



**East West Bank
Hong Kong Branch**

**Key Financial Information Disclosure Statement
as of December 31, 2016**



Hong Kong Branch
Key Financial Information Disclosure Statement as of December 31, 2016

Principal activities

The Branch provides a range of banking, financial and related services, including commercial banking, wealth management and transactional banking 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 issued by the Hong Kong Monetary Authority 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 "Vincent Wang".

Vincent Wang
General Manager

March 22, 2017

Disclosure Statement Available to The Public

Copies of the Disclosure Statement may be obtained from the reception of East West Bank, Hong Kong Branch on Suite 1108, 11/F., Two International Finance Centre, 8 Finance Street, 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

	For the year ended December 31, 2016	For the year ended December 31, 2015
	HK\$000	HK\$000
Interest income	172,242	152,942
Interest expense	(36,275)	(33,869)
Net interest income	135,967	119,073
Commission and fee income	32,245	22,865
Commission and fee expense	(2,486)	(2,257)
Net fees and commission income	29,759	20,608
Gains less losses arising from trading in foreign currencies	19,622	22,106
Gains less losses on disposal of available-for-sale securities	1,393	0
Other operating income	1,380	2,169
Total operating income before impairment losses and provision	22,395	24,275
(Provision)/Write back of impairment losses on loans and receivables	(11,841)	(20,743)
Net operating income	176,280	143,213
Staff and rental expenses	(78,028)	(72,063)
Other expenses	(19,400)	(17,514)
Net charge for other provisions	(129)	(11,168)
Total operating expenses	(97,557)	(100,745)
Profit before taxation	78,723	42,468
Tax expense	(8,881)	(10,332)
Profit after taxation	69,842	32,136

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

	December 31, 2016	June 30, 2016
	HK\$000	HK\$000
ASSETS		
Cash and balances with banks (except for those included in amount due from overseas offices)	363,661	509,773
Placements with banks (except for those included in amount due from overseas offices)	38,772	0
Amount due from overseas offices	0	1
Loans and advances to customers (net of provisions)	5,652,024	4,772,264
Government bills and notes	1,071,578	745,319
Investment securities	880,077	1,310,632
Fixed assets	7,310	9,405
Other assets	79,273	55,042
Total assets	8,092,695	7,402,436
LIABILITIES		
Deposits and balances from banks (except for those included in amount due to overseas offices)	3,568	4,123
Deposits from customers		
- demand deposits and current accounts	743,596	1,051,199
- savings deposits	2,870,187	2,627,653
- time, call and notice deposits	1,728,285	1,484,314
	5,342,068	5,163,166
Amount due to overseas offices	2,393,400	1,978,476
Other liabilities	184,263	86,500
Total liabilities	7,923,299	7,232,265
CAPITAL AND RESERVES		
Paid up capital		
Reserves	0	0
Current profit	99,554	142,562
Current profit	69,842	27,609
Total capital and reserves	169,396	170,171
Total liabilities and capital and reserves	8,092,695	7,402,436

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

	December 31, 2016	June 30, 2016
	HK\$000	HK\$000
Gross amount of loans and advances to customers:		
- Hong Kong	3,744,191	2,387,440
- China	1,552,941	1,589,103
- Singapore	232,635	193,990
- Taiwan	119,885	12,543
- United States	9,277	28,743
- Others	51,492	610,843
	<u>5,710,421</u>	<u>4,822,662</u>
Less : Impairment allowances for impaired loans and advances		
- individual impairment allowances	(1,293)	(2,171)
- collective impairment allowances	(57,104)	(48,227)
	<u>(58,397)</u>	<u>(50,398)</u>
	<u>5,652,024</u>	<u>4,772,264</u>

The individual impairment allowances are treated as specific provisions at the head office of East West Bank (EWB). Moreover, additional individual impairment allowances and country risk provisions are made by the head office against the exposures of the Hong Kong Branch on a monthly basis.

Impairment allowances made by the head office of EWB against the exposure of Hong Kong Branch as follows:

	December 31, 2016	June 30, 2016
	HK\$000	HK\$000
- individual impairment allowances	5,795	(36,185)
- collective impairment allowances	(39,774)	35,746
- country risk provisions	33,709	33,270
	<u>(270)</u>	<u>32,831</u>
Gross value of assets against which individual impairment allowances have been made	<u>186,801</u>	<u>670,420</u>

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

Gross amount of loans and advances to customers which are more than one month overdue and their expression as a percentage of its total amount of loans and advances to customers are as follows:

	December 31, 2016		June 30, 2016	
	HK\$000	%	HK\$000	%
Hong Kong:				
- more than 1 month but not more than 3 months	0	0.00	0	0.00
- more than 3 months but not more than 6 months	0	0.00	0	0.00
- more than 6 months but not more than one year	0	0.00	906	0.02
- more than one year	14,073	0.25	22,488	0.47
	<u>14,073</u>	<u>0.25</u>	<u>23,394</u>	<u>0.49</u>

	December 31, 2016	June 30, 2016
	HK\$000	HK\$000
- individual impairment allowances	0	0
- covered portion of overdue loans and advances	14,073	23,394
- 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>14,073</u>	<u>23,394</u>

(c) Impaired loans and advances to customers

	December 31, 2016	June 30, 2016
	HK\$000	HK\$000
Gross impaired loans and advances	85,614	104,639
Individual impairment allowances	(1,293)	(2,171)
Net impaired loans and advances	<u>84,321</u>	<u>102,468</u>

Gross impaired loans and advances as a percentage of gross loans and advances to customers 1.50% 2.17%

Individual impairment allowances as a percentage of gross impaired loans and advances 1.51% 2.07%

Current market value of collateral related to impaired loans and advances 80,052 103,573

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

	December 31, 2016		June 30, 2016	
	HK\$000	%	HK\$000	%
Rescheduled loans and advances to customers	14,073	0.25	23,394	0.49

(e) Loans and advances to customers by industry sector

	December 31, 2016		June 30, 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	134,546	18.24	158,197	36.79
- property investment	565,893	72.59	954,107	83.73
- financial concerns	820,417	31.10	689,491	18.38
- stockbrokers	150,000	0.00	149,583	0.00
- wholesale and retail trade	1,544,000	67.10	1,483,066	65.27
- manufacturing	87,344	99.11	278,780	14.44
- transport and transport equipment	262,722	69.00	219,819	75.29
- others	311,079	100.00	197,856	93.51
	3,876,001	59.48	4,130,899	56.71
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	12,854	100.00	28,055	100.00
- credit card advances	0	0.00	0	0.00
- others	374,822	100.00	189,267	100.00
	387,676	100.00	217,322	100.00
Total loans and advances for use in Hong Kong	4,263,677	63.16	4,348,221	58.87
Trade finance	285,173	36.89	268,031	30.96
Loans and advances for use outside Hong Kong	1,161,571	31.06	206,410	100.00
	5,710,421	55.32	4,822,662	59.08

Key Financial Information Disclosure Statement
Section A - Hong Kong Branch Information
(f) Non-bank Mainland exposures

The analysis of non-bank Mainland exposures is based on the categories of non-bank counterparties and the type of direct exposures with reference to the Completion Instruction for the HKMA return of non-bank Mainland exposures.

	December 31, 2016		
	HK\$000		
	On-balance sheet exposure	Off-balance sheet exposure	Total exposures
1. Central government, central government-owned entities and their subsidiaries and JVs	666,163	0	666,163
2. Local governments, local government-owned entities and their subsidiaries and JVs	129,573	70,476	200,049
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	1,332,645	131,263	1,463,908
4. Other entities of central governments not reported in item 1 above	75,091	0	75,091
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	518,914	95,999	614,913
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposure.	<u>1,867,434</u>	<u>242,339</u>	<u>2,109,773</u>
Total	<u>4,589,820</u>	<u>540,077</u>	<u>5,129,897</u>
Total assets after provisions	<u>8,092,694</u>		
On-balance sheet exposures as percentage of total assets	<u>56.72%</u>		

	June 30, 2016		
	HK\$000		
	On-balance sheet exposure	Off-balance sheet exposure	Total exposures
1. Central government, central government-owned entities and their subsidiaries and JVs	653,603	0	653,603
2. Local governments, local government-owned entities and their subsidiaries and JVs	93,389	106,667	200,056
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	722,414	128,677	851,091
4. Other entities of central governments not reported in item 1 above	74,849	250	75,099
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	428,399	107,108	535,507
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures.	<u>1,569,711</u>	<u>149,517</u>	<u>1,719,228</u>
Total	<u>3,542,365</u>	<u>492,219</u>	<u>4,034,584</u>
Total assets after provisions	<u>7,402,436</u>		
On-balance sheet exposures as percentage of total assets	<u>47.85%</u>		

Key Financial Information Disclosure Statement
Section A - Hong Kong Branch Information
4. International claims (by ultimate nation)

International claims are on-balance sheet exposures to counterparties based on the location of the counterparties after taking into account the transfer of risk and by types of counterparties. For a claim guaranteed by a party situated in a country different from the counterparty, risk will be transferred to the country of the guarantor. For a claim on the branch of a bank or other financial institution, the risk will be transferred to the country where its head office is situated. Claims on individual countries or areas, after risk transfer, are shown as follows:

	December 31, 2016					
	HK\$million					
	<i>Non-bank private sector</i>					
	Banks	Official Sector	Non-bank financial institutions	Non-financial private sector	Others	Total
Developed countries	461	1,040	313	264	0	2,078
- of which United States	445	1,040	313	264	0	2,062
Offshore centres	260	0	276	1,985	0	2,521
- of which Hong Kong	260	0	140	1,166	0	1,566
Developing Asia and Pacific	43	0	206	1,983	0	2,232
- of which China	43	0	195	1,972	0	2,210

	June 30, 2016					
	HK\$million					
	<i>Non-bank private sector</i>					
	Banks	Official Sector	Non-bank financial institutions	Non-financial private sector	Others	Total
Developed countries	23	712	1,115	29	0	1,879
- of which United States	0	712	1,115	29	0	1,856
Offshore centres	315	0	0	2,005	0	2,320
- of which Hong Kong	315	0	0	1,199	0	1,514
Developing Asia and Pacific	0	0	51	1,812	0	1,863
- of which China	0	0	0	1,800	0	1,800

Key Financial Information Disclosure Statement
Section A - Hong Kong Branch Information
5. Off-balance sheet exposures and derivative transactions

	December 31, 2016	June 30, 2016
	HK\$000	HK\$000
Contingent liabilities and commitments		
- direct credit substitutes	88,862	82,198
- trade-related contingencies	41,602	54,734
- other commitments	675,268	644,509
	<u>805,732</u>	<u>781,441</u>
	December 31, 2016	June 30, 2016
	HK\$000	HK\$000
Derivative transactions		
- exchange rate contracts	3,347,320	2,424,861

The contract amounts of the above instruments indicate the volume of transactions outstanding as of the balance sheet date. They do not represent amounts at risk. The above instruments are used for position squaring or hedging purposes and there are no replacement costs reported.

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.

	December 31, 2016				
	HK\$million				
	Singaporean dollars	Canadian dollars	US dollars	Total	
Non-structural position					
Spot assets	0	0	6,555	6,555	
Spot liabilities	(9)	(15)	(6,856)	(6,880)	
Forward purchases	8	14	1,818	1,840	
Forward sales	0	0	(1,522)	(1,522)	
Net options position	0	0	0	0	
Net long position	<u>(1)</u>	<u>(1)</u>	<u>(5)</u>	<u>(7)</u>	
Structural position	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
	June 30, 2016				
	HK\$million				
	Singaporean dollars	Australian dollars	Japanese yen	US dollars	Total
Non-structural position					
Spot assets	1	0	0	5,744	5,745
Spot liabilities	(9)	(11)	(2)	(6,220)	(6,242)
Forward purchases	7	75	3	1,401	1,486
Forward sales	0	(65)	0	(926)	(991)
Net options position	0	0	0	0	0
Net short position	<u>(1)</u>	<u>(1)</u>	<u>1</u>	<u>(1)</u>	<u>(2)</u>
Structural position	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

Key Financial Information Disclosure Statement**Section A - Hong Kong Branch Information****7. Liquidity**

	For the year ended December 31, 2016	For the year ended December 31, 2015
Average liquidity maintenance ratio for the reporting period	%	%
	36.71	48.04

The Branch's average liquidity maintenance ratio for the period is the simple average of each calendar month's average liquidity maintenance ratio. The liquidity maintenance ratio is computed in accordance with the Banking (Liquidity) Rules with effect from 1 January 2015.

Assets and Liability Committee ("ALCO") is mainly responsible for the liquidity risk management in our branch. The management of liquidity is in compliance with the branch's Liquidity Management Policy to ensure compliance with local regulatory requirements and limits set by ALCO.

Liquidity is managed on a daily basis by establishing liquidity risk management indicators and limits to identify, measure, monitor and control the liquidity risk. The branch also performs cash flow forecast and stress testing regularly to identify liquidity risk exposures and possible impact.

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 EWB head office, hence it is not separately disclosed by EWB HK Branch.

Key Financial Information Disclosure Statement
Section B - Bank Information
1. Capital and capital adequacy

	<u>December 31, 2016</u>	<u>June 30, 2016</u>
	%	%
Capital adequacy ratio	12.35	12.07

The 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>December 31, 2016</u>	<u>June 30, 2016</u>
	Equivalent to HK\$million	Equivalent to HK\$million
Total amount of shareholders' funds	27,505	26,065

2. Other financial information

	<u>December 31, 2016</u>	<u>June 30, 2016</u>
	Equivalent to HK\$million	Equivalent to HK\$million
Total assets	269,473	255,267
Total liabilities	241,968	229,203
Total loans and advances	196,117	186,430
Total customer deposits	232,376	219,856

	<u>For the year ended December 31, 2016</u>	<u>For the year ended December 31, 2015</u>
	Equivalent to HK\$million	Equivalent to HK\$million
Profit before taxation	4,627	2,328

Note:

a) The exchange rates for translation of US\$ against HK\$:

Dec 31, 2016	7.7545
Jun 30, 2016	7.7596
Dec 31, 2015	7.7504