



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 year ended 31 December 2016

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

<b>I. Income Statement Information</b>	<b>Year ended 31 Dec. 2016</b>	<b>Year ended 31 Dec. 2015</b>
Net interest income	237,663	202,378
Interest income	357,258	350,419
Interest expense	-119,595	-148,041
Other operating income	41,031	33,238
Gains less losses arising from trading in foreign currencies	9,465	9,053
Gains less losses on securities held for trading purposes	-1,197	-3,365
Gains less losses from other trading activities	-599	-1,486
Net fees and commission income:	<u>Year 2016</u>	<u>Year 2015</u>
Income from fees and commission	34,361	31,186
Less : fees and commission expenses	-1,058	-2,184
Others	59	34
Operating expenses	-40,402	-39,573
Staff and rental expenses	-32,546	-33,434
Other expenses less fees and commission expenses	-7,856	-6,139
Provisions for bad and doubtful debts	9,601	-957
Profit before taxation	<u>247,893</u>	<u>195,086</u>
Tax expense	-44,479	-32,300
Profit after taxation	<u><u>203,414</u></u>	<u><u>162,786</u></u>

II. Balance Sheet Information	31 Dec. 2016	30 Jun. 2016
<b>Assets</b>		
Cash and short term fund (except those included in amount due from overseas offices)	7,804,028	7,660,111
Placements with banks and other financial institutions maturing between 1~12 months (except those included in amount due from overseas offices)	6,745,856	3,306,943
Amount due from overseas offices of the institution	1,046,795	1,290,270
Trade bills	11,972	27,989
Certificates of deposit held	77,564	77,588
Advances to customers, banks and other financial institutions	6,076,329	7,082,694
Investment securities	1,714,950	923,462
Tangible fixed assets	4,296	1,405
Other assets and interest receivables	55,584	35,600
Total assets	<u>23,537,374</u>	<u>20,406,062</u>
<b>Equity and Liabilities</b>		
Deposits and balances of banks and other financial institutions (except those included in amount due to overseas offices)	2,321,518	2,075,977
Deposits from customers	20,616,281	17,370,089
demand deposits and current accounts	430,644	426,823
savings deposits	8,064,633	7,609,054
time, call and notice deposits	12,121,004	9,334,212
Amount due to overseas offices of the institution	168,838	150,989
Other liabilities and provisions	156,427	155,680
Total liabilities	<u>23,263,064</u>	<u>19,752,735</u>
Reserves and current profit	274,310	653,327
Total equity and liabilities	<u>23,537,374</u>	<u>20,406,062</u>

III. Additional Balance Sheet Information		31 Dec. 2016	30 Jun. 2016
(i) Advances and other accounts		<u>31 Dec. 2016</u>	<u>30 Jun. 2016</u>
<i>A. Advances to customers</i>			5,750,561
Loans to finance imports to H.K. and exports and re-exports from H.K.		111,450	134,794
Other loans for use in H.K.		3,458,633	3,892,073
Other loans for use outside H.K.		2,180,478	2,885,133
<i>B. Advances to banks and other financial institutions</i>			325,768
<i>C. Accrued interest and other accounts</i>			55,584
Accrued interest		51,501	27,670
Other accounts:		4,083	7,930
	<u>31 Dec. 2016</u>	<u>30 Jun. 2016</u>	
Prepaid expenses	1,079	1,564	
Other accounts receivable	51	49	
Prepaid taxes	0	3,442	
Other prepayment	771	1,155	
Fair value adjustments on financial assets designated at fair value	525	0	
Forward exchange contract receivable	0	0	
Refundable deposits	1,598	1,622	
Computer software	59	98	
Gain from revaluation of securities	0	0	
<i>D. Provisions for bad and doubtful debts</i>			60,948
Reserves for loans:			
General provisions			60,866
To customers	57,502	69,062	71,396
To banks	3,364	2,334	
Specific provisions			82
To customers	82	4,194	4,194
Reserves for other receivables:			
Specific provisions			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. 2016	0	0	0	0	0.00%	0
30 Jun. 2016	5,418	0	0	5,418	0.08%	4,100

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

	<u>31 Dec. 2016</u>			<u>30 Jun. 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)	31 Dec. 2016	30 Jun. 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
<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. 2016</u>	<u>30 Jun. 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

	31 Dec. 2016		30 Jun. 2016	
	Amount	Amount covered by collateral	Amount	Amount covered by collateral
A.Loans for use in Hong Kong	3,458,633	219,365	3,892,073	366,420
a.Industrial,commercial and financial	3,458,633	219,365	3,892,073	366,420
Manufacturing	288,417	75,533	314,392	34,026
Property development	1,212,575	0	1,326,980	50
Property investment	472,522	35,022	745,000	192,585
Electricity and gas	0	0	21,458	0
Recreational activities	6,500	6,500	6,500	6,500
Information technology	189,038	0	141,571	0
Wholesale and retail trade	238,190	50,010	254,600	70,959
Transport	129,864	52,300	139,888	62,300
Hotels,boarding houses & catering	290,089	0	328,974	0
Financial concerns	293,813	0	293,886	0
Stockbrokers	337,625	0	318,824	0
b.Individuals	0	0	0	0
Others	0	0	0	0
B.Trade finance	111,450	45,682	134,794	56,338
C.Loans for use outside H.K.	2,180,478	225,885	2,885,133	119,535
Total	5,750,561	490,932	6,912,000	542,293

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

31 Dec. 2016 30 Jun. 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.)

<b><u>Hong Kong</u></b> : Loans and advance to customers	2,320,050	3,096,601
<b><u>Taiwan</u></b> : Loans and advance to customers	246,406	581,583
Overdue loans	0	0
Non-performing loans	0	5,418
<b><u>China</u></b> : Loans and advance to customers	2,871,857	2,992,060

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. 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
<u>As at 30 Jun. 2016</u>						
1. Developing Asia-Pacific	9,852	1	230	3,613	0	13,696
of which country: Taiwan	6,261	0	0	597	0	6,858
China	2,581	1	230	2,808	0	5,620
2. Offshore centres	1,291	112	65	3,130	0	4,598
of which country: Hong Kong	1,291	112	65	3,069	0	4,537

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

## (v) Mainland activities exposures

<u>31 Dec. 2016</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)	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
Total assets after provision		23,476	
On-balance sheet exposures as percentage of total assets		11.28%	



**IV. Segmental Information (Continued)**

## (v) Mainland activities exposures

<u>30 Jun. 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)	722	0	722
2. Local government, local government-owned entities and their subsidiaries and JVs	235	29	264
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	421	234	655
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	412	16	428
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	1,711	692	2,403
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	10	6	16
<u>Total</u>	3,511	977	4,488
Total assets after provision	20,330		
On-balance sheet exposures as percentage of total assets	17.27%		

**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. 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
<u>30 Jun. 2016</u>	<u>USD</u>	<u>EUR</u>	<u>GBP</u>	<u>JPY</u>	<u>CNY</u>	<u>NZD</u>
Spot assets	14,356	243	14	138	1,975	7
Spot liabilities	-14,357	-242	-15	-139	-1,975	-8
Forward purchases	0	0	0	0	0	0
Forward sales	0	0	0	0	0	0
Net long (short) position	-1	1	-1	-1	0	-1

VI. Off-Balance Sheet Exposures			31 Dec. 2016	30 Jun. 2016
(i) Contingent liabilities and commitments	<u>31 Dec. 2016</u>	<u>30 Jun. 2016</u>		
A. Direct credit substitutes			6,270	-
Customers' liabilities under guarantee	6,270	0		
B. Transaction-related contingencies			0	0
C. Trade-related contingent items			497,325	412,952
Collection receivable for customers	242,285	185,619		
Customers' liabilities under L/C	170,036	139,173		
Customers' liabilities under guarantee (SG)	50,510	54,683		
Customers' liabilities under acceptance	34,494	33,477		
D. Sale and repurchase agreements			387,819	232,765
E. Other commitments				
With an original maturity of under 1 year available OD & loans limit			2,457,270	2,570,924
With an original maturity of over 1 year loans limit			1,431,277	1,659,399
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. 2016</u>	<u>30 Jun. 2016</u>
Contract amounts :				
Interest rate contracts			116,346	193,970
Exchange rate contracts			0	10,675
			<u>116,346</u>	<u>204,645</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 2016	Year 2015
The average liquidity ratio	N/A	N/A
The average liquidity maintenance ratio	38.74%	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 2015 Annual Report (Chinese version) (in the part of Corporate Governance Report).

NTD'000

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

(HKD/NTD=4.154)

<b>I. Capital and Capital Adequacy</b>	<b>31 Dec. 2016</b>	<b>30 Jun. 2016</b>
Consolidated capital adequacy ratio	12.86%	12.17%
Aggregate amount of shareholders' funds	198,536,284	186,250,072

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. 2016</b>	<b>30 Jun. 2016</b>
Total assets	2,489,255,475	2,442,007,640
Total liabilities	2,326,210,581	2,288,344,240
Total net advances	1,578,383,502	1,511,119,406
Total customer deposits	2,066,260,518	2,028,846,649

	<u>Year ended</u> <u>31 Dec. 2016</u>	<u>Year ended</u> <u>31 Dec. 2015</u>
Pre-tax Profit	15,577,526	15,544,853

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: 29 March 2017

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Tsai, Cheng Chih  
Vice President & General Manager