

Hua Nan Commercial Bank, Ltd.

Hong Kong Branch

Financial Information Disclosure Statements

For the half year ended 30 June 2018

Section A-Branch Information
HKD'000

I. Income Statement Information	Half year to 30 June 2018	Half year to 30 June 2017
Net interest income	184,843	127,178
Interest income	301,014	220,284
Interest expense	-116,171	-93,106
Other operating income	14,432	13,555
Gains less losses arising from trading in foreign currencies	3,304	3,293
Gains less losses on securities held for trading purposes	-367	-329
Gains less losses from other trading activities	256	-117
Net fees and commission income:	11,235	10,668
Income from fees and commission	12,309	11,560
Less : fees and commission expenses	-1,074	-892
Others	4	40
Operating expenses	-25,414	-26,357
Staff and rental expenses	-19,643	-19,086
Other expenses less fees and commission expenses	-5,771	-7,271
Provisions for bad and doubtful debts	-22,143	-29
Profit before taxation	151,718	114,347
Tax expense	-25,000	-18,902
Profit after taxation	126,718	95,445

HKD'000

II. Balance Sheet Information	30 Jun. 2018	31 Dec. 2017
Assets		
Cash and short term fund (except those included in amount due from overseas offices)	8,626,550	7,004,658
Placements with banks and other financial institutions maturing between 1~12 months (except those included in amount due from overseas offices)	3,204,434	5,398,527
Amount due from overseas offices of the institution	3,170,844	2,358,161
Trade bills	12,600	17,489
Certificates of deposit held	235,292	234,563
Advances to customers, banks and other financial institutions	6,393,632	5,280,076
Investment securities	2,876,371	2,999,541
Tangible fixed assets	3,371	3,695
Other assets and interest receivables	86,855	77,508
Total assets	<u>24,609,949</u>	<u>23,374,218</u>
Equity and Liabilities		
Deposits and balances of banks and other financial institutions (except those included in amount due to overseas offices)	1,355,298	1,381,650
Deposits from customers	20,080,310	21,098,985
demand deposits and current accounts	367,551	389,021
savings deposits	8,116,896	8,613,546
time, call and notice deposits	11,595,863	12,096,418
Amount due to overseas offices of the institution	2,332,756	246,522
Other liabilities and provisions	208,921	137,122
Total liabilities	<u>23,977,285</u>	<u>22,864,279</u>
Reserves and current profit	632,664	509,939
Total equity and liabilities	<u>24,609,949</u>	<u>23,374,218</u>

III. Additional Balance Sheet Information		30 Jun. 2018	31 Dec. 2017
(i) Advances and other accounts		30 Jun. 2018	31 Dec. 2017
<i>A. Advances to customers</i>			6,197,437
Loans to finance imports to H.K. and exports and re-exports from H.K.		143,291	79,997
Other loans for use in H.K.		3,706,720	2,834,871
Other loans for use outside H.K.		2,347,426	2,208,833
<i>B. Advances to banks and other financial institutions</i>			196,195
<i>C. Accrued interest and other accounts</i>			86,855
Accrued interest		82,052	73,192
Other accounts:		4,803	4,316
		30 Jun. 2018	31 Dec. 2017
Prepaid expenses		1,686	1,227
Other accounts receivable		5	4
Prepaid taxes		0	0
Other prepayment		138	0
Fair value adjustments on financial assets designated at fair value		675	555
Forward exchange contract receivable		3	0
Refundable deposits		1,573	1,639
Computer software		723	891
Gain from revaluation of securities		0	0
<i>D. Provisions for bad and doubtful debts</i>			67,980
Reserves for loans:			
General provisions			67,838
To customers		64,625	50,726
To banks		3,213	3,217
Specific provisions			142
To customers		142	59
Reserves for other receivables:			
Specific provisions			0

III. Additional Balance Sheet Information (Continued)**(ii) Non-performing loans**

	<u>Principal amt</u>	<u>Suspended interest</u>	<u>Value of collateral</u>	<u>Total amt</u>	<u>Percentage to total advances</u>	<u>Provisions</u>
30 Jun. 2018	0	0	0	0	0.00%	0
31 Dec. 2017	0	0	0	0	0.00%	0

(iii) The gross amount of advances to customers which have been overdue

	<u>30 Jun. 2018</u>			<u>31 Dec. 2017</u>		
	<u>Loans</u>	<u>Percentage to total advances</u>	<u>Provisions</u>	<u>Loans</u>	<u>Percentage to total advances</u>	<u>Provisions</u>
six months or less but over three months:	0	0.00%	0	0	0.00%	0
one year or less but over six months:	0	0.00%	0	0	0.00%	0
over one year:	0	0.00%	0	0	0.00%	0
Total	<u>0</u>		<u>0</u>	<u>0</u>		<u>0</u>
 Market value of collateral held against the covered portion of all overdue advances	<u>0</u>			<u>0</u>		
 Covered portion of all overdue advances	<u>0</u>			<u>0</u>		
 Uncovered portion of all overdue advances	<u>0</u>			<u>0</u>		

III. Additional Balance Sheet Information (Continued)	30 Jun. 2018	31 Dec. 2017
(iv) a. The amount of advances to customers which have been overdue for more than three months and on which interest is still being accrued	0	0
b. The amount of advances to customers which have been overdue for three months or less or not yet overdue and on which interest is being placed in suspense or on which interest accrual has ceased	0	0
c. The amount of advances to customers which have been overdue for three months or less or not yet overdue and on which interest is still being accrued	0	0
(v) The amount of rescheduled advances to customers (net of those which have been overdue for over three months and reported in (iii) above)	0	0
(vi) Reconciliation between overdue loans and non-performing loans		
The amount of advances to customers which have been overdue for more than three months	0	0
Add: - The amount of advances to customers which have been overdue for three months or less or not yet overdue and on which interest is being placed in suspense or on which interest accrual has ceased	0	0
- The amount of advances to customers which have been overdue for three months or less or not yet overdue and on which interest is still being accrued	0	0
Less: The amount of advances to customers which have been overdue for more than three months and on which interest is still being accrued	0	0
	0	0
	0	0
<u>Non-performing Loans</u>		
	<u>30 Jun. 2018</u>	<u>31 Dec. 2017</u>
Hong Kong areas	0	0
Other areas	0	0
(vii) The debt securities which have been overdue	0	0
(viii) Other assets which have been overdue	0	0

IV. Segmental Information

(i) Breakdown of the gross amount of advances to customers by industry sectors

	30 Jun. 2018		31 Dec. 2017	
	Amount	Amount covered by collateral	Amount	Amount covered by collateral
A.Loans for use in Hong Kong	3,706,720	94,646	2,834,871	112,664
a.Industrial,commercial and financial	3,706,720	94,646	2,834,871	112,664
Manufacturing	403,866	7,483	229,592	20,429
Property development	848,667	16,667	756,020	34,020
Property investment	200,000	0	312,500	0
Electricity and gas	0	0	0	0
Recreational activities	0	0	0	0
Information technology	377,934	0	142,500	0
Wholesale and retail trade	529,885	70,496	259,587	58,215
Transport	262,434	0	72,600	0
Hotels,boarding houses & catering	204,042	0	125,100	0
Financial concerns	567,158	0	648,821	0
Stockbrokers	312,734	0	288,151	0
b.Individuals	0	0	0	0
Others	0	0	0	0
B.Trade finance	143,291	48,073	79,997	46,118
C.Loans for use outside H.K.	2,347,426	47,357	2,247,927	361,226
Total	6,197,437	190,076	5,162,795	520,008

(ii) Gross amount of advances to customers by countries or geographical areas

30 Jun. 2018 31 Dec. 2017

(A country or geographical area is reported where it constitutes 10% or more of the aggregate gross amount of advances to customers after taking into consideration the transfers of risks.)

<u>Hong Kong</u> : Loans and advance to customers	2,306,810	1,773,720
<u>Taiwan</u> : Loans and advance to customers	154,654	142,546
Overdue loans	0	0
Non-performing loans	0	0
<u>China</u> : Loans and advance to customers	3,136,143	2,595,015

There are no overdue and non-performing loans under the identified countries or geographical areas in addition to Taiwan

(iii) Repossessed assets

0 0

IV. Segmental Information (Continued)

(iv) Cross-border claims

	Banks	Official Sector	Non-bank financial institutions	Non-financial private sector	Others	Total
<u>As at 30 Jun. 2018</u>						
1. Developing Asia-Pacific	14,072	0	168	3,560	0	17,800
of which country: Taiwan	8,927	0	0	180	0	9,107
China	3,846	0	168	3,144	0	7,158
2. Offshore centres	1,108	104	400	1,757	0	3,369
of which country: Hong Kong	1,108	104	400	1,757	0	3,369
<u>As at 31 Dec. 2017</u>						
1. Developing Asia-Pacific	19,885	1	0	2,783	0	22,669
of which country: Taiwan	7,115	0	0	179	0	7,294
China	4,392	1	0	2,604	0	6,997
2. Offshore centres	1,376	130	366	1,172	0	3,044
of which country: Hong Kong	1,376	130	366	1,172	0	3,044

The basis of the country/geographical classification has been taken account the transfer of risk.

(v) Mainland activities exposures

<u>30 Jun. 2018</u>	On-balance sheet exposure	Off-balance sheet exposure	Total
Types of Counterparties			
1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	599	0	599
2. Local government, local government-owned entities and their subsidiaries and JVs	368	35	403
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	379	52	431
4. Other entities of central governments not reported in item 1 above	0	0	0
5. Other entities of local governments not reported in item 2 above	311	0	311
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	979	667	1,646
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	333	269	602
<u>Total</u>		2,969	1,023
Total assets after provision		24,530	
On-balance sheet exposures as percentage of total assets		12.10%	

IV. Segmental Information (Continued)**(v) Mainland activities exposures**

<u>31 Dec. 2017</u>	On-balance sheet exposure	Off-balance sheet exposure	Total
Type of Counterparties			
1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	401	0	401
2. Local government, local government-owned entities and their subsidiaries and JVs	303	22	325
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	341	60	401
4. Other entities of central governments not reported in item 1 above	0	0	0
5. Other entities of local governments not reported in item 2 above	75	109	184
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	987	698	1,685
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	224	219	443
<u>Total</u>	2,331	1,108	3,439
Total assets after provision	23,320		
On-balance sheet exposures as percentage of total assets	9.99%		

V. Currency Risk

(An individual currency is reported if the net position (in absolute terms)

constitutes 10% or more of the total net position in all foreign currencies.)

<u>30 Jun. 2018</u>	<u>USD</u>	<u>EUR</u>	<u>GBP</u>	<u>JPY</u>	<u>CNY</u>	<u>NZD</u>
Spot assets	19,885	292	19	163	1,015	6
Spot liabilities	-19,883	-292	-19	-163	-1,014	-6
Forward purchases	0	0	0	0	0	0
Forward sales	0	0	0	0	0	0
Net long (short) position	2	0	0	0	1	0
<u>31 Dec. 2017</u>	<u>USD</u>	<u>EUR</u>	<u>GBP</u>	<u>JPY</u>	<u>CNY</u>	<u>NZD</u>
Spot assets	18,509	303	17	171	1,423	7
Spot liabilities	-18,503	-303	-18	-171	-1,425	-7
Forward purchases	0	0	0	0	0	0
Forward sales	0	0	0	0	0	0
Net long (short) position	6	0	-1	0	-2	0

VI. Off-Balance Sheet Exposures	30 Jun. 2018	31 Dec. 2017
(i) Contingent liabilities and commitments	<u>30 Jun. 2018</u>	<u>31 Dec. 2017</u>
A. Direct credit substitutes		
Customers' liabilities under guarantee	453,384	4,847
B. Transaction-related contingencies		
	0	0
C. Trade-related contingent items		
Collection receivable for customers	190,310	149,755
Customers' liabilities under L/C	184,010	173,255
Customers' liabilities under guarantee (SG)	0	40,669
Customers' liabilities under acceptance	30,266	13,736
D. Sale and repurchase agreements		
	156,956	156,375
E. Other commitments		
With an original maturity of under 1 year available OD & loans limit	1,542,717	2,106,529
With an original maturity of over 1 year loans limit	1,376,491	1,702,550
Note issue and revolving underwriting facilities	0	0

The contract amounts of the contingent liabilities and commitments represent the amounts at risk should the contract be fully drawn upon and the client default, the total of the contract amounts is not representative of future liquidity requirements.

(ii) Derivatives	<u>30 Jun. 2018</u>	<u>31 Dec. 2017</u>
Contract amounts :		
Interest rate contracts	39,239	39,094
Exchange rate contracts	0	0
	<u>39,239</u>	<u>39,094</u>
Replacement costs (of the above derivatives) :		
Interest rate contracts	0	0
Exchange rate contracts	0	0
	<u>0</u>	<u>0</u>

The contract amounts indicate the volume of transactions outstanding at the balance sheet date; they do not represent amounts at risk. The replacement costs do not take into account the effects of bilateral netting arrangements.

VII. Liquidity

	For the year of 2018	For the year of 2017
The average liquidity ratio	N/A	N/A
	For the year of 2018	For the year of 2017
The average liquidity maintenance ratio for Q1 (Calculation period : Jan.~Mar. 2018 , Jan.~Mar. 2017)	51.40%	38.33%
The average liquidity maintenance ratio for Q2 (Calculation period : Apr.~Jun. 2018 , Apr.~Jun. 2017)	55.34%	44.92%
The average liquidity maintenance ratio for H1(Calculation period : Jan.~Jun. 2018 , Jan.~Jun. 2017)	53.37%	43.73%

The Liquidity Ratio specified under section 102 of the Banking Ordinance, which was replaced by the Liquidity Maintenance Ratio ('LMR') on 1 January 2015. LMR was complied in accordance with the Banking (Liquidity) Rules issued by the HKMA with effective from 1 January 2015 for the implementation of the Basel III capital framework.

The average ratio is calculated based on the arithmetic mean of the average value of its liquidity position return for each month during the reporting period.(ex. Q1 is the 3 months' average.)

VIII.Liquidity Risk Management

- 1.According to the CAP 155Q Banking (Liquidity) Rules of the Hong Kong Banking Ordinance, the Supervisory Policy Manual " LM-1: Regulatory Framework for Supervision of Liquidity Risk" and " LM-2: Sound Systems and Controls for Liquidity Risk Management " issued by the Hong Kong Monetary Authority, "Liquidity Risk Management Standard " and "Overseas Branches Guidelines and Measures of Liquidity and Interest Rate Risk Management in Banking Book " issued by head office , Hong Kong branch has formulated the "Liquidity Risk Management System and Control Measures" to ensure maintaining stable and adequate liquidity in daily operations and certain circumstances.
- 2.The Branch has set up the Assets and Liabilities Management Committee. The Committee, the branch manager as the convener, would review regularly the liquidity risk management guideline and controlling measures, liquidity of funds, maturity position gap, interest rate trends and other related issues of assets and liabilities to ensure effectiveness of every measure.
- 3.The Branch has formulated a daily internal liquidity maintenance ratio and internal & external warning indicators to ensure the liquidity is sufficient in daily operations. To resist the circumstances such as financial crisis, the branch performs stress testing regularly to assess the liquidity of funds in hypothesis scenarios and ensure the Branch has sufficient liquid funds under such circumstances.

IX Remuneration Disclosure

In respect to the disclosure requirement under the HKMA's Supervisory Policy Manual (CG-5)-Guideline on a Sound Remuneration System, please refer to the Bank's 2016 Annual Report (Chinese version) (in the part of Corporate Governance Report).

Section B-Bank Information (Consolidated Basis)	NTD'000 (HKD/NTD=3.896)	
I. Capital and Capital Adequacy	30 Jun. 2018	31 Dec. 2017
Consolidated capital adequacy ratio	13.67%	12.83%
Aggregate amount of shareholders' funds	207,307,703	209,321,593

The ratio is computed in accordance with the New Basel Capital Accord's Capital Adequacy Directive and the basis of computation incorporates allowances for credit, market and operational risks.

II. Other Financial Information	30 Jun. 2018	31 Dec. 2017
Total assets	2,566,085,444	2,505,258,107
Total liabilities	2,387,950,800	2,330,534,758
Total net advances	1,590,033,125	1,582,117,008
Total customer deposits	2,129,794,246	2,113,826,695
	<u>Half-year to</u> <u>30 June 2018</u>	<u>Half-year to</u> <u>30 June 2017</u>
Pre-tax Profit	7,896,667	6,629,352

Declaration of Compliance

It is certified by the Chief Executive of Hua Nan Commercial Bank, Ltd. Hong Kong Branch that the information disclosed above complies fully with the disclosure standards as set out in CA-D-1 (Guideline on the Application of the Banking (Disclosure) Rules) of the Supervisory Policy Manual (V.2 - 06.08.15) issued by the Hong Kong Monetary Authority and is not false or misleading.

For and on behalf of
Hua Nan Commercial Bank, Ltd.
Hong Kong Branch



Chen, Ching Hsi
Vice President & General Manager

Date: 21 September 2018