



COUTTS & CO LTD, HONG KONG BRANCH

KEY FINANCIAL INFORMATION DISCLOSURE STATEMENT

AS AT 30 JUNE 2015

**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.

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 period ended 30 June 2015.

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)1F (a) and (b)).

(I) Capital and capital adequacy	At 30-Jun-15	At 31-Dec-14
	CHF'000	CHF'000
Shareholders' equity	1,111,419	1,169,004
Capital adequacy ratio	26.62%	25.09%

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

(II) Other financial information	At 30-Jun-15	At 31-Dec-14
	CHF'000	CHF'000
Total assets	12,985,430	14,194,793
Total liabilities	11,874,012	13,025,789
Total loans and advances	4,163,702	4,931,426
Total customer deposits	10,781,012	12,233,398
Pre-tax profits	(57,819)	28,523

  
Jeff See  
Chief Executive

25 September 2015

(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:

Fixed remuneration	HKD'000
Variable remuneration – cash based	8,094
Share-based payments	3,745
Number of beneficiaries	-
	5

(I) Profit and loss information

	30-Jun-15 HKD'000	30-Jun-14 HKD'000
Interest income	74,251	108,460
Interest expense	(65,838)	(48,703)
Net interest income	8,413	59,757
Other operating income		
- Fees and commission income	124,391	141,340
- Fees and commission expense	(10,328)	(10,994)
Net fees and commission income	114,063	130,346
Gains less losses arising from trading in foreign currencies	52,584	9,341
Gains less losses arising from trading in other derivatives	490	958
Others	590	1,574
Total income	176,140	201,976
Operating expenses		
Staff and rental expenses	(180,525)	(186,306)
Intra-group Administration Expenses	(19,283)	(24,174)
Other expenses	(27,479)	(40,876)
	(227,287)	(251,356)
Impairment charges on advances to customers	-	62
Loss before taxation	(51,147)	(49,318)
Taxation	-	-
Loss after taxation	(51,147)	(49,318)

**Coutts & Co Ltd**  
**Hong Kong Branch**

(11) Balance sheet

	30-Jun-15 HKD'000	31-Dec-14 HKD'000
<b>Assets</b>		
Cash and balances with banks (except those included in amount due from overseas offices of the institution)	9,933,304	6,907,385
Amount due from Exchange Fund	-	-
Placements with banks which have a residual contractual maturity of more than one month but not more than twelve months	7,752	65,259
Amount due from overseas offices of the institution	663,823	2,238,493
Loan and receivables		
- Loan and advances to customers	8,215,854	8,743,210
- Specific provisions for such loan and advances	(203,202)	(207,217)
- Loan and advances to banks	-	-
- Accrued interest and other accounts	164,318	193,385
Investment securities	149,999	149,915
Property, plant and equipment	18,287	16,372
Total assets	<u>18,950,135</u>	<u>18,106,802</u>
<b>Liabilities</b>		
Deposits and balances from banks (except those included in amount due to overseas offices of the institution)	67,731	19,488
Amount due to Exchange Fund	235,565	45,451
Deposits from customers	15,582,030	15,841,551
- Savings deposits	12,489,093	12,115,507
- Time, call and notice deposits	3,092,937	3,726,044
Amount due to overseas offices of the institution	2,607,641	1,771,519
Other liabilities	457,168	428,793
Total liabilities	<u>18,950,135</u>	<u>18,106,802</u>

**Coutts & Co Ltd**  
**Hong Kong Branch**

(IV) Off-balance sheet exposures

**Contingent liabilities and commitments**

Direct credit substitutes  
Other commitments

	30-Jun-15 HKD'000	31-Dec-14 HKD'000
	135,242	138,260
	13,278,317	13,673,989
	<u>13,413,559</u>	<u>13,812,249</u>

(V) Derivatives Transactions

**Derivatives – Contract amount:**

Exchange rate & precious metals  
related derivative contracts  
Others

	30-Jun-15	31-Dec-14
	8,056,388	9,670,106
	1,938,118	1,498,326
	<u>9,994,506</u>	<u>11,168,432</u>

**Derivatives assets:**

Exchange rate & precious metals  
related derivative contracts  
Others

	30-Jun-15	31-Dec-14
	33,872	82,326
	48,133	36,510
	<u>82,005</u>	<u>118,836</u>

**Derivatives liabilities:**

Exchange rate & precious metals  
related derivative contracts  
Others

	30-Jun-15	31-Dec-14
	28,552	71,288
	48,133	36,297
	<u>76,685</u>	<u>107,585</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

Average liquidity ratio for the year

	30-Jun-15	30-Jun-14
	47.25%	74.34%



(III) Additional balance sheet information – continued

5. Currency Risk

As at 30 Jun 15

Equivalent in millions of HK\$	USD	CNY	EUR	CHF	Others	Total
Spot assets	11,523	38	955	571	3,080	16,167
Spot liabilities	(11,859)	(1,895)	(181)	(630)	(2,451)	(17,016)
Forward purchases	3,128	1,906	284	165	668	6,151
Forward sales	(2,790)	(41)	(1,059)	(120)	(1,297)	(5,307)
Net option position	-	-	-	-	-	-
Net long (short) position	2	8	(1)	(14)	-	(5)
Net structural position	-	-	-	18	-	18

As at 31 Dec 14

Equivalent in millions of HK\$	USD	CNY	SGD	CHF	Others	Total
Spot assets	11,181	47	985	706	2,430	15,349
Spot liabilities	(10,758)	(1,691)	(914)	(747)	(2,258)	(16,368)
Forward purchases	3,861	2,051	20	41	2,563	8,536
Forward sales	(4,285)	(396)	(92)	(8)	(2,730)	(7,511)
Net option position	-	-	-	-	-	-
Net long (short) position	(1)	11	(1)	(8)	5	6
Net structural position	-	-	-	16	-	16

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

Equivalent in millions of HK\$	As at 30 Jun 15			As at 31 Dec 14		
	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	23	-	23	93	-	93
Other Counterparties where the exposures are considered by the reporting institution to be non-bank China exposure	33	-	33	21	1	22
Total	56	-	56	114	1	115
Total assets after provision	18,950			18,107		
On-balance sheet exposures as % of total assets	0.29%			0.63%		

(III) Additional balance sheet information

1. Loans and advances and other accounts

	30-Jun-15 HKD'000	31-Dec-14 HKD'000
Gross impaired loans and advances to customers	203,202	207,217
Amount of specific provisions made for such loans and advances	203,202	207,217
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	2.47%	2.37%
Impaired loans and advances breakdown by geographical area		
- Singapore	203,202	207,217
There were no repossessed assets, and no reschedule loans and advances to banks and customers as at 30 June 2015 or 31 December 2014.		

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

	30-Jun-15 HKD'000	31-Dec-14 HKD'000	Covered by collateral HKD'000	Covered by collateral HKD'000
a) Loans and advances for use in Hong Kong				
Industrial, commercial and financial sectors	923,078	923,078	995,749	995,743
Property investment	923,078	923,078	995,749	995,743

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**Hong Kong Branch**

(III) Additional balance sheet information – continued

Individuals				
Loans for the purchase of other residential properties	358,580	358,580	390,339	390,339
Other	1,599,686	1,537,170	1,644,787	1,581,282
	1,958,266	1,895,750	2,035,126	1,971,621
Loans and advances for use in Hong Kong	3,213,336	3,150,820	3,329,171	3,265,662
b) Loans and advances for use outside Hong Kong	5,002,518	4,793,320	5,414,039	5,206,774
<b>Total loans and advances to customers</b>	<b>8,215,854</b>	<b>7,944,140</b>	<b>8,743,210</b>	<b>8,472,436</b>

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	30-Jun-15 HKD'000	31-Dec-14 HKD'000
British Virgin Islands	3,184,083	3,350,535
Hong Kong	2,428,343	2,527,942
Singapore	1,546,339	1,858,396
Taiwan	361,091	273,094
Others	695,998	733,243
	<b>8,215,854</b>	<b>8,743,210</b>

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

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**Hong Kong Branch**

(III) Additional balance sheet information – continued

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

As at 30 Jun 15					
Equivalent in millions of HK\$	Banks	Non-Bank Private Sector		Others	Total
		Non-bank Financial Institutions	Non-financial Private Sector		
Developed Countries	9,758	-	109	-	9,867
of which United Kingdom	4,160	-	7	-	4,167
of which United States	3,013	-	-	-	3,013
<b>Offshore Centres (excluding Hong Kong) of which British Virgin Islands</b>	<b>-</b>	<b>-</b>	<b>4,741</b>	<b>-</b>	<b>4,741</b>
	-	-	3,155	-	3,155

As at 31 Dec 14					
Equivalent in millions of HK\$	Banks	Non-Bank Private Sector		Others	Total
		Non-bank Financial Institutions	Non-financial Private Sector		
Developed Countries	6,841	-	62	-	6,903
of which United Kingdom	3,180	-	2	-	3,182
<b>Offshore Centres (excluding Hong Kong) of which British Virgin Islands</b>	<b>-</b>	<b>-</b>	<b>5,628</b>	<b>-</b>	<b>5,628</b>
of which Singapore	-	-	3,338	-	3,338
	-	-	1,832	-	1,832

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