



Cathay Bank
Hong Kong Branch

Key Financial Information Disclosure Statement
as of June 30, 2017



CATHAY BANK

Hong Kong Branch

Key Financial Information Disclosure Statement as of June 30, 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', followed by a horizontal line.

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

September 22, 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

	Six months ended Jun 30, 2017	Six months ended Jun 30, 2016
	HK\$000	HK\$000
Interest income	35,733	36,160
Interest expense	(10,785)	(9,621)
Net interest income	24,948	26,539
Fees and commission income	2,843	2,902
Fees and commission expense	(201)	(185)
Net fees and commission income	2,642	2,717
Gains less losses arising from trading in foreign currencies	0	0
Gains less losses arising from non-trading in foreign currencies	2,010	2,742
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	(7)	0
Other operating income	0	0
Total operating income before impairment losses and provisions	29,593	31,998
Impairment losses and provisions for impaired loans and receivables	6,816	(44,165)
Net operating income	36,409	(12,167)
Staff and rental expenses	(16,497)	(17,224)
Other expenses	(5,294)	(5,200)
Operating expenses	(21,791)	(22,424)
Profit / (Loss) before taxation	14,618	(34,591)
Tax expense	0	(1,877)
Profit / (Loss) after taxation	14,618	(36,468)

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

	<u>Jun 30, 2017</u>	<u>Dec 31, 2016</u>
	HK\$000	HK\$000
ASSETS		
Cash and balances with banks (except those included in amount due from overseas offices)	300,395	708,921
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)	942	812
Amount due from overseas offices	402,610	492,840
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)	1,698,498	1,639,696
Investment securities		
- Available-for-sale securities	388,873	149,542
- Held-to-maturity securities	0	0
Property, plant and equipment and investment properties	1,958	1,971
Other assets	102,766	119,078
Total assets	<u>2,896,042</u>	<u>3,112,860</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	509,825	442,453
- savings deposits	475,781	766,281
- time, call and notice deposits	1,077,711	1,131,430
	2,063,317	2,340,164
Amount due to overseas offices	783,254	741,998
Other liabilities	49,471	30,698
Total liabilities	<u>2,896,042</u>	<u>3,112,860</u>

Key Financial Information Disclosure Statement
Section A - Hong Kong Branch Information
3. Additional balance sheet information
(a) Loans and advances to customers

	<u>Jun 30, 2017</u>	<u>Dec 31, 2016</u>
	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	1,504,961	1,470,528
- Philippines	22,301	77,549
- Singapore	80,493	101,783
- British Virgin Islands	78,054	0
- Macau	30,564	14,331
	<u>1,716,373</u>	<u>1,664,191</u>
Provisions for impaired loans and advances		
- specific provisions	(703)	(7,900)
- collective provisions	(17,172)	(16,595)
	<u>(17,875)</u>	<u>(24,495)</u>
	<u>1,698,498</u>	<u>1,639,696</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	14,698	23,955
	<u>14,698</u>	<u>23,955</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:

	<u>Jun 30, 2017</u>		<u>Dec 31, 2016</u>	
	HK\$000	%	HK\$000	%
Hong Kong:				
- more than 3 months but not more than 6 months	0	0.00	5,333	0.32
- more than 6 months but not more than one year	0	0.00	67	0.00
- more than one year	0	0.00	0	0.00
	<u>0</u>	<u>0.00</u>	<u>5,400</u>	<u>0.32</u>
			<u>Jun 30, 2017</u>	<u>Dec 31, 2016</u>
			HK\$000	HK\$000
- specific provisions			0	5,400
- covered portion of overdue loans and advances			0	0
- uncovered portion of overdue loans and advances			0	5,400
- current market value of collateral held against the covered portion of overdue loans and advances			<u>0</u>	<u>0</u>

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

	<u>Jun 30, 2017</u>	<u>Dec 31, 2016</u>
	HK\$000	HK\$000
Gross impaired loans and advances	1,353	9,031
Specific provisions	703	7,900
Net impaired loans and advances	<u>650</u>	<u>1,131</u>
Gross impaired loans and advances as a percentage of gross loans and advances to customers	<u>0.08%</u>	<u>0.54%</u>
Specific provisions as a percentage of gross impaired loans and advances	<u>51.96%</u>	<u>87.48%</u>
Current market value of collateral related to impaired loans and advances	<u>650</u>	<u>1,131</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>Jun 30, 2017</u>		<u>Dec 31, 2016</u>	
	HK\$000	%	HK\$000	%
Rescheduled loans and advances to customers	<u>0</u>	<u>0.00</u>	<u>2,500</u>	<u>0.15</u>

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

	Jun 30, 2017		Dec 31, 2016	
	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	140,133	99.88	137,253	99.88
- financial concerns	225,333	13.40	216,176	10.32
- stockbrokers	0	0.00	0	0.00
- wholesale and retail trade	429,286	20.46	460,243	23.00
- manufacturing	125,176	12.17	156,036	11.78
- transport and transport equipment	78,054	0.00	0	0.00
- Information technology	818	100.00	1,910	54.04
- others	48,890	61.83	34,141	88.34
	1,047,690	29.04	1,005,759	31.30
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	15,063	100.00	15,523	100.00
- credit card advances	0	0.00	0	0.00
- others	718	100.00	691	100.00
	15,781	100.00	16,214	100.00
Total loans and advances for use in Hong Kong	1,063,471	30.09	1,021,973	32.39
Trade finance	396,168	49.14	330,312	43.12
Loans and advances for use outside Hong Kong	256,734	11.52	311,906	7.41
	1,716,373	31.71	1,664,191	29.84

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

	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%		

	Dec 31, 2016		Total
	On-balance sheet exposure	Off-balance sheet exposure	
	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
Total	337,476	76,997	414,473
 Total assets after provisions	 3,112,860		
 On-balance sheet exposures as % of total assets	 10.84%		

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:

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

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

5. Off-balance sheet exposures and derivative transactions

	Jun 30, 2017	Dec 31, 2016
	HK\$000	HK\$000
Contingent liabilities and commitments		
- direct credit substitutes	4,683	6,204
- transaction-related contingencies	6,091	8,513
- trade-related contingencies	73,950	114,872
- other commitments	495,929	551,333
	<u>580,653</u>	<u>680,922</u>

	Jun 30, 2017	Dec 31, 2016
	HK\$000	HK\$000
Derivative transactions (Notional amount)		
- exchange rate contracts	689,469	415,997
- interest rate contracts	0	0
	<u>689,469</u>	<u>415,997</u>

Key Financial Information Disclosure Statement
Section A - Hong Kong Branch Information

	<u>Jun 30, 2017</u>	<u>Dec 31, 2016</u>
	HK\$000	HK\$000
Derivative transactions (Fair value)		
- exchange rate contracts	1,511	(582)
- interest rate contracts	0	0
	<u>1,511</u>	<u>(582)</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.

	<u>Jun 30, 2017</u>	
	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>

	<u>Dec 31, 2016</u>	
	Equivalent in HK\$million	
		US\$
Non-structural position		
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>
Structural position		<u>0</u>

Key Financial Information Disclosure Statement

Section A - Hong Kong Branch Information

7. Liquidity information

	<u>Six months ended</u> <u>Jun 30, 2017</u>	<u>Six months ended</u> <u>Jun 30, 2016</u>
Average liquidity maintenance ratio for the reporting period	<u>52.73%</u>	<u>50.32%</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>Jun 30, 2017</u>	<u>Dec 31, 2016</u>
Capital adequacy ratio	14.85%	14.43%

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>Jun 30, 2017</u> Equivalent in HK\$million	<u>Dec 31, 2016</u> Equivalent in HK\$million
Total amount of shareholders' funds	15,256	14,578

2. Other financial information

	<u>Jun 30, 2017</u> Equivalent in HK\$million	<u>Dec 31, 2016</u> Equivalent in HK\$million
Total assets	111,664	112,320
Total liabilities	96,408	97,742
Total loans and advances	89,712	85,904
Total customer deposits	89,759	90,809
	Six months ended Jun 30, 2017 Equivalent in HK\$million	Six months ended Jun 30, 2016 Equivalent in HK\$million
Pre-tax profit	1,105	945

Note:

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

Jun 30, 2017	7.8054
Dec 31, 2016	7.7549
Jun 30, 2016	7.7587