

SOCIETE GENERALE HONG KONG BRANCH

Financial Information Disclosure Statements
For the six months ended 30 June 2016

SOCIETE GENERALE HONG KONG BRANCH

FINANCIAL INFORMATION DISCLOSURE STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016

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SOCIETE GENERALE HONG KONG BRANCH

SECTION A - HONG KONG BRANCH INFORMATION

PROFIT AND LOSS INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2016

	<u>For the six months ended</u>	
	<u>30.6.2016</u>	<u>30.6.2015</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>
	<u>Unaudited</u>	<u>Unaudited</u>
Interest income	842,458	763,606
Interest expense	(747,168)	(535,727)
Net interest income	95,290	227,879
Other operating income	1,248,964	870,873
Operating expenses	1,344,254	1,098,752
	(834,764)	(738,953)
Operating income before impairment allowances and profit from disposal of property and equipment	509,490	359,799
Reversal / (Provision) of impairment allowances on loans and receivables	3,033	(38,963)
Net loss from disposal of property and equipment	(29)	(34)
Profit before taxation	512,494	320,802
Income tax charge	(78,826)	(67,128)
Net profit	433,668	253,674

SOCIETE GENERALE HONG KONG BRANCH

SECTION A - HONG KONG BRANCH INFORMATION - continued

Branch activities

Societe Generale Hong Kong Branch ("the Branch") is a branch of Societe Generale ("the Bank"), a bank incorporated in France, and accordingly has no separate legal status or existence. The Branch is registered under the Hong Kong Banking Ordinance as a full licensed bank. During the year, the Branch was principally involved in lending, deposit taking activities, derivative trading activities, foreign exchange spot and forward market activities. As a result of an income growth arising from gain on other trading activities and on trading in foreign currencies, the Branch had a positive performance for the six months ended 30 June 2016.

Details of profit and loss items

The details of key profit and loss items for the six months ended 30 June 2016 and 2015 are as follows:

(i) Interest income and expense

	<u>For the six months ended</u>	
	<u>30.6.2016</u>	<u>30.6.2015</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>
Interest income was derived from:		
Swaps	2,439	1,905
Advances to customers	395,910	374,484
Loans and advances to banks and other financial institutions	444,109	387,217
	<u>842,458</u>	<u>763,606</u>
Interest expense was derived from:		
Swaps	3,085	2,638
Certificates of deposit	21,690	5,724
Deposits from customers	85,050	18,851
Deposits from banks and other financial institutions	637,343	508,514
	<u>747,168</u>	<u>535,727</u>

SOCIETE GENERALE HONG KONG BRANCH

SECTION A - HONG KONG BRANCH INFORMATION - continued

Details of profit and loss items - continued

(ii) Other operating income

	<u>For the six months ended</u>	
	<u>30.6.2016</u>	<u>30.6.2015</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>
Fees and commission income	98,274	113,570
Less: Fees and commission expenses	(29,779)	(26,643)
Net fees and commission income	68,495	86,927
Income from sales credit regarding market activities	136,287	229,057
Gains less losses arising from trading in foreign currencies	376,896	138,739
Gains less losses on securities measured at fair value through profit or loss	(66,329)	50,506
Gains less losses from other trading activities	532,252	242,169
Management fee from intercompanies	200,976	122,949
Others	387	526
	<u>1,248,964</u>	<u>870,873</u>

(iii) Operating expenses

	<u>For the six months ended</u>	
	<u>30.6.2016</u>	<u>30.6.2015</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>
Salaries and other costs	556,112	494,170
Premises and equipment:		
Rental of office premises and staff quarters	49,777	51,304
Others	9,268	7,605
Depreciation charge	14,174	12,801
Auditor's remuneration	483	624
Share in Head Office Expenses	29,794	59,485
Other operating expenses	175,156	112,964
	<u>834,764</u>	<u>738,953</u>

SOCIETE GENERALE HONG KONG BRANCH

SECTION A - HONG KONG BRANCH INFORMATION - continued

BALANCE SHEET INFORMATION
AT 30 JUNE 2016

	<u>30.6.2016</u> HK\$'000	<u>31.12.2015</u> HK\$'000
ASSETS		
Balances with banks	714,078	789,284
Placements with banks maturing between one and twelve months	1,254,505	1,202,688
Placements with banks maturing over twelve months	-	-
Balances with the Monetary Authority	656,322	28,940
Amount due from overseas offices of the Bank	106,451,720	179,541,802
Trade bills	2,932,121	3,561,385
Securities measured at fair value through profit and loss	12,433,250	8,399,993
Loans and receivables	38,666,752	34,788,108
Property and equipment	83,994	86,121
Other investments	24,948	20,403
Deferred tax assets	-	55,278
Total assets	<u>163,217,690</u>	<u>228,474,002</u>
EQUITY AND LIABILITIES		
Deposits and balances from banks	7,187,985	5,139,075
Deposits and balances from central banks and the Monetary Authority	28,185,047	27,347,209
Deposits from customers	20,283,756	60,849,227
Amount due to overseas offices of the Bank	96,288,938	127,624,981
Certificates of deposit issued	1,789,661	1,929,729
Other liabilities	9,868,588	6,400,789
Total liabilities	<u>163,603,975</u>	<u>229,291,010</u>
Reserves		
- Profit for the period/year	433,668	423,052
- Accumulated losses	(816,677)	(1,239,729)
- Revaluation reserve	(3,276)	(331)
Total equity and liabilities	<u>163,217,690</u>	<u>228,474,002</u>

SOCIETE GENERALE HONG KONG BRANCH

SECTION A - HONG KONG BRANCH INFORMATION - continued

ADDITIONAL BALANCE SHEET INFORMATION

(i) Loans and receivables	<u>30.6.2016</u> HK\$'000	<u>31.12.2015</u> HK\$'000
Loans and advances to customers	36,762,543	33,462,081
Individual impairment allowances for impaired assets against loans and advances to customers	<u>(61,496)</u>	<u>(134,702)</u>
	36,701,047	33,327,379
Accrued interest and other accounts	<u>1,965,705</u>	<u>1,460,729</u>
	<u>38,666,752</u>	<u>34,788,108</u>

- (ii) At the instruction of the Bank, no collective impairment allowances to cover possible loan losses that are not separately identified are maintained in the Branch's accounts. Such impairment allowances are being made in the accounts of the Bank.

Where there is a risk that borrowers may not be able to honor a part or all of their liabilities or commitments, impairment allowances for specifically identified impaired assets are charged against income.

(iii) (a) Impaired loans and advances to customers:	<u>30.6.2016</u> HK\$'000	<u>31.12.2015</u> HK\$'000
Impaired advances to customers	297,286	559,800
As percentage of total advances to customers	0.81%	1.67%
Individual impairment allowances	<u>(61,496)</u>	<u>(134,702)</u>

Impaired advances to customers are those advances where objective evidence exists that full repayment of principal or interest is considered unlikely.

The individual impairment allowances are made after taking into account the value of collateral in respect of such advances. The value of collateral is HK\$223,072,000 as at 30 June 2016 (31 December 2015: HK\$405,305,000).

SOCIETE GENERALE HONG KONG BRANCH

SECTION A - HONG KONG BRANCH INFORMATION - continued

ADDITIONAL BALANCE SHEET INFORMATION - continued

(iii) (b) Impairment allowances by geographical area:

The analysis of impairment allowances by geographical area, which is significant according to the location of the counterparties (constitutes 10% or more of the total advances to customers), is as follows:

	<u>30.6.2016</u> HK\$'000	<u>31.12.2015</u> HK\$'000
- Australia	-	91,253
- Panama	11,306	17,403
- China	13,568	13,558
	<u>24,874</u>	<u>122,214</u>

(iv) Impaired loans and advances to banks and other financial institutions

There were no impaired loans and advances to banks and other financial institutions as at 30 June 2016 and 31 December 2015.

(v) Overdue and rescheduled loans and advances

(a) There were loans and advances to customers which were overdue for more than 6 months as at 30 June 2016 (31 December 2015: HK\$233,543,000 overdue for more than 1 month).

	<u>30.06.2016</u>		<u>31.12.2015</u>	
	Overdue loans and advances to customers HK\$'000	Percentage of total loans and advances to customers %	Overdue loans and advances to customers HK\$'000	Percentage of total loans and advances to customers %
Loans and advances to customer which have been overdue for				
- more than 1 month but not more than 3 months	-	-	233,543	0.7
- more than 3 months but not more than 6 months	-	-	-	-
- more than 6 months but not more than 1 year	184,320	0.5	-	-

SOCIETE GENERALE HONG KONG BRANCH

SECTION A - HONG KONG BRANCH INFORMATION - continued

ADDITIONAL BALANCE SHEET INFORMATION – continued

(v) Overdue and rescheduled loans and advances - continued

There were no overdue loans and advances to customers for more than 1 year. Individual impairment has been provided for the overdue loans and advances to customers which have been overdue for more than 6 months but not more than 1 year. The collateral held in respect of the overdue loans and advances to customers are cash and goods, with value of HK\$101,830,000 (31 December 2015: HK\$168,944,000).

	<u>30.06.2016</u> HK\$'000	<u>31.12.2015</u> HK\$'000
Covered portion of total overdue loans and advances	83,412	124,717
Uncovered portion of total overdue loans and advances	100,908	108,826

(b) Overdue loans and advances by geographical area:

The analysis of overdue loans and advances by geographical area, which is significant according to the location of the counterparties (constitutes 10% or more of the total overdue loans and advances), is as follows:

	<u>30.6.2016</u> HK\$'000	<u>31.12.2015</u> HK\$'000
- Hong Kong	83,412	124,717
- China	100,908	108,826
	<u>184,320</u>	<u>233,543</u>

(c) There were no loans and advances to banks which were overdue for more than one month as at 30 June 2016 and 31 December 2015.

(d) There were no rescheduled loans and advances to customers, nor were there any rescheduled loans and advances to banks as at 30 June 2016 and 31 December 2015.

(vi) Other assets overdue

There were no other assets overdue for more than three months as at 30 June 2016 and 31 December 2015.

(vii) No repossessed assets were held as at 30 June 2016 and 31 December 2015.

SOCIETE GENERALE HONG KONG BRANCH

SECTION A - HONG KONG BRANCH INFORMATION - continued

ADDITIONAL BALANCE SHEET INFORMATION - continued

(viii) Deposits from customers	<u>30.6.2016</u>	<u>31.12.2015</u>
	HK\$'000	HK\$'000
Demand deposits and current accounts	5,920,394	45,286,232
Saving deposits	1,151,255	1,748,791
Time, call and notice deposits	13,212,107	13,814,204
	<u>20,283,756</u>	<u>60,849,227</u>

OFF-BALANCE-SHEET EXPOSURES

The following is a summary of the contractual or notional amounts of each significant class of off-balance-sheet exposure:

(i) Contingent liabilities and commitments	<u>30.6.2016</u>	<u>31.12.2015</u>
	HK\$'000	HK\$'000
Direct credit substitutes	852,060	933,511
Trade-related contingencies	6,127,129	4,314,312
Other commitments:		
- with an original maturity of under 1 year or are unconditionally cancellable	4,559,106	4,396,947
- with an original maturity of 1 year and over	4,379,581	2,858,204
Forward forward deposits placed	12,303,196	-
	<u>28,221,072</u>	<u>12,502,974</u>

SOCIETE GENERALE HONG KONG BRANCH

SECTION A - HONG KONG BRANCH INFORMATION - continued

SUPPLEMENTARY TO DERIVATIVE TRANSACTIONS

(i) Derivatives	<u>30.6.2016</u> HK\$'000	<u>31.12.2015</u> HK\$'000
Exchange rate contracts		
- Forwards	85,331,374	104,398,245
- Swaps	5,539,854	13,021,450
	<u>90,871,228</u>	<u>117,419,695</u>
Interest rate contracts		
- Swaps	245,277	95,226
- Forward forward deposits accepted	24,677,422	19,723,088
	<u>24,922,699</u>	<u>19,818,314</u>
Equity option contracts	<u>72,110</u>	<u>56,975</u>
	<u>144,087,109</u>	<u>149,797,958</u>

The contractual or notional amounts of the above instruments indicate the volume of transactions outstanding as at the balance sheet date. They do not represent amounts at risk.

The fair values of the above off-balance-sheet exposures after taking into account the effect of the valid bilateral netting agreement are as follows:

	<u>30.6.2016</u> HK\$'000	<u>31.12.2015</u> HK\$'000
Exchange rate contracts		
- Forwards	87,730	9,152
- Swaps	(5,862)	643
	<u>81,868</u>	<u>9,795</u>
Interest rate contracts		
- Swaps	1,114	2,643
Equity option contracts	<u>(13,862)</u>	<u>2,105</u>
	<u>(12,748)</u>	<u>4,748</u>

The amount of fair value which has taken into account the effect of the valid bilateral netting agreement is HK\$73,852,838 liabilities (31 December 2015: HK\$41,674,204 liabilities) for Forwards and Nil (31 December 2015: Nil) for interest rate swaps.

SOCIETE GENERALE HONG KONG BRANCH

SECTION A - HONG KONG BRANCH INFORMATION - continued

SEGMENTAL INFORMATION

(i) Loans and advances to customers by industry sectors

	<u>30.6.2016</u>		<u>31.12.2015</u>	
	Loans and advances to customers HK\$'000	Percentage of loans and advances secured by collateral %	Loans and advances to customers HK\$'000	Percentage of loans and advances secured by collateral %
Loans and advances for use in Hong Kong				
Industrial, commercial, and financial sectors				
- Manufacturing	-	-	232,506	-
- Electricity and gas	-	-	290,633	-
- Recreational activities	-	-	1,607,938	-
- Information technology	2	-	-	-
- Wholesale and retail trade	2	-	-	-
- Transport and transport equipment	405,819	100	717,921	100
- Financial concerns	325,009	-	1,214,972	-
- Others	13,192	-	338,513	-
	<u>744,024</u>	55	<u>4,402,483</u>	16
Trade finance	4,072,451	8	3,038,051	-
Loans and advances for use outside Hong Kong	<u>31,946,068</u>	6	<u>26,021,547</u>	5
Loan and advances to customers	<u><u>36,762,543</u></u>	7	<u><u>33,462,081</u></u>	6

The above analysis of loans and advances to customers by industry sectors is based on categories and definitions used by the Monetary Authority.

(ii) Loans and advances to customers by geographical area

The analysis of loans and advances to customers by geographical area, which is significant according to the location of the counterparties (constitutes 10% or more of the total advances to customers), is as follows:

	<u>30.6.2016</u> HK\$'000	<u>31.12.2015</u> HK\$'000
- Australia	13,019,315	9,863,121
- Hong Kong	9,538,280	9,381,564
- Others	14,204,948	14,217,396
Loans and advances to customers	<u><u>36,762,543</u></u>	<u><u>33,462,081</u></u>

SOCIETE GENERALE HONG KONG BRANCH

SECTION A - HONG KONG BRANCH INFORMATION - continued

SEGMENTAL INFORMATION - continued

(iii) Non-bank Mainland exposures

The analysis of Mainland exposures to non-bank counterparties (being exposures which are material) as at 30 June 2016 and 31 December 2015 are as follows:

<u>In millions of HK\$</u>	<u>On-balance sheet exposure</u>	<u>Off-balance sheet exposure</u>	<u>Total</u>
As at 30 June 2016			
Central government, central government owned entities and their subsidiaries and joint ventures	10,808	5,497	16,305
Local governments, local government- owned entities and their subsidiaries and joint ventures	-	285	285
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and joint ventures	4,160	579	4,739
Other entities of central governments	1,996	759	2,755
Entities incorporated outside Mainland China where the credit is granted for use in Mainland China	-	-	-
Other counterparties where the exposures are considered by the Branch to be non- bank Mainland exposures	60	-	60
Total	<u>17,024</u>	<u>7,120</u>	<u>24,144</u>
Total assets after provision	163,218		
On balance sheet exposures as percentage of total assets	10%		

SOCIETE GENERALE HONG KONG BRANCH

SECTION A - HONG KONG BRANCH INFORMATION - continued

SEGMENTAL INFORMATION - continued

(iii) Non-bank Mainland exposures - continued

<u>In millions of HK\$</u>	<u>On-balance sheet exposure</u>	<u>Off-balance sheet exposure</u>	<u>Total</u>
As at 31 December 2015			
Central government, central government owned entities and their subsidiaries and joint ventures	10,603	5,072	15,675
Local governments, local government- owned entities and their subsidiaries and joint ventures	-	7	7
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and joint ventures	5,282	323	5,605
Other entities of central governments Entities incorporated outside Mainland China where the credit is granted for use in Mainland China	-	-	-
	572	-	572
Other counterparties where the exposures are considered by the Branch to be non- bank Mainland exposures	64	-	64
Total	<u>16,521</u>	<u>5,402</u>	<u>21,923</u>
Total assets after provision	228,474		
On balance sheet exposures as percentage of total assets	7%		

The analysis of non-bank mainland exposures is based on the categories of non-bank counterparties and the type of direct exposures with reference to the Monetary Authority return 'Return of Mainland Activities', which includes mainland exposures extended by the Branch.

SOCIETE GENERALE HONG KONG BRANCH

SECTION A - HONG KONG BRANCH INFORMATION - continued

SEGMENTAL INFORMATION - continued

(iv) International claims

The following illustrates the major country or geographical segment breakdown of international claims (constitutes 10% or more of the total international claims after taking into account any recognized risk transfer) by types of counterparties:

In millions of HK\$

		<u>Non-bank private sector</u>					
			Official	Non-bank	Non-		
	<u>Banks</u>	<u>sector</u>	<u>financial</u>	<u>institutions</u>	<u>financial</u>		
					<u>private</u>	<u>Others</u>	<u>Total</u>
					<u>sector</u>		
As at 30 June 2016							
1. Developed countries	108,965	-	5,376	7,041	-	-	121,382
of which France	108,799	-	-	67	-	-	108,866
As at 31 December 2015							
1. Developed countries	182,161	-	2,137	6,759	-	-	191,057
of which France	181,737	-	-	53	-	-	181,790

SOCIETE GENERALE HONG KONG BRANCH

SECTION A - HONG KONG BRANCH INFORMATION - continued

CURRENCY RISK

The Branch does not have any discloseable currency risk exposure arising from options and structural positions. The currency risk arising from the Branch's operations for those individual currencies which each constitute more than 10% of the total net position in all foreign currencies is as follows:

Equivalent in millions of HK\$

As at 30 June 2016

	CNY	EUR	USD	Total
Spot assets	1,007	14,074	108,581	123,662
Spot liabilities	(4,101)	(6,016)	(122,358)	(132,475)
Forward purchases	14,286	7,097	51,608	72,991
Forward sales	(11,165)	(15,185)	(37,695)	(64,045)
Net long/(short) position	<u>27</u>	<u>(30)</u>	<u>136</u>	<u>133</u>

As at 31 December 2015

	CNY	EUR	JPY	USD	Total
Spot assets	1,241	13,817	11,794	144,381	171,233
Spot liabilities	(1,699)	(4,206)	(402)	(157,577)	(163,884)
Forward purchases	16,034	4,905	15,534	65,657	102,130
Forward sales	(15,614)	(14,554)	(26,917)	(52,397)	(109,482)
Net (short)/long position	<u>(38)</u>	<u>(38)</u>	<u>9</u>	<u>64</u>	<u>(3)</u>

SOCIETE GENERALE HONG KONG BRANCH

SECTION A - HONG KONG BRANCH INFORMATION – continued

LIQUIDITY

	<u>For the six months ended</u>	
	<u>30.6.2016</u>	<u>30.06.2015</u>
	<u>Unaudited</u>	<u>Unaudited</u>
Average liquidity maintenance ratio for the period	<u>63.42%</u>	<u>95.71%</u>

The adjusted liquidity maintenance ratio for the financial period is the arithmetic mean of each calendar month's average liquidity maintenance ratio as reported in the return relating to the liquidity position submitted by the Branch to the Monetary Authority pursuant to section 63 of the Ordinance in respect of the interim reporting period.

Liquidity risk approach and management

Liquidity risk is the risk that the Branch cannot meet its current obligations. To manage liquidity risk, the Branch has established the liquidity risk management policy which is reviewed by Management and approved by the ultimate holding company. The Branch measures its liquidity through statutory liquidity ratios and the maturity mismatch portfolio.

Management closely monitors the liquidity of the Branch on a regular basis to ensure that the liquidity structure of the Branch's assets, liabilities and commitments can meet its funding needs and that the statutory liquidity ratio is always complied with. As disclosed above, the Branch's average liquidity maintenance ratio for the period is above the statutory minimum ratio.

Liquidity position is monitored by the management on a daily basis.

SOCIETE GENERALE HONG KONG BRANCH

SECTION B - BANK INFORMATION (CONSOLIDATED BASIS)

The information set out below is based on the most recent consolidated accounts for the Bank as a whole as at 30 June 2016 and 31 December 2015.

PRUDENTIAL CAPITAL RATIO

	<u>30.6.2016</u>	<u>31.12.2015</u>
	%	%
Core Tier 1 ratio	11.1	10.9
Tier 1 ratio	13.6	13.5
Total capital ratio	<u>16.7</u>	<u>16.3</u>

The solvency ratio (Basel 2.5 solvency ratio) complies with the calculation methods established by the French Prudential Supervisory Authority. This ratio is based on the Bank's consolidated banking activities, thus eliminating the contributions of the insurance entities.

SHAREHOLDERS' FUND

	<u>30.6.2016</u>		<u>31.12.2015</u>	
	<u>EUR' billion</u>	<u>HK\$' billion equivalent</u>	<u>EUR' billion</u>	<u>HK\$' billion equivalent</u>
Aggregate amount of shareholders' fund	<u>58</u>	<u>504</u>	<u>59</u>	<u>500</u>

OTHER FINANCIAL INFORMATION

	<u>30.6.2016</u>		<u>31.12.2015</u>	
	<u>EUR' billion</u>	<u>HK\$' billion equivalent</u>	<u>EUR' billion</u>	<u>HK\$' billion equivalent</u>
Total assets	1,460	12,597	1,334	11,293
Total liabilities	1,398	12,062	1,272	10,762
Total advances to customers	420	3,624	405	3,430
Total customer deposits	<u>400</u>	<u>3,455</u>	<u>380</u>	<u>3,213</u>

	<u>30.6.2016</u>		<u>30.6.2015</u>	
	<u>EUR' billion</u>	<u>HK\$' billion equivalent</u>	<u>EUR' billion</u>	<u>HK\$' billion equivalent</u>
Pre-tax profit	<u>3.62</u>	<u>31</u>	<u>3.39</u>	<u>29</u>

SOCIETE GENERALE HONG KONG BRANCH

STATEMENT OF COMPLIANCE

This is to confirm that the information in these disclosure statements for the six months ended 30 June 2016 complies with the Banking (Disclosure) Rules (the "Rules") and the additional guidance that aims to assist Authorized Institutions with their preparation of the financial disclosures in accordance with the requirements of the Rules and is not false or misleading in any material respect.



David Abitbol
CHIEF EXECUTIVE



Joanne Lam Hoi Yin
CHIEF ACCOUNTANT

19 September 2016
