



***COUTTS & CO LTD, HONG KONG BRANCH***

***KEY FINANCIAL INFORMATION DISCLOSURE STATEMENT***

***AS AT 31 DECEMBER 2017***



COUTTS & CO LTD

HONG KONG BRANCH

*We are pleased to enclose the Key Financial Information Disclosure Statement (the "Disclosure Statement") relating to Coutts & Co Ltd, Hong Kong Branch ("the Branch") for the year ended 31 December 2017.*

*This Disclosure Statement was prepared in accordance with Banking Ordinance CAP 155M Banking (Disclosure) Rules and Supervisory Policy Manual (CA-D-1) Guideline on the application of the Banking (Disclosure) Rules by Hong Kong Monetary Authority.*

*The Disclosure Statement has been compiled from the books and records of the Branch. During the reporting period, there was no contravention of rules made under section 60A (1) in the return relating to Certificate of Compliance with the Banking Ordinance (MA(BS)IF (a) and (b)).*

*Martin Thurnham  
Chief Executive*

*27 March 2018*

**Coutts & Co Ltd**  
**Hong Kong Branch**  
**Section A – Branch Information (Hong Kong Branch only)**  
 (i) Profit and loss information

31-Dec-17	31-Dec-16
HKD'000	HKD'000
1,841	42,735
Interest income	Interest expense
710	(1,131)
Net interest income	Interest expense
Other operating income	22,522
- Fees and commission income	37,717
- Fees and commission expense	-
Net fees and commission income	37,717
Gains less losses arising from trading in foreign currencies	(59)
Gains less losses arising from trading in other derivatives	-
Others	285
Total income	72,093
Operating expenses	(18,606)
Staff and rental expenses	(92,280)
Intra-group Administration Expenses	(7,846)
Other expenses	(28,225)
Impairment charges on advances to customers	(128,351)
Loss before taxation	(56,258)
Taxation	-
Loss after taxation	(56,258)
Extraordinary profit net of tax	323,226
Profit/(loss) for the year	266,968

**Coutts & Co Ltd**  
**Hong Kong Branch**

(II) Balance sheet

	31-Dec-17 HKD'000	30-Jun-17 HKD'000
<b>Assets</b>		
Cash and balances with banks (except those included in amount due from overseas offices of the institution)	70,049	65,091
Amount due from Exchange Fund	11,621	11,096
Placements with banks which have a residual contractual maturity of more than one month but not more than twelve months	-	1,430
Amount due from overseas offices of the institution	1,304	275,538
Loan and receivables		
- Loan and advances to customers	-	2,156
- Specific provisions for such loan and advances	-	-
- Loan and advances to banks	-	-
- Accrued interest and other accounts	1,542	24,605
Investment securities	-	-
Property, plant and equipment	-	-
<b>Total assets</b>	<b>84,516</b>	<b>379,916</b>
<b>Liabilities</b>		
Deposits and balances from banks (except those included in amount due to overseas offices of the institution)	22,739	282,852
Amount due to Exchange Fund	-	-
Deposits from customers	51,118	59,468
- Savings deposits	51,118	59,468
- Time, call and notice deposits	-	-
Amount due to overseas offices of the institution	(1,626)	-
Other liabilities	12,285	37,596
<b>Total liabilities</b>	<b>84,516</b>	<b>379,916</b>

**Coutts & Co Ltd**  
**Hong Kong Branch**

**(III) Additional balance sheet information**

**1. Loans and advances and other accounts**

	<u>31-Dec-17</u> HKD'000	<u>30-Jun-17</u> HKD'000
Gross impaired loans and advances to customers	-	-
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 advances to customers	0.00%	0.00%
Impaired loans and advances breakdown by geographical area		
- Singapore	-	-

There were no repossessed assets, and no reschedule loans and advances to banks and customers as at 31 December 2016 or 30 June 2016.

**2. Analysis of gross amount of loans and advances to customers by industry**

	31-Dec-17		30-Jun-17	
	<u>HKD'000</u>	Covered by collateral <u>HKD'000</u>	<u>HKD'000</u>	Covered by collateral <u>HKD'000</u>
a) Loans and advances for use in Hong Kong				
Industrial, commercial and financial sectors				
Property investment	-	-	-	-
Other	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**Coutts & Co Ltd**  
**Hong Kong Branch**

**(III) Additional balance sheet information – continued**

Individuals	31-Dec-17		30-Jun-17	
	HKD'000	Covered by collateral HKD'000	HKD'000	Covered by collateral HKD'000
Loans for the purchase of other residential properties	-	-	-	-
Other	-	-	2,156	2,156
	-	-	2,156	2,156
Loans and advances for use in Hong Kong	-	-	2,155	2,155
b) Loans and advances for use outside Hong Kong	-	-	1	-
<b>Total loans and advances to customers</b>	<b>-</b>	<b>-</b>	<b>2,156</b>	<b>2,156</b>

The above sectoral analysis has been classified according to the usage of loans and advances based on categories and definition used by the Hong Kong Monetary Authority.

**3. Analysis of gross amount of loans and advances to customers by geographical concentration**

Countries	31-Dec-17 HKD'000	30-Jun-17 HKD'000
British Virgin Islands	-	-
Hong Kong	-	2,155
Singapore	-	-
Others	-	-
	-	2,156

The analysis above is based on the location of the counterparty after adjusting transfer of risk as defined by Hong Kong Monetary Authority.

**Coutts & Co Ltd**  
**Hong Kong Branch**

(III) Additional balance sheet information – continued

4. Geographical disclosure of cross-border claims by types of counterparties

As at 31 Dec 17

<i>Equivalent in millions of HK\$</i>	Non-Bank Private Sector				Total
	Banks	Non-bank Financial Institutions	Non-financial Private Sector	Others	
Developed Countries	24	-	-	-	24
of which United Kingdom	24	-	-	-	24
Offshore Centres	45	-	12	-	57
of which Singapore	1	-	-	-	1

As at 30 Jun 17

<i>Equivalent in millions of HK\$</i>	Non-Bank Private Sector				Total
	Banks	Non-bank Financial Institutions	Non-financial Private Sector	Others	
Developed Countries	33	-	-	-	33
of which United Kingdom	14	-	-	-	14
Offshore Centres	309	1	2	-	312
of which Singapore	266	-	-	-	266

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

**Coutts & Co Ltd**  
**Hong Kong Branch**

(III) Additional balance sheet information – continued

5. Currency Risk

As at 31 Dec 17

<i>Equivalent in millions of HK\$</i>	USD	CNY	SGD	CHF	Others	Total
Spot assets	25	17	1	2	-	45
Spot liabilities	(25)	(17)	(1)	(8)	-	(51)
Forward purchases	-	-	-	-	-	-
Forward sales	-	-	-	-	-	-
Net option position	-	-	-	-	-	-
Net long (short) position	-	-	-	(6)	-	(6)
Net structural position	-	-	-	-	-	-

As at 30 Jun 17

<i>Equivalent in millions of HK\$</i>	USD	CNY	SGD	CHF	Others	Total
Spot assets	29	17	227	53	-	326
Spot liabilities	(319)	(32)	(10)	(435)	(141)	(937)
Forward purchases	286	39	-	47	95	467
Forward sales	(162)	(39)	(101)	-	(94)	(396)
Net option position	-	-	-	-	-	-
Net long (short) position	-	-	-	(2)	2	-
Net structural position	-	-	-	-	-	-

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

6. Non-bank China exposures

<i>Equivalent in millions of HK\$</i>	<u>As at 31 Dec 17</u>			<u>As at 30 Jun 17</u>		
	On- balance sheet exposure	Off- balance sheet exposure	Total exposures	On- balance sheet exposure	Off- balance sheet exposure	Total exposures
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	-	-	-	-	-	-
Other Counterparties where the exposures are considered by the reporting institution to be non-bank China exposure	-	-	-	-	-	-
Total	-	-	-	-	-	-
Total assets after provision	85			380		
On-balance sheet exposures as % of total assets	0.00%			0.00%		



*Coutts & Co Ltd*  
*Hong Kong Branch*

**(VI) Liquidity - continued**

Coutts & Co Ltd, Hong Kong Branch manages its liquidity risk in accordance to the Branch's and Head Office's Liquidity Policy, which is governed by a set of principles approved by Assets and Liabilities Committee. The policy provides a set of guidelines for the prudent management of liquidity in the normal course of business. The Branch also follows the guidance set forth by the HKMA in Supervisory Policy Manual LM-2, Sound Systems and Controls for Liquidity Risk Management.

Specifically the liquidity policy sets out: 1) Governance; definition of ownership for the Branch's Liquidity Risk Management Framework. 2) Contingency Funding Plans; identification, monitoring and testing of contingent sources of liquidity and specification of procedures for exacting plans if circumstances require. 3) Risk Tolerance, Measurement and Monitoring; definition of the Branch's risk tolerance through metrics and limits for measuring, monitoring and managing liquidity risks. 4) Funding Plans; forecasting the Branch's funding and liquidity requirements during the normal course of business.

**(VII) Disclosure on Remuneration**

Pursuant to section 3 of Supervisory Policy Manual (CG-5) Guideline on a Sound Remuneration System issued by the HKMA, Coutts & Co Ltd, Hong Kong Branch complies with the requirements and has adopted the remuneration system of the parent company.

The remuneration of members of the key management during the financial period is as follows:

	HKD'000
Fixed remuneration	3,716
Variable remuneration – cash based	484
Share-based payments	528
Number of beneficiaries	2

**Coutts & Co Ltd**  
**Hong Kong Branch**

**(IV) Off-balance sheet exposures**

	<u>31-Dec-17</u> HKD'000	<u>30-Jun-17</u> HKD'000
<b>Contingent liabilities and commitments</b>		
Direct credit substitutes	-	-
Other commitments	-	-
	<u>-</u>	<u>-</u>

**(V) Derivatives Transactions**

**Derivatives – Contract amount:**

Exchange rate & precious metals related derivative contracts	-	-
Others	-	-
	<u>-</u>	<u>-</u>

**Derivatives assets:**

Exchange rate & precious metals related derivative contracts	-	-
Others	-	-
	<u>-</u>	<u>-</u>

**Derivatives liabilities:**

Exchange rate & precious metals related derivative contracts	-	-
Others	-	-
	<u>-</u>	<u>-</u>

The above derivatives assets and liabilities, being the positive or negative marked-to-market value of the respective derivative contracts, represent gross replacement costs, as none of these contracts are subject to any bilateral netting arrangements.

**(VI) Liquidity**

	<u>31-Dec-17</u>	<u>31-Dec-16</u>
Average liquidity ratio for the year	<u>79.78%</u>	<u>152.37%</u>

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**Hong Kong Branch**

**Section B – Bank Information (Consolidated basis)**

The following information relates to Coutts & Co Ltd, ultimately a wholly owned subsidiary of The Royal Bank of Scotland Group plc.

(I) Capital and capital adequacy	At 31-Dec-17 CHF'000	At 30-Jun-17 CHF'000
Shareholders' equity	<u>545,470</u>	<u>624,083</u>
Capital adequacy ratio	<u>123.00%</u>	<u>111.20%</u>

The capital adequacy ratio is computed in accordance with the Basel Capital Accord and incorporates market risk.

(II) Other financial information	At 31-Dec-17 CHF'000	At 30-Jun-17 CHF'000
Total assets	<u>715,841</u>	<u>760,653</u>
Total liabilities	<u>715,841</u>	<u>760,653</u>
Total loans and advances	<u>29,962</u>	<u>41,289</u>
Total customer deposits	<u>7,986</u>	<u>13,040</u>
	Year ended 31-Dec-17 CHF'000	Year ended 31-Dec-16 CHF'000
Pre-tax profits/(loss)	<u>(27,556)</u>	<u>94,719</u>