

Pictet & Cie (Europe) S.A., Hong Kong Branch

Key Financial Information Disclosure Statements

as at 31 December 2016



Pictet & Cie (Europe) S.A., Hong Kong Branch

Key Financial Information Disclosure Statements

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Pictet & Cie (Europe) S.A., Hong Kong Branch

Profit & Loss Account

For the year ended 31 December 2016

	Notes	31 Dec 2016 HKD'000	31 Dec 2015 HKD'000
Interest income		40,975	18,434
Interest expense		<u>(15,684)</u>	<u>(9,310)</u>
Net interest income		25,291	9,124
Other operating income	1	<u>187,306</u>	<u>184,559</u>
Total operating income		212,597	193,683
Operating expenses	2	(312,396)	(272,628)
(Impairment losses and provisions) / Write-back for impaired loans and receivables		<u>-</u>	<u>-</u>
Loss before taxation		(99,799)	(78,945)
Tax expense		<u>-</u>	<u>-</u>
Loss after taxation		<u><u>(99,799)</u></u>	<u><u>(78,945)</u></u>

Balance Sheet

As at 31 December 2016

	Notes	31 Dec 2016 HKD'000	30 Jun 2016 HKD'000
Assets			
Due from Exchange Fund		14,819	15,731
Balances with banks (except those included in amount due from overseas offices)		167,434	118,974
Placements with banks with residual maturity of more than 1 month but not more than 12 months (except those included in amount due from overseas offices)		-	-
Amount due from overseas offices		1,070,521	2,394,951
Loans and receivables	3	3,573,520	2,068,972
Debt instruments held		2,574,540	1,414,146
Property, plant and equipment		17,581	16,234
Total assets		<u>7,418,415</u>	<u>6,029,008</u>
Liabilities			
Balances from banks (except those included in amount due to overseas offices)		12,375	24,042
Deposits from customers	7	3,718,772	3,354,262
Amount due to overseas offices		3,539,860	2,461,944
Other liabilities		147,408	188,760
Total liabilities		<u>7,418,415</u>	<u>6,029,008</u>

Notes to the Financial Statements

1 Other operating income	Note	31 Dec 2016 HKD'000	31 Dec 2015 HKD'000
Income from fees and commissions			
Fees and commission income		86,470	82,668
Less: Fees and commission expenses		(22,542)	(22,763)
		<u>63,928</u>	<u>59,905</u>
Gains from non-trading activities in foreign currencies		8,315	5,985
Other income		115,063	118,669
		<u>187,306</u>	<u>184,559</u>
 2 Total operating expenses		 31 Dec 2016 HKD'000	 31 Dec 2015 HKD'000
Staff and rental expenses		(253,335)	(227,146)
Other expenses		(59,061)	(45,482)
		<u>(312,396)</u>	<u>(272,628)</u>
 3 Loans and receivables		 31 Dec 2016 HKD'000	 30 Jun 2016 HKD'000
Loans and advances to customers			
- Overdrafts		951,791	982,614
- Other loans due within 1 month		1,807,855	363,778
- Between 1 and 3 months		478,515	310,789
- Between 3 months and 1 year		174,084	227,822
- Later than 1 year		18,808	-
Total Loans and advances to customers	4	<u>3,431,053</u>	<u>1,885,003</u>
Accrued interest		4,703	3,409
Provisions for impaired loans and receivables			
Less: collective provisions		-	-
specific provisions		-	-
Other accounts		137,764	180,560
		<u>3,573,520</u>	<u>2,068,972</u>

Notes to the Financial Statements

4 Analysis of gross amount of loans and advances to customers**a. Breakdown by industry sectors**

The analysis of gross loans and advances to customers by industry sectors are based on the categories and definitions used by the Hong Kong Monetary Authority.

	31 Dec 2016		
	HKD'000		
	Secured	Unsecured	Total
Loans and advances for use in Hong Kong			
<u>Industrial, commercial and financial</u>			
Financial concerns	2,076,169	-	2,076,169
<u>Individuals</u>			
Others	236,525	-	236,525
	<u>2,312,694</u>	<u>-</u>	<u>2,312,694</u>
Loans and advances for use outside Hong Kong	<u>1,118,359</u>	<u>-</u>	<u>1,118,359</u>
Total loans and advances to customers	<u>3,431,053</u>	<u>-</u>	<u>3,431,053</u>
	30 Jun 2016		
	HKD'000		
	Secured	Unsecured	Total
Loans and advances for use in Hong Kong			
<u>Industrial, commercial and financial</u>			
Financial concerns	1,278,430	-	1,278,430
<u>Individuals</u>			
Others	228,944	-	228,944
	<u>1,507,374</u>	<u>-</u>	<u>1,507,374</u>
Loans and advances for use outside Hong Kong	<u>377,629</u>	<u>-</u>	<u>377,629</u>
Total loans and advances to customers	<u>1,885,003</u>	<u>-</u>	<u>1,885,003</u>

4 Analysis of gross amount of loans and advances to customers (cont'd)**b. Breakdown by geographical areas**

The gross amount of loans and advances to customers by geographical areas are classified according to the location of the counterparties after taking into account the transfer of risk. In general, risk transfer applies when a loan or advance is guaranteed by a party in a country which is different from that of the counterparty.

	31 Dec 2016 HKD'000	
	Loans and advances to customers	Overdue / Impaired loans and advances to customers
British Virgin Islands	1,332,888	-
Chinese Taipei	775,320	-
Cayman Islands	508,459	-
Hong Kong	258,605	-
Japan	183,946	-
Singapore	98,432	-
Bahamas	95,765	-
Others	177,638	-
	3,431,053	-
	30 Jun 2016 HKD'000	
	Loans and advances to customers	Overdue / Impaired loans and advances to customers
British Virgin Islands	945,587	-
Hong Kong	349,223	-
Japan	202,882	-
Cayman Islands	129,783	-
Micronesia	75,621	-
Bermuda	39,057	-
Others	142,850	-
	1,885,003	-

5 Loans and advances to customers and banks which have been overdue

The branch does not have any overdue and rescheduled loans and advances to customers and banks as at 31 Dec 2016 and 30 Jun 2016.

The branch does not have impaired loans and advances to banks as at 31 Dec 2016 and 30 Jun 2016.

6 Other Assets Overdue and repossessed assets

The branch does not have any overdue other assets as at 31 Dec 2016 and 30 Jun 2016.

The branch does not have any repossessed assets as at 31 Dec 2016 and 30 Jun 2016.

7 Deposits from customers

	31 Dec 2016	30 Jun 2016
	HKD'000	HKD'000
Demand deposits and current accounts	3,616,922	3,168,115
Savings deposits	-	-
Time, call and notice deposits	101,850	186,147
	<u>3,718,772</u>	<u>3,354,262</u>

8 International Claims

International claims are classified by the types and the locations of the counterparties after taking into account the transfer of risk. In general, such transfer of risk refers to the reduction of the Branch's exposure to a particular country by an effective transfer of credit risk to a different country with the use of credit risk mitigates which include guarantees, collateral and credit derivatives. The basis of the country and geographical segment classification is in accordance with the guidance notes from the Hong Kong Monetary Authority.

8 International Claims (cont'd)31 Dec 2016
HKD million

	Banks	Official sector	Non-bank financial institutions	Non-financial private sector	Others	Total
Developed Countries	1,290	2,554	-	203	-	4,047
United States	-	2,554	-	13	-	2,567
Switzerland	1,209	-	-	-	-	1,209
Japan	-	-	-	184	-	184
Others	81	-	-	6	-	87
Offshore Centres	-	-	-	2,386	-	2,386
British Virgin Islands	-	-	-	1,351	-	1,351
Cayman Island	-	-	-	509	-	509
Hong Kong	-	-	-	242	-	242
Others	-	-	-	284	-	284
Developing Europe	-	-	-	2	-	2
Developing Latin America and Caribbean	-	-	-	-	-	-
Developing Africa and Middle East	-	-	-	7	-	7
Developing Asia and Pacific	783	11	-	76	-	870
Chinese Taipei	776	-	-	-	-	776
Others	7	11	-	76	-	94
	<u>2,073</u>	<u>2,565</u>	<u>-</u>	<u>2,674</u>	<u>-</u>	<u>7,312</u>

8 International Claims (cont'd)30 Jun 2016
HKD million

	Banks	Official sector	Non-bank financial institutions	Non-financial private sector	Others	Total
Developed Countries	2,571	1,392	-	206	-	4,169
Switzerland	2,508	-	-	-	-	2,508
Japan	-	-	-	204	-	204
United States	-	1,392	-	-	-	1,392
Others	63	-	-	2	-	65
Offshore Centres	-	-	-	1,564	-	1,564
British Virgin Islands	-	-	-	995	-	995
Cayman Islands	-	-	-	130	-	130
Hong Kong	-	-	-	323	-	323
Others	-	-	-	116	-	116
Developing Europe	-	-	-	-	-	-
Developing Latin America and Caribbean	-	-	-	2	-	2
Developing Africa and Middle East	-	-	-	13	-	13
Developing Asia and Pacific	7	12	-	140	-	159
Micronesia	-	-	-	76	-	76
Others	7	12	-	64	-	83
Other	-	-	-	9	-	9
	<u>2,578</u>	<u>1,404</u>	<u>-</u>	<u>1,934</u>	<u>-</u>	<u>5,916</u>

Notes to the Financial Statements

9 Non-bank Mainland exposures

	31 Dec 2016 HKD'000		
	On-balance sheet exposure	Off-balance sheet exposure	Total
Central government, central government-owned entities and their subsidiaries and joint-ventures (JVs)	11,048	-	11,048
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	37,304	-	37,304
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	-	-	-
Other counterparties where the exposure are considered by the reporting institution to be non-bank Mainland China exposures	4,023	-	4,023
Total	52,375	-	52,375
Total assets after provision	7,418,415		
On-balance sheet exposures as percentage of total assets	0.71%		
	30 Jun 2016 HKD'000		
	On-balance sheet exposure	Off-balance sheet exposure	Total
Central government, central government-owned entities and their subsidiaries and joint-ventures (JVs)	11,684	-	11,684
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	32,732	-	32,732
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	-	-	-
Other counterparties where the exposure are considered by the reporting institution to be non-bank Mainland China exposures	4,002	-	4,002
Total	48,418	-	48,418
Total assets after provision	6,029,008		
On-balance sheet exposures as percentage of total assets	0.80%		

Notes to the Financial Statements

10 Currency Risk

The net position in a particular foreign currency is disclosed if the net position (in absolute term) constitutes 10% or more of the total net position in all foreign currencies.

	31 Dec 2016				
	HKD million				
	USD	JPY	CHF	Others	Total
Spot assets	5,138	571	69	691	6,469
Spot liabilities	(5,131)	(570)	(62)	(690)	(6,453)
Forward purchases	515	239	114	190	1,058
Forward sales	(515)	(238)	(114)	(190)	(1,057)
Net options positions	-	-	-	-	-
Net long/(short) position	<u>7</u>	<u>2</u>	<u>7</u>	<u>1</u>	<u>17</u>
Net structural position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	30 Jun 2016				
	HKD million				
	USD	JPY	CHF	Others	Total
Spot assets	4,096	563	54	433	5,146
Spot liabilities	(4,092)	(557)	(28)	(430)	(5,107)
Forward purchases	473	152	117	301	1,043
Forward sales	(473)	(151)	(117)	(301)	(1,042)
Net options positions	-	-	-	-	-
Net long/(short) position	<u>4</u>	<u>7</u>	<u>26</u>	<u>3</u>	<u>40</u>
Net structural position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The above represent the Hong Kong dollar equivalent values of the individual currencies.

Off Balance Sheet and Liquidity Information

11 Contingent liabilities and commitments

(contractual amounts)

31 Dec 2016
HKD'000

30 Jun 2016
HKD'000

Direct credit substitutes

213,691

197,670

Other commitments

6,267,788

5,681,063

12 Derivatives instruments

31 Dec 2016
HKD'000

	Fair Value		Total Notional Amount
	Positive	Negative	

Exchange rate contracts
(exclude forward foreign exchange
contracts arising from swap deposit
arrangements)

22,776

22,126

1,460,922

30 Jun 2016
HKD'000

	Fair Value		Total Notional Amount
	Positive	Negative	

Exchange rate contracts
(exclude forward foreign exchange
contracts arising from swap deposit
arrangements)

20,425

19,703

1,363,917

13 Liquidity Ratio

Average liquidity maintenance ratio for the financial period

31 Dec 2016
45.42%

Average liquidity maintenance ratio for the financial period

31 Dec 2015
71.28%

The average liquidity maintenance ratio for the 12 months ended 2016 and 2015 is the simple average of each calendar month's average liquidity maintenance ratio, which is computed as required by the Hong Kong Monetary Authority for its regulatory purposes, and is in accordance with the Hong Kong Banking Ordinance.

13 Liquidity Ratio (cont'd)

Liquidity Risk Management

Pictet & Cie (Europe) S.A. will ensure Pictet & Cie (Europe) S.A., Hong Kong Branch (PECHK) has adequate liquidity at all time to meet the financial obligations and cash-outflow as they fall due under both a) normal business condition and b) systematic and firm specific crisis based on assumption as per Pictet Group Liquidity Management Policy.

The Pictet Group Liquidity Management Policy is the primary internal policy document that provides direction to the branch's business and functions on the management of liquidity and sets clear governances process which is updated by the Group Treasury.

PECHK's liquidity is managed on a daily basis by Group Treasury. On monthly basis, Group Treasury also conducts stress testing to measure and analysis PECHK's liquidity risks.

Group Treasury maintains a Contingency Funding Plan of PECHK and PECHK also maintains an appropriate mix of high qualified liquid assets as a source of liquidity for meeting emergency funding needs.

Group Consolidated Financial Information

Capital and Capital Adequacy

Capital adequacy ratio (Note)	<u>31 Dec 2016</u>	<u>30 Jun 2016</u>
Common Equity Tier 1 capital ratio	27.02%	25.49%
Tier 1 capital ratio	27.02%	25.49%
Total capital ratio	27.91%	26.33%
	CHF'000	CHF'000
Total shareholders' equity	438,232	438,178

Other financial information

Balance sheet:	CHF'000	CHF'000
Total assets	9,614,099	9,094,494
Total liabilities	9,083,476	8,607,284
Total Loans and advances	4,209,192	4,139,729
Total customer deposits	7,444,618	6,584,744
	<u>31 Dec 2016</u>	<u>31 Dec 2015</u>
Profit and Loss:	CHF'000	CHF'000
Profit / (loss) before income taxes	121,646	155,986

Note:

1. The capital adequacy ratio is computed in accordance with the REGULATION (EU) No 575/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 26 June 2013.