

ANNUAL REPORT

2017

DIGITAL.
INNOVATIVE.
PERSONAL.

GEFA BANK GMBH

GEFA'S KEY DATA FOR 2017

TOTAL NEW BUSINESS IN THE GEFA GROUP

€ 2.574 billion



NEW LENDING BUSINESS

€ 1.208 billion



LEASE ORIGINATIONS AND NEW HIRE PURCHASE BUSINESS

€ 1.366 billion



VOLUME OF MANAGED ASSETS

€ 6.7 billion



TOTAL NUMBER OF DEDICATED EMPLOYEES

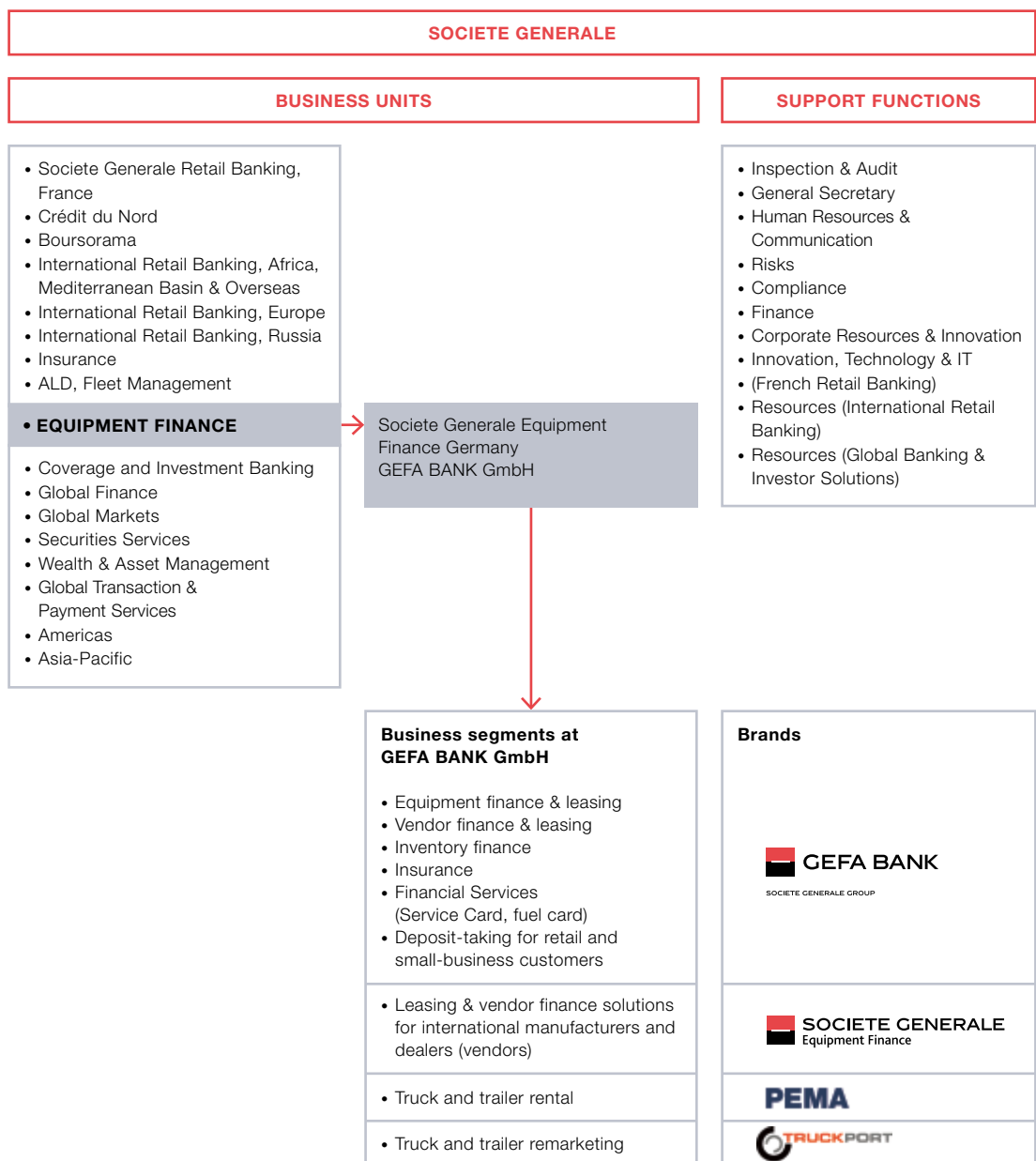
696

We further extended our digital offering in 2017. Thanks to our innovative services, proven leasing and finance solutions and decades of equipment and industry experience, we are a strong partner for our customers and are helping them transition to a successful future.

ORGANISATIONAL STRUCTURE OF THE SOCIETE GENERALE GROUP

In August 2017, the Societe Generale Group introduced a new, more flexible and customer-focused organisational structure.

The Group is now split into 17 business units and ten service units (support functions) that report directly to Group management and have a higher degree of autonomy. Led by General Management, strategic oversight of the Group and its operating units is carried out by interdisciplinary steering committees comprising the heads of the business units and support functions.



GEFA'S PERFORMANCE AT A GLANCE

KEY PERFORMANCE INDICATORS

€ million GEFA Group (SCEF Germany)	2017	2016	2015	2014
SCEF Germany's new business	2,574	2,444	2,402	2,387
of which GEFA Joint Ventures and SCEF KG	29	36	106	101
of which new business of GEFA BANK GmbH	2,545	2,408	2,296	2,287
Breakdown of SCEF Germany's new business	2,574	2,444	2,402	2,387
Lending	1,208	1,203	1,241	1,427
Leasing incl. hire purchase	1,366	1,241	1,161	960
GEFA BANK GmbH (GEFA)				
Profits transferred under profit-transfer agreements	80.1	105.2	102.3	81.7
Managed assets	6,748	6,231	6,115	5,934
Total assets	7,135	6,519	7,248	7,039
Equity	673	673	815	815
Number of employees	696	698	707	713
Cost/income ratio (CIR) according to Basel III (%)	67	61	68	60
PEMA Group				
Average number of vehicles rented	14,513	15,147	15,662	15,921
Number of employees	447	482	522	541

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(from left to right):

DR ALBRECHT HAASE

MEMBER OF GEFA'S MANAGEMENT BOARD

JOCHEN JEHLICH

SPOKESMAN FOR GEFA'S MANAGEMENT BOARD

CHRISTIAN EYMERY

MEMBER OF GEFA'S MANAGEMENT BOARD

MARTIN DORNSEIFFER

MEMBER OF GEFA'S MANAGEMENT BOARD

INTRODUCTION

INNOVATION WITH TRADITION

At the end of the 19th century, plans were announced to link the then separate towns of Barmen and Elberfeld with a suspension railway. They met with fierce resistance. Opponents quickly condemned the proposals for a suspension railway as an “insane enterprise”. It was said to be tempting God, and “an act of pure hubris to entrust oneself to such a Satanic contrivance”.

But despite the protests, the suspension railway, which was powered by electricity right from the beginning, opened in 1901 after only five years of construction work. It was quite simply ahead of its time – a true innovation.

The railway, which was granted protected status in 1997, owes its long history both to its renown as the emblem of Wuppertal and to the way it has been continuously modernised over the decades. Now in their fifth generation, the lightweight trains are at the cutting edge of technology.

Innovation clearly has a long tradition in Wuppertal – and not just in the case of the suspension railway, but also with us, at GEFA BANK.

We combine innovation with continuity and stability. This allows us to uphold our own values and add value for our customers that will stand the test of time. We further extended our range of digital services in 2017. For example, our customers can now verify their identities quickly and easily from their PC, tablet or smartphone using the Videoident method.

Technology is advancing at an ever-increasing pace. The ability to respond quickly to changes is becoming more and more important as a result. The innovation team established in June 2017 by our parent company Societe Generale in Berlin is intended to foster an appropriate spirit of creativity. It provides an important link to the dynamic culture of entrepreneurship and start-ups in our capital city, leverages invaluable synergies, and allows opportunities to be identified and exploited at an early stage.

At the end of the year, we strengthened our management team with the addition of Dr Albrecht Haase, a proven specialist in sales and transport.

In 2017, the level of new business that we generated rose to € 2.574 billion. This represented a year-on-year increase of more than 5 per cent and a growth rate that was higher than for capital equipment spending across the German economy as a whole.

Our forecast for 2018 is for further – moderate – growth.

Thanks to our attractive products, our expertise and our creativity, we remain a strong and stable partner for German SMEs in today’s fast-moving world.



Jochen Jehmlich

Spokesman for GEFA’s Management Board

GEFA BANK'S ONLINE SERVICES

FAST, SIMPLE AND AVAILABLE AROUND THE CLOCK

We are continuously enhancing our range of digital services so that we can give our customers the best possible support. GEFA BANK already offers a whole host of innovative online services that customers can access from the comfort of their homes, while out and about, and at any time of day or night.

GEFA online – fast calculations, simple financing



GEFA online allows new capital investment projects to be costed and delivered using a fast, easy and paperless process. Customers can also keep track of their contracts and assets and apply for a range of services at any time of day or night. For example, they can view interest and repayment schedules, request a contract termination, register an insurance claim, send confirmation of acceptances for assets, request a

vehicle registration document, request a balance statement, update their bank account details or apply for a change to their contracts. Customers are given their own online inbox that allows us to exchange information and important documents with them – saving not only postage but also paper. We work closely with our customers to continuously enhance GEFA online and add practical and innovative new functions.

VIDEOIDENT – verification of identity made easy



1,000 customers used our video identity verification service in 2017.

As a bank, we regularly need to verify the identity of the people that we deal with. Our customers can use our GEFA VIDEOIDENT service to verify their identity in a matter of minutes online,

sparing them a trip to the post office. A member of our team talks them through the simple process during a short video chat that can be started from home, from the office, or out and about.

GEFA INVENTORY FINANCE ONLINE (GEO)

– Inventory finance made easy



96%

of all GEFA BANK inventory finance customers use GEO.

80%

use GEO twice a week.

For manufacturers and dealers (vendors), inventory finance and rental finance are integral to driving sales and optimising delivery capabilities. Our customers use GEFA inventory finance online (GEO) to keep track of their inventory finance and rental finance and manage them digitally. They can also request vehicle registration documents, view a liquidity report and inventories, and export financing data – with the minimum of fuss. All this, coupled with GEO's leaner processes and faster transaction processing, adds a great deal of value for our customers.

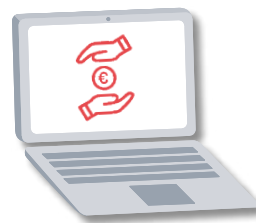
GEFA-connect



Specially developed for vendors, this tool helps us to show the end customer suitable financing options for the asset they are interested in. A wide range of no-obligation financing offers can then be immediately calculated for the customer. It is also possible to create leasing, loan and hire purchase applications with customised terms and submit them directly to GEFA BANK. All this gives our sales partners the necessary flexibility in their sales meetings with end customers.

GEFA online banking

– for investors



More than

19,000

retail investors and 700 businesses use GEFA BANK's investment products.

GEFA online banking gives retail and small-business customers a flexible means of managing their accounts with GEFA BANK – from home, from the office or from abroad. At any time of day or night, online customers can call up their account balance, check transactions or transfer money.

INTERVIEW

SETTING A CLEAR COURSE THROUGH THE STORM OF CHANGE



Guido Zoeller, Group Country Head for Germany and Austria.

Being able to think and act in an innovative way is becoming increasingly important in almost all sectors of the economy. Banks, too, need to develop new products and business models and harness the potential of new digital technologies if they are to compete successfully in the market over the long term.

Guido Zoeller, as Group Country Head for Germany and Austria, is responsible for Societe Generale's entire business in these countries. In this interview, he explains how innovations are changing the world of work at Societe Generale.

How strategically important is innovation for Societe Generale?

Zoeller: Very important – innovation is even enshrined in our corporate values. And in November 2017, our CEO, Frédéric Oudéa, designated the transformation process as a strategic priority. Innovation is playing a key role in improving our efficiency and in opening us up to digital solutions, new processes and an enhanced client experience so that we can generate new business. This applies to each and every part of our Company.

What action has Societe Generale already taken to foster a culture of innovation in the Group?

What else is planned?

Z: I could give several examples, such as our group-wide innovation department and our open innovation strategy. Strengthening contacts and investment in the digital ecosystem is the main focus. This means that we bring together internal and external start-ups under one roof so that we can learn from each other, for example ‘Le Plateau’ at our Les Dunes technology hub in Paris. We operate several other innovation hubs around the world – a global innovation network, you might say – including in Berlin.

What does the innovation team in Berlin do?

Z: The team at the ‘Factory’ brings together our business segments with the creative actors of the ecosystem. This allows us to search out innovative solutions more quickly and see if they match the requirements and goals of the bank. It’s the best way for us to gain access to up-and-coming businesses and digital talents. The entire Societe Generale Group in Germany and around the world is benefiting from this.

The majority of Societe Generale’s German employees work in either Frankfurt, Hamburg or Wuppertal. Why was Berlin chosen as the base for the innovation team?

Z: Of the six cities in Germany in which we operate, Berlin was chosen because it was the most suitable hub for driving forward innovation projects. Berlin is one of Europe’s leading ecosystems for start-ups and fintechs, it has the biggest pool of talent and it is also a centre of excellence for design thinking.

There is potential for innovation at all levels of the hierarchy. How do you manage to maximise the number of employees involved in innovation projects and encourage them to take new approaches?

Z: This process needs to be continually driven forward. As well as our team in Berlin, we have a non-hierarchical innovation team that includes representatives of all Group units in Germany. And any employee can submit ideas. Our CEO

issued a call for internal start-up concepts to all members of staff worldwide. The response was very encouraging, including in Germany. The submissions are currently being assessed. And last but not least, we try to facilitate a co-working ethos by offering state-of-the-art offices and dedicated break areas.

You like going sailing when you’re not at work.

What do you like most about it?

Z: I like sailing so much because unpredictable weather conditions at sea mean that you always have to be prepared for the unexpected. And this sport perhaps more than most others shows that a team is much more than the sum of its parts.



Looking towards the horizon: Guido Zoeller sets a course for the banking of tomorrow.



Working as a team to come up with new ideas – The Link at work: Christoph Bauer, Allison Orsoni and Claire Courtejoie (from left to right).

THE LINK

BUILDING BRIDGES BETWEEN THE WORLD OF BANKING AND THE START-UP SCENE

Christoph Bauer, Claire Courtejoie and Allison Orsoni are the individuals behind the innovation team, which has been working in Germany on behalf of Societe Generale since June 2017. The Link team work out of the Berlin Factory co-working space.

The Berlin Factory innovation campus offers its more than 2,000 members – freelancers, start-ups, SMEs and even big companies – over 15,000 square metres of space for office use and events. Many of the members are actually based at other sites but just work temporarily at the co-working space in order to build contacts, find out about new business models and scope out potential collaborations.

“There are many ways to drive forward corporate innovation – we are a very small team that links the internal world with the external and manages these relationships – hence our name, The Link.”

Christoph Bauer

The Link is tasked with initiating and facilitating the process of innovation within Societe Generale’s German units in particular and keeping its finger on the pulse with regard to the latest trends, technology and methodology. This means it has to cover a broad range of topics and tasks.

“The sheer variety of what we do is incredible: from professional development and IT architecture to disruptive business models in the field of personal transport, our day-to-day work offers the perfect mix and never gets boring.”

Allison Orsoni

Networking within the Factory is not an end in itself. A clear objective is to actively collaborate with start-ups. But even insights and information gained from just meeting and talking with members can be used to bring new ideas into Societe Generale or to accelerate the development of user-friendly products. The focus is not only on start-ups, after all. The Link is there to help optimise internal processes, facilitate contact with experts, conduct inhouse workshops and not least to act as a trigger for initiating changes to the corporate culture. Businesses will only remain innovative if they’re open to new ways of working and are willing to experiment a little. What The Link does is bridge these old and new mindsets and mediate between the various worlds.

THE LINK – A TYPICAL WORKING DAY

9am – 10am | The working day at the Factory co-working space begins. We look for vacant workstations and briefly touch base to determine what we want to achieve that day.

10am | A conference call with our colleagues at Societe Generale who specialise in the bond and equity markets. They are planning a conference and would like us to help them put together an extra-special itinerary. Our first idea: we'll invite a blockchain expert who can talk about the future of the bond markets.

11am – 12 noon | We've booked ourselves a room in the Factory where we can work undisturbed to determine our priorities for 2018. What initiatives might benefit all of Societe Generale's German units? Should we offer webinars? Or innovation forums?

12 noon – 1pm | Finally, lunch! We meet with ERGO Digital Lab, our neighbours at the Factory, and talk openly about start-ups and recommended tools.

1pm – 2pm | Screen work: we are using our internal contacts in Paris, Factory's inhouse Slack chat platform and our LinkedIn profiles to track down a blockchain guru for the conference. We process emails at the same time.

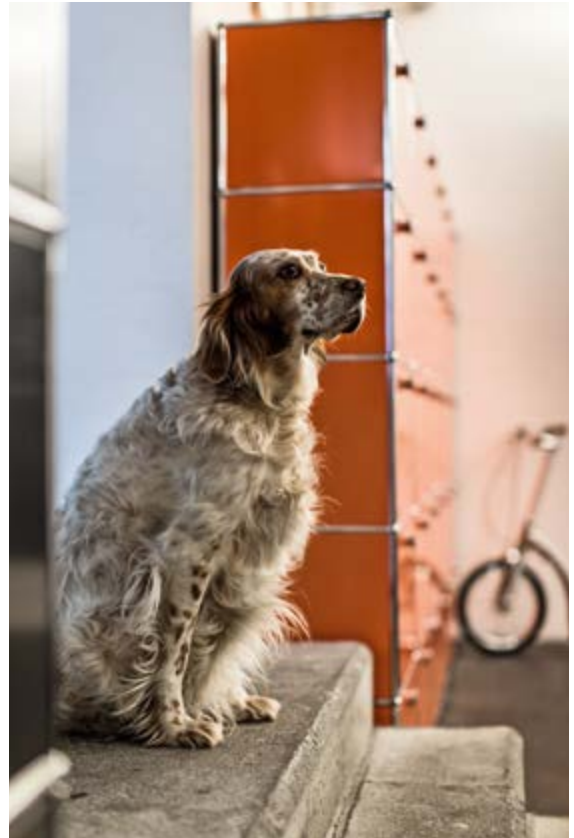
2pm – 3pm | Meeting with Chino.io – a start-up that anonymises health-related data and so might be of interest to our colleagues working in insurance in France.

3pm – 4pm | Time for more screen work: we use our 'start-up flow' CRM tool to share our summary of the Chino.io meeting with colleagues. A few phone calls are ticked off.

4pm – 4.30pm | Coffee break with a data specialist who we've got to know in the Factory. Maybe one of the German companies needs the support of a freelancer? Her profile might make her perfect for an enquiry that we've just received.

4.30pm – 5.30pm | Phone call with some of the sales and marketing team from GEFA BANK. How are the plans for the upcoming sales conference coming along? Has the provider that we recommended come out on top? Are there any outstanding matters that need to be discussed?

5.30pm – 7.30pm | The Factory is hosting a conference on decentralised blockchain marketplaces. Despite the talks being quite technical in content, the room is bursting at the seams with 350 participants – it's then that you realise that Berlin really is a hotspot for this subject. We will try to apply what we've learnt to the challenges faced by Societe Generale.



“Our projects just get more and more exciting as time goes on: now that we have fully embraced the start-up mentality, i.e. a more open way of working with flatter hierarchies, we can help Societe Generale’s internal start-ups to go in new directions!”

Claire Courtejoie



The entrance to the Factory co-working space in Berlin.

REPORT

BY THE MANAGEMENT BOARD

The German economy grew at a strong rate in 2017. Real (inflation-adjusted) gross domestic product (GDP) rose by 2.2 per cent, a slightly higher increase than in the previous two years. Domestic demand provided most of the stimulus despite a record level of exports. The economy is robust and upbeat after an eighth successive year of growth.

This stimulated capital investment in particular. In 2017, investment in capital equipment rose by 4.0 per cent year on year in real terms. Investment in the construction sector went up by 2.7 per cent.

The volume of new business in the equipment leasing sector amounted to € 57.3 billion last year. This represented a year-on-year increase of 6.5 per cent and a growth rate that was higher than for capital equipment spending across the German economy as a whole. Consequently, the leasing ratio went up to more than 24 per cent. Leasing is used for well over half of all externally financed capital investment in Germany. There was a particularly strong increase in vehicle leasing (up by 6.3 per cent), which accounted for 77 per cent of all new business. The production equipment segment expanded by 4.5 per cent. Leasing of office and IT equipment (computers, servers, etc.) stagnated.

Foreign trade provided only a minor boost to German GDP, as both imports and exports rose significantly in real terms. Nevertheless, a strong level of exports plays a key role in Germany's buoyant industrial sector, its high capacity utilisation and its growing employment rate, and it also makes companies more willing to invest. The value of exported goods in 2017 was € 1,279.4 billion (up by 6.3 per cent in nominal terms), while the value of imports rose to € 1,034.6 billion (up by 8.3 per cent in nominal terms). These were record levels for both exports and imports. Although down slightly on the prior

year, the foreign trade surplus was still high, at € 244.9 billion. Global growth was a major contributing factor to the expansion of trade. Across the European Union countries, which account for almost three fifths of German exports, average GDP grew at around the same rate as in Germany, just as it did in the US, a key trade partner. China's GDP advanced by around 7 per cent.

In the reporting year, consumer spending was once again the key driver of GDP growth in Germany. Consumer spending rose by 1.9 per cent in real terms, while government expenditure was up by 1.6 per cent.

Almost all sectors of the economy contributed to its overall growth in 2017. The economic output of the industrial sector, which – excluding construction – accounts for just over a quarter of the entire gross value added, rose by 2.7 per cent. Construction output increased by 2.1 per cent. The key service sectors also saw a rise in value added, although value creation in the finance and insurance sectors remained unchanged.

Incomes grew strongly in 2017; Germany's national income rose by 4.1 per cent to € 2,434 billion. Employees' pay increased at a slightly higher rate than corporate earnings and investment income. There was only a minor change in the proportion of gross domestic income accounted for by employee wages. Households' savings ratio stood at 9.9 per cent (2016: 9.7 per cent).

Higher net wages and salaries increased purchasing power. This was despite a 1.7 per cent increase in consumer prices in 2017, a much higher level of growth than in the prior year (2016: increase of 0.4 per cent). Food and energy prices rose at a disproportionately high rate. Producer prices went up by 2.6 per cent after years of decline.

The average number of people in employment in Germany reached 44.3 million in 2017, a new record and an increase of 638,000 on 2016. This was mirrored by a decline in unemployment. The average number of people unemployed in 2017 dropped by 158,000 to 2.5 million, while the unemployment rate fell from 6.1 per cent to 5.7 per cent.

In 2017, German local courts reported 20,093 company insolvencies. That was a further 6.6 per cent fewer than in 2016, when the number of company insolvencies fell to its lowest level since the introduction of the German Insolvency Code (InsO) in 1999.

The German state – comprising central government, federal states, local authorities and social insurance funds – earned record revenues again and achieved a fourth consecutive budget surplus, which at € 36.6 billion was also a record. All levels of the German state improved their financial situation. The federal states saw the biggest improvement, central government the smallest. Government receipts have increased by over a quarter of a billion euros since 2012. The national debt stood at just under € 2 trillion at the end of 2017.

The five leading German research institutes, the German Council of Economic Experts and the federal government are unanimous in their opinion that the German economy is experiencing a strong upturn with broad-based support from both the domestic economy and foreign trade. Following a progressive upward revision of growth expectations for the year under review, a further slight acceleration is expected in 2018. In its Annual Economic Report, the Federal Ministry for Economic Affairs and Energy (BMWi) forecasts GDP growth of 2.4 per cent. With consumer spending expected to hold steady, higher capital spending is likely to be the biggest source of stimulus. Exports and imports are also projected to increase, as is employment. The research institutes and BMWi do not see an end to low interest rates.

THE COMPANY – EXPANDING THE MANAGEMENT BOARD

The Management Board was reinforced by the addition of Dr Albrecht Haase with effect from 1 December 2017 because of the extra responsibilities that Jochen Jehmlich has taken on as COO (Chief Operating Officer) of the Societe Generale Equipment Finance Group.

KEY FIGURES

In the year under review, GEFA BANK benefited from the strong performance of the German economy. At € 2.574 billion, GEFA Group's new business again surpassed the large volume generated in the prior year.

New business comprised the revenue generated by the centres of competence in their vendor business (financing solutions for manufacturers and dealers) and their direct sales (financing solutions for small-business end customers), revenue generated by joint ventures and transactions booked via SG Equipment Finance SA & Co. KG.

In an environment characterised by increasing competition, we managed to keep our profit margins at a satisfactory level.

In 2017, we expanded our collaborations with various domestic and international development banks, which provided large amounts of funding for new capital equipment spending.

Our leasing and hire purchase business increased to € 1.366 billion. Our lending business held steady at € 1.208 billion.

The total volume of assets managed by GEFA BANK GmbH amounted to € 6.748 billion at the end of 2017 (31 December 2016: € 6.231 billion). The total volume of funded assets came to € 6.675 billion (31 December 2016: € 6.144 billion).

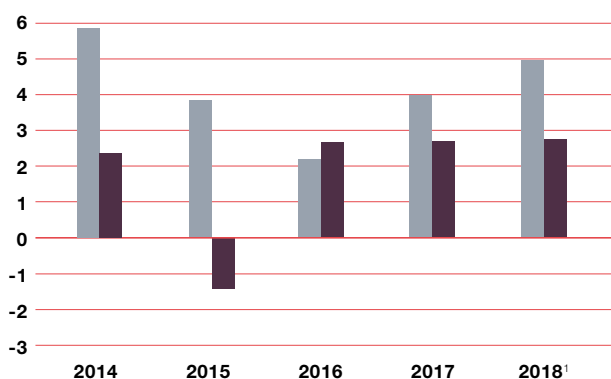
GEFA BANK GmbH's equity remained unchanged at € 673 million as at 31 December 2017.

GEFA BANK GmbH continues to maintain a profit-and-loss transfer agreement with SG Equipment Finance SA & Co. KG.

The risk costs incurred by our lending and leasing business reached a historic low owing to our effective risk-management processes and the buoyant market environment.

INVESTMENT IN CAPITAL EQUIPMENT AND CONSTRUCTION IN GERMANY

Price-adjusted year-on-year changes (%)

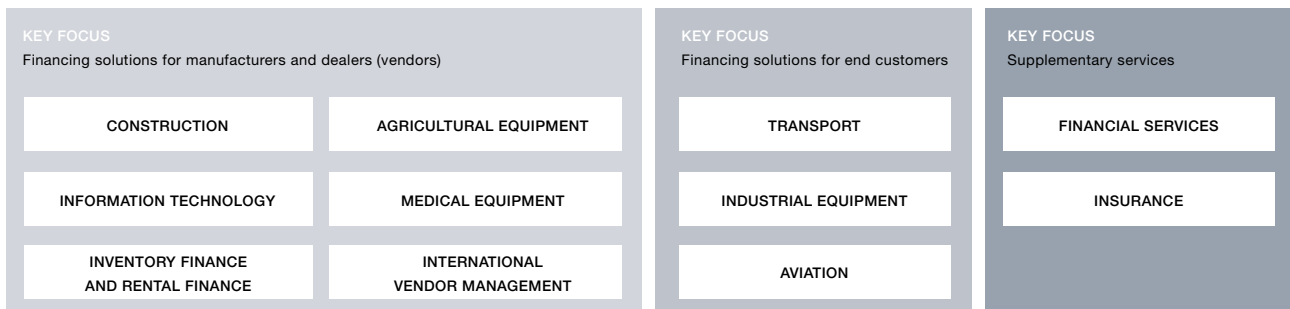


	2014	2015	2016	2017	2018 ¹
Investment in capital equipment	5.9	3.9	2.2	4.0	5.0
Construction investment	2.3	-1.4	2.7	2.7	2.8

¹ German government's projections.
Sources: German Federal Statistical Office, 2018 Annual Economic Report by the German Federal Ministry for Economic Affairs and Energy

■ Investment in capital equipment
■ Construction investment

SALES AND MARKETING STRUCTURE: CENTRES OF COMPETENCE AT A GLANCE



Profit from ordinary activities amounted to € 80.1 million. This decline compared with the previous year's figure (2016: € 105.2 million) is due to the inclusion of a one-off gain resulting from the merger of GEFA Gesellschaft für Absatzfinanzierung mbH and GEFA-Leasing GmbH in the previous year's figure.

GEFA BANK GmbH will transfer its profit to SG Equipment Finance SA & Co. KG under the profit-and-loss transfer agreement.

ORGANISATIONAL STRUCTURE OF SALES AND MARKETING

Our sales and marketing activities will continue to focus on three activities: Transport, Industrial Equipment and High-Tech.

A dynamic sales organisation helps us to attain our targets. We have established digital sales channels to complement our traditional sales network, which comprises eleven specialist centres of competence, six branches and more than 100 teleoffices. Online finance portals for inventory finance, vendor finance and direct business with our small-business end customers are

providing an additional boost to our new business, which we aim to significantly increase in the future.

We have concentrated our sales activities into two core areas: (1) the provision of advice and vendor finance programmes for German and international high-value capital equipment manufacturers and dealers and (2) the provision of financing solutions and supplementary services for our small-business end customers and local sales partners.

We have pooled our industry and equipment expertise in the specialist centres of competence for these sales areas.

Our small-business end customers and local sales partners are supported by the experts at our centres of competence for transport, industrial equipment, aviation, financial services and insurance.

We advise manufacturers and dealers at our centres of competence for agricultural equipment, construction, IT, international vendor management, medical equipment, inventory finance and rental finance.

Our international sales partners are managed by the International Vendor Management centre of competence, which liaises closely with our parent company Societe Generale (SG) in Paris.

TRANSPORT SEGMENT

The transport segment's share of GEFA BANK's new business remained unchanged at 61 per cent.

We repeated the excellent results achieved the previous year and concluded new loan agreements and leases for equipment used in freight and passenger transport totalling more than € 1.5 billion. This confirms GEFA BANK's position as a leading non-captive provider of finance and supplementary services for commercial vehicles.

As part of our full-line strategy, we support our direct customers and sales partners in the transport segment with financing, leasing, rental, insurance and service solutions for their capital spending plans and for vendor finance throughout the value chain.

GEFA BANK's competitive position was boosted by use of grants and subsidies provided by various international, national and regional development banks.

Thanks to our equipment expertise and market-oriented industry focus, we have established a good position in what is currently an upbeat economic environment and increased our market share despite growing competition.

In 2018, we are looking to further consolidate our strong market position.

We intend to use our innovative 24/7 service **GEFA online** as well as other future digital offerings in order to establish closer ties with existing customers and sign up new ones.

In terms of supplementary services, we are focusing in particular on insurance products and collaboration with our subsidiary PEMA.

At the same time, we will be working even more closely with the sales organisations of selected manufacturers.

Electric-powered transport will become increasingly important as time goes on, particularly in terms of public transport. We intend to participate in this significant new market by engaging in strategic collaborations with the leading manufacturers.

Our field sales team was enlarged in 2017, which has improved our geographical coverage and is opening up potential for further growth.

CENTRE OF COMPETENCE FOR TRANSPORT

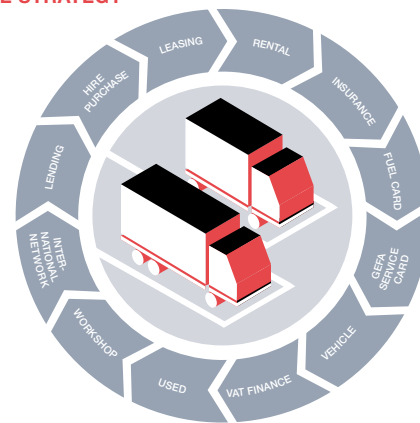
With six branches and more than 60 customer advisors working in field sales throughout Germany, the centre of competence for transport provides our customers with comprehensive, expert advice on all matters around financing, leasing and rental (through our subsidiary PEMA) and on other services relating to commercial vehicles.

Commercial vehicles

Whereas the total number of commercial vehicle registrations reached a record high in 2017, registrations of vehicles over 16t – an important segment for GEFA – rose by only 1.4 per cent. Businesses have been reluctant to invest because of the ongoing shortage of drivers and the growing proportion of foreign vehicles in the road haulage market.

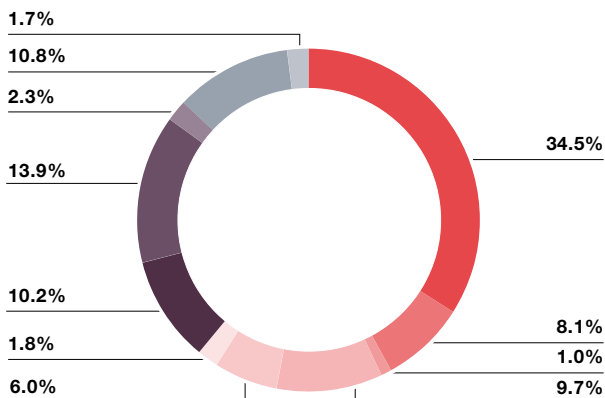
Capacity utilisation in the transport sector in Germany was good at the beginning of 2018, reflecting the generally limited capacities. The prices were satisfactory. The discussion surrounding the nitrogen oxide emissions of diesel vehicles and the impact of commercial road transport on the achievement of the climate goals gained momentum in 2017. Despite advances in electric drives, no commercially viable alternative to diesel engines is in sight in the long-haul sector – the main market served by GEFA BANK – over the coming years. Potentially suitable technologies are still largely in their infancy. We are keeping a very close eye on developments in this segment.

FULL-LINE STRATEGY



We believe that our most important markets will remain stable in 2018. We expect that our presence at the IAA International Commercial Vehicle Show in September, where GEFA BANK will again be exhibiting at its own stand, will generate additional market interest.

NEW-BUSINESS PORTFOLIO IN 2017 BY EQUIPMENT TYPE



TRANSPORT SEGMENT 61.1%

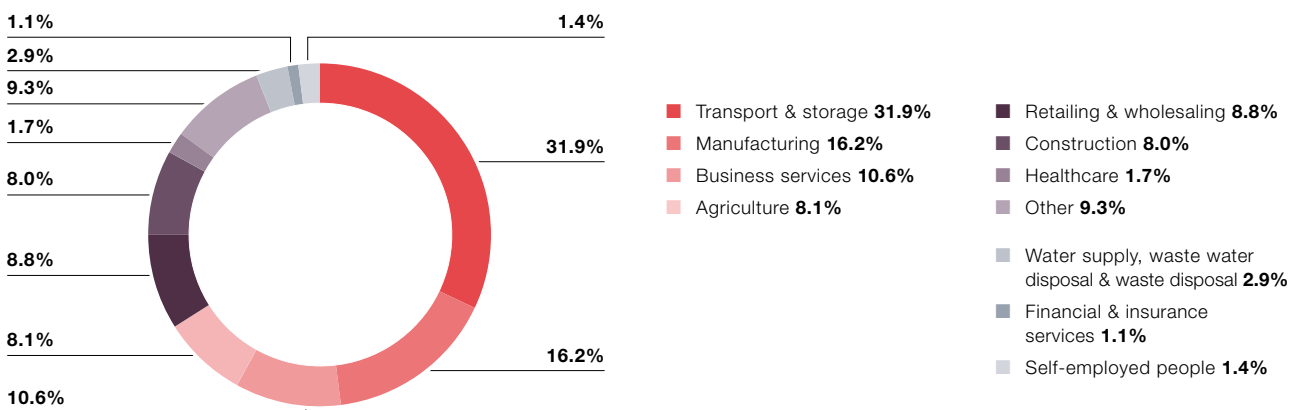
- Trucks **34.5%**
- Buses & coaches **8.1%**
- Passenger cars **1.0%**
- Agricultural equipment **9.7%**
- Other transport **6.0%**
- Aircraft **1.8%**

INDUSTRIAL EQUIPMENT SEGMENT 26.4%

- Production equipment **10.2%**
- Construction equipment **13.9%**
- Other selected industrial equipment **2.3%**

HIGH-TECH SEGMENT 12.5%

- IT equipment **10.8%**
- Medical equipment **1.7%**

NEW-BUSINESS PORTFOLIO IN 2017 BY SECTOR

Buses and coaches

In 2017, the buses and coaches market was unable to build on the expansion seen in previous years and stagnated at a high level.

Private bus and coach companies and municipal authorities remained the primary investors in this market in 2017.

In the public transport sector, the issue of harmful emissions is becoming increasingly prominent and this is driving interest in electric vehicles. We are expecting the pattern of capital spending to change sooner rather than later. However, the use of electric vehicles is associated with high infrastructure costs. The future of the market therefore depends partly on whether and to what extent public funds can be made available.

For 2018, GEFA BANK is predicting that capital spending on buses and coaches will remain flat

and that its bus and coach business will achieve modest growth.

PEMA

Our subsidiary PEMA offers full-service rental of commercial vehicles in ten European countries. PEMA GmbH is one of the leading non-captive and full-service commercial vehicle rental specialists for heavy trucks and trailers in Europe. PEMA customers benefit from access to the latest energy-efficient and low-emission vehicles.

The company employs around 450 people and currently has a total of around 18,000 vehicle units. The capacity utilisation of PEMA's total vehicle fleet increased in 2017.

In the reporting year, PEMA substantially expanded its fleet of large-volume dump trucks and semi-trailer tractors with tipping hydraulics in response to the growing demand in this segment.

The tank and silo trailers segment flourished due to optimum capacity utilisation and ongoing high demand. Where required, PEMA supplies semi-trailer tractors with compressors so that the tank and silo trailers can be unloaded quickly. The VOLVO FM Light model was added to the product portfolio in 2017.

Bespoke vehicle configurations and the customisation of rental trucks were in high demand from PEMA customers. The proportion of PEMA's total contract volume accounted for by long-term hire contracts increased as a result.

At the 2017 Transport Logistic trade fair in Munich, PEMA and its strategic partner Volvo Trucks exhibited together for the first time, reinforcing their leading position as service partners for the transport and logistics industry.



High-volume PEMA dump trucks: a growing segment



PEMA tank and silo trailers with matching tractors: in demand by customers



PEMA's executive directors Peter Ström and Andreas Thomas (left to right); PEMA offers full-service rental solutions for commercial vehicles.

At the end of 2017, Andreas Thomas was appointed to the Executive Board of PEMA GmbH. He succeeds Dr Albrecht Haase as Chief Financial Officer (CFO). He will also assume responsibility for strategic projects under the PEMA 2020 initiative and for innovation at PEMA. Andreas Thomas runs PEMA GmbH together with Peter Ström, who has been Chairman of the PEMA Executive Board since 2011.

The broad range of products and services offered by PEMA's versatile, state-of-the-art fleet provide optimum transport solutions for virtually any requirement. PEMA customers have access to one of the most modern, high-specification fleets of commercial vehicles in Europe and are not restricted to just one manufacturer. For the trucks, they can choose between DAF, Iveco, MAN, Mercedes-Benz, Renault Trucks and

Volvo Trucks, while the brands of trailer units offered by PEMA are Schmitz Cargobull, Krone, Kögel, BERGERcotrail and Feldbinder. The portfolio includes everything from tautliners and refrigerated trailers to silo trucks and tankers. Interchangeable lifting trucks from KAMAG round off the range of vehicles on offer.

PEMA provides its customers with a full spectrum of services that offer top quality and transparent costs. Its offering ranges from off-the-shelf solutions to special customised solutions, and is based on modular components such as maintenance, repairs, tyres, insurance products and toll payment and billing. If desired, vehicles can be supplied in the customer's own corporate design.

The modular services are supplemented by a non-captive integration portal for trucks and trailers that allows the integration of data from different systems, helping PEMA customers with their work scheduling.

PEMA's network of inhouse workshops is one of its unique selling points. In addition, PEMA customers have access to a network of authorised workshop partners throughout Europe. An inhouse call centre offering a 24-hour service hotline means that PEMA is available at any time.

The PEMA Academy rounds off the company's range of products and services with a comprehensive training programme for the haulage sector, covering all relevant subjects. The programme was extended in 2017, with training courses on tachographs in road transport (in accordance with EU regulation 165/2014) among the additions. An increase in the number of training sites is planned.

In 2018, PEMA is looking to expand its portfolio of products and services and tap into potential growth opportunities by targeting segments where demand is high.

PEMA will have its own exhibition stand at the 2018 IAA International Commercial Vehicle Show.

TRUCKPORT

For decades, TRUCKPORT has acted as a professional partner to banks and leasing companies for the repossession, transportation, reconditioning and remarketing of equipment that is returned in connection with loans and leases.

TRUCKPORT's core business is dealing in used commercial vehicles worldwide.

Customers can purchase remarketed vehicles through an online vehicle exchange, via international print media or at an open-air showroom at the company's headquarters in Karlstein near Aschaffenburg. TRUCKPORT offers a wide range of used vehicles for sale at this site, which covers an area of roughly 50,000 square metres.

The GEFA Group – together with PEMA and TRUCKPORT – remarkets several thousand vehicles every year, making it one of Europe's leading vendors of used commercial vehicles.

Agricultural equipment

The Agricultural Equipment centre of competence caters to agricultural equipment vendors, contractors and agribusinesses.

The market for agricultural equipment grew in 2017.

According to the Mechanical Engineering Industry Association (VDMA), revenue generated by German manufacturers of agricultural equipment and tractors rose by 10 per cent to € 7.9 billion in 2017. However, this is at least partly the result of one-off effects. In December, for example, there was an unusually high number of dealer registrations for tractors across Europe. Although the manufacturers recognised the revenue, the registrations were not the result of completed sales transactions. The reason for this spike in dealer registrations was the introduction of stricter emissions standards for newly registered vehicles on 1 January 2018 – the result of an amendment to the EU type-approval regulation.

The other segments of the market varied in terms of performance: whereas unit sales of combine harvesters stagnated, sales of shredders saw a near double-digit increase compared with the prior year.

GEFA BANK positioned itself to take advantage of this market situation and maintained its leading status. In the reporting year, we increased the volume of new business, which includes the transactions completed by prodecofinance GmbH & Co. KG, by 7.2 per cent to € 269 million. Our profit margins remained at satisfactory levels despite fierce competition.

Business was boosted by the collaboration with Landwirtschaftliche Rentenbank, which provided substantial amounts of funding for capital spending on agricultural machinery and equipment. In 2018, we will be looking to deepen this relationship and

further enhance it with the introduction of digital processes.

We are optimistic about 2018. The AGRITECHNICA trade fair in November 2017 confirmed the high level of demand for innovative agricultural equipment, while the rally in the milk price made our customers more willing to invest.

We are confident that we will be able to expand our position in this market in 2018.

Fork-lift trucks

Revenue in the German market for fork-lift trucks rose by 5.5 per cent last year.

However, because of the pressure on margins in this segment, we reduced our activity. This resulted in a decline in our new business with fork-lift trucks in 2017.

Revenues in this sector are forecast to rise by 5 per cent in 2018. We will be looking to benefit from this increase, provided that the margins are attractive.

Business aviation

The European business aviation market has been on a moderate uptrend since mid-2017. Market values of individual types of aircraft in the used mid-size and large jet segment held steady. A reluctance to invest remains the dominant factor in the new aircraft segment.

Against this backdrop, we established a strong position and increased new business to € 39 million (2016: approx. € 23 million).

The growing light aircraft segment and our risk policy, which applies strict criteria for customer credit ratings, assets and target countries, boosted the solid business performance.

We are cautiously optimistic about the 2018 financial year.

An increase in new aircraft deliveries is not expected until 2019. In 2018, we anticipate only a moderate rise in demand for finance solutions. We will continue to pursue a conservative risk policy, expand our product portfolio and work more closely with our vendor partners.

In 2018, we will once again be exhibiting at leading aviation trade fairs as part of our customer care and business development strategy.

INDUSTRIAL EQUIPMENT SEGMENT

In our Industrial Equipment segment we sign up and support manufacturers, dealers and small-business end customers in the following market segments: construction equipment, machine tools, printing machinery, packaging equipment, plastics-processing equipment, production equipment and other industrial equipment.

The experienced specialists at the centre of competence for industrial equipment support our small-business end customers, especially those in the machine tool, plastics processing and packaging machinery segments. In the centre of competence for international vendor management, we use customised programmes to service selected international sales partners (vendors). Construction machinery manufacturers and dealers are given

professional advice and support by the experts in our centre of competence for construction.

GEFA BANK's new industrial equipment business in 2017 amounted to € 672 million, a significant improvement on the prior-year figure of € 614 million.

CENTRE OF COMPETENCE FOR INDUSTRIAL EQUIPMENT

Our expertise in financing, leasing and assets for direct customers in the industrial equipment sector is pooled in the centre of competence for industrial equipment.

Sales and marketing activities focus on the financing of machine tools, plastics-processing equipment and packaging machinery.

Provisional figures from the German Federal Statistical Office show that industrial output in Germany increased by 3.6 per cent in 2017. According to the VDMA, order intake in the German engineering sector advanced by around 8 per cent. The strong business performance of German industry meant that it was able to finance a relatively high proportion of capital expenditure from its own funds.

Against this backdrop, GEFA BANK's centre of competence for industrial equipment established a strong position and delivered even stronger results than in the previous year.

The VDMA anticipates solid growth for 2018. We want to capitalise on opportunities and increase our market penetration, particularly by working more closely with our dealer partners and exhibiting at relevant trade fairs.

CENTRE OF COMPETENCE FOR INTERNATIONAL VENDOR MANAGEMENT/SOCIETE GENERALE EQUIPMENT FINANCE

The centre of competence for international vendor management uses innovative, customised financing strategies in order to help international manufacturers and dealers (vendors) to increase their sales.

Our professional, expert support for multinational customers is underpinned by the full-service international network of the Societe Generale Equipment Finance Group (SGEF) and the leasing network of Societe Generale.

Under the global brand of Societe Generale Equipment Finance, GEFA BANK provides its customers with access to vendor finance solutions in more than 40 countries around the world.



During the reporting year, our strong global presence was a major factor in enabling us to sign further international cooperation agreements with leading manufacturers and to gain market share.

In 2017, Societe Generale Equipment Finance received two accolades from the highly regarded trade magazine *Leasing Life*. The panel of judges recognised the Group's commitment to offering modern and international financing programmes for vendors and small and medium-sized enterprises by presenting it with the Best Sales Financier 2017 and Best European SME Financier 2017 awards.

Machinery team

The Machinery team is part of the centre of competence for international vendor management and specialises in partnering with vendors of production equipment, machine tools, plastics-processing equipment and packaging machinery.

The market for machine tools saw very solid growth in 2017. According to the German Machine Tool Builders' Association (VDW), the segment expanded by 4 per cent, with production value reaching approximately € 16 billion.

GEFA BANK tapped into this potential and significantly expanded new business in the traditional machinery market. By working more closely with manufacturers and dealers (vendors), we were able to do even more to support the sales activities of these customer groups.

In 2017, we exhibited very successfully at EMO Hannover, the world's flagship trade fair for metal-working. GEFA is already well established as a provider of funding for the industry and has been advising its partners at trade expos for a number of years now. New trends were identified in the course of intensive talks with vendors. Only by building on our industry and equipment expertise on an ongoing basis are we able to offer our vendors future-focused finance strategies.

Given the robust economy and the increasing level of capital spending on machinery, we are optimistic about 2018.

We want to develop intelligent solutions for our partners through our specialised team and to gain

a greater share of the machine tool market segment, which is of key importance to GEFA.

CENTRE OF COMPETENCE FOR CONSTRUCTION

The specialists in our centre of competence for construction provide support to major domestic and international sales partners with both new and tried-and-tested solutions for vendor, inventory and rental finance.

In addition, the centre of competence works with regional construction equipment vendors and assists construction companies with their capital spending plans by providing customer-friendly lending, leasing and hire purchase solutions.

Revenue in the market for construction equipment increased significantly in 2017.

Our centre of competence for construction benefited from this and increased its volume of new business by more than 15 per cent to € 336 million (2016: € 290 million).

Following four consecutive years of growth, some commentators are beginning to turn sceptical and predicting that the boom in the construction industry will end – although not until 2019. For 2018, industry experts anticipate that the market will continue to grow, albeit it at a slower pace. This assessment is based on the robust volume of construction activity and a good level of orders on hand, which are partly due to investment in road-building and other government infrastructure projects.

The centre of competence for construction expects the volume of new business to grow at a solid rate in 2018.

HIGH-TECH SEGMENT

The High-Tech segment covers information technology (IT), office equipment and medical equipment, and also includes our joint venture with Philips Medical Capital.

We have pooled our expertise in these areas to create centres of competence that provide our sales partners with professional service and advice. Working closely with the network of the Societe Generale Equipment Finance Group and the Paris-based Sales & Marketing department, we structure and implement leasing, lending and funding packages aimed at boosting the equipment sales of manufacturers and dealers operating domestically and internationally.

The volume of new business generated in 2017 in the High-Tech segment was on a par with the prior-year level. The segment's share of total new business remained unchanged at around 13 per cent.

CENTRE OF COMPETENCE FOR INFORMATION TECHNOLOGY

The centre of competence for IT develops bespoke vendor finance models for the customers of international hardware manufacturers and software developers, as well as local IT systems companies. It also provides funding for rental and leasing companies that specialise in IT.

In 2017, we focused on increasing our market share by generating more new business with our partners and entering into additional collaborations. We concentrate on the needs of our local and international partners and adapt our products and services accordingly.

As part of the international network of the Societe Generale Equipment Finance Group, we are also able to offer our partners services outside Germany.

In 2017, the centre of competence maintained new business at the level of the prior year.

GEFA BANK – and the industry – is confident about the prospects for 2018. The Bitcom trade association expects the IT market to expand by more than 3 per cent. The biggest growth potential is anticipated in the software sub-segment, where GEFA stands to gain from its business with software vendors.

CENTRE OF COMPETENCE FOR MEDICAL EQUIPMENT

The centre of competence for medical equipment specialises in the financing of equipment used in the healthcare industry and ancillary sectors.

The customers served by the centre of competence are mainly public and private hospitals, research institutes and universities, medical doctors and dentists in general practice, pharmacies, physiotherapists and gyms.

The assets financed include imaging diagnostic equipment (such as magnetic resonance tomographs, computer tomographs, ultrasound equipment, endoscopy devices and X-ray equipment), lasers, laboratory equipment, dental equipment, microscopes, ophthalmological equipment, physiotherapy equipment, gym equipment, software and IT components.

Vendor finance is offered directly to the end customer and 'silent' funding is offered for captive finance solutions.

New business in the segment increased to a record level in 2017 and resulted in improved earnings.

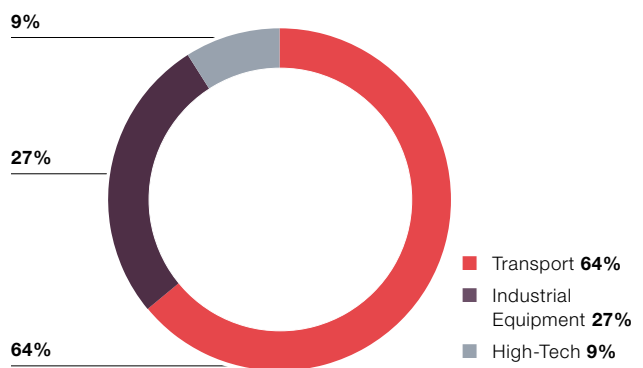
CENTRE OF COMPETENCE FOR INSURANCE

This centre of competence specialises in insurance products that are geared to GEFA BANK's core businesses.

We optimised various products in 2017, which enabled us to improve our prior-year result in the insurance segment by 18 per cent. The centres of competence for construction, transport and medical equipment were the primary contributors to this strong increase.

In 2018, the insurance segment is planning to expand its volume of business in terms of unit sales and earnings. A key focus will be the implementation of the new Insurance Distribution Directive (IDD).

BREAKDOWN OF ASSETS INSURED BY SEGMENT IN 2017



CENTRE OF COMPETENCE FOR FINANCIAL SERVICES

The Financial Services centre of competence comprises services that supplement GEFA BANK's lending, leasing and hire purchase businesses.

The core components of these services are the GEFA fuel card, which has been issued since mid-2009 in partnership with DKV Euro Service GmbH + Co. KG, and the GEFA Partner Service, the enhanced version of the GEFA Service Card introduced in 2011.

The GEFA fuel card, which is accepted at over 65,000 outlets in more than 40 countries, enables customers to make cashless payments for fuel and to pay for road tolls, tunnels, bridges, ferries, customs clearance and other services.

The fuel card business grew in 2017, with a billing volume in the triple-digit millions of euros and almost 20,000 issued fuel cards, mostly for heavy-duty trucks.



GEFA Partner Service offers customers a range of services, provided in collaboration with leading market players, that enable them to cover their operational requirements without the need to make cash or card payments. They benefit from pre-arranged terms and regular special offers. Customers use GEFA services to optimise their administrative processes, for example by consolidating invoices for

all goods and services purchased, by cutting purchasing costs and by having one single and particularly generous payment term.

CENTRE OF COMPETENCE FOR INVENTORY FINANCE AND RENTAL FINANCE

The centre of competence for inventory finance and rental finance develops customised finance solutions for vendors. As well as helping manufacturers to drive sales, we offer vendors innovative and flexible programmes that optimise their ability to supply customers.

We finance high-value capital goods in our core businesses of commercial vehicles and buses & coaches, construction equipment and machine tools, agricultural and municipal equipment, and medical equipment.

GEFA PARTNER SERVICE



Thanks to our extensive product and industry experience, we are able to offer individual solutions and customised finance packages for inventories and for rental and demonstration equipment. We provide funding for new and used assets and support vendors in all aspects of their sales business.

There was a good level of demand for inventory finance and rental finance in 2017. Vendors' need for liquidity in order to build up their inventories remained high, as capital equipment is still greatly sought after in most sectors. Demand also picked up again in the agricultural market.

Our activities in 2017 were focused on putting the finishing touches to our GEO online inventory finance tool. This is now being used by 96 per cent of our inventory finance customers. The tool offers a paperless means of managing inventory finance and rental finance. GEO makes processes leaner and faster. Our customers can also use it to monitor their inventory finance and rental finance assets online. The transparency and flexibility that this offers adds a great deal of value for users of the tool.

According to a survey of users conducted in 2017, GEO is highly rated for functionality, navigability and user-friendliness. This is an incentive for us to further improve the tool for the benefit of our customers.

In 2018, we are anticipating sustained high demand for our inventory finance and rental finance solutions. We expect to build on the 7.5 per cent growth that we achieved in 2017 and improve on our market position with GEO and other intelligent digital offerings.

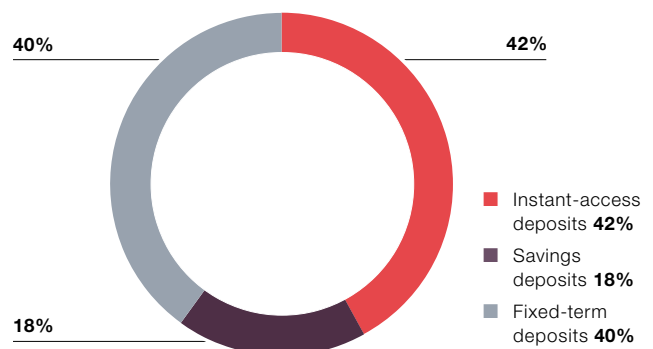
DEPOSIT-TAKING BUSINESS

GEFA BANK's deposit-taking business offers retail, corporate and small-business customers solid investment products. The funds that they deposit with us – in instant-access, fixed-term and savings accounts – are used to finance our loans and leasing solutions for German SMEs, hence our slogan 'Interest made in Germany'.

Our investors benefit from predictable returns on their deposits and a high level of transparency with regard to how their money will be used.

More than 19,000 retail customers put their trust in this approach in 2017. In addition, around 700 small-business customers – from the self-employed to medium-sized businesses – took the opportunity to invest their surplus liquidity with GEFA BANK on a short and medium-term basis.

WHICH PRODUCTS DO GEFA BANK'S DEPOSITORS USE?



As at 31 December 2017, our customers had a total of around € 930 million invested with GEFA BANK. We are delighted about this show of faith.

Many retail customers use deposits with GEFA BANK to strategically diversify their investment portfolios, employing our products to minimise risk.

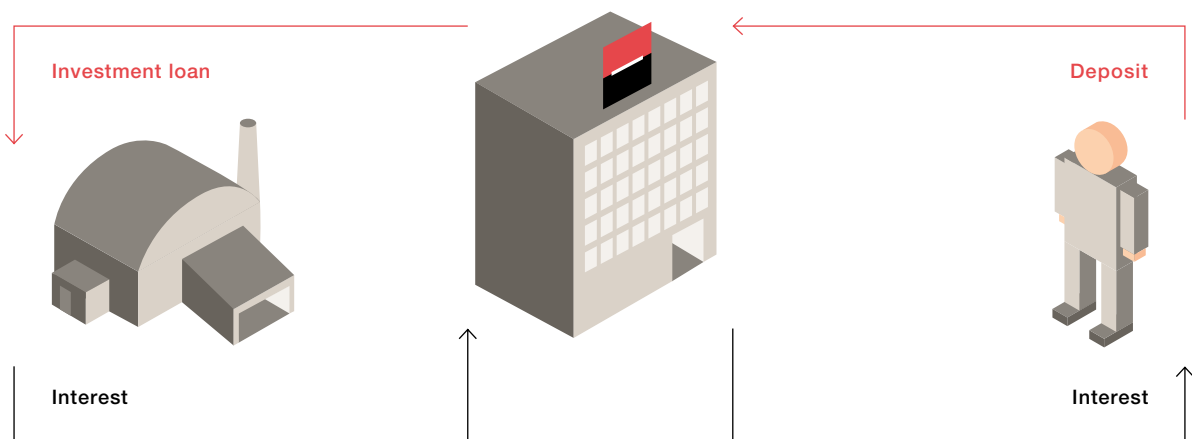


GEFA BANK's savings account won an award in 2017

The trust that our customers place in our stability and the reliability of our interest-rate policy was confirmed by a survey conducted by FMH-Finanzberatung for the Handelsblatt newspaper, in which our GEFA Sparkonto was named the top savings account.

In May 2017, we successfully ran a special bonus interest-rate campaign for our loyal existing customers. We also made our online banking service for retail customers more user-friendly. Our service centre guarantees that incoming requests, which we prefer to receive online, are processed promptly. Customers can also call us 24 hours a day, seven days a week.

'INTEREST MADE IN GERMANY' – GEFA BANK'S DEPOSIT-TAKING BUSINESS



SMEs fund their capital expenditure on new production equipment, vehicles and IT infrastructure via GEFA BANK. More than 40,000 successful companies are putting the funds to work and paying interest to GEFA BANK.

GEFA BANK does what you would expect your bank to do: it invests its customer deposits in the real economy. Everyone benefits: our customers as well as small and medium-sized enterprises.

Our customers are not only depositing their money with us – they are investing in German SMEs via GEFA BANK. In this way, they are supporting the German economy and benefiting from interest that is generated in Germany.

We still offer retail customers face-to-face advice in Wuppertal.

The focus of our corporate and small-business customers tends to be on flexible investment of surplus liquidity. We offer an instant-access account for short-term deposits and a fixed-term account for customers' medium-term needs.

If required, we will also provide corporate and small-business customers with face-to-face advice wherever they are located in Germany. We may also contact them by telephone or use video chat.

In 2018, we plan to maintain a constant volume of customer deposits in line with our short-term and medium-term funding strategy. To achieve this, we will carry out appropriate communication activities and maintain a stable interest-rate policy.

ORGANISATIONAL MEASURES

Head office renovation

The renovation of our Wuppertal head office was completed during the year under review. The building was fitted with the latest technologies for ensuring energy efficiency. On the back of this achievement, GEFA BANK won two of our parent company Societe Generale's Environmental Efficiency Awards. The awards were launched five years ago in order to recognise particularly eco-friendly projects that will lead to a substantial reduction in carbon emissions. The cutting-edge technologies used at GEFA's head office are cutting CO₂ emissions by 90 tonnes a year.

Early scanning

In 2017, we fully transitioned all business-related departments of GEFA BANK to 'early scanning' as part of a wider digitalisation of our business processes. This digital processing is helping us to achieve significant improvements in terms of processing speed, transparency and quality. Not only did the reduction in the use of paper, toner and postage and the faster processing times bring down costs, they also shrank our environmental footprint: in the space of just one year, CO₂ emissions were lowered by more than five tonnes.

Shared Sourcing Service Centre

Previously based in Wuppertal, the SSSC (Shared Sourcing Service Centre) was moved across to the SG CIB (Corporate & Investment Banking) unit in Frankfurt. As the centralised purchasing function of all Societe Generale units in Germany, it makes a valuable contribution to cutting costs and is leveraging synergies between departments and throughout the country. The year under review saw additional purchasing activities brought together in the SSSC.

Project portfolio & process management

During the course of 2017, responsibility for the management of projects and processes was reorganised to bring it into line with the organisational structure of Societe Generale. The new Project Portfolio & Process Management (PPM) department was created as part of this.

Responsibility for this department and for the bank's organisation and IT comes under the remit of the newly created role of Chief Operating Officer (COO).

The new organisational unit will be looking to identify ideas that would generate a high level of value added while keeping risks and costs under control. The objective over the long term is to maintain GEFA BANK's ability to innovate and keep its technology at the cutting edge. The new department is also running a training programme for project managers and product owners that is being progressively expanded.

The PPM analysts use standardised methods and professional techniques to assess the project ideas that are submitted and to support the decision-making process. Thanks to its fast and efficient analysis, needs-based prioritisation and centralised management of capacity and resources, the department made a key contribution to the implementation of the business strategy in only its first year of existence.

INFORMATION TECHNOLOGY

Learn.Challenge.Grow (LCG) training initiative

We continued to offer vocational training in business information systems as well as a dual work-study programme in business informatics, which GEFA runs in partnership with the University of Applied Sciences (FHDW).

GEFA believes it is on the right track with its strategic training model that is geared towards the particular needs of IT. This training plays a key role in ensuring the future viability of our IT against a backdrop of demographic change and a shortage of skilled workers.



A combined audit in accordance with ISO/IEC 20000:2011 and 27001:2013 confirmed once again that GEFA offers an appropriate level of security and quality.

We have teamed up with our subsidiary PEMA to change network service provider. As part of this project, which encompassed all GEFA Group sites, a platform was put in place that offers a high level of performance and is adaptable to changing needs.

In IT, the use of modern technologies is making it much faster to install components while also raising security standards. Close dialogue with experts at Group level ensures that innovations are given the best possible support.

IFRS 9

In 2017, we implemented new IT solutions to bring us into line with International Financial Reporting Standard 9 (IFRS 9). The data governance standards set out in BCBS 239 were addressed in the creation of certified data stores, which are needed to calculate valuation allowances.

RISK MANAGEMENT

GEFA BANK will continue to harness market opportunities so that it can achieve its corporate objectives. In doing so, it is essential to deal with risk responsibly. To maintain the right balance between upside potential and downside risk, GEFA BANK manages its entire business in accordance with its risk and earnings position, a concept that covers all material business lines and risk categories. These are fed into our risk strategy, which is consistent with our business strategy, as stipulated by the Minimum Requirements for Risk Management (MaRisk). In 2017, the system for identifying, assessing, managing, monitoring and communicating the risks that have been incurred continued to be improved and enhanced to meet further requirements. This included implementing various requirements such as the development and refinement of scorecards and models, the introduction of new reporting requirements under the Capital Requirements Regulation/ Capital Requirements Directive IV (CRR/CRD IV) and the German Banking Act (KWG) (Additional Liquidity Monitoring Metrics – ALMM, German Financial and Risk-Bearing Capacity Information Regulation – Fin-RisikoV, supervisory benchmarking) and refinements to the risk sustainability calculation. In 2017, improvements were made to the systems for the groupwide management of market risk and liquidity risk.

The requirements in force for identifying, assessing and analysing material risks were addressed, specifically those for counterparty risk, market risk, liquidity risk, operational risk and concentration risk. The rating system used for credit risk forms part

of the advanced internal ratings-based approach (IRBA) used by GEFA BANK to assess credit risk in accordance with Basel II, which is having a positive impact on GEFA's equity ratio. Our risk early-warning system, which had been improved as a result of our projects, enabled us to refine key risk parameters and improve the management of risk. Disclosure requirements were satisfied by the groupwide disclosures made by Societe Generale.

The Basel III regulatory framework requires banks to strengthen their capital base in qualitative and quantitative terms and introduces new liquidity standards for the international banking system. In 2017, GEFA BANK GmbH again went beyond these requirements by comfortably exceeding the minimum capital ratios, of which over 95 per cent consisted of common equity Tier 1 capital.

COMPLIANCE

GEFA BANK's Management Board has established a compliance function to avert risks that could arise from any failure to comply with legal regulations and requirements. The compliance function examines whether effective procedures and controls are in place to ensure that legal regulations and requirements which are material to GEFA BANK are adhered to. It also supports and advises the Management Board with respect to compliance with these legal regulations and requirements.

EMPLOYEES

Various initiatives aimed at modernising GEFA's business processes were launched in 2017. A number of departments worked on improvements to their procedures, organisational structures and spans of control.

In the risk management department, we laid the foundations for a more efficient management and organisational structure that should make it easier for the various sub-departments to collaborate. We worked constructively with the employee representatives to begin implementation of a new concept that will be in place by the end of 2019.

The suggestion made in a recent staff survey for a new event format facilitating closer dialogue between management and employees was taken up. Now, in regular town hall meetings held at the head office in Wuppertal, the members of the Management

Board talk to employees about the background to their business decisions and GEFA BANK's key performance indicators and discuss any current issues, problems or questions that people want to raise with them. This new event format is proving very popular.

The headcount at GEFA BANK remained essentially unchanged in 2017; in terms of full-time equivalents it was down slightly. Men accounted for 57 per cent of the workforce, while women made up 43 per cent. Employees' ages ranged from 21 to 66, with 47.5 the average age. At the end of 2017, their distribution across the various departments was as follows: measured in full-time equivalents (FTEs), around 48 per cent of staff carried out sales and marketing duties, 11 per cent performed risk management functions, contract administration accounted for a further 11 per cent, and 25 per cent worked in back-office or internal GEFA departments. The remainder of the workforce was distributed across the deposit-taking



Getting hands-on in the local community: GEFA employees admire their handiwork after building a greenhouse for Wuppertal's Kinderhaus Luise Winnacker, which serves as a place of learning for children from disadvantaged backgrounds.

business and junior management development groups. These figures relate to active employees of GEFA BANK GmbH, including the Management Board and trainees.

Responsibility for society and the environment

Responsibility for society and the environment has been firmly rooted in the corporate culture of our parent company, Societe Generale, for many years. Social and environment principles geared towards sustainability are set out in a corporate social responsibility concept and are addressed in the development of the company's strategic goals. Societe Generale is attaching growing importance to the fight against climate change and has approved an action paper outlining how it intends to reduce CO₂ emissions by 2020.

These principles of corporate social responsibility apply to all Group units around the world and were put into practice in various initiatives at GEFA BANK during the year under review. We donated money to a number of charitable and cultural projects as well as to organisations working in education, healthcare and social aid.

The GEFA workforce demonstrated their commitment to the local community through their support for Wuppertal's Kinderhaus Luise Winnacker. Over the course of three working days, employees got hands-on with cleaning and gardening jobs and built a greenhouse. Kinderhaus Luise Winnacker is an innovative and multi-award-winning education project that serves as an extracurricular place of learning for disadvantaged children.

GEFA BANK also supported Societe Generale's sustainable development goals from an environmental perspective last year. We won the Group's internal Environmental Efficiency Awards for CO₂-friendly projects for the renovation of our offices, for the new exhaust air system in the underground car park and for our 'early scanning' concept.

We also offer support for our customers' sustainability projects on the basis of our parent company's action paper.

OUTLOOK

We are optimistic about the 2018 financial year. Experts are in agreement that the upturn in the German economy will persist. Increasing capacity utilisation means that businesses are likely to increase their capital spending again.

Against this backdrop, GEFA has set ambitious targets for new business in 2018.

Uncertainties are resulting from the protracted period of low interest rates, for which no end is in sight. Our market environment therefore remains exposed to strong competitive pressure and pressure on margins.

Going forward, we want to remain first choice for our SME customers. To achieve this, we will draw on our traditional values and our decades of experience, but will also exploit the opportunities offered to us by the latest technologies and innovations.

SOCIETE GENERALE

EQUIPMENT FINANCE 2017

Societe Generale Equipment Finance Group (SGEF) is a leading vendor finance partner for manufacturers and dealers in Europe, the Americas, Africa and Asia. Part of the French banking group Societe Generale, it operates in 41 countries. The Group's experienced country specialists are able to adapt their international vendor finance solutions to meet the varying requirements of international manufacturers and dealers. In every country, the sales teams provide in-depth industry and project expertise in the transport, industrial equipment and high-tech markets.

Our business is spread evenly across a broad portfolio of financed assets, and over the entire value chain, from the manufacturer all the way to the end customer. The SGEF Group offers a comprehensive range of tailored financial services comprising both finance and operating leases, factoring, loans and equipment-specific insurance policies. Customers value its international expertise and in-depth market knowledge. The SGEF Group sees its core mission as being the first choice for customers and vendors around the world through innovation, professionalism and a customer-centric approach.

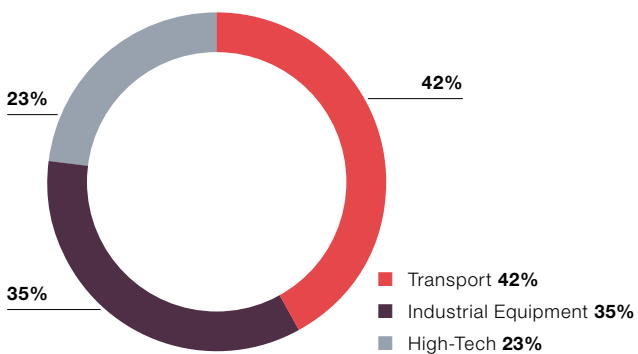
To achieve its goals, it focuses on long-term business relationships that offer mutual benefit for all partners. Consequently, vendors have access to a broad range of services and collaboration formats. In line with their sales strategy, the partners can offer their customers all kinds of leasing solutions under their own brand, in the form of co-branding or via informal cooperation agreements. The vendors also benefit from additional services such as the creation of individual advertising campaigns, and bookkeeping, collection and reporting services.

In 2017, the SGEF Group cemented its position among the leading vendor finance partners and is the second-largest service provider in both the European and global market. Last year, the Group was named EU SME Champion of the Year and Vendor Finance Provider of the Year by trade magazine Leasing Life. At the end of 2017, it had assets under management totalling € 27.2 billion, while new business had increased by 8 per cent to € 12.4 billion.



Societe Generale, Paris, France

NEW BUSINESS FOR SOCIETE GENERALE EQUIPMENT FINANCE IN 2017 BY SEGMENT AND BY COUNTRY/REGION



Country/region	%
Germany	21
France	24
Scandinavia	13
Italy	8
United Kingdom	5
USA	6
Central & eastern Europe	9
Others	13

EXTRACT FROM THE MANAGEMENT REPORT OF GEFA BANK GMBH FOR 2017

BUSINESS; ECONOMIC CONDITIONS

GEFA increased its volume of new business in 2017 to € 2.545 billion compared with € 2.408 billion in the prior year. Of the total volume of new business achieved, the Transport segment generated € 1.556 billion (61 per cent of the total), Industrial Equipment € 672 million (26 per cent) and High-Tech € 317 million (13 per cent). Despite ever-increasing competition, profit margins remained at a satisfactory level in 2017.

At the end of the reporting year, GEFA employed 696 people (measured in FTEs: 653). This was 0.3 per cent below the figure reported at the end of 2016 (698 people, 658 FTEs).

RESULTS OF OPERATIONS

During the 2017 financial year, GEFA fared well in a challenging environment. Against a backdrop of growing competition in which stable margins were targeted, new business, at nearly € 2.6 billion, was roughly on a par with last year's forecast of € 2.6 billion to € 2.7 billion. Despite ever-growing competition, GEFA achieved a profit before tax under IFRS of € 78.9 million, which exceeded the forecast range of € 70.0 million to € 75.0 million. The return on equity (RoE) of 18.0 per cent was within the predicted range of 16.0 per cent to 18.0 per cent. Overall, the results for the 2017 financial year were satisfactory.

Net interest income of € 126.5 million in 2017 was below the prior-year level (€ 133.7 million). This year-on-year decline was due to the fact that new business in the current low interest-rate environment was unable to match the sometimes high margins on older contracts that came to an end during the period.

Net income from current leases amounted to € 43.7 million last year (2016: € 44.7 million).

At € 80.9 million, profit before transfer of profits and taxes fell short of the prior year level (2016: € 105.6 million). This amount includes the profits and losses transferred from GEFA Services GmbH, PEMA GmbH and GEFA Direkt GmbH. This year-on-year decline is due to the inclusion of a one-off gain resulting from the merger in the figure for 2016.

Profit excluding transferred profits and losses and exceptional income came to € 72.4 million in 2017 (2016: € 79.4 million).

NET ASSETS

As at the end of 2017, GEFA's total assets stood at € 7.135 billion, which was higher than the prior-year figure (€ 6.519 billion). The volume of managed assets (financing agreements) increased by 7.7 per cent to reach € 6.748 billion (31 December 2016: € 6.231 billion). This rise was largely due to a higher volume of receivables relating to inventory finance and hire purchase finance.

FORECAST; OPPORTUNITIES AND RISKS

We are confident about 2018 and expect revenues to rise and margins to hold steady in the face of a further increase in competitive pressure. This positive assessment is reflected in GEFA's revenue forecasts. We expect GEFA to generate new business worth between € 2.6 billion and € 2.7 billion. We are confident that the planned level of growth can be achieved without impacting on costs. We are anticipating a pre-tax profit under IFRS of between € 72 million and € 77 million and a RoE of between 16.5 per cent and 18.5 per cent.

As far as we can tell at present, there are no risks that might jeopardise GEFA's continued existence as a going concern. GEFA's business situation going forward will be largely influenced by how the economy performs. Over the coming year, we expect GEFA to generate healthy growth while keeping risk costs low.



The complete management report and the notes for the 2017 financial year are available as a PDF on our website at www.gefa-bank.de/gb17 and in the electronic German Federal Gazette.

BALANCE SHEET

OF GEFA BANK GMBH, WUPPERTAL

BALANCE SHEET AS AT 31 DECEMBER 2017

ASSETS

	€	€	2016 € '000
1. Cash reserve			
a) cash on hand	2,000.00		2
b) balances held with central banks of which: with Deutsche Bundesbank € 144,263,089.46 (31 December 2016: € 129,741 thousand)	144,263,089.46	144,265,089.46	129,741
2. Accounts receivable from banks			
a) repayable on demand	57,138,717.45		4,906
b) other accounts receivable	11,149,405.56	68,288,123.01	14,555
3. Accounts receivable from customers		5,625,741,018.38	5,121,786
of which: loans to public-sector entities € 16,201,308.95 (31 December 2016: € 18,259 thousand)			
4. Equity investments		1,163,219.29	1,163
5. Investments in affiliated companies		190,219,653.28	190,220
of which: in financial services institutions € 1,776,000.00 (31 December 2016: € 1,776 thousand)			
6. Leased assets		1,030,793,657.03	992,621
7. Intangible assets			
a) internally generated patents, trademarks and similar rights and assets	0.00		209
b) purchased concessions, patents, trademarks and similar rights and assets as well as licenses for such rights and assets	17,150,305.00		17,335
c) advance payments	828,171.65	17,978,476.65	1,565
8. Property, plant and equipment		19,427,467.71	18,800
9. Other assets		35,900,908.98	24,520
10. Prepaid expenses		1,286,359.36	1,761
Total assets		7,135,063,973.15	6,519,184

LIABILITIES AND EQUITY

	€	€	€	2016 € '000
1. Liabilities to banks				
a) repayable on demand		5,409,721.52		6,246
b) with agreed term or notice period		5,027,667,967.21	5,033,077,688.73	4,327,592
2. Liabilities to customers				
a) savings deposits				
aa) with agreed notice period of three months	227,050,885.21			175,124
ab) with agreed notice period of more than three months	13,821,246.60	240,872,131.81		17,506
b) sundry liabilities				
ba) repayable on demand	505,885,975.36			547,635
bb) with agreed term or notice period	203,328,022.89	709,213,998.25	950,086,130.06	278,680
3. Other liabilities			297,557,114.56	317,129
4. Deferred income			57,025,125.85	52,831
5. Provisions				
a) provisions for pensions and similar obligations		107,887,839.00		108,108
b) other provisions		16,907,845.64	124,795,684.64	15,811
6. Equity				
a) subscribed capital		136,500,000.00		136,500
b) capital reserves		536,022,229.31	672,522,229.31	536,022
Total liabilities and equity			7,135,063,973.15	6,519,184
1. Contingent liabilities				
a) liabilities arising from guarantees and warranties			28,058,019.50	29,004
2. Other obligations				
a) irrevocable credit facilities			415,142,870.42	301,813

INCOME STATEMENT

OF GEFA BANK GMBH, WUPPERTAL

FOR THE PERIOD 1 JANUARY 2017 TO 31 DECEMBER 2017

EXPENSES

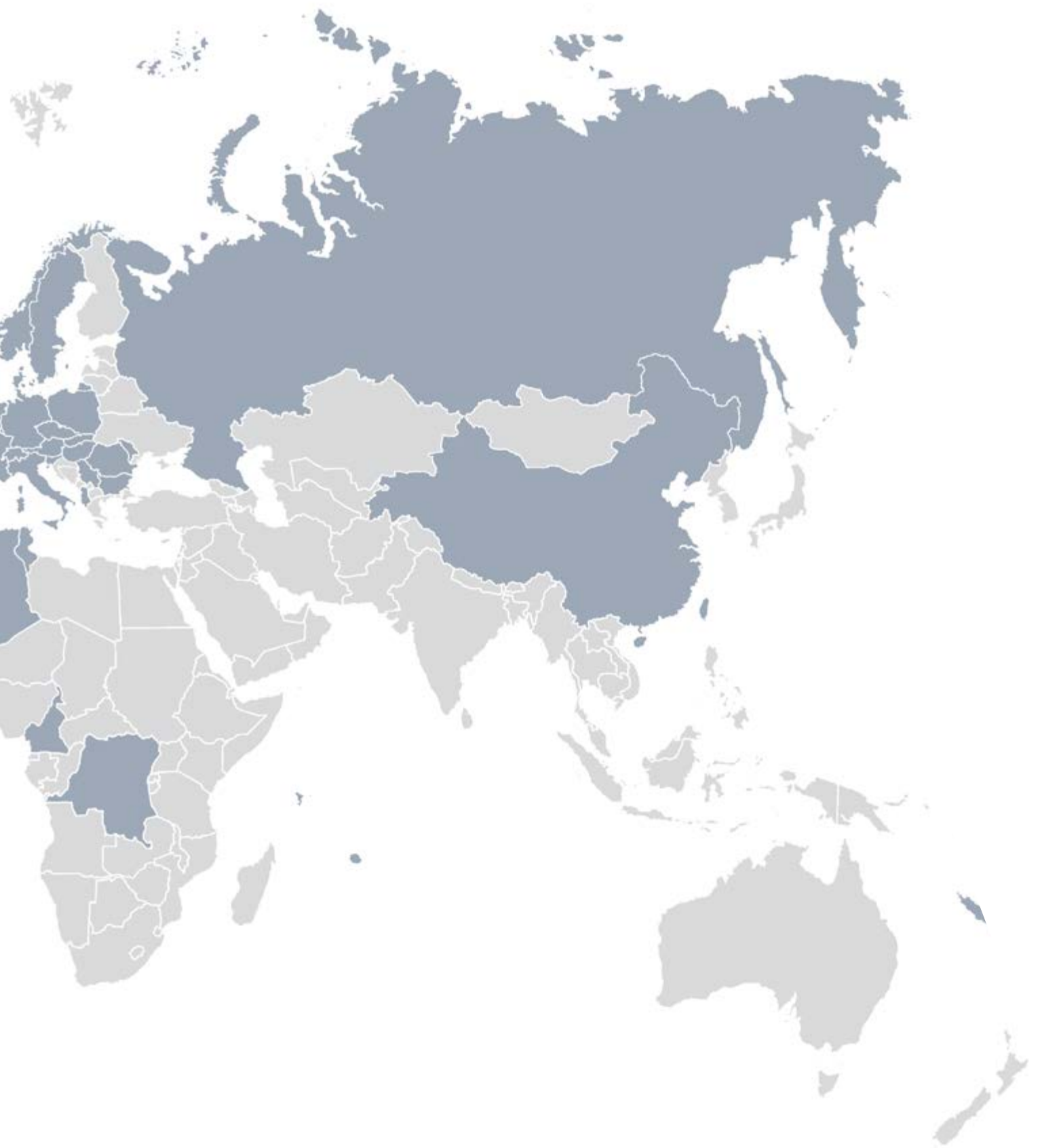
	€	€	€	2016 € '000
1. Interest expenses			7,942,322.03	15,700
2. Expenses from the leasing business			19,644,763.07	38,759
3. Commission expenses			11,997,239.48	10,792
4. Administrative expenses				
a) staff expenses				
aa) wages and salaries	53,689,234.41			51,856
ab) compulsory social security contributions and expenses for pensions and other employee benefits of which: for pensions € 8,165,220.51 (2016: € 6,684 thousand)	16,418,342.14	70,107,576.55		15,046
b) other administrative expenses		31,389,639.36	101,497,215.91	34,140
5. Depreciation, amortisation and write-downs of and valuation allowances on				
a) leased assets		285,358,881.50		290,116
b) intangible assets and property, plant and equipment		6,178,762.06		5,712
c) current assets		0.00	291,537,643.56	1,543
6. Other operating expenses			1,977,117.88	1,817
7. Expenses from transfer of losses			606,430.52	213
8. Other taxes not reported under item 6			126,174.21	132
9. Profits transferred under profit-pooling, profit-transfer and partial profit-transfer			80,117,510.27	105,212
Total expenses			515,446,416.93	571,038

INCOME

	€	2016 € '000
1. Interest income from		
a) lending and money market business	134,383,280.25	149,351
2. Income from the leasing business	348,725,309.04	373,612
3. Current income from		
a) equity investments	1,183,548.00	789
4. Income from profit-pooling, profit-transfer and partial profit-transfer agreements	8,338,600.45	485
5. Commission income	7,960,444.62	7,413
6. Income from write-ups of accounts receivable and certain securities and from the release of provisions for possible loan losses	6,087,950.96	4,600
7. Other operating income	8,767,283.61	9,223
8. Extraordinary income	0.00	25,565
Total income	515,446,416.93	571,038

OUR GLOBAL NETWORK





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³ Including Mexico
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