



COUTTS & CO LTD, HONG KONG BRANCH

KEY FINANCIAL INFORMATION DISCLOSURE STATEMENT

AS AT 31 DECEMBER 2016



COUTTS & CO LTD

HONG KONG BRANCH

We are pleased to enclose the Key Financial Information Disclosure Statement (the "Disclosure Statement") relating to Coutts & Co Ltd, Hong Kong Branch ("the Branch") for the year ended 31 December 2016.

This Disclosure Statement was prepared in accordance with Banking Ordinance CAP 155M Banking (Disclosure) Rules and Supervisory Policy Manual (CA-D-1) Guideline on the application of the Banking (Disclosure) Rules by Hong Kong Monetary Authority.

The Disclosure Statement has been compiled from the books and records of the Branch. During the reporting period, there was no contravention of rules made under section 60A (1) in the return relating to Certificate of Compliance with the Banking Ordinance (MA(BS)IF (a) and (b)).

Martin Thurnham
Chief Executive

31 March 2017

*Coutts & Co Ltd**Hong Kong Branch**Section A – Branch Information (Hong Kong Branch only)***(1) Profit and loss information**

	31-Dec-16 HKD'000	31-Dec-15 HKD'000
Interest income	42,735	136,267
Interest expense	(20,213)	(101,720)
Net interest income	22,522	34,547
Other operating income		
- Fees and commission income	37,717	263,359
- Fees and commission expense	-	(46,030)
Net fees and commission income	37,717	217,329
Gains less losses arising from trading in foreign currencies	11,569	76,289
Gains less losses arising from trading in other derivatives	-	461
Others	285	961
Total income	72,093	329,587
Operating expenses		
Staff and rental expenses	(92,280)	(323,831)
Intra-group Administration Expenses	(7,846)	(90,930)
Other expenses	(28,225)	(170,635)
	(128,351)	(585,396)
Impairment charges on advances to customers	-	-
Loss before taxation	(56,258)	(255,809)
Taxation	-	-
Loss after taxation	(56,258)	(255,809)
Extraordinary profit net of tax	323,226	-
Profit/(loss) for the year	266,968	(255,809)

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(II) **Balance sheet**

	31-Dec-16 HKD'000	30-Jun-16 HKD'000
Assets		
Cash and balances with banks (except those included in amount due from overseas offices of the institution)	101,968	274,937
Amount due from Exchange Fund	617	-
Placements with banks which have a residual contractual maturity of more than one month but not more than twelve months	1,049	2,414
Amount due from overseas offices of the institution	530,602	417,860
Loan and receivables		
- Loan and advances to customers	84,924	362,263
- Specific provisions for such loan and advances	-	(203,101)
- Loan and advances to banks	-	-
- Accrued interest and other accounts	27,665	85,801
Investment securities	9,999	119,728
Property, plant and equipment	-	-
Total assets	756,824	1,059,902
Liabilities		
Deposits and balances from banks (except those included in amount due to overseas offices of the institution)	239,802	100,949
Amount due to Exchange Fund	-	23,055
Deposits from customers	94,694	247,671
- Savings deposits	94,694	243,815
- Time, call and notice deposits	-	3,856
Amount due to overseas offices of the institution	313,487	473,295
Other liabilities	108,841	214,932
Total liabilities	756,824	1,059,902

Coutts & Co Ltd
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(III) Additional balance sheet information

1. Loans and advances and other accounts

	31-Dec-16 HKD'000	30-Jun-16 HKD'000
Gross impaired loans and advances to customers	-	203,101
Amount of specific provisions made for such loans and advances	-	203,101
Value of collateral which has been taken into account in respect of such loans and advances to which the specific provisions relate	-	-
Percentage of such loans and advances to total advances to customers	0.00%	56.06%
Impaired loans and advances breakdown by geographical area		
- Singapore	-	203,101

There were no repossessed assets, and no reschedule loans and advances to banks and customers as at 31 December 2016 or 30 June 2016.

2. Analysis of gross amount of loans and advances to customers by industry

	31-Dec-16	30-Jun-16
	Covered by collateral	Covered by collateral
	HKD'000	HKD'000
a) Loans and advances for use in Hong Kong		
Industrial, commercial and financial sectors		
Property investment	-	-
Other	-	-
	-	-

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(III) Additional balance sheet information – continued

Individuals	31-Dec-16		30-Jun-16	
	HKD'000	Covered by collateral HKD'000	HKD'000	Covered by collateral HKD'000
Loans for the purchase of other residential properties	11,237	11,237	11,223	11,223
Other	67,543	3,714	109,853	58,342
	<u>78,780</u>	<u>78,780</u>	<u>121,076</u>	<u>69,565</u>
Loans and advances for use in Hong Kong	78,780	78,780	121,076	69,565
b) Loans and advances for use outside Hong Kong	6,144	2,118	241,187	37,992
Total loans and advances to customers	<u>84,924</u>	<u>84,924</u>	<u>362,263</u>	<u>107,557</u>

The above sectoral analysis has been classified according to the usage of loans and advances based on categories and definition used by the Hong Kong Monetary Authority.

3. Analysis of gross amount of loans and advances to customers by geographical concentration

Countries	31-Dec-16 HKD'000	30-Jun-16 HKD'000
British Virgin Islands	1	
Hong Kong	78,780	121,076
Singapore	5,987	213,767
Others	156	155
	<u>84,924</u>	<u>362,263</u>

The analysis above is based on the location of the counterparty after adjusting transfer of risk as defined by Hong Kong Monetary Authority.

(III) Additional balance sheet information – continued

4. Geographical disclosure of cross-border claims by types of counterparties

As at 31 Dec 16

<i>Equivalent in millions of HK\$</i>	Banks	Non-Bank Private Sector			Total
		Non-bank Financial Institutions	Non-financial Private Sector	Others	
Developed Countries	348	-	-	-	348
of which United Kingdom	1	-	-	-	1
of which United States	22	-	-	-	22
Offshore Centres	275	-	95	-	370
of which British Virgin Islands	-	-	-	-	-
of which Singapore	234	-	6	-	240

As at 30 Jun 16

<i>Equivalent in millions of HK\$</i>	Banks	Non-Bank Private Sector			Total
		Non-bank Financial Institutions	Non-financial Private Sector	Others	
Developed Countries	423	-	-	-	423
of which United Kingdom	5	-	-	-	5
of which United States	35	-	-	-	35
Offshore Centres	14	-	241	-	255
of which British Virgin Islands	-	-	27	-	27
of which Singapore	14	-	214	-	228

The above geographical disclosure of cross-border claims is based on the location of the counterparty after adjusting transfer of risk set out in the return "International Banking Statistics" (MA(BS)21).

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(III) Additional balance sheet information – continued

5. Currency Risk

As at 31 Dec 16

<i>Equivalent in millions of HK\$</i>	USD	CNY	SGD	CHF	Others	Total
Spot assets	66	16	237	340	2	661
Spot liabilities	(104)	(16)	(237)	(340)	(1)	(698)
Forward purchases	38	-	-	-	-	38
Forward sales	-	-	-	-	-	-
Net option position	-	-	-	-	-	-
Net long (short) position	-	-	-	-	1	1
Net structural position	-	-	-	-	-	-

As at 30 Jun 16

<i>Equivalent in millions of HK\$</i>	USD	CNY	EUR	CHF	Others	Total
Spot assets	195	32	111	386	142	866
Spot liabilities	(319)	(32)	(10)	(435)	(141)	(937)
Forward purchases	286	39	-	47	95	467
Forward sales	(162)	(39)	(101)	-	(94)	(396)
Net option position	-	-	-	-	-	-
Net long (short) position	-	-	-	(2)	2	-
Net structural position	-	-	-	-	-	-

The basis of calculation for the above currency risk is based on the notional value set out in the return “Foreign Currency Position” (MA(BS)6).

6. Non-bank China exposures

<i>Equivalent in millions of HK\$</i>	As at 31 Dec 16			As at 30 Jun 16		
	On- balance sheet exposure	Off- balance sheet exposure	Total exposures	On- balance sheet exposure	Off- balance sheet exposure	Total exposures
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	-	-	-	-	-	-
Other Counterparties where the exposures are considered by the reporting institution to be non-bank China exposure	-	-	-	-	-	-
Total	-	-	-	-	-	-
Total assets after provision	756			1,060		
On-balance sheet exposures as % of total assets	0.00%			0.00%		

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(IV) Off-balance sheet exposures

	31-Dec-16 HKD'000	30-Jun-16 HKD'000
Contingent liabilities and commitments		
Direct credit substitutes	-	20,201
Other commitments	37,287	257,292
	<u>37,287</u>	<u>277,493</u>

(V) Derivatives Transactions

Derivatives – Contract amount:

Exchange rate & precious metals related derivative contracts	37,985	2,693,166
Others	-	164,994
	<u>37,985</u>	<u>2,858,160</u>

Derivatives assets:

Exchange rate & precious metals related derivative contracts	2	31,065
Others	-	17,651
	<u>2</u>	<u>48,716</u>

Derivatives liabilities:

Exchange rate & precious metals related derivative contracts	11	31,793
Others	-	17,651
	<u>11</u>	<u>49,444</u>

The above derivatives assets and liabilities, being the positive or negative marked-to-market value of the respective derivative contracts, represent gross replacement costs, as none of these contracts are subject to any bilateral netting arrangements.

(VI) Liquidity

	31-Dec-16	31-Dec-15
Average liquidity ratio for the year	<u>152.37%</u>	<u>47.25%</u>

(VI) Liquidity - continued

Coutts & Co Ltd, Hong Kong Branch manages its liquidity risk in accordance to the Branch's and Head Office's Liquidity Policy, which is governed by a set of principles approved by Assets and Liabilities Committee. The policy provides a set of guidelines for the prudent management of liquidity in the normal course of business. The Branch also follows the guidance set forth by the HKMA in Supervisory Policy Manual LM-2, Sound Systems and Controls for Liquidity Risk Management.

Specifically the liquidity policy sets out: 1) Governance; definition of ownership for the Branch's Liquidity Risk Management Framework. 2) Contingency Funding Plans; identification, monitoring and testing of contingent sources of liquidity and specification of procedures for exacting plans if circumstances require. 3) Risk Tolerance, Measurement and Monitoring; definition of the Branch's risk tolerance through metrics and limits for measuring, monitoring and managing liquidity risks. 4) Funding Plans; forecasting the Branch's funding and liquidity requirements during the normal course of business.

(VII) Disclosure on Remuneration

Pursuant to section 3 of Supervisory Policy Manual (CG-5) Guideline on a Sound Remuneration System issued by the HKMA, Coutts & Co Ltd, Hong Kong Branch complies with the requirements and has adopted the remuneration system of the parent company.

The remuneration of members of the key management during the financial period is as follows:

	HKD'000
Fixed remuneration	7,573
Variable remuneration – cash based	808
Share-based payments	4,432
Number of beneficiaries	7

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Section B – Bank Information (Consolidated basis)

The following information relates to Coutts & Co Ltd, ultimately a wholly owned subsidiary of The Royal Bank of Scotland Group plc.

(I) Capital and capital adequacy	At 31-Dec-16 CHF'000	At 30-Jun-16 CHF'000
Shareholders' equity	624,044	1,129,844
Capital adequacy ratio	117.23%	118.06%

The capital adequacy ratio is computed in accordance with the Basel Capital Accord and incorporates market risk.

(II) Other financial information	At 31-Dec-16 CHF'000	At 30-Jun-16 CHF'000
Total assets	873,866	2,281,612
Total liabilities	249,822	1,151,768
Total loans and advances	109,973	352,798
Total customer deposits	98,204	806,932
	Year ended 31-Dec-16 CHF'000	Year ended 31-Dec-15 CHF'000
Pre-tax profits/(loss)	94,719	(126,333)