

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

Key Financial Information Disclosure Statements

as at 31 December 2017



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 2017

	Notes	31 Dec 2017 HKD'000	31 Dec 2016 HKD'000
Interest income		77,148	40,975
Interest expense		<u>(23,053)</u>	<u>(15,684)</u>
Net interest income		54,095	25,291
Other operating income	1	<u>254,400</u>	<u>187,306</u>
Total operating income		308,495	212,597
Operating expenses	2	(327,328)	(312,396)
(Impairment losses and provisions) / Write-back for impaired loans and receivables		<u>-</u>	<u>-</u>
Loss before taxation		(18,833)	(99,799)
Tax expense		<u>-</u>	<u>-</u>
Loss after taxation		<u><u>(18,833)</u></u>	<u><u>(99,799)</u></u>

## Balance Sheet

As at 31 December 2017

	Notes	31 Dec 2017 HKD'000	30 Jun 2017 HKD'000
<b>Assets</b>			
Due from Exchange Fund		7,708	11,282
Balances with banks (except those included in amount due from overseas offices)		232,909	160,983
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		1,538,289	1,513,908
Loans and receivables	3	3,599,214	3,675,082
Debt instruments held		2,947,823	2,824,347
Property, plant and equipment		13,041	14,885
Total assets		<u>8,338,984</u>	<u>8,200,487</u>
<b>Liabilities</b>			
Balances from banks (except those included in amount due to overseas offices)		59	319
Deposits from customers	7	3,737,305	3,647,858
Amount due to overseas offices		4,324,385	4,193,794
Other liabilities		277,235	358,516
Total liabilities		<u>8,338,984</u>	<u>8,200,487</u>

## Notes to the Financial Statements

<b>1 Other operating income</b>	Note	31 Dec 2017 HKD'000	31 Dec 2016 HKD'000
Income from fees and commissions			
Fees and commission income		150,760	86,470
Less: Fees and commission expenses		(50,420)	(22,542)
		<u>100,340</u>	<u>63,928</u>
Gains from non-trading activities in foreign currencies		10,738	8,315
Other income		143,322	115,063
		<u>254,400</u>	<u>187,306</u>
 <b>2 Total operating expenses</b>		 31 Dec 2017 HKD'000	 31 Dec 2016 HKD'000
Staff and rental expenses		(267,163)	(253,335)
Other expenses		(60,165)	(59,061)
		<u>(327,328)</u>	<u>(312,396)</u>
 <b>3 Loans and receivables</b>		 31 Dec 2017 HKD'000	 30 Jun 2017 HKD'000
Loans and advances to customers			
- Overdrafts		1,276,532	1,142,222
- Other loans due within 1 month		1,391,890	1,584,588
- Between 1 and 3 months		293,509	377,659
- Between 3 months and 1 year		318,952	175,967
- Later than 1 year		46,935	40,066
Total Loans and advances to customers	4	<u>3,327,818</u>	<u>3,320,502</u>
Accrued interest		11,389	4,175
Provisions for impaired loans and receivables			
Less: collective provisions		-	-
specific provisions		-	-
Other accounts		260,007	350,405
		<u>3,599,214</u>	<u>3,675,082</u>

#### 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 2017		
	HKD'000		
	Secured	Unsecured	Total
Loans and advances for use in Hong Kong			
<u>Industrial, commercial and financial</u>			
Financial concerns	1,660,011	-	1,660,011
<u>Individuals</u>			
Others	533,003	-	533,003
	<u>2,193,014</u>	<u>-</u>	<u>2,193,014</u>
Loans and advances for use outside Hong Kong	<u>1,134,804</u>	<u>-</u>	<u>1,134,804</u>
Total loans and advances to customers	<u>3,327,818</u>	<u>-</u>	<u>3,327,818</u>

	30 Jun 2017		
	HKD'000		
	Secured	Unsecured	Total
Loans and advances for use in Hong Kong			
<u>Industrial, commercial and financial</u>			
Financial concerns	1,843,978	-	1,843,978
<u>Individuals</u>			
Others	819,930	-	819,930
	<u>2,663,908</u>	<u>-</u>	<u>2,663,908</u>
Loans and advances for use outside Hong Kong	<u>656,594</u>	<u>-</u>	<u>656,594</u>
Total loans and advances to customers	<u>3,320,502</u>	<u>-</u>	<u>3,320,502</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 2017	
	HKD'000	
	Loans and advances to customers	Overdue / Impaired loans and advances to customers
British Virgin Islands	1,017,647	-
Hong Kong	567,578	-
Chinese Taipei	550,338	-
Cayman Islands	490,893	-
Japan	357,547	-
Singapore	133,425	-
Bahamas	79,487	-
Others	130,903	-
	<u>3,327,818</u>	<u>-</u>

	30 Jun 2017	
	HKD'000	
	Loans and advances to customers	Overdue / Impaired loans and advances to customers
British Virgin Islands	1,164,487	-
Hong Kong	826,690	-
Cayman Islands	476,632	-
Japan	313,895	-
Chinese Taipei	156,129	-
Singapore	117,545	-
Bahamas	84,483	-
Others	180,641	-
	<u>3,320,502</u>	<u>-</u>

**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 2017 and 30 Jun 2017.

The branch does not have impaired loans and advances to customers and banks as at 31 Dec 2017 and 30 Jun 2017.

**6 Other Assets Overdue and repossessed assets**

The branch does not have any overdue other assets as at 31 Dec 2017 and 30 Jun 2017.

The branch does not have any repossessed assets as at 31 Dec 2017 and 30 Jun 2017.

**7 Deposits from customers**

	31 Dec 2017	30 Jun 2017
	HKD'000	HKD'000
Demand deposits and current accounts	3,657,585	3,477,774
Savings deposits	-	-
Time, call and notice deposits	79,720	170,084
	<u>3,737,305</u>	<u>3,647,858</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 2017					
	HKD million					
	Banks	Official sector	Non-bank financial institutions	Non-financial private sector	Others	Total
Developed Countries	1,891	2,935	-	367	-	5,193
United States	-	1,840	-	-	-	1,840
Switzerland	1,781	-	-	2	-	1,783
Netherlands	-	626	-	-	-	626
Austria	-	469	-	-	-	469
Japan	-	-	-	358	-	358
Others	110	-	-	7	-	117
Offshore Centres	-	-	-	2,254	-	2,254
British Virgin Islands	-	-	-	1,048	-	1,048
Hong Kong	-	-	-	416	-	416
Cayman Islands	-	-	-	491	-	491
Others	-	-	-	299	-	299
Developing Europe	-	-	-	3	-	3
Developing Latin America and Caribbean	-	-	-	17	-	17
Developing Africa and Middle East	-	-	-	12	-	12
Developing Asia and Pacific	556	12	-	63	-	631
Chinese Taipei	548	-	-	4	-	552
Others	8	12	-	59	-	79
	<u>2,447</u>	<u>2,947</u>	<u>-</u>	<u>2,716</u>	<u>-</u>	<u>8,110</u>

**8 International Claims (cont'd)**

	30 Jun 2017 HKD million					
	Banks	Official sector	Non-bank financial institutions	Non- financial private sector	Others	Total
Developed Countries	1,833	2,803	-	353	-	4,989
United States	-	2,803	-	-	-	2,803
Switzerland	1,752	-	-	2	-	1,754
Japan	-	-	-	344	-	344
Others	81	-	-	7	-	88
Offshore Centres	-	-	-	2,716	-	2,716
British Virgin Islands	-	-	-	1,217	-	1,217
Hong Kong	-	-	-	717	-	717
Cayman Islands	-	-	-	479	-	479
Others	-	-	-	303	-	303
Developing Europe	-	-	-	3	-	3
Developing Latin America and Caribbean	-	-	-	16	-	16
Developing Africa and Middle East	-	-	-	12	-	12
Developing Asia and Pacific	163	11	-	82	-	256
Chinese Taipei	156	-	-	1	-	157
Others	7	11	-	81	-	99
	<u>1,996</u>	<u>2,814</u>	<u>-</u>	<u>3,182</u>	<u>-</u>	<u>7,992</u>

## Notes to the Financial Statements

**9 Non-bank Mainland exposures**

	31 Dec 2017 HKD'000		
	On-balance sheet exposure	Off-balance sheet exposure	Total
Central government, central government-owned entities and their subsidiaries and joint-ventures (JVs)	12,012	-	12,012
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	42,291	-	42,291
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	4,504	-	4,504
<b>Total</b>	<b>58,807</b>	<b>-</b>	<b>58,807</b>
Total assets after provision	8,338,984		
On-balance sheet exposures as percentage of total assets	0.71%		
	30 Jun 2017 HKD'000		
	On-balance sheet exposure	Off-balance sheet exposure	Total
Central government, central government-owned entities and their subsidiaries and joint-ventures (JVs)	11,460	-	11,460
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	40,940	-	40,940
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	3,114	-	3,114
<b>Total</b>	<b>55,514</b>	<b>-</b>	<b>55,514</b>
Total assets after provision	8,200,487		
On-balance sheet exposures as percentage of total assets	0.68%		

## 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 2017					
	HKD million					
	USD	CHF	Others		Total	
Spot assets	4,206	121	3,129		7,456	
Spot liabilities	(4,200)	(110)	(3,125)		(7,435)	
Forward purchases	648	167	587		1,402	
Forward sales	(647)	(167)	(587)		(1,401)	
Net options positions	-	-	-		-	
Net long/(short) position	<u>7</u>	<u>11</u>	<u>4</u>		<u>22</u>	
Net structural position	<u>-</u>	<u>-</u>	<u>-</u>		<u>-</u>	

  

	30 Jun 2017					
	HKD million					
	USD	JPY	CHF	EUR	Others	Total
Spot assets	5,821	859	80	248	393	7,401
Spot liabilities	(5,812)	(858)	(79)	(250)	(392)	(7,391)
Forward purchases	481	121	153	208	82	1,045
Forward sales	(480)	(121)	(153)	(208)	(82)	(1,044)
Net options positions	-	-	-	-	-	-
Net long/(short) position	<u>10</u>	<u>1</u>	<u>1</u>	<u>(2)</u>	<u>1</u>	<u>11</u>
Net structural position	<u>-</u>	<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 2017  
HKD'000

30 Jun 2017  
HKD'000

Direct credit substitutes

386,440

456,102

Other commitments

5,973,054

6,876,352

**12 Derivatives instruments**

31 Dec 2017  
HKD'000

	Fair Value		Total Notional Amount
	Positive	Negative	

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

26,478

25,437

2,111,605

30 Jun 2017  
HKD'000

	Fair Value		Total Notional Amount
	Positive	Negative	

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

16,771

15,748

1,413,967

**13 Liquidity Ratio**

Average liquidity maintenance ratio for the financial period

31 Dec 2017  
44.30%

Average liquidity maintenance ratio for the financial period

31 Dec 2016  
45.42%

The average liquidity maintenance ratio for the 12 months ended 2017 and 2016 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.

**Capital and Capital Adequacy**

Capital adequacy ratio (Note)	<u>31 Dec 2017</u>	<u>30 Jun 2017</u>
Common Equity Tier 1 capital ratio	20.86%	22.02%
Tier 1 capital ratio	20.86%	22.02%
Total capital ratio	21.64%	22.85%
	CHF'000	CHF'000
Total shareholders' equity	390,948	388,710

**Other financial information**

Balance sheet:	CHF'000	CHF'000
Total assets	10,416,052	9,717,124
Total liabilities	9,918,901	9,272,912
Total Loans and advances	5,153,544	3,230,846
Total customer deposits	8,445,822	8,087,167

	<u>31 Dec 2017</u>	<u>31 Dec 2016</u>
Profit and Loss:	CHF'000	CHF'000
Profit before income taxes	106,203	121,646

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.