



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 30 Jun 2021

Section A-Branch Information

HKD'000

I. Income Statement Information	<u>Half year to</u> <u>30 Jun 2021</u>	<u>Half year to</u> <u>30 Jun 2020</u>
Net interest income	77,317	115,670
Interest income	104,885	233,369
Interest expense	(27,568)	(117,699)
Other operating income	16,433	9,627
Gains less losses arising from trading in foreign currencies	2,934	1,949
Gains less losses on securities held for trading purposes	0	0
Gains less losses from other trading activities	0	0
Net fees and commission income:	<u>Half year to</u> <u>30 Jun 2021</u>	<u>Half year to</u> <u>30 Jun 2020</u>
Income from fees and commission	13,474	7,676
Less : fees and commission expenses	0	0
Others	25	2
Operating expenses	(31,629)	(42,101)
Staff and rental expenses	(24,609)	(30,514)
Other expenses less fees and commission expenses	(7,020)	(11,587)
Provisions for bad and doubtful debts	(4,877)	12,565
Provisions for other	8,480	(9,334)
Provisions for impairment loss on assets	(443)	(207)
Profit before taxation	65,281	86,220
Tax expense	(11,060)	(15,400)
Profit after taxation	<u>54,221</u>	<u>70,820</u>

HKD'000

II. Balance Sheet Information	30 Jun 2021	31 Dec 2020
Assets		
Cash and short term fund (except those included in amount due from overseas offices)	2,895,206	4,881,882
Placements with banks and other financial institutions maturing between 1~12 months (except those included in amount due from overseas offices)	1,688,158	2,982,919
Amount due from overseas offices of the institution	94,672	127,442
Trade bills	0	0
Certificates of deposit held	1,552,363	775,250
Advances to customers, banks and other financial institutions	7,582,945	6,947,267
Investment securities	6,663,104	5,845,134
Tangible fixed assets	19,512	24,132
Other assets and interest receivables	52,201	30,179
Total assets	20,548,161	21,614,205
Equity and Liabilities		
Deposits and balances of banks and other financial institutions (except those included in amount due to overseas offices)	2,059,691	2,003,120
Deposits from customers	16,985,356	17,673,886
Demand deposits and current accounts	242,497	268,564
Savings deposits	7,388,924	7,092,824
Time, call and notice deposits	9,353,935	10,312,498
Amount due to overseas offices of the institution	136,648	610,566
Other liabilities and provisions	173,455	206,205
Total liabilities	19,355,150	20,493,777
Reserves and current profit	1,193,011	1,120,428
Total equity and liabilities	20,548,161	21,614,205

III. Additional Balance Sheet Information		30 Jun 2021	31 Dec 2020
(i) Advances and other accounts		30 Jun 2021	31 Dec 2020
<i>A. Advances to customers</i>			
			6,907,314
	Loans to finance imports to H.K. and exports and re-exports from H.K.	90,355	51,844
	Other loans for use in H.K.	5,542,433	5,012,512
	Other loans for use outside H.K.	1,274,526	1,208,325
<i>B. Advances to banks and other financial institutions</i>			675,631
<i>C. Accrued interest and other accounts</i>			52,201
	Accrued interest	34,535	26,145
	Other accounts:	17,666	4,034
		30 Jun 2021	31 Dec 2020
	Prepaid expenses	2,324	1,269
	Other accounts receivable	300	3
	Prepaid taxes	12,079	0
	Other prepayment	233	285
	Fair value adjustments on financial assets designated at fair value	0	0
	Forward exchange contract receivable	3	0
	Refundable deposits	1,665	1,665
	Computer software	642	812
	Gain from revaluation of securities	420	0
<i>D. Provisions for bad and doubtful debts</i>			88,714
Reserves for loans:			
General provisions			81,164
	To customers	73,732	68,687
	To country risk	0	0
	To banks	7,432	7,420
Specific provisions			7,550
	To customers	7,550	7,729
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>
30 Jun 2021	114,489	1,606	0	116,095	1.68%	2,322
31 Dec 2020	114,312	1,176	0	115,488	1.84%	2,390

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

	<u>30 Jun 2021</u>			<u>31 Dec 2020</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	115,488	1.84%	2,390
one year or less but over six months:	116,095	1.68%	2,322	0	0.00%	0
over one year:	0	0.00%	0	0	0.00%	0
Total	<u>116,095</u>		<u>2,322</u>	<u>115,488</u>		<u>2,390</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>116,095</u>			<u>115,488</u>		

III. Additional Balance Sheet Information (Continued)	30 Jun 2021	31 Dec 2020
(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	116,095	115,488
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
	116,095	115,488
<u>Non-performing Loans</u>		
	<u>30 Jun 2021</u>	<u>31 Dec 2020</u>
Hong Kong areas	0	0
Other areas	116,095	115,488
(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 2021		31 Dec 2020	
	Amount	Amount covered by collateral	Amount	Amount covered by collateral
A.Loans for use in Hong Kong	5,542,433	675,816	5,012,512	760,739
a.Industrial,commercial and financial	5,542,433	675,816	5,012,512	760,739
Manufacturing	603,485	0	309,729	0
Property development	629,286	0	455,000	0
Property investment	650,516	200,000	507,600	200,000
Electricity and gas	0	0	0	0
Recreational activities	0	0	0	0
Information technology	286,000	0	442,874	0
Wholesale and retail trade	664,607	224,516	722,747	309,343
Transport	1,242,417	1,300	1,175,812	1,396
Hotels,boarding houses & catering	407,659	250,000	441,656	250,000
Financial concerns	828,146	0	737,089	0
Stockbrokers	75,000	0	220,005	0
Others	155,317	0	0	0
b.Individuals	0	0	0	0
Others	0	0	0	0
B.Trade finance	90,355	41,164	51,844	28,860
C.Loans for use outside H.K.	1,274,526	389,885	1,208,325	389,908
Total	6,907,314	1,106,865	6,272,681	1,179,507

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

30 Jun 2021

31 Dec 2020

(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	3,636,785	3,082,106
<u>Taiwan</u> : Loans and advance to customers	303,617	94,030
Overdue loans	0	0
Non-performing loans	0	0
<u>China</u> : Loans and advance to customers	821,958	1,243,026

There are 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

	<u>Banks</u>	<u>Official Sector</u>	<u>Non-bank financial institutions</u>	<u>Non-financial private sector</u>	<u>Others</u>	<u>Total</u>
<u>As at 30 Jun 2021</u>						
1.Developing Asia-Pacific	6,194	0	416	1,432	0	8,042
of which country: Taiwan	3,026	0	0	291	0	3,317
China	692	0	178	653	0	1,523
2.Offshore centres	1,162	53	835	4,366	0	6,416
of which country: Hong Kong	1,162	53	835	3,237	0	5,287
<u>As at 31 Dec 2020</u>						
1.Developing Asia-Pacific	7,222	0	0	2,108	0	9,330
of which country: Taiwan	3,642	0	0	93	0	3,735
China	1,199	0	0	1,319	0	2,518
2.Offshore centres	1,725	96	738	3,869	0	6,428
of which country: Hong Kong	1,641	96	738	2,770	0	5,245

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

(v) Mainland activities exposures

<u>As at 30 Jun 2021</u>	<u>On-balance sheet exposure</u>	<u>Off-balance sheet exposure</u>	<u>Total</u>
Types of Counterparties			
1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	86	19	105
2. Local government, local government-owned entities and their subsidiaries and JVs	0	0	0
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	204	79	283
4. Other entities of central governments not reported in item 1 above	139	0	139
5. Other entities of local governments not reported in item 2 above	0	0	0
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	497	488	985
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	67	383	450
<u>Total</u>	993	969	1,962
Total assets after provision			20,447
On-balance sheet exposures as percentage of total assets			4.86%

IV. Segmental Information (Continued)

(v) Mainland activities exposures

As at 31 Dec 2020	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)	86	19	105
2. Local government, local government-owned entities and their subsidiaries and JVs	80	0	80
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	366	131	497
4. Other entities of central governments not reported in item 1 above	196	175	371
5. Other entities of local governments not reported in item 2 above	0	0	0
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	314	723	1,037
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	73	375	448
Total	1,115	1,423	2,538
Total assets after provision	21,510		
On-balance sheet exposures as percentage of total assets	5.18%		

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.)

30 Jun 2021	USD	EUR	GBP	JPY	CNY	NZD
Spot assets	15,203	239	3	117	917	6
Spot liabilities	(15,196)	(238)	(4)	(117)	(917)	(6)
Forward purchases	0	0	0	0	0	0
Forward sales	0	0	0	0	0	0
Net long (short) position	7	1	(1)	0	0	0
31 Dec 2020	USD	EUR	GBP	JPY	CNY	NZD
Spot assets	16,374	278	5	79	974	9
Spot liabilities	(16,362)	(278)	(6)	(80)	(972)	(9)
Forward purchases	0	0	0	0	0	0
Forward sales	0	0	0	0	0	0
Net long (short) position	12	0	(1)	(1)	2	0

VI. Off-Balance Sheet Exposures			30 Jun 2021	31 Dec 2020
(i) Contingent liabilities and commitments	<u>30 Jun 2021</u>	<u>31 Dec 2020</u>		
A. Direct credit substitutes			1,035,009	491,886
Customers' liabilities under guarantee	1,035,009	491,886		
B. Transaction-related contingencies			0	0
C. Trade-related contingent items			355,376	320,700
Collection receivable for customers	169,916	141,124		
Customers' liabilities under L/C	180,028	163,452		
Customers' liabilities under guarantee (SG)	0	496		
Customers' liabilities under acceptance	5,432	15,628		
D. Sale and repurchase agreements			0	659,078
E. Other commitments				
With an original maturity of under 1 year available OD & loans limit			1,274,872	1,174,402
With an original maturity of over 1 year loans limit			1,809,752	1,714,870
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			30 Jun 2021	31 Dec 2020
Contract amounts :				
Interest rate contracts			0	0
Exchange rate contracts			0	0
			<u>0</u>	<u>0</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

	<u>For the half year of 2021</u>	<u>For the half year of 2020</u>
The average liquidity coverage ratio	N/A	N/A
	<u>For the half year of 2021</u>	<u>For the half year of 2020</u>
The average liquidity maintenance ratio for Q1 (Calculation period : Jan ~ Mar 2021 , Jan ~ Mar 2020)	64.83%	71.79%
The average liquidity maintenance ratio for Q2 (Calculation period : Apr ~ Jun 2021 , Apr ~ Jun 2020)	67.09%	63.43%
The average liquidity maintenance ratio for H1 (Calculation period : Jan ~ Jun 2021 , Jan ~ Jun 2020)	65.96%	67.61%

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=3.592)

I. Capital and Capital Adequacy	<u>30 Jun 2021</u>	<u>31 Dec 2020</u>
Consolidated capital adequacy ratio	14.46%	13.67%
Aggregate amount of shareholders' funds	258,845,035	242,963,349

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	<u>30 Jun 2021</u>	<u>31 Dec 2020</u>
Total assets	3,204,196,398	3,025,060,505
Total liabilities	2,996,974,082	2,823,069,224
Total net advances	1,898,529,531	1,805,616,121
Total customer deposits	2,652,481,280	2,528,003,221
	<u>Half year to</u> <u>30 Jun 2021</u>	<u>Half year to</u> <u>30 Jun 2020</u>
Pre-tax Profit	8,573,830	6,947,286

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: 20 September 2021

**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 overdraw 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.

(HK\$'000)

	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
Total	20,446,067	8,190,419	1,927,868	2,831,609	3,581,880	1,674,391	921,223	0	0	0	77,658	1,241,019

	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
Total	3,722,028	2,290,438	1,929	213,593	170,764	45,775	10,056	226,166	28,974	77,420	656,913	0

	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
Total	20,549,521	8,961,052	1,123,444	2,545,367	1,776,741	1,203,605	751,657	1,706,445	465,623	1,704,634	274,196	36,757

	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
Total	1,777,564	362,601	2,325	18,919	181,840	60,162	32,683	268,380	57,071	114,351	679,232	0

Contractual Maturity Mismatch	(1,157,204)	(804,028)	(480,916)	(1,794,063)	(456,399)	(146,939)	1,748,659	493,720	1,741,565	218,857		
Cumulative Contractual Maturity Mismatch	(1,157,204)	(1,961,232)	(2,442,148)	(4,236,211)	(4,692,610)	(4,839,549)	(3,090,890)	(2,597,170)	(855,605)	(636,748)		