



COUTTS & CO LTD, HONG KONG BRANCH

KEY FINANCIAL INFORMATION DISCLOSURE STATEMENT

AS AT 30 JUNE 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 period ended 30 June 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 September 2017

Coutts & Co Ltd
Hong Kong Branch
Section A – Branch Information (Hong Kong Branch only)

(1) Profit and loss information

	30-Jun-17 HKD'000	30-Jun-16 HKD'000
Interest income	1,803	41,709
Interest expense	(1,037)	(20,152)
Net interest income	766	21,557
Other operating income		
- Fees and commission income	2,945	48,138
- Fees and commission expense	(488)	(10,261)
Net fees and commission income	2,457	37,877
Gains less losses arising from trading in foreign currencies	(243)	11,918
Gains less losses arising from trading in other derivatives	-	-
Others	138	266
Total income	3,118	71,618
Operating expenses		
Staff and rental expenses	(15,282)	(93,169)
Intra-group Administration Expenses	(4,137)	(4,312)
Loss on sale of fixed assets	-	(1,697)
Other expenses	(18,747)	(31,259)
	(38,166)	(130,437)
Impairment charges on advances to customers	-	-
Loss before taxation	(35,048)	(58,819)
Taxation	-	-
Loss after taxation	(35,048)	(58,819)

Coutts & Co Ltd
Hong Kong Branch

(11) Balance sheet

	30-Jun-17 HKD'000	31-Dec-16 HKD'000
Assets		
Cash and balances with banks (except those included in amount due from overseas offices of the institution)	65,091	101,968
Amount due from Exchange Fund	11,096	617
Placements with banks which have a residual contractual maturity of more than one month but not more than twelve months	1,430	1,049
Amount due from overseas offices of the institution	275,538	530,602
Loan and receivables		
- Loan and advances to customers	2,156	84,924
- Specific provisions for such loan and advances	-	-
- Loan and advances to banks	-	-
- Accrued interest and other accounts	24,605	27,665
Investment securities	-	9,999
Property, plant and equipment	-	-
Total assets	<u>379,916</u>	<u>756,824</u>
Liabilities	HKD'000	HKD'000
Deposits and balances from banks (except those included in amount due to overseas offices of the institution)	282,852	239,802
Amount due to Exchange Fund	-	-
Deposits from customers	59,468	94,694
- Savings deposits	59,468	94,694
- Time, call and notice deposits	-	-
Amount due to overseas offices of the institution	-	313,487
Other liabilities	37,596	108,841
Total liabilities	<u>379,916</u>	<u>756,824</u>

Coutts & Co Ltd
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(III) Additional balance sheet information

1. Loans and advances and other accounts	30-Jun-17 HKD'000	31-Dec-16 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%	0%
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 30 June 2017 or 31 December 2016.

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

	30-Jun-17		31-Dec-16	
	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	-	-	-	-
	-	-	-	-

Coutts & Co Ltd
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(III) Additional balance sheet information -- continued

Individuals	30-Jun-17		31-Dec-16	
	HKD'000	Covered by collateral HKD'000	HKD'000	Covered by collateral HKD'000
Loans for the purchase of other residential properties	-	-	11,237	11,237
Other	2,156	2,156	67,543	3,714
	<u>2,156</u>	<u>2,156</u>	<u>78,780</u>	<u>78,780</u>
b) Loans and advances for use in Hong Kong	2,155	2,155	78,780	78,780
Loans and advances for use outside Hong Kong	1	1	6,144	2,118
Total loans and advances to customers	<u><u>2,156</u></u>	<u><u>2,156</u></u>	<u><u>84,924</u></u>	<u><u>84,924</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	30-Jun-17 HKD'000	31-Dec-16 HKD'000
British Virgin Islands	-	1
Hong Kong	2,155	78,780
Singapore	-	5,987
Others	1	156
	<u><u>2,156</u></u>	<u><u>84,924</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 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
of which United States	-	-	-	-	-
Offshore Centres (excluding Hong Kong)	309	1	2	-	312
of which British Virgin Islands	-	-	-	-	-
of which Singapore	266	-	-	-	266

As at 31 Dec 16

<i>Equivalent in millions of HK\$</i>	Non-Bank Private Sector				Total
	Banks	Non-bank Financial Institutions	Non-financial Private Sector	Others	
Developed Countries	348	-	-	-	348
of which United Kingdom	1	-	-	-	1
of which United States	22	-	-	-	22
Offshore Centres (excluding Hong Kong)	275	-	95	-	370
of which British Virgin Islands	-	-	-	-	-
of which Singapore	234	-	6	-	240

The above geographical disclosure of cross-border claims (excluding claims arising between branches) 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 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	(29)	(17)	(227)	(53)	-	(326)
Forward purchases	-	-	-	-	-	-
Forward sales	-	-	-	-	-	-
Net option position	-	-	-	-	-	-
Net long (short) position	-	-	-	-	-	-
Net structural position	-	-	-	-	-	-

As at 31 Dec 16

<i>Equivalent in millions of HK\$</i>	USD	CNY	SGD	CHF	Others	Total
Spot assets	66	16	237	340	2	661
Spot liabilities	(104)	(16)	(237)	(340)	(1)	(698)
Forward purchases	38	-	-	-	-	38
Forward sales	-	-	-	-	-	-
Net option position	-	-	-	-	-	-
Net long (short) position	-	-	-	-	1	1
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 30 Jun 17			As at 31 Dec 16		
	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	380			756		
On-balance sheet exposures as % of total assets	0%			0%		

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(IV)	Off-balance sheet exposures	30-Jun-17	31-Dec-16
		HKD'000	HKD'000
	Contingent liabilities and commitments		
	Direct credit substitutes	-	-
	Other commitments	-	37,287
		-	37,287
(V)	Derivatives Transactions		
	Derivatives – Contract amount:		
	Exchange rate & precious metals related derivative contracts	-	37,985
	Others	-	-
		-	37,985
	Derivatives assets:		
	Exchange rate & precious metals related derivative contracts	-	2
	Others	-	-
		-	2
	Derivatives liabilities:		
	Exchange rate & precious metals related derivative contracts	-	11
	Others	-	-
		-	11

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	30-Jun-17	31-Dec-16
	Average liquidity ratio for the period	88.71%	152.37%

Coutts & Co Ltd
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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	2,355
Variable remuneration – cash based	525
Share-based payments	0
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.

(1) Capital and capital adequacy	At 30-Jun-17 CHF'000	At 31-Dec-16 CHF'000
Shareholders' equity	<u>624,083</u>	<u>624,044</u>
Capital adequacy ratio	<u>111.20%</u>	<u>117.23%</u>

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

(11) Other financial information	At 30-Jun-17 CHF'000	At 31-Dec-16 CHF'000
Total assets	<u>760,653</u>	<u>873,866</u>
Total liabilities	<u>760,653</u>	<u>249,822</u>
Total loans and advances	<u>41,289</u>	<u>109,973</u>
Total customer deposits	<u>13,040</u>	<u>98,204</u>
	Year ended 30-Jun-17 CHF'000	Year ended 30-Jun-15 CHF'000
Pre-tax profit/(loss)	<u>4,150</u>	<u>94,719</u>