

Hua Nan Commercial Bank, Ltd.

Hong Kong Branch

Financial Information Disclosure Statements

For the year ended 30 June 2019

Section A-Branch Information

HKD'000

I. Income Statement Information	Half year to 30 Jun. 2019	Half year to 30 Jun. 2018
Net interest income	179,156	184,843
Interest income	349,831	301,014
Interest expense	-170,675	-116,171
Other operating income	11,377	14,432
Gains less losses arising from trading in foreign currencies	3,217	3,304
Gains less losses on securities held for trading purposes	47	-367
Gains less losses from other trading activities	-32	256
Net fees and commission income:	<u>Half year to 30 Jun. 2019</u>	<u>year to 30 Jun.</u>
Income from fees and commission	9,135	12,309
Less : fees and commission expenses	-993	-1,074
Others	3	4
Operating expenses	-39,407	-25,414
Staff and rental expenses	-28,224	-19,643
Other expenses less fees and commission expenses	-11,183	-5,771
Provisions for bad and doubtful debts	7,068	-22,143
Provisions for impairment loss on assets	-302	0
Profit before taxation	<u>157,892</u>	<u>151,718</u>
Tax expense	-26,400	-25,000
Profit after taxation	<u><u>131,492</u></u>	<u><u>126,718</u></u>

II. Balance Sheet Information**30 Jun. 2019** **30 Jun. 2018****Assets**

Cash and short term fund (except those included in amount due from overseas offices)	7,998,436	7,747,647
Placements with banks and other financial institutions maturing between 1~12 months (except those included in amount due from overseas offices)	1,808,633	2,076,160
Amount due from overseas offices of the institution	562,033	2,089,909
Trade bills	2,954	1,517
Certificates of deposit held	390,796	78,275
Advances to customers, banks and other financial institutions	6,880,937	7,147,238
Investment securities	4,184,597	3,297,589
Tangible fixed assets	11,855	3,386
Other assets and interest receivables	86,488	85,968
Total assets	21,926,729	22,527,689

Equity and Liabilities

Deposits and balances of banks and other financial institutions (except those included in amount due to overseas offices)	1,250,591	996,522
Deposits from customers	19,376,379	19,769,914
demand deposits and current accounts	269,665	339,249
savings deposits	6,551,233	7,315,676
time, call and notice deposits	12,555,481	12,114,989
Amount due to overseas offices of the institution	107,282	777,682
Other liabilities and provisions	308,262	244,980
Total liabilities	21,042,514	21,789,098
Reserves and current profit	884,215	738,591
Total equity and liabilities	21,926,729	22,527,689

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III. Additional Balance Sheet Information**30 Jun. 2019** **30 Jun. 2018**

	<u>30 Jun. 2019</u>	<u>30 Jun. 2018</u>		
(i) Advances and other accounts				
<i>A. Advances to customers</i>			6,302,422	6,465,631
Loans to finance imports to H.K. and exports and re-exports from H.K.	67,791	83,122		
Other loans for use in H.K.	4,221,271	4,337,566		
Other loans for use outside H.K.	2,013,360	2,044,943		
<i>B. Advances to banks and other financial institutions</i>			578,515	681,607
<i>C. Accrued interest and other accounts</i>			86,488	85,968
Accrued interest	82,450	81,504		
Other accounts:	4,038	4,464		
	<u>30 Jun. 2019</u>	<u>30 Jun. 2018</u>		
Prepaid expenses	1,832	1,205		
Other accounts receivable	3	4		
Prepaid taxes	0	0		
Other prepayment	0	570		
Fair value adjustments on financial assets designated at fair value	105	421		
Forward exchange contract receivable	0	3		
Refundable deposits	1,578	1,573		
Computer software	509	563		
Gain from revaluation of securities	11	125		
<i>D. Provisions for bad and doubtful debts</i>			95,535	100,727
Reserves for loans:				
General provisions			95,445	100,607
To customers	86,419	91,581		
To banks	9,026	9,026		
Specific provisions			90	120
To customers	90	120		
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>
30 Jun. 2019	0	0	0	0	0.00%	0
30 Jun. 2018	0	0	0	0	0.00%	0

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

	<u>30 Jun. 2019</u>			<u>30 Jun. 2018</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

00

Covered portion of all overdue

advances

00

Uncovered portion of all overdue

advances

00

III. Additional Balance Sheet Information (Continued)	30 Jun. 2019	30 Jun. 2018
(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. 2019</u>	<u>30 Jun. 2018</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. 2019		30 Jun. 2018	
	Amount	Amount covered by collateral	Amount	Amount covered by collateral
A.Loans for use in Hong Kong	4,221,271	516,346	4,337,566	485,048
a.Industrial,commercial and financial	4,221,271	516,346	4,337,566	485,048
Manufacturing	360,258	0	323,170	0
Property development	644,604	16,667	688,667	16,667
Property investment	200,000	0	200,000	0
Electricity and gas	0	0	0	0
Recreational activities	0	0	0	0
Information technology	382,658	0	377,537	0
Wholesale and retail trade	802,153	349,288	781,201	318,381
Transport	313,102	391	313,383	0
Hotels,boarding houses & catering	353,262	150,000	353,699	150,000
Financial concerns	861,209	0	991,862	0
Stockbrokers	304,025	0	308,047	0
b.Individuals	0	0	0	0
Others	0	0	0	0
B.Trade finance	67,791	30,783	83,122	41,537
C.Loans for use outside H.K.	2,013,360	19,126	2,044,943	19,392
Total	6,302,422	566,255	6,465,631	545,977

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

30 Jun. 2019 30 Jun. 2018

(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	2,268,479	2,564,184
<u>Taiwan</u> : Loans and advance to customers	40,367	67,405
Overdue loans	0	0
Non-performing loans	0	0
<u>China</u> : Loans and advance to customers	2,958,903	3,330,261

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. 2019</u>						
1. Developing Asia-Pacific	9,018	0	2,858	494	0	12,370
of which country: Taiwan	5,486	0	62	0	0	5,548
China	1,575	0	2,559	494	0	4,628
2. Offshore centres	1,927	206	1,914	370	0	4,417
of which country: Hong Kong	1,927	206	1,914	370	0	4,417
<u>As at 31 Dec. 2018</u>						
1. Developing Asia-Pacific	11,722	0	593	3,586	0	15,901
of which country: Taiwan	6,305	0	0	76	0	6,381
China	3,603	0	593	3,274	0	7,470
2. Offshore centres	559	38	993	1,590	0	3,180
of which country: Hong Kong	559	38	993	1,590	0	3,180

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

(v) Mainland activities exposures

<u>30 Jun. 2019</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)	324	19	343
2. Local government, local government-owned entities and their subsidiaries and JVs	151	0	151
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	350	46	396
4. Other entities of central governments not reported in item 1 above	365	9	374
5. Other entities of local governments not reported in item 2 above	118	0	118
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	1,019	1,108	2,127
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	110	389	499
<u>Total</u>	2,437	1,571	4,008
Total assets after provision			21,815
On-balance sheet exposures as percentage of total assets			11.17%

IV. Segmental Information (Continued)

(v) Mainland activities exposures

<u>31 Dec. 2018</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)	322	19	341
2. Local government, local government-owned entities and their subsidiaries and JVs	152	0	152
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	354	92	446
4. Other entities of central governments not reported in item 1 above	331	44	375
5. Other entities of local governments not reported in item 2 above	193	0	193
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	1,137	1,170	2,307
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	120	452	572
Total	2,609	1,777	4,386
Total assets after provision	22,409		
On-balance sheet exposures as percentage of total assets	11.65%		

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. 2019</u>	<u>USD</u>	<u>EUR</u>	<u>GBP</u>	<u>JPY</u>	<u>CNY</u>	<u>NZD</u>
Spot assets	17,332	290	18	96	1,022	6
Spot liabilities	-17,332	-290	-17	-96	-1,021	-6
Forward purchases	0	0	0	0	0	0
Forward sales	0	0	0	0	0	0
Net long (short) position	0	0	1	0	1	0
<u>31 Dec. 2018</u>	<u>USD</u>	<u>EUR</u>	<u>GBP</u>	<u>JPY</u>	<u>CNY</u>	<u>NZD</u>
Spot assets	18,033	292	19	165	1,078	6
Spot liabilities	-18,039	-292	-18	-166	-1,079	-6
Forward purchases	0	0	0	0	0	0
Forward sales	0	0	0	0	0	0
Net long (short) position	-6	0	1	-1	-1	0

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VI. Off-Balance Sheet Exposures	30 Jun. 2019	31 Dec. 2018	30 Jun. 2019	31 Dec. 2018
(i) Contingent liabilities and commitments	<u>30 Jun. 2019</u>	<u>31 Dec. 2018</u>		
A. Direct credit substitutes			544,052	425,715
Customers' liabilities under guarantee	544,052	425,715		
B. Transaction-related contingencies			0	0
C. Trade-related contingent items			496,395	454,821
Collection receivable for customers	318,759	246,954		
Customers' liabilities under L/C	167,983	177,310		
Customers' liabilities under guarantee (SG)	0	0		
Customers' liabilities under acceptance	9,653	30,557		
D. Sale and repurchase agreements			156,355	256,691
E. Other commitments				
With an original maturity of under 1 year available OD & loans limit			1,204,851	1,589,610
With an original maturity of over 1 year loans limit			1,657,682	1,633,006
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. 2019</u>	<u>31 Dec. 2018</u>		
Contract amounts :				
Interest rate contracts			39,089	39,173
Exchange rate contracts			0	0
			<u>39,089</u>	<u>39,173</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 2019	For the year of 2018
The average liquidity ratio	N/A	N/A
	For the half year of 2019	For the half year of 2018
The average liquidity maintenance ratio for Q1 (Calculation period : Jan.~Mar. 2019 , Jan.~Mar. 2018)	60.28%	51.40%
The average liquidity maintenance ratio for Q2 (Calculation period : Apr.~Jun. 2019 , Apr.~Jun. 2018)	64.46%	55.34%
The average liquidity maintenance ratio for H1(Calculation period : Jan.~Jun. 2019 , Jan.~Jun. 2018)	62.37%	53.37%

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).

NTD'000

Section B-Bank Information (Consolidated Basis)

(HKD/TWD=3.973)

I. Capital and Capital Adequacy	30 Jun. 2019	31 Dec. 2018
Consolidated capital adequacy ratio	14.39%	13.82%
Aggregate amount of shareholders' funds	221,266,771	214,956,193

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. 2019	31 Dec. 2018
Total assets	2,610,136,252	2,622,331,190
Total liabilities	2,418,428,924	2,437,674,048
Total net advances	1,605,494,345	1,623,095,331
Total customer deposits	2,130,378,380	2,156,944,086
	<u>Half year to</u> <u>30 Jun. 2019</u>	<u>Half year to</u> <u>30 Jun. 2018</u>
Pre-tax Profit	9,715,503	7,893,863

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: 23 September 2019

Chen, Ching Hsi
Vice President & General Manager

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.

	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
On-balance sheet liabilities												
Total	21,815,117	7,535,764	1,667,286	3,329,409	4,256,145	2,985,778	1,019,769	0	0	0	78,178	942,788
Off-balance sheet obligations												
Total	3,637,362	2,754,430	85,943	15,968	90,651	184,039	36,578	7,193	2,506	99,975	360,079	0
On-balance sheet assets												
Total	21,928,193	5,621,105	2,600,588	5,786,035	1,865,913	357,937	666,331	1,936,006	2,018,557	650,433	409,251	16,037
Off-balance sheet claims												
Total	1,828,891	336,359	50,339	31,643	230,584	218,115	119,709	164,161	76,364	164,521	437,096	0
Contractual Maturity Mismatch												
Contractual Maturity Mismatch		(4,332,730)	897,698	2,472,301	(2,250,299)	(2,593,765)	(270,307)	2,092,974	2,092,415	714,979	408,090	
Cumulative Contractual Maturity Mismatch		(4,332,730)	(3,435,032)	(962,731)	(3,213,030)	(5,806,795)	(6,077,102)	(3,984,128)	(1,891,713)	(1,176,734)	(768,644)	