



華南商業銀行香港分行 香港灣仔港灣道18號中環廣場56樓5601-5603室
HUA NAN COMMERCIAL BANK, LTD HONG KONG BRANCH 電話: 852-28240288 SWIFT: HNBKHKHH

Hua Nan Commercial Bank, Ltd.

Hong Kong Branch

Financial Information Disclosure Statements

For the year ended 31 Dec 2020

Section A-Branch Information

HKD'000

I. Income Statement Information			Year to 31 Dec 2020	Year to 31 Dec 2019
Net interest income			186,301	332,268
Interest income			354,437	656,790
Interest expense			(168,136)	(324,522)
Other operating income			23,680	24,320
Gains less losses arising from trading in foreign currencies			4,367	6,687
Gains less losses on securities held for trading purposes			0	(12)
Gains less losses from other trading activities			0	(39)
Net fees and commission income:	<u>Half year to</u> <u>30 Jun. 2020</u>	<u>Half year to</u> <u>30 Jun. 2019</u>	17,300	17,009
Income from fees and commission	17,300	18,977		
Less : fees and commission expenses	0	(1,968)		
Others			2,013	675
Operating expenses			(70,737)	(84,882)
Staff and rental expenses			(52,355)	(55,489)
Other expenses less fees and commission expenses			(18,382)	(29,393)
Provisions for bad and doubtful debts			(692)	28,320
Provisions for country risk			(12,059)	0
Provisions for impairment loss on assets			(812)	(195)
Profit before taxation			125,681	299,831
Tax expense			(22,001)	(45,600)
Profit after taxation			103,680	254,231

II. Balance Sheet Information	31 Dec 2020	30 Jun 2020
Assets		
Cash and short term fund (except those included in amount due from overseas offices)	4,881,882	4,787,439
Placements with banks and other financial institutions maturing between 1~12 months (except those included in amount due from overseas offices)	2,982,919	4,632,404
Amount due from overseas offices of the institution	127,442	977,778
Trade bills	0	0
Certificates of deposit held	775,250	310,082
Advances to customers, banks and other financial institutions	6,947,267	5,611,699
Investment securities	5,845,134	4,973,278
Tangible fixed assets	24,132	4,363
Other assets and interest receivables	30,179	47,799
Total assets	21,614,205	21,344,842
Equity and Liabilities		
Deposits and balances of banks and other financial institutions (except those included in amount due to overseas offices)	2,003,120	1,551,206
Deposits from customers	17,673,886	18,419,555
Demand deposits and current accounts	268,564	225,950
Savings deposits	7,092,824	6,740,778
Time, call and notice deposits	10,312,498	11,452,827
Amount due to overseas offices of the institution	610,566	162,060
Other liabilities and provisions	206,205	179,890
Total liabilities	20,493,777	20,312,711
Reserves and current profit	1,120,428	1,032,131
Total equity and liabilities	21,614,205	21,344,842

III. Additional Balance Sheet Information		31 Dec 2020	30 Jun 2020
(i) Advances and other accounts		31 Dec 2020	30 Jun 2020
<i>A. Advances to customers</i>			
		6,272,681	4,805,487
Loans to finance imports to H.K. and exports and re-exports from H.K.	51,844	85,121	
Other loans for use in H.K.	5,012,512	3,325,114	
Other loans for use outside H.K.	1,208,325	1,395,252	
<i>B. Advances to banks and other financial institutions</i>		674,586	806,212
<i>C. Accrued interest and other accounts</i>		30,179	47,799
Accrued interest	26,145	43,480	
Other accounts:	4,034	4,319	
	<u>31 Dec 2020</u>	<u>30 Jun 2020</u>	
Prepaid expenses	1,269	1,753	
Other accounts receivable	3	5	
Prepaid taxes	0	0	
Other prepayment	285	629	
Fair value adjustments on financial assets designated at fair value	0	0	
Forward exchange contract receivable	0	0	
Refundable deposits	1,665	1,665	
Computer software	812	267	
Gain from revaluation of securities	0	0	
<i>D. Provisions for bad and doubtful debts</i>		83,836	70,393
Reserves for loans:			
General provisions		76,107	70,393
To customers	68,687	58,099	
To country risk	0	2,997	
To banks	7,420	9,297	
Specific provisions		7,729	0
To customers	7,729	0	
Reserves for other receivables:			
Specific provisions		0	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>
31 Dec 2020	114,312	1,176	0	115,488	1.84%	2,390
30 Jun 2020	0	0	0	0	0.00%	0

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

	<u>31 Dec 2020</u>			<u>30 Jun 2020</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:	115,488	1.84%	2,390	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>115,488</u>		<u>2,390</u>	<u>0</u>		<u>0</u>

Market value of collateral held against the covered portion of all overdue advances

0

0

Covered portion of all overdue advances

0

0

Uncovered portion of all overdue advances

115,488

0

III. Additional Balance Sheet Information (Continued)	31 Dec 2020	30 Jun 2020
(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	115,488	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
	115,488	0
	115,488	0
<u>Non-performing Loans</u>		
	<u>31 Dec 2020</u>	<u>30 Jun 2020</u>
Hong Kong areas	0	0
Other areas	115,488	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

	31 Dec 2020		30 Jun 2020	
	Amount	Amount covered by collateral	Amount	Amount covered by collateral
A.Loans for use in Hong Kong	5,012,512	760,739	3,325,114	577,968
a.Industrial,commercial and financial	5,012,512	760,739	3,325,114	577,968
Manufacturing	309,729	0	201,542	0
Property development	455,000	0	447,562	0
Property investment	507,600	200,000	200,000	0
Electricity and gas	0	0	0	0
Recreational activities	0	0	0	0
Information technology	442,874	0	312,793	0
Wholesale and retail trade	722,747	309,343	370,137	327,968
Transport	1,175,812	1,396	520,878	0
Hotels,boarding houses & catering	441,656	250,000	441,629	250,000
Financial concerns	737,089	0	583,449	0
Stockbrokers	220,005	0	247,124	0
b.Individuals	0	0	0	0
Others	0	0	0	0
B.Trade finance	51,844	28,860	85,121	41,328
C.Loans for use outside H.K.	1,208,325	389,908	1,395,252	19,421
Total	6,272,681	1,179,507	4,805,487	638,717

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

31 Dec 2020

30 Jun 2020

(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	3,082,106	2,183,624
<u>Taiwan</u> : Loans and advance to customers	94,030	59,167
Overdue loans	0	0
Non-performing loans	0	0
<u>China</u> : Loans and advance to customers	1,243,026	1,730,270

There are 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

	<u>Banks</u>	<u>Official Sector</u>	<u>Non-bank financial institutions</u>	<u>Non-financial private sector</u>	<u>Others</u>	<u>Total</u>
<u>As at 31 Dec 2020</u>						
1. Developing Asia-Pacific	7,222	0	0	2,108	0	9,330
of which country: Taiwan	3,642	0	0	93	0	3,735
China	1,199	0	0	1,319	0	2,518
2. Offshore centres	1,725	96	738	3,869	0	6,428
of which country: Hong Kong	1,641	96	738	2,770	0	5,245
<u>As at 30 Jun 2020</u>						
1. Developing Asia-Pacific	11,562	1	0	2,123	0	13,686
of which country: Taiwan	5,186	0	0	65	0	5,251
China	4,030	1	0	1,791	0	5,822
2. Offshore centres	738	120	584	1,882	0	3,324
of which country: Hong Kong	738	120	584	1,613	0	3,055

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

(v) Mainland activities exposures

<u>As at 31 Dec 2020</u>	<u>On-balance sheet exposure</u>	<u>Off-balance sheet exposure</u>	<u>Total</u>
Types of Counterparties			
1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	86	19	105
2. Local government, local government-owned entities and their subsidiaries and JVs	80	0	80
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	366	131	497
4. Other entities of central governments not reported in item 1 above	196	175	371
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	314	723	1,037
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	73	375	448
<u>Total</u>	1,115	1,423	2,538
Total assets after provision	21,510		
On-balance sheet exposures as percentage of total assets	5.18%		

IV. Segmental Information (Continued)

(v) Mainland activities exposures

<u>As at 30 Jun 2020</u>	<u>On-balance sheet exposure</u>	<u>Off-balance sheet exposure</u>	<u>Total</u>
Type of Counterparties			
1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	86	19	105
2. Local government, local government-owned entities and their subsidiaries and JVs	150	0	150
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	285	204	489
4. Other entities of central governments not reported in item 1 above	299	72	371
5. Other entities of local governments not reported in item 2 above	70	0	70
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	470	761	1,231
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	84	378	462
<u>Total</u>	1,444	1,434	2,878
Total assets after provision	21,257		
On-balance sheet exposures as percentage of total assets	6.80%		

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>31 Dec 2020</u>	<u>USD</u>	<u>EUR</u>	<u>GBP</u>	<u>JPY</u>	<u>CNY</u>	<u>NZD</u>
Spot assets	16,374	278	5	79	974	9
Spot liabilities	(16,362)	(278)	(6)	(80)	(972)	(9)
Forward purchases	0	0	0	0	0	0
Forward sales	0	0	0	0	0	0
Net long (short) position	12	0	(1)	(1)	2	0
 <u>30 Jun 2020</u>	 <u>USD</u>	 <u>EUR</u>	 <u>GBP</u>	 <u>JPY</u>	 <u>CNY</u>	 <u>NZD</u>
Spot assets	17,176	234	6	98	870	8
Spot liabilities	(17,145)	(234)	(6)	(99)	(870)	(8)
Forward purchases	0	0	0	0	0	0
Forward sales	0	0	0	0	0	0
Net long (short) position	31	0	0	(1)	0	0

VI. Off-Balance Sheet Exposures			31 Dec 2020	30 Jun 2020
(i) Contingent liabilities and commitments	31 Dec 2020	30 Jun 2020		
A. Direct credit substitutes			491,886	612,515
Customers' liabilities under guarantee	491,886	612,515		
B. Transaction-related contingencies			0	0
C. Trade-related contingent items			320,700	333,210
Collection receivable for customers	141,124	166,204		
Customers' liabilities under L/C	163,452	161,067		
Customers' liabilities under guarantee (SG)	496	0		
Customers' liabilities under acceptance	15,628	5,939		
D. Sale and repurchase agreements			659,078	0
E. Other commitments				
With an original maturity of under 1 year available OD & loans limit			1,174,402	1,302,242
With an original maturity of over 1 year loans limit			1,714,870	1,008,089
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			31 Dec 2020	30 Jun 2020
Contract amounts :				
Interest rate contracts			0	0
Exchange rate contracts			0	0
			0	0
Replacement costs (of the above derivatives) :				
Interest rate contracts			0	0
Exchange rate contracts			0	0
			0	0

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

	<u>For the</u> <u>year of 2020</u>	<u>For the</u> <u>year of 2019</u>
The average liquidity ratio	N/A	N/A
	<u>For the</u> <u>year of 2020</u>	<u>For the</u> <u>year of 2019</u>
The average liquidity maintenance ratio for Q1 (Calculation period : Jan ~ Mar 2020 , Jan ~ Mar 2019)	71.79%	60.28%
The average liquidity maintenance ratio for Q2 (Calculation period : Apr ~ Jun 2020 , Apr ~ Jun 2019)	63.43%	64.46%
The average liquidity maintenance ratio for Q3 (Calculation period : Jul ~ Sep 2020 , Jul ~ Sep 2019)	60.63%	69.27%
The average liquidity maintenance ratio for Q4 (Calculation period : Oct ~ Dec 2020 , Oct ~ Dec 2019)	60.70%	73.31%
The average liquidity maintenance ratio for H1 (Calculation period : Jan ~ Jun 2020 , Jan ~ Jun 2019)	67.61%	62.37%
The average liquidity maintenance ratio for H2 (Calculation period : Jul ~ Dec 2020 , Jul ~ Dec 2019)	60.66%	71.29%
The average liquidity maintenance ratio for Year (Calculation period : Jan ~ Dec 2020 , Jan ~ Dec 2019)	64.14%	66.83%

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

Please review the attachment of liquidity Risk Management.

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)

(HKD/TWD=3.624)

I. Capital and Capital Adequacy	<u>31 Dec 2020</u>	<u>30 Jun 2020</u>
Consolidated capital adequacy ratio	13.67%	13.77%
Aggregate amount of shareholders' funds	242,963,349	237,560,494

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	<u>31 Dec 2020</u>	<u>30 Jun 2020</u>
Total assets	3,025,060,505	2,791,510,010
Total liabilities	2,823,069,224	2,596,418,355
Total net advances	1,805,616,121	1,761,904,148
Total customer deposits	2,528,003,221	2,356,150,493
	<u>Year to</u>	<u>Year to</u>
	<u>31 Dec 2020</u>	<u>31 Dec 2019</u>
Pre-tax Profit	14,475,327	17,694,012

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: 25 March 2021

**Liquidity Risk Management of
Hua Nan Commercial Bank, Ltd. Hong Kong Branch**

1.	Strategy and policies of liquidity risk management	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.	Structure and responsibilities for liquidity risk management	The Branch has set up the Risk Management Committee, the branch manager as the convener to periodic review and analyze the liquidity risk management guideline and controlling measure, liquidity of funds, maturity gap, trend of interest rate and other related issues.
3.	Risk tolerance of liquidity risk management	According to the risk tolerance set by head office and the Supervisory Policy Manual issued by the Hong Kong Monetary Authority, AIs must maintain a LMR not less than 25% on average in each calendar month. The Branch has set LMR not less than 35% and the indicator reviews periodically and provided to head office.
4.	Reports of liquidity risk management	The Branch provide interest sensitivity indicators to head office and report to ALCO of Hong Kong Branch monthly. The Branch develop a proper funding plan based on the liquidity gap and structure to identify, monitor and mitigate liquidity risk.
5.	Strategy of funding plan	The Branch funding strategy is decentralized. To maintain appropriate liquidity asset portfolio by interbank borrowing or overdraft limit and prevent from centralizing deposit to meet the needs of daily operation funds. Appendix : The Branch has set interbank borrowings to single counterparty not more than HKD400 Million / CNY300Million.

6.	Stress testing of liquidity risk management	According to 華南商業銀行香港分行流動性風險管理制度及管控措施, the Branch proceed stress testing periodically based on the possible condition and hypothesis and submit results to head office and discuss on the branch Assets and Liabilities Management Committee.
7.	Contingency funding plan of liquidity risk management	The Contingency Funding Plan is made by the Branch. To obtain support from central bank or head office or issue bonds /fixed deposits to mitigate liquidity gap and maintain the resources of going concern. The Branch assess and practices the Contingency Funding Plan every year.
8.	Liquidity risk mitigation techniques	The Branch has formulated and followed a daily internal and external liquidity ratio and early warning indicators to ensure sufficiently liquidity funds. When it needs, activate the Contingency Funding Plan and Recovery Plan to mitigate liquidity gaps.

(HK\$'000)

On-balance sheet liabilities	Contractual maturity of cash flows and securities flows arising from the relevant items										Balancing amount	
	Total amount	Next day	2 to 7 days	8 days to 1 month	> 1 month up to 3 months	> 3 months up to 6 months	> 6 months up to 1 year	> 1 year up to 2 years	> 2 years up to 3 years	> 3 years up to 5 years		Over 5 years
Total	21,507,383	8,627,452	1,439,676	2,494,800	2,668,505	2,891,945	2,113,389	0	0	0	77,539	1,194,077

Off-balance sheet obligations	Contractual maturity of cash flows and securities flows arising from the relevant items										Balancing amount	
	Total amount	Next day	2 to 7 days	8 days to 1 month	> 1 month up to 3 months	> 3 months up to 6 months	> 6 months up to 1 year	> 1 year up to 2 years	> 2 years up to 3 years	> 3 years up to 5 years		Over 5 years
Total	3,713,550	2,481,971	156,700	411,563	151,196	22,079	42,108	57,099	18,454	104,635	267,745	0

On-balance sheet assets	Contractual maturity of cash flows and securities flows arising from the relevant items										Balancing amount	
	Total amount	Next day	2 to 7 days	8 days to 1 month	> 1 month up to 3 months	> 3 months up to 6 months	> 6 months up to 1 year	> 1 year up to 2 years	> 2 years up to 3 years	> 3 years up to 5 years		Over 5 years
Total	21,613,996	8,279,422	1,004,146	2,947,400	3,142,772	650,946	1,412,668	968,971	1,541,694	1,363,415	274,396	28,166

Off-balance sheet claims	Contractual maturity of cash flows and securities flows arising from the relevant items										Balancing amount	
	Total amount	Next day	2 to 7 days	8 days to 1 month	> 1 month up to 3 months	> 3 months up to 6 months	> 6 months up to 1 year	> 1 year up to 2 years	> 2 years up to 3 years	> 3 years up to 5 years		Over 5 years
Total	2,113,279	539,607	197,001	17,529	173,515	501,702	67,586	108,729	53,758	149,849	304,003	0

Contractual Maturity Mismatch	(2,290,394)	(395,229)	58,566	496,586	(1,761,376)	(675,243)	1,020,601	1,576,998	1,408,629	233,115		
Cumulative Contractual Maturity Mismatch	(2,290,394)	(2,685,623)	(2,627,057)	(2,130,471)	(3,891,847)	(4,567,090)	(3,546,489)	(1,969,491)	(560,862)	(327,747)		