



華南商業銀行
HUA NAN COMMERCIAL BANK, LTD

香港分行
HONG KONG BRANCH

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Hua Nan Commercial Bank, Ltd.

Hong Kong Branch

Financial Information Disclosure Statements

For the half year ended 30 June 2017

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

I. Income Statement Information	Half year to 30 June 2017	Half year to 30 June 2016
Net interest income	127,178	114,005
Interest income	220,284	169,506
Interest expense	-93,106	-55,501
Other operating income	13,555	21,724
Gains less losses arising from trading in foreign currencies	3,293	3,810
Gains less losses on securities held for trading purposes	-329	344
Gains less losses from other trading activities	-117	-1,519
Net fees and commission income:	<u>Half year to 30 Jun. 2017</u>	<u>30 Jun. 2016</u>
Income from fees and commission	11,560	20,071
Less : fees and commission expenses	-892	-1,022
Others	40	40
Operating expenses	-26,357	-20,624
Staff and rental expenses	-19,086	-17,319
Other expenses less fees and commission expenses	-7,271	-3,305
Provisions for bad and doubtful debts	-29	401
Profit before taxation	<u>114,347</u>	<u>115,506</u>
Tax expense	-18,902	-19,300
Profit after taxation	<u><u>95,445</u></u>	<u><u>96,206</u></u>

II. Balance Sheet Information	30 Jun. 2017	31 Dec. 2016
Assets		
Cash and short term fund (except those included in amount due from overseas offices)	7,632,507	7,804,028
Placements with banks and other financial institutions maturing between 1~12 months (except those included in amount due from overseas offices)	6,326,172	6,745,856
Amount due from overseas offices of the institution	1,467,527	1,046,795
Trade bills	15,952	11,972
Certificates of deposit held	78,080	77,564
Advances to customers, banks and other financial institutions	5,082,091	6,076,329
Investment securities	2,654,218	1,714,950
Tangible fixed assets	4,074	4,296
Other assets and interest receivables	60,820	55,584
Total assets	23,321,441	23,537,374
Equity and Liabilities		
Deposits and balances of banks and other financial institutions (except those included in amount due to overseas offices)	1,399,893	2,321,518
Deposits from customers	21,127,097	20,616,281
demand deposits and current accounts	434,264	430,644
savings deposits	8,414,943	8,064,633
time, call and notice deposits	12,277,890	12,121,004
Amount due to overseas offices of the institution	255,873	168,838
Other liabilities and provisions	160,245	156,427
Total liabilities	22,943,108	23,263,064
Reserves and current profit	378,333	274,310
Total equity and liabilities	23,321,441	23,537,374

III. Additional Balance Sheet Information		30 Jun. 2017	31 Dec. 2016
(i) Advances and other accounts		30 Jun. 2017	31 Dec. 2016
<i>A. Advances to customers</i>			
			4,832,235
Loans to finance imports to H.K. and exports and re-exports from H.K.		110,992	111,450
Other loans for use in H.K.		2,756,472	3,458,633
Other loans for use outside H.K.		1,964,771	2,180,478
<i>B. Advances to banks and other financial institutions</i>			249,856
<i>C. Accrued interest and other accounts</i>			60,820
Accrued interest		56,053	51,501
Other accounts:		4,767	4,083
		30 Jun. 2017	31 Dec. 2016
Prepaid expenses		1,814	1,079
Other accounts receivable		4	51
Prepaid taxes		0	0
Other prepayment		788	771
Fair value adjustments on financial assets designated at fair value		386	525
Forward exchange contract receivable		0	0
Refundable deposits		1,639	1,598
Computer software		34	59
Gain from revaluation of securities		102	0
<i>D. Provisions for bad and doubtful debts</i>			51,302
Reserves for loans:			
General provisions			51,231
To customers		48,320	57,502
To banks		2,911	3,364
Specific provisions			71
To customers		71	82
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. 2017	0	0	0	0	0.00%	0
31 Dec. 2016	0	0	0	0	0.00%	0

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

	<u>30 Jun. 2017</u>			<u>31 Dec. 2016</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. 2017	31 Dec. 2016
(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. 2017</u>	<u>31 Dec. 2016</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. 2017		31 Dec. 2016	
	Amount	Amount covered by collateral	Amount	Amount covered by collateral
A.Loans for use in Hong Kong	2,756,472	68,188	3,458,633	219,365
a.Industrial,commercial and financial	2,756,472	68,188	3,458,633	219,365
Manufacturing	221,390	13,428	288,417	75,533
Property development	973,499	0	1,212,575	0
Property investment	375,000	0	472,522	35,022
Electricity and gas	0	0	0	0
Recreational activities	7,500	7,500	6,500	6,500
Information technology	142,500	0	189,038	0
Wholesale and retail trade	221,224	47,260	238,190	50,010
Transport	78,080	0	129,864	52,300
Hotels,boarding houses & catering	249,856	0	290,089	0
Financial concerns	227,407	0	293,813	0
Stockbrokers	260,016	0	337,625	0
b.Individuals	0	0	0	0
Others	0	0	0	0
B.Trade finance	110,992	51,022	111,450	45,682
C.Loans for use outside H.K.	1,964,771	209,338	2,180,478	225,885
Total	4,832,235	328,548	5,750,561	490,932

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

30 Jun. 2017 31 Dec. 2016

(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	1,891,436	2,320,050
<u>Taiwan</u> : Loans and advance to customers	173,925	246,406
Overdue loans	0	0
Non-performing loans	0	0
<u>China</u> : Loans and advance to customers	2,457,636	2,871,857

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. 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
<u>As at 31 Dec. 2016</u>						
1. Developing Asia-Pacific	13,377	1	0	3,429	0	16,807
of which country: Taiwan	8,450	0	0	279	0	8,729
China	3,862	1	0	2,889	0	6,752
2. Offshore centres	960	96	295	2,065	0	3,416
of which country: Hong Kong	960	96	295	2,065	0	3,416

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

(v) Mainland activities exposures

<u>30 Jun. 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	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	
<u>Total</u>		2,329	1,309	3,638
Total assets after provision		23,270		
On-balance sheet exposures as percentage of total assets		10.01%		

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

<u>31 Dec. 2016</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)	533	0	533
2. Local government, local government-owned entities and their subsidiaries and JVs	218	79	297
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	405	75	480
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	122	31	153
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	1,337	739	2,076
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	33	29	62
<u>Total</u>	2,648	953	3,601
Total assets after provision	23,476		
On-balance sheet exposures as percentage of total assets	11.28%		

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. 2017</u>	<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
<u>31 Dec. 2016</u>	<u>USD</u>	<u>EUR</u>	<u>GBP</u>	<u>JPY</u>	<u>CNY</u>	<u>NZD</u>
Spot assets	18,586	224	18	111	1,416	7
Spot liabilities	-18,584	-223	-18	-110	-1,431	-7
Forward purchases	0	0	0	0	0	0
Forward sales	0	0	0	0	0	0
Net long (short) position	2	1	0	1	-15	0

VI. Off-Balance Sheet Exposures		30 Jun. 2017	31 Dec. 2016
(i) Contingent liabilities and commitments		<u>30 Jun. 2017</u>	<u>31 Dec. 2016</u>
A. Direct credit substitutes			
Customers' liabilities under guarantee	2,114	6,270	
B. Transaction-related contingencies			
C. Trade-related contingent items			
Collection receivable for customers	164,010	242,285	
Customers' liabilities under L/C	172,278	170,036	
Customers' liabilities under guarantee (SG)	37,475	50,510	
Customers' liabilities under acceptance	25,656	34,494	
D. Sale and repurchase agreements			
E. Other commitments			
With an original maturity of under 1 year available OD & loans limit		2,245,031	2,457,270
With an original maturity of over 1 year loans limit		1,780,936	1,431,277
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. 2017</u>	<u>31 Dec. 2016</u>
Contract amounts :			
Interest rate contracts		78,080	116,346
Exchange rate contracts		0	0
		<u>78,080</u>	<u>116,346</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 first half-year of 2017	For the first half-year of 2016
The average liquidity ratio	N/A	N/A
The average liquidity maintenance ratio	47.67%	38.33%

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=4.154)	
I. Capital and Capital Adequacy	30 Jun. 2017	31 Dec. 2016
Consolidated capital adequacy ratio	12.38%	12.83%
Aggregate amount of shareholders' funds	193,486,353	198,529,754

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. 2017	31 Dec. 2016
Total assets	2,474,258,427	2,489,255,475
Total liabilities	2,310,789,348	2,326,210,581
Total net advances	1,569,852,666	1,578,383,502
Total customer deposits	2,081,174,327	2,066,260,518
	Half-year to <u>30 June 2017</u>	Half-year to <u>30 June 2016</u>
Pre-tax Profit	6,586,196	8,538,135

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: 28 September 2017