

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

Key Financial Information Disclosure Statements

as at 30 Jun 2016



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

Key Financial Information Disclosure Statements

CONTENTS	PAGES
Profit and loss account	3
Balance sheet	4
Notes to the financial statements	5 – 11
Off balance sheet and liquidity information	12 – 13
Group consolidated financial information	14

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

Profit & Loss Account

For the year ended 30 June 2016

	Notes	6 months ended 30 Jun 2016 HKD'000	6 months ended 30 Jun 2015 HKD'000
Interest income		14,966	7,490
Interest expense		<u>(6,603)</u>	<u>(4,570)</u>
Net interest income		8,363	2,920
Other operating income	1	<u>84,726</u>	<u>96,683</u>
Total operating income		93,089	99,603
Operating expenses	2	(151,192)	(141,785)
(Impairment losses and provisions) / Write-back for impaired loans and receivables		<u>-</u>	<u>-</u>
Loss before taxation		(58,103)	(42,182)
Tax expense		<u>-</u>	<u>-</u>
Loss after taxation		<u><u>(58,103)</u></u>	<u><u>(42,182)</u></u>

Balance Sheet

As at 30 June 2016

	Notes	30 Jun 2016 HKD'000	31 Dec 2015 HKD'000
Assets			
Due from Exchange Fund		15,731	15,854
Balances with banks (except those included in amount due from overseas offices)		118,974	221,892
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		2,394,951	2,142,579
Loans and receivables	3	2,068,972	1,610,550
Debt instruments held		1,414,146	408,458
Property, plant and equipment		16,234	19,295
Total assets		<u>6,029,008</u>	<u>4,418,628</u>
Liabilities			
Balances from banks (except those included in amount due to overseas offices)		24,042	50,024
Deposits from customers	7	3,354,262	3,100,868
Amount due to overseas offices		2,461,944	1,191,585
Other liabilities		188,760	76,151
Total liabilities		<u>6,029,008</u>	<u>4,418,628</u>

Notes to the Financial Statements

1 Other operating income	Note	6 months ended	6 months ended
		30 Jun 2016 HKD'000	30 Jun 2015 HKD'000
Income from fees and commissions			
		34,988	44,769
		(9,215)	(11,768)
		<u>25,773</u>	<u>33,001</u>
Gains from non-trading activities in foreign currencies			
		4,279	3,337
Other income			
		54,674	60,345
		<u>84,726</u>	<u>96,683</u>
2 Total operating expenses			
		30 Jun 2016 HKD'000	30 Jun 2015 HKD'000
Staff and rental expenses			
		(126,639)	(119,903)
Other expenses			
		(24,553)	(21,882)
		<u>(151,192)</u>	<u>(141,785)</u>
3 Loans and receivables			
		30 Jun 2016 HKD'000	31 Dec 2015 HKD'000
Loans and advances to customers			
- Overdrafts		982,614	714,877
- Other loans due within 1 month		363,778	250,944
- Between 1 and 3 months		310,789	446,906
- Between 3 months and 1 year		227,822	161,605
- Later than 1 year		-	-
Total Loans and advances to customers	4	<u>1,885,003</u>	<u>1,574,332</u>
Accrued interest			
		3,409	3,883
Provisions for impaired loans and receivables			
Less: collective provisions		-	-
specific provisions		-	-
Other accounts			
		180,560	32,335
		<u>2,068,972</u>	<u>1,610,550</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.

	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>
	31 Dec 2015 HKD'000		
	Secured	Unsecured	Total
Loans and advances for use in Hong Kong			
<u>Industrial, commercial and financial</u>			
Financial concerns	1,017,226	-	1,017,226
<u>Individuals</u>			
Others	259,096	-	259,096
	<u>1,276,322</u>	<u>-</u>	<u>1,276,322</u>
Loans and advances for use outside Hong Kong	<u>298,010</u>	<u>-</u>	<u>298,010</u>
Total loans and advances to customers	<u>1,574,332</u>	<u>-</u>	<u>1,574,332</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.

	30 Jun 2016 HKD'000	
	Loans and advances to customers	Overdue / Impaired loans and advances to customers
Bermuda	39,057	-
British Virgin Islands	945,587	-
Cayman Islands	129,783	-
Hong Kong	349,223	-
Japan	202,882	-
Micronesia	75,621	-
Others	142,850	-
	1,885,003	-
	1,885,003	-
	31 Dec 2015 HKD'000	
	Loans and advances to customers	Overdue / Impaired loans and advances to customers
Bermuda	39,951	-
British Virgin Islands	730,728	-
Cayman Islands	105,403	-
Chinese Taipei	85,252	-
Hong Kong	377,930	-
Japan	56,248	-
Micronesia	64,426	-
Others	114,394	-
	1,574,332	-
	1,574,332	-

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 30 Jun 2016 and 31 Dec 2015.

The branch does not have impaired loans and advances to banks as at 30 Jun 2016 and 31 Dec 2015.

6 Other Assets Overdue and repossessed assets

The branch does not have any overdue other assets as at 30 Jun 2016 and 31 Dec 2015.

The branch does not have any repossessed assets as at 30 Jun 2016 and 31 Dec 2015.

Notes to the Financial Statements

7 Deposits from customers

	30 Jun 2016	31 Dec 2015
	HKD'000	HKD'000
Demand deposits and current accounts	3,168,115	2,857,923
Savings deposits	-	-
Time, call and notice deposits	186,147	242,945
	<u>3,354,262</u>	<u>3,100,868</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.

	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>

8 International Claims (cont'd)

	31 Dec 2015 HKD million					
	Banks	Official sector	Non-bank financial institutions	Non- financial private sector	Others	Total
Developed Countries	2,356	387	-	81	-	2,824
Switzerland	2,249	-	-	5	-	2,254
Japan	-	-	-	56	-	56
United States	-	387	-	-	-	387
Others	107	-	-	20	-	127
Offshore Centres	-	-	-	1,268	-	1,268
British Virgin Islands	-	-	-	735	-	735
Bermuda	-	-	-	40	-	40
Hong Kong	-	-	-	346	-	346
Others	-	-	-	147	-	147
Developing Europe	-	-	-	2	-	2
Developing Latin America and Caribbean	-	-	-	-	-	-
Developing Africa and Middle East	-	-	-	24	-	24
Developing Asia and Pacific	94	12	-	86	-	192
Chinese Taipei	85	-	-	-	-	85
Others	9	12	-	86	-	107
	<u>2,450</u>	<u>399</u>	<u>-</u>	<u>1,461</u>	<u>-</u>	<u>4,310</u>

Notes to the Financial Statements

9 Non-bank Mainland exposures

	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	-	32,372
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	4,002	-	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%		
	31 Dec 2015 HKD'000		
	On-balance sheet exposure	Off-balance sheet exposure	Total
Central government, central government-owned entities and their subsidiaries and joint-ventures (JVs)	11,936	-	11,936
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	1,169	-	1,169
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	7,156	-	7,156
Total	20,261	-	20,261
Total assets after provision	4,418,628		
On-balance sheet exposures as percentage of total assets	0.46%		

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.

	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>
	31 Dec 2015				
	HKD million				
	USD	JPY	CHF	Others	Total
Spot assets	2,684	366	48	439	3,537
Spot liabilities	(2,680)	(364)	(47)	(436)	(3,527)
Forward purchases	328	131	119	146	724
Forward sales	(328)	(131)	(119)	(146)	(724)
Net options positions	-	-	-	-	-
Net long /(short) position	<u>4</u>	<u>2</u>	<u>1</u>	<u>3</u>	<u>10</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)

30 Jun 2016
HKD'000

31 Dec 2015
HKD'000

Direct credit substitutes

197,670

227,091

Other commitments

5,681,063

3,628,137

12 Derivatives instruments

30 Jun 2016
HKD'000

	Fair Value		Total Notional Amount
	Positive	Negative	

Exchange rate contracts

20,425

19,703

1,363,917

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

31 Dec 2015
HKD'000

	Fair Value		Total Notional Amount
	Positive	Negative	

Exchange rate contracts

11,581

11,024

1,021,426

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

13 Liquidity Ratio

6 months ended
30 Jun 2016

6 months ended
30 Jun 2015

Average liquidity ratio for the financial period

46.25%

93.94%

The average liquidity maintenance ratio for the 6 months ended 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.

Consolidated Financial Information

Capital and Capital Adequacy

Capital adequacy ratio (Note)	<u>30 Jun 2016</u>	<u>31 Dec 2015</u>
Common Equity Tier 1 capital ratio	25.49%	23.27%
Tier 1 capital ratio	25.49%	23.27%
Total capital ratio	26.33%	24.17%
	CHF'000	CHF'000
Total shareholders' equity	438,178	374,955

Other financial information

Balance sheet:	CHF'000	CHF'000
Total assets	9,094,494	8,268,908
Total liabilities	8,607,284	7,765,907
Total Loans and advances	4,139,729	2,681,393
Total customer deposits	6,584,744	6,407,827
	<u>30 Jun 2016</u>	<u>30 Jun 2015</u>
Profit and Loss:	CHF'000	CHF'000
Profit / (loss) before income taxes	57,730	60,048

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.