

NATIXIS
HONG KONG BRANCH

KEY FINANCIAL INFORMATION
DISCLOSURE STATEMENTS
AS AT 30 JUN 2019

**NATIXIS
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Section A - Branch Information

I. Profit and Loss

Figures in HKD thousand	2019-06-30	2018-06-30
Net interest income		
Interest income	1,365,005	856,697
Interest expense	(1,259,582)	(700,148)
	105,423	156,549
Other operating income		
Net gains/(losses) on fair value change of financial instruments designated at fair value through profit or loss	-	-
Gains less losses arising from trading in foreign currencies	160,810	59,088
Gains less losses on securities held for trading purposes	(125)	-
Gains less losses from other trading activities	(10,228)	935
Net fees and commission income	89,985	96,918
Others	804,776	770,983
	1,045,218	927,924
Operating expenses		
Staff expenses	(359,212)	(431,813)
Rental expenses	(35,496)	(33,862)
Other expenses	(287,779)	(277,026)
Other net charge on provisions	-	-
	(682,487)	(742,701)
Operating profit/(loss) before provisions	468,154	341,772
Reversal of / impairment losses and provisions for impaired loans, receivables and others	(5,979)	11,391
Operating profit/(loss)	462,175	353,163
Gains less losses from the disposal of property, plant and equipment and investment properties	-	-
Profit before taxation	462,175	353,163
Tax expenses	(61,883)	(62,044)
Profit after taxation	400,292	291,119

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II. Balance Sheet

Figures in HKD thousand	2019-06-30	2018-12-31
Assets		
Cash and balances with banks	689,657	106,755
Cash and Balances with central bank	9,147	10,077
Placements with banks which have a residual contractual maturity of more than one month but not more than 12 months	2,376,869	2,911,722
Amount due from overseas offices	55,897,591	30,731,236
Trade bills	4,402,022	1,999,417
Certificates of deposit held	2,701,309	2,882,383
Securities held for trading purposes	-	-
Loans and receivables		
Loans and advances to customers	28,353,961	40,898,329
Loans and advances to banks	-	-
Other accounts	1,719,704	910,416
Provisions for impaired loans, receivables and others	(19,513)	(13,631)
	30,054,152	41,795,114
Investment securities	10,719,967	8,708,721
Other investments	98,533	-
Property, plant and equipment and investment properties	51,535	57,500
TOTAL ASSETS	107,000,782	89,202,925
Liabilities		
Deposits and balances from banks	6,009,600	5,653,206
Deposits from customers		
Demand deposits and current accounts	5,443,323	4,391,534
Savings deposits	-	-
Time, call and notice deposits	1,527,664	2,067,560
	6,970,987	6,459,094
Amount due to overseas offices	84,738,569	73,085,202
Certificates of deposit issued	7,026,525	1,566,230
Issued debt securities	-	-
Other liabilities	2,255,101	2,439,193
TOTAL LIABILITIES	107,000,782	89,202,925

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III. Additional Profit and Loss Information

Figures in HKD thousand	2019-06-30	2018-06-30
Fees and commission income	129,280	158,614
Fees and commission expenses	(39,295)	(61,696)
Net fees and commission income	<u>89,985</u>	<u>96,918</u>

IV. Additional Balance Sheet Information

Figures in HKD thousand	2019-06-30	2018-12-31
1) Provision for impaired loans, receivables and others		
- Collective provisions	19,513	13,631
- Specific provisions for loans and advances to customers	-	-
	<u>19,513</u>	<u>13,631</u>

Specific and Collective provisions were made at the branch level.

	2019-06-30	2018-12-31
2) Impaired loans and advances to customers		
- amount of impaired loans and advances to customers which are individually determined to be impaired	-	-
- amount of specific provisions made for such loans and advances	-	-
- value of collateral which has been taken into account in respect of such loans and advances to which the specific provisions relate	-	-
- percentage of such loans and advances to total amount of loans and advances to customers	0.00%	0.00%

Specific provision were made after taking into account the value of collateral in respect of such loans and advances.

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IV. Additional Balance Sheet Information (Continued)

Figures in HKD thousand	2019-06-30	2018-12-31
3) Overdue loans and advances to customers		
Gross amount of loans and advances to customers which have been overdue for :		
more than 3 months but not more than 6 months	-	-
more than 6 months but not more than one year	-	-
more than one year	-	-
	<u>-</u>	<u>-</u>
Percentage of total amount of loans and advances to customers which have been overdue for :		
more than 3 months but not more than 6 months	0.00%	0.00%
more than 6 months but not more than one year	0.00%	0.00%
more than one year	0.00%	0.00%
	<u>0.00%</u>	<u>0.00%</u>
Amount of specific provisions made on such overdue loans and advances for :		
more than 3 months but not more than 6 months	-	-
more than 6 months but not more than one year	-	-
more than one year	-	-
	<u>-</u>	<u>-</u>
Market value of collateral held against the covered portion of overdue loans and advances		
Covered portion of overdue loans and advances	-	-
Uncovered portion of overdue loans and advances	-	-
	<u>-</u>	<u>-</u>
4) Rescheduled loans and advances to customers, excluding those which have been overdue for more than 3 months		
	<u>-</u>	<u>-</u>
Percentage of such loans and advances to total amount of loans and advances to customers	<u>0.00%</u>	<u>0.00%</u>
<i>The branch did not have any impaired, overdue or rescheduled loans and advances to banks at both reporting dates.</i>		
5) Overdue other assets (including trade bills and debt securities) which have been overdue for		
more than 3 months but not more than 6 months	-	-
more than 6 months but not more than one year	-	-
more than one year	-	-
	<u>-</u>	<u>-</u>
6) Amount of repossessed assets held		
	<u>-</u>	<u>-</u>

The repossessed assets are booked under the lowest cost or net realizable value.

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V. Off-Balance Sheet Exposures

Figures in HKD thousand	2019-06-30	2018-12-31
Contingent liabilities and commitments		
Direct credit substitutes	21,786	36,682
Transaction-related contingencies	57,218	-
Trade-related contingencies	3,841,430	2,223,160
Note issuance and revolving underwriting facilities	-	-
Other commitments	20,511,166	36,347,888
Forward forward deposits placed	<u>3,102,368</u>	<u>270,000</u>
	<u>27,533,968</u>	<u>38,877,730</u>
Derivative transactions		
Notional amounts of derivatives transactions		
Exchange rate-related derivative contracts	58,330,483	29,003,907
Interest rate derivative contracts	14,942,541	9,629,654
Others	-	-
	<u>73,273,024</u>	<u>38,633,561</u>
Fair value of derivative transactions		
Exchange rate-related derivative contracts	(32,743)	(1,971)
Interest rate derivative contracts	(401,458)	(76,976)
Others	-	-
	<u>(434,201)</u>	<u>(78,947)</u>

Fair value has not taken into account the effect of valid bilateral netting agreements.

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VI. Segmental Information

	2019-06-30		2018-12-31	
	HKD'000	% of loans and advances covered by collateral	HKD'000	% of loans and advances covered by collateral
1) By industry sector				
Gross loans and advances to customers by industry sector				
Loans and advances for use in Hong Kong				
Industrial, commercial and financial:				
- Property development	-		-	
- Property investment	-		-	
- Financial concerns	2,186,030	0.0%	2,016,521	0.0%
- Stockbrokers	-		-	
- Wholesale and retail trade	-		97,530	
- Manufacturing	1,067,048	0.0%	1,970,513	0.0%
- Transport and transport equipment	163,241	0.0%	165,423	0.0%
- Recreational activities	-		-	
- Information technology	593,271	0.0%	512,157	0.0%
- Electricity and gas	511,769	100.0%	541,137	100.0%
- Others	1,297,749	0.0%	4,271,206	0.0%
Individuals:				
- loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme or their respective successor schemes;	-		-	
- loans for the purchase of other residential properties	-		-	
- credit card advances	-		-	
- others	-		-	
Trade finance	1,947,323	0.0%	1,070,603	0.0%
Loans and advances for use outside Hong Kong	20,587,530	6.8%	30,253,239	4.9%
	<u>28,353,961</u>	6.7%	<u>40,898,329</u>	4.9%
	2019-06-30		2018-12-31	
2) By geographical areas	HKD'000		HKD'000	
(a) Gross amount of loans and advances to customers by countries or geographical areas				
- Hong Kong	11,804,632		11,188,144	
- Australia	6,461,947		4,839,872	
- Others	10,087,382		24,870,313	
	<u>28,353,961</u>		<u>40,898,329</u>	
(b) Overdue loans and advances to customers by countries or geographical areas	<u>-</u>		<u>-</u>	
(c) Impaired loans and advances to customers which are individually determined to be impaired, by countries or geographical areas				
- Hong Kong	<u>-</u>		<u>-</u>	

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VI. Segmental Information (Continued)

3) International Claims

Breakdown of the international claims by countries that constitutes 10% or more of the total international claim, according to the location of the counterparties and the type of counterparties after taking into account of transfer of risk.

	<u>Non-bank private sector</u>				<u>Total</u>
	<u>Banks</u>	<u>Official sector</u>	<u>Non-bank financial institutions</u>	<u>Non-financial private sector</u>	
<u>As of 2019-06-30</u>	HKD Million	HKD Million	HKD Million	HKD Million	HKD Million
Developed countries					
of which France	56,918	935	1	263	58,117
of which Japan	286	82	-	67	435
Developing Asia-Pacific					
of which China	8,748	87	-	7,650	16,485
Total	65,952	1,104	1	7,980	75,037

	<u>Non-bank private sector</u>				<u>Total</u>
	<u>Banks</u>	<u>Official sector</u>	<u>Non-bank financial institutions</u>	<u>Non-financial private sector</u>	
<u>As of 2018-12-31</u>	HKD Million	HKD Million	HKD Million	HKD Million	HKD Million
Developed countries					
of which France	33,949	697	1	270	34,917
of which Japan	251	-	10,421	-	10,672
Developing Asia-Pacific					
of which China	6,786	79	-	10,906	17,771
Total	40,986	776	10,422	11,176	63,360

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VII. Non-bank Mainland Exposures

Figures in HKD million

as of 2019-06-30

Types of counterparties	On-balance Sheet Exposure	Off-balance Sheet Exposure	Total
1 Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	10,279	4,620	14,899
2 Local governments, local government-owned entities and their subsidiaries and JVs	1,512	202	1,714
3 PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	4,878	1,646	6,524
4 Other entities of central government not reported in item 1 above	-	59	59
5 Other entities of local governments not reported in item 2 above	-	-	-
6 PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	391	127	518
7 Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	356	35	391
Total	17,416	6,689	24,105
Total assets after provision	107,001		
On-balance sheet exposures as percentage of total	16.28%		

as of 2018-12-31

Types of counterparties	On-balance Sheet Exposure	Off-balance Sheet Exposure	Total
1 Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	10,968	3,357	14,325
2 Local governments, local government-owned entities and their subsidiaries and JVs	1,358	335	1,693
3 PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	5,246	1,867	7,113
4 Other entities of central government not reported in item 1 above	-	59	59
5 Other entities of local governments not reported in item 2 above	-	117	117
6 PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	-	249	249
7 Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	1,005	646	1,651
Total	18,577	6,630	25,207
Total assets after provision	89,203		
On-balance sheet exposures as percentage of total	20.83%		

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VIII. Currency Risk

Figures in HKD million

The net position in a particular foreign currency where it constitutes 10% or more of the total net position in all foreign currencies.

	as of 2019-06-30			Total
	USD	AUD	EUR	
Spot assets	70,263	7,640	21,302	99,205
Spot liabilities	(88,973)	(3,542)	(5,359)	(97,874)
Forward purchases	38,514	3,501	8,003	50,018
Forward sales	(19,800)	(7,579)	(23,890)	(51,269)
Net options position	-	-	-	-
Net long (or net short) position	4	20	56	80
Net structural position	-	-	-	-

	as of 2018-12-31			Total
	USD	AUD	EUR	
Spot assets	54,096	6,188	12,244	72,528
Spot liabilities	(66,183)	(2,877)	(4,370)	(73,430)
Forward purchases	20,608	1,092	1	21,701
Forward sales	(8,380)	(4,447)	(7,895)	(20,722)
Net options position	-	-	-	-
Net long (or net short) position	141	(44)	(20)	77
Net structural position	-	-	-	-

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IX. Liquidity

Figures in percentage	2019-06-30	2018-06-30
(i) Liquidity Maintenance Ratio		
Average liquidity maintenance ratio for the period	66.17%	48.24%

Average Liquidity Maintenance ratio is calculated as the simple average of each month's average liquidity maintenance ratio for the three months of the financial year computed in accordance with Banking Liquidity Rules.

(ii) Governance of liquidity risk management

Liquidity risk management at Natixis is managed on a global basis under the authority of the Asset/Liability Management Committee (ALM Committee). At Natixis Head Office the global ALM committee consists of The Chief Executive Officer, who chairs the Committee, the member of the Senior Management Committee in charge of Finance (CFO), the member of the Senior Management Committee in charge of CIB Division, the Head of Financial Management Department, the Head of the Risks Department (CRO), the Head of Global markets, the Head of the Common Refinancing Platform and the Head of BPCE's ALM Department. Natixis' liquidity risk management policy is an integral part of the Group's policy. It sets out to optimise Natixis' activities within a clear, shared and standardised framework in terms of governance and ALM regulations, and in line with the Group's risk constraints.

Natixis Group, under the supervision of Groupe BPCE, will fully support overseas branches to ensure stability of business operation of banking group. Liquidity support from BPCE S.A. to Natixis S.A. is a legal duty of BPCE S.A. in case Natixis S.A. would need it. BPCE group has significant liquidity reserves and liquidity is managed on an integrated manner between BPCE S.A. and Natixis S.A. through the joint refinancing pool. As Hong Kong branch is de jure Natixis S.A., Hong Kong branch is an integral part of this framework.

Natixis' Hong Kong Asset/Liability Management's (ALM) risks, including liquidity risk, are managed under the authority of the ALM Committee, which is chaired by the Chief Executive Officer of the branch and composed of the members in charge of Finance, Treasury, Compliance, Risk, Accounting, Performance Management and ALM. The Asset/Liability committee is responsible for overseeing the implementation of the ALM Policies, monitoring compliance with its main guidelines, limits and with the regulatory requirements, such as the SPM LM-2 – Sound Systems and Controls for Liquidity Risk Management of the HKMA, and ensuring that effective governance and management of liquidity risk are in place. The ALM Committee meets on a quarterly basis. Ad hoc ALM Committees are organised when required. The liquidity risk strategy, policies and practices of the group and Hong Kong branch are discussed at this forum.

As mentioned in the global Natixis Risk Appetite Framework Principles of Natixis: "The risks control is performed permanently by the Financial Management department, which consist of the Treasury and the ALM department (1st level) and monitored in strict independence by the Risks and Compliance Departments specialized by risk nature and located as close as possible to activities (2nd level) and periodically by a double "Inspection Générale" (audit) of Natixis and BPCE (3rd level)".

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X. Remuneration System

Pursuant to section 3 of Supervisory Policy Manual (CG - 5) Guidelines on a sound remuneration system issued by Hong Kong Monetary Authority, Natixis Hong Kong Branch complies with the requirement and has adopted the remuneration system of Natixis, Head Office.

The Bank's remuneration system is disclosed in section 2.4 "Natixis Compensation Policy" of Natixis registration document 2018.

Section B - Bank Information (Consolidated Basis)

	2019-06-30	2018-12-31
I. Capital and Capital Adequacy		
Capital Adequacy Ratio	<u>15.2%</u>	<u>15.1%</u>
The capital adequacy ratio as of 30 June 2019 and 31 December 2018 have been calculated in accordance with the Capital Requirements Directive rules/ Basel 3 rules.		
	2019-06-30	2018-12-31
	EUR Million	EUR Million
Shareholders' funds	<u>18,621</u>	<u>19,916</u>
II. Other financial information		
	2019-06-30	2018-12-31
	EUR Million	EUR Million
Total assets	504,260	495,496
Total liabilities	485,639	475,580
Total loans and advances	124,887	96,564
Total customer deposits	30,729	35,991
	2019-06-30	2018-06-30
	EUR Million	EUR Million
Pre-tax profits	1,668	1,490

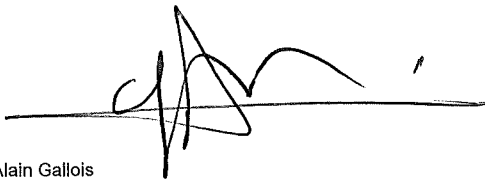
Total loans and advances include loans and advances to banks and customers less provisions.

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Chief Executive's Declaration of Compliance

We have pleasure in presenting the Key Financial Information Disclosure Statement of Natixis, Hong Kong Branch for the period ended 30 June 2019. We confirm that the Disclosure Statement complies in all material respects with the Banking (Disclosure) Rules and, to the best of my knowledge and belief, it is not false or misleading.



Alain Gallois
Chief Executive
Hong Kong Branch

30 Sep 2019