

Hua Nan Commercial Bank, Ltd

Hong Kong Branch

Financial Information Disclosure Statements

For the half year ended 30 June 2014

Section A-Branch Information

HKD'000

I. Income Statement Information		Half year to	Half year to
		30 June 2014	30 June 2013
Net interest income		114,105	84,706
Interest income		166,972	117,126
Interest expense		(52,867)	(32,420)
Other operating income		21,492	20,423
Gains less losses arising from trading in foreign currencies		5,239	5,434
Gains less losses on securities held for trading purposes		1,547	(4,354)
Gains less losses from other trading activities		(975)	1,887
Net fees and commission income:	<u>Half year to 30 Jun. 2014</u>	<u>30 Jun. 2013</u>	
Income from fees and commission	16,601	16,296	15,623
Less : fees and commission expenses	(978)	(1,107)	15,189
Others		58	2,267
Operating expenses		(20,272)	(21,289)
Staff and rental expenses		(16,734)	(17,613)
Other expenses less fees and commission expenses		(3,538)	(3,676)
Provisions for bad and doubtful debts		(7,791)	1,266
Profit before taxation		107,534	85,106
Tax expense		(17,800)	(14,000)
Profit after taxation		<u>89,734</u>	<u>71,106</u>

II. Balance Sheet Information

30 Jun. 2014 31 Dec. 2013

Assets

Cash and short term fund (except those included in amount due from overseas offices)	5,995,202	5,455,998
Placements with banks and other financial institutions maturing between 1~12 months (except those included in amount due from overseas offices)	2,264,817	2,479,219
Amount due from overseas offices of the institution	827,226	1,439,530
Trade bills	7,405	9,524
Certificates of deposit held	77,519	0
Advances to customers, banks and other financial institutions	7,447,034	6,619,854
Investment securities	1,039,267	1,306,411
Tangible fixed assets	556	446
Other assets and interest receivables	37,033	36,912
Total assets	17,696,059	17,347,894

Equity and Liabilities

Deposits and balances of banks and other financial institutions (except those included in amount due to overseas offices)	2,112,408	2,179,120
Deposits from customers	14,730,852	14,684,253
demand deposits and current accounts	480,275	456,060
savings deposits	6,723,921	7,355,125
time, call and notice deposits	7,526,656	6,873,068
Amount due to overseas offices of the institution	379,665	132,605
Other liabilities and provisions	161,477	132,014
Total liabilities	17,384,402	17,127,992
Reserves and current profit	311,657	219,902
Total equity and liabilities	17,696,059	17,347,894

III. Additional Balance Sheet Information**30 Jun. 2014 31 Dec. 2013**

(i) Advances and other accounts	<u>30 Jun. 2014</u>	<u>31 Dec. 2013</u>		
<u>A. Advances to customers</u>			7,385,034	6,557,854
Loans to finance imports to H.K. and exports and re-exports from H.K.	164,314	159,179		
Other loans for use in H.K.	3,980,819	3,524,012		
Other loans for use outside H.K.	3,239,901	2,874,663		
 <u>B. Advances to banks and other financial institutions</u>			62,000	62,000
 <u>C. Accrued interest and other accounts</u>			37,033	36,912
Accrued interest	30,264	32,484		
Other accounts:	6,769	4,428		
	<u>30 Jun. 2014</u>	<u>31 Dec. 2013</u>		
Prepaid expenses	1,481	603		
Other accounts receivable	56	51		
Prepaid taxes	2,835	1,328		
Other prepayment	16	16		
Fair value adjustments on financial assets designated at fair value	316	482		
Forward exchange contract receivable	0	7		
Refundable deposits	1,592	1,273		
Computer software	473	668		
Gain from revaluation of securities	0	0		
 <u>D. Provisions for bad and doubtful debts</u>			76,910	69,060
Reserves for loans:				
General provisions			74,568	66,294
To customers	73,781	65,386		
To banks	787	908		
Specific provisions			2,342	2,766
To customers	2,342	2,766		
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. 2014	0	0	0	0	0.00%	0
31 Dec. 2013	0	0	0	0	0.00%	0

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

	<u>30 Jun. 2014</u>			<u>31 Dec. 2013</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:	<u>0</u>	<u>0.00%</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	<u>0</u>
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. 2014 31 Dec. 2013

(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
	<u>0</u>	<u>0</u>
	<u>0</u>	<u>0</u>
 <u>Non-performing Loans</u>		
	<u>30 Jun. 2014</u>	<u>31 Dec. 2013</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

	<u>30 Jun. 2014</u>		<u>31 Dec. 2013</u>	
	Amount	Amount covered by collateral	Amount	Amount covered by collateral
A.Loans for use in Hong Kong	3,980,819	835,692	3,524,012	801,676
a.Industrial,commercial and financial	3,980,819	835,692	3,524,012	801,676
Manufacturing	1,029,734	124,132	625,783	75,403
Property development	840,506	76,237	992,983	157,393
Property investment	828,177	488,693	808,690	462,265
Electricity and gas	244,319	0	125,000	0
Recreational activities	6,500	6,500	6,500	6,500
Information technology	67,273	0	83,636	0
Wholesale and retail trade	310,689	140,130	277,262	100,115
Transport	189,923	0	155,104	0
Hotels,boarding houses & catering	225,522	0	225,617	0
Financial concerns	208,176	0	76,088	0
Stockbrokers	30,000	0	147,349	0
b.Individuals	0	0	0	0
Others	0	0	0	0
B.Trade finance	164,314	53,090	159,178	69,316
C.Loans for use outside H.K.	3,239,901	167,869	2,874,664	4,530
Total	<u>7,385,034</u>	<u>1,056,651</u>	<u>6,557,854</u>	<u>875,522</u>

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

30 Jun. 2014 31 Dec. 2013

(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	4,161,949	3,546,119
<u>Taiwan</u> : Loans and advance to customers	1,102,269	1,221,228
Overdue loans	0	0
Non-performing loans	0	0
<u>China</u> : Loans and advance to customers	1,838,983	1,757,799

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	Public sector entities	Others	Total
<u>As at 30 Jun. 2014</u>				
1. Asia Pacific excluding H.K.	7,807	1	3,432	11,240
of which country: Taiwan	5,475	0	1,190	6,665
China	1,985	1	2,080	4,066
<u>As at 31 Dec. 2013</u>				
1. Asia Pacific excluding H.K.	7,820	2	3,437	11,259
of which country: Taiwan	4,887	0	1,303	6,190
China	2,589	2	2,005	4,596

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

(v) Non-bank Mainland exposures

	On-balance sheet exposure	Off-balance sheet exposure	Total	Specific provisions
<u>30 Jun. 2014</u>				
Companies and individuals where the credit is granted for use in China	3,150	460	3,610	0
<u>31 Dec. 2013</u>				
Companies and individuals where the credit is granted for use in China	2,784	283	3,067	0

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.)

	USD	EUR	GBP	JPY	CNY	NZD
<u>30 Jun. 2014</u>						
Spot assets	11,428	287	11	141	2,197	8
Spot liabilities	(11,412)	(287)	(9)	(146)	(2,194)	(8)
Forward purchases	0	0	0	0	0	0
Forward sales	0	0	0	0	0	0
Net long (short) position	16	0	2	(5)	3	0
<u>31 Dec. 2013</u>						
Spot assets	11,209	261	9	204	2,138	5
Spot liabilities	(11,210)	(261)	(9)	(204)	(2,133)	(5)
Forward purchases	0	0	0	0	0	0
Forward sales	0	0	0	0	0	0
Net long (short) position	(1)	0	0	0	5	0

VI. Off-Balance Sheet Exposures

30 Jun. 2014 31 Dec. 2013

(i) Contingent liabilities and commitments	30 Jun. 2014	31 Dec. 2013		
A. Direct credit substitutes			1,668	309
Customers' liabilities under guarantee	1,668	309		
B. Transaction-related contingencies			0	0
C. Trade-related contingent items			533,401	479,371
Collection receivable for customers	251,080	209,690		
Customers' liabilities under L/C	160,608	139,762		
Customers' liabilities under guarantee (SG)	82,668	83,605		
Customers' liabilities under acceptance	39,045	46,314		
D. Sale and repurchase agreements			627,627	0
E. Other commitments				
With an original maturity of under 1 year available OD & loans limit			2,328,286	2,040,250
With an original maturity of over 1 year loans limit			1,310,066	1,492,545
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

Contract amounts :

Interest rate contracts	232,558	232,656
Exchange rate contracts	0	0
	<u>232,558</u>	<u>232,656</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 2014 For the first half-year of 2013

The average liquidity ratio	43.56%	42.70%
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VIII. 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 2013 Annual Report (Chinese version) (in the part of Corporate Governance Report).

NTD'000

Section B-Bank Information (Consolidated Basis)

(HKD/NTD=3.85)

I. Capital and Capital Adequacy

30 Jun. 2014 31 Dec. 2013

Consolidated capital adequacy ratio	12.20%	12.65%
Aggregate amount of shareholders' funds	163,984,215	130,693,905

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

Total assets	2,125,116,426	2,118,450,019
Total liabilities	1,992,695,855	1,987,756,114
Total net advances	1,398,312,760	1,406,612,677
Total customer deposits	1,768,902,163	1,740,828,793

Half-year to
30 June 2014 Half-year to
30 June 2013

Pre-tax Profit	6,805,802	5,713,327
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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.1 - 30.05.07) 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



Tsai, Cheng Chih
Vice President & General Manager

Date : 23 Sep 2014