



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

June 30, 2019

(Unaudited)



Hong Kong Branch Banking Disclosure Statement as of June 30, 2019

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.

A handwritten signature in black ink, appearing to read 'WJG', followed by a horizontal line extending to the right.

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

September 18, 2019

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/regulatory-disclosures> for public inspection.

Key Financial Information Disclosure Statement
(Unaudited)

Section A - Hong Kong Branch Information

1. Income statement

	Six months ended Jun 30, 2019	Six months ended Jun 30, 2018
	HK\$000	HK\$000
Interest income	64,252	45,546
Interest expense	(26,860)	(16,542)
Net interest income	37,392	29,004
Fees and commission income	4,085	4,364
Fees and commission expense	(218)	(199)
Net fees and commission income	3,867	4,165
Gains less losses arising from trading in foreign currencies	0	0
Gains less losses arising from non-trading in foreign currencies	3,079	2,367
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	0
Other operating income	0	0
Total operating income before impairment losses and provisions	44,338	35,536
Impairment losses and provisions for impaired loans and receivables	(1,171)	(3,374)
Net operating income	43,167	32,162
Staff and rental expenses	(16,733)	(17,638)
Other expenses	(5,490)	(6,064)
Operating expenses	(22,223)	(23,702)
Profit before taxation	20,944	8,460
Tax expense	(3,785)	(2,162)
Profit after taxation	17,159	6,298

Key Financial Information Disclosure Statement
(Unaudited)

Section A - Hong Kong Branch Information

2. Balance sheet

	Jun 30, 2019	Dec 31, 2018
	HK\$000	HK\$000
ASSETS		
Cash and balances with banks (except those included in amount due from overseas offices)	310,015	568,322
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)	78,081	0
Amount due from overseas offices	901,357	845,869
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)	2,321,787	2,213,947
Investment securities		
- Available-for-sale securities	157,107	158,819
- Held-to-maturity securities	0	0
Property, plant and equipment and investment properties	4,667	5,326
Other assets	216,912	162,186
Total assets	3,989,926	3,954,469
LIABILITIES		
Deposits and balances from banks (except those included in amount due to overseas offices)	150,000	0
Deposits from customers		
- demand deposits and current accounts	833,297	741,103
- savings deposits	439,637	521,272
- time, call and notice deposits	1,363,340	1,432,565
	2,636,274	2,694,940
Amount due to overseas offices	1,092,070	1,167,653
Other liabilities	111,582	91,876
Total liabilities	3,989,926	3,954,469

Key Financial Information Disclosure Statement
(Unaudited)

Section A - Hong Kong Branch Information

3. Additional balance sheet information

(a) Loans and advances to customers

	<u>Jun 30, 2019</u>	<u>Dec 31, 2018</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	1,944,277	1,892,181
- Singapore	135,768	146,310
- China	75,793	0
- British Virgin Islands	80,138	80,380
- Cayman Islands	109,313	117,475
	<u>2,345,289</u>	<u>2,236,346</u>
Provisions for impaired loans and advances		
- specific provisions	0	0
- collective provisions	<u>(23,502)</u>	<u>(22,399)</u>
	<u>2,321,787</u>	<u>2,213,947</u>
Provisions made by the head office of Cathay Bank against the exposure of Hong Kong Branch as follows:		
- specific provisions	1,189	8
- collective provisions	<u>23,799</u>	<u>26,236</u>
	<u>24,988</u>	<u>26,244</u>
Gross value of assets against which specific provisions have been made	<u>61,747</u>	<u>160</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, 2019</u>		<u>Dec 31, 2018</u>	
	HK\$000	%	HK\$000	%
Hong Kong:				
- more than 3 months but not more than 6 months	6,479	0.28	0	0.00
- more than 6 months but not more than one year	0	0.00	160	0.01
- more than one year	0	0.00	0	0.00
	<u>6,479</u>	<u>0.28</u>	<u>160</u>	<u>0.01</u>
			<u>Jun 30, 2019</u>	<u>Dec 31, 2018</u>
			HK\$000	HK\$000
- specific provisions			0	0
- covered portion of overdue loans and advances			0	0
- 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>0</u>	<u>0</u>

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Section A - Hong Kong Branch Information

(c) Impaired loans and advances to customers

	<u>Jun 30, 2019</u>	<u>Dec 31, 2018</u>
	HK\$000	HK\$000
Gross impaired loans and advances	68,526	2,060
Specific provisions	<u>0</u>	<u>0</u>
Net impaired loans and advances	<u>68,526</u>	<u>2,060</u>
Gross impaired loans and advances as a percentage of gross loans and advances to customers	<u>2.92%</u>	<u>0.09%</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>300</u>	<u>1,900</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, 2019</u>		<u>Dec 31, 2018</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

	<u>Jun 30, 2019</u>		<u>Dec 31, 2018</u>	
	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	115,758	99.96	94,733	100.00
- financial concerns	370,194	9.88	492,290	9.11
- stockbrokers	0	0.00	0	0.00
- wholesale and retail trade	431,432	24.56	331,131	27.98
- manufacturing	232,326	6.41	247,875	5.73
- transport and transport equipment	80,138	0.00	80,380	0.00
- Information technology	0	0.00	0	0.00
- others	117,742	72.67	100,515	66.05
	<u>1,347,590</u>	<u>26.62</u>	<u>1,346,924</u>	<u>23.23</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	13,539	100.00	13,997	100.00
- credit card advances	0	0.00	0	0.00
- others	0	0.00	0	0.00
	<u>13,539</u>	<u>100.00</u>	<u>13,997</u>	<u>100.00</u>
Total loans and advances for use in Hong Kong	<u>1,361,129</u>	<u>27.35</u>	<u>1,360,921</u>	<u>24.02</u>
Trade finance	495,671	33.71	443,258	42.32
Loans and advances for use outside Hong Kong	<u>488,489</u>	<u>10.34</u>	<u>432,167</u>	<u>11.78</u>
	<u><u>2,345,289</u></u>	<u><u>25.15</u></u>	<u><u>2,236,346</u></u>	<u><u>25.28</u></u>

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Section A - Hong Kong Branch Information

(f) Mainland activities

	Jun 30, 2019		Total
	On-balance sheet exposure	HK\$000 Off-balance sheet exposure	
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	61,746	51,171	112,917
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	399,878	77,718	477,596
4. Other entities of central government not reported in item 1 above	117,532	0	117,532
5. Other entities of local governments not reported in item 2 above	78,155	0	78,155
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	45,254	0	45,254
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	168,612	0	168,612
Total	<u>871,177</u>	<u>128,889</u>	<u>1,000,066</u>
Total assets after provisions	3,989,926		
On-balance sheet exposures as % of total assets	21.83%		

	Dec 31, 2018		Total
	On-balance sheet exposure	HK\$000 Off-balance sheet exposure	
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	23,335	126,051	149,386
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	123,950	228,427	352,377
4. Other entities of central government not reported in item 1 above	78,605	0	78,605
5. Other entities of local governments not reported in item 2 above	78,478	0	78,478
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	53,474	0	53,474
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	182,792	0	182,792
Total	<u>540,634</u>	<u>354,478</u>	<u>895,112</u>
Total assets after provisions	3,954,469		
On-balance sheet exposures as % of total assets	13.67%		

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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, 2019						
HK\$million						
Non-bank private sector						
	Banks	Official Sector	Non-bank financial institutions	Non-financial private sector	Others	Total
Offshore centres						
Hong Kong	196	0	234	875	0	1,305

Dec 31, 2018						
HK\$million						
Non-bank private sector						
	Banks	Official Sector	Non-bank financial institutions	Non-financial private sector	Others	Total
Offshore centres						
Hong Kong	564	0	470	751	0	1,785

5. Off-balance sheet exposures and derivative transactions

	Jun 30, 2019	Dec 31, 2018
	HK\$000	HK\$000
Contingent liabilities and commitments		
- direct credit substitutes	0	7,049
- transaction-related contingencies	5,136	5,167
- trade-related contingencies	131,817	269,362
- other commitments	839,301	686,204
	<u>976,254</u>	<u>967,782</u>

	Jun 30, 2019	Dec 31, 2018
	HK\$000	HK\$000
Derivative transactions (Notional amount)		
- exchange rate contracts	632,500	469,859
- interest rate contracts	0	0
	<u>632,500</u>	<u>469,859</u>

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	Jun 30, 2019	Dec 31, 2018
Derivative transactions (Fair value)	HK\$000	HK\$000
- exchange rate contracts	(774)	66
- interest rate contracts	0	0
	<u>(774)</u>	<u>66</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, 2019	
	Equivalent in HK\$million	US\$
Non-structural position		
Spot assets		2,918
Spot liabilities		(3,014)
Forward purchases		365
Forward sales		(268)
Net options position		0
Net long / (short) position		<u>1</u>
Structural position		<u>0</u>

	Dec 31, 2018	
	Equivalent in HK\$million	US\$
Non-structural position		
Spot assets		3,130
Spot liabilities		(3,268)
Forward purchases		305
Forward sales		(165)
Net options position		0
Net long / (short) position		<u>2</u>
Structural position		<u>0</u>

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Section A - Hong Kong Branch Information

7. Liquidity information disclosure

Average liquidity maintenance ratio for the reporting period

<u>Quarter ended Jun 30, 2019</u>	<u>Quarter ended Jun 30, 2018</u>
<u>44.03%</u>	<u>46.32%</u>

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

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 2019 Proxy Statement.

Key Financial Information Disclosure Statement (Unaudited)

Section B - Bank Information (Consolidated Basis)

1. Capital and capital adequacy

	<u>Jun 30, 2019</u>	<u>Dec 31, 2018</u>
Capital adequacy ratio	14.02%	14.55%

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, 2019</u>	<u>Dec 31, 2018</u>
	Equivalent in HK\$million	Equivalent in HK\$million
Total amount of shareholders' funds	18,204	17,939

2. Other financial information

	<u>Jun 30, 2019</u>	<u>Dec 31, 2018</u>
	Equivalent in HK\$million	Equivalent in HK\$million
Total assets	137,230	131,303
Total liabilities	119,026	113,364
Total loans and advances	113,553	108,826
Total customer deposits	112,394	107,475
	<u>Six months ended Jun 30, 2019</u>	<u>Six months ended Jun 30, 2018</u>
	Equivalent in HK\$million	Equivalent in HK\$million
Pre-tax profit	1,347	1,402

Note:

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

Jun 30, 2019	7.8081
Dec 31, 2018	7.8474
Jun 30, 2018	7.8158