



**Cathay Bank
Hong Kong Branch**

**Key Financial Information Disclosure Statement
as of December 31, 2017**



Hong Kong Branch Key Financial Information Disclosure Statement as of December 31, 2017

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', with a horizontal line extending to the right.

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

March 23, 2018

Disclosure Statement Available to The Public

Copies of the Disclosure Statement may be obtained from the reception of Cathay Bank, Hong Kong Branch on 3008, 30/F, Tower 2, The Gateway, 25 Canton Road, Tsim Sha Tsui, Kowloon, 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, 2017	For the year ended Dec 31, 2016
	HK\$000	HK\$000
Interest income	75,665	71,341
Interest expense	(22,967)	(20,194)
Net interest income	52,698	51,147
Fees and commission income	7,688	6,493
Fees and commission expense	(406)	(377)
Net fees and commission income	7,282	6,116
Gains less losses arising from trading in foreign currencies	0	0
Gains less losses arising from non-trading in foreign currencies	4,007	4,482
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	(208)	0
Other operating income	0	0
Total operating income before impairment losses and provisions	63,779	61,745
Impairment losses and provisions for impaired loans and receivables	(2,388)	(40,849)
Net operating income	61,391	20,896
Staff and rental expenses	(32,527)	(31,226)
Other expenses	(10,402)	(8,847)
Operating expenses	(42,929)	(40,073)
Profit / (Loss) before taxation	18,462	(19,177)
Tax income / (expense)	(809)	205
Profit / (Loss) after taxation	17,653	(18,972)

Key Financial Information Disclosure Statement
Section A - Hong Kong Branch Information
2. Balance sheet

	<u>Dec 31, 2017</u>	<u>Jun 30, 2017</u>
	HK\$000	HK\$000
ASSETS		
Cash and balances with banks (except those included in amount due from overseas offices)	602,312	300,395
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)	0	942
Amount due from overseas offices	488,991	402,610
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)	1,824,550	1,698,498
Investment securities		
- Available-for-sale securities	236,739	388,873
- Held-to-maturity securities	0	0
Property, plant and equipment and investment properties	6,397	1,958
Other assets	109,848	102,766
Total assets	<u>3,268,837</u>	<u>2,896,042</u>
LIABILITIES		
Deposits and balances from banks (except those included in amount due to overseas offices)	0	0
Deposits from customers		
- demand deposits and current accounts	669,565	509,825
- savings deposits	454,351	475,781
- time, call and notice deposits	1,243,422	1,077,711
	2,367,338	2,063,317
Amount due to overseas offices	842,528	783,254
Other liabilities	58,971	49,471
Total liabilities	<u>3,268,837</u>	<u>2,896,042</u>

Key Financial Information Disclosure Statement

Section A - Hong Kong Branch Information

3. Additional balance sheet information

(a) Loans and advances to customers

	Dec 31, 2017	Jun 30, 2017
	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	1,621,413	1,504,961
- Philippines	0	22,301
- Singapore	103,273	80,493
- British Virgin Islands	79,152	78,054
- Cayman Islands	39,079	0
- Macau	0	30,564
	<u>1,842,917</u>	<u>1,716,373</u>
Provisions for impaired loans and advances		
- specific provisions	0	(703)
- collective provisions	(18,367)	(17,172)
	<u>(18,367)</u>	<u>(17,875)</u>
	<u>1,824,550</u>	<u>1,698,498</u>
Provisions made by the head office of Cathay Bank against the exposure of Hong Kong Branch as follows:		
- specific provisions	0	0
- collective provisions	17,773	14,698
	<u>17,773</u>	<u>14,698</u>
Gross value of assets against which specific provisions have been made	<u>0</u>	<u>0</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, 2017		Jun 30, 2017	
	HK\$000	%	HK\$000	%
Hong Kong:				
- more than 3 months but not more than 6 months	8,728	0.47	0	0.00
- more than 6 months but not more than one year	0	0.00	0	0.00
- more than one year	0	0.00	0	0.00
	<u>8,728</u>	<u>0.47</u>	<u>0</u>	<u>0.00</u>
			Dec 31, 2017	Jun 30, 2017
			HK\$000	HK\$000
- specific provisions			0	0
- covered portion of overdue loans and advances			8,728	0
- uncovered portion of overdue loans and advances			0	0
- current market value of collateral held against the covered portion of overdue loans and advances			<u>8,728</u>	<u>0</u>

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

	<u>Dec 31, 2017</u>	<u>Jun 30, 2017</u>
	HK\$000	HK\$000
Gross impaired loans and advances	9,828	1,353
Specific provisions	0	703
Net impaired loans and advances	<u>9,828</u>	<u>650</u>
Gross impaired loans and advances as a percentage of gross loans and advances to customers	<u>0.53%</u>	<u>0.08%</u>
Specific provisions as a percentage of gross impaired loans and advances	<u>0.00%</u>	<u>51.96%</u>
Current market value of collateral related to impaired loans and advances	<u>9,828</u>	<u>650</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, 2017</u>		<u>Jun 30, 2017</u>	
	HK\$000	%	HK\$000	%
Rescheduled loans and advances to customers	<u>0</u>	<u>0.00</u>	<u>0</u>	<u>0.00</u>

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

	Dec 31, 2017		Jun 30, 2017	
	HK\$000	The percentage covered by collateral	HK\$000	The percentage covered by collateral
Gross amount of loans and advances to customers for use in Hong Kong:				
Industrial, commercial and financial				
- property development	0	0.00	0	0.00
- property investment	136,215	100.00	140,133	99.88
- financial concerns	304,889	19.51	225,333	13.40
- stockbrokers	0	0.00	0	0.00
- wholesale and retail trade	316,356	29.48	429,286	20.46
- manufacturing	165,500	10.21	125,176	12.17
- transport and transport equipment	79,152	0.00	78,054	0.00
- Information technology	0	0.00	818	100.00
- others	96,877	69.60	48,890	61.83
	1,098,989	33.97	1,047,690	29.04
Individuals				
- 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	14,712	100.00	15,063	100.00
- credit card advances	0	0.00	0	0.00
- others	0	0.00	718	100.00
	14,712	100.00	15,781	100.00
Total loans and advances for use in Hong Kong	1,113,701	34.84	1,063,471	30.09
Trade finance	398,361	53.54	396,168	49.14
Loans and advances for use outside Hong Kong	330,855	19.78	256,734	11.52
	1,842,917	36.18	1,716,373	31.71

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

	Dec 31, 2017		Total
	On-balance sheet exposure	Off-balance sheet exposure	
	HK\$000		
1. Central government, central government-owned entities and their subsidiaries and JVs	20,020	0	20,020
2. Local governments, local government-owned entities and their subsidiaries and JVs	23,758	61,862	85,620
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	75,158	69,409	144,567
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	53,883	0	53,883
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	139,792	0	139,792
Total	312,611	131,271	443,882
Total assets after provisions	3,268,837		
On-balance sheet exposures as % of total assets	9.56%		

	Jun 30, 2017		Total
	On-balance sheet exposure	Off-balance sheet exposure	
	HK\$000		
1. Central government, central government-owned entities and their subsidiaries and JVs	21,166	0	21,166
2. Local governments, local government-owned entities and their subsidiaries and JVs	116,930	0	116,930
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	85,359	68,011	153,370
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	15,815	39,027	54,842
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	39,041	0	39,041
Total	278,311	107,038	385,349
Total assets after provisions	2,896,042		
On-balance sheet exposures as % of total assets	9.61%		

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, 2017				
	HK\$million				
	Banks	Official sector	Non-bank private sector	Other	Total
Developed countries					
United States	0	0	0	0	0
Offshore centres					
Hong Kong	595	0	1,064	0	1,659

	Jun 30, 2017				
	HK\$million				
	Banks	Official sector	Non-bank private sector	Other	Total
Developed countries					
United States	0	234	0	0	234
Offshore centres					
Hong Kong	272	0	1,023	0	1,295

5. Off-balance sheet exposures and derivative transactions

	Dec 31, 2017	Jun 30, 2017
	HK\$000	HK\$000
Contingent liabilities and commitments		
- direct credit substitutes	4,689	4,683
- transaction-related contingencies	5,132	6,091
- trade-related contingencies	165,837	73,950
- other commitments	498,090	495,929
	<u>673,748</u>	<u>580,653</u>

	Dec 31, 2017	Jun 30, 2017
	HK\$000	HK\$000
Derivative transactions (Notional amount)		
- exchange rate contracts	323,102	689,469
- interest rate contracts	0	0
	<u>323,102</u>	<u>689,469</u>

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	Dec 31, 2017	Jun 30, 2017
	HK\$000	HK\$000
Derivative transactions (Fair value)		
- exchange rate contracts	841	1,511
- interest rate contracts	0	0
	<u>841</u>	<u>1,511</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, 2017	
	Equivalent in HK\$million	
		US\$
Non-structural position		
Spot assets		2,625
Spot liabilities		(2,893)
Forward purchases		297
Forward sales		(26)
Net options position		0
Net long / (short) position		<u>3</u>
Structural position		<u>0</u>

	Jun 30, 2017	
	Equivalent in HK\$million	
		US\$
Non-structural position		
Spot assets		2,270
Spot liabilities		(2,504)
Forward purchases		462
Forward sales		(225)
Net options position		0
Net long / (short) position		<u>3</u>
Structural position		<u>0</u>



Key Financial Information Disclosure Statement

Section A - Hong Kong Branch Information

7. Liquidity information

	<u>For the year ended Dec 31, 2017</u>	<u>For the year ended Dec 31, 2016</u>
Average liquidity maintenance ratio for the reporting period	<u>48.18%</u>	<u>51.24%</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 17 - 32 of the Cathay General Bancorp 2017 Proxy Statement.

Key Financial Information Disclosure Statement

Section B - Bank Information (Consolidated Basis)

1. Capital and capital adequacy

	<u>Dec 31, 2017</u>	<u>Jun 30, 2017</u>
Capital adequacy ratio	14.43%	14.85%

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, 2017</u> Equivalent in HK\$million	<u>Jun 30, 2017</u> Equivalent in HK\$million
Total amount of shareholders' funds	16,630	15,256

2. Other financial information

	<u>Dec 31, 2017</u> Equivalent in HK\$million	<u>Jun 30, 2017</u> Equivalent in HK\$million
Total assets	122,015	111,664
Total liabilities	105,385	96,408
Total loans and advances	99,718	89,712
Total customer deposits	99,570	89,759
	<u>For the year ended Dec 31, 2017</u> Equivalent in HK\$million	<u>For the year ended Dec 31, 2016</u> Equivalent in HK\$million
Pre-tax profit	2,547	1,960

Note:

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

Dec 31, 2017	7.8158
Jun 30, 2017	7.8054
Dec 31, 2016	7.7549