



COUTTS & CO LTD, HONG KONG BRANCH

KEY FINANCIAL INFORMATION DISCLOSURE STATEMENT

AS AT 31 DECEMBER 2018



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 2018.

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*

8 April 2019

Coutts & Co Ltd
Hong Kong Branch

Section A – Branch Information (Hong Kong Branch only)

(1) Profit and loss information

	31-Dec-18 HKD'000	31-Dec-17 HKD'000
Interest income	0	1,841
Interest expense	(266)	(1,131)
Net interest income	(266)	710
Other operating income		
- Fees and commission income	41	1,756
- Fees and commission expense	-	-
Net fees and commission income	41	1,756
Gains less losses arising from trading in foreign currencies	(88)	(59)
Gains less losses arising from trading in other derivatives	-	-
Others	1,473	-
Total income	1,160	2,407
Operating expenses		
Staff and rental expenses	(22,515)	(18,606)
Intra-group Administration Expenses	-	(4,162)
Other expenses	(15,825)	(29,700)
Impairment charges on advances to customers	-	-
Loss before taxation	(37,180)	(50,061)
Taxation	-	-
Loss after taxation	(37,180)	(50,061)
Extraordinary profit net of tax	-	-
Profit/(loss) for the year	(37,180)	(50,061)

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(II) **Balance sheet**

	31-Dec-18 HKD'000	30-Jun-18 HKD'000
Assets		
Cash and balances with banks (except those included in amount due from overseas offices of the institution)	59,912	60,940
Amount due from Exchange Fund	12,665	12,665
Placements with banks which have a residual contractual maturity of more than one month but not more than twelve months	-	-
Amount due from overseas offices of the institution	-	2,755
Loan and receivables		
- Loan and advances to customers	-	-
- Specific provisions for such loan and advances	-	-
- Loan and advances to banks	-	-
- Accrued interest and other accounts	1,260	1,495
Investment securities	-	-
Property, plant and equipment	-	-
Total assets	<u><u>73,837</u></u>	<u><u>77,855</u></u>
Liabilities		
Deposits and balances from banks (except those included in amount due to overseas offices of the institution)	20,000	20,000
Amount due to Exchange Fund		-
Deposits from customers	50,337	50,995
- Savings deposits	50,337	50,995
- Time, call and notice deposits		-
Amount due to overseas offices of the institution	(16,846)	(11,723)
Other liabilities	20,346	18,583
Total liabilities	<u><u>73,837</u></u>	<u><u>77,855</u></u>

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(III) Additional balance sheet information

1. Loans and advances and other accounts

	31-Dec-18 HKD'000	30-Jun-18 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	-	-

There were no repossessed assets, and no reschedule loans and advances to banks and customers as at 31 December 2018 or 30 June 2018.

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

	31-Dec-18		30-Jun-18	
	HKD'000	Covered by collateral HKD'000	HKD'000	Covered by collateral HKD'000
a) Loans and advances for use in Hong Kong				
Industrial, commercial and financial sectors				
Property investment	-	-	-	-
Other	-	-	-	-
	-	-	-	-

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(III) Additional balance sheet information – continued

Individuals	31-Dec-18		30-Jun-18	
	HKD'000	Covered by collateral HKD'000	HKD'000	Covered by collateral HKD'000
Loans for the purchase of other residential properties	-	-	-	-
Other	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Loans and advances for use in Hong Kong	-	-	-	-
b) Loans and advances for use outside Hong Kong	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total loans and advances to customers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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-18	30-Jun-18
	HKD'000	HKD'000
British Virgin Islands	-	-
Hong Kong	-	-
Singapore	-	-
Others	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

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

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(III) Additional balance sheet information – continued

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

As at 31 Dec 18

<i>Equivalent in millions of HK\$</i>	Non-Bank Private Sector				Total
	Banks	Non-bank Financial Institutions	Non-financial Private Sector	Others	
Developed Countries	21	-	-	-	21
of which United Kingdom	21	-	-	-	21
Offshore Centres	39	-	13	-	52
of which Singapore	-	-	-	-	-

As at 30 Jun 18

<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	21	-	-	-	21
Offshore Centres	40	-	12	-	52
of which Singapore	-	-	-	-	-

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).

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(III) Additional balance sheet information – continued

5. Currency Risk

As at 31 Dec 18

<i>Equivalent in millions of HK\$</i>	USD	CNY	SGD	CHF	Others	Total
Spot assets	23	17	-	-	-	40
Spot liabilities	(21)	(16)	-	(3)	-	40
Forward purchases	-	-	-	-	-	-
Forward sales	-	-	-	-	-	-
Net option position	-	-	-	-	-	-
Net long (short) position	2	1	-	(3)	-	-
Net structural position	-	-	-	-	-	-

As at 30 Jun 18

<i>Equivalent in millions of HK\$</i>	USD	CNY	SGD	CHF	Others	Total
Spot assets	23	17	-	5	-	45
Spot liabilities	(21)	(17)	-	(2)	-	(40)
Forward purchases	-	-	-	-	-	-
Forward sales	-	-	-	-	-	-
Net option position	-	-	-	-	-	-
Net long (short) position	2	-	-	3	-	5
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>	As at 31 Dec 18			As at 30 Jun 18		
	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	74			78		
On-balance sheet exposures as % of total assets	0.00%			0.00%		

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

	31-Dec-18 HKD'000	30-Jun-18 HKD'000
Contingent liabilities and commitments		
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**

	Quarter ended 31-Dec-18	Quarter ended 30-Sep-18	Year ended 31-Dec-17
Average liquidity maintenance ratio for the period	96.51%	98.22%	79.78%

The average Liquidity Maintenance Ratio (“LMR”) reported is the arithmetic mean of the average value of its LMR reported in its liquidity position return for each month during the period.

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(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	4,960
Variable remuneration – cash based	547
Share-based payments	715
Number of beneficiaries	2

Coutts & Co Ltd
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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-18 CHF'000	At 30-Jun-18 CHF'000
Shareholders' equity	<u>545,360</u>	<u>545,561</u>
Capital adequacy ratio	<u>198.80%</u>	<u>229.90%</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-18 CHF'000	At 30-Jun-18 CHF'000
Total assets	<u>681,243</u>	<u>693,480</u>
Total liabilities	<u>681,243</u>	<u>693,480</u>
Total loans and advances	<u>22,667</u>	<u>22,775</u>
Total customer deposits	<u>7,016</u>	<u>6,984</u>
	Year ended 31-Dec-18 CHF'000	Year ended 31-Dec-17 CHF'000
Pre-tax profits/(loss)	<u>630</u>	<u>(27,556)</u>