

KEY FINANCIAL INFORMATION DISCLOSURE STATEMENT

For the year ended 31 December 2017

- The Statement is displayed in the banking hall of the Wells Fargo Bank N.A. Hong Kong Branch at the following addresses:

**27/F., Three Pacific Place,
1 Queen's Road East, Hong Kong**

**7/F., Cityplaza Four, 12 Taikoo Wan Road,
Taikoo Shing Island East, Hong Kong**

- A copy of the Statement has been lodged with the public registry of the Hong Kong Monetary Authority for public inspection.
- For any enquiry on the Statement, please contact Mr. Charles Tse (APAC Group Controller) at 3650-8063.



Key Financial Information Disclosure Statement

2017 Year End Results



Wells Fargo Bank N.A.
Hong Kong Branch

Wells Fargo Bank N.A.

Hong Kong Branch

Key Financial Information Disclosure Statement for the year ended 31 December 2017 prepared in accordance with Banking (Disclosure) Rules.
Section A – Branch Information
I. Unaudited Profit and loss information

	Year Ended 31 Dec 2017 HK\$'000	Year Ended 31 Dec 2016 HK\$'000
(i) Interest income	518,314	249,471
(ii) Interest expense	(428,089)	(154,488)
Net interest income	90,225	94,983
(iii) Non-interest income		
- Gains less losses arising from trading in foreign currencies	2,129	(429)
- Gains less losses from the disposal of property, plant and equipment	(116)	(40)
- Net Income from fees and commission (Fees and commission expenses: 2017: 15,298k; 2016: 10,029k)	184,263	217,886
- Others	977,507	861,082
Total non-interest income	1,163,783	1,078,499
Total income	1,254,008	1,173,482
(iv) Operating expenses		
- Staff expenses	(787,376)	(699,409)
- Rental expenses	(94,812)	(99,508)
- Other expenses	(227,385)	(235,475)
(v) Recovery and write back of impaired assets	213	2,022
Total expenses and other charges	(1,109,360)	(1,032,370)
Profit / (Loss) before taxation	144,648	141,112
(vi) Taxation provision	(10,552)	(5,495)
Profit / (Loss) after taxation	134,096	135,617

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II. Unaudited Balance sheet information

	31 Dec 2017 HK\$'000	30 Jun 2017 HK\$'000
Assets		
(i) Cash and balances with banks (except those included in amount due from overseas offices)	3,221,854	682,625
(ii) Advances to banks maturing between one and twelve months (except those included in amount due from overseas offices)	70,505	49,486
(iii) Placements with banks maturing between one and twelve months (except those included in amount due from overseas offices)	3,062,544	5,616,129
(iv) Due from Exchange Fund	895	889
(v) Amount due from overseas offices	18,268,414	14,129,838
(vi) Trade bills	8,827,241	7,194,196
(vii) Loans and receivables		
- Loans and advances to customers	1,197,786	1,095,347
- Accrued interest and other accounts	190,800	138,985
- Impairment allowances for impaired assets	-	-
(viii) Property, plant and equipment and investment properties	55,261	62,287
Total assets	34,895,300	28,969,782
Liabilities		
(i) Deposits and balances from banks (except those included in amount due to overseas offices)	3,990,726	629,001
(ii) Due to Exchange Fund	3,126,640	4,683,360
(iii) Deposits from customers		
- Demand deposits and current accounts	81,135	159,735
- Savings deposits	629,844	601,309
- Time, call and notice deposits	249,192	310,531
(iv) Amount due to overseas offices	26,153,696	22,128,135
(v) Other liabilities	664,067	457,711
Total liabilities	34,895,300	28,969,782



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Wells Fargo Bank N.A. Hong Kong Branch

Review of Activities

Wells Fargo Bank N.A. – Hong Kong Branch (“the Branch”) is a branch of Wells Fargo Bank N.A. (“the Head Office”).

The major business of the Branch is to serve financial institutions and corporate customers with a full range of trade related product and services. The Branch, as the regional hub, supports Wells Fargo customers across Asia.

During the period, the Branch generated total income HK\$1,254 million in 2017, up 6.9% from 2016. Net interest income decreased 5.0% to HK\$90 million and non-interest income increased 7.9% to HK\$1,164 million. Total expenses rose 7.5% to HK\$1,109 million was due to higher staff expenses (up 12.6%), partially offset by the decrease in rental expenses (down 4.7%) and other expenses (down 3.4%).

Total assets were at HK\$34.9 billion as of 31 Dec 2017. Gross advances to customers were HK\$1,198 million, grew 9.4% from 30 Jun 2017. Customer deposits were HK\$0.96 billion, dropped 10.4% from 30 Jun 2017.

The Bank’s overall liquidity position remains good. Average liquidity maintenance ratio was 285.63% for the year ended 31 Dec 2017, compared to 100.11% for the year ended 31 Dec 2016.

The Bank’s financial position reflects significant investments in local resources to help strengthen overall internal controls and to effectively manage risks.

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III. Additional balance sheet information

1. Gross advances to customer

	Collateral value 31 Dec 2017 HK\$'000	Gross advances 31 Dec 2017 HK\$'000	Collateral value 30 Jun 2017 HK\$'000	Gross advances 30 Jun 2017 HK\$'000
<i>Analysed by industry:</i>				
Loans for use in Hong Kong				
- Industrial, commercial and financial	-	-	-	-
- Individuals				
- Loans for the purchase of other residential properties	-	-	-	-
Trade finance	-	712,470	-	550,609
Loans for use outside Hong Kong	-	485,316	-	544,738
Total advances to customers	-	1,197,786	-	1,095,347

	Gross advances 31 Dec 2017 HK\$'000	Gross advances 30 Jun 2017 HK\$'000
<i>Analysed by geographical segments:</i>		
- Hong Kong	-	39,598
- U.S.A.	1,197,786	1,055,749
Total advances to customers	1,197,786	1,095,347

The above analysis of gross advances to customers by geographical segments is based on the physical location and/or the place of business operations of the customers and transfer of risk has been taken account of. In general, risk transfer is made when the advances are guaranteed by a party in a country which is different from that of the customer.

2. Gross advances to bank

	Gross advances 31 Dec 2017 HK\$'000	Gross advances 30 Jun 2017 HK\$'000
Gross advances to bank	70,505	49,486

There were no advances to other financial institutions as at 31 Dec 2017 (30 Jun 2017: Nil). There was no individual impairment allowances and suspended interest as at 31 Dec 2017 (30 Jun 2017: Nil).

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III. Additional balance sheet information *(continued)*

3. International claims

HK\$ million	Banks	Official Sector	Non-Bank private sector		Others	Total
			Non-bank financial institutions	Non-financial private sector		
As at 31 Dec 2017						
Developing Asia and Pacific	10,039	-	-	-	-	10,039
of which – China	5,691	-	-	-	-	5,691
Developed Countries	497	-	-	3,995	-	4,492
of which – U.S.A.	9	-	-	3,995	-	4,004
As at 30 Jun 2017						
Developing Asia and Pacific	10,129	-	-	-	-	10,129
of which – China	6,573	-	-	-	-	6,573

International claims which constitute not less than 10% of total international claims are disclosed above based on the physical location of the counterparty after taking into account the transfer of risks. In general, risk transfer is made when claims are guaranteed by a party in a country which is different from that of the counterparty or when the claims are on an overseas branch of a bank whose head office is located in another country.

4. Impairment allowances for impaired assets were as follows:

The collective impairment allowances are centrally done on a global basis by Head Office based on an assessment of the degree of credit risk inherent in Hong Kong Branch's overall portfolio of loans and advances and other exposures.

Individual impairment allowance for impaired assets is made against loans and advances or other exposures as and when they are considered necessary by the management.

There were no collective impairment allowances and individual impairment allowances as at 31 Dec 2017 (30 Jun 2017: Nil).

5. Individual impaired loans are those advances where full repayments of principal and / or interest are considered unlikely. Loans are impaired if there is objective evidence of impairment, as at 31 Dec 2017 was Nil (30 Jun 2017: Nil).
6. There were no overdue advances to customers as at 31 Dec 2017 (30 Jun 2017: Nil).
7. There were no rescheduled advances to customers, banks and other financial institutions as at 31 Dec 2017 (30 Jun 2017: Nil).
8. There were no advances to bank which have been overdue for more than 3 months as at 31 Dec 2017 (30 Jun 2017: Nil). No other overdue advances to other financial institutions as at 31 Dec 2017 (30 Jun 2017: Nil).
9. There were no repossessed assets held as at 31 Dec 2017 (30 Jun 2017: Nil).

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III. Additional balance sheet information *(continued)*

10. Non-bank Mainland China Exposures:

Types of Counterparties	31 Dec 2017			30 Jun 2017		
	On-balance sheet exposures HK\$ million	Off-balance sheet exposures HK\$ million	Total Exposures HK\$ million	On-balance sheet exposures HK\$ million	Off-balance sheet exposures HK\$ million	Total Exposures HK\$ million
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	2,890	594	3,484	1,410	1,309	2,719
Total	2,890	594	3,484	1,410	1,309	2,719
Total assets after provision	34,895			28,970		
On-balance sheet exposures as percentage of total assets	8.28%			4.87%		

11. Foreign currency risk exposure

The net position in a particular foreign currency is disclosed below if the net position (in absolute terms) constitutes 10% or more of the total net position in all foreign currencies.

Currency	31 Dec 2017	30 Jun 2017
	HK\$ million	HK\$ million
	USD	USD
Spot assets	32,412	27,259
Spot liabilities	(34,625)	(28,763)
Forward purchases	2,832	2,008
Forward sales	(659)	(523)
Net long/(short) position	(40)	(19)

There was no structural and net option position as at 31 Dec 2017 (at 30 Jun 2017: Nil).

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IV. Unaudited Off-balance sheet information

	31 Dec 2017 HK\$'000	30 Jun 2017 HK\$'000
Contingent liabilities and commitments		
(i) Direct credit substitutes	257,026	482,244
Trade-related contingencies	1,888,346	2,875,154
Other commitments		
- one year or less	956,524	306,163
Others	978,001	1,063,085
	4,079,897	4,726,646
(ii) Exchange rate contracts	3,491,112	2,530,462
Interest rate contracts	-	7,220,180
	3,491,112	9,750,642

The total fair value of the above reported instruments obtained by marking to market was HK\$34.71 million (negative value) as at 31 Dec 2017 (30 Jun 2017: HK\$16.44 million (negative value)). The Branch does not enter into any bilateral arrangement for these contracts.

V. Liquidity information

1. Liquidity maintenance ratio

The average liquidity maintenance ratio for the year ended 31 Dec 2017 was 285.63% (the year ended 31 Dec 2016 was 100.11%). The average liquidity maintenance ratio is the simple average of each calendar month's average liquidity maintenance ratio calculated in accordance with the Banking (Liquidity) Rules (Rule 48) made by the Monetary Authority under section 97H of the Banking Ordinance.

2. Approach to liquidity risk management

Wells Fargo Bank N.A., Hong Kong Branch ("the Branch") has primary responsibility for ensuring it is able to meet all on and off-balance sheet obligations as they mature without incurring excessive cost, while continuing to fund its assets and growth therein. The Branch is required to conform to the liquidity regime prescribed by the Hong Kong Monetary Authority ("the HKMA") and to meet the HKMA's requirements. The Corporate Governance Groups has the responsibility to ensure that the liquidity risk management policies and practices of the Branch are in accordance with its globally coordinated, centralized approach to liquidity risk management.

The liquidity management policy ("the Policy") is reviewed and approved by APAC Regional Asset and Liability Committee ("APAC ALCO") and Hong Kong Branch Management and Control Committee ("HKMCC") on an annual basis. However, it is likely that the Policy will evolve on a more frequent basis as business activity changes in response to stress test outputs or a changing regulatory environment.

Prudent liquidity planning and management are crucial to maintaining a sound balance sheet and stable earnings at an acceptable level as well as withstanding the stresses resulting from an internal problem or crisis in the marketplace.

Proper liquidity management requires an organizational structure with clearly defined segregation of roles and responsibilities. Further, liquidity limits are established to ensure that the Branch maintains appropriate liquidity under both normal and stressed conditions. Liquidity risk reports including stress testing results are prepared regularly. Proper processes to report the liquidity risk reports and any issues to senior management are established.

As it is crucial to the Branch's viability to maintain appropriate liquidity, a contingency funding plan in addition to the liquidity risk reports is maintained.



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VI. Remuneration

Hong Kong Branch adopts the remuneration policy and practices formulated by Wells Fargo & Company. Please refer to the Proxy Statement of Wells Fargo & Company for details of the Board Compensation, Human Resources Committee and major characteristics of the remuneration system.

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Section B – Wells Fargo & Company and Subsidiaries Group information (Consolidated basis)

Amounts reported are expressed in US Dollars (The exchange rate as at 31 Dec 2017 was USD1=HKD7.8166, 30 Jun 2017 was USD1=HKD7.8056, 31 Dec 2016 was USD1=HKD7.7552)

I. Capital and capital adequacy

	31 Dec 2017	30 Jun 2017
	USD (In Million)	USD (In Million)
(i) Total shareholders' equity	206,936	205,230
(ii) Consolidated capital adequacy ratio (Consolidated capital adequacy ratio was computed in accordance with the Basel III Capital Accord. In addition, allowance for market risk has been incorporated in calculating the consolidated capital adequacy ratio)	17.46%	16.97%

II. Other financial information

	31 Dec 2017	30 Jun 2017
	USD (In Million)	USD (In Million)
(i) Total assets	1,951,757	1,930,871
(ii) Total liabilities	1,743,678	1,724,726
(iii) Loans (net of allowance for loan losses)	945,766	946,350
(iv) Deposits from customers	1,335,991	1,305,830
	31 Dec 2017	31 Dec 2016
	USD (In Million)	USD (In Million)
(v) Pre-tax profits for the year ended 31 Dec	27,377	32,120



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Wells Fargo Bank N.A., Hong Kong Branch Chief Executive's Declaration of Compliance

I, Jeffrey Ming LEE, being Chief Executive of Wells Fargo Bank N.A., Hong Kong branch, declare that the information disclosed in this unaudited statement complies fully with Banking (Disclosure) Rules and Supervisory Policy Manual "Guideline on the application of the Banking (Disclosure) Rules" and is not false or misleading.

Signature :

A handwritten signature in blue ink, appearing to read "J. Ming Lee", written over a horizontal line.

Date :

28th March, 2018