

**Société Générale Effekten GmbH
Frankfurt am Main**

**Management Report
for the 2017 financial year**

A. Legal and commercial basis of the Company

Société Générale Effekten 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, all of which are sold to the parent company, Société Générale S.A., Paris, to Société Générale Option Europe S.A., Paris, to Société Générale, Madrid branch, and to inora LIFE Limited, Dublin. All counterparties are wholly-owned subsidiaries of Société Générale S.A. or the parent company itself.

An additional area of activity for the Company is the acquisition, holding, and management of investments. In this regard, the Company acquired interests in Société Générale Securities Services GmbH, Unterföhring, and ALD Lease Finanz GmbH, Hamburg, for the first time as of January 1, 2017.

Due to the implementation of the unified European permit (“European passport”), meaning that only a single approval of the securities prospectuses by the responsible supervisory authority (BaFin) is necessary, the Company can list its products on various stock exchanges in the European Union (stock exchanges in Madrid, Milan, Paris, Luxembourg, London, Stockholm, Helsinki, etc.). If the Company’s products are listed on a stock exchange in a country that is not a member of the European Union, the required permit is issued by the supervisory authority of the respective country. Due to internal restructuring beginning in mid-2016, the Company terminated its issuing activities for new transactions listed on other European stock exchanges. It is not planned to list the Company’s issues on a regulated market within the meaning of the EU Prospectus Directive in the foreseeable future. The Company still plans to list issues on unregulated stock exchange segments, including over-the-counter segments of the stock exchanges in Germany.

After being purchased by the counterparties listed above, in a second step the issues are placed with end customers by Société Générale S.A., Paris, so that no influence on the economic circumstances of the issuer results from this action.

B. Financial review

I. General economic conditions in financial year 2017

“The German economy is experiencing a steady and broad-based upswing with solid support from the domestic economy. Capacities are well utilized, employment is at a record level, and consumer prices are stable. It registered stronger growth in 2017 than in any year since 2011, with inflation-adjusted gross domestic product expanding by 2.2 percent. Growth of 2.4 percent is expected in 2018.

Monetary policy in the advanced economies will be tightened only very gradually. The U.S. central bank has raised its base interest rate several times in the last two years. The target range was raised for the sixth time to now 1.25 – 1.5 percent on December 13, 2017. 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 stimulated by the fiscal stimulus.

The adoption of the debated tax reform in the United States would have a substantial expansionary effect.

Increased production in the United Kingdom is being held back by Brexit-related uncertainties. The expected negative effects of the decision to leave the EU became apparent over the course of 2017. Although the British government and the EU are clearly striving to find a way to ensure a gentle transition to a new political and economic framework, the exact nature of this framework is still not discernible. Therefore, there is still great uncertainty surrounding future economic relations and this is dampening the propensity to invest and putting pressure on the exchange rate of the pound sterling.

In China, the rate of economic expansion will gradually slow over the forecast period. Now that the Chinese authorities have succeeded in stabilizing the economy with more expansive fiscal and monetary policies in the last few years, the focus has returned to slowing the increase in debt and making the structural transformation toward a service-oriented economy characterized by socially and ecologically more sustainable growth.

Political risks in Europe also seem to have diminished after the elections in France and the Netherlands did not strengthen Europe-critical movements, as feared, and the parliamentary elections in the United Kingdom weakened the position of those advocating for a hard Brexit. Nonetheless, the independence efforts in Catalonia in the autumn made it clear that centrifugal forces in Europe are still strong. Moreover, the political balance of power after the Italian parliamentary elections in the spring of 2018 remains uncertain due to the highly fragmented party system in that country. Whereas the uncertainties emanating from the political sphere appear to have diminished on the whole, the risks emanating from the financial sphere have returned to the forefront of attention. To wit, it is easily possible that the upcoming normalization of monetary policy could suddenly unsettle the capital markets, leading to sharp corrections of asset prices, yields and exchange rates. It is conceivable, for example, that the U.S. central bank could raise interest rates at a faster rate than currently expected by the markets if a major tax reform stimulates demand in a powerful way. That could lead to changes in international capital flows that would have a painful impact on the economic development of some countries. Most at risk are a number of emerging-market countries whose absorption is supported by net foreign capital inflows to a substantial degree and in which debt (especially bonds denominated in foreign currencies) has risen sharply.”¹

The changes in base factors (stock and currency prices, indices, etc.) accompanying the economic development are the foundation for investors' expectations and are thus crucial to the design of issued products in the area of warrants and certificates.

In consideration of all the above-mentioned factors, the Management considers the effects of economic developments on the Company to be positive, and therefore the increase in issuance activity that continued in 2017 can be further continued in 2018. The goal is to continue to improve the Company's competitive position in the market.

In launching new products in the past financial year 2017, the Company reacted quickly to market volatility and either launched new products or adapted existing products.

¹ *) K.-J. Gern, P. Hauber, S. Kooths, U. Stolzenburg: Weltkonjunktur im Winter 2017 (The World Economy in Winter 2017) from the Kiel Institute Economic Reports; pp. 2 ff.

II. Business developments

In pursuit of the stated goal of further bolstering the Company's market position in Germany in financial year 2017, the number of issued warrants increased by 38% and the number of issued certificates declined by 7% compared to the previous year.

Warrants for a total of 332,943 products (PY: 241,682) were issued in financial year 2017. Along with 166,938 products for stocks, 63,962 products were created for various indices, 22 for interest, 53,341 for foreign currencies, 794 for volatility, and 47,886 for commodities.

In addition, 30,095 certificate products were issued (PY: 32,280). These are primarily bonus and discount certificates, unchanged from the prior year.

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

In accordance with its plan to expand its field of activity to include the acquisition, holding and management of equity investments, the Company acquired major equity interests with legal and economic effect at January 1, 2017. These investments are ALD Lease Finanz GmbH (100% direct), BDK Leasing und Service GmbH (100% indirect by acquisition of the shares in ALD Lease Finanz GmbH), BDK GmbH (99.9% indirect by acquisition of the shares in ALD Lease Finanz GmbH), and Société Générale Securities Services GmbH (100% direct).

The purchased subsidiaries have performed well on the whole, although an impairment was recognized in the purchase price paid for the interests in Société Générale Securities Services GmbH, reducing the carrying amount of this investment from EUR 515 thousand to EUR 1, due to future profit expectations.

The overall performance in financial year 2017 can be regarded as positive considering the expansion of issuance activities and the performance of the subsidiaries.

III. Financial position, cash flows financial performance

a) Financial position

Total assets declined year-on-year by EUR 10,887 million to the current EUR 7,715 million. This decline resulted in part from the lower actually placed nominal amounts per product and in part from delisting measures for products that could not be placed with investors by Société Générale S.A., Paris, Société Générale Option Europe S.A., Paris, Société Générale Madrid Branch and inora LIFE Limited, Dublin.

The statement of financial position mainly presents the issued certificates (statement of financial position item: Liabilities from issued certificates) and the hedging transactions conducted in this connection (statement of financial position item: Receivables from affiliated companies from the investment of issue proceeds) and the issued warrants (statement of financial position item: Other liabilities) and the hedging transactions conducted in this connection (statement of financial position item: Other assets). The value of the items presented in the statement of financial position varies depending on the number and nominal amounts of issued securities and the related hedging transactions.

The Company presented the companies acquired at January 1, 2017 (ALD Lease Finanz GmbH and Société Générale Securities Services GmbH) in the statement of financial position as Noncurrent financial assets – Interests in affiliated companies.

Changes in the net asset position result from the refund of issue costs incurred under a cost-plus arrangement with the parent company.

The Company's share capital remains unchanged at EUR 26 thousand. In addition, the company holds EUR 1,138 thousand (PY: EUR 1.138 thousand) in profit carried forward. The Company's equity remained unchanged year-on-year because the Company entered into a profit transfer agreement with Société Générale Frankfurt as of January 1, 2016, and thus any profits earned or losses incurred are transferred to or compensated by Société Générale Frankfurt.

Receivables are owed by Société Générale Frankfurt and Société Générale S.A., Paris. Receivables are also owed by ALD Lease Finanz GmbH under the profit transfer agreement concluded between ALD Lease Finanz GmbH (subsidiary company) and Société Générale Effekten GmbH (parent company) on September 26, 2017. No credit risks exist outside the Société Générale group.

Liabilities are mainly related to the issuance of certificates and warrants, as well as a loan received from Société Générale Frankfurt for the acquisition of the subsidiaries Société Générale Securities Services GmbH, Unterföhring, and ALD Lease Finanz GmbH, Hamburg, as of January 1, 2017. There are also liabilities from the absorption of the loss of Société Générale Securities Services GmbH, Unterföhring, on the basis of a profit transfer agreement concluded between Société Générale Securities Services GmbH (subsidiary company) and Société Générale Effekten GmbH (parent company) on December 1, 2017.

The financial position was sound in financial year 2017.

b) Financial performance

The proceeds from the sale of issued warrants and certificates are always offset by the expenses for the acquisition of the corresponding hedging transactions, so that the Company does not generate any profit from its issuance activities. The decrease in income and expenses from certificate and warrant issuance activities is mainly attributable to the smaller number of issues of certificates, coupled with the issuance of smaller nominal amounts.

Because currency risks are hedged, exchange rate fluctuations have no effect on the Company's income statement.

Personnel expenses and other operating expenses are passed on to Société Générale S.A., Paris, and Société Générale S.A., Frankfurt Branch, based on a "cost plus" arrangement. The increase in Other operating expenses compared to the previous year resulted mainly from higher expenses related to the increased number of issued products and higher expenses for the preparation and audit of the separate and consolidated financial statements. This led to a corresponding increase in revenues in financial year 2017.

In its income statement, the Company recognized income from equity investments resulting from a dividend payment by ALD Lease Finanz GmbH for 2016 and income from a profit transfer agreement resulting from the profit of ALD Lease Finanz GmbH, which the Company recognizes in the same period on the basis of the profit transfer

agreement concluded with ALD Lease Finanz GmbH by signature of September 26, 2017, and expenses for the absorption of the loss of Société Générale Securities Services GmbH, which the Company recognizes in the same period on the basis of the profit transfer agreement concluded by signature of December 1, 2017.

Based on the results of an impairment test performed on the basis of the discounted cash flow method, the Company recognized an impairment of EUR 515 thousand in the interests held in the affiliated company Société Générale Securities Services GmbH in financial year 2017.

Interest and similar expenses mainly consisted of interest payments on the loan granted by Société Générale Frankfurt in December 2016 to finance the acquisition of subsidiaries.

Due to a profit transfer agreement concluded with Société Générale Frankfurt effective January 1, 2016, the Company shows no net profit/loss for the year as of December 31, 2017.

The financial performance was sound in financial year 2017.

c) Cash flows and liquidity position

The nature and execution of the Company's business activities are aimed at maintaining a balanced liquidity position at all times.

Liabilities from the issuance of certificates and warrants are generally hedged by maturity-matched financial instruments denominated in the same currency and bearing an identical price risk.

Business transactions affecting cash flow result from the issues and the corresponding hedging transactions, from the payment of personnel and other operating expenses and the charging of these expenses to Société Générale S.A., Paris and Société Générale Frankfurt.

Due to the complete reimbursement of all expenses incurred upon issuance by the parent company, the Company has sufficient liquidity and is in a position to satisfy all payment obligations.

At the reporting date of December 31, 2017, the Company held cash and cash equivalents of EUR 17,681 thousand, which are presented in the item of Receivables from affiliated companies – Other receivables. At the reporting date of December 31, 2017, the Company recognized a receivable from Société Générale Frankfurt in the amount of EUR 1,191 thousand and a receivable from Société Générale S.A. in the amount of EUR 420 thousand under the cost-plus agreements in effect.

In addition, a liability is owed to Société Générale Frankfurt in the amount of EUR 407,223 thousand for the loan received to acquire the subsidiaries.

Under the existing profit transfer agreements, the Company recognized receivables from ALD Lease Finanz GmbH in the amount of EUR 69,028 thousand and liabilities to Société Générale Securities Services GmbH in the amount of EUR 13,423 thousand from the loss absorption, and receivables from Société Générale Frankfurt in the amount of EUR 78,450 thousand from the profit transfer.

The liquidity position was sound in financial year 2017.

IV. Financial/ non-financial performance indicators

Financial indicators are not relevant given the fact that the Company is a pure issuing vehicle without its own credit rating, which generates income from the cost-plus agreements in effect with Société Générale S.A. Paris and Société Générale Frankfurt.

Internal controlling in the Company is carried out using the systems and control procedures of the parent company to a large extent. As part of the effort to increase operating efficiency, the parent company plans to permanently adapt and supplement existing systems and monitoring processes. Extensive improvements in handling the issuing process led to efficiency increases that have made it possible to increase the issuance volume.

There are no non-financial performance indicators.

C. Report on the Company's future development and opportunities and risks

I. Expected development of the Company (Forecast Report)

The growth strategy of the group of Société Générale S.A., Paris, is focused on Germany as one of the world's two biggest markets for warrants and certificates. Société Générale Effekten GmbH aims to further enhance its market position through a project to expand issuing activities.

The Management expects that the Company's issuing activity will increase further, particularly in the German market. This goal can be achieved with the aid of the measures initiated in 2015 to automate the issuance process, which will increase capacity and lead to greater efficiency in this process. Moreover, the volatile market environment will probably lead to a higher volume of follow-up issues of turbo warrants, as barriers are breached.

As in prior years, a broad range of warrants and certificates will be offered in 2018.

The Company expects an intensified competitive situation in 2018. The factors needed to succeed in this environment are price, service and product quality.

The issue of regulation will be even more significant in 2018 than in 2017 due to the introduction of the MiFID 2. Beginning on January 3, 2018, new regulatory requirements for the securities and capital markets business will apply as a result of the EU Directive 2014/65/EU (MiFID II). It will create new conduct, organizational, reporting and publication obligations and broaden the existing ones. MiFID II is intended to increase transparency in the markets and enhance investor protection.

Also in 2018, the Company expects a profit contribution from ALD Lease Finanz GmbH of the same amount as in 2017 and loss absorption expenses from the loss of Société Générale Securities Services GmbH in the amount of approximately EUR 11 million on the basis of the profit transfer agreements concluded with those companies.

Including the accrued interest on the borrowed loans in the amount of approx. EUR 3 million and the reimbursements made on the basis of the cost-plus agreement, the

Company expects a profit of approx. EUR 55 million before the profit transfer to Société Générale Frankfurt on the basis of the existing profit transfer agreement.

No liquidity bottlenecks will occur.

II. Risk report

The Company's risk situation is characterized by its well-organized transaction structure and its close integration into the Société Générale group. The Company does not need to maintain its own risk management system or internal control system because all risks incurred are transferred to the parent company under the terms of a "global guarantee."

Potentially occurring risks in financial year 2017 were as follows:

Counterparty default risks

There are no settlement risks because the payments from the sale of the securities issued and from the purchase of the hedging transactions, as well as those from any exercise of options, are always balanced. Receivables from offsetting transactions are only owed by Société Générale S.A., Paris. The credit rating of Société Générale S.A., Paris, and its subsidiaries is the key factor for risk assessment.

Market price risks

All market price risks associated with issued warrants and certificates are fully hedged through hedging transactions with Société Générale S.A., Paris. This means there are no price risks, currency risks or interest rate risks.

Liquidity risks

Daily monitoring of the payment flows and close coordination with the back-office departments of Société Générale S.A., Paris, ensure that the Company is always in a position to fulfill its payment obligations. No liquidity risks can be discerned at present due to the integration into the Société Générale group, the hedging of issues by means of direct offsetting transactions with Société Générale S.A., Paris, and the existing cost-plus agreements for issuance and administrative expenses.

Operational risks

Société Générale S.A., Paris, has developed processes and systems for monitoring and controlling operational risks that are used by Société Générale Effekten GmbH. They are essentially based on the principle of permanent monitoring. Specially designed applications document processes and evaluate them according to prescribed criteria in order to prevent losses from operational risks. There are also precautions in the context of the Business Continuity Plan (BCP) to maintain seamless business operations in the event of disruptions to the infrastructure.

The same rules and principles apply to the outsourced processes in the service centers in Bangalore and Bucharest as apply to Société Générale Effekten GmbH. Compliance with required processes is assured by means of standardized committees and key process indicators (KPIs).

The described measures and processes made it possible to ensure that no operational risks occurred in financial year 2017 in the following areas:

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

There were no significant changes to the risk situation compared to the prior year. Based on currently available information, there are no discernible risks that could endanger the Company's continued operation as a going concern.

The new product process described in the opportunity report does not exacerbate existing risks or give rise to new risks.

The hedge relationships between issued certificates and warrants, on the one hand, and offsetting transactions, on the other hand, are always assured by means of complete symmetrical representation.

III. Opportunity report

The Company's strategy is designed to identify opportunities that arise in good time, to assess them using our risk management system or resource estimator, and to use them for successful development of the Company by means of suitable measures. Due to the Company's activity as an issuance vehicle within the group of Société Générale S.A., Paris, which hedges all risks with hedging transactions, a New Product Committee (NPC) is appointed in each case to design new products at the level of Société Générale S.A., Paris. In this context, all departments involved in the issuing process point out their specific needs and resource allocations.

Consideration is given to all relevant factors for the Company, such as markets, competitive situation, strategic orientation, existing organization, personnel, back office, technical processing capacity, and volume factors.

The Management expects that the Company's business activity will increase further.

The opportunities described herein do not have a significant influence on the Company's risk situation.

D. Internal controlling and risk management system with regard to the financial accounting process

With regard to the financial accounting process, the Internal Controlling System (ICS) and Risk Management System (RMC) cover the principles, processes, and measures to ensure the effectiveness and efficiency of the financial accounting as well as to ensure compliance with the relevant legal regulations, and also risk hedging and representation of measurement units. They ensure that the assets and liabilities are accurately recognized, disclosed, and measured in the financial statements.

The supervision of controls is ensured by means of the applications provided centrally by the Group.

The controls conducted periodically by the Internal Auditing Department and the rectification of identified deficiencies also contribute to more effective supervision.

Responsibilities in ICS and RMS related to financial accounting

The Management runs the Company independently and cooperates with the Audit Committee for the good of the Company in a relationship of trust and cooperation. The Management has overall responsibility for preparing the annual financial statements, among other things.

The Management determines the scope and alignment of the ICS and RMS specifically oriented to the Company under its own responsibility and takes measures to enhance the systems and to adjust them to changing framework conditions.

The value systems that have applied for years in all countries of the Société Générale group and thus also in Société Générale Effekten GmbH, such as the Code of Conduct and Compliance Rules, also constitute the basis for responsible action for the employees entrusted with the financial accounting process.

Company employees must complete a course every year on money laundering and compliance using a computer-based learning program.

Despite all risk mitigation measures established in the context of ICS and RMS, even adequate and functional systems and processes cannot provide an absolute guarantee that risks will be identified and managed. The Accounting Department is responsible for the financial accounting process and particularly for the process of creating the annual financial statements. The Accounting department is supported by the back-office departments of Société Générale S.A., Paris, particularly with regard to the measurement of financial instruments and receivables.

The IT systems necessary for the financial reporting process are made available by the parent company.

An Audit Committee was established to support the management in the financial accounting process, consisting at the reporting date of six persons (one employee of Société Générale Effekten GmbH and five employees of Société Générale Frankfurt). The Audit Committee deals with the development of net worth, financial position and operating results at least once annually - particularly with regard to the annual financial statements. Within the annual financial statements process, the shareholder is required to approve the annual financial statements. The Audit Committee is supplied with the financial statement documents in order to perform these tasks. In addition, the members of the Audit Committee receive a summary report on issuing activity and its financial accounting once per quarter.

Organization and components of ICS and risk management RMS related to financial accounting

The business transactions to be processed by Société Générale Effekten GmbH are centrally recorded by data entry into product-specific applications by a back-office department of the parent company in Paris. The concluded transactions (contracts) are recorded in the applications and released using the double verification principle.

The accounts payable accounting for vendor invoices is carried out in Bangalore by Société Générale Global Solution Centre Private Limited (a 99% subsidiary of Société Générale S.A., Paris).

The services to be provided are stipulated in the Service Agreement of November 29, 2011, between Société Générale Frankfurt and Société Générale Global Solution Centre Private Limited, Bangalore, for Société Générale Effekten GmbH.

The scanned documents are input and posted in Bangalore. Company employees issue approval and release for payment.

Head office reporting and the regulatory report to the Deutsche Bundesbank are produced in Bucharest by Société Générale European Business Services S.A. (a 99.95% subsidiary of Société Générale S.A., Paris).

The services to be provided are stipulated in the Client Services Agreement of December 15, 2016 between Société Générale S.A. Frankfurt and Société Générale European Business Services SA, Bucharest, for Société Générale Effekten GmbH.

The accounting of Société Générale Effekten GmbH continues to be maintained on the central server in Paris; all data of Société Générale Effekten GmbH relevant to accounting is processed and stored on this server.

Company employees in Frankfurt monitor the current cash accounts daily in order to ensure correct posting and the subsequent processing in the service centers. The intranet is used to access the information stored in the "Accounting" area for business operations in general and for financial accounting circumstances in particular. Technical system support for preparing the financial statements has been outsourced to the subsidiary responsible for IT in the SG group.

The parent company is responsible for monitoring. The technical support processes at the central support unit are regulated in procedural directives. The databases for the application systems are backed up and archived under the responsibility of the parent company. Statutory retention periods are complied with. Contingency plans are updated and monitored by Company employees. Data backup is based primarily on the centralized data backup systems for the mainframe computers and on the storage networks for the open systems area. The data are mirrored redundantly in Paris.

The necessary access protection to prevent unauthorized access and the maintenance of functional separation when using the Company's application systems relevant to financial accounting are particularly ensured by the concept of system profiles as well as processes to create system profiles. The system profiles issued to the individual back-office department in Paris as well as to the service center employees in Bangalore and Bucharest are issued and monitored by right holders in the Company using a specially developed system.

Documentation of processes

Documentation of the processes is prescribed as a subsidiary of Société Générale S.A., Paris. They are summarized in the "Accounting & Finance Handbook." Automatic monitoring ensuring the correctness of input data is the primary component of the documented processes.

The most important procedures in the financial accounting process are listed in the "Global Permanent Supervision (GPS)" application. This application contributes to

completion of the documentation process, and provides a suitable instrument to ensure the financial accounting process in case of internal and external auditing.

Measures for ongoing updating of the ICS and RMS

In the context of enhancing the ICS and RMS, the Company carried out additional projects and measures that contributed to strengthening the ICS and RMS. These included a review of the process flows in connection with preparing the monthly results and their inclusion in process mapping.

Furthermore, additional relevant processes were included, starting from the basis of process documentation already achieved, and then transferred into the normal process of the ICS and RMS.

In case of amendments of legal requirements and regulations relating to financial accounting, such changes must be reviewed as to whether and what consequences they may have for the financial accounting process. The Company's local Accounting department is responsible for content processing. In case of amendments or new provisions that have considerable effects on the processing of financial accounting, analysis starts with the existing process mapping. All measures such as IT adjustments, process flows, posting instructions, etc., are analyzed and implemented accordingly in the back-office departments of Société Générale S.A., Paris, as well as in the outsourced service departments in Bangalore and Bucharest, and monitored and controlled by employees at the Company in Frankfurt.

Frankfurt am Main, April 30, 2018

The Management

Société Générale Effekten GmbH

Françoise Esnouf

Helmut Höfer

Rainer Welfens

STATEMENT OF FINANCIAL POSITION at 12/31/2017

<u>ASSETS</u>	12/31/2017 EUR	12/31/2016 EUR	<u>EQUITY AND LIABILITIES</u>	12/31/2017 EUR	12/31/2016 EUR
A. NONCURRENT ASSETS			A. EQUITY		
Noncurrent financial assets			I. Subscribed capital	25,564.59	25,564.59
Interests in affiliated companies	406,708,441.30	0.00	II. Profit carried forward	1,137,724.99	1,137,724.99
			III. Financial year net profit/ loss	0.00	0.00
B. CURRENT ASSETS				<u>1,163,289.58</u>	<u>1,163,289.58</u>
Receivables and other assets			B. PROVISIONS		
1. Receivables from affiliated companies			I. Provisions for pensions and similar obligations	305,697.00	261,894.00
a) from the investment of issue proceeds	3,357,196,804.02	5,781,841,115.68	II. Other provisions	<u>802,438.48</u>	<u>382,000.00</u>
- thereof due in more than one				1,108,135.48	643,894.00
year: EUR 2,568,002,036.19					
(PY: EUR 2,984,971,656.76)			C. LIABILITIES		
b) Other receivables	95,253,641.87	409,688,536.62	I. Liabilities under issued certificates	3,357,196,804.07	5,781,841,115.68
- thereof due in more than one			- thereof due in up to one		
year: EUR 0.00 (PY: EUR 0.00)			year: EUR 789,194,767.83 (PY: EUR 2,796,869,458.92)		
2. Other assets	2,876,797,474.30	8,958,698,692.23	- thereof due from affiliated companies:		
- thereof due in more than one			EUR 3,357,196,804.06 (PY: EUR 5,781,841,115.67)		
year: EUR 2,028,018,283.75 (PY: EUR 7,384,369,309.49)			II. Trade payables	124,764.50	132,454.60
- thereof due from affiliated companies:			- thereof due in up to one		
EUR 2,876,776,967.99 (PY: EUR 8,958,698,692.23)			year: EUR 124,764.50 (PY: EUR 132,454.60)		
	<u>6,329,247,920.19</u>	<u>15,150,228,344.53</u>	III. Liabilities from affiliated companies:	499,567,715.23	407,736,263.27
C. DEFERRED TAX ASSETS	0.00	0.00	- thereof due in up to one		
			year: EUR 92,344,621.36 (PY: EUR 513,169.00)		
D. TRUST ASSETS			IV. Other liabilities	2,876,795,652.64	8,958,711,327.40
Receivables	978,657,238.93	3,451,586,678.60	- thereof due in up to one		
- thereof due in more than one			year: EUR 848,777,369.19 (PY: EUR 1,574,342,017.91)		
year: EUR 594,268,077.94 (PY: EUR 1,115,451,404.93)			- thereof for taxes: EUR 0 (PY: EUR 7,124.51)		
- thereof due from affiliated companies:			- thereof due to affiliated companies:		
EUR 978,657,238.93 (PY: EUR 3,451,586,678.60)			EUR 2,876,776,967.99 (PY: EUR 8,958,698,692.23)		
				<u>6,733,684,936.43</u>	<u>15,148,421,160.95</u>
	<u>7,714,613,600.42</u>	<u>18,601,815,023.13</u>	D. TRUST LIABILITIES		
			Certificates	978,657,238.93	3,451,586,678.60
			- thereof due in up to one		
			year: EUR 384,389,160.99 (PY: EUR 2,336,135,273.67)		
			- thereof due to affiliated companies:		
			EUR 978,657,238.93 (PY: EUR 3,451,586,678.60)		
				<u>7,714,613,600.42</u>	<u>18,601,815,023.13</u>

SOCIÉTÉ GÉNÉRALE EFFEKTEN GMBHFRANKFURT AM MAININCOME STATEMENTFOR THE PERIOD FROM JANUARY 1, 2017 TO DECEMBER 31, 2017

	January 1, 2017 to December 31, 2017 EUR	January 1, 2016 to December 31, 2016 EUR
1. Income from warrant transactions	7,473,509,844.10	10,811,200,456.83
2. Expenses for warrant transactions	7,473,509,844.10	10,811,200,456.83
3. Income from certificate transactions	844,332,410.06	14,477,559,269.29
4. Expenses for certificate transactions	844,332,410.06	14,477,559,269.29
5. Revenues	<u>4,066,594.29</u>	<u>2,644,971.30</u>
thereof SG Paris	2,178,066.59	1,338,909.10
thereof SG Frankfurt	1,888,527.70	1,306,062.20
6. Personnel expenses		
a) Wages and salaries	258,337.50	239,924.29
b) Social security contributions, pension expenses and other benefit expenses	80,427.51	62,457.87
thereof for pensions: EUR 53,736 (PY: EUR 14,903.00)		
7. Other operating expenses	3,589,989.33	2,246,028.04
8. Income from equity investments	26,286,602.45	0.00
- thereof from affiliated companies: EUR 26,286,602.45 (PY: EUR 0)		
9. Income from a profit transfer agreement	69,027,919.03	0.00
10. Other interest and similar income	32.19	94.75
- thereof from affiliated companies: EUR 32.19 (PY: EUR 94,75)		
- thereof from negative interest: EUR 0 (PY: EUR 0)		
11. Impairments of noncurrent financial assets and securities classified as current assets	514,652.57	0.00
- thereof on affiliated companies: EUR 514,652.57 (PY: EUR 0)		
12. Expenses for loss absorptions	13,422,724.30	0.00
13. Interest and similar expenses	3,065,495.76	149,347.74
- thereof to affiliated companies: EUR 3,065,495.76 (PY: EUR 149,271.96)		
- thereof from negative interest: EUR 485.52 (PY: EUR 1,978)	0.00	1,977.68
14. Income taxes	0.00	35,703.24
15. Net profit after taxes	78,449,520.99	-88,395.13
16. Profits transferred under a profit transfer agreement	78,449,520.99	0.00
17. Income from loss absorptions	0.00	88,395.13
18. Financial year net profit/ loss	<u>0.00</u>	<u>0.00</u>

**Société Générale Effekten GmbH
Frankfurt am Main**

**Notes to the Annual Financial Statements
for the 2017 financial year**

Comments on the annual financial statements at December 31, 2017 and other disclosures

The annual financial statements of Société Générale Effekten GmbH at December 31, 2017, have been prepared according to the accounting regulations of the German Commercial Code (HGB) and the supplementary regulations of the Limited Liability Companies Act (GmbHG) in compliance with generally accepted accounting principles.

The head office of the company is located in Frankfurt/Main. It is listed at the Frankfurt am Main Local Court under Commercial Register No. HRB 32283.

Profit transfer agreements

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 Branch (parent company), with retroactive effect to January 1, 2016.

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), with retroactive effect to January 1, 2017.

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), with retroactive effect to January 1, 2017.

1. Recognition and measurement principles

As in the previous year, the following recognition and measurement methods were mainly applied in the preparation of the annual financial statements.

In accordance with 271 (2) HGB, companies that are to be included in the consolidated financial statements of a parent company as parent or subsidiary companies (Section 290) in accordance with the regulations applicable to full consolidation are presented as Interests in affiliated companies. Interests in affiliated companies are measured at amortized cost. In accordance with Section 253 (3) HGB, impairments are recognized to account for impairments that are expected to be permanent.

Receivables are recognized at their nominal amount plus accrued interest. Liabilities not hedged are recognized at their settlement value plus accrued interest.

The calculation of deferred taxes is based on temporary differences between items of the statement of financial position when considered under commercial law and tax law pursuant to Section 274 HGB. Due to the fact that SG Effekten GmbH has been part of a consolidated tax group for income tax purposes since January 1, 2016, as a subsidiary company with Société Générale, Frankfurt Branch, the deferred taxes are recognized at the level of the parent company.

The provisions for pensions were measured at the settlement value deemed necessary according to sound business judgment (Section 253 (I)(2) HGB) in accordance with actuarial principles, taking the 2005 G life expectancy table of Prof. Dr. Klaus Heubeck into account. A standard term to maturity of 15 years was assumed for discounting purposes and the provisions were discounted to present value by application of the average market interest rate for the last 10 years as calculated at the reporting date, that being 3.68% (average market

interest rate for the last 10 years applied in the previous year: 4.01%). (Section 253 (II)(2) HGB). The maturity-matched interest rates of the German Bundesbank are applied for discounting the provisions to present value.

The change in the average discount rate results in a difference within the meaning of Section 253 VI HGB of EUR 31 thousand. The projected unit credit method is used as an actuarial measurement method. The following parameters were assumed for the pension provisions: a discount rate, a salary dynamic of 2.70% (PY: 2.58%), and pension dynamic of 1.70% (PY: 1.58%). The effects of interest rate changes are recognized in the operating profits. The difference between the amount of recognized pension provisions after discounting to present value by application of the average market interest rate for the last 10 financial years and the provision amount that would result if the provisions were discounted to present value by application of the average market interest rate for the last seven financial years is EUR 69,265, and is therefore subject to a payout block according to Section 253 (6) HGB.

The tax provisions and other provisions account for all discernible risks and uncertain obligations. They are measured at the settlement amount deemed necessary according to sound business judgment in accordance with Section 253 (1) HGB. Provisions with a term of up to one year are not discounted to present value.

Option premiums are recognized until exercise or maturity as Other assets or Other liabilities. At exercise or maturity, collection occurs and is recognized in profit or loss.

They are presented within the items of Income from warrant transactions or Expenses of warrant transactions.

The issued certificates are recognized as Liabilities from issued certificates until due. The issued certificates are offset by hedging transactions, which are recognized in Receivables from affiliated companies.

The liabilities from issued certificates and warrants and the hedging transactions recognized in Receivables and other assets were aggregated into valuation units and recognized as assets at cost or as liabilities in the amount of the issue proceeds. These are perfect micro-hedges. In accordance with Section 254 HGB, subsequent measurement is not performed due to their characteristic as valuation units, i.e., due to non-recognition of the offsetting changes in value, the net hedge presentation method is used in this context (Section 285 (19b) and (19c) HGB, as well as Section 285 (23a) and (23b) HGB). It was not necessary to make value adjustments to Receivables and other assets.

The presented liabilities from issued certificates and warrants are generally hedged by maturity-matched financial instruments denominated in the same currency and bearing an identical price risk.

Liabilities not aggregated into valuation units are presented at the settlement amount. These liabilities are Trade payables and Liabilities to affiliated companies. The corresponding income statement item stating such liabilities is presented within Other operating expenses, Expenses from loss absorptions and Profits transferred on the basis of a profit pool, profit transfer agreement or partial profit transfer agreement.

The portfolio of issued options and certificates at the reporting date is fully hedged against market price changes using hedging transactions with the shareholder.

In addition, the Company issues certificates in its own name and for account of Société Générale S.A., Paris, under a trust agreement with the sole shareholder, Société Générale S.A., Paris. The corresponding financial instruments are presented within Trust assets on the assets side and within Trust liabilities on the equity and liabilities side of the statement of financial position. The certificates from trust transactions are offset by hedging transactions that are recognized under Trust assets. Recognition of these transactions occurs at cost of purchase.

2. Development of noncurrent assets

Noncurrent financial assets

	Interests in affiliated companies	Total
	EUR	EUR
Acquisition cost 01/01/2017	0.00	0.00
Acquisitions	407,223,093.87	407,223,093.87
Disposals	0.00	0.00
Acquisition cost	407,223,093.87	407,223,093.87

12/31/2017		
Accumulated depreciation and amortization 01/01/2017	0.00	0.00
Depreciation and amortization of acquisitions in the financial year	514,652.57	514,652.57
Reclassifications	0.00	0.00
Disposals	0.00	0.00
Accumulated depreciation and amortization 12/31/2017	514,652.57	514,652.57
Carrying amounts at 12/31/2016	0.00	0.00
Carrying amounts at 12/31/2017	406,708,441.30	406,708,441.30

The acquisitions of Interests in affiliated companies are the interests acquired from the purchase of Société Générale Securities Services GmbH, Unterföhring (Commercial Register No. HRB 169711 with the Munich Local Court) from Société Générale Securities Services Holding S.A., Paris, for a price of EUR 406,708 thousand as of January 1, 2017, 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. Due to the economic development of Société Générale Securities Services GmbH, an impairment was recognized in the interests in Société Générale Securities Services GmbH on the basis of an impairment test conducted in accordance with the discounted cash flow method.

3. Notes to the statement of financial position

The **Receivables from affiliated companies** amount to EUR 3,452,451 thousand (PY: EUR 6,191,530 thousand). They are mainly comprised of receivables owed by Société Générale S.A., Paris, in the amount of EUR 3,357,197 thousand (PY: EUR 5,781,841 thousand) from the investment of the issue proceeds from issued certificates, and Other receivables in the amount of EUR 95,254 thousand (PY: EUR 409,689 thousand). The Other receivables mainly consist of receivables from ALD Lease Finanz GmbH under an existing profit transfer agreement in the amount of EUR 69,028 thousand (PY: EUR 0 thousand), receivables from Société Générale Frankfurt Branch from an account balance of EUR 17,681 thousand (PY: EUR 1,377 thousand) and from the existing cost reimbursement agreement in the amount of EUR 1,191 thousand (PY: EUR 696 thousand), and from Société Générale S.A., Paris, under the existing cost reimbursement agreement in the amount of EUR 420 thousand (PY: EUR 1,013 thousand). In the previous year, receivables were owed by Consumer Finance S.A. Paris in the amount of EUR 406,708 thousand and by SGSS Holding S.A. France in the amount of EUR 515 thousand from the prepayment of the purchase prices for the subsidiaries ALD Lease Finanz GmbH, Hamburg, and Société Générale Securities Services GmbH, Unterföhring, which were acquired as of January 1, 2018.

Other assets comprise the OTC options acquired by the shareholder to hedge issued warrants. They amounted to EUR 2,876,777 thousand (PY: EUR 8,958,699 thousand).

The **Trust receivables** in the amount of EUR 978,657 thousand (PY: EUR 3,451,587 thousand) involve funds forwarded to the shareholder Société Générale S.A., Paris, from multiple certificates issued for the shareholder in the name of Société Générale Effekten and for account of Société Générale S.A., Paris.

The Company has **equity** in the amount of EUR 1,163 thousand (PY: EUR 1,163 thousand). It is comprised of the subscribed capital of EUR 26 thousand and the retained earnings from the prior years (EUR 1,138 thousand). A profit transfer agreement was concluded between Société Générale, Frankfurt Branch, and the Company effective January 1, 2016.

With the exception of provisions for pensions and similar obligations, the presented provision amounts are due in less than one year.

In calculating the **pension provisions**, the provision amounts were discounted to present value by application of an average interest rate for the last 10 years, assuming a term to maturity of 15 years in accordance with Section 253 (2) HGB. The market interest rate in effect in December 2017 was applied for the measurement at 12/31/2017. The following parameters were used:

Retirement age	65 years
Income dynamic	2.70%
Pension dynamic	1.70%
Interest rate	3.68% at 12/31/2017 (as of December 2017)
	4.01% at 12/31/2016 (as of December 2016)

The difference between the amount of recognized pension provisions after discounting to present value by application of the average market interest rate for the last 10 financial years, that being 3.68%, and the provision amount that would result from discounting to present value by application of the average market interest rate for the last seven financial years, that being 2.80%, is EUR 69,265.

The **Other Provisions** result primarily from provisions for issuing costs as well as audit and consulting costs. They amounted to EUR 802 thousand (PY: EUR 382 thousand). The increase over the previous-year figure resulted mainly from the higher auditing expenses of EUR 375 thousand (PY: EUR 60 thousand). Liabilities to affiliated companies in the amount of EUR 499,568 thousand mainly consist of liabilities to Société Générale S.A. Frankfurt Branch under borrowed loans, including accrued interest, in the amount of EUR 407,346, and liabilities to Société Générale S.A. Frankfurt Branch from the profit transfer in the amount of EUR 78,450 thousand, and liabilities to Société Générale Securities Services GmbH from the loss absorption on the basis of the profit transfer agreement concluded by signature of December 1, 2017, in the amount of EUR 13,423 thousand.

The **Trust liabilities** in the amount of EUR 978,657 thousand (PY: EUR 3.451.587 thousand) include the issuance of certificates issued in the Company's own name for account of Société Générale S.A., Paris.

Certificates (issued) in foreign currencies are recognized in the items "Liabilities from issued certificates" and "Trust liabilities – certificates" on the equity and liabilities side of the statement of financial position in a total amount of EUR 34,664 thousand (EUR 5,707 thousand from CAD, EUR 25,676 thousand from USD, EUR 2,791 thousand from AUD, and EUR 490 thousand from CHF). The corresponding hedges are carried in the same amount in the item Receivables from investment of issue proceeds and Trust assets – receivables on the assets side of the statement of financial position. Currency translation is performed at the exchange rate applicable on the posting date as part of the formation of valuation units (net hedge presentation method), taking into account the terms and conditions of the issue specified in the respective prospectus. Because currency risks are hedged, exchange rate fluctuations have no effect on the Company's income statement.

Warrants (issued) in foreign currencies are recognized in the item "Other liabilities" on the liabilities side of the statement of financial position in a total amount of EUR 417,428 thousand (EUR 30,066 thousand from GBP and EUR 387,362 thousand from SEK). The corresponding hedges are carried in the same amount under the item "Other assets" on the assets side of the statement of financial position. Currency translation is performed at the exchange rate applicable on the posting date as part of the formation of valuation units (net hedge presentation method), taking into account the terms and conditions of the issue specified in the respective prospectus. Because currency risks are hedged, exchange rate fluctuations have no effect on the Company's income statement.

Liabilities/ trust liabilities in the amount of TEUR 6,733,685/ 978,657 consist mainly of liabilities to affiliated companies (EUR 7,712,199 thousand).

EUR'000		Total	Due in	Due in	Due in
			up to 1 year	1 to 5 years	more than 5 years
Receivables					
- From investment of issue proceeds		3,357,197	789,195	347,496	2,220,506
- Other receivables		95,254	95,254		
- From trust accounts		978,657	384,389	504,236	90,032
Other assets		2,876,798	848,779	805,624	1,222,934
Equity investments		406,708			406,708
TOTAL		7,714,614	2,117,617	1,657,356	3,939,641
Liabilities					
- From issued certificates		3,357,197	789,195	347,496	2,220,506
- Trade payables		125	125		
- To affiliated companies		499,568	92,345		407,223
- From trust accounts		978,657	384,389	504,236	90,032
Other liabilities		2,876,796	848,777	805,624	1,222,394
- thereof taxes					
TOTAL		7,712,342	2,114,831	1,657,356	3,940,155

4. Notes to the Income Statement

The income statement is prepared in accordance with the cost summary method.

Revenues in the amount of EUR 4,067 thousand (PY: EUR 2,645 thousand) were recognized in accordance with the definition of Section 277 I HGB in the version of the Financial Statements Directive Implementation Act (BilRUG). The revenues relate to cost transfers of services within the scope of a cost-plus procedure with an administrative cost mark-up of 5% by Société Générale S.A., Paris, in the amount of EUR 2,178 thousand, and by Société Générale S.A. Frankfurt Branch in the amount of EUR 1,889 thousand. The service covers administrative processing for the issuing business.

Other operating expenses consist primarily of issue costs, legal and consulting fees, and stock exchange costs.

	2017
Legal, consulting, audit	1,840,324
Advertising	12,449
Stock exchanges, regulation	1,409,509
SG Frankfurt cost charge	327,707
Total	3,589,989

The income from equity investments in the amount of EUR 26,286 thousand resulted from the dividend payout of ALD Lease Finanz GmbH for the year 2016 on the basis of the resolution of the annual shareholders' meeting of 06/16/2017. ALD Lease Finanz GmbH withheld creditable tax amounts (investment income tax and solidarity surtax) of EUR 6,933,091.40 from the dividend and transferred them to the tax office. The Company recognizes the creditable tax amounts as Receivables from affiliated companies – Other receivables because the investment income tax is credited in connection with the tax assessment of the parent company.

The **income from profit pools, profit transfer agreements and partial profit transfer agreements** in the amount of EUR 69,028 thousand represents the profit of ALD Lease Finanz GmbH, which is recognized by the Company in the same reporting period on the basis of the profit transfer agreement concluded with ALD Lease Finanz GmbH by signature of September 26, 2017. The losses incurred by Société Générale Securities Services GmbH in the amount of EUR 13,423 thousand are recognized by the Company as **expenses of loss absorption** in the same reporting period on the basis of the profit transfer agreement concluded on December 1, 2017.

The item of **Interest and similar expense** primarily includes paid and accrued interest in the amount of EUR 3,056 thousand for a loan from Société Générale S.A., Frankfurt Branch.

The Company concluded a profit transfer agreement with Société Générale S.A., Paris, Frankfurt Branch, effective January 1, 2016, and has been in an integrated tax group relationship for purposes of value-added tax and income tax since that time. Therefore, all taxes accrue at the level of the parent company. There were no other financial commitments at the reporting date.

5. Information on the issuing activities

The issuance volume in financial year 2017 breaks down as follows: All issues are fully hedged by concluding identically equipped OTC options or by investing issue proceeds with Société Générale S.A., Paris.

GATTUNG - OPTIONSSCHEIN / ZERTIFIKATE	ART	GESCHÄFTSJAHR 2017			GESCHÄFTSJAHR 2016		
		ANZAHL	VOLUMEN (IN STÜCK)	LÄNGSTE LAUFZEIT	ANZAHL	VOLUMEN (IN STÜCK)	LÄNGSTE LAUFZEIT
Optionsscheine							
Aktienoptionsscheine	Call	36,661	151,038,721	23/12/2022	25,104	575,697,078	23/12/2022
	Put	28,899	47,239,800	31/12/2019	19,724	332,313,300	01/04/2019
	Open End Turbo Long	47,947	73,647,504	Open End	50,608	758,854,901	Open End
	Open End Turbo Short	19,027	21,780,975	Open End	19,482	287,280,295	Open End
	Inline/ StayHigh/ StayLow Optionsscheine	23,605	23,181,870	22/06/2018	16,625	62,186,400	01/04/2019
	Discount	21	835,000	22/09/2017	-	-	-
	Leverage	-	-	-	-	-	-
	Andere Optionsscheine	-	-	-	3	2,095,000	21/01/2033
	Closed End Turbo Long	5,472	5,481,300	22/06/2018	734	4,021,100	23/06/2017
	Closed End Turbo Short	5,306	3,367,300	22/06/2018	644	3,943,000	23/06/2017
		166,938	326,572,470		132,924	2,026,391,074	
Indexoptionsscheine	Call	3,701	31,668,299	29/12/2020	1,845	192,967,942	23/12/2022
	Put	6,129	39,518,900	25/09/2019	1,865	151,027,725	28/06/2019
	Open End Turbo Short	8,864	10,954,508	Open End	7,867	189,637,440	Open End
	Open End Turbo Long	8,061	9,236,487	Open End	8,081	203,690,950	Open End
	Inline/ StayHigh/ StayLow Optionsscheine	16,392	27,747,616	22/03/2019	13,088	152,395,060	01/04/2019
	Discount	-	-	-	199	11,780,000	19/10/2016
	Leverage	7	155,200,000	19/06/2020	1	400,000,000	21/12/2018
	Andere Optionsscheine	43	431,000	Open End	222	1,512,080,000	Open End
	Closed End Turbo Long	10,210	8,442,190	22/06/2018	7,839	44,679,209	Open End
	Closed End Turbo Short	10,554	7,849,000	22/06/2018	7,593	42,056,200	01/04/2019
	Alpha	1	13,000	22/12/2017	2	6,000	23/12/2016
		63,962	291,061,000		48,602	2,900,320,526	
Währungsoptionsscheine	Open End Turbo Long	8,753	6,756,627	Open End	3,943	71,901,230	Open End
	Open End Turbo Short	9,409	6,306,062	Open End	3,914	71,905,600	Open End
	Call	4,981	21,455,724	24/12/2021	4,519	56,902,900	29/12/2020
	Put	4,788	20,911,450	24/12/2021	4,262	48,673,500	29/12/2020
	Inline/ StayHigh/ StayLow Optionsscheine	25,404	38,771,548	28/09/2018	4,384	37,965,000	26/06/2017
	Andere Optionsscheine	6	3,000	03/02/2025	-	-	-
		53,341	94,204,411		21,022	287,348,230	
Rohstoffoptionsscheine	Call	7,172	42,191,500	02/11/2022	3,364	155,626,326	23/11/2022
	Put	5,141	18,377,900	23/11/2022	2,259	114,664,200	23/11/2022
	Open End Turbo Long	13,008	89,247,542	Open End	12,816	321,301,618	Open End
	Open End Turbo Short	13,260	85,160,555	Open End	14,275	348,339,235	Open End
	Inline/ StayHigh/ StayLow Optionsscheine	9,305	15,879,800	21/12/2018	6,211	45,532,113	01/04/2019
	Discount	-	-	-	1	10,000	26/10/2016
	Andere Optionsscheine	-	-	-	30	1,032,000	Open End
		47,886	250,857,297		38,956	986,505,492	
Fixed Income	Call	-	-	-	7	70,000	20/12/2019
	Put	-	-	-	-	-	-
	Open End Turbo Long	-	-	-	-	-	-
	Open End Turbo Short	22	29,500	Open End	18	164,200	Open End
		22	29,500		25	234,200	
Volatilität	Discount	794	6,653,600	22/06/2018	153	9,300,000	26/04/2017
		794	6,653,600		153	9,300,000	
TOTAL Optionsscheine:		332,943	969,378,278		241,682	6,210,099,522	

		GESCHÄFTSJAHR 2017			GESCHÄFTSJAHR 2016		
GATTUNG - OPTIONSSCHEIN / ZERTIFIKATE	ART	ANZAHL	VOLUMEN (IN STÜCK)	LÄNGSTE LAUFZEIT	ANZAHL	VOLUMEN (IN STÜCK)	LÄNGSTE LAUFZEIT
Zertifikate							
Aktienzertifikate	Bonus	11,543	8,324,949	15/01/2021	7,584	31,380,382	28/06/2019
	Discount	7,900	3,936,560	04/01/2019	4,958	20,445,224	01/04/2019
	Express	197	748,270	10/11/2023	306	791,800	25/10/2022
	Leverage	-	-		-	-	
	Outperformance	-	-		1	3,600	23/09/2016
	Alpha	-	-		2	33,000	07/12/2017
	Sprint	-	-		1	2,000	07/03/2017
	Andere	17	18,462	06/01/2020	1,444	300,400	11/10/2021
		19,657	13,028,241		14,296	52,956,406	
Anleihe							
	Aktien	-	-		-	-	
	Index	-	-		-	-	
	Zinsanleihe	-	-		-	-	
	Inflationsanleihe	-	-		-	-	
	Reverse Convertible	-	-		484	97,610	04/04/2018
	Andere	-	-		-	-	
		-	-		484	97,610	
Kredit							
	Credit Linked Note	-	-		1	4,900	11/10/2021
		-	-		1	4,900	
Indezertifikate							
	Alpha	1	13,000	21/04/2022	-	-	
	Andere	10	2,145,089,800	Open End	47	1,293,600,700	Open End
	Bonus	4,966	7,821,353	22/03/2019	12,997	37,309,464	01/04/2019
	Discount	5,117	13,500,438	27/09/2019	3,635	29,542,877	04/01/2019
	Express	79	1,385,737	12/06/2024	185	4,553,000	Open End
	Leverage	1	6,000,000	19/06/2020	9	2,077,750,000	Open End
	Outperformance	2	10,000	02/03/2022	-	-	
	Sprint	4	53,000	24/05/2022	-	-	
		10,180	2,173,873,328		16,873	3,442,756,041	
Rohstoffzertifikate							
	Garantie	-	-		-	-	
	Bonus	-	-		15	95,200	28/07/2017
	Discount	252	350,983	04/11/2019	601	1,556,400	04/11/2019
	Express	2	3,900	05/05/2020	7	13,400	09/07/2018
	Leverage	-	-		-	-	
	Andere	4	33,525	Open End	3	44,000	Open End
		258	388,408		626	1,709,000	
TOTAL Zertifikate		30,095	2,187,289,977		32,280	3,497,523,957	
Total Zertifikate und Optionsscheine:		363,038	3,156,668,255		273,962	9,707,623,479	

The fair value of financial derivatives and bonds with embedded derivatives is measured in principle using market values; in case of illiquid markets, measurement is performed on the basis of internal models. These "in-house valuation models" are regularly tested by specialists in the Risk department of Société Générale S.A., Paris. Derivative financial instruments with option characteristics are measured by Société Générale S.A., Paris, using generally recognized option price models.

When an active market exists, prices quoted by stock exchanges, brokers, and pricing agencies are used.

The type, volume, and fair values of the derivative hedging transactions at the reporting date are as follows: The Company holds 88,823 OTC options with a market value of EUR 1,888 million to hedge stock and index warrants, 14,376 OTC options with a market value of EUR 116 million to hedge foreign currency warrants, 9,621 OTC options with a market value of EUR 286 million to hedge commodities warrants, and 3,863 OTC options with a market value of EUR 66 million to hedge interest rate warrants.

In addition, the Company holds 20,198 certificates with a market value of EUR 3,747 million, including trust transactions.

The carrying amount of the warrants listed here at December 31, 2017, is EUR 2,877 million, which is presented within the Other Liabilities item in the statement of financial position. The carrying amount of the issued certificates at December 31, 2017, is EUR 4,336 million, which is divided between the item Liabilities from Issued Certificates and the item Trust Liabilities in the statement of financial position.

6. Material shareholdings

The material shareholdings according to Section 285 (11) HGB break down as follows:

Name and registered head office	Percentage of equity held %	Equity of the company EUR'000	Financial year profit/loss EUR'000
Directly			
ALD LF	100	226,953	0 ¹⁾
SG SS	100	35,330	0 ²⁾
Indirectly			
ALD AutoLeasing und Dienstleistungs GmbH, Hamburg	43,8	2,332	442
Bank Deutsches Kraftfahrzeuggewerbe GmbH, Hamburg		280,550	0 ³⁾
- Voting shares	51	550	
- Non-voting shares	100	280,000	
BDK Leasing und Service GmbH, Hamburg	100	1,023	0 ⁴⁾
Nedderfeld 95 Immobilien GmbH & Co. KG, Hamburg	65	3,438	0

1) Profit before profit transfer	EUR'000	69,028
2) Loss before loss absorption	EUR'000	-13,423
3) Profit before profit transfer	EUR'000	48,676
4) Loss before loss absorption	EUR'000	-90

7. Disclosures regarding the audit fees recognized as expenses in the reporting year

The fee for the independent auditor in 2017, which was recognized as expense in financial year 2017, amounted to

- EUR 374,850 for auditing services,
- EUR 0 for other certification services
- EUR 0 for tax advisory services
- EUR 0 for other services

Of this total, expenses in the amount of EUR 248,457 related to work performed for the audit of the 2017 separate financial statements (HGB and IFRS) and expenses in the amount of EUR 126,393 related to a voluntary audit of the 2016 separate financial statements according to IFRS.

8. Disclosures concerning members of company bodies and employees

The following individuals were appointed as managing directors in financial year 2017:

Mr. Helmut Höfer, lawyer (general counsel), Frankfurt am Main

Head of Legal SGCIB Germany & Austria

Ms. Françoise Esnouf, banker, Frankfurt am Main
Chief Operational Officer SGCIB Germany

Mr. Rainer Welfens, business administrator, Frankfurt am Main
Chief Financial Officer SGCIB Germany

The current managing directors, Ms. Françoise Esnouf and Mr. Helmut Höfer along with Mr. Rainer Welfens, are employees of Société Générale S.A., Frankfurt am Main Branch. Expenses of EUR 22 thousand as compensation for the work of the managing directors were charged to Société Générale Effekten GmbH for financial year 2017.

The Company employed an average of 3 employees during the financial year. Two employees work full-time and 1 employee works part-time.

As a capital market-oriented company, the Company has established an Audit Committee under Section 324 HGB consisting of the following members:

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

9. Group affiliation

At the reporting date of December 31, 2017, Société Générale S.A., Frankfurt branch held a 100% equity interest in Société Générale Effekten GmbH.

The headquarters of Société Générale S.A., Frankfurt branch, is Société Générale S.A., Paris (smallest scope of consolidation within the meaning of Section 285 No. 14a HGB and largest scope of consolidation within the meaning of Section 285 No. 14 HGB). Notice of publication of the consolidated financial statements of Société Générale S.A., Paris, is given in France in the "Bulletin des Annonces Légales et Obligatoires (BALO)" under the heading "Publications Périodiques" (R.C.S: 552 120 222).

The consolidated financial statements are available on the website www.socgen.com.

10. Significant events after the balance sheet date

No events with a significant effect on the Company's net assets, financial position and results of operations have occurred.

Frankfurt/Main, Wednesday, April 30, 2018

The Management

Société Générale Effekten GmbH

Françoise Esnouf

Helmut Höfer

Rainer Welfens

Responsibility Statement of the Legal Representatives

We warrant to the best of our knowledge that the annual financial statements give a true and fair view of the Company'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 Company's business performance, including its results and position, and appropriately presents the principal opportunities and risks of the Company'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

REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND MANAGEMENT REPORT

Audit opinions

We have audited the annual financial statements of Société Générale Effekten GmbH, Frankfurt am Main - which comprise the balance sheet as at December 31, 2017 the income statement for the financial year from January 1 to December 31, 2017, and the notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of Société Générale Effekten GmbH, Frankfurt am Main, for the financial year from January 1 to December 31, 2017.

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

- the accompanying annual financial statements comply with the requirements of German commercial law applicable to corporations in all material respects and give a true and fair view of the assets, liabilities and financial position of the Company as at December 31, 2017 and its financial performance for the financial year from January 1 to December 31, 2017, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

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 annual financial statements and of the management report.

Basis for the audit opinions

We conducted our audit of the annual financial statements and of the 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 annual financial statements and of the management report" section of our auditor's report. We are independent of the Company 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 annual financial statements and on the management report.

Key audit matters in the audit of the annual financial statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual 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 annual 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 measurement of the interests in the subsidiaries acquired as at January 1, 2017, 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 annual financial statements)
- b) Audit approach

Measurement of the interests in the subsidiaries acquired as of January 1, 2017

- a) The interests in the subsidiaries Société Générale Securities Services GmbH, Unterföhring, and ALD Lease Finanz GmbH, Hamburg, which were acquired as of January 1, 2017, are presented in the annual financial statements under the balance sheet item "Interests in affiliated companies." The interests are measured at acquisition cost in accordance with Section 253 (1) in conjunction with (3) HGB, or at the lower fair value in the event of an impairment that is expected to be permanent. As of December 31, 2017, the interests in ALD Lease Finanz GmbH, Hamburg, were measured at their acquisition cost of EUR 406,708 and the interests in Société Générale Securities Services GmbH, Unterföhring, were measured at their lower fair value of EUR 1, which are equal in total to 5.7% of the Company's total assets. The impairment tests are based on the company valuations performed by way of the discounted cash flow method applied for the IFRS consolidated financial statements. The company valuations are based on planned amounts of expected future cash flows.

The result of company valuations is highly dependent on estimates of future cash flows and the discount rates applied, and is therefore subject to uncertainties and discretionary judgments. The measurement of these interests was a key audit matter for us because the acquisition of equity interests is a non-recurring event and the performance of impairment tests is subject to discretionary judgments.

The statements of the legal representatives concerning the acquisition of equity interests and the performance of the impairment tests are included in Section "1. Recognition and measurement principles" and "2. Development of noncurrent assets" in the notes to the financial statements.

- b) We examined the appropriateness of the recognized value of equity interests in the subsidiaries Société Générale Securities Services GmbH and ALD Lease Finanz GmbH acquired as at January 1, 2017.

With reference to the company valuations presented to us, we first assured ourselves that the fair values were properly calculated by way of the discounted cash flow method and with due regard to the relevant measurement standards. We examined the question of whether the future cash flows used in the calculation provide an appropriate basis particularly by checking them against the current plan amounts and assessing the plausibility of the main planning assumptions. We also evaluated these assumptions in the light of general and industry-specific market expectations by consulting a financial advisory specialist. We subjected the assumptions concerning the perpetual annuity to a critical review by evaluating the detailed planning phase, as well as general and industry-specific market expectations.

Other information

The legal representatives are responsible for the other information. The other information comprises the responsibility statement of the legal representatives on the annual financial statements and management report pursuant to Section 264 (2) sentence 3 and Section 289 (1) sentence 5 HGB.

Our opinions on the annual financial statements and on the 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 annual 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 annual financial statements, with the 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 annual financial statements and the management report

The legal representatives are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to corporations, and that the annual financial statements give a true and fair view of the assets, liabilities and financial position and financial performance of the Company in compliance with German legally required accounting principles. In addition, the legal representatives are responsible for such internal controls as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatements, whether due to intent or error.

In preparing the annual financial statements, the legal representatives are responsible for assessing the Company'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, provided no actual or legal circumstances conflict therewith.

Furthermore, the legal representatives are responsible for the preparation of the management report that, as a whole, provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual 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 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 management report.

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

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

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatements, whether due to intent or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual 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 annual financial statements and 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 annual financial statements and this 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 annual financial statements and 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 annual financial statements and arrangements and measures relevant to the audit of the 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 Company.
- 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 Company’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 annual financial statements and 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 Company to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by the legal representatives in the 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 annual 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. We have been the auditor 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]



