definitive control was exercised by the same persons both before and after the transaction (IFRS 3.B1). The restructuring is treated in accordance with the IFRS 10 requirements for the elimination of intercompany results. The difference between the purchase price for the transaction and the carrying amounts of the companies' assets and liabilities is presented within equity (Group reserves) in accordance with IDW RS HFA 2 para. 21.

Because the Group did not exist in this form in the prior year, no prior-year comparison values are presented.

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.

Monetary items denominated in foreign currencies are translated at the exchange rate in effect on the reporting date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated at the exchange rates in effect on the date of fair value measurement. Non-monetary items measured at cost are translated at the exchange rate in effect on the date of initial recognition.

In the case of financial assets and liabilities measured at fair value through profit or loss, gains or losses from currency translation are recognized as part of fair value in period profit or loss under *“Net gains or losses from financial instruments measured at fair value through profit or loss.”*

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, observable 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. Transaction costs that can be attributed directly to the acquisition of financial assets measured at fair value through profit or loss are recognized directly in the consolidated income statement. Transaction costs that can be attributed directly to the acquisition of financial assets that are not measured at fair value through profit or loss are added to the fair value of the corresponding financial assets upon initial recognition.

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 trading portfolio (held for trading purposes) comprises financial assets and liabilities, which at the time of initial recognition

- 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
- were derivatives that were not designated as hedging instruments.

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.

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 aforementioned categories. They are measured at fair value at the reporting date and recognized in equity.

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.

- **Derivatives designated as 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.

Cash flow hedges

The goal of an interest rate swap intended to hedge cash flows is to hedge the changes in future cash flows related to financial instruments recognized in the statement of financial position (loans, securities or variable-interest bonds) or a highly probable forecast transaction (future fixed interest rates, future prices, etc.). The hedge purpose is to protect the Group against detrimental fluctuations of the future cash flows of a financial instrument or transaction that could affect profit or loss.

The effective portion of the changes in fair value of hedging derivatives is recognized under “Unrealized or deferred gains and losses,” whereas the ineffective portion is recognized in the income statement under “Net gains and losses from financial instruments measured at fair value through profit or loss.” In the case of interest rate derivatives, the accrued interest income and expenses of the derivative are recognized in the income statement under “Interest income and expenses” concurrently with the accrued interest income and expenses related to the hedged item.

Hedge effectiveness is determined on the basis of a hypothetical derivatives model that creates a hypothetical derivative with the identical terms as the hedged instrument, but one whose value moves in the opposite direction and whose fair value is zero when the hedge is created. The expected changes in fair value of the hypothetical derivatives are then compared with those of the hedging instrument (sensitivity analysis) or a regression analysis is performed to determine the expected effectiveness of the hedge.

The amount recognized directly in equity for the revaluation of cash flow hedging derivatives is reclassified to the income statement under “Interest income and expenses” at the time when the cash flows are hedged.

If the hedging derivative no longer meets the effectiveness criteria for hedge accounting or is terminated or sold, hedge accounting is discontinued prospectively. The amounts previously recognized directly in equity are reclassified to the income statement over the periods in which interest income was generated from the cash flows of the hedged item. If the hedged item is sold or taken back at an earlier than expected date, or if the hedged forecast transaction is no longer probable, the unrealized gains and losses recognized in equity are reclassified immediately to the income statement.

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 down to the residual value 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. Assets are depreciated by application of the component approach from the time when they are available for use. The individual components are depreciated individually over their customary useful lives. A depreciation period of 10 to 50 years is applied for the individual components of the real estate used in the Group's operations. Property, plant and equipment are depreciated over their customary useful lives, which are estimated at between 3 and 20 years. Intangible assets such as custom and industry software are amortized over useful lives of 3 to 5 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. If the purchase price is not higher than the value of the net assets acquired, negative goodwill (badwill) is recognized and presented within the Group reserves item of equity. The transactions to transfer Société Générale Securities Services GmbH and ALD Lease Finanz GmbH to Société Générale Effekten GmbH do not represent a business combination according to IFRS 3, but an intragroup restructuring through transactions under joint control. As described in Note 3, these transactions are accounted for in accordance with IFRS 10. Any difference between the purchase price and carrying amounts of the assets and liabilities received is presented in equity.

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.

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.

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.

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

In accordance with IAS 32, 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" by reason of 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 the value of financial asset or group of similar financial assets has been reduced 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.

NET INCOME FROM FINANCIAL TRANSACTIONS (THEREOF NET GAINS OR LOSSES FROM FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS)

The Net gains or losses from financial instruments measured at fair value through profit or loss include the unrealized result of fair value measurement, the realized result on disposal of the financial instrument and current income from financial instruments measured at fair value through profit or loss.

In measuring the unrealized result of fair value measurement, all changes in fair value are considered so that changes in interest rates, creditworthiness, exchange rate and other rates and prices have an effect on the Net gains or losses from financial instruments measured at fair value through profit or loss.

Interest income and expenses and dividend income and expenses related to financial instruments measured at fair value through profit or loss are elements of current income recognized under Net gains or losses from financial instruments measured at fair value through profit or loss.

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.

The profit transfer agreement of September 7, 2016 between Société Générale Effekten GmbH (subsidiary company) and Société Générale S.A. Frankfurt Branch (parent company), established a consolidated tax group for income tax purposes with Société Générale S.A. Frankfurt Branch, with retroactive effect to January 1, 2016. In addition, ALD Lease Finanz GmbH (subsidiary company) has been included in the consolidated tax group for income tax purposes since January 1, 2017 by virtue of the profit transfer agreement concluded with Société

Générale Effekten GmbH (parent company) on September 26, 2017 and Société Générale Securities Services GmbH (subsidiary company) has been included in the consolidated tax group for income tax purposes since January 1, 2017 by virtue of the profit transfer agreement concluded with Société Générale Effekten GmbH (parent company) on December 1, 2017. As a result of the formation of the consolidated tax group for income tax purposes, Société Générale Effekten GmbH does not recognize any deferred taxes in its financial statements.

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

| <i>(In euro thousands)</i> | 12/31/2017 | |
|---|-------------------|--------------------|
| | Assets | Liabilities |
| Held for trading | 2,367,443 | 2,364,733 |
| Financial instruments measured at fair value through profit or loss | 2,827,274 | 2,827,264 |
| Total | 5,194,717 | 5,191,997 |
| <i>thereof securities purchased or sold with a resale or repurchase agreement</i> | - | - |

The financial instruments measured at fair value through profit or loss are issued certificates and the hedging transactions concluded in this connection with Société Générale S.A., Paris. The fair value option was exercised with respect to these hedging transactions due to the presence of separable embedded derivatives.

HELD-FOR-TRADING FINANCIAL INSTRUMENTS

Financial assets

| <i>(In euro thousands)</i> | 12/31/2017 |
|---------------------------------------|-------------------|
| Bonds and other debt instruments | 175 |
| Equities and other equity instruments | - |
| Derivatives | 2,367,268 |
| Other financial assets | - |
| Total | 2,367,443 |

Financial liabilities

| <i>(In euro thousands)</i> | 12/31/2017 |
|--|-------------------|
| Securitized liabilities | 91 |
| Liabilities under loaned securities | - |
| Bonds and other short-sale debt instruments | - |
| Equities and other short-sale equity instruments | - |
| Derivatives | 2,364,642 |
| Total | 2,364,733 |

The counterparty of the held derivatives is the Group's parent company. The net position approach allowed by IFRS 13.48 is applied. The CVA and DVA are not calculated because the net position of EUR 3 million is deemed to be immaterial for risk management purposes.

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

Assets

| <i>(In euro thousands)</i> | <u>12/31/2017</u> |
|---|-------------------|
| Bonds and other debt instruments | 2,827,274 |
| Equities and other equity instruments | - |
| Loans to customers | - |
| Other financial assets | - |
| Special fund for employee benefits | - |
| Total | 2,827,274 |

Liabilities

| <i>(In euro thousands)</i> | <u>12/31/2017</u> |
|--|-------------------|
| Securitized liabilities | |
| Liabilities under loaned securities | |
| Bonds and other short-sale debt instruments | 2,827,264 |
| Equities and other short-sale equity instruments | - |
| Other financial liabilities | - |
| Special fund for employee benefits | - |
| Total | 2,827,264 |

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

| <i>(In euro thousands)</i> | <u>12/31/2017</u> |
|--|-------------------|
| Net result from trading portfolio | - |
| Net result from financial instruments for which the fair value option is exercised | 27 |
| Net result from derivative financial instruments | -2,299 |
| Net result from hedging instruments | - |
| <i>Net result from fair value hedging instruments</i> | - |
| <i>Remeasurement of underlying transactions in relation to the hedged risk</i> | - |
| Net result from foreign currency transactions | - |
| Total | -2,272 |

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

| <i>(In euro thousands)</i> | 12/31/2017 | |
|-------------------------------------|-------------------|--------------------|
| | Assets | Liabilities |
| Interest rate instruments | 72,020 | 66,451 |
| Foreign currency instruments | 118,436 | 121,422 |
| Equity and index instruments | 1,890,289 | 1,890,320 |
| Commodity instruments | 286,524 | 286,449 |
| Credit derivatives | - | - |
| Other financial futures instruments | - | - |
| Total | 2,367,268 | 2,364,642 |

DERIVATIVE FINANCIAL INSTRUMENTS HELD FOR HEDGING PURPOSES

| <i>(In euro thousands)</i> | 12/31/2017 | |
|------------------------------|-------------------|--------------------|
| | Assets | Liabilities |
| Cash flow hedge | | |
| Interest rate instruments | - | 138 |
| Foreign currency instruments | - | - |
| Equity and index instruments | - | - |
| Commodity instruments | - | - |
| Credit derivatives | - | - |
| Other financial instruments | - | - |
| Total | - | 138 |

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

| <i>(In euro thousands)</i> | 12/31/2017 | |
|--|-------------------|----------------------------|
| | Net | Thereof impairments |
| Bonds and other debt instruments | - | - |
| Equity instruments | 71,104 | -77 |
| Securities/ equities held on a long-term basis | 3,217 | - |
| Total | 74,321 | -77 |
| <i>thereof loaned securities</i> | - | - |

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

| <i>(In euro thousands)</i> | Available-for-sale financial assets |
|--|--|
| Balance at 01/01/2017 | 83,664 |
| Acquisitions | 1,010 |
| Sales/ redemptions | -10,245 |
| Changes in consolidation group and other | - |
| Period gains and losses from changes in fair value, recognized in equity | -370 |
| Change in impairments of fixed-income securities, recognized in profit or loss | - |
| <i>Increase</i> | - |
| <i>Impairment reversal</i> | - |
| <i>Other</i> | - |
| Impairment losses on variable-yield securities, recognized in profit or loss | 262 |
| Change in the related receivables | - |
| Exchange rate differences | - |
| Balance at 12/31/2017 | 74,321 |

GAINS AND LOSSES FROM AVAILABLE-FOR-SALE FINANCIAL ASSETS

| <i>(In euro thousands)</i> | <u>12/31/2017</u> |
|--|-------------------|
| Dividend income | - |
| Gains and losses on the sale of bonds | - |
| Gains and losses on the sale of equity instruments | - |
| Impairment losses from equity instruments | 87 |
| Profit participation in the available-for-sale financial assets of insurance companies | - |
| Gains and losses on the sale of long-term equity instruments | - |
| Impairment losses from long-term equity instruments | - |
| Total gains and losses from available-for-sale assets | 87 |
| Interest income from available-for-sale assets | - |

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

| <i>(In euro thousands)</i> | <u>12/31/2017</u> |
|--|-------------------|
| Unrealized gains and losses on available-for-sale equity instruments | -45 |
| Unrealized gains and losses on available-for-sale debt instruments | -325 |
| Total | -370 |

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 in the market.

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.

For purposes of the disclosures in the notes to the financial statements, a fair value analysis of assets measured at cost must be performed; this is done by discounting future cash flows to present value by application of a risk-appropriate interest rate. Due to this method of calculation, these instruments are assigned to Level 3 in Note 11.

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).

FINANCIAL ASSETS MEASURED AT FAIR VALUE

| <i>(In euro thousands)</i> | 12/31/2017 | | | Total |
|---|-------------------|----------------|----------------|--------------|
| | Level 1 | Level 2 | Level 3 | |
| Held for trading | - | 175 | - | 175 |
| Bonds and other debt instruments | - | 175 | - | 175 |
| Equities and other equity instruments | - | - | - | - |
| Other financial assets | - | - | - | - |
| Financial assets for which the fair value option was exercised | - | 2,704,816 | 122,458 | 2,827,274 |
| Bonds and other debt instruments | - | 2,704,816 | 122,458 | 2,827,274 |
| Equities and other equity instruments | - | - | - | - |
| Loans to customers | - | - | - | - |
| Other financial assets | - | - | - | - |
| Special fund for employee benefits | - | - | - | - |
| Derivatives in the trading portfolio | - | 2,363,425 | 3,844 | 2,367,269 |
| Interest rate instruments | - | 72,020 | - | 72,020 |
| Foreign currency instruments | - | 118,436 | - | 118,436 |
| Equity and index instruments | - | 1,886,445 | 3,844 | 1,890,289 |
| Commodity instruments | - | 286,524 | - | 286,524 |
| Credit derivatives | - | - | - | - |
| Other financial futures instruments | - | - | - | - |
| Total financial assets measured at fair value through profit or loss | - | 5,068,416 | 126,302 | 5,194,718 |
| Hedging derivatives | - | - | - | - |
| Interest rate instruments | - | - | - | - |
| Foreign currency instruments | - | - | - | - |
| Equity and index instruments | - | - | - | - |
| Other financial futures instruments | - | - | - | - |
| Available-for-sale financial assets | 1,150 | - | 3,217 | 4,367 |
| Bonds and other debt instruments | - | - | - | - |
| Equity instruments | 1,150 | - | - | 1,150 |
| Securities/ equities held for the long term | - | - | 3,217 | 3,217 |
| Total financial assets at fair value | 1,150 | 5,068,416 | 129,519 | 5,199,084 |

FINANCIAL LIABILITIES MEASURED AT FAIR VALUE

| <i>(In euro thousands)</i> | 12/31/2017 | | | |
|--|-------------------|------------------|----------------|------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Held for trading | - | 91 | - | 91 |
| Securitized liabilities | - | 91 | - | 91 |
| 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 | - | 2,704,806 | 122,458 | 2,827,264 |
| Securitized liabilities | - | - | - | - |
| Bonds and other short-sale debt instruments | - | 2,704,806 | 122,458 | 2,827,264 |
| Trading derivatives | - | 2,360,799 | 3,844 | 2,364,642 |
| Interest rate instruments | - | 66,451 | - | 66,451 |
| Foreign currency instruments | - | 121,422 | - | 121,422 |
| Equity and index instruments | - | 1,886,477 | 3,844 | 1,890,320 |
| Commodity instruments | - | 286,449 | - | 286,449 |
| Credit derivatives | - | - | - | - |
| Other financial futures instruments | - | - | - | - |
| Hedging derivatives | - | 138 | - | 138 |
| Interest rate instruments | - | 138 | - | 138 |
| Foreign currency instruments | - | - | - | - |
| Equity and index instruments | - | - | - | - |
| Other financial futures instruments | - | - | - | - |
| Total financial liabilities at fair value | - | 5,065,833 | 126,302 | 5,192,135 |

CHANGES IN LEVEL 3 FINANCIAL INSTRUMENTS

Financial assets measured at fair value Level 3

| <i>(In euro thousands)</i> | Balance at 01/01/2017 | Acquisitions | Sales/ redemptions | Reclassifications to Level 2 |
|---|----------------------------------|---------------------|---------------------------|---|
| Held for trading | - | - | - | - |
| Bonds and other debt instruments | | | | |
| Equities and other equity instruments | - | - | - | - |
| Other assets | - | - | - | - |
| Financial assets for which the fair value option was exercised | 318,554 | 92,591 | -331,132 | -2,506 |
| Bonds and other debt instruments | 318,554 | 92,591 | -331,132 | -2,506 |
| Equities and other equity instruments | - | - | - | - |
| Other financial assets | - | - | - | - |
| Separate assets from employee programs | - | - | - | - |
| Trading derivatives | 38,501 | 83 | -19,850 | -13,765 |
| Interest rate instruments | - | - | - | - |
| Foreign currency instruments | - | - | - | - |
| Equity and index instruments | 38,501 | 83 | -19,850 | -13,765 |
| 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 | 360,272 | 92,674 | -350,982 | -16,271 |

| <i>(In euro thousands)</i> | Reclassifica- tions to Level 2 | Period gains and losses | Exchange rate differences | Balance at 12/31/2017 |
|---|---|--|--------------------------------------|----------------------------------|
| Held for trading | - | - | - | - |
| Bonds and other debt instruments | - | - | - | - |
| Equities and other equity instruments | - | - | - | - |
| Other trading assets | - | - | - | - |
| Financial assets for which the fair value option was exercised | 6,861 | 38,089 | - | 122,458 |
| Bonds and other debt instruments | 6,861 | 38,089 | - | 122,458 |
| Equities and other equity instruments | - | - | - | - |
| Other financial assets | - | - | - | - |
| Separate assets under employee programs | - | - | - | - |
| Trading derivatives | - | -1,125 | - | 3,844 |
| Interest rate instruments | - | - | - | - |
| Foreign currency instruments | - | - | - | - |
| Equity and index instruments | - | -1,125 | - | 3,844 |
| 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 | 6,861 | 36,694 | - | 129,519 |

Financial liabilities measured at fair value Level 3

| <i>(In euro thousands)</i> | Balance at 01/01/2017 | Issues | Repurchases/ resales | Redemptions |
|--|----------------------------------|---------------|-----------------------------|--------------------|
| Held for trading | - | - | - | - |
| Securitized liabilities | - | - | - | - |
| 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 | 318,554 | 92,591 | -331,132 | - |
| Trading derivatives | 38,501 | 83 | -19,850 | - |
| Interest rate instruments | - | - | - | - |
| Foreign currency instruments | - | - | - | - |
| Equity and index instruments | 38,501 | 83 | -19,850 | - |
| Commodity instruments | - | - | - | - |
| Credit derivatives | - | - | - | - |
| Other financial futures instruments | - | - | - | - |
| Hedging derivatives | - | - | - | - |
| Total financial liabilities at fair value | 357,055 | 92,674 | -350,982 | - |

| | Reclassifica- tions to Level 2 | Reclassifica- tions from Level 2 | Period gains or losses | Exchange rate differences | Balance at 12/31/2017 |
|--|--------------------------------------|--|------------------------------|------------------------------|--------------------------|
| <i>(In euro thousands)</i> | | | | | |
| Held for trading | | | | | |
| Securitized liabilities | | | | | |
| 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 | -2,506 | 6,861 | 38,089 | - | 122,458 |
| Trading derivatives | -13,765 | - | -1,125 | - | 3,844 |
| Interest rate instruments | - | - | - | - | - |
| Foreign currency instruments | - | - | - | - | - |
| Equity and index instruments | -13,765 | - | -1,125 | - | 3,844 |
| Commodity instruments | - | - | - | - | - |
| Credit derivatives | - | - | - | - | - |
| Other financial futures instruments | - | - | - | - | - |
| Hedging derivatives | - | - | - | - | - |
| Total financial liabilities at fair value | -16,271 | 6,861 | 36,964 | - | 126,302 |

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 S.A., Paris.

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 Finance Directorate for Key Customers and Investors (GBIS) of Société Générale S.A., Paris, 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 default 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 funding 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. An amount of only EUR 1,150 thousand worth of instruments traded in financial markets was classified as available-for-sale financial assets. This amount was not adjusted by transfers to or from Level 2 or Level 3 financial instruments in financial year 2017.

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).

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE LEVEL 3

The instruments measured at a fair value that is not based on observable market parameters (Level 3) are the interests in the affiliated companies ALD AutoLeasing und Dienstleistungs GmbH and Nedderfeld 95 Immobilien GmbH & Co.KG. These interests are subject to the measurement exception according to IFRS 5 because there is an intent to sell them. In applying the imparity principle by determining the lower of the carrying amount or fair value less costs to sell, the carrying amount was applied as the lower value for these companies. Therefore, the interests are measured at their carrying amounts before transfer to the Group's parent company and presented as available-for-sale financial assets.

NOTE 8 – LOANS AND RECEIVABLES

LOANS TO AND RECEIVABLES FROM BANKS

| <i>(In euro thousands)</i> | 12/31/2017 |
|--|-------------------|
| Current accounts | 133,887 |
| Term deposits and loans | 23,700 |
| Loans and receivables without impairments | 157,587 |
| Impairment of individual receivables | - |
| Impairment of portfolios | - |
| Total net | 157,587 |

LOANS TO AND RECEIVABLES FROM CUSTOMERS (INCLUDING FINANCE LEASES)

| <i>(In euro thousands)</i> | 12/31/2017 |
|---|-------------------|
| Loans to customers | 3,673,755 |
| Finance leases | 433,047 |
| Loans to customers without impairments | 4,106,802 |
| Impairment of individual receivables | (38,946) |
| Impairment of portfolios | (10,608) |
| Total net | 4,057,248 |

As a general rule, the loan receivables are secured by chattel mortgage; in the leasing business, the Company is the owner anyway so that the average loss rates upon default are usually only between 20% and 30%.

At 12/31/2017, the expected default probability is less than 2.0% in the non-value-adjusted sales financing business and less than 3.0% in the dealer financing business and leasing portfolio; these two default probabilities are little changed from the previous year.

NOTE 9 – TRANSFERRED ASSETS

Moreover, the instrument of securitized loan receivables is also employed in the Financial Services to Corporates and Retails segment. Under the name "Red & Black," which is used for the securitized liabilities of the Société Générale Group, we have bundled leasing receivables into 4 structures to date and placed them with the public. Two active structures remained in effect at the reporting date.

The carrying amount of transferred receivables was EUR 907.6 million and that of the corresponding liabilities was EUR 797.6 million at the reporting date. The transferred assets are among the assets subject to restrictions on disposal.

The corresponding market value of the receivables is EUR 907.6 million and that of the liabilities is EUR 801.2 million, yielding a net receivable of EUR 106.5 million. The receivables are presented within “Loans to and receivables from customers,” the liabilities within “Securitized liabilities.”

NOTE 10 – LIABILITIES

LIABILITIES TO BANKS

| <i>(In euro thousands)</i> | 12/31/2017 |
|--|-------------------|
| Deposits and current accounts | 52,616 |
| Forward liabilities | 3,827,992 |
| Other liabilities | 363 |
| Remeasurement of hedged items of the statement of financial position | - |
| Securities sold with repurchase agreements | - |
| Total | 3,880,971 |

LIABILITIES TO CUSTOMERS

| <i>(In euro thousands)</i> | 12/31/2017 |
|---|-------------------|
| Other sight deposits | 1,997 |
| Total liabilities to customers | 1,997 |
| Liabilities secured by bonds and securities | - |
| Securities sold to customers with repurchase agreements | - |
| Total | 1,997 |

SECURITIZED LIABILITIES

| <i>(In euro thousands)</i> | 12/31/2017 |
|--|-------------------|
| Securities of the interbank market and tradable debt instruments | 797,615 |
| Other liabilities | 37 |
| Total | 797,652 |

NOTE 11 - FAIR VALUE OF FINANCIAL INSTRUMENTS MEASURED AT AMORTIZED COST

The fair values of financial instruments not measured at fair value in the statement of financial position are presented in this note, broken down to the fair value hierarchy described in Note 7. These fair values should not be understood as the estimated amount that could be recovered upon the immediate settlement of the financial instruments.

FINANCIAL ASSETS MEASURED AT COST

| <i>(In euro thousands)</i> | Carrying amount | Fair value | 12/31/2017 | | |
|--|--------------------|------------------|------------|----------|------------------|
| | | | Level 1 | Level 2 | Level 3 |
| Receivables from banks | 157,587 | 157,581 | - | - | 157,587 |
| Loans to customers | 3,629,045 | 3,585,677 | - | - | 3,585,677 |
| Receivables under leases | 428,203 | 446,110 | - | - | 446,110 |
| Financial assets held to maturity | - | - | - | - | - |
| Total financial assets measured at cost | 4,214,835 | 4,189,374 | - | - | 4,189,374 |

FINANCIAL LIABILITIES MEASURED AT COST

| <i>(In euro thousands)</i> | Carrying amount | Fair value | 12/31/2017 | | |
|---|--------------------|------------------|----------------|--------------|------------------|
| | | | Level 1 | Level 2 | Level 3 |
| Liabilities to banks | 3,880,971 | 3,880,971 | 52,616 | - | 3,828,355 |
| Liabilities to customers | 1,997 | 1,997 | - | 1,997 | - |
| Issued bonds | 797,652 | 797,652 | 797,652 | - | - |
| Subordinated liabilities | - | - | - | - | - |
| Total financial liabilities measured at cost | 4,680,620 | 4,680,620 | 850,268 | 1,997 | 3,828,355 |

MEASUREMENT METHODS

Loans, receivables and finance leases

Due to the lack of an active market for these loans, the fair value of loans and receivables and finance lease receivables from large companies is calculated by discounting expected cash flows to present value by application of a discount factor based on market interest rates (actuarial reference rate and zero-coupon rate published by the Banque de France) applicable at the reporting date to loans that have essentially the same

terms and maturities. These interest rates are adjusted by adding premiums for liquidity and administrative expenses to account for the borrower's credit risk.

Due to the lack of an active market for these loans, the fair value of loans and receivables and finance lease receivables from retail banking customers, primarily consisting of individuals and small and medium-sized enterprises, is calculated by discounting the future cash flows to present value by application of market interest rates that apply for loans of the same category and maturity at the reporting date.

In the case of loans, receivables and finance lease receivables with variable interest rates and loans with fixed interest rates and initial terms of one year or less, it is assumed that the fair value is equal to the carrying amount if there have been no significant fluctuations of the credit spreads for the counterparties since being recognized in the statement of financial position.

Liabilities

Due to the lack of an active market for these liabilities, it is assumed that the fair value of liabilities is equal to the value of future cash flows discounted to present value by application of the market interest rate on the reporting date. If the liability is securitized in the form of an exchange-listed financial instrument, the value is equal to the market price.

In the case of liabilities with variable interest rates and liabilities with an initial term of one year or less, it is assumed that the fair value is equal to the carrying amount. In the same way, the individual fair value of sight deposits is equal to the carrying amount.

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

| <i>In euro thousands</i> | 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 | 1,886 | 860 | 225,366 | 228,112 |
| Disposals | - | (42) | (165,233) | (165,275) |
| Reclassifications | (191) | 1 | - | (190) |
| Balance at December 31, 2017 | 22,995 | 10,178 | 602,848 | 636,021 |
| Accumulated depreciation, amortization and impairments | | | | |
| Balance at January 1, 2017 | -14,482 | -6,697 | -153,989 | -175,168 |
| Depreciation and amortization | -1,965 | -818 | -82,119 | -84,902 |
| Impairments | - | - | -919 | -919 |
| Reversals of impairments/ disposals | - | 20 | 81,764 | 81,784 |
| Reclassifications | - | 1 | - | 1 |
| Balance at December 31, 2017 | -16,447 | -7,494 | -155,263 | -179,204 |
| Carrying amounts | | | | |
| At January 1, 2017 | 6,818 | 2,662 | 388,726 | 398,206 |
| Balance at December 31, 2017 | 6,548 | 2,684 | 447,585 | 456,817 |

NOTE 13 – GOODWILL

There were no changes in the carrying amount of goodwill at the level of the cash-generating units in financial year 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 Retails | 9.5% | 2% |

NOTE 14 - OTHER ASSETS AND LIABILITIES

OTHER ASSETS

| <i>(In euro thousands)</i> | <u>12/31/2017</u> |
|----------------------------|-------------------|
| Prepaid expenses | 77,266 |
| Various other receivables | 49,547 |
| Total gross | 126,813 |
| Impairments | -7,357 |
| Total net | 119,456 |

At December 31, 2017, the Various other receivables consisted mainly of inventories, outstanding receivables under operating leases and receivables from fees.

The other liabilities presented under Various other receivables also included non-value-adjusted past-due receivables in the following amounts:

| <i>(In euro thousands)</i> | <u>12/31/2017</u> |
|-------------------------------|-------------------|
| 30 to 60 days past due | 61 |
| 61 to 90 days past due | 24 |
| 91 to 180 days past due | 44 |
| Longer than 181 days past due | 32 |

OTHER LIABILITIES

| <i>(In euro thousands)</i> | <u>12/31/2017</u> |
|-----------------------------|-------------------|
| Income collected in advance | 3,454 |
| Deferred income | 21,445 |
| Various other payables | 200,390 |
| Total | 225,289 |

The Various other payables mainly consisted of expenses already paid and debtors with credit balances.

NOTE 15 – 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.

LEASE RELATIONSHIPS AS LESSOR

OPERATING LEASES

FUTURE MINIMUM LEASE PAYMENTS UNDER OPERATING LEASES

| <i>(In euro thousands)</i> | 12/31/2017 |
|--|-------------------|
| Breakdown of total amount of minimum lease payments to be received | |
| Due in less than one year | 186,187 |
| Due in one to five years | 326,734 |
| Due in more than 5 years | - |
| Total future minimum lease payments to be received | 512,921 |

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 December 31, 2017 are presented in the table below:

| <i>(In euro thousands)</i> | 12/31/2017 | | |
|----------------------------|-------------------|----------|---------|
| | Income | Expenses | Net |
| Equipment leases | 227,203 | -248,363 | -21,160 |

FINANCE LEASES

| <i>(In euro thousands)</i> | 12/31/2017 |
|--|-------------------|
| Gross investments | 464,427 |
| Due in less than one year | 145,360 |
| Due in one to five years | 319,067 |
| Due in more than 5 years | - |
| Present value of minimum lease payments | 433,047 |
| Due in less than one year | 135,539 |
| Due in one to five years | 297,508 |
| Due in more than 5 years | - |
| Not yet realized financial income | 31,380 |
| Unguaranteed residual values in favor of the lessor | - |
| Accumulated impairments for uncollectible outstanding lease payments | - n/a |

The expenses of outstanding residual value risks are also recognized in the income statement. The Group and its subsidiaries have accumulated many years of expertise in the marketing of single automobiles and automobile fleets as an essential basis for the reliable estimation of attainable sale prices after leased automobiles are returned. In estimating the residual values, the Group basically strives for a break-even result in marketing used cars at the end of the lease term, with due regard to the final account statements at the end of the lease term. This goal was not always achieved in financial year 2017 and it can also be expected that some losses will be incurred on the recovery of lease returns in the coming year.

LEASING RELATIONSHIPS AS LESSEE

The Group leases buildings, office and archive space, motor vehicles and software under operating leases. The leases normally have a term of 4 years and feature a lease renewal option at the end of the term. Lease payments are renegotiated every 3 years to reflect market rates. Leases related to buildings generally have longer terms and include renewal options. Some leases also stipulate additional lease payments based on changes in regional price indices. Under certain operating leases, the Group is prohibited from sub-letting.

OPERATING LEASES

FUTURE MINIMUM LEASE PAYMENTS UNDER OPERATING LEASES

At December 31, 2017, the following minimum lease payments will be owed under uncancellable leases in the future.

| <i>(In euro thousands)</i> | 12/31/2017 |
|---|-------------------|
| Breakdown of the total number of minimum lease payments | |
| Due in less than one year | 1,070 |
| Due in one to five years | 2,151 |
| Due in more than 5 years | - |
| Total future minimum lease payments | 3.221 |

AMOUNTS RECOGNIZED IN PROFIT OR LOSS

Expenses and income and realized gains and losses under leases are recognized as income and expenses from Other activities.

The income and expenses recognized in the period ended on December 31, 2017 are presented in the table below:

| <i>(In euro thousands)</i> | 12/31/2017 |
|---|-------------------|
| Lease expenses | 195,219 |
| Expenses from contingent lease payments | - |
| Income from sub-leases | - |

FINANCE LEASES

No finance lease transactions in which the Group was the lessee were conducted in financial year 2017.

NOTE 16 - PROVISIONS

The provisions recognized in the statement of financial position at December 31, 2017 mainly consisted of provisions for employee benefits and provisions for risks and other administrative expenses. Accordingly, the potential outflows for these issues are short-term in nature (within 12 months). Liabilities for employee benefits are characterized by uncertainty regarding the settlement date. No invoices have yet been received for the liabilities for risks and other administrative expenses and therefore the corresponding amounts are deemed to be uncertain, which is why they are accounted for as provisions.

Breakdown of significant provisions at the reporting date:

| <i>In euro thousands</i> | | 12/31/2017 |
|--|----------------|-------------------|
| Provisions for employee benefits | <i>Note 17</i> | 15,409 |
| Provisions for risks and other administrative expenses | | 1,752 |
| Total | | 17,161 |

Development of provisions for risks and other administrative expenses:

| <i>In euro thousands</i> | Provisions for risks and other administrative expenses |
|------------------------------------|---|
| Balance at 01/01/2017 | 1,918 |
| Additions | -5 |
| Available reversals of impairments | -29 |
| Net additions | -34 |
| Reversals of impairments performed | -361 |
| Other changes | 229 |
| Balance at 12/31/2017 | 1,752 |

NOTE 17 – 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:

| <i>In euro thousands</i> | Provisions for employee benefits |
|------------------------------------|---|
| Balance at 01/01/2017 | 15,018 |
| Additions | 684 |
| Available reversals of impairments | - |
| Net additions | 684 |
| Reversals of impairments performed | -305 |
| Other changes | 12 |
| Balance at 12/31/2017 | 15,409 |

POST-EMPLOYMENT BENEFITS

In calculating the provision for employee benefits, an actuarial interest rate of 1.40%, a salary dynamic of 3.00% and a pension dynamic of -0.15% are assumed for the ALD sub-group. For the company SGSS, an actuarial interest rate of 1.90%, a salary dynamic of 0.50% and a pension dynamic of 0.00% are assumed. For the company Société Générale Effekten GmbH, an actuarial interest rate of 1.70%, a salary dynamic of 2.84% and a pension dynamic of 1.84% are assumed.

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 and Retails.

DEFINED BENEFIT PLANS

The following defined benefit plans are in effect within the Global Banking and Investor Solutions segment:

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 Retails.

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

Former Interleasing employees (pertains to the segment of Financial Services to Corporates and Retails)

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 are counted 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.

Pension Plan 2000 (pertains to the segment of Asset Management)

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 Aifonds 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, an 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 (TC) 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.

The Company basically does not owe any other long-term employee benefits or the amounts in question are negligible. A bonus is only paid to employees for long periods of service (only 2 employees are affected). This bonus amounted to EUR 14 thousand at 12/31/2017.

RECONCILIATION OF ASSETS AND LIABILITIES PRESENTED IN THE STATEMENT OF FINANCIAL POSITION

| <i>(In euro thousands)</i> | 12/31/2017 |
|---|-------------------|
| A- Present value of funded obligations | 16,993 |
| B- Fair value of plan assets and special fund | 1,643 |
| C= A -B balance of financed plans | 15,350 |
| D – Present value of unfunded obligations | - |
| E – Effects of the cap on plan assets | - |
| C + D + E= Net balance recognized in the statement of financial position | 15,350 |

| <i>(In euro thousands)</i> | 12/31/2017 |
|---|-------------------|
| Current service cost including social security contributions | 459 |
| Employee contributions | - |
| Past service cost / curtailments | - |
| Plan settlements | - |
| Net interest | 229 |
| Transfer of not yet recognized assets | - |
| A – Components included in the operating result | 688 |
| Expected income from plan assets | -113 |
| Actuarial gains and losses resulting from changes in demographic assumptions | -147 |
| Actuarial gains and losses resulting from changes in economic and financial assumptions | - |
| Experience-based actuarial gains and losses | - |
| Effect of the cap on plan assets | - |
| B – Gains and losses recognized directly in equity | -255 |
| C= A + B Total components of expenses for defined benefit plans | 433 |

Of the total fair value of plan assets at 12/31/2017, EUR 244 thousand was invested in stocks and EUR 1,399 thousand in bonds.

CHANGE IN THE NET LIABILITIES OF PLANS AFTER TERMINATION OF EMPLOYMENT RECOGNIZED
IN THE STATEMENT OF FINANCIAL POSITION

Changes in the present value of obligations

| <i>(In euro thousands)</i> | 12/31/2017 |
|---|-------------------|
| Balance at January 1 | 16,629 |
| Current service cost for the year, including social security contributions | 459 |
| Employee contributions | - |
| Past service cost/ curtailments | - |
| Plan settlements | - |
| Net interest | 261 |
| Actuarial gains and losses resulting from changes in demographic assumptions | -200 |
| Actuarial gains and losses resulting from changes in economic and financial assumptions | 5 |
| Experience-based actual gains and losses | - |
| Currency translation | - |
| Retirement benefits paid | -113 |
| Change in consolidation group | - |
| Transfers and other | -48 |
| Balance at 12/31/2017 | 16,993 |

Changes in the fair value of plan assets and special fund

| <i>(In euro thousands)</i> | 12/31/2017 |
|---|-------------------|
| Balance at January 1 | 1,661 |
| Expected income from plan assets | 31 |
| Expected income from the special fund | - |
| Actuarial gains and losses in connection with plan assets | -49 |
| Currency translation | - |
| Employee contributions | - |
| Employer contributions | 48 |
| Retirement benefits paid | - |
| Change in consolidation group | - |
| Transfers and other | -48 |
| Balance at 12/31/2017 | 1,643 |

Sensitivity analysis of the financial obligation

| <i>(In euro thousands)</i> | <u>12/31/2017</u> |
|----------------------------|-------------------|
| Discount rate -0.5%: | +2,009 |
| Discount rate +0.5%: | -1,698 |
| Inflation rate +0,5%: | -420 |
| Salary increase +0.5%: | +197 |

Actual income from plan assets and special fund:

| <i>(In euro thousands)</i> | <u>12/31/2017</u> |
|----------------------------|-------------------|
| Plan assets | 31 |
| Special fund | - |

NOTE 18 – INCOME TAXES

The profit transfer agreement of September 7, 2016 between Société Générale Effekten GmbH (subsidiary company) and Société Générale S.A. Frankfurt Branch (parent company) established a consolidated tax group for income tax purposes with Société Générale S.A. Frankfurt Branch with retroactive effect to January 1, 2016. Due to the formation of the consolidated tax group for income tax purposes, Société Générale Effekten GmbH does not recognize deferred taxes in its financial statements. Tax assets include prepaid taxes to the tax office for which the companies have refund claims.

NOTE 19 – EQUITY

The Group's equity amounted to EUR -29.8 million at December 31, 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 -88.8 million and the consolidated net profit of EUR 57.8 million.

Because the individual companies have positive equity, negative equity status is due to the Group reserves. The Group reserves mainly consist of consolidation factors such as the elimination of consolidated equity investments and the corresponding equity components, and the transfer of the subsidiaries' net profits or losses. Because the carrying amounts of the equity investments, including silent reserves, exceed the recognized equity of the transferred companies, the difference is deducted from the Group reserves in the IFRS consolidated financial statements. The carrying amounts of equity investments were tested for impairment in connection with the preparation of the separate financial statements of Société Générale Effekten GmbH for financial year 2017.

The Group's liquidity position is not influenced by the negative equity.

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 20 – INTEREST INCOME AND INTEREST EXPENSES

| <i>(In euro thousands)</i> | 01/01/2017 – 12/31/2017 | | |
|--|-------------------------|-----------------|----------------|
| | Income | Expenses | Net |
| Transactions with banks | 430 | (25,185) | (24,755) |
| Current accounts and interbank loans | 430 | (25,185) | (24,755) |
| Securities received under repurchase agreements | - | - | - |
| Transactions with customers | 147,886 | - | 147,886 |
| Trade receivables | - | - | - |
| Other loans to customers | 147,886 | - | 147,886 |
| Sight deposits and current accounts | - | - | - |
| Overdraft facilities | - | - | - |
| Securities received under repurchase agreements | - | - | - |
| Transactions with financial instruments | 203 | - | 203 |
| Available-for-sales financial assets | - | - | - |
| Held-to maturity financial assets | - | - | - |
| Issued bonds | - | - | - |
| Subordinated liabilities and convertible bonds | - | - | - |
| Other financial instruments | 203 | - | 203 |
| Hedging derivatives | - | - | - |
| Finance leases | 20,094 | - | 20,094 |
| Real estate finance leases | - | - | - |
| Equipment finance leases | 20,094 | - | 20,094 |
| Total interest income and interest expenses | 168,613 | (25,185) | 143,428 |

NOTE 21 – COMMISSION INCOME AND EXPENSES

| <i>(In euro thousands)</i> | 01/01/2017 – 12/31/2017 | | |
|--|-------------------------|-----------------|---------------|
| | Income | Expenses | Net |
| Transactions with banks | - | (186) | (186) |
| Transactions with customers | 41,420 | (14,516) | 26,904 |
| Securities transactions | - | - | - |
| Transactions in primary markets | - | - | - |
| Currency transactions and transactions related to derivative financial instruments | - | - | - |
| Loan and guaranty commitments | - | (87) | (87) |
| Services | 41,455 | - | 41,455 |
| Other | 3,136 | (2,813) | 323 |
| Total | 86,011 | (17,602) | 68,409 |

NOTE 22 – IMPAIRMENTS OF FINANCIAL ASSETS

Overview of impairments of financial assets:

| <i>(In euro thousands)</i> | Banks | Loans to customers | Receivables under finance leases | Groups of similar assets | Available-for-sale financial assets |
|------------------------------------|-------|--------------------|----------------------------------|--------------------------|-------------------------------------|
| Impairments at 01/01/2017 | - | -36,758 | -4,383 | -10,608 | - |
| Additions | - | -19,124 | -3,339 | - | - |
| Available reversals of impairments | - | 3,410 | 1,635 | - | - |
| Net impairment losses | - | -15,714 | -1,704 | - | - |
| Reversals of impairments performed | - | 7,762 | 1,018 | - | - |
| Other changes | - | - | 225 | - | - |
| Impairments at 12/31/2017 | - | -44,710 | -4,844 | -10,608 | - |

„Additions to impairments,“ „Available reversals of impairments“ and „Reversals of impairments performed“ are presented with the Risk expenses item of the income statement.

NOTE 23 – RISK EXPENSES

Overview of risk expenses:

| <i>In euro thousands</i> | 01/01/2017 – 12/31/2017 |
|---|--------------------------------|
| Counterparty default risk | |
| Net additions for impairments | (14,693) |
| Unhedged losses | - |
| <i>thereof from uncollectible receivables</i> | - |
| <i>thereof from other risks</i> | - |
| Realized amounts | 3,331 |
| <i>thereof from uncollectible receivables</i> | 3,331 |
| <i>thereof from other risks</i> | - |
| Other risks | |
| Net additions to Other provisions | 366 |
| Total | (10,996) |

NOTE 24 – INCOME AND EXPENSES FOR OTHER ACTIVITIES

The income from other activities comprises the following items:

| <i>In euro thousands</i> | 12/31/2017 |
|---|-------------------|
| Income from the sale of operating lease objects | 100,500 |
| Refund of grants for operating lease objects | 2,426 |
| Income from operating leases | 102,818 |
| Other income from operating leases | 17,271 |
| Income from fees for late payments | 112 |
| Other income | 4,076 |
| Total | 227,203 |

The expenses for other activities comprise the following items:

| <i>In euro thousands</i> | 12/31/2017 |
|---|-------------------|
| Discounts on operating leases | -3,345 |
| Book losses on the sale of operating lease objects | -84,090 |
| Depreciation and impairments of operating lease objects | -82,119 |
| Other expenditures for finance leases | -25,665 |
| Expenditures for inventory-taking | -1,730 |
| Expenditures for other activities not belonging to the banking business | -52,036 |
| Other discounts | -2,304 |
| Total | -251,289 |

NOTE 25 – TRANSACTIONS IN FOREIGN CURRENCIES

The assets and liabilities arising from transactions in foreign currencies are presented in the table below:

| <i>(In euro thousands)</i> | 12/31/2017 | |
|----------------------------|-------------------|--------------------|
| | Assets | Liabilities |
| SEK | 302,456 | 302,456 |
| USD | 7,133 | 7,133 |
| GBP | 25,993 | 25,993 |
| AUD | - | - |
| Other currencies | 5,387 | 5,387 |
| Total | 340,968 | 340,968 |

In financial year 2017, foreign currency transactions were conducted in SEK in the amount of EUR 302 million and in GBP in the amount of EUR 26 million. At the reporting date, all assets and liabilities from transactions in foreign currencies were presented in the item of Financial assets and liabilities measured at fair value through profit or loss.

NOTE 26 – 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 financial year 2017, profits of EUR 265 thousand were distributed to these shareholders for financial year 2016.

ADDITIONAL DISCLOSURES

NOTE 27 – 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 and Retails | 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. |

| <i>(In euro thousands)</i> | Global Banking and Investor Solutions | Financial Services to Corp. and Retail | Asset Management | Group |
|--|--|---|-----------------------------|---------------|
| Net banking result | -2,992 | 159,931 | 28,627 | 185,566 |
| Administrative expenses | 162 | -75,367 | -41,465 | -116,670 |
| Gross operating result | -2,830 | 84,564 | -12,838 | 68,897 |
| Risk expenses | - | -10,996 | - | -10,996 |
| Operating result | -2,830 | 73,568 | -12,838 | 57,900 |
| Net gains or losses from other assets | - | 17 | -6 | 11 |
| Profit/loss before taxes | -2,830 | 73,585 | -12,844 | 57,911 |
| Income taxes | - | - | - | - |
| Net profit/loss of all companies in the consolidation group | -2,830 | 73,585 | -12,844 | 57,911 |
| Non-controlling interests | - | 112 | - | 112 |
| Net profit/loss (Group share) | -2,830 | 73,473 | -12,844 | 57,799 |
| Assets | 5,222,139 | 4,822,342 | 44,771 | 10,089,252 |
| Liabilities | 5,683,331 | 4,409,924 | 25,796 | 10,119,051 |

Differences in the assets and liabilities compared to the items presented in the individual companies representing the segments result from consolidation adjustments and the elimination of deferred taxes except on the books of the parent company.

NOTE 28 – 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 under certificate transactions, irrevocable loan commitments and service agreements. The terms are presented in the table below:

| <i>(In euro thousands)</i> | 12/31/2017 |
|------------------------------------|-------------------|
| Due within one year | 168,248 |
| Due in more than one to five years | 1,284 |
| Due in more than five years | - |
| Total | 169,532 |

NOTE 29 – 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 December 31, 2017, the managing directors received compensation totaling EUR 22 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 financial year 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., Paris, or the parent company itself. The Company conducts hedging transactions with Société Générale S.A., Paris, in relation to the issued warrants and certificates.

A list of the subsidiaries of Société Générale Effekten GmbH is presented in the description of the consolidation group (see in Note 2).

Transactions conducted with related entities:

| <i>(In euro thousands)</i> | Existing balances at 12/31/2017 |
|----------------------------|---|
| Assets | 5,355,418 |
| Liabilities | 8,117,671 |
| Income | 3,338,491 |
| Expenses | -3,340,474 |

*Placements with third parties are subtracted from the amounts of liabilities.

Transactions totaling EUR 22 thousand were conducted with persons in key positions (monthly compensation).

NOTE 30 – TRUST BUSINESS

In addition to the transactions presented in the statement of financial position, the Group operates under a trust agreement with the sole shareholder Société Générale S.A., Paris. As part of this trust activity, Société Générale Effekten GmbH handles the issuance of debt instruments in its own name and for account of Société Générale S.A., Paris. The certificates issued under trust transactions are offset by hedging transactions of the same amount. These transactions are not recognized in the statement of financial position because the Company has no control over them. At the reporting date, trust transactions measured at fair value amounted to EUR 919,845 thousand.

NOTE 31 – SIGNIFICANT EVENTS AFTER THE REPORTING DATE

No other events that would have a material effect on the Company's financial position, cash flows and liquidity position and financial performance have occurred since the reporting date.

NOTE 32 – DISCLOSURES CONCERNING SIGNIFICANT RISKS FROM FINANCIAL INSTRUMENTS

For information on the general organization of risk management, we refer to the comments in the Group management report at December 31, 2017.

COUNTERPARTY DEFAULT RISKS

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

| <i>(In euro thousands)</i> | 12/31/2017 |
|--|-------------------|
| Financial assets measured at fair value through profit or loss | 5,194,717 |
| Available-for-sale financial assets | 74,321 |
| Loans to and receivables from banks | 157,587 |
| Loans to and receivables from customers | 3,629,045 |
| Tax assets | 25,537 |
| Receivables under finance leases | 428,203 |
| Other assets/ property, plant and equipment | 576,273 |
| Total | 10,085,683 |

In addition, there are loan commitments with a nominal volume of EUR 166,600 thousand.

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

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 December 31, 2017 is presented in the table below:

| <i>In euro millions</i> | EAD | Sales Financing | | Credit Value at Risk |
|-------------------------|----------------|-----------------|-----------------|----------------------|
| | | Expected Loss | Unexpected Loss | |
| Individual customers | 3,011.4 | 14.1 | 39.3 | 53.4 |
| Commercial customers | 472.1 | 5.0 | 10.6 | 15.5 |
| Total portfolio | 3,483.5 | 19.1 | 49.9 | 68.9 |

| <i>In euro millions</i> | EAD | Purchase Financing | | Credit Value at Risk |
|--------------------------------|--------------|--------------------|-----------------|----------------------|
| | | Expected Loss | Unexpected Loss | |
| Without manufacturer guarantee | 122.6 | 6.6 | 4.6 | 11.2 |
| Wit manufacturer guarantee | 67.1 | 0.7 | 4.1 | 4.8 |
| Total portfolio | 189.7 | 7.3 | 8.7 | 16.0 |

| <i>In euro millions</i> | EAD | Expected Loss | Leasing Unexpected Loss | Credit Value at Risk |
|-------------------------|--------------|---------------|----------------------------|----------------------|
| Commercial customers | 190.9 | 0.9 | 5.1 | 6.0 |
| Individual customers | 729.5 | 5.8 | 18.7 | 24.5 |
| Total portfolio | 920.3 | 6.7 | 23.8 | 30.5 |

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 90% of the loan agreements are for less than EUR 25,000.

In purchase financing, we have 1,279 exposures, with the 307 biggest borrowers accounting for 70% of the loan volume.

The so-called Herfindahl-Index is used to measure concentration risks in ALD LF'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 December 31, 2017, both the new business portfolio and the existing portfolio exhibit values between 0.23 and 0.46 in relation to size classes, maturities and vehicle makes.

MARKET PRICE RISKS

All the market price risks of issued warrants and certificates are hedged by hedging transactions with Société Générale S.A., Paris. Therefore, there are no price risks, currency risks or interest rate risks.

The market price risks of the Group's leasing business mainly include the residual value risks assumed by the Group. Residual value risk was assumed for 54% of new leases in financial year 2017 (PY: 48%). Therefore, the percentage of vehicles for which the residual value risk is assumed is 53% (PY: 52%) of the total volume. Residual value risks are basically assumed for operating leases only and no financial instrument is recognized in such cases. If the residual value risk is secured (usually by means of guaranties or repurchase agreements with dealers), the corresponding lease is classified as a finance lease and therefore a financial instrument is recognized. However, the financial instrument itself is not subject to any market price risk, but only potential counterparty default risks under guaranties.

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.

At December 31, 2017, Société Générale Effekten GmbH had a credit line with Société Générale S.A. Frankfurt Branch in the amount of EUR 10 million, which was not utilized.

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 conformance 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 Effekten GmbH Group, the Group is currently not exposed to any discernible liquidity risks.

The maturities of the Group's receivables and liabilities at December 31, 2017 are presented in the table below:

Receivables:

| <i>(In euro thousands)</i> | Up to 3 months | 3 months to 1 year | 1 to 5 years | More than 5 years | Indefinite term | 12/31/2017 |
|--|---------------------------|-------------------------------|-------------------------|------------------------------|----------------------------|-------------------|
| Receivables from central banks | - | - | - | - | - | - |
| Financial assets measured at fair value through profit or loss | 447,623 | 1,050,950 | 825,537 | 595,139 | 2,275,468 | 5,194,717 |
| Available-for-sale financial assets | 71,102 | 322 | 1,288 | 1,609 | - | 74,321 |
| Receivables from banks | 142,987 | - | 14,600 | - | - | 157,587 |
| Receivables from customers | 377,963 | 963,540 | 2,227,382 | 60,160 | - | 3,629,045 |
| Receivables under finance leases | 38,359 | 95,664 | 293,646 | 534 | - | 428,203 |
| Other assets | 208,281 | 109,752 | 285,620 | 1,726 | - | 605,379 |
| Total receivables | 1,286,315 | 2,220,228 | 3,648,073 | 659,168 | 2,275,468 | 10,089,252 |

Liabilities

| <i>In euro thousands</i> | Up to 3 months | 3 months to 1 year | 1 to 5 years | More than 5 years | Indefinite maturity | 12/31/2017 |
|--|------------------|--------------------|------------------|-------------------|---------------------|-------------------|
| Liabilities to central banks | - | - | - | - | - | - |
| Financial liabilities measured at fair value through profit or loss, excluding derivatives | 441,498 | 1,050,950 | 825,537 | 595,139 | 2,279,011 | 5,192,135 |
| Liabilities to banks | 430,034 | 899,093 | 2,144,499 | 407,345 | - | 3,880,971 |
| Liabilities to customers | 1,997 | - | - | - | - | 1,997 |
| Securitized liabilities | 104,394 | 276,634 | 416,624 | - | - | 797,652 |
| Other liabilities | 163,345 | 19,850 | 42,030 | - | - | 225,289 |
| Total liabilities | 1,135,086 | 2,246,527 | 3,428,690 | 1,002,548 | 2,279,012 | 10,098,044 |
| Loan commitments received | 5,900 | 26,550 | 134,150 | - | - | 166,600 |
| Guaranty commitments received | - | - | - | - | - | - |
| Total commitments | - | - | - | - | - | 166,600 |

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

NOTE 33 – DISCLOSURES PURSUANT TO SECTION 315E GERMAN COMMERCIAL CODE (HGB)

Personnel expenses

The personnel expenses for financial year 2017 break down as follows:

| <i>In euro thousands</i> | 01/01/2017 – 12/31/2017 |
|-------------------------------|-------------------------|
| Wages and salaries | 55,400 |
| Social security contributions | 9,607 |
| <i>thereof: for pensions</i> | <i>913</i> |

Employees

The average number of employees in financial year 2017 was:

| | Male | Female | Total |
|--|------------|------------|------------|
| Global Banking and Investor Solutions | 2 | 1 | 3 |
| Financial Services to Corporates and Retails | 333 | 376 | 709 |
| Asset Management | 119 | 92 | 211 |
| Total | 454 | 468 | 923 |

Compensation of the management

SG Frankfurt received EUR 600 per month for the work of the managing directors. Thus, the total compensation amounted to EUR 21,600 in financial year 2017.

Disclosures concerning the audit fees recognized as expenses in the reporting period

The fee for the auditor of the consolidated financial statements that was recognized as an expense in financial year 2017, including the companies included in the consolidated financial statements, amounted to

- for audit services: EUR 717 thousand
- for other certification services: EUR 90 thousand
- for tax advice services: EUR 0 thousand
- for other services: EUR 0 thousand

The audit services include expenses of EUR 126,393 for a voluntary audit of the separate financial statements for 2016 according to IFRS at the level of Société Générale Effekten GmbH.

The other certification services pertain to expenses for an ISAE 3402 report and for the audit of technical concepts and processes and a test report pursuant to Section 38 Derivatives Regulation in the Asset Management segment.

In addition, a project-supporting audit of IFRS 9 implementation at the level of the Financial Services to Corporates and Retails segment was agreed and begun in financial year 2017.

Frankfurt, April 30, 2018

The Management

Françoise Esnouf

Helmut Höfer

Rainer Weifens

Responsibility Statement of the Legal Representatives

We warrant to the best of our knowledge that the consolidated financial statements give a true and fair view of the Group's assets, liabilities, financial position and financial performance in accordance with applicable accounting principles, and that the management report provides an appropriate view of the Group's business performance, including its results and position, and appropriately presents the principal opportunities and risks of the Group's anticipated future development.

Frankfurt am Main, April 30, 2018

The Management

Société Générale Effekten GmbH

Françoise Esnouf

Helmut Höfer

Rainer Welfens

AUDITOR'S REPORT BY THE INDEPENDENT AUDITOR

To Société Générale Effekten GmbH, Frankfurt am Main

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND GROUP MANAGEMENT REPORT

Audit opinions

We have audited the consolidated financial statements of Société Générale Effekten GmbH, Frankfurt am Main, and its subsidiaries (the Group) - which comprise the consolidated statement of financial position as at December 31, 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from January 1 to December 31, 2017, and the notes to the consolidated financial statements, including a summary of significant accounting methods. In addition, we have audited the Group management report of Société Générale Effekten GmbH, Frankfurt am Main, for the financial year from January 1 to December 31, 2017. We did not audit the contents of the components of the Group management report indicated in the "Other information" section of our audit report, in accordance with German legal requirements.

In our opinion, on the basis of the knowledge obtained in the audit

- the accompanying consolidated financial statements comply with International Financial Reporting Standards (IFRS), as they are to be applied in the EU, and additionally the applicable German legal requirements pursuant to Section 315e (1) HGB in all material respects and give a true and fair view of the assets, liabilities and financial position of the Group as at December 31, 2017 and its financial performance for the financial year from January 1 to December 31, 2017 in accordance with these requirements, and
- the accompanying Group management report as a whole provides an appropriate view of the Group's position. In all material respects, this Group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion of the Group management report does not extend to the contents of the components of the Group management report indicated in the "Other information" section of our audit report.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the Group management report.

Basis for the audit opinions

We conducted our audit of the consolidated financial statements and of the Group management report in accordance with Section 317 HGB and the EU Financial Statements Audit Regulation (EU-APrVO - No 537/2014, referred to subsequently as “EU Audit Regulation”) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s responsibilities for the audit of the consolidated financial statements and of the Group management report” section of our auditor’s report. We are independent of the Group companies in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, we declare pursuant to Article 10 (2) letter f) of the EU Audit Regulation that we have not provided any prohibited non-auditing services according to Article 5 (1) EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the Group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

In the following, we describe the initial consolidation of the subsidiaries acquired in connection with internal Group restructuring measures, which is a key audit matter in our opinion.

We have structured our description of this key audit matter as follows:

- a) Description of the matter (including references to the corresponding statements in the consolidated financial statements)
- b) Audit approach

Initial consolidation of subsidiaries acquired in connection with internal Group restructuring measures

- a) The assets (EUR 4,473,233 thousand) and liabilities (EUR 4,104,425 thousand) acquired in the business combination as at January 1, 2017 with the subsidiaries Société Générale Securities Services GmbH, Unterföhring, and ALD Lease Finanz GmbH, Hamburg, were applied in the Company's consolidated financial statements at the Group carrying amounts.

The business combination was conducted within the scope of an acquisition of companies under joint control. The acquired assets and liabilities were taken over at the Group carrying amounts of the higher-level parent company at the transaction date in accordance with IDW RS HFA 2 para. 21 in conjunction with IAS 8.10 to IAS 8.12 because the legal representatives regard the consolidated financial statements of Société Générale Effekten GmbH as the sub-group consolidated financial statements of the higher-level parent company Société Générale S.A., Paris/France, and therefore they did not account for the business combination according to IFRS 3, in accordance with IFRS 3.2 letter c). The difference of EUR 38,425 thousand between the consideration given and the net balance of the Group carrying amounts of the acquired assets and liabilities was deducted from equity.

The acquisition of the equity interests is the most important transaction in the financial year and is related to the obligation to prepare IFRS consolidated financial statements for the first time. Given the complexity of the matter and the large number and importance of the acquired assets and liabilities, we classified the initial consolidation as a key audit matter.

The statements of the legal representatives concerning the acquisition of equity interests and the takeover of the consolidated carrying amounts of the higher-level parent company are included in "Note 2 Consolidation group," and "Note 3 Accounting principles and measurement methods."

- b) We examined the appropriateness of the takeover of Group carrying amounts of the higher-level parent company as at the date of January 1, 2017, when the two subsidiaries were acquired.

To this end, we first examined the assumption of the legal representatives regarding the classification of the sub-group as an extract of the consolidated financial statements of a higher-ranking company, with due regard to the principal users of the sub-group consolidated financial statements, based on interviews and the Company's business activity.

We then conducted substantive audit procedures to examine the legal compliance of the application of the Group carrying amounts of the assets and liabilities of the subsidiaries as at January 1, 2017, applied in the consolidated financial statements of the higher-ranking parent company as at December 31, 2016, which were provided with an unqualified audit opinion based on a joint audit conducted by Deloitte et Associés, France, and Ernst & Young et Autres, France, in the consolidated financial statements of the Company. To this end, we requested the IFRS reporting package used in the preparation of the audited consolidated financial statements of Société Générale S.A., Paris/France, from the auditor of the consolidated financial statements. Based on individual assessments, we determined whether the difference between the consideration given and the net balance of the Group carrying amounts of the acquired assets and liabilities was correctly deducted from “equity” as a matter of accounting policy and in terms of the amount.

Other information

The legal representatives are responsible for the other information. The other information comprises:

- The reference to the exempting non-financial Group statement of Société Générale S.A., Paris/France pursuant to Section 315b (2) HGB included in Section E. of the Group management report, and
- The Responsibility Statement of the Legal Representatives on the consolidated financial statements and Group management report pursuant to Section 297 (2) sentence 4 and Section 315 (1) sentence 5 HGB.

Our opinions on the consolidated financial statements and on the Group management report do not cover other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the Group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated

Responsibility of the legal representatives and the Audit Committee for the consolidated financial statements and the Group management report

The legal representatives are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with the IFRSs as they are to be applied in the EU and additionally the applicable German legal requirements pursuant to Section 315e (1) HGB, and that the consolidated financial statements give a true and fair view of the assets, liabilities and financial position and financial performance of the Group in compliance with these requirements. In addition, the legal representatives are responsible for such internal controls as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to intent or error.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to a going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, unless there is an intention to liquidate the Group or discontinue business operations or if there is no realistic alternative to that.

Furthermore, the legal representatives are responsible for the preparation of the Group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, the legal representatives are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a Group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient suitable evidence for the assertions in the Group management report.

The Audit Committee is responsible for overseeing the Company's financial reporting process for the preparation of the consolidated financial statements and Group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and Group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements, whether due to intent or error, and whether the Group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements, and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and Group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from violations or errors and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this Group management report.

We exercise professional judgement and maintain professional skepticism throughout the audit. We also

- Identify and assess the risks of material misstatements in the consolidated financial statements and Group management report, whether due to intent or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from violations is higher than for one resulting from error, as “violations” may involve collusion, forgery, intentional omissions, misrepresentations, or the overriding of internal controls.
- Obtain an understanding of the internal control system relevant to the audit of the consolidated financial statements and arrangements and measures relevant to the audit of the Group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the Group.
- Evaluate the appropriateness of accounting policies used by the legal representatives and the reasonableness of estimates made by the legal representatives and related disclosures.
- Conclude on the appropriateness of the legal representatives’ use of the going concern basis of accounting and, based on the audit evidence obtained, determine whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor’s report to the related disclosures in the consolidated financial statements and Group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs and additionally the applicable German legal requirements pursuant to Section 315e (1) HGB.
- Obtain sufficient, suitable audit evidence for the accounting information of the companies or business activities within the Group in order to form audit opinions on the consolidated financial statements and Group management report. We are responsible for directing, supervising and performing the audit of the consolidated financial statements. We bear sole responsibility for our audit opinions.
- Evaluate the consistency of the Group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the legal representatives in the Group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the legal representatives as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as the auditor by the annual general meeting on September 26, 2017. We were engaged by the management on February 26/ March 16, 2018 to audit the consolidated financial statements in accordance with Section 318 (2) HGB. We have been the auditor of the consolidated financial statements of Société Générale Effekten GmbH, Frankfurt am Main, since financial year 2017.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the Audit Committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Ehler Bühmann.

Frankfurt am Main, April 30, 2018

**Deloitte GmbH
Wirtschaftsprüfungsgesellschaft**

(Nemet)
Wirtschaftsprüfer
(German Public Auditor)

(Bühmann) ;
Wirtschaftsprüfer
(German Public Auditor)

