

KEY FINANCIAL INFORMATION DISCLOSURE STATEMENT

For the six months ended 30 June 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/) 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 Interim Results

Six months ended 30 June 2018



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

Wells Fargo Bank N.A.

Hong Kong Branch

Key Financial Information Disclosure Statement for the six months ended 30 June 2018 prepared in accordance with Banking (Disclosure) Rules.
Section A – Branch Information
I. Unaudited Profit and loss information

	Six months ended 30 Jun 2018 HK\$'000	Six months ended 30 Jun 2017 HK\$'000
(i) Interest income	357,336	214,355
(ii) Interest expense	(306,680)	(183,608)
Net interest income	50,656	30,747
(iii) Non-interest income		
- Gains less losses arising from trading in foreign currencies	5,703	15
- Gains less losses from the disposal of property, plant and equipment	(110)	(18)
- Net Income from fees and commission	77,900	88,789
- Others	521,813	475,913
Total non-interest income	605,306	564,699
Total income	655,962	595,446
(iv) Operating expenses		
- Staff expenses	(411,407)	(400,542)
- Rental expenses	(46,336)	(48,581)
- Other expenses	(122,091)	(109,561)
(v) Recovery and write back of impaired assets	58	-
Total expenses and other charges	(579,776)	(558,684)
Profit / (Loss) before taxation	76,186	36,762
(vi) Taxation provision	(5,299)	(3,630)
Profit / (Loss) after taxation	70,887	33,132

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II. Unaudited Balance sheet information

	30 June 2018	31 Dec 2017
	HK\$'000	HK\$'000
Assets		
(i) Cash and balances with banks (except those included in amount due from overseas offices)	101,845	3,221,854
(ii) Advances to banks maturing between one and twelve months (except those included in amount due from overseas offices)	9,931	70,505
(iii) Placements with banks maturing between one and twelve months (except those included in amount due from overseas offices)	2,746,730	3,062,544
(iv) Due from Exchange Fund	805	895
(v) Amount due from overseas offices	18,390,795	18,268,414
(vi) Trade bills	9,003,920	8,827,241
(vii) Loans and receivables		
- Loans and advances to customers	655,471	1,197,786
- Accrued interest and other accounts	224,979	190,800
- Impairment allowances for impaired assets	-	-
(viii) Property, plant and equipment and investment properties	48,008	55,261
Total assets	31,182,484	34,895,300
Liabilities		
(i) Deposits and balances from banks (except those included in amount due to overseas offices)	165,344	3,990,726
(ii) Due to Exchange Fund	-	3,126,640
(iii) Deposits from customers		
- Demand deposits and current accounts	61,406	81,135
- Savings deposits	568,748	629,844
- Time, call and notice deposits	157,300	249,192
(iv) Amount due to overseas offices	29,556,660	26,153,696
(v) Other liabilities	673,026	664,067
Total liabilities	31,182,484	34,895,300



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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 six months ended 30 Jun 2018, the Branch generated total income HK\$656 million in 2018, up 10.2% from 2017. Net interest income increased 64.8% to HK\$51 million and non-interest income increased 7.2% to HK\$605 million. Total expenses rose 3.8% to HK\$580 million was due to higher staff expenses (up 2.7%) and other expenses (up 11.4%), partially offset by the decrease in rental expenses (down 4.6%).

Total assets excluding inter-group balances were at HK\$12.8 billion as of 30 Jun 2018. Total liabilities excluding inter-group balances were at HK\$1.2 billion as of 30 Jun 2018. Gross advances to customers were HK\$655 million, dropped 45.3% from 31 Dec 2017. Customer deposits were HK\$787 million, dropped 18.0% from 31 Dec 2017.

The Bank’s overall liquidity position remains good. Average liquidity maintenance ratio was 268.34% for the quarter ended 30 Jun 2018, compared to 291.43% for quarter ended 31 Mar 2018 and 329.70% for six months ended 30 Jun 2017.

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 30 Jun 2018 HK\$'000	Gross advances 30 Jun 2018 HK\$'000	Collateral value 31 Dec 2017 HK\$'000	Gross advances 31 Dec 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	-	332,048	-	712,470
Loans for use outside Hong Kong	-	323,423	-	485,316
Total advances to customers	-	655,471	-	1,197,786
		Gross advances 30 Jun 2018 HK\$'000		Gross advances 31 Dec 2017 HK\$'000
<i>Analysed by geographical segments:</i>				
- U.S.A.		655,471		1,197,786
Total advances to customers		655,471		1,197,786

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 30 Jun 2018 HK\$'000	Gross advances 31 Dec 2017 HK\$'000
Gross advances to bank	9,931	70,505

There were no advances to other financial institutions as at 30 Jun 2018 (31 Dec 2017: Nil). There was no individual impairment allowances and suspended interest as at 30 Jun 2018 (31 Dec 2017: Nil).

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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	
As at 30 Jun 2018						
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
As at 31 Dec 2017						
Developing Asia and Pacific	10,039	-	-	-	-	10,039
of which – China	5,691	-	-	-	-	5,691
Developing Countries	497	-	-	3,995	-	4,492
of which – U.S.A.	9	-	-	3,995	-	4,004

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 30 Jun 2018 (31 Dec 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 30 Jun 2018 was Nil (31 Dec 2017: Nil).

6. There were no overdue advances to customers as at 30 Jun 2018 (31 Dec 2017: Nil).

7. There were no rescheduled advances to customers, banks and other financial institutions as at 30 Jun 2018 (31 Dec 2017: Nil).

8. There were no advances to bank which have been overdue for more than 3 months as at 30 Jun 2018 (31 Dec 2017: Nil). No other overdue advances to other financial institutions as at 30 Jun 2018 (31 Dec 2017: Nil).

9. There were no repossessed assets held as at 30 Jun 2018 (31 Dec 2017: Nil).

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III. Additional balance sheet information *(continued)*

10. Non-bank Mainland China Exposures:

Types of Counterparties	30 Jun 2018			31 Dec 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	2,448	1,100	3,548	2,890	594	3,484
Total	2,448	1,100	3,548	2,890	594	3,484
Total assets after provision	31,182			34,895		
On-balance sheet exposures as percentage of total assets	7.85%			8.28%		

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	30 Jun 2018	31 Dec 2017
	HK\$ million	HK\$ million
	USD	USD
Spot assets	29,235	32,412
Spot liabilities	(30,978)	(34,625)
Forward purchases	2,132	2,832
Forward sales	(364)	(659)
Net long/(short) position	25	(40)

There was no structural and net option position as at 30 Jun 2018 (at 31 Dec 2017: Nil).

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IV. Unaudited Off-balance sheet information

	30 Jun 2018 HK\$'000	31 Dec 2017 HK\$'000
Contingent liabilities and commitments		
(i) Direct credit substitutes	2,747	257,026
Trade-related contingencies	3,177,446	1,888,346
Other commitments		
- one year or less	426,467	956,524
Others	3,071,592	978,001
	6,678,252	4,079,897
(ii) Exchange rate contracts	2,495,394	3,491,112
Interest rate contracts	-	-
	2,495,394	3,491,112

The total fair value of the above reported instruments obtained by marking to market was HK\$29.56 million (positive value) as at 30 Jun 2018 (31 Dec 2017: HK\$34.71 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 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.

	Quarter Ended 30 Jun 2018 %	Quarter Ended 31 Mar 2018 %	Six months Ended 30 Jun 2017 %
Average LMR	268.34	291.43	329.70

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 have 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 the 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 Hong Kong Branch. The APAC ALCO, HKMCC and Independent Risk Management provide oversight and effective challenge of MCT's liquidity risk management strategies and assumptions. MCT APAC reports liquidity strategies, issues and risks to the APAC ALCO and HKMCC in their regular meetings.

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

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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 breaches of any liquidity limits to HK Branch Crisis Management Team, APAC ALCO and HKMCC are established. MCT APAC is required to take immediate corrective action. 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.

WFBNA HK has two sources of liquidity to meet its funding. The primary source is intra-group funding from Head Office. WFBNA HK also sources liquidity directly from clients who have a need to place their cash with a secure financial institution. These client deposits are a useful source of liquidity and a tool by which the Bank 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 Bank'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
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
Total assets	1,481	7,236	14,237	8,084	20	124	31,182
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
Total Liabilities	904	3,175	21,742	4,822	20	69	30,732
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⁽¹⁾	262	1,316	-5,222	3,999	-		
Cumulative Liquidity Mismatch⁽¹⁾	262	1,578	-3,644	355	355		

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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
31 Dec 2017							
Assets							
- Due from Bank	5,139	7,985	7,442	4,106	-	-	24,672
- Trade bills	346	2,424	3,682	2,385	-	-	8,837
- Loans and advances to customers	180	626	195	199	-	-	1,200
- Others	-	75	1	4	16	91	187
Total assets	5,665	11,110	11,320	6,694	16	91	34,896
Liabilities							
- Due in Exchange Fund	3,127	-	-	-	-	-	3,127
- Due to banks	125	-	17,843	8,215	-	-	26,183
- Deposits from customers	1,086	3,613	187	66	-	-	4,952
- Others	2	17	117	7	14	98	255
Total Liabilities	4,340	3,630	18,147	8,288	14	98	34,517
Derivatives settled on a gross basis							
- Inflow	689	1,576	1,016	209	-	-	3,490
- Outflow	692	1,600	1,023	211	-	-	3,526
Contingent and commitments							
- Contingent liabilities	224	763	14	-	-	-	1,001
- Commitments	-	-	-	4	47	-	51
- Contingent claims	-	88	499	391	-	-	978
Net Liquidity Mismatch ⁽ⁱ⁾	1,098	6,781	-6,349	-1,209	-45		
Cumulative Liquidity Mismatch ⁽ⁱ⁾	1,098	7,879	1,530	321	276		

(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.

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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 30 Jun 2018 was USD1=HKD7.8478, 31 Dec 2017 was USD1=HKD7.8166, 30 Jun 2017 was USD1=HKD7.8056)

I. Capital and capital adequacy

	30 Jun 2018 USD (In Million)	31 Dec 2017 USD (In Million)
(i) Total shareholders' equity	205,188	206,936
(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)	16.98%	17.46%

II. Other financial information

	30 Jun 2018 USD (In Million)	31 Dec 2017 USD (In Million)
(i) Total assets	1,879,700	1,951,757
(ii) Total liabilities	1,673,631	1,743,678
(iii) Loans (net of allowance for loan losses)	934,072	945,766
(iv) Deposits from customers	1,268,864	1,335,991
	30 Jun 2018 USD (In Million)	30 Jun 2017 USD (In Million)
(v) Pre-tax profits for the six months ended 30 Jun	13,820	15,678



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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 :  _____

Date : 20th September, 2018