



Hong Kong Branch

a banking corporation (having limited liability)
incorporated in the State of California in the United States of America

**Cathay Bank
Hong Kong Branch**

Banking Disclosure Statement

December 31, 2020

(Unaudited)

Hong Kong Branch Banking Disclosure Statement as of December 31, 2020

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

March 31, 2021

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 and is available on the website <https://www.cathaybank.com/cathay-general/financial-information/regulatory-disclosures> for public inspection.

Key Financial Information Disclosure Statement
(Unaudited)

Section A - Hong Kong Branch Information

1. Income statement

	For the year ended Dec 31, 2020	For the year ended Dec 31, 2019
	HK\$000	HK\$000
Interest income	91,247	133,183
Interest expense	(27,040)	(52,728)
Net interest income	64,207	80,455
Fees and commission income	5,534	8,008
Fees and commission expense	(426)	(467)
Net fees and commission income	5,108	7,541
Gains less losses arising from trading in foreign currencies	0	0
Gains less losses arising from non-trading in foreign currencies	1,402	5,463
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	(4)
Other operating income	0	0
Total operating income before impairment losses and provisions	70,717	93,455
Impairment losses and provisions for impaired loans and receivables	(84,220)	(1,557)
Net operating income / (expense)	(13,503)	91,898
Staff and rental expenses	(32,996)	(30,986)
Other expenses	(12,078)	(11,782)
Operating expenses	(45,074)	(42,768)
Profit / (Loss) before taxation	(58,577)	49,130
Tax expense	(5)	(8,694)
Profit / (Loss) after taxation	(58,582)	40,436

Key Financial Information Disclosure Statement
(Unaudited)

Section A - Hong Kong Branch Information

2. Balance sheet

	Dec 31, 2020	Jun 30, 2020
	HK\$000	HK\$000
ASSETS		
Cash and balances with banks (except those included in amount due from overseas offices)	82,764	118,201
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	1,001,669	1,306,583
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)	2,152,782	2,526,955
Investment securities		
- Available-for-sale securities	154,389	155,189
- Held-to-maturity securities	0	0
Property, plant and equipment and investment properties	5,880	6,522
Other assets	23,761	93,154
Total assets	3,421,245	4,206,604
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	194,691	541,851
- savings deposits	428,362	473,914
- time, call and notice deposits	1,141,575	1,341,389
	1,764,628	2,357,154
Amount due to overseas offices	1,603,504	1,748,465
Other liabilities	53,113	100,985
Total liabilities	3,421,245	4,206,604

Key Financial Information Disclosure Statement (Unaudited)

Section A - Hong Kong Branch Information

3. Additional balance sheet information

(a) Loans and advances to customers

	Dec 31, 2020	Jun 30, 2020
	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	1,828,749	2,038,153
- Singapore	108,916	125,259
- China	77,520	106,233
- British Virgin Islands	93,024	209,258
- Cayman Islands	65,892	73,628
	<u>2,174,101</u>	<u>2,552,531</u>
Provisions for impaired loans and advances		
- specific provisions	(1)	0
- collective provisions	(21,318)	(25,576)
	<u>(21,319)</u>	<u>(25,576)</u>
	<u>2,152,782</u>	<u>2,526,955</u>
Provisions made by the head office of Cathay Bank against the exposure of Hong Kong Branch as follows:		
- specific provisions	0	2
- collective provisions	33,117	31,288
	<u>33,117</u>	<u>31,290</u>
Gross value of assets against which specific provisions have been made	<u>0</u>	<u>1,000</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, 2020		Jun 30, 2020	
	HK\$000	%	HK\$000	%
Hong Kong:				
- more than 3 months but not more than 6 months	43,200	1.99	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>43,200</u>	<u>1.99</u>	<u>0</u>	<u>0.00</u>
			Dec 31, 2020	Jun 30, 2020
			HK\$000	HK\$000
- specific provisions			0	0
- covered portion of overdue loans and advances			0	0
- uncovered portion of overdue loans and advances			43,200	0
- current market value of collateral held against the covered portion of overdue loans and advances			<u>0</u>	<u>0</u>

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(c) Impaired loans and advances to customers

	<u>Dec 31, 2020</u>	<u>Jun 30, 2020</u>
	HK\$000	HK\$000
Gross impaired loans and advances	43,700	1,000
Specific provisions	1	0
Net impaired loans and advances	<u>43,699</u>	<u>1,000</u>
Gross impaired loans and advances as a percentage of gross loans and advances to customers	<u>2.01%</u>	<u>0.04%</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>500</u>	<u>1,000</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, 2020</u>		<u>Jun 30, 2020</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

	Dec 31, 2020		Jun 30, 2020	
	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	139,676	97.79	137,731	99.97
- financial concerns	354,420	44.81	428,809	17.75
- stockbrokers	0	0.00	0	0.00
- wholesale and retail trade	354,600	51.40	496,677	48.53
- manufacturing	175,929	11.56	218,328	9.70
- transport and transport equipment	0	0.00	0	0.00
- Information technology	0	0.00	0	0.00
- others	171,472	87.86	111,195	76.95
	<u>1,196,097</u>	<u>54.23</u>	<u>1,392,740</u>	<u>40.32</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	26,113	100.00	26,586	100.00
- credit card advances	0	0.00	0	0.00
- others	5,864	100.00	5,947	100.00
	<u>31,977</u>	<u>100.00</u>	<u>32,533</u>	<u>100.00</u>
Total loans and advances for use in Hong Kong	<u>1,228,074</u>	<u>55.42</u>	<u>1,425,273</u>	<u>41.69</u>
Trade finance	<u>335,433</u>	<u>57.73</u>	<u>305,073</u>	<u>56.30</u>
Loans and advances for use outside Hong Kong	<u>610,594</u>	<u>1.92</u>	<u>822,185</u>	<u>15.64</u>
	<u><u>2,174,101</u></u>	<u><u>40.75</u></u>	<u><u>2,552,531</u></u>	<u><u>35.04</u></u>

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Section A - Hong Kong Branch Information

(f) Mainland activities

	Dec 31, 2020		
	HK\$000		
	On-balance sheet exposure	Off-balance sheet exposure	Total
1. Central government, central government-owned entities and their subsidiaries and JVs	99,843	0	99,843
2. Local governments, local government-owned entities and their subsidiaries and JVs	0	0	0
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	427,443	117,980	545,423
4. Other entities of central government not reported in item 1 above	37,321	0	37,321
5. Other entities of local governments not reported in item 2 above	165,950	0	165,950
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	11,715	0	11,715
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	165,380	10,223	175,603
Total	<u>907,652</u>	<u>128,203</u>	<u>1,035,855</u>
Total assets after provisions	3,421,245		
On-balance sheet exposures as % of total assets	26.53%		

	Jun 30, 2020		
	HK\$000		
	On-balance sheet exposure	Off-balance sheet exposure	Total
1. Central government, central government-owned entities and their subsidiaries and JVs	218,277	0	218,277
2. Local governments, local government-owned entities and their subsidiaries and JVs	0	57,131	57,131
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	310,659	189,861	500,520
4. Other entities of central government not reported in item 1 above	154,718	38,752	193,470
5. Other entities of local governments not reported in item 2 above	173,727	0	173,727
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	17,118	0	17,118
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	149,698	0	149,698
Total	<u>1,024,197</u>	<u>285,744</u>	<u>1,309,941</u>
Total assets after provisions	4,206,604		
On-balance sheet exposures as % of total assets	24.35%		

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	<u>Dec 31, 2020</u>	<u>Jun 30, 2020</u>
	HK\$000	HK\$000
Derivative transactions (Fair value)		
- exchange rate contracts	(59)	(297)
- interest rate contracts	0	0
	<u>(59)</u>	<u>(297)</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>Dec 31, 2020</u>
	Equivalent in HK\$million
Non-structural position	US\$
Spot assets	2,439
Spot liabilities	(3,140)
Forward purchases	767
Forward sales	(65)
Net options position	0
Net long / (short) position	<u>1</u>
Structural position	<u>0</u>

	<u>Jun 30, 2020</u>
	Equivalent in HK\$million
Non-structural position	US\$
Spot assets	2,918
Spot liabilities	(3,637)
Forward purchases	720
Forward sales	(2)
Net options position	0
Net long / (short) position	<u>(1)</u>
Structural position	<u>0</u>

Key Financial Information Disclosure Statement (Unaudited)

Section A - Hong Kong Branch Information

7. Liquidity information disclosure

Average liquidity maintenance ratio for the reporting period

Quarter ended Dec 31, 2020	Quarter ended Dec 31, 2019
44.06%	42.85%

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

Qualitative disclosures

a. Governance of liquidity risk management

The Board of Directors of Cathay Bank head office delegates the responsibility for managing the overall liquidity of Cathay Bank Hong Kong Branch (CBHK) to CBHK's Assets and Liabilities Committee (ALCO). The ALCO formulates both the long-term strategy for funding sources and short-term tactics to address prevailing conditions. CBHK manages its liquidity risk in accordance with Liquidity Risk Management Policy which provides a set of guidelines for the prudent management of liquidity in the normal course of business. It also sets out the responsibilities of the ALCO and functional units for liquidity risk monitoring, control and reporting.

b. Funding strategy

CBHK maintains an appropriate mix of high quality liquid assets as a source of liquidity cushion for meeting emergency funding needs. The amount and composition of such assets should be determined with reference to the business need and liquidity risk profile. In managing the funding strategy, CBHK establishes a clear strategy for holding liquid assets, determines the appropriate volume, tenor and mix of such holdings.

c. Liquidity risk mitigation techniques

To mitigate the liquidity risk, CBHK maintains an adequate cushion of unencumbered, high quality liquid assets that can be reliably sold in the markets to obtain funds to meet CBHK's liquidity needs at all times, even in periods of severe idiosyncratic and market stress. The size of the liquidity cushion reflects CBHK's established risk tolerance and should be sufficient to cover funding gaps generated from the liquidity stress scenarios.

d. Stress testing

CBHK conducts regular stress tests on cash flows by applying various "what if" scenarios on the liquidity positions for all currencies in aggregate so as to ensure that CBHK has adequate liquidity to withstand stressed conditions. These stress tests are separately conducted for positions in HKD, USD and other foreign currencies in which CBHK has significant positions. To ensure that liquidity is managed in line with the risk tolerance, the type of scenarios and survival period are set for monitoring and control.

e. Contingency funding plan

CBHK's Liquidity Contingency Policy defines the framework and basic principles of liquidity contingency management and stipulates the tools and procedures for the application of these principles. It provides guidance for the monitoring of liquidity positions and identification of liquidity contingency issues occur and identifies the tools for managing liquidity contingency situations.

Quantitative disclosures

f. Cash flow maturity mismatch analysis

HK\$000 (#)	Up to 7 days	7 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months
Dec 31, 2020					
Net liquidity mismatch	20,407	362,027	14,917	(265,910)	(48,616)
Cumulative mismatch	<u>20,407</u>	<u>382,434</u>	<u>397,351</u>	<u>131,441</u>	<u>82,825</u>
Jun 30, 2020					
Net liquidity mismatch	(1,175)	(204,409)	105,248	494,928	(82,882)
Cumulative mismatch	<u>(1,175)</u>	<u>(205,584)</u>	<u>(100,336)</u>	<u>394,592</u>	<u>311,710</u>

(#) Positive indicates a position of liquidity surplus. Negative indicates a liquidity shortfall that has to be funded.

Key Financial Information Disclosure Statement (Unaudited)

Section A - Hong Kong Branch Information

g. Sources of funding

CBHK's source of funding is mainly from customer deposits and borrowing from Cathay Bank head office/other banks.

	Dec 31, 2020		Jun 30, 2020	
	HK\$000	%	HK\$000	%
Customer deposits	1,764,628	52	2,357,154	57
Borrowing from Cathay Bank head office/other banks	1,603,504	48	1,748,465	43
	<u>3,368,132</u>	<u>100</u>	<u>4,105,619</u>	<u>100</u>

h. Liquidity exposures and funding needs at the level of individual legal entities, foreign branches and subsidiaries

This item is not applicable to CBHK

i. Liquidity gap (HK\$000)

The table below analyses the on- and off-balance sheet items, broken down into maturity buckets of CBHK.

As of Dec 31, 2020

On-balance sheet assets	On demand	Up to 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 and 12 months	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years	Balancing figure	Total
Cash and balances with banks (except those included in amount due from overseas offices)	82,764	0	0	0	0	0	0	0	0	0	82,764
Amount due from overseas offices	1,001,669	0	0	0	0	0	0	0	0	0	1,001,669
Loans and advances to customers	91,510	599,171	380,444	150,072	271,154	157,574	327,252	80,435	116,489	0	2,174,101
Investment securities											
- Available-for-sale securities	0	0	0	154,389	0	0	0	0	0	0	154,389
Property, plant and equipment and investment properties	0	0	0	0	0	0	0	0	0	5,880	5,880
Other assets	14,961	1,029	992	12	0	0	0	0	0	6,767	23,761
Impairment allowance	0	0	0	0	0	0	0	0	0	(21,319)	(21,319)
	<u>1,190,904</u>	<u>600,200</u>	<u>381,436</u>	<u>304,473</u>	<u>271,154</u>	<u>157,574</u>	<u>327,252</u>	<u>80,435</u>	<u>116,489</u>	<u>(6,672)</u>	<u>3,421,245</u>
On-balance sheet liabilities											
Deposits and balances from banks (except those included in amount due to overseas offices)	0	0	0	0	0	0	0	0	0	0	0
Deposits from customers	623,053	505,416	365,561	222,149	48,449	0	0	0	0	0	1,764,628
Amount due to overseas offices	200,674	46,230	0	348,840	271,320	736,440	0	0	0	0	1,603,504
Other liabilities	537	1,034	1,108	722	68	0	0	0	0	49,644	53,113
	<u>824,264</u>	<u>552,680</u>	<u>366,669</u>	<u>571,711</u>	<u>319,837</u>	<u>736,440</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>49,644</u>	<u>3,421,245</u>
Off-balance sheet claims											
Irrevocable loan commitments or facilities received	922,770	0	0	0	0	0	0	0	0	0	922,770
	<u>922,770</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>922,770</u>
Off-balance sheet obligations											
Direct credit substitutes	0	0	0	0	0	0	0	0	0	0	0
Transaction-related contingencies	0	0	0	0	0	0	0	0	0	465	465
Trade-related contingencies	0	69,075	49,947	5,973	0	0	0	0	0	5,632	130,627
Other commitments	0	99,138	170,758	173,424	85,606	0	0	0	0	0	528,926
	<u>0</u>	<u>168,213</u>	<u>220,705</u>	<u>179,397</u>	<u>85,606</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6,097</u>	<u>660,018</u>
Net liquidity gaps	<u>1,289,410</u>	<u>(120,693)</u>	<u>(205,938)</u>	<u>(446,635)</u>	<u>(134,289)</u>	<u>(578,866)</u>	<u>327,252</u>	<u>80,435</u>	<u>116,489</u>	<u>(64,413)</u>	<u>262,752</u>

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Section A - Hong Kong Branch Information

i. Liquidity gap (HK\$000) (continued)

As of Jun 30, 2020

On-balance sheet assets	On demand	Up to 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 and 12 months	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years	Balancing figure	Total
Cash and balances with banks (except those included in amount due from overseas offices)	118,201	0	0	0	0	0	0	0	0	0	118,201
Amount due from overseas offices	1,306,583	0	0	0	0	0	0	0	0	0	1,306,583
Loans and advances to customers	42,624	338,759	595,413	649,099	250,217	419,371	65,311	76,826	114,911	0	2,552,531
Investment securities											
- Available-for-sale securities	0	0	0	0	155,189	0	0	0	0	0	155,189
Property, plant and equipment and investment properties	0	0	0	0	0	0	0	0	0	6,522	6,522
Other assets	76,085	2,277	2,298	259	0	0	0	0	0	12,235	93,154
Impairment allowance	0	0	0	0	0	0	0	0	0	(25,576)	(25,576)
	1,543,493	341,036	597,711	649,358	405,406	419,371	65,311	76,826	114,911	(6,819)	4,206,604
On-balance sheet liabilities											
Deposits and balances from banks (except those included in amount due to overseas offices)	0	0	0	0	0	0	0	0	0	0	0
Deposits from customers	1,015,766	751,486	296,374	196,379	97,149	0	0	0	0	0	2,357,154
Amount due to overseas offices	194,974	0	197,188	0	348,764	1,007,539	0	0	0	0	1,748,465
Other liabilities	539	3,427	1,311	1,451	9,548	2,755	0	0	0	81,954	100,985
	1,211,279	754,913	494,873	197,830	455,461	1,010,294	0	0	0	81,954	4,206,604
Off-balance sheet claims											
Irrevocable loan commitments or facilities received	813,782	0	0	0	0	0	0	0	0	0	813,782
	813,782	0	0	0	0	0	0	0	0	0	813,782
Off-balance sheet obligations											
Direct credit substitutes	0	0	0	0	0	0	0	0	0	0	0
Transaction-related contingencies	0	0	0	0	0	0	0	0	0	2,690	2,690
Trade-related contingencies	0	82,780	107,846	13,319	0	0	0	0	0	7,716	211,661
Other commitments	0	222,744	280,960	142,304	71,389	0	0	0	0	0	717,397
	0	305,524	388,806	155,623	71,389	0	0	0	0	10,406	931,748
Net liquidity gaps	1,145,996	(719,401)	(285,968)	295,905	(121,444)	(590,923)	65,311	76,826	114,911	(99,179)	(117,966)

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 2020 Proxy Statement.

Key Financial Information Disclosure Statement (Unaudited)

Section B - Bank Information (Consolidated Basis)

1. Capital and capital adequacy

	<u>Dec 31, 2020</u>	<u>Jun 30, 2020</u>
Capital adequacy ratio	14.99%	14.54%

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, 2020</u>	<u>Jun 30, 2020</u>
	Equivalent in HK\$million	Equivalent in HK\$million
Total amount of shareholders' funds	19,129	18,772

2. Other financial information

	<u>Dec 31, 2020</u>	<u>Jun 30, 2020</u>
	Equivalent in HK\$million	Equivalent in HK\$million
Total assets	147,475	149,079
Total liabilities	128,346	130,307
Total loans and advances	120,190	120,013
Total customer deposits	125,274	126,398
	<u>For the year ended Dec 31, 2020</u>	<u>For the year ended Dec 31, 2019</u>
	Equivalent in HK\$million	Equivalent in HK\$million
Pre-tax profit	2,055	2,779

Note:

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

Dec 31, 2020	7.7520
Jun 30, 2020	7.7503
Dec 31, 2019	7.7874