

Barclays Bank PLC
Hong Kong Branch

Key Financial Information Disclosure Statement

As at 31 December 2017



Barclays Bank PLC

Hong Kong Branch

SECTION A - Branch Information (Hong Kong office only)

Income statement

For the year ended 31 December 2017

	Notes	31 Dec 2017 HKD million	31 Dec 2016 HKD million
Continuing operations			
Interest Income		199	89
Interest expense		<u>(71)</u>	<u>(113)</u>
Net Interest income/(expense)		128	(24)
Other operating income	1	302	457
Net fees and commission income	2	1,291	1,094
Operating expenses	3	<u>(1,674)</u>	<u>(2,194)</u>
Gains less losses from disposal of property, plant and equipment and investment properties		<u>-</u>	<u>(33)</u>
Profit/(loss) before taxation		47	(700)
Tax (expense)/credit		<u>(9)</u>	<u>112</u>
Profit/(loss) after taxation in respect of continuing operations		<u>38</u>	<u>(588)</u>
(Loss)/profit after taxation in respect of discontinued operations	4	<u>(12)</u>	<u>99</u>
Profit/(loss) after taxation for the period		<u><u>26</u></u>	<u><u>(489)</u></u>

Balance sheet

As at 31 December 2017

		31 Dec 2017 HKD million	30 Jun 2017 HKD million
Assets			
Cash and balances with banks		203	200
Amount due from Exchange Fund		80	64
Amount due from overseas offices		2,182	6,337
Investment securities		2,432	3,024
Loans and receivables	5	421	1,104
Other accounts		117	153
Deferred tax assets		423	406
Property, plant and equipment and investment properties		<u>72</u>	<u>82</u>
Total Assets		<u><u>5,930</u></u>	<u><u>11,370</u></u>
Liabilities			
Deposits from customers	6	1,221	1,281
Amount due to overseas offices		4,526	9,779
Other liabilities	7	<u>183</u>	<u>310</u>
Total Liabilities		<u><u>5,930</u></u>	<u><u>11,370</u></u>

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Off-balance sheet and Liquidity Information As at 31 December 2017

	31 Dec 2017 HKD million	30 Jun 2017 HKD million
Contingent liabilities and commitments		
Trade-related contingencies	419	475
Other commitments	180	248

Derivatives instruments

	31 Dec 2017 HKD million		
	<u>Fair Value</u> <u>Assets</u>	<u>Fair Value</u> <u>Liabilities</u>	<u>Total Notional</u> <u>Amount</u>
Exchange rate-related derivative contracts	17	14	5,026
	<u>17</u>	<u>14</u>	<u>5,026</u>
	30 Jun 2017 HKD million		
	<u>Fair Value</u> <u>Assets</u>	<u>Fair Value</u> <u>Liabilities</u>	<u>Total Notional</u> <u>Amount</u>
Exchange rate-related derivative contracts	19	16	16,451
	<u>19</u>	<u>16</u>	<u>16,451</u>

The notional amounts of the above instruments indicate the volume of transactions outstanding as of the balance sheet date. They do not represent amounts at risk.

Liquidity ratio	31 Dec 2017	31 Dec 2016
Average Liquidity Maintenance Ratio for the financial period	217.5%	95.4%

Barclays PLC ("the Group") has a comprehensive Key Risk Control Framework for managing the Group's liquidity risk. The Liquidity Framework meets the Prudential Regulation Authority's (PRA) standards and is designed to maintain that the Group has liquidity resources that are sufficient in amount and quality, and a funding profile that is appropriate to meet the liquidity risk appetite (LRA). The Liquidity Framework is delivered via a combination of policy formation, review and governance, analysis, stress testing, limit setting and monitoring.

Under the Liquidity Framework, the Group has established the LRA expressed in the form of limits and complementary controls for the management of the liquidity risk. This is the level of liquidity risk the Group chooses to take in pursuit of its business objectives and in meeting its regulatory obligations. The key expression of the liquidity risk is through internal stress tests. It is measured with reference to the liquidity pool compared to anticipated net stressed outflows for specific scenarios.

The Group runs three short-term liquidity stress scenarios aligned to the PRA's prescribed stresses, including but not limited to:

- 90-day market-wide stress event
- 30-day Barclays-specific stress event
- combined 30-day market-wide and Barclays-specific stress event

In Hong Kong the local stress test is more conservative than the liquidity maintenance ratio. The stress test report is produced automatically each day and provided to the country treasurer and to local and regional liquidity managers. The objectives of the stress test are to identify sources of potential liquidity risk and ensure that current exposures are within the mandated LRA.

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Notes to the Financial Statements

	Notes	31 Dec 2017 HKD million	31 Dec 2016 HKD million
1 Other operating income			
Income from foreign currency related activities			
- Transfer pricing income		60	72
- Trading gains less losses from foreign currency trading		13	32
Income from securities-related activities			
- Transfer pricing income		242	472
Loss from derivatives-related activities			
- Transfer pricing expense		(13)	(119)
		<u>302</u>	<u>457</u>
2 Net fees and commission income			
Gross fees and commission income		1,375	1,202
Gross fees and commission expenses		(84)	(108)
		<u>1,291</u>	<u>1,094</u>
3 Operating expenses			
Management fee recharged from related companies		(1,632)	(2,118)
Depreciation		(45)	(61)
Others		3	(15)
		<u>(1,674)</u>	<u>(2,194)</u>

4 (Loss)/profit after taxation in respect of discontinued operations

The Branch has disposed the assets and liabilities of the Wealth and Investment Management business on 25 November 2016. This sale was part of the divestment of the non-core segment of Barclays Group.

The results of the discontinued operations are as follows:

	31 Dec 2017 HKD million	31 Dec 2016 HKD million
Income before operating expenses	-	228
Operating expenses	(14)	(463)
Loss before taxation	(14)	(235)
Tax credit	2	39
Loss after taxation	(12)	(196)
Gain on disposal of discontinued operations net of tax	-	295
(Loss)/profit after taxation from discontinued operations	<u>(12)</u>	<u>99</u>

		31 Dec 2017 HKD million	30 Jun 2017 HKD million
5 Loans and receivables			
Loans and advances to customers	8, 9, 11	241	885
Other receivables			
- Accrued interest		1	2
- Other receivables		179	217
		<u>421</u>	<u>1,104</u>

Impairment allowances for loans and receivables booked at Head Office
- collective impairment allowances

	<u>(1)</u>	<u>(4)</u>
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The Group assesses at each balance sheet date whether there is objective evidence that loan assets will not be recovered in full and, wherever necessary, recognises an impairment loss in the income statement.

An impairment loss is recognised if there is objective evidence of impairment as a result of events that have occurred and these have adversely impacted the estimated future cash flows from the assets.

Impairment assessments are conducted individually for significant assets and collectively for smaller loans and for portfolio level risks, such as country or sectoral risks. For the purposes of the assessment, loans with similar credit risk characteristics are grouped together – generally on the basis of their product type, industry, geographical location, collateral type, past due status and other factors relevant to the evaluation of expected future cash flows.

The impairment assessment includes estimating the expected future cash flows from the asset or the group of assets, which are then discounted using the original effective interest rate calculated for the asset. If this is lower than the carrying value of the asset or the portfolio, an impairment allowance is raised.

A new accounting standard, IFRS 9 is effective from 1 January 2018. IFRS 9 prescribes the rules for measuring allowances for financial asset, the classification and measurement of financial assets and hedge accounting. The revised impairment model require entities to recognise expected credit losses based on unbiased forward looking information. The IFRS 9 impairment model will be applicable to all financial assets at amortised cost, debt financial asset at fair value through other comprehensive income and loan commitments. The key impact to Barclays Group on the transition to IFRS 9, can be referred to the "Barclays PLC IFRS 9 Transition Note" which can be obtained at www.barclays.com.

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Notes to the Financial Statements (continued)

	31 Dec 2017	30 Jun 2017
	HKD million	HKD million
6 Deposits from customers		
Demand deposits and current accounts	43	42
Time, call and notice deposits	1,178	1,239
	<u>1,221</u>	<u>1,281</u>
7 Other liabilities		
Accrued interest	7	12
Other liabilities	176	298
	<u>183</u>	<u>310</u>

8 Analysis of advances to customers by industry sector

	31 Dec 2017		
	HKD million		
	<u>Secured</u>	<u>Unsecured</u>	<u>Total</u>
Loans and advances for use outside Hong Kong	-	241	241
Total loans and advances to customers	<u>-</u>	<u>241</u>	<u>241</u>
	30 Jun 2017		
	HKD million		
	<u>Secured</u>	<u>Unsecured</u>	<u>Total</u>
Loans and advances for use outside Hong Kong	-	885	885
Total loans and advances to customers	<u>-</u>	<u>885</u>	<u>885</u>

9 Overdue loans and advances to customers and banks

The Branch did not have any overdue or rescheduled loans and advances to customers and banks as at 31 Dec 2017 and 30 Jun 2017.

The Branch did not have any impaired loans and advances to customers and banks as at 31 Dec 2017 and 30 Jun 2017.

10 Repossessed assets

The Branch did not have any repossessed assets as at 31 Dec 2017 and 30 Jun 2017.

11 Loans and advances to customers by geography

	31 Dec 2017	30 Jun 2017
	HKD million	HKD million
China	-	130
Macau	241	755
	<u>241</u>	<u>885</u>

Loans and advances to customer by country are classified according to the location of the counterparties after taking into account the transfer of risk.

Countries constituting 10% or more of the aggregate amount of loans and advances to customers are disclosed.

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Notes to the Financial Statements (continued)

12 International claims

	31 Dec 2017 HKD million			
	Banks	Non-bank financial institutions	Non-financial private sector	Total
Developed countries	2,389	-	-	2,389
<i>of which</i> United Kingdom (excludes Guernsey, Isle of Man and Jersey)	2,387	-	-	2,387
Offshore centres	201	-	244	445

	30 Jun 2017 HKD million			
	Banks	Non-bank financial institutions	Non-financial private sector	Total
Developed countries	6,561	-	2	6,563
<i>of which</i> United Kingdom (excludes Guernsey, Isle of Man and Jersey)	6,556	-	2	6,558
Offshore centres	194	-	756	950

International claims information discloses exposures in relation to all cross-border claims and local claims in foreign currencies after taking into account the transfer of risk. The above information is prepared in accordance with the HKMA Return of International Banking Statistics MA(BS)21 completion instructions.

Countries constituting 10% or more of total international claims are disclosed.

13 Non-bank Mainland exposures

	31 Dec 2017 HKD million			30 Jun 2017 HKD million		
	On-balance sheet exposure	Off-balance sheet exposure	Total	On-balance sheet exposure	Off-balance sheet exposure	Total
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	-	-	-	131	-	131
Total	-	-	-	131	-	131
Total assets after provision	5,930			11,370		
On-balance sheet exposure as percentage of total assets	0.00%			1.15%		

14 Currency Risk

	31 Dec 2017 HKD million					
	USD	RMB	AUD	EUR	Others	Total
Spot assets	238	15	8	-	14	275
Spot liabilities	(1,205)	(249)	(8)	-	(14)	(1,476)
Forward purchases	2,989	804	-	-	-	3,793
Forward sales	(2,024)	(564)	-	-	-	(2,588)
Net options position	-	-	-	-	-	-
Net long/(short) position	(2)	6	-	-	-	4

	30 Jun 2017 HKD million					
	USD	RMB	AUD	EUR	Others	Total
Spot assets	373	11	1	3	54	442
Spot liabilities	(5,782)	(559)	-	(1)	(52)	(6,394)
Forward purchases	10,926	2,579	-	109	-	13,614
Forward sales	(5,521)	(2,030)	-	(109)	(2)	(7,662)
Net options position	-	-	-	-	-	-
Net long/(short) position	(4)	1	1	2	-	-

The Branch has no structural positions in any particular foreign currency as at 31 December 2017.

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SECTION B - Barclays PLC

Consolidated Financial Information

As at 31 December 2017

	31 Dec 2017	30 Jun 2017
Capital ratio (Note 1)		
PRA Transitional Total Capital	21.5%	20.7%
Fully Loaded Common Equity Tier 1	13.3%	13.1%

	31 Dec 2017	30 Jun 2017
	GBP million	GBP million
Total Shareholders' equity (excluding non-controlling interests)	63,905	63,866

Other financial information

Balance sheet

Total assets	1,133,248	1,135,316
Total liabilities	1,067,232	1,069,053
Total loans and advances	401,215	427,112
Total customer deposits	429,121	436,863

	31 Dec 2017	31 Dec 2016
	GBP million	GBP million
Profit and Loss		
Pre-tax profit for the financial period	3,541	2,828

Notes

(1) The Capital Requirements Regulation (CRR) and Capital Requirements Directive (CRD) implemented Basel III within the European Union (collectively known as CRD IV) on 1 January 2014. The rules are supplemented by Regulatory Technical Standards (RTS) and in the United Kingdom by the Prudential Regulation Authority's (PRA) rulebook, including the implementation of transitional rules. The capital ratios are calculated based on Barclays' interpretation of the current rules.

The PRA Transitional Total Capital is computed after the application of the transitional provisions set out in Part Ten of the CRD IV.

The Fully Loaded Common Equity Tier 1 ratio is an estimated risk based ratio calculated as CRD IV Common Equity Tier 1 capital divided by CRD IV Risk Weighted Assets, before the application of the transitional provisions set out in the CRD IV and interpretive guidance published by the PRA.

IFRS 9 Financial Instruments is effective for periods beginning on or after 1 January 2018. Barclay's CET1 ratio will be impacted by IFRS9 primarily from an increase in credit impairment provision net of tax, offset by a reduction in the regulatory deduction where expected loss is greater than impairment.

(2) Comparative figures have been restated where necessary to conform with the current year's presentation.

(3) Further details regarding Barclays PLC can be obtained from the 2017 Barclays PLC Results Announcement at www.barclays.com.

Chief Executive's Declaration of Compliance

I certify that the information disclosed above is in compliance with the Banking Ordinance Chapter 155M Banking (Disclosure) Rules and "Guideline on the Application of the Banking (Disclosure) Rules" issued by the HKMA is not false or misleading.

Anthony Miles Davies, Chief Executive
Barclays Bank PLC, Hong Kong Branch