

# Hua Nan Commercial Bank, Ltd.

Hong Kong Branch

Financial Information Disclosure Statements

For the year ended 31 Dec 2019

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

<b>I. Income Statement Information</b>			Year to 31 Dec 2019	Year to 31 Dec 2018
Net interest income			332,268	377,572
Interest income			656,790	640,599
Interest expense			-324,522	-263,027
Other operating income			24,320	28,842
Gains less losses arising from trading in foreign currencies			6,687	7,680
Gains less losses on securities held for trading purposes			-12	-391
Gains less losses from other trading activities			-39	251
Net fees and commission income:	<u>31 Dec. 2019</u>	<u>31 Dec. 2018</u>	17,009	21,285
Income from fees and commission	18,977	23,303		
Less : fees and commission expenses	-1,968	-2,018		
Others			675	17
Operating expenses			-84,882	-63,617
Staff and rental expenses			-55,489	-39,665
Other expenses less fees and commission expenses			-29,393	-23,952
Provisions for bad and doubtful debts			28,125	-59,681
Profit before taxation			299,831	283,116
Tax expense			-45,600	-45,362
Profit after taxation			<u>254,231</u>	<u>237,754</u>

II. Balance Sheet Information	31 Dec. 2019	30 Jun. 2019
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**Assets**

Cash and short term fund (except those included in amount due from overseas offices)	6,776,158	7,998,436
Placements with banks and other financial institutions maturing between 1~12 months (except those included in amount due from overseas offices)	2,800,059	1,808,633
Amount due from overseas offices of the institution	978,041	562,033
Trade bills	7,486	2,954
Certificates of deposit held	233,535	390,796
Advances to customers, banks and other financial institutions	6,402,670	6,880,937
Investment securities	4,452,676	4,184,597
Tangible fixed assets	7,623	11,855
Other assets and interest receivables	67,147	86,488
<b>Total assets</b>	<b>21,725,395</b>	<b>21,926,729</b>

**Equity and Liabilities**

Deposits and balances of banks and other financial institutions (except those included in amount due to overseas offices)	1,370,888	1,250,591
Deposits from customers	18,970,050	19,376,379
demand deposits and current accounts	219,732	269,665
savings deposits	6,210,726	6,551,233
time, call and notice deposits	12,539,592	12,555,481
Amount due to overseas offices of the institution	118,160	107,282
Other liabilities and provisions	254,565	308,262
<b>Total liabilities</b>	<b>20,713,663</b>	<b>21,042,514</b>
Reserves and current profit	1,011,732	884,215
<b>Total equity and liabilities</b>	<b>21,725,395</b>	<b>21,926,729</b>

III. Additional Balance Sheet Information	31 Dec. 2019	30 Jun. 2019	31 Dec. 2019	30 Jun. 2019
(i) Advances and other accounts	31 Dec. 2019	30 Jun. 2019		
<i>A. Advances to customers</i>			5,592,761	6,302,422
Loans to finance imports to H.K. and exports and re-exports from H.K.	88,476	67,791		
Other loans for use in H.K.	3,947,020	4,221,271		
Other loans for use outside H.K.	1,557,265	2,013,360		
<i>B. Advances to banks and other financial institutions</i>			809,909	578,515
<i>C. Accrued interest and other accounts</i>			67,147	86,488
Accrued interest	63,011	82,450		
Other accounts:	4,136	4,038		
	31 Dec. 2019	30 Jun. 2019		
Prepaid expenses	1,174	1,832		
Other accounts receivable	5	3		
Prepaid taxes	0	0		
Other prepayment	727	0		
Fair value adjustments on financial assets designated at fair value	0	105		
Forward exchange contract receivable	1	0		
Refundable deposits	1,578	1,578		
Computer software	418	509		
Gain from revaluation of securities	233	11		
<i>D. Provisions for bad and doubtful debts</i>			82,979	95,535
Reserves for loans:				
General provisions			82,786	95,445
To customers	72,589	86,419		
To banks	10,197	9,026		
Specific provisions			193	90
To customers	193	90		
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>
31 Dec. 2019	0	0	0	0	0.00%	0
30 Jun. 2019	0	0	0	0	0.00%	0

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

	<u>31 Dec. 2019</u>			<u>30 Jun. 2019</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
<b>Total</b>	<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. 2019	30 Jun. 2019
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(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. 2019</u>	<u>30 Jun. 2019</u>
Hong Kong areas	47	94
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. 2019		30 Jun. 2019	
	Amount	Amount covered by collateral	Amount	Amount covered by collateral
A.Loans for use in Hong Kong	3,947,020	575,713	4,221,271	516,346
a.Industrial,commercial and financial	3,947,020	575,713	4,221,271	516,346
Manufacturing	358,821	0	360,258	0
Property development	723,437	0	644,604	16,667
Property investment	0	0	200,000	0
Electricity and gas	0	0	0	0
Recreational activities	0	0	0	0
Information technology	383,628	0	382,658	0
Wholesale and retail trade	760,000	325,713	802,153	349,288
Transport	178,354	0	313,102	391
Hotels,boarding houses & catering	407,876	250,000	353,262	150,000
Financial concerns	859,512	0	861,209	0
Stockbrokers	275,392	0	304,025	0
b.Individuals	0	0	0	0
Others	0	0	0	0
B.Trade finance	88,476	38,552	67,791	30,783
C.Loans for use outside H.K.	1,557,265	19,559	2,013,360	19,126
Total	5,592,761	633,824	6,302,422	566,255

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

31 Dec. 2019 30 Jun. 2019

(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	1,910,830	2,268,479
<b><u>Taiwan</u></b> : Loans and advance to customers	43,097	40,367
Overdue loans	0	0
Non-performing loans	0	0
<b><u>China</u></b> : Loans and advance to customers	2,426,812	2,958,903
<b><u>Korea</u></b> : Loans and advance to customers	677,520	523,791

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 Dec. 2019</u>						
1. Developing Asia-Pacific	10,101	0	492	2,328	0	12,921
of which country: Taiwan	6,292	0	0	55	0	6,347
China	1,819	0	492	1,998	0	4,309
2. Offshore centres	673	115	370	2,180	0	3,338
of which country: Hong Kong	673	115	370	1,554	0	2,712
<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

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

## (v) Mainland activities exposures

	On-balance sheet exposure	Off-balance sheet exposure	Total
<u>31 Dec. 2019</u>			
Types of Counterparties			
1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	283	19	302
2. Local government, local government-owned entities and their subsidiaries and JVs	150	0	150
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	321	215	536
4. Other entities of central governments not reported in item 1 above	364	9	373
5. Other entities of local governments not reported in item 2 above	111	0	111
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	527	771	1,298
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	108	396	504
<u>Total</u>	1,864	1,410	3,274
Total assets after provision			21,635
On-balance sheet exposures as percentage of total assets			8.61%



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

<u>30 Jun. 2019</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)	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
<b>Total</b>	<b>2,437</b>	<b>1,571</b>	<b>4,008</b>
Total assets after provision	21,815		
On-balance sheet exposures as percentage of total assets	11.17%		

**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. 2019</u>	<u>USD</u>	<u>EUR</u>	<u>GBP</u>	<u>JPY</u>	<u>CNY</u>	<u>NZD</u>
Spot assets	17,308	297	14	98	927	9
Spot liabilities	-17,292	-297	-15	-98	-926	-9
Forward purchases	0	0	0	0	0	0
Forward sales	0	0	0	0	0	0
<b>Net long (short) position</b>	<b>16</b>	<b>0</b>	<b>-1</b>	<b>0</b>	<b>1</b>	<b>0</b>
<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
<b>Net long (short) position</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>0</b>

VI. Off-Balance Sheet Exposures	31 Dec. 2019	30 Jun. 2019
(i) Contingent liabilities and commitments	<u>31 Dec. 2019</u>	<u>30 Jun. 2019</u>
A. Direct credit substitutes		
Customers' liabilities under guarantee	536,988	544,052
B. Transaction-related contingencies		
	0	0
C. Trade-related contingent items		
Collection receivable for customers	150,289	318,759
Customers' liabilities under L/C	150,056	167,983
Customers' liabilities under guarantee (SG)	0	0
Customers' liabilities under acceptance	11,590	9,653
D. Sale and repurchase agreements		
	77,876	156,355
E. Other commitments		
With an original maturity of under 1 year available OD & loans limit	1,456,003	1,204,851
With an original maturity of over 1 year loans limit	703,789	1,657,682
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. 2019</u>	<u>30 Jun. 2019</u>
Contract amounts :		
Interest rate contracts	0	39,089
Exchange rate contracts	0	0
	<u>0</u>	<u>39,089</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 asset ratio	N/A	N/A
	For the year of 2019	For the 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 Q3 (Calculation period : Jul.~Sep. 2019 , Jul.~Sep. 2018)	69.27%	57.38%
The average liquidity maintenance ratio for Q4 (Calculation period : Oct.~Dec. 2019 , Oct.~Dec. 2018)	73.31%	56.84%
The average liquidity maintenance ratio for H1 (Calculation period : Jan.~Jun. 2019 , Jan.~Jun. 2018)	62.37%	53.37%
The average liquidity maintenance ratio for H2 (Calculation period : Jul.~Dec. 2019 , Jul.~Dec. 2018)	71.29%	57.11%
The average liquidity maintenance ratio for Year (Calculation period : Jan.~Dec. 2019 , Jan.~Dec. 2018)	66.83%	55.24%

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/NTD=3.851)

<b>I. Capital and Capital Adequacy</b>	<b>31 Dec. 2019</b>	<b>30 Jun. 2019</b>
Consolidated capital adequacy ratio	13.88%	14.39%
Aggregate amount of shareholders' funds	221,008,574	221,266,771

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. 2019</b>	<b>30 Jun. 2019</b>
Total assets	2,658,965,605	2,610,136,252
Total liabilities	2,461,311,500	2,418,428,924
Total net advances	1,690,496,564	1,605,494,345
Total customer deposits	2,225,144,053	2,130,378,380
	Year to	Year to
	<u>31 Dec. 2019</u>	<u>31 Dec. 2018</u>
Pre-tax Profit	17,694,012	16,035,144

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: 30 March 2020

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 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
On-balance sheet liabilities												
Total	21,635,089	7,072,619	965,927	3,770,171	4,290,159	2,816,086	1,556,304	0	0	0	78,876	1,085,947

	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
Off-balance sheet obligations												
Total	2,709,451	1,989,742	6,450	12,296	160,701	37,186	51,635	0	57,346	91,593	302,502	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
On-balance sheet assets												
Total	21,726,889	5,908,495	2,745,136	4,199,908	2,665,331	1,548,204	539,293	2,239,126	777,759	699,910	392,202	11,525

	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
Off-balance sheet claims												
Total	1,374,352	178,423	8,598	101,548	184,422	72,917	108,580	109,500	111,167	140,434	358,763	0

Contractual Maturity Mismatch	(2,975,443)	1,781,357		518,989	(1,601,107)	(1,232,151)	(960,066)	2,348,626	831,580	748,751	370,587	
Cumulative Contractual Maturity Mismatch	(2,975,443)	(1,194,086)		(675,097)	(2,276,204)	(3,508,355)	(4,468,421)	(2,119,795)	(1,288,215)	(539,464)	(168,877)	