

Hua Nan Commercial Bank, Ltd.

Hong Kong Branch

Financial Information Disclosure Statements

For the year ended 30 June 2020

Section A-Branch Information

HKD'000

I. Income Statement Information	<u>Half year to</u> <u>30 Jun. 2020</u>	<u>Half year to</u> <u>30 Jun. 2019</u>
Net interest income	115,670	179,156
Interest income	233,369	349,831
Interest expense	(117,699)	(170,675)
Other operating income	9,627	11,377
Gains less losses arising from trading in foreign currencies	1,949	3,217
Gains less losses on securities held for trading purposes	0	47
Gains less losses from other trading activities	0	(32)
Net fees and commission income:	<u>Half year to</u> <u>30 Jun. 2020</u>	<u>Half year to</u> <u>30 Jun. 2019</u>
Income from fees and commission	7,676	9,135
Less : fees and commission expenses	0	(993)
Others	2	3
Operating expenses	(42,101)	(39,407)
Staff and rental expenses	(30,514)	(28,224)
Other expenses less fees and commission expenses	(11,587)	(11,183)
Provisions for bad and doubtful debts	12,565	7,068
Provisions for country risk	(9,334)	0
Provisions for impairment loss on assets	(207)	(302)
Profit before taxation	86,220	157,892
Tax expense	(15,400)	(26,400)
Profit after taxation	70,820	131,492

HKD'000

II. Balance Sheet Information	30 Jun. 2020	31 Dec. 2019
Assets		
Cash and short term fund (except those included in amount due from overseas offices)	4,787,439	6,776,158
Placements with banks and other financial institutions maturing between 1~12 months (except those included in amount due from overseas offices)	4,632,404	2,800,059
Amount due from overseas offices of the institution	977,778	978,041
Trade bills	0	7,486
Certificates of deposit held	310,082	233,535
Advances to customers, banks and other financial institutions	5,611,699	6,402,670
Investment securities	4,973,278	4,452,676
Tangible fixed assets	4,363	7,623
Other assets and interest receivables	47,799	67,147
Total assets	<u>21,344,842</u>	<u>21,725,395</u>
Equity and Liabilities		
Deposits and balances of banks and other financial institutions (except those included in amount due to overseas offices)	1,551,206	1,370,888
Deposits from customers	18,419,555	18,970,050
Demand deposits and current accounts	225,950	219,732
Savings deposits	6,740,778	6,210,726
Time, call and notice deposits	11,452,827	12,539,592
Amount due to overseas offices of the institution	162,060	118,160
Other liabilities and provisions	179,890	254,565
Total liabilities	<u>20,312,711</u>	<u>20,713,663</u>
Reserves and current profit	1,032,131	1,011,732
Total equity and liabilities	<u>21,344,842</u>	<u>21,725,395</u>

III. Additional Balance Sheet Information	30 Jun. 2020	31 Dec. 2019
(i) Advances and other accounts	<u>30 Jun. 2020</u>	<u>31 Dec. 2019</u>
<i>A. Advances to customers</i>		
		4,805,487
Loans to finance imports to H.K. and exports and re-exports from H.K.	85,121	88,476
Other loans for use in H.K.	3,325,114	3,947,020
Other loans for use outside H.K.	1,395,252	1,557,265
<i>B. Advances to banks and other financial institutions</i>		806,212
<i>C. Accrued interest and other accounts</i>		47,799
Accrued interest	43,480	63,011
Other accounts:	4,319	4,136
	<u>30 Jun. 2020</u>	<u>31 Dec. 2019</u>
Prepaid expenses	1,753	1,174
Other accounts receivable	5	5
Prepaid taxes	0	0
Other prepayment	629	727
Fair value adjustments on financial assets designated at fair value	0	0
Forward exchange contract receivable	0	1
Refundable deposits	1,665	1,578
Computer software	267	418
Gain from revaluation of securities	0	233
<i>D. Provisions for bad and doubtful debts</i>		70,393
Reserves for loans:		
General provisions		70,393
To customers	58,099	72,589
To country risk	2,997	0
To banks	9,297	10,197
Specific provisions		0
To customers	0	193
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. 2020	0	0	0	0	0	0
31 Dec. 2019	0	0	0	0	0	0

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

	<u>30 Jun. 2020</u>			<u>31 Dec. 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	0	0	0	0
one year or less but over six months:	0	0	0	0	0	0
over one year:	0	0	0	0	0	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. 2020	31 Dec. 2019
(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. 2020</u>	<u>31 Dec. 2019</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. 2020		31 Dec. 2019	
	Amount	Amount covered by collateral	Amount	Amount covered by collateral
A.Loans for use in Hong Kong	3,325,114	577,968	3,947,020	575,713
a.Industrial,commercial and financial	3,325,114	577,968	3,947,020	575,713
Manufacturing	201,542	0	358,821	0
Property development	447,562	0	723,437	0
Property investment	200,000	0	0	0
Electricity and gas	0	0	0	0
Recreational activities	0	0	0	0
Information technology	312,793	0	383,628	0
Wholesale and retail trade	370,137	327,968	760,000	325,713
Transport	520,878	0	178,354	0
Hotels,boarding houses & catering	441,629	250,000	407,876	250,000
Financial concerns	583,449	0	859,512	0
Stockbrokers	247,124	0	275,392	0
b.Individuals	0	0	0	0
Others	0	0	0	0
B.Trade finance	85,121	41,328	88,476	38,552
C.Loans for use outside H.K.	1,395,252	19,421	1,557,265	19,559
Total	4,805,487	638,717	5,592,761	633,824

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

30 Jun. 2020 31 Dec. 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.)

<u>Hong Kong</u> : Loans and advance to customers	2,183,624	1,910,830
<u>Taiwan</u> : Loans and advance to customers	59,167	43,097
Overdue loans	0	0
Non-performing loans	0	0
<u>China</u> : Loans and advance to customers	1,730,270	2,426,812

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

	<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. 2020</u>						
1.Developing Asia-Pacific	11,562	1	0	2,123	0	13,686
of which country: Taiwan	5,186	0	0	65	0	5,251
China	4,030	1	0	1,791	0	5,822
2.Offshore centres	738	120	584	1,882	0	3,324
of which country: Hong Kong	738	120	584	1,613	0	3,055
<u>As at 31 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

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

(v) Mainland activities exposures

<u>30 Jun. 2020</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	150	0	150
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	285	204	489
4. Other entities of central governments not reported in item 1 above	299	72	371
5. Other entities of local governments not reported in item 2 above	70	0	70
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	470	761	1,231
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	84	378	462
<u>Total</u>	1,444	1,434	2,878
Total assets after provision	21,257		
On-balance sheet exposures as percentage of total assets	6.80%		

IV. Segmental Information (Continued)

(v) Mainland activities exposures

<u>31 Dec. 2019</u>	<u>On-balance sheet exposure</u>	<u>Off-balance sheet exposure</u>	<u>Total</u>
Type 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%		

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. 2020</u>	<u>USD</u>	<u>EUR</u>	<u>GBP</u>	<u>JPY</u>	<u>CNY</u>	<u>NZD</u>
Spot assets	17,176	234	6	98	870	8
Spot liabilities	-17,145	-234	-6	-99	-870	-8
Forward purchases	0	0	0	0	0	0
Forward sales	0	0	0	0	0	0
Net long (short) position	31	0	0	-1	0	0
<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
Net long (short) position	16	0	(1)	0	1	0

VI. Off-Balance Sheet Exposures	<u>30 Jun. 2020</u>	<u>31 Dec. 2019</u>
(i) Contingent liabilities and commitments	<u>30 Jun. 2020</u>	<u>31 Dec. 2019</u>
A. Direct credit substitutes		612,515
Customers' liabilities under guarantee	612,515	536,988
B. Transaction-related contingencies		0
C. Trade-related contingent items		333,210
Collection receivable for customers	166,204	150,289
Customers' liabilities under L/C	161,067	150,056
Customers' liabilities under guarantee (SG)	0	0
Customers' liabilities under acceptance	5,939	11,590
D. Sale and repurchase agreements		0
E. Other commitments		
With an original maturity of under 1 year available OD & loans limit		1,302,242
With an original maturity of over 1 year loans limit		1,008,089
Note issue and revolving underwriting facilities		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. 2020</u>	<u>31 Dec. 2019</u>
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 2020</u>	<u>For the year of 2019</u>
The average liquidity ratio	N/A	N/A
	<u>For the half year of 2020</u>	<u>For the half year of 2019</u>
The average liquidity maintenance ratio for Q1 (Calculation period : Jan.~Mar. 2020 , Jan.~Mar. 2019)	71.79%	60.28%
The average liquidity maintenance ratio for Q2 (Calculation period : Apr.~Jun. 2020 , Apr.~Jun. 2019)	63.43%	64.46%
The average liquidity maintenance ratio for H1 (Calculation period : Jan.~Jun. 2020 , Jan.~Jun. 2019)	67.61%	62.37%

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=3.799)

I. Capital and Capital Adequacy	<u>30 Jun. 2020</u>	<u>31 Dec. 2019</u>
Consolidated capital adequacy ratio	13.77%	13.88%
Aggregate amount of shareholders' funds	237,560,494	221,008,574

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. 2020</u>	<u>31 Dec. 2019</u>
Total assets	2,791,510,010	2,658,965,605
Total liabilities	2,596,418,355	2,461,311,500
Total net advances	1,761,904,148	1,690,496,564
Total customer deposits	2,356,150,493	2,225,144,053
	<u>Half year to</u> <u>30 Jun. 2020</u>	<u>Year to</u> <u>31 Dec. 2019</u>
Pre-tax Profit	6,947,286	17,694,012

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: 1 September 2020

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	21,257,505	7,576,614	1,481,281	3,186,060	4,354,979	2,823,929	702,590	0	0	0	77,520	1,054,532

	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	2,269,560	1,411,403	3,721	53,420	167,692	52,883	9,420	2,487	70,723	89,659	408,152	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	21,346,427	6,395,226	1,887,889	2,866,735	4,240,860	1,740,055	659,675	2,080,782	572,008	634,158	260,358	8,681

	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	1,215,694	161,618	54,686	6,060	183,692	65,265	38,951	49,932	96,704	115,852	442,934	0

Contractual Maturity Mismatch	(2,431,173)	457,573	(566,685)	(98,119)	(1,071,492)	(13,384)	2,128,227	597,989	660,351	217,620
Cumulative Contractual Maturity Mismatch	(2,431,173)	(1,973,600)	(2,340,285)	(2,438,404)	(3,509,896)	(3,523,280)	(1,395,053)	(797,064)	(136,713)	80,907