Annual Financial Statements of Société Générale Effekten GmbH

at December 31, 2016

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INCOME STATEMENT

(in euro thousands)	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)
thereof net gains or losses on financial instruments measured at fair value through profit or loss	Note 3	*54*	*(16)*
thereof net gains or losses on available-for-sale financial assets		-	-
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

(in euro thousands)	**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

(in euro thousands)	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

(in euro thousands)	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

(in euro thousands)	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**

(in euro thousands)	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

(in euro thousands)	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

IFRS (in euro thousands)	**01/01/2015**	*GCC (in euro thousands)*	**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

IFRS (in euro thousands)	**01/01/2015**	*GCC (in euro thousands)*	**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

	12/31/2016		12/31/2015	
(in euro thousands)	**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**
thereof securities purchased or sold with a resale or repurchase agreement	-	-	-	-

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

(in euro thousands)	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

(in euro thousands)	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

(in euro thousands)	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

(in euro thousands)	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

(in euro thousands)	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	-	-
Net result from fair value hedging instruments	-	-
Remeasurement of underlying transactions in relation to the hedged risk	-	-
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

	12/31/2016		12/31/2015	
(in euro thousands)	**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

	12/31/2016				12/31/2015			
(in euro thousands)	**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	-	6.420,795o	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

	12/31/2016				12/31/2015			
(in euro thousands)	**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

(in euro thousands)	**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)**

(in euro thousands)	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

(in euro thousands)	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)**	**-**

(in euro thousands)	Reclassifications to Level 2	Reclassifications 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
					Volatilities of investment 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
					Change in the collection rate of the underlying assets of a single issuer
			Other credit derivatives	Credit default models	Correlation between default times
					Quanto correlations
					Credit spreads
Commo-dity	11,763	11,763	Derivatives on commodity baskets	Valuation models for commodity options	Commodity correlations
Total	**357,055**	**357,055**			

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

(in euro thousands)	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

(in euro thousands)	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

(in euro thousands)	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

(in euro thousands)	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:

(in euro thousands)	Note	12/31/2016	12/31/2015
Provisions for employee benefits	*Note 10*	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:

(in euro thousands)	**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

(in euro thousands)	**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

(in euro thousands)	**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

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

Tax liabilities

(in euro thousands)	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

(in euro thousands)	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

	01/01/2016-12/31/2016			01/01/2015-12/31/2015		
(in euro thousands)	**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

	2016			2015		
(in euro thousands)	**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:

	12/31/2016		12/31/2015	
(in euro thousands)	**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:

(in euro thousands)	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:

	Existing balances at	
(in euro thousands)	**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:

(in euro thousands)	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:

(in euro thousands)	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**

(in euro thousands)	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

Audit Opinion

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

[*Translator's note: Seal Deloitte GmbH and signatures*]

(Nemet)

Wirtschaftsprüfer

(Bühmann)

Wirtschaftsprüfer