

## **KEY FINANCIAL INFORMATION DISCLOSURE STATEMENT**

For the year ended 31 December 2018

- To comply with the Banking (Disclosure) Rules, the Bank has set up a 'Hong Kong Branch Disclosures' section on its website ([global.wf.com/disclosures/](http://global.wf.com/disclosures/)) to house the information related to "Financial Disclosure Statement" as required by the Banking (Disclosure) Rules.
- 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
- 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**

---

# **2018 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 2018 prepared in accordance with Banking (Disclosure) Rules.**
**Section A – Branch Information**
**I. Unaudited Profit and loss information**

	<b>Year Ended 31 Dec 2018 HK\$'000</b>	Year Ended 31 Dec 2017 HK\$'000
(i) Interest income	<b>854,516</b>	518,314
(ii) Interest expense	<b>(751,026)</b>	(428,089)
Net interest income	<b>103,490</b>	90,225
(iii) Non-interest income		
- Gains less losses arising from trading in foreign currencies	<b>12,764</b>	2,129
- Gains less losses from the disposal of property, plant and equipment	<b>(178)</b>	(116)
- Net Income from fees and commission	<b>166,058</b>	184,263
- Others	<b>1,032,388</b>	977,507
Total non-interest income	<b>1,211,032</b>	1,163,783
Total income	<b>1,314,522</b>	1,254,008
(iv) Operating expenses		
- Staff expenses	<b>(836,183)</b>	(787,376)
- Rental expenses	<b>(97,465)</b>	(94,812)
- Other expenses	<b>(246,502)</b>	(227,385)
(v) Recovery and write back of impaired assets	<b>58</b>	213
Total expenses and other charges	<b>(1,180,092)</b>	(1,109,360)
Profit / (Loss) before taxation	<b>134,430</b>	144,648
(vi) Taxation provision	<b>(35,751)</b>	(10,552)
Profit / (Loss) after taxation	<b>98,679</b>	134,096

**Wells Fargo Bank N.A.**

 Hong Kong Branch
 

---

**II. Unaudited Balance sheet information**

	<b>31 Dec 2018</b>	30 June 2018
	<b>HK\$'000</b>	HK\$'000
<b>Assets</b>		
(i) Cash and balances with banks (except those included in amount due from overseas offices)	<b>4,913,452</b>	101,845
(ii) Advances to banks maturing between one and twelve months (except those included in amount due from overseas offices)	<b>7,394</b>	9,931
(iii) Placements with banks maturing between one and twelve months (except those included in amount due from overseas offices)	<b>6,593,079</b>	2,746,730
(iv) Due from Exchange Fund	<b>957</b>	805
(v) Amount due from overseas offices	<b>15,342,732</b>	18,390,795
(vi) Trade bills	<b>8,483,669</b>	9,003,920
(vii) Loans and receivables		
- Loans and advances to customers	<b>657,943</b>	655,471
- Accrued interest and other accounts	<b>258,074</b>	224,979
- Impairment allowances for impaired assets	-	-
(viii) Property, plant and equipment and investment properties	<b>40,916</b>	48,008
Total assets	<b>36,298,216</b>	31,182,484
<b>Liabilities</b>		
(i) Deposits and balances from banks (except those included in amount due to overseas offices)	-	165,344
(ii) Due to Exchange Fund	<b>2,350,020</b>	-
(iii) Deposits from customers		
- Demand deposits and current accounts	<b>60,801</b>	61,406
- Savings deposits	<b>593,269</b>	568,748
- Time, call and notice deposits	<b>468,074</b>	157,300
(iv) Amount due to overseas offices	<b>31,954,783</b>	29,556,660
(v) Other liabilities	<b>871,269</b>	673,026
Total liabilities	<b>36,298,216</b>	31,182,484



## **Wells Fargo Bank N.A.**

Hong Kong Branch

---

### **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 loans, deposits and 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\$1,315 million in 2018, up 4.8% from 2017. Net interest income increased 14.7% to HK\$103 million and non-interest income increased 4.1% to HK\$1,211 million. Total expenses rose 6.4% to HK\$1,180 million was due to higher staff expenses (up 6.2%), rental expenses (up 2.8%) and other expenses (up 8.4%).

Total assets excluding inter-group balances were at HK\$21.0 billion as of 31 Dec 2018. Total liabilities excluding inter-group balances were at HK\$3.9 billion as of 31 Dec 2018. Gross advances to customers were HK\$658 million, grew 0.4% from 30 Jun 2018. Customer deposits were HK\$1,122 million, grew 42.5% from 30 Jun 2018.

The Bank’s overall liquidity position remains good. Average liquidity maintenance ratio was 322.67% for the quarter ended 31 Dec 2018, compared to 285.63% for the year ended 31 Dec 2017.

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

**Wells Fargo Bank N.A.**

 Hong Kong Branch
 

---

**III. Additional balance sheet information**

## 1. Gross advances to customer

	<b>Collateral value 31 Dec 2018 HK\$'000</b>	<b>Gross advances 31 Dec 2018 HK\$'000</b>	Collateral value 30 Jun 2018 HK\$'000	Gross advances 30 Jun 2018 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	-	<b>340,783</b>	-	332,048
Loans for use outside Hong Kong	-	<b>317,160</b>	-	323,423
<b>Total advances to customers</b>	<b>-</b>	<b>657,943</b>	<b>-</b>	<b>655,471</b>

	<b>Gross advances 31 Dec 2018 HK\$'000</b>	Gross advances 30 Jun 2018 HK\$'000
<i>Analysed by geographical segments:</i>		
- Germany	<b>36,991</b>	-
- U.S.A.	<b>620,952</b>	655,471
<b>Total advances to customers</b>	<b>657,943</b>	<b>655,471</b>

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

	<b>Gross advances 31 Dec 2018 HK\$'000</b>	Gross advances 30 Jun 2018 HK\$'000
Gross advances to bank	<b>7,394</b>	9,931

There were no advances to other financial institutions as at 31 Dec 2018 (30 Jun 2018: Nil). There was no individual impairment allowances and suspended interest as at 31 Dec 2018 (30 Jun 2018: Nil).

**Wells Fargo Bank N.A.**

Hong Kong Branch

**III. Additional balance sheet information** *(continued)*

## 3. International claims

HK\$ million	Banks	Official Sector	Non-Bank private sector			Total
			Non-bank financial institutions	Non-financial private sector	Others	
<b>As at 31 Dec 2018</b>						
<b>Developing Asia and Pacific</b>	<b>13,447</b>	-	-	-	-	<b>13,447</b>
of which – China	4,390	-	-	-	-	4,390
of which – Taiwan	6,297	-	-	-	-	6,297
<b>Developed Countries</b>	<b>411</b>	-	-	<b>3,988</b>	-	<b>4,399</b>
of which – U.S.A.	9	-	-	<b>3,951</b>	-	<b>3,960</b>
<b>As at 30 Jun 2018</b>						
Developing Asia and Pacific	7,241	-	-	-	-	7,241
of which – China	4,202	-	-	-	-	4,202
Developed Countries	191	-	-	3,260	-	3,451
of which – U.S.A.	20	-	-	3,260	-	3,280

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 2018 (30 Jun 2018: 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 2018 was Nil (30 Jun 2018: Nil).
6. There were no overdue advances to customers as at 31 Dec 2018 (30 Jun 2018: Nil).
7. There were no rescheduled advances to customers, banks and other financial institutions as at 31 Dec 2018 (30 Jun 2018: Nil).
8. There were no advances to bank which have been overdue for more than 3 months as at 31 Dec 2018 (30 Jun 2018: Nil). No other overdue advances to other financial institutions as at 31 Dec 2018 (30 Jun 2018: Nil).
9. There were no repossessed assets held as at 31 Dec 2018 (30 Jun 2018: Nil).

**Wells Fargo Bank N.A.**

Hong Kong Branch

**III. Additional balance sheet information** *(continued)*

## 10. Non-bank Mainland China Exposures:

Types of Counterparties	31 Dec 2018			30 Jun 2018		
	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	<b>3,217</b>	<b>864</b>	<b>4,081</b>	2,448	1,100	3,548
Total	<b>3,217</b>	<b>864</b>	<b>4,081</b>	2,448	1,100	3,548
Total assets after provision	<b>36,298</b>			31,182		
On-balance sheet exposures as percentage of total assets	<b>8.86%</b>			7.85%		

## 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 2018	30 Jun 2018
	HK\$ million	HK\$ million
	<b>USD</b>	USD
Spot assets	<b>34,605</b>	29,235
Spot liabilities	<b>(36,030)</b>	(30,978)
Forward purchases	<b>1,852</b>	2,132
Forward sales	<b>(390)</b>	(364)
Net long/(short) position	<b>37</b>	25

There was no structural and net option position as at 31 Dec 2018 (at 30 Jun 2018: Nil).



**Wells Fargo Bank N.A.**

Hong Kong Branch

**IV. Unaudited Off-balance sheet information**

	<b>31 Dec 2018</b> HK\$'000	30 Jun 2018 HK\$'000
<b>Contingent liabilities and commitments</b>		
(i) Direct credit substitutes	<b>2,742</b>	2,747
Trade-related contingencies	<b>2,518,916</b>	3,177,446
Other commitments		
- one year or less	<b>1,390,868</b>	426,467
Others	<b>317,160</b>	3,071,592
	<b>4,229,686</b>	6,678,252
(ii) Exchange rate contracts	<b>2,241,849</b>	2,495,394
Interest rate contracts	-	-
	<b>2,241,849</b>	2,495,394

The total fair value of the above reported instruments obtained by marking to market was HK\$22.86 million (positive value) as at 31 Dec 2018 (30 Jun 2018: HK\$29.56 million (positive 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 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.

	<b>Quarter Ended</b>	Year Ended
	<b>31 Dec 2018</b>	31 Dec 2017
	%	%
Average LMR	<b>322.67</b>	285.63

## 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 comply with the liquidity regime prescribed by the Hong Kong Monetary Authority ("the HKMA") and to meet the HKMA's requirements. The Corporate Governance Groups of the Branch 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 Branch's 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.

Proper liquidity management requires an organizational structure with clearly defined segregation of roles and responsibilities. The Multi-Currency Treasury group in APAC ("MCT APAC") formulates the funding strategy, manages the liquidity and funding needs, and the mismatched FX exposure of the banking book of the Branch. The APAC ALCO, HKMCC and Independent Risk Management provide oversight and credible challenge of MCT's liquidity risk management strategies and assumptions. MCT APAC reports and discusses liquidity strategies, issues and risks with APAC ALCO and HKMCC in their regular meetings.

## Wells Fargo Bank N.A.

Hong Kong Branch

Liquidity limits are established to ensure that the Branch maintains appropriate liquidity under both normal and stressed conditions. Liquidity risk reports on the liquidity maintenance ratio ("LMR") and the cash balance projection are produced daily. The monthly liquidity stress testing is to measure the LMR and the minimum cash balance within 3 months under idiosyncratic, market-wide and combined stress scenarios. The stress testing results are reported to APAC ALCO and HKMCC. Proper escalation and notification processes to report breach of any liquidity limits to HK Branch Crisis Management Team, APAC ALCO and HKMCC are established. MCT APAC is required to take corrective actions immediately. As it is crucial to the Branch's viability to maintain appropriate liquidity, a contingency funding plan (CFP) is in place to address liquidity needs under a market-wide, idiosyncratic and/or a combination stress event. The CFP includes procedures for monitoring emerging liquidity events, a governance framework and management process, and potential mitigating actions which the Branch could undertake.

The Branch has two sources of liquidity to meet its funding. The primary source is intra-group funding from Head Office. The Branch also sources liquidity directly from customers who have a need to place their cash with a secure financial institution. These customer deposits are a useful source of liquidity and a tool by which the Branch can effectively manage currency balances. Furthermore, this activity serves as an advance warning indicator as to the health of both the wholesale money market and of the Branch's standing and perceived financial strength from time to time.

### 3. Contractual maturity profile

The table below analyses assets and liabilities based on the remaining period as at the end of the reporting period to the contractual maturity dates:

In HK\$ millions	Next day	Less than 1 month	Over 1 month upto 3 months	Over 3 month upto 1 year	Over 1 year	Undated	Total
<b>31 Dec 2018</b>							
<b>Assets</b>							
- Due from Bank	1,235	8,830	11,182	5,699	-	-	26,946
- Trade bills	368	2,311	3,922	1,897	-	-	8,498
- Loans and advances to customers	31	405	121	103	-	-	660
- Others	-	70	1	4	18	101	194
<b>Total assets</b>	<b>1,634</b>	<b>11,616</b>	<b>15,226</b>	<b>7,703</b>	<b>18</b>	<b>101</b>	<b>36,298</b>
<b>Liabilities</b>							
- Due to Exchange Fund	2,350	-	-	-	-	-	2,350
- Due to banks	1,640	-	-	30,442	-	-	32,082
- Deposits from customers	625	-	461	37	-	-	1,123
- Others	2	47	136	1	10	69	265
<b>Total Liabilities</b>	<b>4,617</b>	<b>47</b>	<b>597</b>	<b>30,480</b>	<b>10</b>	<b>69</b>	<b>35,820</b>
<b>Derivatives settled on a gross basis</b>							
- Inflow	374	969	783	115	-	-	2,241
- Outflow	374	955	775	114	-	-	2,218
<b>Contingent and commitments</b>							
- Contingent liabilities	25	302	12	-	-	-	339
- Commitments	-	47	-	5	-	-	52
- Contingent claims	-	-	317	-	-	-	317
<b>Net Liquidity Mismatch<sup>(i)</sup></b>	<b>-3,008</b>	<b>11,234</b>	<b>14,942</b>	<b>-22,781</b>	<b>8</b>		
<b>Cumulative Liquidity Mismatch<sup>(i)</sup></b>	<b>-3,008</b>	<b>8,226</b>	<b>23,168</b>	<b>387</b>	<b>395</b>		

**Wells Fargo Bank N.A.**

Hong Kong Branch

In HK\$ millions	Next day	Less than 1 month	Over 1 month upto 3 months	Over 3 month upto 1 year	Over 1 year	Undated	Total
30 June 2018							
Assets							
- Due from Bank	759	5,214	9,700	5,625	-	-	21,298
- Trade bills	351	1,875	4,423	2,368	-	-	9,017
- Loans and advances to customers	369	84	113	91	-	-	657
- Others	2	63	1	-	20	124	210
<b>Total assets</b>	<b>1,481</b>	<b>7,236</b>	<b>14,237</b>	<b>8,084</b>	<b>20</b>	<b>124</b>	<b>31,182</b>
Liabilities							
- Due to banks	127	3,144	21,613	4,716	-	-	29,600
- Deposits from customers	775	24	126	28	-	-	953
- Others	2	7	3	78	20	69	179
<b>Total Liabilities</b>	<b>904</b>	<b>3,175</b>	<b>21,742</b>	<b>4,822</b>	<b>20</b>	<b>69</b>	<b>30,732</b>
Derivatives settled on a gross basis							
- Inflow	1,035	479	815	165	-	-	2,494
- Outflow	1,025	469	807	162	-	-	2,463
Contingent and commitments							
- Contingent liabilities	325	2,755	12	-	-	-	3,092
- Commitments	-	-	-	51	-	-	51
- Contingent claims	-	-	2,287	785	-	-	3,072
Net Liquidity Mismatch <sup>(i)</sup>	262	1,316	-5,222	3,999	-		
Cumulative Liquidity Mismatch <sup>(i)</sup>	262	1,578	-3,644	355	355		

(i) Positive indicates a position of liquidity surplus. Negative indicates a liquidity shortfall that has to be funded.

**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.

**Wells Fargo Bank N.A.**

 Hong Kong Branch
 

---

**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 2018 was USD1=HKD7.8334, 30 Jun 2018 was USD1=HKD7.8478, 31 Dec 2017 was USD1=HKD7.8166)

**I. Capital and capital adequacy**

	<b>31 Dec 2018</b>	30 Jun 2018
	<b>USD (In Million)</b>	USD (In Million)
(i) Total shareholders' equity	<b>196,166</b>	205,188
(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)	<b>16.60%</b>	16.98%

**II. Other financial information**

	<b>31 Dec 2018</b>	30 Jun 2018
	<b>USD (In Million)</b>	USD (In Million)
(i) Total assets	<b>1,895,883</b>	1,879,700
(ii) Total liabilities	<b>1,698,817</b>	1,673,631
(iii) Loans (net of allowance for loan losses)	<b>943,335</b>	934,072
(iv) Deposits from customers	<b>1,286,170</b>	1,268,864
	<b>31 Dec 2018</b>	31 Dec 2017
	<b>USD (In Million)</b>	USD (In Million)
(v) Pre-tax profits for the year ended 31 Dec	<b>28,538</b>	27,377



**Wells Fargo Bank N.A.**  
Hong Kong Branch

---

**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 be "J. Lee", written over a horizontal line.

Date :

11th April, 2019

---