

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

Key Financial Information Disclosure Statements

as at 30 Jun 2017



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

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

Profit & Loss Account

For the period ended 30 June 2017

	Notes	6 months ended 30 Jun 2017 HKD'000	6 months ended 30 Jun 2016 HKD'000
Interest income		36,494	14,966
Interest expense		<u>(11,762)</u>	<u>(6,603)</u>
Net interest income		24,732	8,363
Other operating income	1	<u>119,946</u>	<u>84,726</u>
Total operating income		144,678	93,089
Operating expenses	2	(155,617)	(151,192)
(Impairment losses and provisions) / Write-back for impaired loans and receivables		<u>-</u>	<u>-</u>
Loss before taxation		(10,939)	(58,103)
Tax expense		<u>-</u>	<u>-</u>
Loss after taxation		<u><u>(10,939)</u></u>	<u><u>(58,103)</u></u>

Balance Sheet

As at 30 June 2017

	Notes	30 Jun 2017 HKD'000	31 Dec 2016 HKD'000
Assets			
Due from Exchange Fund		11,282	14,819
Balances with banks (except those included in amount due from overseas offices)		160,983	167,434
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		1,513,908	1,070,521
Loans and receivables	3	3,675,082	3,573,520
Debt instruments held		2,824,347	2,574,540
Property, plant and equipment		14,885	17,581
Total assets		<u>8,200,487</u>	<u>7,418,415</u>
Liabilities			
Balances from banks (except those included in amount due to overseas offices)		319	12,375
Deposits from customers	7	3,647,858	3,718,772
Amount due to overseas offices		4,193,794	3,539,860
Other liabilities		358,516	147,408
Total liabilities		<u>8,200,487</u>	<u>7,418,415</u>

Notes to the Financial Statements

	Note	6 months ended 30 Jun 2017 HKD'000	6 months ended 30 Jun 2016 HKD'000
1 Other operating income			
Income from fees and commissions			
Fees and commission income		67,187	34,988
Less: Fees and commission expenses		(18,767)	(9,215)
		<u>48,420</u>	<u>25,773</u>
Gains from non-trading activities in foreign currencies		4,859	4,279
Other income		66,667	54,674
		<u>119,946</u>	<u>84,726</u>
2 Total operating expenses			
Staff and rental expenses		(127,408)	(126,639)
Other expenses		(28,209)	(24,553)
		<u>(155,617)</u>	<u>(151,192)</u>
		30 Jun 2017 HKD'000	31 Dec 2016 HKD'000
3 Loans and receivables			
Loans and advances to customers			
- Overdrafts		1,142,222	951,791
- Other loans due within 1 month		1,584,588	1,807,855
- Between 1 and 3 months		377,659	478,515
- Between 3 months and 1 year		175,967	174,084
- Later than 1 year		40,066	18,808
Total Loans and advances to customers	4	<u>3,320,502</u>	<u>3,431,053</u>
Accrued interest		4,175	4,703
Provisions for impaired loans and receivables			
Less: collective provisions		-	-
specific provisions		-	-
Other accounts		350,405	137,764
		<u>3,675,082</u>	<u>3,573,520</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 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>
	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>

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 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	-
	3,320,502	-

	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	-

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 2017 and 31 Dec 2016.

The branch does not have impaired loans and advances to banks as at 30 Jun 2017 and 31 Dec 2016.

6 Other Assets Overdue and repossessed assets

The branch does not have any overdue other assets as at 30 Jun 2017 and 31 Dec 2016.

The branch does not have any repossessed assets as at 30 Jun 2017 and 31 Dec 2016.

Notes to the Financial Statements

7 Deposits from customers

	30 Jun 2017	31 Dec 2016
	HKD'000	HKD'000
Demand deposits and current accounts	3,477,774	3,616,922
Savings deposits	-	-
Time, call and notice deposits	170,084	101,850
	<u>3,647,858</u>	<u>3,718,772</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 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>

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>

Notes to the Financial Statements

9 Non-bank Mainland exposures

	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 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	3,114	-	3,114
Total	55,514	-	55,514
Total assets after provision	8,200,487		
On-balance sheet exposures as percentage of total assets	0.68%		
	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 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	4,023	-	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%		

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 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>
	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>	

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 2017
HKD'000

31 Dec 2016
HKD'000

Direct credit substitutes

456,102

213,691

Other commitments

6,876,352

6,267,788

12 Derivatives instruments

30 Jun 2017
HKD'000

	Fair Value		Total Notional Amount
	Positive	Negative	

Exchange rate contracts

16,771

15,748

1,413,967

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

31 Dec 2016
HKD'000

	Fair Value		Total Notional Amount
	Positive	Negative	

Exchange rate contracts

22,776

22,126

1,460,922

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

13 Liquidity Ratio

6 months ended
30 Jun 2017

6 months ended
30 Jun 2016

Average liquidity ratio for the financial period

44.86%

46.25%

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.

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.

Consolidated Financial Information

Capital and Capital Adequacy

Capital adequacy ratio (Note)	<u>30 Jun 2017</u>	<u>31 Dec 2016</u>
Common Equity Tier 1 capital ratio	22.02%	27.02%
Tier 1 capital ratio	22.02%	27.02%
Total capital ratio	22.85%	27.91%
	CHF'000	CHF'000
Total shareholders' equity	388,710	438,232

Other financial information

Balance sheet:	CHF'000	CHF'000
Total assets	9,717,124	9,614,099
Total liabilities	9,272,912	9,083,476
Total Loans and advances	3,230,846	4,209,192
Total customer deposits	8,087,167	7,444,618
	6 months ended	6 months ended
	<u>30 Jun 2017</u>	<u>30 Jun 2016</u>
Profit and Loss:	CHF'000	CHF'000
Profit before income taxes	70,133	57,730

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.