



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, 2020

(Unaudited)

Hong Kong Branch Banking Disclosure Statement as of June 30, 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

September 10, 2020

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

	Six months ended Jun 30, 2020	Six months ended Jun 30, 2019
	HK\$000	HK\$000
Interest income	57,088	64,252
Interest expense	(21,209)	(26,860)
Net interest income	35,879	37,392
Fees and commission income	2,692	4,085
Fees and commission expense	(210)	(218)
Net fees and commission income	2,482	3,867
Gains less losses arising from trading in foreign currencies	0	0
Gains less losses arising from non-trading in foreign currencies	102	3,079
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	38,463	44,338
Impairment losses and provisions for impaired loans and receivables	(39,692)	(1,171)
Net operating income / (expense)	(1,229)	43,167
Staff and rental expenses	(17,868)	(16,733)
Other expenses	(6,017)	(5,490)
Operating expenses	(23,885)	(22,223)
Profit / (Loss) before taxation	(25,114)	20,944
Tax expense	(2,715)	(3,785)
Profit / (Loss) after taxation	(27,829)	17,159

Key Financial Information Disclosure Statement
(Unaudited)

Section A - Hong Kong Branch Information

2. Balance sheet

	Jun 30, 2020	Dec 31, 2019
	HK\$000	HK\$000
ASSETS		
Cash and balances with banks (except those included in amount due from overseas offices)	118,201	368,131
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	1,306,583	1,402,401
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)	2,526,955	2,353,660
Investment securities		
- Available-for-sale securities	155,189	157,078
- Held-to-maturity securities	0	0
Property, plant and equipment and investment properties	6,522	5,757
Other assets	93,154	84,314
Total assets	4,206,604	4,371,341
LIABILITIES		
Deposits and balances from banks (except those included in amount due to overseas offices)	0	200,000
Deposits from customers		
- demand deposits and current accounts	541,851	692,658
- savings deposits	473,914	584,444
- time, call and notice deposits	1,341,389	1,554,886
	2,357,154	2,831,988
Amount due to overseas offices	1,748,465	1,208,618
Other liabilities	100,985	130,735
Total liabilities	4,206,604	4,371,341

Key Financial Information Disclosure Statement (Unaudited)

Section A - Hong Kong Branch Information

3. Additional balance sheet information

(a) Loans and advances to customers

	Jun 30, 2020	Dec 31, 2019
	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	2,038,153	1,876,111
- Singapore	125,259	144,594
- China	106,233	75,592
- British Virgin Islands	209,258	185,796
- Cayman Islands	73,628	95,396
	<u>2,552,531</u>	<u>2,377,489</u>
Provisions for impaired loans and advances		
- specific provisions	0	0
- collective provisions	(25,576)	(23,829)
	<u>(25,576)</u>	<u>(23,829)</u>
	<u>2,526,955</u>	<u>2,353,660</u>
Provisions made by the head office of Cathay Bank against the exposure of Hong Kong Branch as follows:		
- specific provisions	2	16,743
- collective provisions	31,288	33,065
	<u>31,290</u>	<u>49,808</u>
Gross value of assets against which specific provisions have been made	<u>1,000</u>	<u>38,937</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, 2020		Dec 31, 2019	
	HK\$000	%	HK\$000	%
Hong Kong:				
- 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	0	0.00	0	0.00
	<u>0</u>	<u>0.00</u>	<u>0</u>	<u>0.00</u>
- 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	0		0	
	<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, 2020</u>	<u>Dec 31, 2019</u>
	HK\$000	HK\$000
Gross impaired loans and advances	1,000	40,137
Specific provisions	0	0
Net impaired loans and advances	<u>1,000</u>	<u>40,137</u>
Gross impaired loans and advances as a percentage of gross loans and advances to customers	<u>0.04%</u>	<u>1.69%</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>1,000</u>	<u>1,200</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, 2020</u>		<u>Dec 31, 2019</u>	
	HK\$000	%	HK\$000	%
Rescheduled loans and advances to customers	<u>0</u>	<u>0.00</u>	<u>38,937</u>	<u>1.64</u>

Key Financial Information Disclosure Statement
(Unaudited)

Section A - Hong Kong Branch Information

(e) Loans and advances to customers by industry sector

	Jun 30, 2020		Dec 31, 2019	
	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	137,731	99.97	135,704	100.00
- financial concerns	428,809	17.75	354,643	17.89
- stockbrokers	0	0.00	0	0.00
- wholesale and retail trade	496,677	48.53	378,776	27.15
- manufacturing	218,328	9.70	232,134	9.66
- transport and transport equipment	0	0.00	0	0.00
- Information technology	0	0.00	0	0.00
- others	111,195	76.95	115,177	73.76
	<u>1,392,740</u>	<u>40.32</u>	<u>1,216,434</u>	<u>33.65</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	26,586	100.00	27,052	100.00
- credit card advances	0	0.00	0	0.00
- others	5,947	100.00	1	0.00
	<u>32,533</u>	<u>100.00</u>	<u>27,053</u>	<u>100.00</u>
Total loans and advances for use in Hong Kong	<u>1,425,273</u>	<u>41.69</u>	<u>1,243,487</u>	<u>35.10</u>
Trade finance	305,073	56.30	361,847	43.41
Loans and advances for use outside Hong Kong	<u>822,185</u>	<u>15.64</u>	<u>772,155</u>	<u>16.78</u>
	<u><u>2,552,531</u></u>	<u><u>35.04</u></u>	<u><u>2,377,489</u></u>	<u><u>30.41</u></u>

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

(f) Mainland activities

	Jun 30, 2020		
	On-balance sheet exposure	Off-balance sheet exposure	Total
	HK\$000		
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%		

	Dec 31, 2019		
	On-balance sheet exposure	Off-balance sheet exposure	Total
	HK\$000		
1. Central government, central government-owned entities and their subsidiaries and JVs	117,203	0	117,203
2. Local governments, local government-owned entities and their subsidiaries and JVs	38,937	54,977	93,914
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	353,498	246,264	599,762
4. Other entities of central government not reported in item 1 above	117,155	0	117,155
5. Other entities of local governments not reported in item 2 above	177,988	0	177,988
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	35,099	0	35,099
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	162,643	0	162,643
Total	<u>1,002,523</u>	<u>301,241</u>	<u>1,303,764</u>
Total assets after provisions	4,371,341		
On-balance sheet exposures as % of total assets	22.93%		

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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, 2020						
HK\$million						
Non-bank private sector						
	Banks	Official Sector	Non-bank financial institutions	Non-financial private sector	Others	Total
Offshore centres						
Hong Kong	111	0	271	614	0	996
British Virgin Islands	0	0	0	209	0	209

Dec 31, 2019						
HK\$million						
Non-bank private sector						
	Banks	Official Sector	Non-bank financial institutions	Non-financial private sector	Others	Total
Offshore centres						
Hong Kong	307	0	234	686	0	1,227

5. Off-balance sheet exposures and derivative transactions

Contingent liabilities and commitments

- direct credit substitutes
- transaction-related contingencies
- trade-related contingencies
- other commitments

Jun 30, 2020	Dec 31, 2019
HK\$000	HK\$000
0	0
2,690	2,690
211,661	151,342
717,397	937,863
<u>931,748</u>	<u>1,091,895</u>

Derivative transactions (Notional amount)

- exchange rate contracts
- interest rate contracts

Jun 30, 2020	Dec 31, 2019
HK\$000	HK\$000
722,684	176,571
0	0
<u>722,684</u>	<u>176,571</u>

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	<u>Jun 30, 2020</u>	<u>Dec 31, 2019</u>
	HK\$000	HK\$000
Derivative transactions (Fair value)		
- exchange rate contracts	(297)	31
- interest rate contracts	0	0
	<u>(297)</u>	<u>31</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>Jun 30, 2020</u>	
	Equivalent in HK\$million	US\$
Non-structural position		
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>

	<u>Dec 31, 2019</u>	
	Equivalent in HK\$million	US\$
Non-structural position		
Spot assets		3,229
Spot liabilities		(3,294)
Forward purchases		122
Forward sales		(55)
Net options position		0
Net long / (short) position		<u>2</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

<u>Quarter ended Jun 30, 2020</u>	<u>Quarter ended Jun 30, 2019</u>
<u>42.10%</u>	<u>44.03%</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 2020 Proxy Statement.

Key Financial Information Disclosure Statement (Unaudited)

Section B - Bank Information (Consolidated Basis)

1. Capital and capital adequacy

	<u>Jun 30, 2020</u>	<u>Dec 31, 2019</u>
Capital adequacy ratio	14.54%	13.81%

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, 2020</u>	<u>Dec 31, 2019</u>
	Equivalent in HK\$million	Equivalent in HK\$million
Total amount of shareholders' funds	18,772	18,419

2. Other financial information

	<u>Jun 30, 2020</u>	<u>Dec 31, 2019</u>
	Equivalent in HK\$million	Equivalent in HK\$million
Total assets	149,079	140,691
Total liabilities	130,307	122,272
Total loans and advances	120,013	116,802
Total customer deposits	126,398	114,675
	<u>Six months ended Jun 30, 2020</u>	<u>Six months ended Jun 30, 2019</u>
	Equivalent in HK\$million	Equivalent in HK\$million
Pre-tax profit	923	1,347

Note:

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

Jun 30, 2020	7.7503
Dec 31, 2019	7.7874
Jun 30, 2019	7.8081