

# Hua Nan Commercial Bank, Ltd.

Hong Kong Branch

Financial Information Disclosure Statements

For the year ended 31 December 2017



**Section A-Branch Information****HKD'000**

<b>I. Income Statement Information</b>	<b>Year ended 31 Dec. 2017</b>	<b>Year ended 31 Dec. 2016</b>
Net interest income	283,636	237,663
Interest income	468,403	357,258
Interest expense	-184,767	-119,595
Other operating income	28,911	41,031
Gains less losses arising from trading in foreign currencies	7,529	9,465
Gains less losses on securities held for trading purposes	-664	-1,197
Gains less losses from other trading activities	96	-599
Net fees and commission income:	<u>Year 2017</u>	<u>Year 2016</u>
Income from fees and commission	23,753	34,361
Less : fees and commission expenses	-1,879	-1,058
Others	76	59
Operating expenses	-46,131	-40,402
Staff and rental expenses	-34,391	-32,546
Other expenses less fees and commission expenses	-11,740	-7,856
Provisions for bad and doubtful debts	-2,704	9,601
Profit before taxation	<u>263,712</u>	<u>247,893</u>
Tax expense	-40,289	-44,479
Profit after taxation	<u><u>223,423</u></u>	<u><u>203,414</u></u>

HKD'000

II. Balance Sheet Information	31 Dec. 2017	30 Jun. 2017
<b>Assets</b>		
Cash and short term fund (except those included in amount due from overseas offices)	7,004,658	7,632,507
Placements with banks and other financial institutions maturing between 1~12 months (except those included in amount due from overseas offices)	5,398,527	6,326,172
Amount due from overseas offices of the institution	2,358,161	1,467,527
Trade bills	17,489	15,952
Certificates of deposit held	234,563	78,080
Advances to customers, banks and other financial institutions	5,280,076	5,082,091
Investment securities	2,999,541	2,654,218
Tangible fixed assets	3,695	4,074
Other assets and interest receivables	77,508	60,820
<b>Total assets</b>	<b>23,374,218</b>	<b>23,321,441</b>
<b>Equity and Liabilities</b>		
Deposits and balances of banks and other financial institutions (except those included in amount due to overseas offices)	1,381,650	1,399,893
Deposits from customers	21,098,985	21,127,097
demand deposits and current accounts	389,021	434,264
savings deposits	8,613,546	8,414,943
time, call and notice deposits	12,096,418	12,277,890
Amount due to overseas offices of the institution	246,522	255,873
Other liabilities and provisions	137,122	160,245
<b>Total liabilities</b>	<b>22,864,279</b>	<b>22,943,108</b>
Reserves and current profit	509,939	378,333
<b>Total equity and liabilities</b>	<b>23,374,218</b>	<b>23,321,441</b>

III. Additional Balance Sheet Information		31 Dec. 2017	30 Jun. 2017
(i) Advances and other accounts		31 Dec. 2017	30 Jun. 2017
<i>A. Advances to customers</i>			
		5,123,701	4,832,235
Loans to finance imports to H.K. and exports and re-exports from H.K.		79,997	110,992
Other loans for use in H.K.		2,834,871	2,756,472
Other loans for use outside H.K.		2,208,833	1,964,771
<i>B. Advances to banks and other financial institutions</i>			
		156,375	249,856
<i>C. Accrued interest and other accounts</i>			
Accrued interest		73,192	56,053
Other accounts:		4,316	4,767
	<u>31 Dec. 2017</u>	<u>30 Jun. 2017</u>	
Prepaid expenses		1,227	1,814
Other accounts receivable		4	4
Prepaid taxes		0	0
Other prepayment		0	788
Fair value adjustments on financial assets designated at fair value		555	386
Forward exchange contract receivable		0	0
Refundable deposits		1,639	1,639
Computer software		891	34
Gain from revaluation of securities		0	102
<i>D. Provisions for bad and doubtful debts</i>			
		54,002	51,302
Reserves for loans:			
General provisions		53,943	51,231
To customers		50,726	48,320
To banks		3,217	2,911
Specific provisions		59	71
To customers		59	71
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. 2017	0	0	0	0	0.00%	0
30 Jun. 2017	0	0	0	0	0.00%	0

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

	<u>31 Dec. 2017</u>			<u>30 Jun. 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
<b>Total</b>	<u>0</u>		<u>0</u>	<u>0</u>		<u>0</u>
<b>Market value of collateral held</b> against the covered portion of all overdue advances	<u>0</u>			<u>0</u>		
<b>Covered portion of all overdue advances</b>	<u>0</u>			<u>0</u>		
<b>Uncovered portion of all overdue advances</b>	<u>0</u>			<u>0</u>		

III. Additional Balance Sheet Information (Continued)	31 Dec. 2017	30 Jun. 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
<b>Add:</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
- 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
<b>Less:</b> 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>31 Dec. 2017</u>	<u>30 Jun. 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**

	31 Dec. 2017		30 Jun. 2017	
	Amount	Amount covered by collateral	Amount	Amount covered by collateral
A.Loans for use in Hong Kong	2,834,871	112,664	2,756,472	68,188
a.Industrial,commercial and financial	2,834,871	112,664	2,756,472	68,188
Manufacturing	229,592	20,429	221,390	13,428
Property development	756,020	34,020	973,499	0
Property investment	312,500	0	375,000	0
Electricity and gas	0	0	0	0
Recreational activities	0	0	7,500	7,500
Information technology	142,500	0	142,500	0
Wholesale and retail trade	259,587	58,215	221,224	47,260
Transport	72,600	0	78,080	0
Hotels,boarding houses & catering	125,100	0	249,856	0
Financial concerns	648,821	0	227,407	0
Stockbrokers	288,151	0	260,016	0
b.Individuals	0	0	0	0
Others	0	0	0	0
B.Trade finance	79,997	46,118	110,992	51,022
C.Loans for use outside H.K.	2,247,927	361,226	1,964,771	209,338
Total	5,162,795	520,008	4,832,235	328,548

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

31 Dec. 2017 30 Jun. 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.)

<b><u>Hong Kong</u></b> : Loans and advance to customers	1,773,720	1,891,436
<b><u>Taiwan</u></b> : Loans and advance to customers	142,546	173,925
Overdue loans	0	0
Non-performing loans	0	0
<b><u>China</u></b> : Loans and advance to customers	2,595,015	2,457,636

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 31 Dec. 2017</u>						
1. Developing Asia-Pacific	11,507	1	0	2,783	0	14,291
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
<u>As at 31 Jun. 2017</u>						
1. Developing Asia-Pacific	13,874	2	0	2,912	0	16,788
of which country: Taiwan	8,863	0	0	213	0	9,076
China	4,268	2	0	2,465	0	6,735
2. Offshore centres	780	62	228	1,702	0	2,772
of which country: Hong Kong	780	62	228	1,702	0	2,772

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

**(v) Mainland activities exposures**

<u>31 Dec. 2017</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)	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%

HKD Million

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

30 Jun. 2017	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	296	72	368
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	325	118	443
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	31	106
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	1,164	855	2,019
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	68	233	301
<b>Total</b>	<b>2,329</b>	<b>1,309</b>	<b>3,638</b>
Total assets after provision	23,270		
On-balance sheet exposures as percentage of total assets	10.01%		

**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.)

31 Dec. 2017	<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
30 Jun. 2017	<u>USD</u>	<u>EUR</u>	<u>GBP</u>	<u>JPY</u>	<u>CNY</u>	<u>NZD</u>
Spot assets	18,890	244	14	206	1,252	7
Spot liabilities	-18,886	-244	-17	-206	-1,251	-7
Forward purchases	0	0	0	0	0	0
Forward sales	0	0	0	0	0	0
Net long (short) position	4	0	-3	0	1	0

VI. Off-Balance Sheet Exposures		31 Dec. 2017	30 Jun. 2017
(i) Contingent liabilities and commitments		<u>31 Dec. 2017</u>	<u>30 Jun. 2017</u>
A. Direct credit substitutes		4,847	2,114
Customers' liabilities under guarantee	4,847	2,114	
B. Transaction-related contingencies		0	0
C. Trade-related contingent items		377,415	399,419
Collection receivable for customers	149,755	164,010	
Customers' liabilities under L/C	173,255	172,278	
Customers' liabilities under guarantee (SG)	40,669	37,475	
Customers' liabilities under acceptance	13,736	25,656	
D. Sale and repurchase agreements		156,375	273,280
E. Other commitments			
With an original maturity of under 1 year available OD & loans limit		2,106,529	2,245,031
With an original maturity of over 1 year loans limit		1,702,550	1,780,936
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>31 Dec. 2017</u>	<u>30 Jun. 2017</u>
Contract amounts :			
Interest rate contracts		39,094	78,080
Exchange rate contracts		0	0
		<u>39,094</u>	<u>78,080</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.

<b>VII. Liquidity</b>	Year 2017	Year 2016
The average liquidity ratio	N/A	N/A
The average liquidity maintenance ratio	45.82%	38.74%

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.

### **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).

NTD'000

**Section B-Bank Information (Consolidated Basis)**

(HKD/NTD=3.796)

<b>I. Capital and Capital Adequacy</b>	<b>31 Dec. 2017</b>	<b>30 Jun. 2017</b>
Consolidated capital adequacy ratio	14.25%	12.38%
Aggregate amount of shareholders' funds	209,398,682	193,486,353

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.

<b>II. Other Financial Information</b>	<b>31 Dec. 2017</b>	<b>30 Jun. 2017</b>
Total assets	2,505,258,107	2,474,258,427
Total liabilities	2,330,534,758	2,310,789,348
Total net advances	1,582,117,008	1,569,852,666
Total customer deposits	2,113,826,695	2,081,174,327
	Year ended 31 Dec. 2017	Year ended 31 Dec. 2016
Pre-tax Profit	12,931,084	15,658,501

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



Date: 28 March 2018

Chen, Ching Hsi  
Vice President & General Manager

