



**Cathay Bank
Hong Kong Branch**

**Key Financial Information Disclosure Statement
as of June 30, 2018**

(Unaudited)

Hong Kong Branch Key Financial Information Disclosure Statement as of June 30, 2018

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 made under section 60A of the Banking Ordinance and, to the best of my knowledge and belief, it is not false or misleading in any material respect.



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

September 18, 2018

Disclosure Statement Available to The Public

This interim report 2018 is now available on the Cathay General Bancorp's website (www.cathaybank.com/cathay-general/home).

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.

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Section A - Hong Kong Branch Information

1. Income statement

	Six months ended Jun 30, 2018	Six months ended Jun 30, 2017
	HK\$000	HK\$000
Interest income	45,546	35,733
Interest expense	(16,542)	(10,785)
Net interest income	29,004	24,948
Fees and commission income	4,364	2,843
Fees and commission expense	(199)	(201)
Net fees and commission income	4,165	2,642
Gains less losses arising from trading in foreign currencies	0	0
Gains less losses arising from non-trading in foreign currencies	2,367	2,010
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	(7)
Other operating income	0	0
Total operating income before impairment losses and provisions	35,536	29,593
Impairment losses and provisions for impaired loans and receivables	(3,374)	6,816
Net operating income	32,162	36,409
Staff and rental expenses	(17,638)	(16,497)
Other expenses	(6,064)	(5,294)
Operating expenses	(23,702)	(21,791)
Profit before taxation	8,460	14,618
Tax expense	(2,162)	0
Profit after taxation	6,298	14,618

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Section A - Hong Kong Branch Information
2. Balance sheet

	<u>Jun 30, 2018</u>	<u>Dec 31, 2017</u>
	HK\$000	HK\$000
ASSETS		
Cash and balances with banks (except those included in amount due from overseas offices)	411,039	602,312
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	0
Amount due from overseas offices	722,036	488,991
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)	2,161,141	1,824,550
Investment securities		
- Available-for-sale securities	236,493	236,739
- Held-to-maturity securities	0	0
Property, plant and equipment and investment properties	5,774	6,397
Other assets	223,457	109,848
Total assets	<u>3,759,940</u>	<u>3,268,837</u>
LIABILITIES		
Deposits and balances from banks (except those included in amount due to overseas offices)	156,948	0
Deposits from customers		
- demand deposits and current accounts	761,778	669,565
- savings deposits	432,140	454,351
- time, call and notice deposits	1,330,253	1,243,422
	2,524,171	2,367,338
Amount due to overseas offices	1,011,220	842,528
Other liabilities	67,601	58,971
Total liabilities	<u>3,759,940</u>	<u>3,268,837</u>

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Section A - Hong Kong Branch Information

3. Additional balance sheet information

(a) Loans and advances to customers

	<u>Jun 30, 2018</u>	<u>Dec 31, 2017</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	1,809,418	1,621,413
- Singapore	125,434	103,273
- British Virgin Islands	94,169	79,152
- Cayman Islands	153,936	39,079
	<u>2,182,957</u>	<u>1,842,917</u>
Provisions for impaired loans and advances		
- specific provisions	0	0
- collective provisions	(21,816)	(18,367)
	<u>(21,816)</u>	<u>(18,367)</u>
	<u>2,161,141</u>	<u>1,824,550</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	21,604	17,773
	<u>21,604</u>	<u>17,773</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, 2018</u>		<u>Dec 31, 2017</u>	
	HK\$000	%	HK\$000	%
Hong Kong:				
- more than 3 months but not more than 6 months	0	0.00	8,728	0.47
- more than 6 months but not more than one year	8,763	0.40	0	0.00
- more than one year	0	0.00	0	0.00
	<u>8,763</u>	<u>0.40</u>	<u>8,728</u>	<u>0.47</u>
			<u>Jun 30, 2018</u>	<u>Dec 31, 2017</u>
			HK\$000	HK\$000
- specific provisions			0	0
- covered portion of overdue loans and advances			8,763	8,728
- 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>8,763</u>	<u>8,728</u>

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(c) Impaired loans and advances to customers

	<u>Jun 30, 2018</u>	<u>Dec 31, 2017</u>
	HK\$000	HK\$000
Gross impaired loans and advances	11,313	9,828
Specific provisions	<u>0</u>	<u>0</u>
Net impaired loans and advances	<u><u>11,313</u></u>	<u><u>9,828</u></u>
Gross impaired loans and advances as a percentage of gross loans and advances to customers	<u>0.52%</u>	<u>0.53%</u>
Specific provisions as a percentage of gross impaired loans and advances	<u>0.00%</u>	<u>0.00%</u>
Current market value of collateral related to impaired loans and advances	<u>11,313</u>	<u>9,828</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, 2018</u>		<u>Dec 31, 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>

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(e) Loans and advances to customers by industry sector

	Jun 30, 2018		Dec 31, 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	114,091	100.00	136,215	100.00
- financial concerns	439,846	14.82	304,889	19.51
- stockbrokers	0	0.00	0	0.00
- wholesale and retail trade	370,721	32.84	316,356	29.48
- manufacturing	163,177	10.95	165,500	10.21
- transport and transport equipment	94,169	0.00	79,152	0.00
- Information technology	0	0.00	0	0.00
- others	87,114	76.50	96,877	69.60
	<u>1,269,118</u>	<u>30.38</u>	<u>1,098,989</u>	<u>33.97</u>
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	14,357	100.00	14,712	100.00
- credit card advances	0	0.00	0	0.00
- others	0	0.00	0	0.00
	<u>14,357</u>	<u>100.00</u>	<u>14,712</u>	<u>100.00</u>
Total loans and advances for use in Hong Kong	<u>1,283,475</u>	<u>31.16</u>	<u>1,113,701</u>	<u>34.84</u>
Trade finance	<u>487,354</u>	<u>45.20</u>	<u>398,361</u>	<u>53.54</u>
Loans and advances for use outside Hong Kong	<u>412,128</u>	<u>12.44</u>	<u>330,855</u>	<u>19.78</u>
	<u><u>2,182,957</u></u>	<u><u>30.76</u></u>	<u><u>1,842,917</u></u>	<u><u>36.18</u></u>

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Section A - Hong Kong Branch Information

(f) Mainland activities

	Jun 30, 2018		Total
	On-balance sheet exposure	Off-balance sheet exposure	
	HK\$000		
1. Central government, central government-owned entities and their subsidiaries and JVs	0	0	0
2. Local governments, local government-owned entities and their subsidiaries and JVs	38,423	133,013	171,436
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	109,779	48,718	158,497
4. Other entities of central government not reported in item 1 above	78,734	0	78,734
5. Other entities of local governments not reported in item 2 above	78,672	0	78,672
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	53,849	0	53,849
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	154,107	0	154,107
Total	513,564	181,731	695,295
Total assets after provisions	3,759,940		
On-balance sheet exposures as % of total assets	13.66%		

	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%		

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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, 2018				Total
	Banks	Official sector	Non-bank private sector	Other	
Offshore centres					
Hong Kong	406	0	1,206	0	1,612

	Dec 31, 2017				Total
	Banks	Official sector	Non-bank private sector	Other	
Offshore centres					
Hong Kong	595	0	1,064	0	1,659

5. Off-balance sheet exposures and derivative transactions

	Jun 30, 2018	Dec 31, 2017
	HK\$000	HK\$000
Contingent liabilities and commitments		
- direct credit substitutes	7,063	4,689
- transaction-related contingencies	5,143	5,132
- trade-related contingencies	229,377	165,837
- other commitments	637,261	498,090
	<u>878,844</u>	<u>673,748</u>

	Jun 30, 2018	Dec 31, 2017
	HK\$000	HK\$000
Derivative transactions (Notional amount)		
- exchange rate contracts	433,958	323,102
- interest rate contracts	0	0
	<u>433,958</u>	<u>323,102</u>

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	<u>Jun 30, 2018</u>	<u>Dec 31, 2017</u>
	HK\$000	HK\$000
Derivative transactions (Fair value)		
- exchange rate contracts	(188)	841
- interest rate contracts	0	0
	<u>(188)</u>	<u>841</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, 2018</u>	
	Equivalent in HK\$million	US\$
Non-structural position		
Spot assets		2,922
Spot liabilities		(3,238)
Forward purchases		376
Forward sales		(58)
Net options position		0
Net long / (short) position		<u>2</u>
Structural position		<u>0</u>

	<u>Dec 31, 2017</u>	
	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>

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Section A - Hong Kong Branch Information

7. Liquidity information

Average liquidity maintenance ratio for the reporting period

	<u>Quarter ended Jun 30</u>	<u>Quarter ended Mar 31</u>
- 2018	<u>46.32%</u>	<u>40.21%</u>
		<u>Six months ended Jun 30</u>
- 2017		<u>52.73%</u>

The average liquidity maintenance ratio disclosed for 2018 is a 3 months' average for each quarter based on the requirement of the Banking (Disclosure) (Amendment) Rules 2018.

The average liquidity maintenance ratio disclosed for 2017 is a 6 months' average for the first 6-month based on the pre-amended Banking (Disclosure) Rules requirement.

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 16 - 31 of the Cathay General Bancorp 2018 Proxy Statement.

Key Financial Information Disclosure Statement (Unaudited)

Section B - Bank Information (Consolidated Basis)

1. Capital and capital adequacy

	<u>Jun 30, 2018</u>	<u>Dec 31, 2017</u>
Capital adequacy ratio	14.54%	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, 2018</u> Equivalent in HK\$million	<u>Dec 31, 2017</u> Equivalent in HK\$million
Total amount of shareholders' funds	17,247	16,630

2. Other financial information

	<u>Jun 30, 2018</u> Equivalent in HK\$million	<u>Dec 31, 2017</u> Equivalent in HK\$million
Total assets	126,929	122,015
Total liabilities	109,682	105,385
Total loans and advances	104,103	99,718
Total customer deposits	103,422	99,570
	<u>Six months ended Jun 30, 2018</u> Equivalent in HK\$million	<u>Six months ended Jun 30, 2017</u> Equivalent in HK\$million
Pre-tax profit	1,402	1,105

Note:

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

Jun 30, 2018	7.8474
Dec 31, 2017	7.8158
Jun 30, 2017	7.8054