

SOCIETE GENERALE HONG KONG BRANCH

Financial Information Disclosure Statements
For the six months ended 30 June 2020

SOCIETE GENERALE HONG KONG BRANCH

FINANCIAL INFORMATION DISCLOSURE STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2020

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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 2020

	<u>For the six months ended</u>	
	<u>30.6.2020</u>	<u>30.6.2019</u>
	HK\$'000	HK\$'000
	Unaudited	Unaudited
Interest income	1,049,637	1,655,450
Interest expense	(990,768)	(1,688,652)
Net interest income/(expense)	58,869	(33,202)
Other operating income	1,260,889	1,586,130
Operating expenses	1,319,758	1,552,928
	(909,185)	(899,232)
Operating income before impairment allowance and loss from disposal of property and equipment	410,573	653,696
Provision of impairment allowances on loans and receivables	(186,691)	(13,139)
Net loss from disposal of property and equipment	(1,558)	(12)
Profit before taxation	222,324	640,545
Income tax charge	(12,870)	(93,155)
Net profit	209,454	547,390

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 2020, 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 2020.

Details of profit and loss items

The details of key profit and loss items for the six months ended 30 June 2020 and 2019 are as follows:

(i) Interest income and expense

	<u>For the six months ended</u>	
	<u>30.6.2020</u>	<u>30.6.2019</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>
Interest income was derived from:		
Swaps	1,197	1,183
Advances to customers	732,426	1,116,785
Loans and advances to banks and other financial institutions	315,124	537,482
Financial instruments	890	-
	<u>1,049,637</u>	<u>1,655,450</u>
Interest expense was derived from:		
Swaps	870	836
Certificates of deposit	4,939	14,684
Deposits from customers	28,678	83,484
Deposits from banks and other financial institutions	954,851	1,581,058
Others	1,430	8,590
	<u>990,768</u>	<u>1,688,652</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>30.6.2020</u>	<u>30.6.2019</u>
	HK\$'000	HK\$'000
Fees and commission income	187,415	195,141
Less: Fees and commission expenses	(31,166)	(27,959)
Net fees and commission income	156,249	167,182
Gains less losses arising from trading in foreign currencies	407,880	555,076
Gains less losses on securities and loans and borrowings measured at fair value through profit or loss	218,931	188,062
Gains less losses from other trading activities	(160,666)	125,687
Other income from intercompany management fee, sales credit and other activities	638,495	550,123
	<u>1,260,889</u>	<u>1,586,130</u>

(iii) Operating expenses

	<u>For the six months ended</u>	
	<u>30.6.2020</u>	<u>30.6.2019</u>
	HK\$'000	HK\$'000
Salaries and other costs	592,331	627,013
Premises and equipment:		
Rental of office premises and staff quarters	66,976	60,599
Others	15,034	17,098
Depreciation charge	21,651	17,853
Auditors' remuneration	980	687
Share in Head Office Expenses	50,858	25,049
Other operating expenses	161,355	150,933
	<u>909,185</u>	<u>899,232</u>

SOCIETE GENERALE HONG KONG BRANCH

SECTION A - HONG KONG BRANCH INFORMATION - continued

BALANCE SHEET INFORMATION
AS AT 30 JUNE 2020

	<u>30.6.2020</u>	<u>31.12.2019</u>
	HK\$'000	HK\$'000
ASSETS		
Balances with banks	31,101	41,228
Placements with banks maturing between one and twelve months	-	-
Balances with the Monetary Authority	38,222	58,125
Amount due from overseas offices of the Bank	63,518,001	94,561,153
Trade bills	3,436,962	4,729,540
Securities measured at fair value through profit and loss	5,367,347	5,226,797
Loans and receivables	50,206,932	46,958,025
Property and equipment	66,196	68,685
Other investments	29,097	28,116
Total assets	<u>122,693,858</u>	<u>151,671,669</u>
EQUITY AND LIABILITIES		
Deposits and balances from banks	9,629,585	12,434,285
Deposits and balances from central banks and the Monetary Authority	29,777,406	14,758,660
Deposits from customers	6,276,392	9,943,404
Amount due to overseas offices of the Bank	72,470,257	109,100,572
Certificates of deposit issued	50,000	273,540
Other liabilities	4,561,817	4,724,374
Total liabilities	<u>122,765,457</u>	<u>151,234,835</u>
Reserves	(71,599)	436,834
Total equity and liabilities	<u>122,693,858</u>	<u>151,671,669</u>

SOCIETE GENERALE HONG KONG BRANCH

SECTION A - HONG KONG BRANCH INFORMATION - continued

ADDITIONAL BALANCE SHEET INFORMATION

(i) Loans and receivables	<u>30.6.2020</u>	<u>31.12.2019</u>
	HK\$'000	HK\$'000
Loans and advances to customers	47,849,128	45,127,416
Collective impairment allowances	(111,590)	(44,897)
Individual impairment allowances for impaired assets against advances and commitments to customers	<u>(250,650)</u>	<u>(131,440)</u>
	47,486,888	44,951,079
Accrued interest and other accounts	<u>2,720,044</u>	<u>2,006,946</u>
	<u>50,206,932</u>	<u>46,958,025</u>

- (ii) Collective impairment allowances of HK\$111,590,000 as at 30 June 2020 (31 December 2019: HK\$44,897,000) 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 honour 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>30.6.2020</u>	<u>31.12.2019</u>
	HK\$'000	HK\$'000
Impaired advances to customers	1,082,608	805,080
As percentage of total advances to customers	2.26%	1.78%
Individual impairment allowances	<u>(243,625)</u>	<u>(124,824)</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 2020 (31 December 2019: 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>30.6.2020</u>	<u>31.12.2019</u>
	HK\$'000	HK\$'000
- Panama	41,272	45,077
- China	22,549	22,710
- Hong Kong	145,516	57,037
- Australia	<u>34,288</u>	<u>-</u>
	<u>243,625</u>	<u>124,824</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 2020 and 31 December 2019.

(v) Overdue and rescheduled loans and advances

(a) There were loans and advances to customers and banks which were overdue for more than three months as at 30 June 2020 and 31 December 2019 and are disclosed as follows:

	<u>30.6.2020</u>		<u>31.12.2019</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 3 months but not more than 6 months	281,198	0.59	-	-
- more than 6 months but not more than one year	-	-	-	-
- more than one year	98,137	0.20	101,898	0.23

Individual impairment has been provided for the loans and advances to customers which have been overdue for more than 3 months. The collateral held in respect of the overdue loans and advances to customers is HK\$ Nil as at 30 June 2020 (31 December 2019: HK\$ Nil).

	<u>30.6.2020</u> HK\$'000	<u>31.12.2019</u> HK\$'000
Covered portion of total overdue loans and advances	-	-
Uncovered portion of total overdue loans and advances	379,335	101,898

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>30.6.2020</u> HK\$'000	<u>31.12.2019</u> HK\$'000
- Hong Kong	307,277	26,228
- China	30,294	30,593
- Panama	41,764	45,077
	<u>379,335</u>	<u>101,898</u>

(c) There were no loans and advances to banks which were overdue for more than one month as at 30 June 2020 and 31 December 2019.

(d) There were rescheduled loans and advances to customers of HK\$30,294,000 as at 30 June 2020 (31 December 2019: HK\$30,593,000).

(e) There were no rescheduled loans and advances to banks as at 30 June 2020 and 31 December 2019.

(vi) Other assets overdue

There were no other assets overdue for more than three months as at 30 June 2020 and 31 December 2019.

(vii) No repossessed assets were held as of 30 June 2020 and 31 December 2019.

(viii) Deposits from customers

	<u>30.6.2020</u> HK\$'000	<u>31.12.2019</u> HK\$'000
Demand deposits and current accounts	2,735,030	3,327,789
Saving deposits	841,485	1,036,079
Time, call and notice deposits	2,699,877	5,579,536
	<u>6,276,392</u>	<u>9,943,404</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>30.6.2020</u>	<u>31.12.2019</u>
	HK\$'000	HK\$'000
Direct credit substitutes	4,328,886	5,064,880
Trade-related contingencies	3,633,456	7,299,641
Other commitments	9,184,868	12,728,787
Forward forward deposits placed	641,754	3,268,614
	<u>17,788,964</u>	<u>28,361,922</u>

SOCIETE GENERALE HONG KONG BRANCH

SECTION A - HONG KONG BRANCH INFORMATION - continued

SUPPLEMENTARY TO DERIVATIVE TRANSACTIONS

(i) Derivatives	<u>30.6.2020</u> HK\$'000	<u>31.12.2019</u> HK\$'000
Exchange rate contracts	101,554,269	73,448,141
Interest rate contracts		
- Swaps	9,825,135	50,000
- Forward forward deposits accepted	22,853,066	21,516,889
	<u>32,678,201</u>	<u>21,566,889</u>
Equity option contracts	86,268	50,611
	<u>152,107,702</u>	<u>123,427,563</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>30.6.2020</u> HK\$'000	<u>31.12.2019</u> HK\$'000
Exchange rate contracts	962	11,482
Interest rate contracts		
- Swaps	1,307	1,946
Equity option contracts	<u>(36,374)</u>	<u>(7,879)</u>
	<u>(34,105)</u>	<u>5,549</u>

The amount of fair value which has taken into account the effect of the valid bilateral netting agreement is HK\$15,170,034 assets (31 December 2019: HK\$45,815,071 liabilities) 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>30.6.2020</u>		<u>31.12.2019</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	372,682	-	389,330	-
- Electricity and gas	-	-	-	-
- Recreational activities	-	-	-	-
- Information technology	-	-	-	-
- Wholesale and retail trade	297,887	-	62	-
- Transport and transport equipment	121,729	-	120,565	-
- Financial concerns	395,144	-	787,058	-
- Others	418,511	-	-	-
	<u>1,605,953</u>	-	<u>1,297,015</u>	-
Trade finance	5,591,373	19	2,165,585	36
Loans and advances for use outside Hong Kong	<u>40,651,802</u>	19	<u>41,664,816</u>	19
Loan and advances to customers	<u><u>47,849,128</u></u>	18	<u><u>45,127,416</u></u>	19

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>30.6.2020</u> HK\$'000	<u>31.12.2019</u> HK\$'000
- Australia	10,479,555	11,745,093
- Hong Kong	8,518,036	4,915,779
- India	3,361,097	4,665,339
- Other	25,490,440	23,801,205
	<u><u>47,849,128</u></u>	<u><u>45,127,416</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 2020 and 31 December 2019 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 2020			
Central government, central government owned entities and their subsidiaries and joint ventures	8,762	3,892	12,654
Local governments, local government- owned entities and their subsidiaries and joint ventures	1,588	2,060	3,648
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and joint ventures	9,153	468	9,621
Other entities of central governments	121	345	466
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>19,624</u>	<u>6,765</u>	<u>26,389</u>
Total assets after provision	122,694		
On balance sheet exposures as percentage of total assets	16%		

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 2019			
Central government, central government owned entities and their subsidiaries and joint ventures	4,970	5,943	10,913
Local governments, local government- owned entities and their subsidiaries and joint ventures	1,012	1,953	2,965
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and joint ventures	8,053	2,559	10,612
Other entities of central governments	27	799	826
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>14,062</u>	<u>11,254</u>	<u>25,316</u>
Total assets after provision	151,672		
On balance sheet exposures as percentage of total assets	9%		

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 2020						
1. Developed countries	66,038	-	2,694	16,382	-	85,114
of which France	65,677	-	-	28	-	65,705
2. Developing Asia and Pacific	2,300	1	41	10,990	-	13,332
3. Offshore centres	2	-	3,566	13,819	-	17,387
As at 31 December 2019						
1. Developed countries	96,133	-	3,023	15,585	-	114,741
of which France	95,923	-	-	28	-	95,951
2. Developing Asia and Pacific	4,078	2	24	13,223	-	17,327

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 2020

	AUD	EUR	USD	Total
Spot assets	10,554	21,899	81,403	113,856
Spot liabilities	(14,304)	(13,295)	(82,122)	(109,721)
Forward purchases	5,068	10,118	43,849	59,035
Forward sales	(1,309)	(18,710)	(43,215)	(63,234)
Net long/(short) position	<u>9</u>	<u>12</u>	<u>(85)</u>	<u>(64)</u>

As at 31 December 2019

	AUD	EUR	USD	Total
Spot assets	11,611	44,038	80,032	135,681
Spot liabilities	(13,524)	(36,942)	(78,862)	(129,328)
Forward purchases	2,279	5,071	29,374	36,724
Forward sales	(355)	(12,234)	(30,558)	(43,147)
Net long/(short) position	<u>11</u>	<u>(67)</u>	<u>(14)</u>	<u>(70)</u>

LIQUIDITY

	<u>2020</u> Unaudited	<u>2019</u> Unaudited
Average liquidity maintenance ratio - Second quarter	<u>65.53%</u>	<u>49.37%</u>
Average core funding ratio - Second quarter	<u>134.43%</u>	<u>158.37%</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 2020 and 31 December 2019.

PRUDENTIAL CAPITAL RATIO

	<u>30.6.2020</u>	<u>31.12.2019</u>
	%	%
Core Tier 1 ratio	12.3	12.7
Tier 1 ratio	14.6	15.0
Total capital ratio	<u>17.7</u>	<u>18.3</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>30.6.2020</u>		<u>31.12.2019</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>536</u>	<u>63</u>	<u>550</u>

OTHER FINANCIAL INFORMATION

	<u>30.6.2020</u>		<u>31.12.2019</u>	
	<u>EUR' billion</u>	<u>HK\$' billion equivalent</u>	<u>EUR' billion</u>	<u>HK\$' billion equivalent</u>
Total assets	1,453	12,641	1,356	11,833
Total liabilities	1,388	12,076	1,288	11,240
Total advances to customers	458	3,985	450	3,927
Total customer deposits	<u>444</u>	<u>3,863</u>	<u>419</u>	<u>3,656</u>

	<u>30.6.2020</u>		<u>31.12.2019</u>	
	<u>EUR' billion</u>	<u>HK\$' billion equivalent</u>	<u>EUR' billion</u>	<u>HK\$' billion equivalent</u>
Pre-tax profit/(loss)	<u>(0.77)</u>	<u>(7)</u>	<u>5.20</u>	<u>45</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 2020 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

30 September 2020