

Societe Generale Asia Limited

Pillar 3 Disclosure Requirement

Position as at 31 December 2017

The capital adequacy ratios of the Company were calculated in accordance with Banking (Capital) Rules of the Banking Ordinance. The Company uses the following approaches to calculate its capital charge for:

- (a) credit risk: STC approach; and
- (b) operational risk: STO approach.

There was no risk-weighted amount ("RWA") for market risk for the Company because the Company was exempted by the HKMA from the calculation of market risk.

The following tables show the standard disclosure templates specified by the HKMA in relation to the Pillar 3 disclosure required under the Banking (Disclosure) Rules. Other Pillar 3 tables or templates not disclosed below are either not applicable to the Company or having no reportable amount for the year.

OVA: Overview of risk management

The Company has established policies and procedures for the control and monitoring of credit, liquidity, capital and market risks, which are reviewed regularly by management, Risk Management Team, Credit and Loans Department and Project Finance Division. The internal auditors also perform regular audits to ensure compliance with the policies and procedures.

Details of the overall risk management are set out in note 16 to the audited financial statements and section B to the unaudited supplementary financial information.

Overview of Risk - Weighted Assets ("RWA")

		RWA		Minimum capital requirements
		T	T-1	T
		HK\$'000	HK\$'000	HK\$'000
1	Credit risk for non-securitization exposures			
2	Of which STC approach	98,998	107,794	9,405
2a	Of which BSC approach			
3	Of which IRB approach			
4	Counterparty credit risk			
5	Of which SA-CCR			
5a	Of which CEM			
6	Of which IMM(CCR) approach			
7	Equity exposures in banking book under the market-based approach			
8	CIS exposures – LTA			
9	CIS exposures – MBA			
10	CIS exposures – FBA			
11	Settlement risk			
12	Securitization exposures in banking book			
13	Of which IRB(S) approach – ratings-based method			
14	Of which IRB(S) approach – supervisory formula method			
15	Of which STC(S) approach			
16	Market risk			
17	Of which STM approach			
18	Of which IMM approach			
19	Operational risk			
20	Of which BIA approach			
21	Of which STO approach	199,013	216,325	18,906
21a	Of which ASA approach			
22	Of which AMA approach	N/A	N/A	N/A
23	Amounts below the thresholds for deduction (subject to 250% RW)			
24	Capital floor adjustment			
24a	Deduction to RWA			
24b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital			
24c	Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital			
25	Total	298,011	324,119	28,311

N/A: Not applicable in the case of Hong Kong

The disclosure on minimum capital requirement is made by multiplying the Company's RWA derived from the relevant calculation approach by 9.5%, not the Company's actual "regulatory capital".

CR1: Credit quality of exposures

		Gross carrying amounts of		Allowances / impairments	Net values
		Defaulted exposures	Non-defaulted exposures		
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
1	Loans		231,987		231,987
2	Debt securities				
3	Off-balance sheet exposures				
4	Total		231,987		231,987

Loans included loans and advances to customers and related accrued interest receivables.

There is no defaulted loans, debt securities and off –balance sheet exposures as at 31 December 2017.

CR3: Overview of recognized credit risk mitigation

		(a)	(b1)	(b)	(d)	(f)
		Exposures unsecured: carrying amount	Exposures to be secured	Exposures secured by recognized collateral	Exposures secured by recognized guarantees	Exposures secured by recognized credit derivative contracts
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1	Loans	231,987				
2	Debt securities					
3	Total	231,987				
4	Of which defaulted					

Loans included loans and advances to customers and related accrued interest receivables.

CRD: Qualitative disclosure on use of ECAI ratings under STC approach

The Company uses the Standardised Approach ("STC approach") to calculate its credit risk. Standard & Poor's Rating Services, Moody's Investors Service and Fitch Ratings are the external credit assessment institutions (the "ECAIs") that the Company used to determine the risk weight of the exposure classes, including sovereign, bank, securities firm, corporate and other exposures which are not past due exposures. The Company follows the process as prescribed in note 16 in the audited financial statements to map ECAI issuer ratings to exposures booked in its banking book.

CR4: Credit risk exposures and effects of recognized credit risk mitigation - for STC approach or BSC approach
Version for AIs using STC approach ("STC version")

		Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
	Exposure classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1	Sovereign exposures						
2	PSE exposures						
2a	Of which: domestic PSEs						
2b	Of which: foreign PSEs						
3	Multilateral development bank exposures						
4	Bank exposures	236,259		236,259		93,615	
5	Securities firm exposures						
6	Corporate exposures						
7	CIS exposures						
8	Cash items						
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis						
10	Regulatory retail exposures						
11	Residential mortgage loans						
12	Other exposures which are not past due exposures	5,383		5,383		5,383	
13	Past due exposures						
14	Significant exposures to commercial entities						
15	Total	241,642		241,642		98,998	

CR5: Credit risk exposures by asset classes and by risk weights - for STC approach or BSC approach

Version for AIs using STC approach ("STC version")

Exposure class \ Risk Weight		0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total credit risk exposures amount (post CCF and post CRM)
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1	Sovereign exposures											
2	PSE exposures											
2a	Of which: domestic PSEs											
2b	Of which: foreign PSEs											
3	Multilateral development bank exposures											
4	Bank exposures			16,343		77,272						93,615
5	Securities firm exposures											
6	Corporate exposures											
7	CIS exposures											
8	Cash items											
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis											
10	Regulatory retail exposures											
11	Residential mortgage loans											
12	Other exposures which are not past due exposures							5,383				5,383
13	Past due exposures											
14	Significant exposures to commercial entities											
15	Total			16,343		77,272		5,383				98,998

CCRA: Qualitative disclosures related to counterparty risk (including those arising from clearing through CCPs)

Counterparty credit risk refers to the risk of loss associated with the failure by one or more sales and trading counterparties to perform against its contractual obligations. The Company's counterparty credit risk is only with SG group for certain money market transactions in relation to treasury activities. Counterparty credit exposure is managed by cash collateral with daily margining between the Company and SG Group and the collateral requirement is not linked to credit rating. Operating limits in relation to exposures arising from the money market transactions with SG Group are set as a percentage of the Company's capital based on historical usage of such activities. Given the nature of such transactions, there is no general wrong-way-risk and specific wrong-way risk.

Details of the interbank transactions are set out in note 13 to the audited financial statements.

CCR3: Counterparty default risk exposures (other than those to CCPs) by asset classes and by risk weights - for STC approach or BSC approach

Version for AIs using the STC approach ("STC version")

Exposure class \ Risk Weight		0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total default risk exposure after CRM
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1	Sovereign exposures											
2	PSE exposures											
2a	Of which: domestic PSEs											
2b	Of which: foreign PSEs											
3	Multilateral development bank exposures											
4	Bank exposures			16,343		77,272						93,615
5	Securities firm exposures											
6	Corporate exposures											
7	CIS exposures											
8	Regulatory retail exposures											
9	Residential mortgage loans											
10	Other exposures which are not past due exposures											
11	Significant exposures to commercial entities											
12	Total			16,343		77,272						93,615