



**Cathay Bank  
Hong Kong Branch**

**Key Financial Information Disclosure Statement  
as of December 31, 2016**



CATHAY BANK

## Hong Kong Branch

### Key Financial Information Disclosure Statement as of December 31, 2016

#### Principal activities

The Branch provides a range of banking, financial and related services.

#### Chief Executive's Declaration of Compliance

I certify that the information disclosed in this statement is prepared in compliance with the Banking (Disclosure) Rules and the disclosure standard set out in the "Guideline on the Application of the Banking (Disclosure) Rules" (Revised) under the Supervisory Policy Manual issued by the Hong Kong Monetary Authority on August 6, 2015 and, to the best of my knowledge and belief, it is not false or misleading in any material respect.

A handwritten signature in black ink, appearing to read 'W. T. Wong', followed by a horizontal line.

Tony Chi-Chiu Wong  
Senior Vice President & Chief Executive  
Hong Kong Branch

March 23, 2017

#### Disclosure Statement Available to The Public

Copies of the Disclosure Statement may be obtained from the reception of Cathay Bank, Hong Kong Branch on 503, Central Tower, 28 Queen's Road Central, Hong Kong.

A copy of the Disclosure Statement has been lodged with the Hong Kong Monetary Authority's Public Registry for public inspection.



## Key Financial Information Disclosure Statement

## Section A - Hong Kong Branch Information

## 1. Income statement

	For the year ended Dec 31, 2016	For the year ended Dec 31, 2015
	HK\$000	HK\$000
Interest income	71,341	72,985
Interest expense	(20,194)	(16,441)
<b>Net interest income</b>	<b>51,147</b>	<b>56,544</b>
Fees and commission income	6,493	6,249
Fees and commission expense	(377)	(353)
<b>Net fees and commission income</b>	<b>6,116</b>	<b>5,896</b>
Gains less losses arising from trading in foreign currencies	0	0
Gains less losses arising from non-trading in foreign currencies	4,482	(815)
Gains less losses on securities held for trading purposes	0	0
Gains less losses from the disposal of property, plant and equipment and investment properties	0	(51)
Other operating income	0	0
<b>Total operating income before impairment losses and provisions</b>	<b>61,745</b>	<b>61,574</b>
Impairment losses and provisions for impaired loans and receivables	(40,849)	1,106
<b>Net operating income</b>	<b>20,896</b>	<b>62,680</b>
Staff and rental expenses	(31,226)	(30,517)
Other expenses	(8,847)	(12,183)
<b>Operating expenses</b>	<b>(40,073)</b>	<b>(42,700)</b>
<b>Profit / (Loss) before taxation</b>	<b>(19,177)</b>	<b>19,980</b>
Tax income / (expense)	205	(3,492)
<b>Profit / (Loss) after taxation</b>	<b>(18,972)</b>	<b>16,488</b>

## Key Financial Information Disclosure Statement

### Section A - Hong Kong Branch Information

#### 2. Balance sheet

	Dec 31, 2016	Jun 30, 2016
	HK\$000	HK\$000
<b>ASSETS</b>		
Cash and balances with banks (except those included in amount due from overseas offices)	708,921	783,994
Placements with banks which have a residual contractual maturity of more than one month but not more than 12 months (except those included in amount due from overseas offices)	812	48,750
Amount due from overseas offices	492,840	608,963
Trade bills	0	0
Certificates of deposit held	0	0
Loans and advances to bank	0	0
Loans and advances to customers (net of provisions)	1,639,696	1,760,266
Investment securities		
- Available-for-sale securities	149,542	148,838
- Held-to-maturity securities	0	0
Property, plant and equipment and investment properties	1,971	2,030
Other assets	119,078	139,816
<b>Total assets</b>	<b>3,112,860</b>	<b>3,492,657</b>
<b>LIABILITIES</b>		
Deposits and balances from banks (except those included in amount due to overseas offices)	0	0
Deposits from customers		
- demand deposits and current accounts	442,453	806,245
- savings deposits	766,281	520,200
- time, call and notice deposits	1,131,430	1,332,424
	2,340,164	2,658,869
Amount due to overseas offices	741,998	815,597
Other liabilities	30,698	18,191
<b>Total liabilities</b>	<b>3,112,860</b>	<b>3,492,657</b>

## Key Financial Information Disclosure Statement

### Section A - Hong Kong Branch Information

#### 3. Additional balance sheet information

##### (a) Loans and advances to customers

	Dec 31, 2016	Jun 30, 2016
	HK\$000	HK\$000
Gross amount of loans and advances to customers by countries or geographical segments after taking into account any recognized risk transfer		
- Hong Kong	1,470,528	1,479,700
- Philippines	77,549	155,174
- Singapore	101,783	110,562
- Macau	14,331	42,633
	<u>1,664,191</u>	<u>1,788,069</u>
Provisions for impaired loans and advances		
- specific provisions	(7,900)	(9,570)
- collective provisions	(16,595)	(18,233)
	<u>(24,495)</u>	<u>(27,803)</u>
	<u>1,639,696</u>	<u>1,760,266</u>
Provisions made by the head office of Cathay Bank against the exposure of Hong Kong Branch as follows:		
- specific provisions	0	113
- collective provisions	23,955	14,183
	<u>23,955</u>	<u>14,296</u>
Gross value of assets against which specific provisions have been made	<u>0</u>	<u>17,955</u>

##### (b) Overdue loans and advances to customers

Gross amount of loans and advances to customers which have been overdue for more than three months and their expression as a percentage of its total amount of loans and advances to customers are as follows:

	Dec 31, 2016		Jun 30, 2016	
	HK\$000	%	HK\$000	%
Hong Kong:				
- more than 3 months but not more than 6 months	5,333	0.32	992	0.06
- more than 6 months but not more than one year	67	0.00	0	0.00
- more than one year	0	0.00	0	0.00
	<u>5,400</u>	<u>0.32</u>	<u>992</u>	<u>0.06</u>
			Dec 31, 2016	Jun 30, 2016
			HK\$000	HK\$000
- specific provisions			5,400	6,198
- covered portion of overdue loans and advances			0	10,634
- uncovered portion of overdue loans and advances			5,400	6,015
- current market value of collateral held against the covered portion of overdue loans and advances			<u>0</u>	<u>10,634</u>

**Key Financial Information Disclosure Statement**
**Section A - Hong Kong Branch Information**
**(c) Impaired loans and advances to customers**

	<u>Dec 31, 2016</u>	<u>Jun 30, 2016</u>
	HK\$000	HK\$000
Gross impaired loans and advances	9,031	25,676
Specific provisions	7,900	9,570
Net impaired loans and advances	<u>1,131</u>	<u>16,106</u>
Gross impaired loans and advances as a percentage of gross loans and advances to customers	<u>0.54%</u>	<u>1.44%</u>
Specific provisions as a percentage of gross impaired loans and advances	<u>87.48%</u>	<u>37.27%</u>
Current market value of collateral related to impaired loans and advances	<u>1,131</u>	<u>16,389</u>

**(d) Rescheduled loans and advances to customers**

Rescheduled loans and advances to customers excluding those which have been overdue for more than 3 months and their expression as a percentage of its total amount of loans and advances to customers are as follows:

	<u>Dec 31, 2016</u>		<u>Jun 30, 2016</u>	
	HK\$000	%	HK\$000	%
Rescheduled loans and advances to customers	<u>2,500</u>	<u>0.15</u>	<u>1,075</u>	<u>0.06</u>

**Key Financial Information Disclosure Statement**
**Section A - Hong Kong Branch Information**
**(e) Loans and advances to customers by industry sector**

	Dec 31, 2016		Jun 30, 2016	
	HK\$000	The percentage covered by collateral	HK\$000	The percentage covered by collateral
<b>Gross amount of loans and advances to customers for use in Hong Kong:</b>				
<b>Industrial, commercial and financial</b>				
- property development	0	0.00	0	0.00
- property investment	137,253	99.88	142,109	98.99
- financial concerns	216,176	10.32	205,348	3.37
- stockbrokers	0	0.00	0	0.00
- wholesale and retail trade	460,243	23.00	536,931	26.30
- manufacturing	156,036	11.78	178,271	11.58
- transport and transport equipment	0	0.00	0	0.00
- Information technology	1,910	54.04	0	0.00
- others	34,141	88.34	47,796	68.65
	1,005,759	31.30	1,110,455	30.82
<b>Individuals</b>				
- loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	0	0.00	0	0.00
- loans for the purchase of other residential properties	15,523	100.00	15,867	100.00
- credit card advances	0	0.00	0	0.00
- others	691	100.00	675	100.00
	16,214	100.00	16,542	100.00
<b>Total loans and advances for use in Hong Kong</b>	1,021,973	32.39	1,126,997	31.84
<b>Trade finance</b>	330,312	43.12	367,921	46.66
<b>Loans and advances for use outside Hong Kong</b>	311,906	7.41	293,151	5.38
	1,664,191	29.84	1,788,069	30.55

**Key Financial Information Disclosure Statement**
**Section A - Hong Kong Branch Information**
**(f) Mainland activities**

	Dec 31, 2016		
	On-balance sheet exposure	Off-balance sheet exposure	Total
	HK\$000		
1. Central government, central government-owned entities and their subsidiaries and JVs	103,632	0	103,632
2. Local governments, local government-owned entities and their subsidiaries and JVs	116,440	0	116,440
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	52,647	68,848	121,495
4. Other entities of central government not reported in item 1 above	0	0	0
5. Other entities of local governments not reported in item 2 above	0	0	0
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	8,702	0	8,702
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	56,055	8,149	64,204
<b>Total</b>	<b>337,476</b>	<b>76,997</b>	<b>414,473</b>
Total assets after provisions	3,112,860		
On-balance sheet exposures as % of total assets	10.84%		

	Jun 30, 2016		
	On-balance sheet exposure	Off-balance sheet exposure	Total
	HK\$000		
1. Central government, central government-owned entities and their subsidiaries and JVs	101,502	20,716	122,218
2. Local governments, local government-owned entities and their subsidiaries and JVs	102,114	14,548	116,662
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	19,884	66,027	85,911
4. Other entities of central government not reported in item 1 above	0	0	0
5. Other entities of local governments not reported in item 2 above	0	0	0
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	9,351	0	9,351
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	52,901	18,496	71,397
<b>Total</b>	<b>285,752</b>	<b>119,787</b>	<b>405,539</b>
Total assets after provisions	3,492,657		
On-balance sheet exposures as % of total assets	8.18%		

**Key Financial Information Disclosure Statement**
**Section A - Hong Kong Branch Information**
**4. International claim**

International claims by major countries or geographical segments with not less than 10% of the total international claims after taking into account any recognized risk transfer (excluding claims arising between branches and subsidiaries) are shown as follows:

	Dec 31, 2016				Total
	Banks	Official sector	Non-bank private sector	Other	
Offshore centres					
Hong Kong	701	0	1,048	0	1,749

	Jun 30, 2016				Total
	Banks	Official sector	Non-bank private sector	Other	
Offshore centres					
Hong Kong	820	0	1,043	0	1,863

**5. Off-balance sheet exposures and derivative transactions**

	Dec 31, 2016	Jun 30, 2016
	HK\$000	HK\$000
<b>Contingent liabilities and commitments</b>		
- direct credit substitutes	6,204	4,655
- transaction-related contingencies	8,513	20,834
- trade-related contingencies	114,872	92,107
- other commitments	551,333	705,919
	680,922	823,515

	Dec 31, 2016	Jun 30, 2016
	HK\$000	HK\$000
<b>Derivative transactions (Notional amount)</b>		
- exchange rate contracts	415,997	281,931
- interest rate contracts	0	0
	415,997	281,931

## Key Financial Information Disclosure Statement

### Section A - Hong Kong Branch Information

	Dec 31, 2016	Jun 30, 2016
	HK\$000	HK\$000
Derivative transactions (Fair value)		
- exchange rate contracts	(582)	46
- interest rate contracts	0	0
	<u>(582)</u>	<u>46</u>

The contractual amounts of the above instruments indicate the volume of transactions outstanding as of balance sheet date, they do not represent amount at risk. The contractual amount and fair value above do not take into account the effect of bilateral netting arrangements.

### 6. Currency risk

Foreign currency exposures with net position (in absolute terms) constituting not less than 10% of the total net positions in all foreign currencies are disclosed.

	Dec 31, 2016	
	Equivalent in HK\$million	
		US\$
<b>Non-structural position</b>		
Spot assets		2,589
Spot liabilities		(2,774)
Forward purchases		302
Forward sales		(116)
Net options position		0
Net long / (short) position		<u>1</u>
<b>Structural position</b>		<u>0</u>

	Jun 30, 2016	
	Equivalent in HK\$million	
		US\$
<b>Non-structural position</b>		
Spot assets		2,875
Spot liabilities		(3,020)
Forward purchases		215
Forward sales		(68)
Net options position		0
Net long / (short) position		<u>2</u>
<b>Structural position</b>		<u>0</u>

## Key Financial Information Disclosure Statement

### Section A - Hong Kong Branch Information

#### 7. Liquidity information

	<u>For the year ended Dec 31, 2016</u>	<u>For the year ended Dec 31, 2015</u>
Average liquidity maintenance ratio for the reporting period	<u>51.24%</u>	<u>55.98%</u>

#### Liquidity risk management

Cathay Bank Hong Kong branch manages its liquidity risk in accordance with Liquidity Risk Management Policy, which is governed by a set of principles approved by the Investment Committee and Board of Directors of Cathay Bank head office. The Policy provides a set of guidelines for the prudent management of liquidity in the normal course of business. The Branch also follows the guideline set forth by the HKMA in Supervisory Policy Manual LM-2, "Sound systems and controls for liquidity risk management".

Net funding exposures are managed through regular reviews of projected cash flows. Cumulative cashflow profiles under normal and stress conditions across different horizons are monitored against limits for each of these scenarios. The Policy also provides a framework for the management of market access and contingency planning to withstand a liquidity crisis.

#### 8. Remuneration system

With reference to HKMA Supervisory Policy Manual CG-5, "Guideline on a sound remuneration system", remuneration information for senior management and key personnel is disclosed by Cathay Bank head office, hence it is not separately disclosed by Cathay Bank Hong Kong Branch. For details on head office remuneration information, please refer to pages 20 - 37 of the Cathay General Bancorp 2016 Proxy Statement.

## Key Financial Information Disclosure Statement

### Section B - Bank Information (Consolidated Basis)

#### 1. Capital and capital adequacy

	<u>Dec 31, 2016</u>	<u>Jun 30, 2016</u>
Capital adequacy ratio	14.43%	14.45%

The consolidated capital adequacy ratio of the Bank is computed in accordance with the Basel Capital Accord. The ratio compares the capital base of the Bank with on and off balance sheet assets, weighted for risk. Such ratio incorporates an allowance for market risk.

	<u>Dec 31, 2016</u> Equivalent in HK\$million	<u>Jun 30, 2016</u> Equivalent in HK\$million
Total amount of shareholders' funds	14,578	14,126

#### 2. Other financial information

	<u>Dec 31, 2016</u> Equivalent in HK\$million	<u>Jun 30, 2016</u> Equivalent in HK\$million
Total assets	112,320	104,331
Total liabilities	97,742	90,205
Total loans and advances	85,904	80,640
Total customer deposits	90,809	81,433
	<u>For the year ended Dec 31, 2016</u> Equivalent in HK\$million	<u>For the year ended Dec 31, 2015</u> Equivalent in HK\$million
Pre-tax profit	1,960	1,807

Note:

The exchange rate for translation of US\$ against HK\$:

Dec 31, 2016	7.7549
Jun 30, 2016	7.7587
Dec 31, 2015	7.7503