



**NatWest Markets Plc  
Hong Kong Branch**

**Financial Disclosure Statement**

**31 December 2018**

**NatWest Markets Plc, Hong Kong Branch**  
**Financial Disclosure Statement for the year ended 31 December 2018**

In compliance with the disclosure standards set out in the Banking (Disclosure) Rules, the following key financial information of NatWest Markets Plc, Hong Kong Branch (“the Branch”) has been provided. The information is available at the Branch located at Unit 702, 7/F, LHT Tower, 31 Queen’s Road Central, Hong Kong, our internet website (<https://www.natwestmarkets.com/natwest-markets/about-us/our-locations/hongkong-important-information-en.html>) and the Public Registry of the Hong Kong Monetary Authority (“HKMA”).

<b>Income Statement Information</b>	<b>Year ended 31 Dec 2018 HK\$’000</b>	<b>Year ended 31 Dec 2017 HK\$’000</b>
Interest income	2	2
Interest expense	(146)	(5,730)
Net interest expense	(144)	(5,728)
Other operating income		
Net fees and commission (expense) / income	(44)	3
Others	72,518	588,110
<i>Total operating income</i>	72,330	582,385
Operating expenses	(77,741)	(138,776)
<i>(Loss) / profit before taxation</i>	(5,411)	443,609
Taxation	-	-
<b>(Loss) / profit for the year</b>	<b>(5,411)</b>	<b>443,609</b>

<b>Balance Sheet Information</b>	<b>As at 31 Dec 2018 HK\$’000</b>	<b>As at 30 Jun 2018 HK\$’000</b>
<i>Assets</i>		
Cash and balances with banks	114,367	116,053
Placement with banks maturing between one and twelve months	-	-
Amount due from overseas offices of the institution	-	-
Advances and other accounts	18,093	23,177
Property, plant and equipment	-	-
<b>Total assets</b>	<b>132,460</b>	<b>139,230</b>
<i>Liabilities</i>		
Deposits and balances from banks	12,658	12,369
Deposits from customers	-	-
Amount due to overseas offices of the institution	5,000	23,834
Provisions	52,495	52,442
Other liabilities	62,307	50,585
<b>Total liabilities</b>	<b>132,460</b>	<b>139,230</b>

**Additional Income Statement Information**

	Year ended 31 Dec 2018 HK\$'000	Year ended 31 Dec 2017 HK\$'000
<b><i>Net fees and commission (expense) / income</i></b>		
Fees and commission income	1	117
Fees and commission expense	(45)	(114)
	<b>(44)</b>	<b>3</b>
<b><i>Other operating income – Others</i></b>		
Head office recharge income	71,899	33,040
Net gains on disposal of investments in joint ventures	-	554,976
Others	619	94
	<b>72,518</b>	<b>588,110</b>
<b><i>Operating expenses</i></b>		
Staff expenses	(40,996)	(67,699)
Head office and regional recharge expenses	(20,317)	(7,537)
Rental expenses	(6,625)	(4,961)
Others	(9,803)	(58,579)
	<b>(77,741)</b>	<b>(138,776)</b>

**Additional Balance Sheet Information**

	As at 31 Dec 2018 HK\$'000	As at 30 Jun 2018 HK\$'000
<b><i>Advances and other accounts</i></b>		
Impaired loans and advances to customers and banks	-	-
Other accounts and receivables	18,093	23,177
	<b>18,093</b>	<b>23,177</b>
<b><i>Provisions made by head office against exposures of the Branch</i></b>		
	-	-
<b><i>Other liabilities</i></b>		
Accrued interest payable	19	14
Deferred awards	31,375	28,697
Other accounts and payables	30,913	21,874
	<b>62,307</b>	<b>50,585</b>

***Overdue other assets***

As at 31 December 2018 and 30 June 2018, there were no overdue other assets.

***Off-balance sheet exposures***

As at 31 December 2018 and 30 June 2018, there were no off-balance sheet exposures.

***Derivative transactions***

As at 31 December 2018 and 30 June 2018, there were no derivative transactions.

***Non-bank Mainland exposures***

As at 31 December 2018 and 30 June 2018, there were no non-bank mainland exposures.

**Analysis of international claims by significant geographical area (excluding local claims in local currency)**

	<b>Non-bank private sector</b>					<b>Total HK\$'m</b>
	<b>Banks HK\$'m</b>	<b>Official sector HK\$'m</b>	<b>Non-bank financial institutions HK\$'m</b>	<b>Non- financial private sector HK\$'m</b>	<b>Others HK\$'m</b>	
<b><u>As at 31 Dec 2018</u></b>						
Developed countries	52	-	-	-	-	52
<i>of which United Kingdom</i>	46	-	-	-	-	46
<i>of which United States</i>	6	-	-	-	-	6
<b><u>As at 30 Jun 2018</u></b>						
Developed countries	63	-	-	-	-	63
<i>of which United Kingdom</i>	56	-	-	-	-	56
<i>of which United States</i>	7	-	-	-	-	7

*Significant geographical segment constitutes 10% or more of the aggregate international claims after taking into consideration of transfers of risks.*

**Currency risks**

Foreign currency exposures arising from trading, non-trading and structural positions with net position (in absolute terms) in a particular foreign currency constituting not less than 10% of the total net position in all foreign currencies are disclosed as follows:

	<b>USD HK\$'m</b>	<b>SGD HK\$'m</b>	<b>Total HK\$'m</b>
<b><u>As at 31 Dec 2018</u></b>			
Spot assets	36	-	36
Spot liabilities	(31)	-	(31)
Forward purchases	-	-	-
Forward sales	-	-	-
Net option position *	-	-	-
Net long position	5	-	5
Net structural position	-	-	-
<b><u>As at 30 Jun 2018</u></b>			
Spot assets	42	-	42
Spot liabilities	(43)	(2)	(45)
Forward purchases	-	-	-
Forward sales	-	-	-
Net option position *	-	-	-
Net short position	(1)	(2)	(3)
Net structural position	-	-	-

*\* The delta equivalent approach was used for calculating the net position in options.*

## Liquidity risks

### Liquidity information

	Quarter ended 31 Dec 2018	Year ended 31 Dec 2017
Average Liquidity Maintenance Ratio ("LMR")	312.40%	286.73%

The average LMR for the quarter ended 31 Dec 2018 is calculated based on the arithmetic mean of the average LMR for each calendar month in the quarter as reported in the liquidity position return. The average LMR for the year ended 31 Dec 2017 is calculated based on the arithmetic mean of the average LMR for each calendar month in the year as reported in the liquidity position return.

Liquidity risk is the risk that NatWest Markets ("NWM") cannot meet its actual or potential obligations in a timely manner as they fall due. Funding risk is the risk that NWM cannot maintain a diversified, stable and cost effective funding base. NWM manages its funding and liquidity risk through a formal governance structure.

Liquidity and funding risk appetite is set at Royal Bank of Scotland Group ("RBS") level and cascaded to NWM. The NWM board is responsible for cascade of risk appetite to lower level legal entities as required. Limits and mandates are set at legal entity or country level which shall be reviewed annually as a minimum requirement.

RBS Asset and Liability Committee ("ALCO") sets the global and overall strategic direction for liquidity management within the liquidity risk appetite set by the RBS Board. RBS Global Liquidity Policy sets out the governance and control framework within RBS in order to ensure effective and prudent management of liquidity, which is fundamental to the financial safety and soundness of the bank. NWM ALCO ensures compliance with cascaded liquidity and funding risk limits and policies.

Hong Kong ALCO has the responsibility of setting detailed liquidity risk management framework for the country and to monitor progress and compliance. The liquidity and funding policy of the Branch ensures compliance with the global policy and regulatory requirements set out in Supervisory Manual LM-2 Sound Systems and Controls for Liquidity Risk Management issued by HKMA.

The Branch periodically stress tests its liquidity positions and maintains a liquidity portfolio in the form of cash. The Branch has a Contingency Funding Plan and Recovery Plan document that sets out plan for the management of a liquidity event that may lead to a significant strain on the liquidity position of the Branch.

All policy and governance documents are periodically reviewed and approved by Hong Kong ALCO.

### NatWest Markets Plc Consolidated Group Level Disclosures

	As at 31 Dec 2018 £'m	As at 30 Jun 2018 £'m
<b>Capital and capital adequacy</b>		
Shareholders equity	9,089	11,409
Capital adequacy ratio		
CET 1 capital ratio	15.6%	20.7%
Tier 1 capital ratio	18.0%	25.0%
Total capital ratio	21.5%	32.8%
<b>Other financial information</b>		
Total assets	247,881	731,369
Total liabilities	238,792	719,960
Total loans and advances	8,366	50,303
Total customer deposits	2,580	45,872
	<b>Year ended 31 Dec 2018 £'m</b>	<b>Year ended 31 Dec 2017 £'m</b>
Group operating loss before tax	(1,277)	(1,396)

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