

CA INDOSUEZ (SWITZERLAND) SA
HONG KONG BRANCH

Key Financial Information Disclosure Statement
For the year ended 31 December 2018

CA INDOSUEZ (SWITZERLAND) SA

HONG KONG BRANCH

We enclose herewith the disclosure statement for the year ended 31 December 2018, which is prepared under the Banking (Disclosure) Rules made pursuant to Section 60A of the Banking Ordinance.

Antoine CANDIOTTI

Chief Executive

Section A: Hong Kong Branch Information

I Income Statement Information

(in thousands of Hong Kong Dollars)

For the year ended 31 December 2018

	31-Dec-18	31-Dec-17
Interest income	111,968	50,881
Interest expenses	<u>(84,256)</u>	<u>(33,469)</u>
Net interest income	27,712	17,412
Other operating income		
Gain less losses arising from trading in foreign currencies	21,108	5,233
Gain less losses arising from trading in other derivatives	7	-
Net fees and commission income	368,312	240,400
- gross fees and commission income	406,085	272,299
- gross fees and commission expenses	<u>(37,773)</u>	<u>(31,899)</u>
Others	<u>(40)</u>	<u>(98)</u>
Total income	417,099	262,947
Operating expenses	(346,111)	(255,847)
Staff and rental expenses	(225,506)	(170,712)
Other expenses	<u>(120,605)</u>	<u>(85,135)</u>
Impairment losses and provision for loans and receivables	4	-
Gains less losses from the disposal of property, plant and equipment and investment properties	-	-
Profit/(loss) before taxation	<u>70,992</u>	<u>7,100</u>
Tax expenses	<u>(10,051)</u>	<u>(9,192)</u>
Profit/(loss) after taxation	<u><u>60,941</u></u>	<u><u>(2,092)</u></u>

II Balance Sheet

(in thousands of Hong Kong Dollars)

	31-Dec-18	30-Jun-18
Assets		
Due from Exchange Fund	1,396,878	1,025,033
Balances with banks	27,657	15,904
Amount due from overseas offices of the institution	4,697,840	3,574,405
Loans and receivables	2,242,464	1,941,245
Property, plant and equipment and investment properties	7,390	5,033
Total assets	<u>8,372,229</u>	<u>6,561,620</u>
Liabilities		
Deposits and balances from banks	-	-
Deposits from customers		
- demand deposits and current accounts	1,335,987	1,506,337
- time, call and notice deposits	3,549,657	2,325,802
Amount due to overseas offices of the institution	3,214,706	2,590,887
Other liabilities	271,879	138,594
Total liabilities	<u>8,372,229</u>	<u>6,561,620</u>

III Additional Balance Sheet Information

(in thousands of Hong Kong Dollars)

(1) Loans and receivables

	31-Dec-18	30-Jun-18
Loans and advances to customers	2,114,029	1,876,803
Accrued interest and other accounts	128,535	64,677
Provision for impaired loans and receivables		
- Collective provisions	(100)	(235)
	<u>2,242,464</u>	<u>1,941,245</u>

No provisions for loans and advances or other exposures of CA Indosuez (Switzerland) SA, Hong Kong Branch have been set aside or maintained at the overseas head office as at 31 December 2018 and 30 June 2018.

(2) Breakdown of gross amount of loans and advances to customers by industry sectors

	31-Dec-18	30-Jun-18
Loans and advances for use in Hong Kong		
Industrial, commercial and financial		
- Financial concerns	78,628	-
- Other	53,644	-
Individuals		
- Loans for the purchase of other residential properties	106,311	-
- Other	1,352,610	1,174,801
Loans and advances for use outside Hong Kong	522,836	702,002
	<u>2,114,029</u>	<u>1,876,803</u>
Breakdown by Secured and Unsecured		
Secured	2,114,029	1,876,803
Unsecured	-	-
	<u>2,114,029</u>	<u>1,876,803</u>

The following breakdown is based on the location of counterparties. Major country or geographical area constitutes 10% or more of the aggregate loans and advances to customers after adjusting transfer of risk as defined by Hong Kong Monetary Authority:

	31-Dec-18	30-Jun-18
Major countries or geographical areas		
British Virgin Islands	246,298	320,484
Hong Kong	1,310,151	1,174,801
Samoa	200,197	184,386
Singapore	106,574	2,305
Other	250,809	194,827
	<u>2,114,029</u>	<u>1,876,803</u>

There were no impaired loans, repossessed assets, overdue loans and advances nor rescheduled assets to customers, banks and other financial institutions as at 31 December 2018 and 30 June 2018.

(3) Geographical disclosure of international claims

The geographical disclosure of international claims is based on the location of the counterparty after adjusting risk transfer set out in the HKMA return of "International Banking Statistics" (MA(BS)21).

(in millions of Hong Kong Dollars)

As at 31 Dec 2018

	Bank	Non-bank private sector			Total
		Non-bank financial institution	Non-financial private sector	Unallocated	
Developed countries	4,703	-	40	-	4,743
<i>of which Switzerland</i>	4,703	-	-	-	4,703
Offshore centres	3	-	1,214	1	1,218
<i>of which Hong Kong</i>	3	-	652	1	656
<i>of which West Indies UK</i>	-	-	247	-	247
Developing Latin America and Caribbean	-	-	1	-	1
Developing Asia and Pacific	-	-	204	-	204
	4,706	-	1,459	1	6,166

As at 30 Jun 2018

	Bank	Non-bank private sector			Total
		Non-bank financial institution	Non-financial private sector	Unallocated	
Developed countries	3,577	-	42	-	3,619
<i>of which Switzerland</i>	3,577	-	-	-	3,577
Offshore centres	3	-	1,031	-	1,034
<i>of which Hong Kong</i>	3	-	515	-	518
<i>of which West Indies UK</i>	-	-	321	-	321
Developing Latin America and Caribbean	-	-	1	-	1
Developing Asia and Pacific	-	-	146	-	146
	3,580	-	1,220	-	4,800

(4) Non-bank Mainland Exposures

(in thousands of Hong Kong Dollars)

As at 31 Dec 2018	On-balance sheet exposures	Off-balance sheet exposures	Total exposures
Type of counterparties			
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	60,476	32	60,508
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	-	-	-
Total	60,476	32	60,508
Total assets after provisions	8,372,229		
On-balance sheet exposures as percentage of total assets	0.72%		

As at 30 Jun 2018	On-balance sheet exposures	Off-balance sheet exposures	Total exposures
Type of counterparties			
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	49,352	-	49,352
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	-	-	-
Total	49,352	-	49,352
Total assets after provisions	6,561,620		
On-balance sheet exposures as percentage of total assets	0.75%		

CA Indosuez (Switzerland) SA, Hong Kong Branch

(5) Currency Risk

(in millions of Hong Kong Dollars)

As at 31 Dec 2018

	USD	GBP	JPY	EUR	CNY	CAD	CHF	AUD	SGD	NZD	GOL	Others	Total
Spot assets	3,847	87	463	476	41	31	73	357	121	63	86	175	5,820
Spot liabilities	3,846	87	463	476	41	31	73	357	120	63	86	175	5,818
Forward purchases	545	229	12	76	8	13	36	52	-	11	-	176	1,158
Forward sales	545	229	12	76	8	13	36	52	-	11	-	176	1,158
Net option position	-	-	-	-	-	-	-	-	-	-	-	-	-
Net long (or net short) position	1	-	-	-	-	-	-	-	1	-	-	-	2

As at 30 Jun 2018

	USD	GBP	JPY	EUR	CNY	CAD	CHF	AUD	SGD	NZD	GOL	Others	Total
Spot assets	2,958	54	391	407	20	31	51	252	115	60	42	176	4,557
Spot liabilities	2,956	54	393	407	20	31	51	252	115	60	42	176	4,557
Forward purchases	452	155	57	38	8	14	33	70	-	13	-	99	939
Forward sales	453	155	55	38	8	14	33	70	-	13	-	99	938
Net option position	-	-	-	-	-	-	-	-	-	-	-	-	-
Net long (or net short) position	1	-	-	-	-	-	-	-	-	-	-	-	1

The basis of calculation for the above currency risk is based on the notional value set out in the HKMA return “Foreign Currency Position” (MA(BS)6).

There were no foreign currency net structural positions as at 31 December 2018 and 30 June 2018.

(6) Off-balance sheet exposures

(in thousands of Hong Kong Dollars)

	31-Dec-18	30-Jun-18
Contingent liabilities and commitments		
Direct credit substitutes	26,319	32,035
Other commitments	157,918	90,546
	<u>184,237</u>	<u>122,581</u>
Derivatives - contractual / notional amount		
Exchange rate and gold contracts	4,726,467	1,341,129
Others	703,794	464,816
	<u>5,430,261</u>	<u>1,805,945</u>

	31-Dec-18		30-Jun-18	
	Fair value		Fair value	
	Positive	Negative	Positive	Negative
Exchange rate and gold contracts	10,738	10,346	10,881	10,896
Others	14,577	14,577	11,043	10,970
	<u>25,315</u>	<u>24,923</u>	<u>21,924</u>	<u>21,866</u>

The fair values of the above derivatives do not take into account the effect of bilateral netting arrangement.

(7) Liquidity Information

(a) Liquidity maintenance ratio

The Branch complies with the minimum requirement of liquidity maintenance ratio ("LMR") on a daily basis, in accordance with the Banking (Liquidity) Rules.

	For the quarters ended		
	31-Dec-18	30-Sep-18	31-Dec-17
Average LMR for the period	55.48%	50.26%	69.29%

Average LMR for 31 December 2018 and 30 September 2018 is calculated as the simple average of each month's average corresponding ratio for the quarter whilst average LMR for 31 December 2017 is calculated as the simple average of each month's average corresponding ratio for the year.

(b) Approach to liquidity risk management

CA Indosuez (Switzerland) SA, Hong Kong Branch (“CAI HK”) has primary responsibility for ensuring that it has sufficient funds to meet all its immediate and future payment obligations. The purpose of liquidity risk management is to analyse and monitor on a daily basis the global risk exposure of liquidity by managing the use and the availability of funds.

CAI HK has two sources of liquidity to meet its funding : client deposits and intra-group funding from Head Office. The Branch has no liquidity gap identified at this stage and, as sound and caution management, maintains a liquidity buffer by local clearing accounts (HKD and CNY) sufficient to cover the intraday and potential stress situations.

On a day to day basis, the CA Indosuez (Switzerland) SA’s Treasury (“CAI Treasury”) runs in centralised manner to formulate the funding strategy, manages the liquidity and funding needs of the Branch.

As a branch, CAI HK has exactly the same liquidity policy as CA Indosuez (Switzerland) SA (“CAI”) based on the principles of Credit Agricole Corporate & Investment Bank (“CACIB”) liquidity policies. Liquidity stress tests are performed at a consolidated / group level and the liquidity policy is monitored and managed by CAI Asset and liability Committee (“CAI ALCO”).

However, the liquidity risk management is reviewed and supervised by CA Indosuez (Switzerland) SA, Hong Kong Branch’s Asset and liability Committee (“CAI HK ALCO”) held on a quarterly basis.

In the event of a potential or actual crisis, CAI HK has in place a set of liquidity contingency and recovery plans to ensure that decisive actions are taken to ensure that the Branch maintains adequate liquidity.

CAI Hong Kong Asset and liability Committee (“CAI HK ALCO”)

CAI HK ALCO is responsible for:

- The monitoring of the correct application of the Assets and Liability Management (“ALM”) rules set by CACIB's Finance/ALM function and CAI's Finance/ALM division (including liquidity ;
- The handling of Treasury specific issues;
- The monitoring of local liquidity ratios,
- The development, review, approval, and on-going maintenance of the Recovery Plan for Hong Kong Branch submitted to HKMA

CAI HK ALCO comprises the following permanent members:

- CAI Chief Financial Officer
- CAI Head of ALM
- CAI Head of Capital Markets
- CAI Head of Treasury
- CAI Asia Chief Executive Officer
- CAI Head of RPC Asia
- CAI Hong Kong Chief Executive
- CAI Hong Kong Chief Operating Officer
- CAI Hong Kong Finance Manager

Its duties include reviewing the limits, monitoring all internal and local regulatory ratios relating to liquidity risks. The funding and liquidity risk management policy (“the Policy”) is reviewed and approved by the CAI HK ALCO on an annual basis. However, it is likely that the Policy can be adjusted on a more frequent basis as business activity changes in response to a changing regulatory environment. The Branch also follows the guidance set forth by the HKMA in Supervisory Policy Manual LM-1 (Regulatory Framework for Supervision of Liquidity Risk) and LM-2 (Sound Systems and Controls for Liquidity Risk Management).

Once a year if any significant change, CAI HK ALCO ensures the maintenance of the plan and on ad-hoc basis, the change on Recovery Plan components that need to be reflected in the Recovery Plan.

Recovery Plan for CAI Hong Kong

Hong Kong Branch draw on the Recovery Plan developed by CAI which meet HKMA standards required by the SPM RE-1 "Recovery Planning" in respect of their operations in Hong Kong.

Missions related to the Recovery Plan are formalized in the Branch’s policy defining the funding and liquidity Risk Management Policy of the Hong Kong Branch:

- To enable CAI Head Office to oversee the development of the Hong Kong specific elements of the recovery plan;
- To decide of the governance and organization required to the definition and the maintenance of the plan by designating the Hong Kong Chief Operating Officer (“HK COO”) as key point of contact with HKMA;
- To oversee with the Head Office the maintenance and the annual review of the plan if any significant change;
- To be informed by CAI Head Office of the scope and the content of the plan (options, scenarios, triggers, communication plan, etc.);
- To ensure the Recovery Plan is compliant with HKMA requirement.

If there is any material change in the Recovery Plan, HK COO as key point of contact handle the responsibility to notify the HKMA once the review is completed.

Finally, if any shortfalls and gaps in the Recovery Plan are identified, the Bank will address in a timely manner by setting out a remedial plan to lay out the necessary remedial actions along with an indicated timeframe for their necessary completion.

Conclusion

Liquidity limits are established to ensure the Branch maintains appropriate liquidity under both normal and stressed conditions. CAI HK policy is to maintain a conservative level of liquid funds to meet all obligations. As such CAI HK has defined internal liquidity buffers in excess of statutory Liquidity Maintenance Ratio (“LMR”) in its policy. Proper escalation and notification processes to report breaches of any liquidity limits are established. CAI Treasury will identify any abnormal mismatch and take the necessary steps to close the gap. In addition, Head Office conducts stress tests on a daily basis on a centralised group basis. As one of the main overseas branches, CAI HK may fully rely on Head Office for liquidity at all times and in the event of any funding crises.

(c) Contractual maturity profile

The table below analyses assets and liabilities based on the remaining period as at the end of the reporting period to the contractual maturity dates:

in HK\$ millions	Next day	Less than 1 month	Over 1 month up to 3 months	Over 3 month up to 1 year	Over 1 year	Unallocated	Total
31 December 2018							
Assets							
- Due from bank	2,561	2,292	964	310	-	-	6,127
- Loans and advances to customers Amount receivable arising from	11	1,427	411	229	40	-	2,118
- derivative contracts	11	32	20	46	-	-	109
- Others	-	-	5	-	-	13	18
Total assets	2,583	3,751	1,400	585	40	13	8,372
Liabilities							
- Due to banks	-	2,560	429	229	-	-	3,218
- Deposits from customers Amount payable arising from derivative	1,336	2,280	963	310	-	-	4,889
- contracts	11	32	20	46	-	-	109
- Others	-	-	48	28	17	63	156
Total liabilities	1,347	4,872	1,460	613	17	63	8,372
Contingent and commitments							
- Commitments	26	-	-	-	-	-	26
- Contingent liabilities	-	158	-	-	-	-	158
Net liquidity mismatch	1,210	(1,279)	(60)	(28)	23		
Cumulative liquidity mismatch	1,210	(69)	(129)	(157)	(134)		

Note: Positive indicates a position of liquidity surplus and negative indicates a liquidity shortfall that has to be funded.

Liquidity disclosures as required by the Banking (Disclosure) Rules are available on our website:

<https://www.ca-indosuez.com/hongkong/en/indosuez-in-hong-kong>

(8) Disclosure on remuneration

Pursuant to section 3 of “Supervisory Policy Manual (CG-5) - Guideline on a Sound Remuneration System” issued by the HKMA, the Branch complies with the requirements and has adopted the remuneration systems of the Head Office. Please refer to CA Indosuez (Switzerland) SA Year 2018 annual report for details.

Section B: Group information (consolidated basis)

(in thousands of Swiss Francs)

Financial highlights of CA Indosuez (Switzerland) SA Group (consolidated basis):

	31-Dec-18	30-Jun-18
Capital and capital adequacy ratio		
Capital adequacy ratio (Note)		
Common Equity Tier 1 capital ratio	15.44%	13.67%
Tier 1 capital ratio	15.44%	13.67%
Total capital ratio	18.59%	16.67%
Total shareholders' equity	1,868,242	1,884,050
Other financial information		
Balance sheet:		
Total assets	17,113,320	18,570,807
Total liabilities	15,424,567	16,964,281
Total loans and advances	8,533,862	10,161,943
Total customer deposits	9,378,006	10,181,684
	31-Dec-18	31-Dec-17
Profit and Loss:		
Profit before income taxes	82,227	57,905

Note:

The capital ratio is computed in accordance with the Swiss Ordinance on Capital Adequacy and Risk Diversification for Banks and Securities Dealers (Capital Adequacy Ordinance, CAO) of 1 June 2012.