

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

Key Financial Information Disclosure Statements

as at 30 Jun 2018



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
Chief Executive's Declaration of Compliance	15

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

Profit & Loss Account

For the period ended 30 June 2018

	Notes	6 months ended 30 Jun 2018 HKD'000	6 months ended 30 Jun 2017 HKD'000
Interest income		62,529	36,494
Interest expense		<u>(18,518)</u>	<u>(11,762)</u>
Net interest income		44,011	24,732
Other operating income	1	<u>144,729</u>	<u>119,946</u>
Total operating income		188,740	144,678
Operating expenses	2	<u>(155,798)</u>	<u>(155,617)</u>
Profit before allowances for credit losses		32,942	(10,939)
Allowances for credit losses		(7,403)	-
(Impairment losses and provisions) / Write-back for impaired loans and receivables		<u>-</u>	<u>-</u>
Profit / (Loss) before taxation		25,539	(10,939)
Tax expense		<u>-</u>	<u>-</u>
Profit / (Loss) after taxation		<u><u>25,539</u></u>	<u><u>(10,939)</u></u>

Balance Sheet

As at 30 June 2018

	Notes	30 Jun 2018 HKD'000	31 Dec 2017 HKD'000
Assets			
Due from Exchange Fund		11,631	7,708
Balances with banks (except those included in amount due from overseas offices)		190,212	232,909
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		1,312,758	1,538,289
Loans and receivables	3	6,247,798	3,599,214
Debt instruments held		3,059,817	2,947,823
Property, plant and equipment		11,241	13,041
Total assets		<u>10,833,457</u>	<u>8,338,984</u>
Liabilities			
Balances from banks (except those included in amount due to overseas offices)		5,503	59
Deposits from customers	7	3,276,209	3,737,305
Amount due to overseas offices		6,772,045	4,324,385
Other liabilities		779,700	277,235
Total liabilities		<u>10,833,457</u>	<u>8,338,984</u>

Notes to the Financial Statements

	Note	6 months ended 30 Jun 2018 HKD'000	6 months ended 30 Jun 2017 HKD'000
1 Other operating income			
Income from fees and commissions			
Fees and commission income		107,845	67,187
Less: Fees and commission expenses		(33,113)	(18,767)
		<u>74,732</u>	<u>48,420</u>
Gains from non-trading activities in foreign currencies		7,085	4,859
Other income		62,912	66,667
		<u>144,729</u>	<u>119,946</u>
2 Total operating expenses			
Staff and rental expenses		122,039	127,408
Other expenses		33,759	28,209
		<u>155,798</u>	<u>155,617</u>
		30 Jun 2018 HKD'000	31 Dec 2017 HKD'000
3 Loans and receivables			
Loans and advances to customers			
- Overdrafts		1,272,192	1,276,532
- Other loans due within 1 month		2,298,788	1,391,890
- Between 1 and 3 months		607,151	293,509
- Between 3 months and 1 year		849,551	318,952
- Later than 1 year		45,800	46,935
	4	<u>5,073,482</u>	<u>3,327,818</u>
Less :			
Allowances for credit and other losses		(1,249)	-
Total Loans and advances to customers		<u>5,072,233</u>	<u>3,327,818</u>
Accrued interest		20,546	11,389
Provisions for impaired loans and receivables			
Less: collective provisions		-	-
specific provisions		-	-
Other accounts		1,155,019	260,007
		<u>6,247,798</u>	<u>3,599,214</u>

The allowances for credit and other losses as of 30 Jun 2018 refer to expected credit losses following the transition to IFRS 9.

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 2018 HKD'000		
	Secured	Unsecured	Total
Loans and advances for use in Hong Kong			
<u>Industrial, commercial and financial</u>			
Financial concerns	3,366,056	-	3,366,056
<u>Individuals</u>			
Others	671,654	-	671,654
	<u>4,037,710</u>	<u>-</u>	<u>4,037,710</u>
Loans and advances for use outside Hong Kong	<u>1,035,772</u>	<u>-</u>	<u>1,035,772</u>
	<u>5,073,482</u>	<u>-</u>	<u>5,073,482</u>
	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>
	<u>3,327,818</u>	<u>-</u>	<u>3,327,818</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 2018 HKD'000	
	Loans and advances to customers	Overdue / Impaired loans and advances to customers
British Virgin Islands	2,000,877	-
Cayman Islands	1,156,771	-
Hong Kong	720,676	-
Japan	522,282	-
Chinese Taipei	248,507	-
Singapore	173,162	-
Bahamas	99,751	-
Others	151,456	-
	5,073,482	-

	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	-
	3,327,818	-

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 2018 and 31 Dec 2017.

The branch does not have impaired loans and advances to banks as at 30 Jun 2018 and 31 Dec 2017.

6 Other Assets Overdue and repossessed assets

The branch does not have any overdue other assets as at 30 Jun 2018 and 31 Dec 2017.

The branch does not have any repossessed assets as at 30 Jun 2018 and 31 Dec 2017.

Notes to the Financial Statements

7 Deposits from customers

	30 Jun 2018	31 Dec 2017
	HKD'000	HKD'000
Demand deposits and current accounts	3,258,606	3,657,585
Savings deposits	-	-
Time, call and notice deposits	17,603	79,720
	<u>3,276,209</u>	<u>3,737,305</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 2018					
	HKD million					
	Banks	Official sector	Non-bank financial institutions	Non-financial private sector	Others	Total
Developed Countries	2,159	3,053	-	556	-	5,768
Switzerland	2,068	-	-	2	-	2,070
United States	-	1,985	-	-	-	1,985
Netherlands	-	611	-	-	-	611
Japan	-	-	-	532	-	532
Austria	-	457	-	-	-	457
Others	91	-	-	22	-	113
Offshore Centres	-	-	-	4,276	-	4,276
British Virgin Islands	-	-	-	2,098	-	2,098
Cayman Islands	-	-	-	1,159	-	1,159
Hong Kong	-	-	-	642	-	642
Singapore	-	-	-	181	-	181
Others	-	-	-	196	-	196
Developing Europe	-	-	-	7	-	7
Developing Latin America and Caribbean	-	-	-	23	-	23
Developing Africa and Middle East	-	-	-	35	-	35
Developing Asia and Pacific	242	12	-	153	-	407
Chinese Taipei	236	-	-	102	-	338
Others	6	12	-	51	-	69
	<u>2,401</u>	<u>3,065</u>	<u>-</u>	<u>5,050</u>	<u>-</u>	<u>10,516</u>

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>

Notes to the Financial Statements

9 Non-bank Mainland exposures

	30 Jun 2018 HKD'000		
	On-balance sheet exposure	Off-balance sheet exposure	Total
Central government, central government-owned entities and their subsidiaries and joint-ventures (JVs)	11,909	-	11,909
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	-	-	-
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	2,109	-	2,109
Total	14,018	-	14,018
Total assets after provision	10,833,457		
On-balance sheet exposures as percentage of total assets	0.13%		
	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
Total	58,807	-	58,807
Total assets after provision	8,338,984		
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 2018							Total
	HKD million							
	USD	CHF	EUR	CAD	AUD	SGD	Others	
Spot assets	5,523	93	1,614	10	43	80	1,919	9,282
Spot liabilities	(5,517)	(95)	(1,616)	(9)	(42)	(79)	(1,919)	(9,277)
Forward purchases	482	122	215	-	22	11	148	1,000
Forward sales	(481)	(122)	(215)	-	(22)	(11)	(148)	(999)
Net options positions	-	-	-	-	-	-	-	-
Net long/(short) position	<u>7</u>	<u>(2)</u>	<u>(2)</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>-</u>	<u>6</u>
Net structural position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

	31 Dec 2017				Total
	HKD million				
	USD	CHF	Others		
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>

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 2018 HKD'000	31 Dec 2017 HKD'000
Direct credit substitutes	504,387	386,440
Other commitments	5,634,899	5,973,054

12 Derivatives instruments

30 Jun 2018
HKD'000

	Fair Value		Total Notional Amount
	Positive	Negative	
Exchange rate contracts (exclude forward foreign exchange contracts arising from swap deposit arrangements)	35,135	33,464	2,203,646

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

13 Liquidity Ratio

	3 months ended 30 Jun 2018	3 month ended 31 Mar 2018
Average liquidity maintenance ratio for the financial period	42.13%	41.79%
	6 months ended 30 Jun 2018	6 months ended 30 Jun 2017
Average liquidity maintenance ratio for the financial period	41.96%	44.86%

The average liquidity maintenance ratio for the 3 & 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 2018</u>	<u>31 Dec 2017</u>
Common Equity Tier 1 capital ratio	20.92%	20.86%
Tier 1 capital ratio	20.92%	20.86%
Total capital ratio	21.70%	21.64%
	CHF'000	CHF'000
Total shareholders' equity	389,758	390,948

Other financial information

Balance sheet:	CHF'000	CHF'000
Total assets	11,096,060	10,416,052
Total liabilities	10,650,753	9,918,901
Total Loans and advances	5,974,040	5,153,544
Total customer deposits	7,870,509	8,445,822
	6 months ended	6 months ended
	<u>30 Jun 2018</u>	<u>30 Jun 2017</u>
Profit and Loss:	CHF'000	CHF'000
Profit before income taxes	55,549	70,133

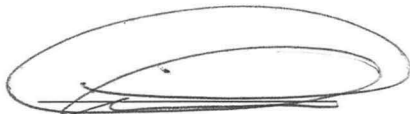
Note:

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.

Chief Executive's Declaration of Compliance

The Interim Disclosure Statement was prepared in accordance with the Banking (Disclosure) Rules made by Hong Kong Monetary Authority under Section 60A of the Banking Ordinance (Cap.155). To the best of my knowledge, the information contained in the statement is not false or misleading in any material respect.

A copy of the Disclosure Statement has been lodged with the Hong Kong Monetary Authority's Public Registry and is available on the website <https://www.group.pictet/about/worldwide-offices/hong-kong>, for public inspection.



Sharon Chou
Chief Executive, Hong Kong Branch

Date: 27 September 2018