

SOCIETE GENERALE HONG KONG BRANCH

**Financial Information Disclosure Statements
For the six months ended 30 June 2019**

SOCIETE GENERALE HONG KONG BRANCH

FINANCIAL INFORMATION DISCLOSURE STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2019

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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 2019

	For the six months ended	
	30.6.2019	30.6.2018
	HK\$'000	HK\$'000
	Unaudited	Unaudited
Interest income	1,655,450	1,304,854
Interest expense	(1,688,652)	(1,221,088)
Net interest income/(expense)	(33,202)	83,766
Other operating income	1,586,130	1,574,927
Operating expenses	1,552,928	1,658,693
	(899,232)	(976,172)
Operating income before impairment allowances and loss from disposal of property and equipment	653,696	682,521
Reversal/(provision) of impairment allowances on loans and receivables	(13,139)	52,794
Net loss from disposal of property and equipment	(12)	(517)
Profit before taxation	640,545	734,798
Income tax charge	(93,155)	(116,135)
Net profit	547,390	618,663

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 six months ended 30 June 2019, the Branch was principally involved in lending, deposit taking activities, derivative trading activities, foreign exchange spot and forward market activities. The Branch had a positive performance derived from the core operating activities for the six months ended 30 June 2019.

Details of profit and loss items

The details of key profit and loss items for the six months ended 30 June 2019 and 2018 are as follows:

(i) Interest income and expense

	<u>For the six months ended</u>	
	<u>30.6.2019</u>	<u>30.6.2018</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>
Interest income was derived from:		
Swaps	1,183	3,410
Advances to customers	1,116,785	745,298
Loans and advances to banks and other financial institutions	537,482	556,146
	<u>1,655,450</u>	<u>1,304,854</u>
Interest expense was derived from:		
Swaps	836	4,328
Certificates of deposit	14,684	17,159
Deposits from customers	83,484	43,770
Deposits from banks and other financial institutions	1,581,058	1,155,831
Others	8,590	-
	<u>1,688,652</u>	<u>1,221,088</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>30.6.2019</u>	<u>30.6.2018</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>
Fees and commission income	195,141	240,699
Less: Fees and commission expenses	(27,959)	(7,116)
Net fees and commission income	167,182	233,583
Gains less losses arising from trading in foreign currencies	555,076	394,046
Gains less losses on securities measured at fair value through profit or loss	188,062	100,220
Gains less losses from other trading activities	125,687	270,988
Other income from intercompany management fee, sales credit and other activities	550,123	576,090
	<u>1,586,130</u>	<u>1,574,927</u>

(iii) Operating expenses

	<u>For the six months ended</u>	
	<u>30.6.2019</u>	<u>30.6.2018</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>
Salaries and other costs	627,013	640,082
Premises and equipment:		
Rental of office premises and staff quarters	60,599	52,507
Others	17,098	1,212
Depreciation charge	17,853	17,780
Auditor's remuneration	687	610
Share in Head Office Expenses	25,049	85,411
Other operating expenses	150,933	178,570
	<u>899,232</u>	<u>976,172</u>

SOCIETE GENERALE HONG KONG BRANCH

SECTION A - HONG KONG BRANCH INFORMATION - continued

BALANCE SHEET INFORMATION
AS AT 30 JUNE 2019

	<u>30.6.2019</u>	<u>31.12.2018</u>
	HK\$'000	HK\$'000
ASSETS		
Balances with banks	966,478	85,429
Placements with banks maturing between one and twelve months	-	985,092
Balances with the Monetary Authority	49,871	30,441
Amount due from overseas offices of the Bank	94,917,598	90,770,208
Trade bills	2,219,384	3,363,629
Securities measured at fair value through profit and loss	20,475,970	26,213,676
Loans and receivables	52,497,701	56,513,691
Property and equipment	72,952	74,758
Other investments	29,000	28,160
Total assets	<u>171,228,954</u>	<u>178,065,084</u>
EQUITY AND LIABILITIES		
Deposits and balances from banks	12,306,988	10,436,862
Deposits and balances from central banks and the Monetary Authority	17,844,893	24,498,673
Deposits from customers	12,532,097	8,904,690
Amount due to overseas offices of the Bank	109,383,616	109,806,517
Certificates of deposit issued	1,217,970	712,860
Other liabilities	17,675,795	22,986,098
Total liabilities	<u>170,961,359</u>	<u>177,345,700</u>
Reserves		
- Profit for the year	547,390	998,162
- Accumulated losses	(222,283)	(222,283)
- Revaluation reserve and other reserve	(57,512)	(56,495)
Total equity and liabilities	<u>171,228,954</u>	<u>178,065,084</u>

SOCIETE GENERALE HONG KONG BRANCH

SECTION A - HONG KONG BRANCH INFORMATION - continued

ADDITIONAL BALANCE SHEET INFORMATION

(i) Loans and receivables	<u>30.6.2019</u> HK\$'000	<u>31.12.2018</u> HK\$'000
Loans and advances to customers	50,292,229	55,373,227
Collective impairment allowances	(39,565)	(47,406)
Individual impairment allowances for impaired assets against advances and commitments to customers	<u>(112,633)</u>	<u>(92,080)</u>
	50,140,031	55,233,741
Accrued interest and other accounts	<u>2,357,670</u>	<u>1,279,950</u>
	<u>52,497,701</u>	<u>56,513,691</u>

- (ii) Collective impairment allowances of HK\$39,565,000 as at 30 June 2019 (31 December 2018: HK\$47,406,000) 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>30.6.2019</u> HK\$'000	<u>31.12.2018</u> HK\$'000
Impaired advances to customers	152,557	148,979
As percentage of total advances to customers	0.30%	0.27%
Individual impairment allowances	<u>(103,279)</u>	<u>(90,717)</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 in respect of such advances is HK\$Nil as at 30 June 2019 (31 December 2018: HK\$Nil).

- (b) Individual impairment allowances by geographical area:

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

	<u>30.6.2019</u> HK\$'000	<u>31.12.2018</u> HK\$'000
- Panama	45,194	45,325
- China	23,001	11,690
- Hong Kong	<u>35,084</u>	<u>33,702</u>
	<u>103,279</u>	<u>90,717</u>

SOCIETE GENERALE HONG KONG BRANCH

SECTION A - HONG KONG BRANCH INFORMATION - continued

ADDITIONAL BALANCE SHEET INFORMATION - continued

(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 2019 and 31 December 2018.

(v) Overdue and rescheduled loans and advances

(a) There were loans and advances to customers and banks which were overdue for more than one month as at 30 June 2019 and 31 December 2018.

	<u>30.6.2019</u>		<u>31.12.2018</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 customers which have been overdue for				
- more than 1 month but not more than 3 months	-	-	-	-
- more than 3 months but not more than 6 months	-	-	-	-
- more than 6 months but not more than one year	-	-	-	-
- more than one year	102,408	0.20	102,931	0.19

There were loans and advances to customers overdue for more than 1 year. Individual impairment has been provided for the loans and advances to customers which have been overdue for more than 1 year. The collateral held in respect of the overdue loans and advances to customers is HK\$Nil as at 30 June 2019 (31 December 2018: HK\$Nil).

	<u>30.6.2019</u> HK\$'000	<u>31.12.2018</u> HK\$'000
Covered portion of total overdue loans and advances	-	-
Uncovered portion of total overdue loans and advances	102,408	102,931

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

(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>30.6.2019</u> HK\$'000	<u>31.12.2018</u> HK\$'000
- Hong Kong	26,301	26,371
- China	30,913	31,235
- Panama	45,194	45,325
	<u>102,408</u>	<u>102,931</u>

(c) There were no loans and advances to banks which were overdue for more than one month as at 30 June 2019 and 31 December 2018.

(d) There were rescheduled loans and advances to customers of HK\$30,913,000 as at 30 June 2019 (31 December 2018: HK\$31,235,000).

(e) There were no rescheduled loans and advances to banks as at 30 June 2019 and 31 December 2018.

(vi) Other assets overdue

There were no other assets overdue for more than three months as at 30 June 2019 and 31 December 2018.

(vii) No repossessed assets were held as of 30 June 2019 and 31 December 2018.

(viii) Deposits from customers

	<u>30.6.2019</u> HK\$'000	<u>31.12.2018</u> HK\$'000
Demand deposits and current accounts	3,824,170	2,772,319
Saving deposits	956,332	914,867
Time, call and notice deposits	7,751,595	5,217,504
	<u>12,532,097</u>	<u>8,904,690</u>

SOCIETE GENERALE HONG KONG BRANCH

SECTION A - HONG KONG BRANCH INFORMATION - continued

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>30.6.2019</u>	<u>31.12.2018</u>
	HK\$'000	HK\$'000
Direct credit substitutes	1,727,919	2,124,006
Trade-related contingencies	5,670,626	4,909,136
Other commitments:		
- with an original maturity of under 1 year or are unconditionally cancellable	10,515,913	8,831,539
- with an original maturity of 1 year and over	3,756,969	3,385,834
Forward deposits placed	44,652,209	2,339,076
	<u>66,323,636</u>	<u>21,589,591</u>

SOCIETE GENERALE HONG KONG BRANCH

SECTION A - HONG KONG BRANCH INFORMATION - continued

SUPPLEMENTARY TO DERIVATIVE TRANSACTIONS

(i) Derivatives	<u>30.6.2019</u> HK\$'000	<u>31.12.2018</u> HK\$'000
Exchange rate contracts		
- Forwards	112,087,404	50,957,493
- Swaps	346,851	6,100,952
	<u>112,434,255</u>	<u>57,058,445</u>
Interest rate contracts		
- Swaps	1,884,622	3,651,570
- Forward forward deposits accepted	56,955,929	8,952,253
	<u>58,840,551</u>	<u>12,603,823</u>
Equity option contracts	86,359	51,151
	<u>237,684,801</u>	<u>91,303,010</u>

The contractual or notional amounts of the above instruments indicate the volume of transactions outstanding as of 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>30.6.2019</u> HK\$'000	<u>31.12.2018</u> HK\$'000
Exchange rate contracts		
- Forwards	4,477	24,592
- Swaps	(95)	4,305
	<u>4,382</u>	<u>28,897</u>
Interest rate contracts		
- Swaps	2,732	(2,067)
Equity option contracts	(21,629)	(13,336)
	<u>(14,515)</u>	<u>13,494</u>

The amount of fair value which has taken into account the effect of the valid bilateral netting agreement is HK\$11,221,735 assets (31 December 2018: HK\$2,579,438 assets) for Forwards.

SOCIETE GENERALE HONG KONG BRANCH

SECTION A - HONG KONG BRANCH INFORMATION - continued

SEGMENTAL INFORMATION

(i) Loans and advances to customers by industry sectors

	<u>30.6.2019</u>		<u>31.12.2018</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	4,824	-	158,971	-
- Property development	49,361	-	-	-
- Electricity and gas	-	-	-	-
- Recreational activities	-	-	-	-
- Information technology	-	-	-	-
- Wholesale and retail trade	-	-	972,931	-
- Transport and transport equipment	-	-	-	-
- Financial concerns	1,558,835	-	636,899	-
- Others	7,390	-	358,245	-
	<u>1,620,410</u>	-	<u>2,127,046</u>	-
Trade finance	1,254,623	40	2,709,126	1
Loans and advances for use outside Hong Kong	<u>47,417,196</u>	15	<u>50,537,055</u>	12
Loan and advances to customers	<u><u>50,292,229</u></u>	15	<u><u>55,373,227</u></u>	11

The above analysis of loans and advances to customers by industry sectors is based on categories and definitions used by the Hong Kong 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>30.6.2019</u> HK\$'000	<u>31.12.2018</u> HK\$'000
- Australia	16,006,294	16,668,285
- India	6,788,913	6,517,874
- Others	<u>27,497,022</u>	<u>32,187,068</u>
	<u><u>50,292,229</u></u>	<u><u>55,373,227</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 2019 and 31 December 2018 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 2019			
Central government, central government owned entities and their subsidiaries and joint ventures	6,016	3,235	9,251
Local governments, local government- owned entities and their subsidiaries and joint ventures	390	1,142	1,532
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and joint ventures	8,510	3,498	12,008
Other entities of central governments	890	773	1,663
Other entities of local governments	-	-	-
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 China exposures	-	-	-
Total	<u>15,806</u>	<u>8,648</u>	<u>24,454</u>
Total assets after provision	171,229		
On balance sheet exposures as percentage of total assets	9%		

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 2018			
Central government, central government owned entities and their subsidiaries and joint ventures	9,672	4,844	14,516
Local governments, local government- owned entities and their subsidiaries and joint ventures	778	138	916
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and joint ventures	9,809	3,518	13,327
Other entities of central governments	1,231	608	1,839
Other entities of local governments	135	-	135
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 China exposures	-	-	-
Total	<u>21,625</u>	<u>9,108</u>	<u>30,733</u>
Total assets after provision	178,065		
On balance sheet exposures as percentage of total assets	12%		

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 HKMA 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>					
	<u>Banks</u>	<u>Official sector</u>	<u>Non-bank financial institutions</u>	<u>Non-financial private sector</u>	<u>Others</u>	<u>Total</u>	
As at 30 June 2019							
1.	Developed countries	97,573	-	4,881	17,626	-	120,080
	of which Australia	385	-	4,094	11,212	-	15,691
	of which France	96,822	-	-	28	-	96,850
2.	Developing Asia and Pacific	2,070	2	816	15,534	-	18,422
As at 31 December 2018							
1.	Developed countries	92,253	-	4,545	20,084	-	116,882
	of which Australia	73	-	4,215	11,992	-	16,280
	of which France	92,006	-	-	29	-	92,035
2.	Developing Asia and Pacific	3,312	2	19	14,186	-	17,519

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 option 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 2019

	AUD	EUR	USD	Total
Spot assets	10,590	28,514	85,237	124,341
Spot liabilities	(13,816)	(28,313)	(92,982)	(135,111)
Forward purchases	11,346	6,195	57,256	74,797
Forward sales	(8,092)	(6,442)	(49,410)	(63,944)
Net long/(short) position	<u>28</u>	<u>(46)</u>	<u>101</u>	<u>83</u>

As at 31 December 2018

	AUD	EUR	USD	Total
Spot assets	10,708	26,494	96,188	133,390
Spot liabilities	(12,066)	(26,815)	(93,342)	(132,223)
Forward purchases	2,999	8,095	25,861	36,955
Forward sales	(1,615)	(7,737)	(28,665)	(38,017)
Net long position	<u>26</u>	<u>37</u>	<u>42</u>	<u>105</u>

LIQUIDITY

	<u>2019</u> Unaudited	<u>2018</u> Unaudited
Average liquidity maintenance ratio - Second quarter	<u>49.37%</u>	<u>63.89%</u>
Average core funding ratio - Second quarter	<u>158.37%</u>	<u>176.84%</u>

The average liquidity maintenance ratio is calculated as the arithmetic mean of each calendar month's average value as reported in the Return of Liquidity Position submitted by the Branch to the Hong Kong Monetary Authority pursuant to section 63 of the Banking Ordinance.

The average core funding ratio is calculated as the arithmetic mean of each calendar month's average value as reported in the Return of Stable Funding Position submitted by the Branch to the Hong Kong Monetary Authority pursuant to section 63 of the Banking Ordinance.

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 2019 and 31 December 2018.

PRUDENTIAL CAPITAL RATIO

	<u>30.6.2019</u>	<u>31.12.2018</u>
	%	%
Core Tier 1 ratio	12.07	10.9
Tier 1 ratio	14.81	13.4
Total capital ratio	<u>17.97</u>	<u>16.5</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>30.6.2019</u>		<u>31.12.2018</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>62</u>	<u>555</u>	<u>61</u>	<u>547</u>

OTHER FINANCIAL INFORMATION

	<u>30.6.2019</u>		<u>31.12.2018</u>	
	<u>EUR' billion</u>	<u>HK\$' billion equivalent</u>	<u>EUR' billion</u>	<u>HK\$' billion equivalent</u>
Total assets	1,389	12,342	1,309	11,723
Total liabilities	1,321	11,745	1,244	11,140
Total advances to customers	438	3,895	447	4,003
Total customer deposits	<u>413</u>	<u>3,670</u>	<u>417</u>	<u>3,734</u>

	<u>30.6.2019</u>		<u>31.12.2018</u>	
	<u>EUR' billion</u>	<u>HK\$' billion equivalent</u>	<u>EUR' billion</u>	<u>HK\$' billion equivalent</u>
Pre-tax profit	<u>2.72</u>	<u>24</u>	<u>6.12</u>	<u>55</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 2019 complies with the Banking (Disclosure) Rules and the additional guidance that aims to assist Authorised 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.



Queenie Cheong Kwan Yee
CHIEF EXECUTIVE



Joanne Lam Ho Yin
CHIEF ACCOUNTANT

27 September 2019
