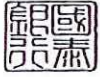




**Cathay Bank
Hong Kong Branch**

**Key Financial Information Disclosure Statement
as of December 31, 2015**



CATHAY BANK

Hong Kong Branch

Key Financial Information Disclosure Statement as of December 31, 2015

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 and the disclosure standard set out in the "Guideline on the Application of the Banking (Disclosure) Rules" (Revised) under the Supervisory Policy Manual issued by the Hong Kong Monetary Authority on August 6, 2015 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 'Wong Chi-Chiu', followed by a horizontal line.

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

March 23, 2016

Disclosure Statement Available to The Public

Copies of the Disclosure Statement may be obtained from the reception of Cathay Bank, Hong Kong Branch on 503, Central Tower, 28 Queen's Road 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 Dec 31, 2015	For the year ended Dec 31, 2014
	HK\$000	HK\$000
Interest income	72,985	78,199
Interest expense	(16,441)	(16,966)
Net interest income	56,544	61,233
Fees and commission income	6,249	7,399
Fees and commission expense	(353)	(416)
Net fees and commission income	5,896	6,983
Gains less losses arising from trading in foreign currencies	0	0
Gains less losses arising from non-trading in foreign currencies	(815)	2,053
Gains less losses on securities held for trading purposes	0	66
Gains less losses from the disposal of property, plant and equipment and investment properties	(51)	(2)
Other operating income	0	(167)
Total operating income before impairment losses and provisions	61,574	70,166
Impairment losses and provisions for impaired loans and receivables	1,106	2,172
Net operating income	62,680	72,338
Staff and rental expenses	(30,517)	(28,632)
Other expenses	(12,183)	(11,151)
Operating expenses	(42,700)	(39,783)
Profit before taxation	19,980	32,555
Tax expense	(3,492)	(5,292)
Profit after taxation	16,488	27,263

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

	<u>Dec 31, 2015</u>	<u>Jun 30, 2015</u>
	HK\$000	HK\$000
ASSETS		
Cash and balances with banks (except those included in amount due from overseas offices)	543,298	427,360
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	137,419
Amount due from overseas offices	636,542	386,682
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)	1,658,716	1,745,901
Investment securities		
- Available-for-sale securities	222,656	225,289
- Held-to-maturity securities	0	0
Property, plant and equipment and investment properties	1,931	2,226
Other assets	164,782	206,411
Total assets	<u><u>3,227,925</u></u>	<u><u>3,131,288</u></u>
LIABILITIES		
Deposits and balances from banks (except those included in amount due to overseas offices)	0	0
Deposits from customers		
- demand deposits and current accounts	478,320	238,340
- savings deposits	450,680	777,115
- time, call and notice deposits	1,487,017	1,363,650
	2,416,017	2,379,105
Amount due to overseas offices	763,483	705,433
Other liabilities	48,425	46,750
Total liabilities	<u><u>3,227,925</u></u>	<u><u>3,131,288</u></u>

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

	Dec 31, 2015	Jun 30, 2015
	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	1,454,817	1,448,160
- China	0	93,049
- Philippines	155,006	155,044
- Singapore	42,838	52,997
- Macau	22,873	14,326
	<u>1,675,534</u>	<u>1,763,576</u>
Provisions for impaired loans and advances		
- specific provisions	0	0
- collective provisions	(16,818)	(17,675)
	<u>(16,818)</u>	<u>(17,675)</u>
	<u>1,658,716</u>	<u>1,745,901</u>
Provisions made by the head office of Cathay Bank against the exposure of Hong Kong Branch as follows:		
- specific provisions	0	0
- collective provisions	16,973	15,582
	<u>16,973</u>	<u>15,582</u>
Gross value of assets against which specific provisions have been made	<u>0</u>	<u>0</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:

	Dec 31, 2015		Jun 30, 2015	
	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>
			Dec 31, 2015	Jun 30, 2015
			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			0	0
			<u>0</u>	<u>0</u>

Key Financial Information Disclosure Statement
Section A - Hong Kong Branch Information
(c) Impaired loans and advances to customers

	<u>Dec 31, 2015</u>	<u>Jun 30, 2015</u>
	HK\$000	HK\$000
Gross impaired loans and advances	23,574	26,044
Specific provisions	<u>0</u>	<u>0</u>
Net impaired loans and advances	<u>23,574</u>	<u>26,044</u>
Gross impaired loans and advances as a percentage of gross loans and advances to customers	<u>1.41%</u>	<u>1.48%</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>11,669</u>	<u>11,255</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>Dec 31, 2015</u>		<u>Jun 30, 2015</u>	
	HK\$000	%	HK\$000	%
Rescheduled loans and advances to customers	<u>1,897</u>	<u>0.11</u>	<u>3,699</u>	<u>0.21</u>

Key Financial Information Disclosure Statement
Section A - Hong Kong Branch Information
(e) Loans and advances to customers by industry sector

	Dec 31, 2015		Jun 30, 2015	
	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	147,830	100.00	109,009	99.82
- financial concerns	215,386	0.00	172,344	0.00
- stockbrokers	0	0.00	0	0.00
- wholesale and retail trade	506,398	25.20	710,152	37.93
- manufacturing	108,086	13.03	94,223	16.64
- transport and transport equipment	0	0.00	0	0.00
- Information technology	4,079	25.10	6,281	16.25
- others	27,033	98.67	30,136	99.98
	1,008,812	31.44	1,122,145	37.87
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	16,207	100.00	2,946	100.00
- credit card advances	0	0.00	0	0.00
- others	722	100.00	483	100.00
	16,929	100.00	3,429	100.00
Total loans and advances for use in Hong Kong	1,025,741	32.58	1,125,574	38.06
Trade finance	395,472	40.11	318,516	51.35
Loans and advances for use outside Hong Kong	254,321	6.97	319,486	4.81
	1,675,534	30.47	1,763,576	34.44

Key Financial Information Disclosure Statement
Section A - Hong Kong Branch Information
(f) Mainland activities

	Dec 31, 2015		Total
	On-balance sheet exposure	Off-balance sheet exposure	
1. Central government, central government-owned entities and their subsidiaries and JVs	149,001	0	149,001
2. Local governments, local government-owned entities and their subsidiaries and JVs	77,726	0	77,726
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	19,888	38,020	57,908
4. Other entities of central government not reported in item 1 above	38,800	0	38,800
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	17,738	0	17,738
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	65,258	13,303	78,561
Total	368,411	51,323	419,734
Total assets after provisions	3,227,925		
On-balance sheet exposures as % of total assets	11.41%		

	Jun 30, 2015		Total
	On-balance sheet exposure	Off-balance sheet exposure	
1. Central government, central government-owned entities and their subsidiaries and JVs	162,578	0	162,578
2. Local governments, local government-owned entities and their subsidiaries and JVs	77,731	0	77,731
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	19,865	41,061	60,926
4. Other entities of central government not reported in item 1 above	85,626	0	85,626
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	10,679	0	10,679
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	45,028	2,040	47,068
Total	401,507	43,101	444,608
Total assets after provisions	3,131,288		
On-balance sheet exposures as % of total assets	12.82%		

Key Financial Information Disclosure Statement
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:

	Dec 31, 2015				
	HK\$million				
	Banks	Official sector	Non-bank private sector	Other	Total
Offshore centres					
Hong Kong	537	0	966	0	1,503
Developing Asia and Pacific					
China	0	0	0	0	0

	Jun 30, 2015				
	HK\$million				
	Banks	Official sector	Non-bank private sector	Other	Total
Offshore centres					
Hong Kong	341	0	1,069	0	1,410
Developing Asia and Pacific					
China	305	0	0	0	305

5. Off-balance sheet exposures and derivative transactions

	Dec 31, 2015	Jun 30, 2015
	HK\$000	HK\$000
Contingent liabilities and commitments		
- direct credit substitutes	4,650	4,651
- transaction-related contingencies	22,141	20,095
- trade-related contingencies	101,685	65,056
- other commitments	640,880	617,411
	<u>769,356</u>	<u>707,213</u>
	Dec 31, 2015	Jun 30, 2015
	HK\$000	HK\$000
Derivative transactions (Notional amount)		
- exchange rate contracts	382,640	636,952
- interest rate contracts	0	0
	<u>382,640</u>	<u>636,952</u>

Key Financial Information Disclosure Statement

Section A - Hong Kong Branch Information

	Dec 31, 2015	Jun 30, 2015
	HK\$000	HK\$000
Derivative transactions (Fair value)		
- exchange rate contracts	448	(2,098)
- interest rate contracts	0	0
	<u>448</u>	<u>(2,098)</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.

	Dec 31, 2015	
	Equivalent in HK\$million	
		US\$
Non-structural position		
Spot assets		2,585
Spot liabilities		(2,769)
Forward purchases		285
Forward sales		(99)
Net options position		0
Net long / (short) position		<u>2</u>
Structural position		<u>0</u>

	Jun 30, 2015	
	Equivalent in HK\$million	
		US\$
Non-structural position		
Spot assets		2,339
Spot liabilities		(2,534)
Forward purchases		414
Forward sales		(220)
Net options position		0
Net long / (short) position		<u>(1)</u>
Structural position		<u>0</u>

Key Financial Information Disclosure Statement

Section A - Hong Kong Branch Information

7. Liquidity information

	Under Liquidity maintenance ratio For the year ended Dec 31, 2015	Under Liquidity ratio For the year ended Dec 31, 2014
Average liquidity maintenance ratio and liquidity ratio for the reporting period	<u>55.98%</u>	<u>58.22%</u>

Liquidity risk management

Cathay Bank Hong Kong branch manages its liquidity risk in accordance with Liquidity Risk Management Policy, which is governed by a set of principles approved by the Investment Committee and Board of Directors of Cathay Bank head office. The Policy provides a set of guidelines for the prudent management of liquidity in the normal course of business. The Branch also follows the guideline set forth by the HKMA in Supervisory Policy Manual LM-2, "Sound systems and controls for liquidity risk management".

Net funding exposures are managed through regular reviews of projected cash flows. Cumulative cashflow profiles under normal and stress conditions across different horizons are monitored against limits for each of these scenarios. The Policy also provides a framework for the management of market access and contingency planning to withstand a liquidity crisis.

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 20 - 34 of the Cathay General Bancorp 2015 Proxy Statement.

Key Financial Information Disclosure Statement

Section B - Bank Information (Consolidated Basis)

1. Capital and capital adequacy

	<u>Dec 31, 2015</u>	<u>Jun 30, 2015</u>
Capital adequacy ratio	14.79%	15.28%

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>Dec 31, 2015</u> Equivalent in HK\$million	<u>Jun 30, 2015</u> Equivalent in HK\$million
Total amount of shareholders' funds	14,011	13,409

2. Other financial information

	<u>Dec 31, 2015</u> Equivalent in HK\$million	<u>Jun 30, 2015</u> Equivalent in HK\$million
Total assets	102,457	92,146
Total liabilities	88,446	78,737
Total loans and advances	77,629	72,393
Total customer deposits	81,684	72,633
	<u>For the year ended Dec 31, 2015</u> Equivalent in HK\$million	<u>For the year ended Dec 31, 2014</u> Equivalent in HK\$million
Pre-tax profit	1,807	1,676

Note:

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

Dec 31, 2015	7.7503
Jun 30, 2015	7.7522
Dec 31, 2014	7.7568