



**East West Bank
Hong Kong Branch**

**Key Financial Information Disclosure Statement
as of December 31, 2017**

Hong Kong Branch

Key Financial Information Disclosure Statement as of December 31, 2017

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.



Vincent Wang
General Manager

March 22, 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 for public inspection.

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

	For the year ended December 31, 2017	For the year ended December 31, 2016
	HK\$000	HK\$000
Interest income	216,638	172,242
Interest expense	(55,327)	(36,275)
Net interest income	161,311	135,967
Commission and fee income	21,333	32,245
Commission and fee expense	(2,549)	(2,486)
Net fees and commission income	18,784	29,759
Gains less losses arising from trading in foreign currencies	31,195	19,622
Gains less losses on disposal of available-for-sale securities	0	1,393
Other operating income	1,391	1,380
Total operating income before impairment losses and provision	32,586	22,395
(Provision)/Write back of impairment losses on loans and receivables	(19,726)	(11,841)
Net operating income	192,955	176,280
Staff and rental expenses	(92,264)	(78,028)
Other expenses	(23,247)	(19,400)
Reversal of impairment loss / (impairment loss) on assets	2,684	(129)
Total operating expenses	(112,827)	(97,557)
Profit before taxation	80,128	78,723
Tax expense	(13,975)	(8,881)
Profit after taxation	66,153	69,842

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

	December 31, 2017	June 30, 2017
	HK\$000	HK\$000
ASSETS		
Cash and balances with banks (except for those included in amount due from overseas offices)	602,486	1,115,125
Placements with banks (except for those included in amount due from overseas offices)	200,205	0
Amount due from overseas offices	362,035	318,017
Trade bills	5,280	0
Loans to customers (net of provisions)	5,512,990	5,871,155
Government bills and notes	1,396,028	1,643,411
Investment securities	495,637	497,997
Fixed assets	5,276	4,637
Other assets	62,811	100,178
Total assets	8,642,748	9,550,520
LIABILITIES		
Deposits and balances from banks (except for those included in amount due to overseas offices)	42,504	19,524
Deposits from customers		
- demand deposits and current accounts	661,780	717,186
- savings deposits	3,501,629	3,659,532
- time, call and notice deposits	2,585,558	2,711,893
	6,748,967	7,088,611
Amount due to overseas offices	1,545,128	2,102,605
Other liabilities	88,123	145,098
Total liabilities	8,424,722	9,355,838
CAPITAL AND RESERVES		
Paid up capital	0	0
Reserves	151,873	167,415
Current profit	66,153	27,267
Total capital and reserves	218,026	194,682
Total liabilities and capital and reserves	8,642,748	9,550,520

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

	December 31, 2017	June 30, 2017
	HK\$000	HK\$000
Gross amount of loans and advances to customers:		
- Hong Kong	3,523,884	4,141,417
- China	1,238,374	1,391,724
- Singapore	321,616	237,583
- Taiwan	271,592	162,341
- Macau	117,200	0
- United States	100,588	8,296
- Others	9,692	9,876
	<u>5,582,946</u>	<u>5,951,237</u>
Trade bills	5,280	0
Total loans and advances to customers	<u>5,588,226</u>	<u>5,951,237</u>
Less : Impairment allowances for impaired loans and advances		
- individual impairment allowances	(12,890)	(20,569)
- collective impairment allowances	(57,066)	(59,513)
	<u>(69,956)</u>	<u>(80,082)</u>
	<u>5,518,270</u>	<u>5,871,155</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, 2017	June 30, 2017
	HK\$000	HK\$000
- individual impairment allowances	42,705	62,253
- collective impairment allowances	(39,043)	(41,174)
- country risk provisions	<u>45,178</u>	<u>33,322</u>
	<u>48,840</u>	<u>54,401</u>
Gross value of assets against which individual impairment allowances have been made	<u>166,765</u>	<u>177,693</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, 2017		June 30, 2017	
	HK\$000	%	HK\$000	%
Hong Kong:				
- more than 1 month but not more than 3 months	0	0.00	78,726	1.32
- 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	56,044	1.00	0	0.00
- more than one year	0	0.00	4,799	0.08
	<u>56,044</u>	<u>1.00</u>	<u>83,525</u>	<u>1.40</u>

	December 31, 2017	June 30, 2017
	HK\$000	HK\$000
- individual impairment allowances	12,890	19,841
- covered portion of overdue loans and advances	0	4,799
- uncovered portion of overdue loans and advances	56,044	78,726
- current market value of collateral held against the covered portion of overdue loans and advances	<u>0</u>	<u>4,799</u>

(c) Impaired loans and advances to customers

	December 31, 2017	June 30, 2017
	HK\$000	HK\$000
Gross impaired loans and advances	118,401	193,021
Individual impairment allowances	(12,890)	(20,569)
Net impaired loans and advances	<u>105,511</u>	<u>172,452</u>

Gross impaired loans and advances as a percentage of gross loans and advances to customers 2.12% 3.24%

Individual impairment allowances as a percentage of gross impaired loans and advances 10.89% 10.66%

Current market value of collateral related to impaired loans and advances 62,357 84,356

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, 2017		June 30, 2017	
	HK\$000	%	HK\$000	%
Rescheduled loans and advances to customers	56,044	1.00	4,799	0.08

(e) Loans and advances to customers by industry sector

	December 31, 2017		June 30, 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	167,785	66.60	98,622	23.95
- property investment	386,635	79.79	555,951	57.81
- financial concerns	986,138	28.61	931,889	30.07
- stockbrokers	111,797	0.00	90,703	0.00
- wholesale and retail trade	1,263,943	39.10	1,128,643	50.63
- manufacturing	153,284	42.50	81,181	100.00
- transport and transport equipment	167,205	50.94	454,109	81.95
- others	142,797	100.00	484,843	100.00
	3,379,584	44.08	3,825,941	55.80
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	12,797	100.00	9,893	100.00
- credit card advances	0	0.00	0	0.00
- others	497,084	89.29	561,677	98.87
	509,881	89.56	571,570	98.89
Total loans and advances for use in Hong Kong	3,889,465	50.04	4,397,511	61.40
Trade finance	291,610	48.54	180,632	32.06
Loans and advances for use outside Hong Kong	1,401,871	56.16	1,374,094	32.59
	5,582,946	51.50	5,952,237	53.86

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, 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	0	571,623
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	1,567,155	180,355	1,747,510
4. Other entities of central governments not reported in item 1 above	75,163	0	75,163
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	290,316	220,524	510,840
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposure.	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%		

	June 30, 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	663,512	0	663,512
2. Local governments, local government-owned entities and their subsidiaries and JVs	38,098	121,905	160,003
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	1,553,202	346,367	1,899,569
4. Other entities of central governments not reported in item 1 above	75,037	0	75,037
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	435,314	188,913	624,227
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposure.	1,771,705	476,289	2,247,994
Total	4,536,868	1,133,474	5,670,342
Total assets after provisions	9,550,520		
On-balance sheet exposures as percentage of total assets	47.50%		

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, 2017	
						HK\$million	
	<i>Non-bank private sector</i>						
	Banks	Official Sector	Non-bank financial institutions	Non-financial private sector	Others	Total	
Developed countries	388	1,367	371	288	0	2,414	
- of which United States	362	1,367	371	288	0	2,388	
Offshore centres	192	0	284	1,829	0	2,305	
- of which Hong Kong	192	0	276	1,170	0	1,638	
- of which Macau	0	0	0	117	0	117	
- of which West Indies UK	0	0	0	128	0	128	
- of which Singapore	0	0	0	176	0	176	
- of which Cayman Islands	0	0	8	209	0	217	
- of which Mauritius	0	0	0	29	0	29	
Developing Africa and Middle East	0	0	0	78	0	78	
- of which Seychelles	0	0	0	78	0	78	
Developing Asia and Pacific	4	125	118	1,968	0	2,215	
- of which China	4	125	118	1,956	0	2,203	
- of which Chinese Taipei	0	0	0	12	0	12	

						June 30, 2017	
						HK\$million	
	<i>Non-bank private sector</i>						
	Banks	Official Sector	Non-bank financial institutions	Non-financial private sector	Others	Total	
Developed countries	350	1,611	373	270	0	2,604	
- of which United States	318	1,611	373	270	0	2,572	
Offshore centres	169	0	279	2,316	0	2,764	
- of which Hong Kong	169	0	236	1,061	0	1,466	
- of which Samoa	0	0	38	0	0	38	
- of which West Indies UK	0	0	0	647	0	647	
- of which Singapore	0	0	0	205	0	205	
- of which Cayman Islands	0	0	5	374	0	379	
- of which Mauritius	0	0	0	29	0	29	
Developing Africa and Middle East	0	0	0	78	0	78	
- of which Seychelles	0	0	0	78	0	78	
Developing Asia and Pacific	0	125	118	1,620	0	1,863	
- of which China	0	125	118	1,605	0	1,848	
- of which Chinese Taipei	0	0	0	14	0	14	

Key Financial Information Disclosure Statement

Section A - Hong Kong Branch Information

5. Off-balance sheet exposures and derivative transactions

	December 31, 2017	June 30, 2017
	HK\$000	HK\$000
Contingent liabilities and commitments		
- direct credit substitutes	101,340	189,999
- trade-related contingencies	14,585	22,289
- other commitments	995,963	1,070,181
	<u>1,111,888</u>	<u>1,282,469</u>
Derivative transactions		
- exchange rate contracts	<u>1,874,520</u>	<u>6,459,541</u>

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, 2017					
	HK\$million					
Non-structural position	New Zealand dollars	Australian dollars	Canadian dollars	Pound Sterling	US dollars	Total
Spot assets	0	1	0	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	0	0	0	(11)	(879)	(890)
Net options position	0	0	0	0	0	0
Net long position	<u>(1)</u>	<u>1</u>	<u>(1)</u>	<u>(1)</u>	<u>14</u>	<u>12</u>
Structural position	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

	June 30, 2017					
	HK\$million					
Non-structural position	Chinese renminbi	Euro	Pound Sterling	US dollars	Total	
Spot assets	22	12	2	7,052	7,088	
Spot liabilities	(243)	(64)	(130)	(6,759)	(7,196)	
Forward purchases	1,948	273	430	3,057	5,708	
Forward sales	(1,728)	(222)	(301)	(3,342)	(5,593)	
Net options position	0	0	0	0	0	
Net short position	<u>(1)</u>	<u>(1)</u>	<u>1</u>	<u>8</u>	<u>7</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, 2017	For the year ended December 31, 2016
Average liquidity maintenance ratio for the reporting period	%	%
	39.14	36.71

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>December 31, 2017</u>	<u>June 30, 2017</u>
	%	%
Capital adequacy ratio	<u>12.41</u>	<u>12.52</u>

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, 2017</u>	<u>June 30, 2017</u>
	Equivalent to HK\$million	Equivalent to HK\$million
Total amount of shareholders' funds	<u>29,931</u>	<u>29,103</u>

2. Other financial information

	<u>December 31, 2017</u>	<u>June 30, 2017</u>
	Equivalent to HK\$million	Equivalent to HK\$million
Total assets	290,032	280,105
Total liabilities	260,102	251,003
Total loans and advances	225,156	210,554
Total customer deposits	<u>253,226</u>	<u>244,148</u>

	<u>For the year ended December 31, 2017</u>	<u>For the year ended December 31, 2016</u>
	Equivalent to HK\$million	Equivalent to HK\$million
Profit before taxation	<u>5,848</u>	<u>4,627</u>

Note:

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

Dec 31, 2017	7.8134
Jun 30, 2017	7.8053
Dec 31, 2016	7.7545