



**East West Bank
Hong Kong Branch**

**Key Financial Information Disclosure Statement
as of June 30, 2018**

Hong Kong Branch Key Financial Information Disclosure Statement as of June 30, 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

September 28, 2018

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

	Six months ended June 30, 2018 (unaudited) HK\$000	Six months ended June 30, 2017 (unaudited) HK\$000
Interest income	125,171	107,492
Interest expense	(31,149)	(27,858)
Net interest income	94,022	79,634
Commission and fee income	7,235	12,382
Commission and fee expense	(1,473)	(1,247)
Net fees and commission income	5,762	11,135
Gains less losses arising from trading in foreign currencies	14,224	18,574
Other operating income	-	695
Total operating income before impairment losses and provision	14,224	19,269
Provision of impairment losses on loans and receivables	11,804	(21,302)
Net operating income	125,812	88,736
Staff and rental expenses	(61,572)	(43,875)
Other expenses	(13,579)	(10,862)
Net charge for other provisions	-	-
Total operating expenses	(75,151)	(54,737)
Profit before taxation	50,661	33,999
Tax expense	(8,524)	(6,732)
Profit after taxation	42,137	27,267

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

	June 30, 2018	December 31, 2017
	HK\$000	HK\$000
ASSETS		
Cash and balances with banks (except for those included in amount due from overseas offices)	588,121	602,486
Placements with banks (except for those included in amount due from overseas offices)	668,305	200,205
Amount due from overseas offices	227,001	362,035
Trade bills	1,405	5,280
Loans and advances to customers (net of provisions)	5,711,658	5,512,990
Government bills and notes	984,883	1,396,028
Investment securities	743,712	495,637
Fixed assets	4,752	5,276
Other assets	196,519	62,811
Total assets	9,126,356	8,642,748
LIABILITIES		
Deposits and balances from banks (except for those included in amount due to overseas offices)	6,121	42,504
Deposits from customers		
- demand deposits and current accounts	673,191	661,780
- savings deposits	3,187,416	3,501,629
- time, call and notice deposits	3,408,545	2,585,558
Amount due to overseas offices	7,269,152	6,748,967
Other liabilities	1,389,123	1,545,128
Other liabilities	215,079	88,123
Total liabilities	8,879,475	8,424,722
CAPITAL AND RESERVES		
Paid up capital	-	-
Reserves	204,744	151,873
Current profit	42,137	66,153
Total capital and reserves	246,881	218,026
Total liabilities and capital and reserves	9,126,356	8,642,748

Key Financial Information Disclosure Statement

Section A - Hong Kong Branch Information

3. Additional balance sheet information

(a) Loans and advances to customers

	June 30, 2018	December 31, 2017
	HK\$000	HK\$000
Gross amount of loans and advances to customers:		
- Hong Kong	4,054,656	3,523,884
- China	1,107,916	1,238,374
- Singapore	290,630	321,616
- Macau	117,704	117,200
- United States	100,596	100,588
- Taiwan	96,659	271,592
- Others	8,227	9,692
	<u>5,776,388</u>	<u>5,582,946</u>
Trade bills	1,405	5,280
Total loans and advances to customers	<u>5,777,793</u>	<u>5,588,226</u>
Less : Impairment allowances for impaired loans and advances		
- individual impairment allowances	(6,490)	(12,890)
- collective impairment allowances	(58,240)	(57,066)
	<u>(64,730)</u>	<u>(69,956)</u>
	<u>5,713,063</u>	<u>5,518,270</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:

	June 30, 2018	December 31, 2017
	HK\$000	HK\$000
- individual impairment allowances	17,988	42,705
- collective impairment allowances	(58,241)	(39,043)
- country risk provisions	34,295	45,178
	<u>(5,958)</u>	<u>48,840</u>
Gross value of assets against which individual impairment allowances have been made	<u>120,094</u>	<u>166,765</u>

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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:

	June 30, 2018		December 31, 2017	
	HK\$000	%	HK\$000	%
Hong Kong:				
- more than 1 month but not more than 3 months	-	-	-	-
- more than 3 months but not more than 6 months	-	-	-	-
- more than 6 months but not more than one year	-	-	56,044	1.00
- more than one year	28,216	0.49	-	-
	<u>28,216</u>	<u>0.49</u>	<u>56,044</u>	<u>1.00</u>

	June 30, 2018	December 31, 2017
	HK\$000	HK\$000
- individual impairment allowances	6,490	12,890
- covered portion of overdue loans and advances	-	-
- uncovered portion of overdue loans and advances	28,216	56,044
- current market value of collateral held against the covered portion of overdue loans and advances	-	-

(c) Impaired loans and advances to customers

	June 30, 2018	December 31, 2017
	HK\$000	HK\$000
Gross impaired loans and advances	28,216	118,401
Individual impairment allowances	(6,490)	(12,890)
Net impaired loans and advances	<u>21,726</u>	<u>105,511</u>

Gross impaired loans and advances as a percentage of gross loans and advances to customers 0.49% 2.12%

Individual impairment allowances as a percentage of gross impaired loans and advances 23.00% 10.89%

Current market value of collateral related to impaired loans and advances - 62,357

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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:

	June 30, 2018		December 31, 2017	
	HK\$000	%	HK\$000	%
Rescheduled loans and advances to customers	<u>28,216</u>	0.49	<u>56,044</u>	1.00

(e) Loans and advances to customers by industry sector

	June 30, 2018		December 31, 2017	
	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	28,216	-	167,785	66.60
- property investment	840,320	54.38	386,635	79.79
- financial concerns	1,125,610	37.72	986,138	28.61
- stockbrokers	100,873	-	111,797	-
- wholesale and retail trade	990,316	35.41	1,263,943	39.10
- manufacturing	246,781	4.10	153,284	42.50
- transport and transport equipment	510,052	45.38	167,205	50.94
- others	388,775	100.00	142,797	100.00
	<u>4,230,943</u>	43.81	<u>3,379,584</u>	44.08
Individuals				
- loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	-	0.00	-	-
- loans for the purchase of other residential properties	12,315	100.00	12,797	100.00
- credit card advances	-	0.00	-	-
- others	253,630	81.44	497,084	89.29
	<u>265,945</u>	82.30	<u>509,881</u>	89.56
Total loans and advances for use in Hong Kong	<u>4,496,888</u>	46.08	<u>3,889,465</u>	50.04
Trade finance	144,531	49.44	291,610	48.54
Loans and advances for use outside Hong Kong	<u>1,134,969</u>	62.02	<u>1,401,871</u>	56.16
Total	<u>5,776,388</u>	49.50	<u>5,582,946</u>	51.50

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.

	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	-	539,324
2. Local governments, local government-owned entities and their subsidiaries and JVs	-	-	-
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	-	75,103
5. Other entities of local governments not reported in item 2 above	-	-	-
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%		

	December 31, 2017		
	HK\$000		
	On-balance sheet exposure	Off-balance sheet exposure	Total exposures
1. Central government, central government-owned entities and their subsidiaries and JVs	571,623	-	571,623
2. Local governments, local government-owned entities and their subsidiaries and JVs	-	-	-
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	1,567,155	180,355	1,747,510
4. Other entities of central governments not reported in item 1 above	75,163	-	75,163
5. Other entities of local governments not reported in item 2 above	-	-	-
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	290,316	220,524	510,840
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	1,685,034	551,994	2,237,028
Total	4,189,291	952,873	5,142,164
Total assets after provisions	8,642,748		
On-balance sheet exposures as percentage of total assets	48.47%		

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:

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

						December 31, 2017
						HK\$million
	Banks	Official Sector	<i>Non-bank private sector</i>		Others	Total
			Non-bank financial institutions	Non-financial private sector		
Developed countries	388	1,367	371	288	-	2,414
- of which United States	362	1,367	371	288	-	2,388
Offshore centers	192	-	284	1,829	-	2,305
- of which Hong Kong	192	-	276	1,170	-	1,638
- of which Macau	-	-	-	117	-	117
- of which West Indies UK	-	-	-	128	-	128
- of which Singapore	-	-	-	176	-	176
- of which Cayman Islands	-	-	8	209	-	217
- of which Mauritius	-	-	-	29	-	29
Developing Africa and Middle East	-	-	-	78	-	78
- of which Seychelles	-	-	-	78	-	78
Developing Asia and Pacific	4	125	118	1,968	-	2,215
- of which China	4	125	118	1,956	-	2,203
- of which Chinese Taipei	-	-	-	12	-	12

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

	June 30, 2018	December 31, 2017
	HK\$000	HK\$000
Contingent liabilities and commitments		
- direct credit substitutes	73,795	101,340
- trade-related contingencies	74,140	14,585
- other commitments	845,777	995,963
	<u>993,712</u>	<u>1,111,888</u>
	June 30, 2018	December 31, 2017
	HK\$000	HK\$000
Derivative transactions		
- exchange rate contracts	1,715,874	1,874,520

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.

	June 30, 2018					
	HK\$million					
	Canadian dollars	US dollars	Total			
Non-structural position						
Spot assets	1	7,079	7,080			
Spot liabilities	(17)	(6,256)	(6,273)			
Forward purchases	17	448	465			
Forward sales	-	(1,289)	(1,289)			
Net options position	-	-	-			
Net long / (short) position	<u>1</u>	<u>(18)</u>	<u>(17)</u>			
Structural position	-	-	-			
	December 31, 2017					
	HK\$million					
	New Zealand dollars	Australian dollars	Canadian dollars	Pound Sterling	US dollars	Total
Non-structural position						
Spot assets	-	1	-	1	6,626	6,628
Spot liabilities	(20)	(5)	(18)	(77)	(6,720)	(6,840)
Forward purchases	19	5	17	86	987	1,114
Forward sales	-	-	-	(11)	(879)	(890)
Net options position	-	-	-	-	-	-
Net long position	<u>(1)</u>	<u>1</u>	<u>(1)</u>	<u>(1)</u>	<u>14</u>	<u>12</u>
Structural position	-	-	-	-	-	-

Key Financial Information Disclosure Statement

Section A - Hong Kong Branch Information

7. Liquidity maintenance ratio

		Year 2018 (unaudited)	Year 2017 (unaudited)
		%	%
Average liquidity maintenance ratio	for the quarter ended June 30	33.78	
	for the quarter ended March 31	36.24	
	for six month ended June 30		37.09

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.

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>June 30, 2018</u>	<u>December 31, 2017</u>
	%	%
Capital adequacy ratio	13.15	12.41

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>June 30, 2018</u>	<u>December 31, 2017</u>
	Equivalent to HK\$million	Equivalent to HK\$million
Total amount of shareholders' funds	32,132	29,931

2. Other financial information

	<u>June 30, 2018</u>	<u>December 31, 2017</u>
	Equivalent to HK\$million	Equivalent to HK\$million
Total assets	298,548	290,032
Total liabilities	266,416	260,102
Total loans and advances	235,242	225,156
Total customer deposits	258,732	253,226

	<u>Six months ended June 30, 2018</u>	<u>Six months ended June 30, 2017</u>
	Equivalent to HK\$million	Equivalent to HK\$million
Profit before taxation	3,259	3,067

Note:

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

Jun 30, 2018	7.8470
Dec 31, 2017	7.8134
Jun 30, 2017	7.8053