



**Cathay Bank  
Hong Kong Branch**

**Key Financial Information Disclosure Statement  
as of June 30, 2016**



CATHAY BANK

## Hong Kong Branch

### Key Financial Information Disclosure Statement as of June 30, 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. Wong', followed by a horizontal line extending to the right.

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

September 28, 2016

#### 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, 2016	Six months ended Jun 30, 2015
	HK\$000	HK\$000
Interest income	36,160	37,719
Interest expense	(9,621)	(8,032)
<b>Net interest income</b>	<b>26,539</b>	<b>29,687</b>
Fees and commission income	2,902	2,842
Fees and commission expense	(185)	(179)
<b>Net fees and commission income</b>	<b>2,717</b>	<b>2,663</b>
Gains less losses arising from trading in foreign currencies	0	0
Gains less losses arising from non-trading in foreign currencies	2,742	(1,309)
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>31,998</b>	<b>30,990</b>
Impairment losses and provisions for impaired loans and receivables	(44,165)	0
<b>Net operating income</b>	<b>(12,167)</b>	<b>30,990</b>
Staff and rental expenses	(17,224)	(16,260)
Other expenses	(5,200)	(6,287)
<b>Operating expenses</b>	<b>(22,424)</b>	<b>(22,547)</b>
<b>Profit / (Loss) before taxation</b>	<b>(34,591)</b>	<b>8,443</b>
Tax expense	(1,877)	(1,620)
<b>Profit / (Loss) after taxation</b>	<b>(36,468)</b>	<b>6,823</b>

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

	Jun 30, 2016	Dec 31, 2015
	HK\$000	HK\$000
<b>ASSETS</b>		
Cash and balances with banks (except those included in amount due from overseas offices)	783,994	543,298
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)	48,750	0
Amount due from overseas offices	608,963	636,542
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)	1,760,266	1,658,716
Investment securities		
- Available-for-sale securities	148,838	222,656
- Held-to-maturity securities	0	0
Property, plant and equipment and investment properties	2,030	1,931
Other assets	139,816	164,782
<b>Total assets</b>	<b>3,492,657</b>	<b>3,227,925</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	806,245	478,320
- savings deposits	520,200	450,680
- time, call and notice deposits	1,332,424	1,487,017
	2,658,869	2,416,017
Amount due to overseas offices	815,597	763,483
Other liabilities	18,191	48,425
<b>Total liabilities</b>	<b>3,492,657</b>	<b>3,227,925</b>

## Key Financial Information Disclosure Statement

### Section A - Hong Kong Branch Information

#### 3. Additional balance sheet information

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

	Jun 30, 2016	Dec 31, 2015
	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	1,479,700	1,454,817
- Philippines	155,174	155,006
- Singapore	110,562	42,838
- Macau	42,633	22,873
	<u>1,788,069</u>	<u>1,675,534</u>
Provisions for impaired loans and advances		
- specific provisions	(9,570)	0
- collective provisions	(18,233)	(16,818)
	<u>(27,803)</u>	<u>(16,818)</u>
	<u>1,760,266</u>	<u>1,658,716</u>
Provisions made by the head office of Cathay Bank against the exposure of Hong Kong Branch as follows:		
- specific provisions	113	0
- collective provisions	14,183	16,973
	<u>14,296</u>	<u>16,973</u>
Gross value of assets against which specific provisions have been made	<u>17,955</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:

	Jun 30, 2016		Dec 31, 2015	
	HK\$000	%	HK\$000	%
Hong Kong:				
- more than 3 months but not more than 6 months	992	0.06	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>992</u>	<u>0.06</u>	<u>0</u>	<u>0.00</u>
			Jun 30, 2016	Dec 31, 2015
			HK\$000	HK\$000
- specific provisions			6,198	0
- covered portion of overdue loans and advances			10,634	0
- uncovered portion of overdue loans and advances			6,015	0
- current market value of collateral held against the covered portion of overdue loans and advances			<u>10,634</u>	<u>0</u>



Key Financial Information Disclosure Statement

Section A - Hong Kong Branch Information

(c) Impaired loans and advances to customers

	Jun 30, 2016	Dec 31, 2015
	HK\$000	HK\$000
Gross impaired loans and advances	25,676	23,574
Specific provisions	9,570	0
Net impaired loans and advances	<u>16,106</u>	<u>23,574</u>
Gross impaired loans and advances as a percentage of gross loans and advances to customers	<u>1.44%</u>	<u>1.41%</u>
Specific provisions as a percentage of gross impaired loans and advances	<u>37.27%</u>	<u>0.00%</u>
Current market value of collateral related to impaired loans and advances	<u>16,389</u>	<u>11,669</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:

	Jun 30, 2016		Dec 31, 2015	
	HK\$000	%	HK\$000	%
Rescheduled loans and advances to customers	<u>1,075</u>	<u>0.06</u>	<u>1,897</u>	<u>0.11</u>

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

	Jun 30, 2016		Dec 31, 2015	
	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	142,109	98.99	147,830	100.00
- financial concerns	205,348	3.37	215,386	0.00
- stockbrokers	0	0.00	0	0.00
- wholesale and retail trade	536,931	26.30	506,398	25.20
- manufacturing	178,271	11.58	108,086	13.03
- transport and transport equipment	0	0.00	0	0.00
- Information technology	0	0.00	4,079	25.10
- others	47,796	68.65	27,033	98.67
	<u>1,110,455</u>	<u>30.82</u>	<u>1,008,812</u>	<u>31.44</u>
<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	15,867	100.00	16,207	100.00
- credit card advances	0	0.00	0	0.00
- others	675	100.00	722	100.00
	<u>16,542</u>	<u>100.00</u>	<u>16,929</u>	<u>100.00</u>
<b>Total loans and advances for use in Hong Kong</b>	<u>1,126,997</u>	<u>31.84</u>	<u>1,025,741</u>	<u>32.58</u>
<b>Trade finance</b>	367,921	46.66	395,472	40.11
<b>Loans and advances for use outside Hong Kong</b>	<u>293,151</u>	<u>5.38</u>	<u>254,321</u>	<u>6.97</u>
	<u><u>1,788,069</u></u>	<u><u>30.55</u></u>	<u><u>1,675,534</u></u>	<u><u>30.47</u></u>

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

	Jun 30, 2016		Total
	On-balance sheet exposure	Off-balance sheet exposure	
	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%		

	Dec 31, 2015		Total
	On-balance sheet exposure	Off-balance sheet exposure	
	HK\$000		
1. Central government, central government-owned entities and their subsidiaries and JVs	149,001	0	149,001
2. Local governments, local government-owned entities and their subsidiaries and JVs	77,726	0	77,726
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	19,888	38,020	57,908
4. Other entities of central government not reported in item 1 above	38,800	0	38,800
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	17,738	0	17,738
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	65,258	13,303	78,561
<b>Total</b>	<b>368,411</b>	<b>51,323</b>	<b>419,734</b>
Total assets after provisions	3,227,925		
On-balance sheet exposures as % of total assets	11.41%		



**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:

	<b>Jun 30, 2016</b>				
	HK\$million				
	Banks	Official sector	Non-bank private sector	Other	Total
<b>Offshore centres</b>					
Hong Kong	820	0	1,043	0	1,863

	<b>Dec 31, 2015</b>				
	HK\$million				
	Banks	Official sector	Non-bank private sector	Other	Total
<b>Offshore centres</b>					
Hong Kong	537	0	966	0	1,503

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

	<b>Jun 30, 2016</b>	<b>Dec 31, 2015</b>
	HK\$000	HK\$000
<b>Contingent liabilities and commitments</b>		
- direct credit substitutes	4,655	4,650
- transaction-related contingencies	20,834	22,141
- trade-related contingencies	92,107	101,685
- other commitments	705,919	640,880
	<u>823,515</u>	<u>769,356</u>

	<b>Jun 30, 2016</b>	<b>Dec 31, 2015</b>
	HK\$000	HK\$000
<b>Derivative transactions (Notional amount)</b>		
- exchange rate contracts	281,931	382,640
- interest rate contracts	0	0
	<u>281,931</u>	<u>382,640</u>

## Key Financial Information Disclosure Statement

### Section A - Hong Kong Branch Information

	Jun 30, 2016	Dec 31, 2015
	HK\$000	HK\$000
Derivative transactions (Fair value)		
- exchange rate contracts	46	448
- interest rate contracts	0	0
	<u>46</u>	<u>448</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.

	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>

	Dec 31, 2015	
	Equivalent in HK\$million	US\$
<b>Non-structural position</b>		
Spot assets		2,585
Spot liabilities		(2,769)
Forward purchases		285
Forward sales		(99)
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>Six months ended Jun 30, 2016</u>	<u>Six months ended Jun 30, 2015</u>
Average liquidity maintenance ratio for the reporting period	<u>50.32%</u>	<u>57.01%</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 cash flow 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>Jun 30, 2016</u>	<u>Dec 31, 2015</u>
Capital adequacy ratio	14.45%	14.79%

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, 2016</u> Equivalent in HK\$million	<u>Dec 31, 2015</u> Equivalent in HK\$million
Total amount of shareholders' funds	14,126	14,011

#### 2. Other financial information

	<u>Jun 30, 2016</u> Equivalent in HK\$million	<u>Dec 31, 2015</u> Equivalent in HK\$million
Total assets	104,331	102,457
Total liabilities	90,205	88,446
Total loans and advances	80,640	77,629
Total customer deposits	81,433	81,684
	<u>Six months ended Jun 30, 2016</u> Equivalent in HK\$million	<u>Six months ended Jun 30, 2015</u> Equivalent in HK\$million
Pre-tax profit	945	945

Note:

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

Jun 30, 2016	7.7587
Dec 31, 2015	7.7503
Jun 30, 2015	7.7522