



East West Bank
Hong Kong Branch

Key Financial Information Disclosure Statement
as of December 31, 2018

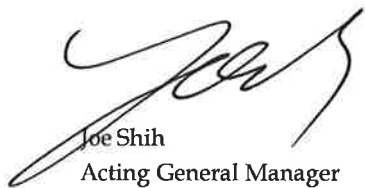
Hong Kong Branch Key Financial Information Disclosure Statement as of December 31, 2018

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.



Joe Shih
Acting General Manager

April 23, 2019

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 and our website for public inspection.

Key Financial Information Disclosure Statement
Section A - Hong Kong Branch Information
1. Income statement

	For the year ended December 31, 2018	For the year ended December 31, 2017
	HK\$000	HK\$000
Interest income	274,627	216,638
Interest expense	(74,243)	(55,327)
Net interest income	200,384	161,311
Commission and fee income	14,375	21,333
Commission and fee expense	(3,283)	(2,549)
Net fees and commission income	11,092	18,784
Gains less losses arising from trading in foreign currencies	26,954	31,195
Income from investment held for trading	2	0
Other operating income	0	1,391
Total operating income before impairment losses and provision	26,956	32,586
Provision of impairment losses on loans and receivables	(1,784)	(19,726)
Net operating income	236,648	192,955
Staff and rental expenses	(128,294)	(92,264)
Other expenses	(29,342)	(23,247)
Reversal of impairment loss /(impairment loss) on assets	0	2,684
Total operating expenses	(157,636)	(112,827)
Profit before taxation	79,012	80,128
Tax expense	(12,797)	(13,975)
Profit after taxation	66,215	66,153

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

	<u>December 31, 2018</u>	<u>June 30, 2018</u>
	HK\$000	HK\$000
ASSETS		
Cash and balances with banks (except for those included in amount due from overseas offices)	944,614	588,121
Placements with banks (except for those included in amount due from overseas offices)	476,177	668,305
Amount due from overseas offices	1,390,102	227,001
Trade bills	2,068	1,405
Loans to customers (net of provisions)	5,080,687	5,711,658
Government bills and notes	998,515	984,883
Investment securities	739,482	743,712
Fixed assets	14,601	4,752
Other assets	98,209	196,519
Total assets	<u>9,744,455</u>	<u>9,126,356</u>
LIABILITIES		
Deposits and balances from banks (except for those included in amount due to overseas offices)	4,480	6,121
Deposits from customers		
- demand deposits and current accounts	848,629	673,191
- savings deposits	3,856,376	3,187,416
- time, call and notice deposits	3,982,554	3,408,545
	8,687,559	7,269,152
Amount due to overseas offices	657,751	1,389,123
Other liabilities	123,610	215,079
Total liabilities	<u>9,473,400</u>	<u>8,879,475</u>
CAPITAL AND RESERVES		
Paid up capital	0	0
Reserves	204,840	204,744
Current profit	66,215	42,137
Total capital and reserves	<u>271,055</u>	<u>246,881</u>
Total liabilities and capital and reserves	<u>9,744,455</u>	<u>9,126,356</u>

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

	<u>December 31, 2018</u>	<u>June 30, 2018</u>
	HK\$000	HK\$000
Gross amount of loans to customers:		
- Hong Kong	3,806,981	4,054,656
- China	783,563	1,107,916
- Singapore	260,758	290,630
- Macau	111,595	117,704
- United States	103,104	100,596
- Taiwan	80,562	96,659
- Others	15,787	8,227
	<u>5,162,350</u>	<u>5,776,388</u>
Trade bills	2,068	1,405
Total loans and advances to customers	<u>5,164,418</u>	<u>5,777,793</u>
Less : Impairment allowances for impaired loans and advances		
- individual impairment allowances	(27,651)	(6,490)
- collective impairment allowances	(54,012)	(58,240)
	<u>(81,663)</u>	<u>(64,730)</u>
	<u>5,082,755</u>	<u>5,713,063</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:

	<u>December 31, 2018</u>	<u>June 30, 2018</u>
	HK\$000	HK\$000
- individual impairment allowances	(26,846)	17,988
- collective impairment allowances	(43,469)	(58,241)
- country risk provisions	30,574	34,295
	<u>(39,741)</u>	<u>(5,958)</u>
Gross value of assets against which individual impairment allowances have been made	<u>25,002</u>	<u>120,094</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, 2018		June 30, 2018	
	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	0	0.00
- more than one year	28,216	0.55	28,216	0.49
	<u>28,216</u>	<u>0.55</u>	<u>28,216</u>	<u>0.49</u>

	December 31, 2018	June 30, 2018
	HK\$000	HK\$000
- individual impairment allowances	27,651	6,490
- covered portion of overdue loans and advances	0	0
- uncovered portion of overdue loans and advances	28,216	28,216
- current market value of collateral held against the covered portion of overdue loans and advances	<u>0</u>	<u>0</u>

(c) Impaired loans and advances to customers

	December 31, 2018	June 30, 2018
	HK\$000	HK\$000
Gross impaired loans and advances	28,216	28,216
Individual impairment allowances	(27,651)	(6,490)
Net impaired loans and advances	<u>565</u>	<u>21,726</u>

Gross impaired loans and advances as a percentage of gross loans and advances to customers 0.55% 0.49%

Individual impairment allowances as a percentage of gross impaired loans and advances 98.00% 23.00%

Current market value of collateral related to impaired loans and advances 0 0

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, 2018		June 30, 2018	
	HK\$000	%	HK\$000	%
Rescheduled loans and advances to customers	28,216	0.55	28,216	0.49

(e) Loans and advances to customers by industry sector

	December 31, 2018		June 30, 2018	
	HK\$000	The percentage covered by collateral	HK\$000	The percentage covered by collateral
Gross amount of loans to customers for use in Hong Kong:				
Industrial, commercial and financial				
- property development	28,216	0.00	28,216	0.00
- property investment	268,301	100.00	840,320	54.38
- financial concerns	1,276,020	33.21	1,125,610	37.72
- stockbrokers	214,690	46.18	100,873	0.00
- wholesale and retail trade	723,115	68.17	990,316	35.41
- manufacturing	151,614	13.56	246,781	4.10
- transport and transport equipment	495,715	46.60	510,052	45.38
- others	340,030	100.00	388,775	100.00
	3,497,701	53.63	4,230,943	43.81
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	11,841	100.00	12,315	100.00
- credit card advances	0	0.00	0	0.00
- others	222,563	78.89	253,630	81.44
	234,404	79.95	265,945	82.30
Total loans for use in Hong Kong	3,732,105	55.28	4,496,888	46.08
Trade finance	199,815	77.86	144,531	49.44
Loans for use outside Hong Kong	1,230,430	48.00	1,134,969	62.02
	5,162,350	54.42	5,776,388	49.50

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, 2018		
	HK\$000		
	On-balance sheet exposure	Off-balance sheet exposure	Total exposures
1. Central government, central government-owned entities and their subsidiaries and JVs	338,346	0	338,346
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	1,929,709	316,973	2,246,682
4. Other entities of central governments not reported in item 1 above	67,649	7,500	75,149
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	253,797	76,556	330,353
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposure.	1,006,425	525,971	1,532,396
Total	3,595,926	927,000	4,522,926
Total assets after provisions	9,744,455		
On-balance sheet exposures as percentage of total assets	36.90%		
	June 30, 2018		
	HK\$000		
	On-balance sheet exposure	Off-balance sheet exposure	Total exposures
1. Central government, central government-owned entities and their subsidiaries and JVs	539,324	0	539,324
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	1,933,317	210,151	2,143,468
4. Other entities of central governments not reported in item 1 above	75,103	0	75,103
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	312,798	12,665	325,463
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures.	1,439,080	523,429	1,962,509
Total	4,299,622	746,245	5,045,867
Total assets after provisions	9,126,356		
On-balance sheet exposures as percentage of total assets	47.11%		

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, 2018					
	HK\$million					
	Banks	Official Sector	Non-bank private sector		Others	Total
			Non-bank financial institutions	Non-financial private sector		
Developed countries	1,429	966	0	309	0	2,704
- of which United States	1,390	966	0	309	0	2,665
- of which United Kingdom	34	0	0	0	0	34
Offshore centres	978	0	407	1,538	0	2,923
- of which Hong Kong	978	0	271	605	0	1,854
- of which Cayman Islands	0	0	136	511	0	647
- of which West Indies UK	0	0	0	162	0	162
- of which Singapore	0	0	0	118	0	118
- of which Macau	0	0	0	112	0	112
- of which Mauritius	0	0	0	29	0	29
Developing Asia and Pacific	0	0	0	1,893	0	1,893
- of which China	0	0	0	1,881	0	1,881
- of which Chinese Taipei	0	0	0	12	0	12
International Organisations	0	740	0	0	0	740

	June 30, 2018					
	HK\$million					
	Banks	Official Sector	Non-bank private sector		Others	Total
			Non-bank financial institutions	Non-financial private sector		
Developed countries	471	957	0	299	0	1,727
- of which United Kingdom	242	0	0	0	0	242
- of which United States	227	957	0	298	0	1,482
Offshore centres	666	0	606	1,786	0	3,058
- of which Hong Kong	666	0	275	1,017	0	1,958
- of which Cayman Islands	0	0	331	363	0	694
- of which Singapore	0	0	0	147	0	147
- of which Macau	0	0	0	118	0	118
- of which West Indies UK	0	0	0	111	0	111
- of which Mauritius	0	0	0	29	0	29
Developing Asia and Pacific	197	0	0	1,893	0	2,090
- of which China	197	0	0	1,881	0	2,078
- of which Chinese Taipei	0	0	0	12	0	12
International Organisations	0	0	747	0	0	747

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

	<u>December 31, 2018</u>	<u>June 30, 2018</u>
	HK\$000	HK\$000
Contingent liabilities and commitments		
- direct credit substitutes	60,662	73,795
- trade-related contingencies	107,076	74,140
- other commitments	1,389,299	845,777
	<u>1,557,037</u>	<u>993,712</u>

	<u>December 31, 2018</u>	<u>June 30, 2018</u>
	HK\$000	HK\$000
Derivative transactions		
- exchange rate contracts	2,356,892	1,715,874

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.

	<u>December 31, 2018</u>	
	US dollars	Total HK\$million
Non-structural position		
Spot assets	7,703	7,703
Spot liabilities	(7,135)	(7,135)
Forward purchases	903	903
Forward sales	(1,461)	(1,461)
Net options position	0	0
Net long position	<u>10</u>	<u>10</u>
Structural position	<u>0</u>	<u>0</u>

	<u>June 30, 2018</u>		
	Canadian dollars	US dollars	Total HK\$million
Non-structural position			
Spot assets	1	7,079	7,080
Spot liabilities	(17)	(6,256)	(6,273)
Forward purchases	17	448	465
Forward sales	0	(1,289)	(1,289)
Net options position	0	0	0
Net short position	<u>1</u>	<u>(18)</u>	<u>(17)</u>
Structural position	<u>0</u>	<u>0</u>	<u>0</u>

Key Financial Information Disclosure Statement

Section A - Hong Kong Branch Information

7. Liquidity

	<u>Year 2018</u>	<u>Year 2017</u>
	%	%
Average liquidity maintenance ratio for the quarter ended December 31	44.76	
for year ended December 31		39.14

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. The liquidity ratio is computed in accordance with the Fourth Schedule of the Hong Kong Banking Ordinance.

Please refer to the Appendix of this disclosure statement for the details of Liquidity Risk Management of the Branch.

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, 2018</u>	<u>June 30, 2018</u>
	%	%
Capital adequacy ratio	13.10	13.15

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, 2018</u>	<u>June 30, 2018</u>
	Equivalent to HK\$million	Equivalent to HK\$million
Total amount of shareholders' funds	34,349	32,132

2. Other financial information

	<u>December 31, 2018</u>	<u>June 30, 2018</u>
	Equivalent to HK\$million	Equivalent to HK\$million
Total assets	321,216	298,548
Total liabilities	286,866	266,416
Total loans and advances	251,727	235,242
Total customer deposits	279,087	258,732

	<u>For the year ended December 31, 2018</u>	<u>For the year ended December 31, 2017</u>
	Equivalent to HK\$million	Equivalent to HK\$million
Profit before taxation	6,519	5,848

Note:

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

Dec 31, 2018	7.8312
Jun 30, 2018	7.8470
Dec 31, 2017	7.8134

LIQA: Liquidity Risk Management

LIQA: 流動性風險管理

This document is corresponding to Banking (Disclosure) Rules section 16FJ, 103(4A) and templates which provide by HKMA. It is to enable Pillar three data users to make an informed judgement about the soundness of East West Bank Co., Ltd. Hong Kong Branch's (EWHK) risk management framework and liquidity position.

這份文件所述係按照<銀行業(披露)規則>條文第 16FJ, 103(4A)及香港金管公佈的範例所編製。第三支柱使用者得以就此資訊對華美銀行香港分行的風險管理及流動部位得到充分的資訊判斷。

The framework and quantitative figure of liquidity risk management are demonstrated as follows:

整體香港分行的流動性質化框架及量化資料說明如下:

Qualitative disclosures 質化披露

(a) Governance of liquidity risk management, including 流動性風險管理治理

1) Risk tolerance 風險承受度

EWHK's liquidity risk tolerance follows HKMA's regulations on liquidity management. Risk management division of EWHK has established liquidity risk tolerance, including "Liquidity Management Policy", "Contingency Funding Plan", "Liquidity Stress Testing" and "Recovery Plan". When setting the liquidity limits, EWHK has took into consideration of related requirement of HKMA and Head Office located in U.S. In the meantime, EWHK regularly monitors risk indicator and report to local Asset and Liability Management Committee (ALCO) and Head Office. EWHK's local ALCO always has review and approve its risk capacity on a monthly basis and report to Head Office for review. To avoid any unexpected shortage of cash flow, EWHK has calculated daily liquidity maintenance ratio and mismatch reports on a daily basis and conducted stressed liquidity testing on a quarterly basis to ensure the appropriateness and keep abreast of EWHK's strategy, business growth and regulatory requirement.

香港分行流動性承受度是遵照香港金管局之流動性管理規範製定。香港分行風險管理部門負責建立風險承受限額，其中包含流動性政策，應變融資計劃，流動性壓力測試及復原計劃。當建立流動性限額時，已充份考量香港當地規範及美國總行相對應政策之一致性。同時，香港分行會定期性監視各項風險指標，並且陳報至分行資產負債管理委員會及總行單位。香港分行資產負債管理委員會每月負責監視及同意所有的風險承受度並陳報總行。為避免任何非預期性資金短缺，香港分行每日估算流動維持比

率與現金流部位不對稱報表及每季會執行流動性壓力測試，以確保資金管理適當性及確保資金部位與分行政策，業務規模及當地規範具一致性。

2) Structure and responsibilities for liquidity risk management
流動性風險管理框架及職責

EWHK has established Liquidity Management Policy to prudently manage and monitor liquidity risk and to ensure sufficient liquidity pool. EWHK also has implemented Contingency Funding Plan, Liquidity Stress Testing and Recovery Plan into the scope of risk management. The structure and respective responsibilities for EWHK's liquidity risk management are stated as follows,

香港分行已建立流動性管理政策以健全性管理監督流動性風險，並確保隨時均具有充足的流動性資金池。其中包含應急融資計劃，流動性壓力測試及復原計劃。其管理框架及相對應的流動性管理權責說明如下，

i. Risk and Treasury management team in Head Office:
總行風險及財務管理單位

Enterprise risk management and treasury department in Head Office will be in charge of supervising the overall risk tolerances of EWHK and reviewing the effectiveness of liquidity management and updated of policy and procedures.

總行風險和財務單位負責監督香港分行所有的風險承受部位及檢視流動性管理的有效性及其相關政策。

ii. Asset and Liability Management Committee (ALCO):
資產負債管理委員會

EWHK will conduct global ALCO with Head Office Treasury department and local ALCO internally on a monthly basis to take the responsibilities of maintaining and conducting the liquidity control.

香港分行與總行間或分行內部每月定期召開資產負債委員會，該委員會承擔起維持及執行流動性管控責任。

iii. Risk management department:
香港分行風險管理單位

Risk management department is an independent division for evaluating EWHK's liquidity position, cash flow situation, and conducting liquidity stress testing to monitor branch-wide liquidity limits. Risk department also will host local ALCO and raises any liquidity related issues for further discussion. For the results of stress testing, risk team will discuss and escalate to Committee to decide if an ad-hoc contingency funding plan or recovery plan should be activated or if the Crisis Management Team (CMT) should be gathered.

香港分行風險管理單位具獨立性，負責評估流動性部位、現金流情況及執行流動性壓力測試，以達監控分行流動性限額。風管單位亦負責主導資產負債委員會並提出

流動性相關議題進行討論。就壓力測試結果，亦被提出討論以決定是否吞啟動應急融資計劃或復原計劃，或者是否成立危機管理小組。

3) Internal Liquidity Reporting

內部流動性陳報

EWHK has built many liquidity reports for the purpose to manage the internal liquidity risk. Those reporting will be sent out for management review in branch and Head Office and controlled by risk management department. It will be discussed at global and local ALCO meeting monthly.

香港分行已建立多層面管理性報表，以全面性掌握分行內部流動性風險。該報表會陳報分行及總行管理單位檢視，並且會於資產管理委員會進行討論。

4) Communication of liquidity risk strategy, policies and practices across business lines and with the Board of Directors

與業務單位及董事會間，就流動性風險策略、政策及措施之溝通

EWHK has built a communication plan between internal business units and Head Office. All the procedures are written in Liquidity Management Policy, Local ALCO policy and Recovery Plan. All of those policies have sent to Head Office for approval and review. The approved policies will be reviewed at local ALCO and circulated to all the business department in EWHK. The plan ensures the consistent understanding regarding liquidity management and cash flow projection and reporting. In case of recovery plan is triggered, a CMT will be formed immediately and an ad-hoc local ALCO hosted by CEO or GM will be held to discuss remedial action. Any remedial action regarding liquidity crisis will be reported to Head Office at the same time.

香港分行已建立分行內部間及與總行間之溝通計劃。所有執行流程述明在相關政策中，該等政策亦由總行檢視並核准。該核定計劃會呈報於內部管理委員會並公告各相關單位，以取得一致性關於流動性管理及現金流預測的認知。另外，如復原計劃被啟動，危機管理小組將立即組成，臨時資產負債委員會將被召開，並由分行最高管理者主持及討論後續行動，該行動亦會立即陳報總行單位。

(b) Funding Strategy

融資策略

EWHK's funding strategy is based on diversification principle aiming to diversify funding sources and the use of funds to avoid highly concentration risk. EWHK intends to hold high-quality liquefiable assets and keep vigilant on the funding sources diversification to cope with market-wide volatility. As of current, most of our funding sources are driven by customer deposits, most of them are USD and HKD denominated. The usage of funds are mainly allocated in loans, highly-rated debt securities and term placement to Head Office or Hong Kong money market. To avoid over-reliance on certain groups or clients, EWHK will monitor and report the concentration of deposits and loans to local ALCO and track the movement on a daily basis and report to ALCO monthly. In terms of non-USD currency management, EWHK majorly will involve in FXSWAP market with other

liquidity provider which get pre-approved limits from Head Office. Overall to funding strategy, it is decentralized from Head Office's perspective and this strategy will be review and discussed at global ALCO with Head Office and at local ALCO on a monthly basis to commensurate with EWHK's business scale.

香港行分融資策略是基於分散原則，力求多方面融資來源，資金使用方面則是避免高度集中風險。香港分行致力於持有高度流動性資產，對於融資分散持續保持高度警覺性，以面對市場波動衝擊。目前為止，大多數的資金來原客戶的美元和港幣存款。資金使用則以放款、高評級債券和同業拆款為主。為避免高度集中於某客戶，定期監視及陳報存放款集中度及其變動於資產負債委員會。關於非美元貨幣管理，則以換匯交易為主要管理工具，該等限額亦事先經總行核定。整體而言，該分散化融資及資金使用政策，會定期於分行內部及與總行間討論，以適合香港分行業務規模。

(c) Liquidity risk mitigation techniques

流動性風險減低措施

In order to identify potential liquidity risk, EWHK will conduct liquidity stress testing on a quarterly basis and report to Head Office for their further review. EWHK has built up a Contingency Funding Plan (CFP) to real test our funding capacity in one day from outside funding sources, excluding funds from Head Office, to deal with expected deposit run-off of top 3 customers. The CFP includes REPO transactions, borrowing in money market and intraday sweeping borrowing from certain counterparty. In addition, EWHK has set up many early warning indicators and tolerance limits to monitor possible risk. Once triggered, the corresponding remedial action will be discussed at ad-hoc local ALCO, or a Crisis Management Team will be built to sustain normal function. Recovery plan includes REPO transaction, sell of debt securities, sell of syndication loan and borrowing from Head Office as a final measure.

為確認潛在流動性風險，香港分行會每季執行流動性壓力測試，並陳報總行檢視。另外，亦會每年進行實際應急融資計劃，以測試如果前三大存款戶無預警提款時，香港分行是否具備一天內取得足夠資金應對。該應急融資工具包含債券回購交易、同業借款及與簽訂當日融資協議交易對日進行應急借款。另外，香港分行亦建立多項事預警指標及風險承受限額進行風險管理。一旦被觸發，相對應的復原行動將啟動，其中包含債券回購交易、債券售出交易、銀團貸款售出及最終手段向總行進行融資。

(d) An explanation of stress testing used

流動性壓力測試

For the stress testing of liquidity, EWHK will review daily position mismatch report and set risk limit for all position and significant currency, such USD. It can assesses the adequacy of funding capacity or mitigate potential cash flow shortfall that may occur as forecasted in the cash flow movements across successive time buckets. Otherwise, EWHK has built a liquidity stress testing model to test potential shortfall under different parameters and scenarios, such as institution-specific, market-wide and combined stress scenarios. The testing can assess EWHK's vulnerability when deposit run-off increase, asset deterioration and unexpected loans drawdown by committed facility or rollover increase. The testing result will send to Head Office for review and report to local ALCO

for discussion on a quarterly basis. The parameters of the testing also will be reviewed by Head Office to evaluate the adequacy of model.

就流動性壓力而言，香港分行每日檢視現金流部位不相稱報表，並就全部位及美元部位分別設定風險限額。該管理報表可評估融資能量適當性或減少各天期間之現金流不足情況發生。另外，香港分行所發展之流動性壓力測試模型，可以測試在各種情境及參數下潛在現金流不足問題，其情境包含香港分行本身、市場整體及綜合考量等三類。該測試可以衡量各種參數下之香港分行弱點，參數包含存款流失、資產惡化及非預期性放款增加。該等測試及其參數會陳報總行核定。

(e) An outline of Contingency Funding Plan (CFP)

流動性應變融資計劃

EWHK's objective in contingency funding management is to ensure that there is sufficient liquidity to meet customers' obligations in the first working days and tide EWHK over the crises. It also outline key management action to be taken in managing a liquidity crisis. Followings could be served as contingent facilities: REPO transaction, sell of debt securities, borrowing from intraday sweeping account with certain counterparty and sell of syndication loans. The contingency funding plan should be conducted annually, and launched by Risk management, exercised by Treasury staff and actually settled by back office staff. Should there be an immediate liquidity crisis at EWHK to meet its obligations, General Manager will notify CEO of Greater China, Head Office Treasurer and HKMA and will call for the formation of a Crisis Management Team ("CMT") immediately. The CMT will consist of CEO of Greater China ("Chairperson"), General Manager, Heads of Commercial Banking, Wealth Management, Operation, Finance, Risk and Treasury Department.

香港分行應急融資計劃目標是確保於一個營業日內有足夠流動性資金滿足客戶提款需求以渡過危機。應急融資工具包含債券回購交易、同業借款及與簽訂當日融資協議交易對日進行應急借款。該計劃每年由風險管理單位發動，並由交易及交割單位執行交易。萬一立即性流動性危機存在，由香港分行管理高層及各單位負責人所組成之危機管理小組將立即組成並通知香港金管局。

Quantitative disclosures 量化披露
(f) Cash flow maturity mismatch

現金流部位不對稱

The on- and off-balance items broken down into maturity buckets of the branch as of December 31, 2018 are as below,

於 2018 年 12 月 31 日，香港分行資差負債表內及表外項目按到期日分析如下

On-balance sheet liabilities

(HK\$'000)

	Total amount	Contractual maturity of cash flows and securities flows arising from the relevant items									
		Next day	2 to 7 days	8 days to 1 month	Over 1 month, up to 3 months	Over 3 months, up to 6 months	Over 6 months, up to 1 year	Over 1 year up to 2 years	Over 2 years up to 3 years	Over 3 years up to 5 years	Over 5 years
1 Deposits from non-bank customers	8,697,695	4,746,529	602,185	1,577,514	1,300,046	384,391	71,194	15,836	0	0	0
2 Amount payable arising from derivative contracts	0	12,854	614,018	1,123,104	5,145	0	0	0	0	0	0
3 Due to banks	666,568	106,216	0	158,739	346,778	0	54,835	0	0	0	0
4 Other liabilities	42,916	39,240	3,676	0	0	0	0	0	0	0	0
5 Capital and reserves	271,055	0	0	0	0	0	0	0	0	0	0
6 Total	9,678,234	4,904,839	1,219,879	2,859,357	1,651,969	384,391	126,029	15,836	0	0	0

Off-balance sheet obligations

7 Irrevocable loan commitments or facilities granted	1,304,167	0	0	0	0	0	0	0	0	0	0
8 Other Off-balance sheet obligations	175,330	0	0	0	0	0	0	0	0	0	0
9 Total	1,479,497	0	0	0	0	0	0	0	0	0	0

On-balance sheet assets

(HK\$'000)

	Total amount	Contractual maturity of cash flows and securities flows arising from the relevant items										
		Next day	2 to 7 days	8 days to 1 month	Over 1 month, up to 3 months	Over 3 months, up to 6 months	Over 6 months, up to 1 year	> 1 year up to 2 years	> 2 years up to 3 years	> 3 years up to 5 years	Over 5 years	
10	Currency notes and coins	560	553	7	0	0	0	0	0	0	0	0
11	Amount receivable arising from derivative contracts	19,796	12,934	610,813	1,120,699	5,164	0	0	0	0	0	0
12	Due from MA for a/c of Exchange Fund	299,425	299,425	0	0	0	0	0	0	0	0	0
13	Due from banks	2,516,827	2,040,650	0	0	476,177	0	0	0	0	0	0
14	Debt securities, prescribed instruments and structured financial instruments held (net of short positions)	1,740,319	1,740,319	0	0	0	0	0	0	0	0	0
15	Acceptances and bills of exchange held	2,076	0	0	2,076	0	0	0	0	0	0	0
16	Loans and advances to non-bank customers	5,019,364	35,975	206,641	634,685	1,067,619	528,501	781,308	724,458	951,345	56,809	0
17	Other assets	31,944	28,269	3,675	0	0	0	0	0	0	0	0
18	Total	9,630,311	4,158,125	821,136	1,757,460	1,548,960	528,501	781,308	724,458	951,345	56,809	0

Off-balance sheet claims

19	Total	118,123	0	0	0	0	0	0	0	0	0	0
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20	Contractual Maturity Mismatch	(746,714)	(398,743)	(1,101,897)	(103,009)	144,110	655,279	708,622	951,345	56,809	0
21	Cumulative Contractual Maturity Mismatch	(746,714)	(1,145,457)	(2,247,354)	(2,350,363)	(2,206,253)	(1,550,974)	(842,352)	108,993	165,802	165,802

(g) Concentration on collateral and sources of funding

抵押品及資金來源集中

The Branch holds highly-rated debt securities which are qualified as collateral for Repo transactions. The major funding sources for the branch were customer deposits. The analysis of source of funding and concentration are as below,

香港分行持有的高評級債券均可作為抵押品用於債券回購交易上。香港分行的資金主要來源為客戶存款。有關香港分行的資金來源以及集中程度如下：

	Amount 金額 (HK\$000)	Percentage to total liabilities 佔總負債百分比 (%)
Total liabilities 總負債	9,473,400	100.0
Customers deposits 客戶存款	8,687,559	91.7
which: from top 10 depositors 其中：首十大存戶	3,356,931	35.4
Balance from banks 銀行存款	662,231	7.0