

## STATEMENT OF FINANCIAL POSITION at December 31, 2015

ASSETSA. CURRENT ASSETS

- Accounts receivable and other assets
1. Receivables from affiliated companies
    - a) Receivables from investment of issue proceeds
      - thereof due in more than one year: EUR 4,685,641,548.90 (prior year: EUR 3,804,906,889.70)
    - b) Other receivables
      - thereof due in more than one year: EUR 0.00 (prior year: EUR 0.00)
  2. Other assets
    - thereof due in more than one year: EUR 8,486,037,792.87 (prior year: EUR 6,608,655,422.51 )
    - thereof affiliated companies EUR 12,457,625,359.99 (prior year: EUR 10,051,954,757.52 )

12/31/2015 EUR	12/31/2014 EUR
11,502,884,854.81	7,011,368,383.66
2,528,800.40	1,826,240.85
12,457,643,687.07	10,051,970,054.34
<u>23,963,057,342.28</u>	<u>17,065,164,678.85</u>

B. DEFERRED TAX ASSETSC. TRUST ASSETS

- Receivables
- thereof due in more than one year: EUR 3,398,643,272.25 (prior year: EUR 4,819,366,433.40 )
  - thereof affiliated companies EUR 5,004,705,533.48 (prior year: EUR 5,238,971,266.72 )

EQUITY AND LIABILITIESA. EQUITY

- I. Subscribed capital 25,564.59
- II. Profit carried forward 1,008,056.34
- III. Net income 129,668.65
- 1,163,289.58
- 1,033,620.93

B. PROVISIONS

- I. Provisions for pensions and similar obligations 240,578.22
- II. Tax provisions 0.00
- III. Other provisions 514,500.00

500,732.35

C. LIABILITIES

- I. Liabilities from issued certificates
  - thereof due within one year: EUR 6,817,243,305.91 (prior year: EUR 3,206,461,493.96)
  - thereof affiliated companies EUR 11,502,884,854.81 (prior year: EUR 7,011,368,383.66)
- II. Trade accounts payable
  - thereof due within one year: EUR 244,638.56
- III. Amounts payable to affiliated companies
  - thereof due within one year: EUR 416,739.00
- IV. Other liabilities
  - thereof due within one year: EUR 12,457,625,445.35
  - thereof from taxes: EUR 3,085.36 (prior year: EUR 2,675.01)
  - thereof affiliated companies EUR 12,457,625,359.99 (prior year: EUR 10,051,952,082.51)

11,502,884,854.81	7,011,368,383.66
244,638.56	248,154.67
416,739.00	78,902.11
12,457,628,445.35	10,051,954,757.52
<u>23,961,174,677.72</u>	<u>17,063,650,197.96</u>

D. TRUST LIABILITIES

- Certificates
- thereof due within one year: EUR 1,606,062,261.23 (prior year: EUR 419,604,833.32)
  - thereof affiliated companies EUR 5,004,705,533.48 (prior year: EUR 5,238,971,266.72)

5,004,705,533.48	5,238,971,266.72
<u>28,967,798,579.00</u>	<u>22,304,155,817.96</u>

SOCIÉTÉ GÉNÉRALE EFFEKTEN GMBHFRANKFURT AM MAININCOME STATEMENTFOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2015

	2015 EUR	2014 EUR
1. Income from option activities	15,997,222,553.27	7,957,746,576.77
2. Expenses from option activities	15,997,222,553.27	7,957,746,576.77
3. Income from certificate activities	9,129,718,328.10	2,084,458,881.43
4. Expenses from certificate activities	9,129,718,328.10	2,084,458,881.43
5. Other operating income	5,075,875.36	3,592,770.23
6. Personnel expenses		
a) Wages and salaries	171,550.88	157,250.66
b) Social welfare contributions and expenses for pensions and other benefit costs thereof for pensions EUR 59,777.87 (prior year: EUR 34,270.87)	86,320.09	60,848.95
7. Other operating expenses	4,638,641.91	3,239,421.56
8. Other interest and similar income	369.96	167.18
- thereof from affiliated companies EUR 369.96 (prior year: EUR 167.18)		
9. Interest and similar expenses	12,508.35	4,322.72
- thereof from affiliated companies EUR 12,508.35 (prior year: EUR 4,322.72)		
10. Income from ordinary activities	167,224.09	131,093.52
11. Income taxes	37,555.44	28,009.72
- thereof from deferred tax assets: EUR 15,830.85 (prior year: EUR 7,238.49)		
12. Net income	129,668.65	103,083.80

**Société Générale Effekten GmbH  
Frankfurt am Main**

**Notes to the Annual Financial Statements  
for the 2015 financial year**

**Comments on the annual financial statements at December 31, 2015, and other disclosures**

The annual financial statements of Société Générale Effekten GmbH at December 31, 2015, have been prepared according to the accounting regulations of the German Commercial Code (HGB) and the supplementary regulations of the Limited Liability Companies Act (GmbHG) in compliance with generally accepted accounting principles.

**1. Recognition and measurement principles**

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

The calculation of deferred taxes is based on temporary differences between items on the statement of financial position when considered under commercial law and tax law pursuant to Section 274 HGB. EUR The deferred tax assets presented in the statement of financial position in the amount of EUR 35,703.24 were recognized exclusively in respect of temporary differences between the commercial-law values and the tax bases of provisions for pensions. The tax rate used to calculate the deferred taxes was 31.93%.

The provisions for pensions were measured at the settlement value according to actuarial principles, taking the 2005 G life expectancy tables into account, which is necessary according to reasonable business assessment (Section 253 (I)(2) HGB). They are discounted on a flat-rate basis using an average market interest rate corresponding to a remaining time to maturity of 15 years (Section 253 (II)(2) HGB). The expectancy cash value method is used as an actuarial measurement method. The following parameters were assumed for the pension provisions: a discount rate of 3.89% (PY: 4.62%), a remuneration development of 2.90% (PY: 2.90%), and pension development of 1.90% (PY: 1.90%). The effects of interest rate changes are recognized in the operating profits within the sub-item of Social security and pension expenses. The other provisions with a remaining term of up to one year are not discounted and are presented on the liabilities side at their settlement value necessary according to reasonable business assessment.

Option premiums are recognized until exercise or lapse as Other assets or Other liabilities. At exercise or lapse, collection occurs, affecting net income. They are presented within the items of Income from option trades or Expenses of option trades.

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

The liabilities from issued certificates and warrants and the hedging transactions recognized in Receivables and other assets were merged into measurement units and presented on the liabilities side at cost of purchase or recognized as assets in the amount of the issue proceeds. These are perfect micro-hedges. Remeasurement pursuant to Section 254 HGB does not occur due to their characteristic as measurement units, i.e., due to non-recognition of the offsetting changes in value, the net hedge presentation method is used in this context (Section 285 (19b) and (19c) HGB as well as Section 285 (23a) and (23b) HGB). It was not necessary to make any value adjustments on the Receivables and Other Assets.

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

Liabilities not merged into measurement units are presented at the settlement amount. These liabilities are Trade accounts payable and liabilities to affiliated companies. The corresponding income statement of such liabilities is presented within Other operating expenses.

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

In addition, the Company works in the context of a trust agreement with the sole shareholder, Société Générale S.A., Paris.

The corresponding items are presented within Trust assets on the assets side and within Trust liabilities on the equity and liabilities side of the statement of financial position.

The certificates from trust transactions are offset by hedging transactions that are recognized under trust assets. Recognition of these transactions occurs at cost of purchase.

## 2. Notes to the statement of financial position

The **Receivables from affiliated companies** consist of EUR 11,504,834 thousand (PY: EUR 7,013,194 thousand) owed by the shareholder, as well of an account balance of EUR 580 thousand against the Société Générale Frankfurt branch.

**Other assets** primarily comprise the OTC options acquired by the shareholder to hedge issued warrants. They amounted to EUR 12,457,625 thousand (PY: EUR 10,051,955 thousand).

The **Trust receivables** in the amount of EUR 5,004,706 thousand (PY: EUR 5,238,971 thousand) involve funds forwarded to the shareholder from multiple certificates issued for the shareholder.

The **Other provisions** result primarily from provisions for issuing costs as well as audit and consulting costs. They amounted to EUR 515 thousand (PY: EUR 323 thousand).

The **Trust liabilities** in the amount of EUR 5,004,706 thousand (PY: EUR 5,238,971 thousand) include the issue of certificates issued in the Company's own name for the account of third parties.

**Certificates (issued) in foreign currencies** are recognized in the item "Liabilities from issued certificates" on the liabilities side of the statement of financial position in a total amount of EUR 130,651 thousand (EUR 4,189 thousand from AUD, EUR 9,279 thousand from CAD, EUR 490 thousand from CHF, and EUR 116,693 thousand from USD). The corresponding hedges are carried in the same amount in the item Receivables from investment of issue proceeds and Trust assets – receivables on the assets side of the statement of financial position. Currency translation is performed at the exchange rate applicable on the posting date as part of the formation of valuation units (net hedge presentation method), taking into account the terms and conditions of the issue specified in the respective prospectus. The hedging of currency risk means that exchange rate fluctuations do not have any impact on the income statement.

**Warrants (issued) in foreign currencies** are recognized in the item "Other liabilities" on the liabilities side of the statement of financial position in a total amount of EUR 3,416,914 thousand (EUR 140,332 thousand from GBP and EUR 3,276,582 thousand from SEK). The corresponding hedges are carried in the same amount under the item "Other assets" on the assets side of the statement of financial position. Currency translations is performed at the exchange rate applicable on the posting date as part of the formation of valuation units (net hedge presentation method), taking into account the terms and conditions of the issue specified in the respective prospectus. The hedging of currency risk means that exchange rate fluctuations do not have any impact on the income statement.

Liabilities/ trust liabilities in the amount of EUR 23,961,175 thousand / EUR 5,004,706 thousand consist mainly of liabilities to affiliated companies (EUR 28,965,633 thousand).

<b>Maturity breakdown of receivables and liabilities</b>				
EUR '000	Total amount	Remaining maturity up to 1 year	Remaining maturity 1 to 5 years	Remaining maturity over 5 years
<b>Receivables</b>				
- From investment of issue proceeds	11,502,885	6,817,243	2,802,077	1,883,565
- Other receivables	2,529	2,529		
- From trust accounts	5,004,706	1,606,062	3,232,759	165,885
<b>Other assets</b>	<b>12,457,644</b>	<b>3,971,607</b>	<b>3,199,417</b>	<b>5,286,620</b>
<b>Liabilities</b>				
- From issued certificates	11,502,885	6,817,243	2,802,077	1,883,565
- Trade payables	245	245		
- Due to affiliated companies	417	417		
- From trust accounts	5,004,706	1,606,062	3,232,759	165,885
<b>Other liabilities</b>	<b>12,457,628</b>	<b>3,971,591</b>	<b>3,199,417</b>	<b>5,286,620</b>
- thereof taxes	3	3		

### 3. Notes to the Income Statement

The income statement is prepared in accordance with the period accounting method.

**Other operating income** primarily related to cost absorption by the shareholder.

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

**Income taxes** relate to the result of ordinary operations.

They amounted to EUR 38 thousand (PY: EUR 28 thousand). Included in this are deferred taxes in the amount of EUR 16 thousand.

### 4. Information on the issuing activities

The total issue of financial year 2015 breaks down as follows: All issues are fully hedged by concluding identically equipped OTC options or by investing issue proceeds with Société Générale S.A., Paris.

		FISCAL YEAR 2015			FISCAL YEAR 2014		
WARRANTS CATEGORY / CERTIFICATES	TYPE	QUANTITY	VOLUME (IN PIECES)	LONGEST MATURITY	QUANTITY	VOLUME (IN PIECES)	LONGEST MATURITY
Warrants							
Stock warrants	CALL	299	435,526,000	18-Dec-20	3,833	222,314,000	29-Dec-20
	PUT	30	55,750,000	23-Dec-16	1,876	108,808,000	29-Dec-15
	Open End Turbo Long	8,818	790,815,500	29-Mar-16	500	29,000,000	open end
	Inline / StayHigh/ StayLow Optionsschein	60,935	1,025,345,000	28-Nov-16	23,678	1,392,838,000	29-Mar-16
	Open End Turbo Short	68	43,400,000	open end	122	7,076,000	open end
	Leverage	30	7,500,000	open end	-	-	-
	Other warrants	24,621	5,691,135,200	03-Feb-25	11	638,000	27-Mar-15
		94,801	8,049,271,700		30,220	1,760,474,000	
Index warrants	CALL	27	52,020,000	25-Dec-15	1,264	73,312,000	27-Jun-24
	PUT	16	37,000,000	25-Dec-15	908	52,664,000	08-Jan-16
	Open End Turbo Short				172	9,976,000	open end
	Open End Turbo Long	1,426	76,756,000	29-Mar-16	214	12,412,000	open end
	Inline /StayHigh/ StayLow Optionsschein	34,148	684,270,000	23-Dec-16	17,369	1,007,402,000	24-Jun-16
	Optionsschein				108	6,264,000	28-Jun-19
	Discount Optionsschein				110	6,380,000	25-Feb-15
	Leverage	47	696,000,000	21-Jan-33	-	-	-
	Other warrants	15,593	3,640,995,500	27-Jul-49	3	174,000	29-Dec-15
		51,257	5,187,041,500		20,148	1,188,584,000	
Currency warrants	Open End Turbo Short	206	6,464,000	open end	55	3,190,000	open end
	Open end Turbo Long	312	11,533,000	open end	61	3,538,000	open end
	CALL	-	-	-	47	2,726,000	26-Jun-15
	PUT	-	-	-	30	1,740,000	22-Jun-16
	Inline/ Stay High/ Stay Low	142	2,995,000	29-Mar-16	-	-	-
	Other warrants	286	142,153,000	20-Dec-19	-	-	-
		945	165,145,000		193	11,194,000	
Commodity warrants	CALL	23	20,405,000	15-Dec-17	421	24,418,000	18-Dec-20
	PUT	6	9,050,000	15-Dec-17	135	7,830,000	02-Nov-18
	Open End Turbo Short	1,927	124,496,000	open end	426	24,708,000	open end
	Open End Turbo Long	1,654	100,540,000	open end	371	21,518,000	open end
	Inline /StayHigh/ StayLow Optionsschein	3,914	78,630,000	14-Mar-41	2,629	152,482,000	16-Mar-16
	CALL Discount Optionsschein				-	-	-
	Other warrants	9,900	2,334,113,030	18-Dec-20	5	290,000	27-Mar-15
		17,426	2,667,234,030		3,987	231,246,000	
Fixed Income	CALL				-	-	-
	PUT				-	-	-
	Open End Turbo Short	1	14,000	open end	63	3,654,000	open end
	Open End Turbo Long	114	4,584,000	open end	51	3,538,000	open end
		115	4,598,000		124	7,192,000	
TOTAL warrants:		164,544	16,073,280,230		54,672	3,178,690,000	

		FISCAL YEAR 2015			FISCAL YEAR 2014		
WARRANTS CATEGORY / CERTIFICATES	TYPE	QUANTITY	VOLUME (IN PIECES)	LONGEST MATURITY	QUANTITY	VOLUME (IN PIECES)	LONGEST MATURITY
Certificates:							
Stock certificates	Bonus	22,586	259,558,700	02-Jan-17	4,743	268,858,000	29-Jan-21
	Discount	17,520	154,811,800	24-Mar-17	1,934	112,172,000	23-Dec-16
	Express	613	1,768,050	21-Dec-20	243	14,094,000	29-Dec-20
	Leverage	-	-	-	-	-	-
	Outperformance	36	460,800	23-Sep-16	-	-	-
	Alpha	-	-	-	-	-	-
	Sprint-certificate	95	809,600	23-Sep-16	-	-	-
	Other	59	162,100	27-Mar-20	21	1,218,000	07-Jan-22
		40,909	417,363,050		6,941	384,342,000	
Bonds	Stocks	1,839	386,300	28-Sep-18	294	17,052,000	29-Mar-16
	Index	274	69,400	10-Oct-16	-	-	-
	Interest-linked	-	-	-	-	-	-
	Inflation-indexed	-	-	-	-	-	-
	Reverse Convertible	-	-	-	-	-	-
	Other	4	800	07-Aug-18	3	174,000	07-Apr-16
		2,117	466,500		297	17,226,000	
Loans	Credit Linked Note	2	3,200	open end	1	58,000	01-Oct-20
		2	3,200		1	58,000	
Index certificates	Bonus	17,371	76,805,800	22-Dec-17	3,903	203,174,000	22-Dec-17
	Discount	4,142	23,011,100	22-Jun-18	915	53,070,000	22-Dec-17
	Express	294	3,831,000	08-Dec-23	201	11,658,000	08-Dec-22
	Leverage	17	569,750,000	23-Mar-20	7	406,000	00.01.1900
	Outperformance	-	-	-	-	-	-
	Other	210	1,795,174,400	24-Feb-33	59	3,422,000	01-Jan-89
		22,034	2,468,372,300		4,686	271,730,000	
Commodity certificates	Guarantee	-	-	-	-	-	-
	Bonus	20	98,600	17-Aug-16	46	2,666,000	22-Mar-18
	Discount	920	4,019,400	03-May-19	382	22,156,000	04-Nov-19
	Express	-	-	-	8	464,000	09-Apr-19
	Leverage	1	20,000,000	24-Nov-17	-	-	-
	Other	21	5,845,000	open end	2	116,000	17-Aug-20
		962	29,963,000		438	25,494,000	
TOTAL certificates		66,024	2,916,158,050		12,362	708,760,000	
Total certificates and warrants:		230,568	18,989,448,280		67,034	3,887,450,000	

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

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

The type, volume, and fair values of the derivative hedging transactions at the reporting date are shown below: The Company holds 45,062 OTC options with a market value of EUR 11,341 million to hedge the stock and index warrants, 596 OTC options with a market value of EUR 260 million to hedge the foreign currency warrants, and 2,782 OTC options with a market value of EUR 2,564 million to hedge the commodities warrants, and 3,832 OTC warrants with a market value of EUR 1,482 million to hedge interest rate warrants.

In addition, the Company holds 47,034 certificates with a market value of EUR 14,200 million, including trust transactions.

The carrying amount of the warrants listed here at December 31, 2015, is EUR 12,458 million, which is presented within the Other Liabilities item on the statement of financial position. The carrying amount of the issued certificates at December 31, 2015, is EUR 16,508 million, which is divided between the item Liabilities from Issued Certificates and the item Trust Liabilities in the statement of financial position.

## **5. Statements on the fees recognized as expenses in the reporting period**

The auditing fee for 2015, which was recognized as expense in financial year 2015, is EUR 50 thousand.

## **6. Statements on members of company bodies and employees**

The following individuals were appointed as managing directors in financial year 2015:

Mr. Jean-Louis Jégou, banker, Frankfurt am Main  
 Dr. Joachim Totzke, general counsel, Frankfurt am Main  
 Mr. Rainer Welfens, business administrator, Saint Maur des Fossés / France (from February 9, 2015)

By way of a resolution adopted by the shareholder meeting on February 9, 2015, Mr. Rainer Welfens, business administrator, Saint Maur des Fossés, France, was appointed managing director.

By way of a resolution adopted by the shareholder meeting on February 16, 2016, Mr. Helmut Höfer, lawyer, Frankfurt am Main, was appointed managing director with immediate effect. Dr. Joachim Totzke's appointment was revoked with immediate effect.

The current managing directors Mr. Jean-Louis Jégou, Mr. Helmut Höfer and Mr. Rainer Welfens are employees of Société Générale S.A., Frankfurt am Main branch office. Mr. Rainer Welfens is an employee of Société Générale S.A., Paris. Expenses of EUR 22 thousand as remuneration for the managing director work were passed on to Société Générale Effekten GmbH for financial year 2015.

The Company employed an average of 1.5 employees during the financial year.

As a capital market-oriented company, the Company has established an Audit Committee under Section 264d HGB consisting of the following members:

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

## 7. Group affiliation

Until December 2015 the parent company of Société Générale Effekten GmbH was Société Générale S.A., Paris. As of December 2015, the Société Générale Frankfurt branch holds a 100% equity interest in Société Générale Effekten GmbH.

The parent company of Société Générale Frankfurt is Société Générale S.A., Paris. Notice of publication of the consolidated financial statements of Société Générale S.A., Paris, occurs in France in the "Bulletin des Annonces Légales et Obligatoires (BALO)" under the heading "Publications Périodiques" (R.C.S: 552 120 222).

The consolidated financial statements are available on the website [www.socgen.com](http://www.socgen.com).

Frankfurt am Main, April 20, 2016

The Management

Société Générale Effekten GmbH

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Jean-Louis Jégou

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Helmut Höfer

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Rainer Welfens

**Société Générale Effekten GmbH  
Frankfurt am Main**

**Management Report  
for the 2015 financial year**

**A. Legal and Commercial Basis of the Company**

Société Générale Effekten GmbH is a wholly-owned subsidiary of Société Générale S.A. Frankfurt. The purpose of the company is to issue warrants and certificates, all of which are sold to the parent company, Société Générale S.A., Paris, to Société Générale Option Europe S.A., Paris, to Société Générale, Madrid branch, and to Inora Life Limited, Dublin. All counterparties are wholly-owned subsidiaries of Société Générale S.A. or the parent company itself.

Due to the implementation of the unified European permit ("European passport"), meaning that only a single approval of the prospectuses by the responsible supervisory authority (BaFin) is necessary, the Company is permitted to list its products on various stock exchanges in the European Union (stock exchanges in Madrid, Milan, Paris, Luxembourg, London, Stockholm, Helsinki, etc.). If the Company's products are listed on a stock exchange in a country that is not a member of the European Union, the required permit is issued by the supervisory authority of the respective country.

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

**B. Financial Review**

**I. Operating Conditions for Financial Year 2015**

The economic recovery continued in Germany and the Eurozone in 2015. Economic growth was dampened by weak growth in emerging-market countries, particularly China.

The economy was supported by low oil prices and attractive financing conditions due to the monetary policy actions of major central banks. In other countries (especially Russia), however, economic growth was inhibited by the lowered commodity prices.

Public-sector budgets were increasingly strained by the refugee migration from the war zones in Syria.

The phase of low-interest rates presents growing risks to the financial stability of banks and is undermining business models conceived for the medium term.

The complexity of regulation and oversight (capital requirements, detailed requirements for risk management systems; information and frequency of disclosure obligations) has grown steadily. The complexity results mainly from the European harmonization and applicability to internationally active companies. A uniform oversight mechanism was established for the purpose of ensuring uniform bank oversight standards. Most of the

regulations and procedural requirements applicable in Germany are increasingly issued on the European level.

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

In consideration of all the above-mentioned factors, the Management considers the effects of economic developments on the Company to be positive, and therefore the increase in issuance activity that began in 2015 can be continued in 2016. The goal is to improve the Company's competitive position in the market.

In launching new products in the past financial year 2015, the Company reacted quickly to market volatility and either launched new products or adapted existing products.

## **II. Business developments**

In pursuit of the stated goal of bolstering the Company's market position in Germany, the number of issued warrants and certificates more than tripled in financial year 2015.

Warrants for a total of 164,544 products (PY: 54,672) were issued in financial year 2015. Along with 94,801 products for stocks, 51,257 products were created for various indices, 115 for fixed income, 945 for foreign currencies, and 17,426 for commodities.

In addition, 66,024 certificate products were issued (PY: 12,362). These are primarily bonus and discount certificates, unchanged from the prior year.

## **III. Net assets, financial position and results of operations**

### **a) Net assets**

Due to the heightened issue volume, total assets increased EUR 6,664 million year-on-year to the current EUR 28,968 million. The statement of financial position mainly presents the position of issued securities and the related hedging transactions. It varies in proportion to the volume of issuance activity.

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

The company's share capital remains unchanged at EUR 26 thousand. In addition, the company holds EUR 1,008 thousand (PY: EUR 905 thousand) in profit carried forward. The company's equity increased by the earned net income of EUR 130 thousand (PY: EUR 103 thousand) to EUR 1,163 thousand (PY: EUR 1,034 thousand).

All receivables are owed by the sole shareholder. No credit risks exist outside the Société Générale group.

Liabilities are mainly related to the issuance of certificates and warrants.

### **b) Financial performance**

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

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

Personnel expenses and other operating expenses are passed on to Société Générale S.A., Paris, based on a "cost plus" arrangement.

The additional costs incurred in connection with issuance activities led to a higher reimbursement by the parent company compared to 2014, which is reflected in the higher net income for the year (EUR 130 thousand; PY: EUR 103 thousand). As designed, it is not possible for the company to earn a net loss for the year, regardless of sales.

c) Financial position and liquidity

The nature and settlement of the Company's business activities aim at maintaining a balanced financial position at all times. Liabilities from the issuance of certificates and warrants are generally hedged by maturity-matched financial instruments denominated in the same currency and bearing an identical price risk.

Business transactions affecting cash flow result from the issues and their hedging transactions, from settlement of personnel and other operating expenses, and their on-debiting to Société Générale S.A., Paris.

Due to the complete reimbursement of all costs accruing at issue by the parent company, the company has sufficient liquidity and is in a position to satisfy all payment obligations.

At the reporting date of December 31, 2015, the Company held cash and cash equivalents of EUR 580 thousand. The Company owed a liability of EUR 79 thousand to SG Frankfurt at the prior-year reporting date of December 31, 2014.

#### **IV. Financial/ non-financial performance indicators**

Financial indicators are not relevant, given the fact that the Company is a pure issuing vehicle.

The internal control of the Company is largely carried out through the systems and control procedures of the parent company. The parent company is working to adjust systems and monitoring processes in order to increase operating efficiency. In financial year 2015, for example, a certification program for controls was introduced for the purpose of increasing the Company's operating efficiency.

There are no other non-financial performance indicators.

## **C. Report on future development and opportunities and risks of the Company**

### **I. Expected development of the Company (forecast report)**

Société Générale's growth strategy centers on Germany in its position as the second-biggest warrant/certificate market in the world. Société Générale Effekten GmbH aims to further strengthen its market position through a project to expand issuing activities.

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

As in prior years, a broad range of warrants and certificates will be offered in 2016. Furthermore, the Company further intends to maintain its issuing activities in other European countries.

Earnings in financial year 2016 will be positive, factoring in the Company's strict risk-covering policy, and will be of a comparable amount as the past financial year. No liquidity bottlenecks will occur.

The development of issuance activity and the further development of non-financial performance indicators predicted in 2014 were considerably exceeded and/or enhanced in 2015, mainly due to the improved redesign of the issuance process.

### **II. Risk report**

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

The risks that could possibly arise in financial year 2015/2016 are described in the following.

#### Borrower default risks

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

### Market price risks

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

### Liquidity risks

Daily monitoring of the payment flows and close coordination with the back-office departments in Paris ensure that the Company is always in a position to fulfill its payment obligations. No liquidity risks can be discerned at present due to the integration into the Société Générale group.

### Operational risks

Société Générale S.A., Paris, has developed processes and systems for monitoring and controlling operational risks that are used by Société Générale Effekten GmbH. They are essentially based on the principle of permanent monitoring. Specially designed applications document processes and evaluate them according to prescribed criteria in order to prevent losses from operational risks. There are also precautions in the context of the Business Continuity Plan (BCP) to maintain seamless business operations in the event of disruptions to the infrastructure. The same rules and principles apply to the outsourced processes in the service centers in Bangalore and Bucharest as apply to Société Générale Effekten GmbH. Compliance with required processes is assured by means of standardized committees and key process indicators (KPIs).

The measures and processes described here made it possible to ensure that no operational risks occurred in financial year 2015 in the following areas:

- Regulatory compliance risks
- Information technology risks
- Outsourcing risks
- Fraud risks

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

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

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

### **III. Opportunity report**

The Company's strategy is designed to identify opportunities that arise in good time, to assess them using our risk management system or resource estimator, and to use them for successful development of the Company by means of suitable measures. A New Product Committee (NPC) is appointed in each case to design new products. All departments involved in the issuing process contribute their specific needs and resource allocations.

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

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

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

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

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

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

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

#### Responsibilities in ICS and RMS related to financial accounting

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

The management affirms to the best of its knowledge and belief that the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with the applicable principles of proper accounting.

The management independently determines the scope and alignment of the ICS and RMS specifically oriented to the Company and takes measures to enhance the systems and to adjust them to changing framework conditions.

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

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

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

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

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

#### Organization and components of the ICS and RMS related to financial accounting

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

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

The services to be provided are stipulated in the Service Agreement between Société Générale S.A., Frankfurt Branch, and Société Générale Global Solution Centre Private Limited, Bangalore, for Société Générale Effekten GmbH.

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

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

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

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

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

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

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

#### Documentation of the processes

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

The most important procedures in the financial accounting process are listed in the "Global Permanent Supervision (GPS)" application. This application contributes to completion of the documentation process, and provides a suitable instrument to ensure the financial accounting process in case of internal auditing.

Measures for ongoing updating of the ICS and RMS

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

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

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

**E. Significant events after the balance sheet date**

No significant events possibly affecting the net worth, financial position and operating results occurred after the conclusion of the financial year.

Frankfurt am Main, April 20, 2016

The Management

Société Générale Effekten GmbH

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Jean-Louis Jégou

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Helmut Höfer

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Rainer Welfens

## Cash Flow Statement

	2015 EUR	2014 EUR
<b>1. Cash flow from operating activities</b>		
Net income for the fiscal year before extraordinary items	129,668.65	103,083.80
Increase / Decrease (-) in provisions	254,345.87	-2,141.78
Increase (-) / Decrease (+) in receivables as well as other assets not attributable to investment or financing activities	-6,663,046,827.85	-453,240,229.36
Increase deferred tax assets	-15,830.85	-7,238.49
Increase / Decrease in liabilities under issued certificates as well as other liabilities not attributable to investment or financing activities	6,663,337,648.63	452,708,882.32
Cash flow from continuing operations	659,004.45	-437,643.51
<b>2. Closing balance of cash funds</b>		
Change in cash funds	659,004.45	-437,643.51
Opening balance of cash funds	-78,902.11	358,741.40
Closing balance of cash funds	580,102.34	-78,902.11
<b>3. Composition of cash funds</b>		
Liquid assets / Liabilities FI	580,102.34	-78,902.11

### Other disclosures as of 31.12.2015 in accordance with paragraph 52 of German Accounting Standard (DRS) 2:

- a) Daily payable receivables/liabilities due to the shareholder are presented under cash funds.
- b) The definition of cash funds was not changed compared to the previous period.
- c) The carrying amount of cash funds corresponds to bank deposits and is reported in the position "Receivables from affiliated companies - Other Receivables".
- d) No significant non-cash investment or financing operations or transactions were entered into in the reporting period.
- e) The Company did not purchase or sell any companies in the reporting period.

## Société Générale Effekten GmbH

### Statement of changes in equity

	Subscribed capital	Retained earnings	Equity
<b>Balance as of Jan. 1, 2013</b>	<b>25,564.59</b>	<b>806,949.38</b>	<b>832,513.97</b>
Distribution of dividends	-	-	-
Other changes	-	-	-
Net income for the year	-	98,023.16	<b>98,023.16</b>
<b>Balance as of Dec. 31, 2013</b>	<b>25,564.59</b>	<b>904,972.54</b>	<b>930,537.13</b>
<b>Balance as of Jan. 1, 2014</b>	<b>25,564.59</b>	<b>904,972.54</b>	<b>930,537.13</b>
Distribution of dividends	-	-	-
Other changes	-	-	-
Net income for the year	-	103,083.80	<b>103,083.80</b>
<b>Balance as of Dec. 31, 2014</b>	<b>25,564.59</b>	<b>1,008,056.34</b>	<b>1,033,620.93</b>
<b>Balance as of Jan. 1, 2015</b>	<b>25,564.59</b>	<b>1,008,056.34</b>	<b>1,033,620.93</b>
Distribution of dividends	-	-	-
Other changes	-	-	-
Net income for the year	-	129,668.65	-
<b>Balance as of Dec. 31, 2015</b>	<b>25,564.59</b>	<b>1,137,724.99</b>	<b>1,163,289.58</b>

## **Audit opinion of the independent auditor**

We have audited the annual financial statements – comprising the balance sheet, the income statement, the cash flow statement, the statement of changes in equity, and the notes to the annual financial statements – together with the bookkeeping system and the management report of Société Générale Effekten GmbH, Frankfurt am Main, for the fiscal year from January 1 to December 31, 2015. The maintenance of the books and records and preparation of the annual financial statements and management report pursuant to German commercial law are the responsibility of the Company's Management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system and management report, based on our audit.

We conducted our audit of the annual financial statements in accordance with section 317 HGB ("Handelsgesetzbuch": "German Commercial Code") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements and violations materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements of Société Générale Effekten GmbH, Frankfurt am Main, correspond to the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with principles of proper accounting. The management report is consistent with the annual financial statements and on the whole provides a suitable understanding of the Company's position and suitably presents the risks and opportunities of future development.

Frankfurt am Main, April 20, 2016

**Ernst & Young GmbH**  
Wirtschaftsprüfungsgesellschaft

Hultsch  
Wirtschaftsprüfer (German Public Auditor)

Knoll  
Wirtschaftsprüfer (German Public Auditor)