



彰化銀行香港分行

CHANG HWA COMMERCIAL BANK, LTD.

HONG KONG BRANCH

Financial Information Disclosure Statement

For the six months ended 30 June 2016



Financial Information Disclosure Statement

For the six months ended 30 June 2016

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Section A. Hong Kong Branch Information

1 Income statement information

	Note	For the six months ended	
		30 June 2016	30 June 2015
		HK\$,000	HK\$,000
Interest income		130,565	125,165
Interest expenses		(50,485)	(49,468)
Net interest income		80,080	75,697
Other operating income	3a	32,695	16,681
Operating expenses	3b	(15,691)	(14,146)
Impairment losses and provisions for impaired loans and receivables		17,636	9,199
Profit before taxation		114,720	87,431
Tax expense		(14,972)	(12,117)
Profit after taxation		99,748	75,314

2 Balance sheet information

	Note	As at	
		30 June 2016	31 December 2015
		HK\$,000	HK\$,000
Assets			
Cash and balances with banks (except those included in amount due from head office and overseas office)		883,353	635,002
Placement with Bank and other financial institutions maturing between one and twelve months (except those included in amount due from head office and overseas office)		5,893,632	4,294,851
Amount due from head office and overseas office		371,562	786,370
Trade bills		4,127	2,990
Loans and receivables	3d	4,905,774	6,109,397
Investment securities			
- Available-for-sale securities		589,588	607,870
Other assets		108,512	85,782
Property, plant and equipment		1,717	1,956
Total assets		12,758,265	12,524,218
Liabilities			
Deposit and balances of banks and other financial institutions (except those included in amount due from head office and overseas office)		235,176	1,323,033
Deposit from customers	3c	9,178,694	7,528,805
Amount due to head office and overseas offices		2,917,382	3,394,477
Other liabilities and provision		193,262	143,900
Total liabilities		12,524,514	12,390,215
Equities			
Current profit		99,748	134,003
Reserves		134,003	0
		233,751	134,003
Total equities and liabilities		12,758,265	12,524,218

3 Notes to the income statement and balance sheet information

a. Other operating income

	For the six months ended	
	30 June 2016	30 June 2015
	HK\$,000	HK\$,000
Service fee and commission income	30,325	15,264
Service fee and commission expenses	(976)	(854)
Net fees and commission income	29,349	14,410
Gains less losses arising from trading in foreign currencies	3,642	2,125
Others	(296)	146
	<u>32,695</u>	<u>16,681</u>

b. Operating expenses

	For the six months ended	
	30 June 2016	30 June 2015
	HK\$,000	HK\$,000
Staff and rental expenses	13,004	11,446
Other expenses	2,687	2,700
	<u>15,691</u>	<u>14,146</u>

c. Deposits from customers

	As at	
	30 June 2016	31 December 2015
	HK\$,000	HK\$,000
Demand deposits and current accounts	226,823	249,949
Savings accounts	3,659,097	3,552,697
Time, call and notice deposits	5,292,774	3,726,159
	<u>9,178,694</u>	<u>7,528,805</u>

d. Loans and receivables

	As at	
	30 June 2016	31 December 2015
	HK\$,000	HK\$,000
Loans and advances to customers	4,952,335	6,165,388
Loans and advances to banks	0	0
Accrued interest and other accounts	21,808	29,935
	<u>4,974,143</u>	<u>6,195,323</u>
Less: Impairment allowances		
Loans and advances to customers		
- <i>Collective provisions</i>	67,350	85,313
- <i>Specific provisions</i>	0	0
Loans and advances to banks		
- <i>Collective provisions</i>	0	0
Trade bills		
- <i>Collective provisions</i>	41	30
Others		
- <i>Collective provisions</i>	978	583
	<u>68,369</u>	<u>85,926</u>
Impairment allowances for loans and receivables		
	<u>4,905,774</u>	<u>6,109,397</u>

e. Detail of impaired loans and advances to customers

Detail of impaired loans and advances to customers which are individually impaired:

	As at	
	30 June 2016	31 December 2015
	HK\$,000	HK\$,000
Gross amounts	1,371	0
Individual impairment allowances	343	0
Value of collateral	0	0
Percentage of such loans and advances to its total amount of loans and advances to customers	0.03%	0%

f. Overdue and rescheduled loans:

(i) Overdue loans

	As at			
	30 June 2016		31 December 2015	
	Percentage of total	Percentage of total	Percentage of total	Percentage of total
	loans & advances to	loans & advances to	loans & advances to	loans & advances to
	HK\$,000	customers	HK\$,000	customers
Gross amount of loans and advances to customers which have been overdue for:				
More than 3 months but not more than 6 months	0	0.00%	0	0.00%
More than 6 months but not more than one year	0	0.00%	0	0.00%
More than one year	0	0.00%	0	0.00%
	0	0.00%	0	0.00%

Value of collateral held against the overdue loans and advances

	As at	
	30 June 2016	31 December 2015
	HK\$,000	HK\$,000
Current market value of collateral held against the covered portion of overdue loans and advances	0	0
Covered portion of overdue loans and advances	0	0
Uncovered portion of overdue loans and advances	0	0

(ii) Rescheduled loans

	As at			
	30 June 2016		31 December 2015	
	Percentage of total	Percentage of total	Percentage of total	Percentage of total
	loans & advances to	loans & advances to	loans & advances to	loans & advances to
	HK\$,000	customers	HK\$,000	customers
Rescheduled loans and advances to customers, excluding those which have been overdue for more than 3 months and disclosed in subsection (i)	1,371	0.03%	0	0.00%

g. Repossessed assets

There was no repossessed asset as at 30 June 2016 and 31 December 2015.

4 Off-balance sheet exposures information

The following is a summary of the contractual amounts of each significant class of off-balance sheet exposure information:

	As at	
	30 June 2016	31 December 2015
	HK\$,000	HK\$,000
Contingent Liabilities and Commitments		
Direct credit substitutes	18,621	18,601
Transaction-related contingencies	0	0
Trade-related contingencies	46,558	6,036
Other commitments	702,243	1,189,822
	<u>767,422</u>	<u>1,214,459</u>
Derivatives		
Exchange rate contracts	<u>295,549</u>	<u>597,363</u>
Replacement cost of derivatives		
Exchange rate contracts	<u>(118)</u>	<u>(174)</u>

For contingent liabilities and commitments, the contract amounts represents the amount at risk should the contract be drawn upon and the client defaults. The notional amounts of derivatives indicate the nominal value of transactions outstanding at the balance sheet date. They do not represent amounts at risk.

The replacement cost of derivatives does not take into account the effects of bilateral netting arrangements.

5 Segmental information

a. Loans and advances to customer by industry classification

	As at			
	30 June 2016		31 December 2015	
Loans and advances for use in Hong Kong	Outstanding balance	Balance covered by collateral	Outstanding balance	Balance covered by collateral
Industrial, commercial and financial	HK\$,000	HK\$,000	HK\$,000	HK\$,000
- Property development	0	0	0	0
- Property investment	12,062	0	115,624	0
- Financial concerns	304,926	0	294,262	0
- Stockbrokers	0	0	48,441	0
- Wholesale and retail trade	162,532	25,073	250,747	26,201
- Manufacturing	239,153	14,238	207,840	14,226
- Transport and transport equipment	0	0	0	0
- Recreational activities	0	0	0	0
- Information technology	0	0	0	0
- Others	206,332	1,500	408,783	20,011
Individuals				
- Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme or their respective successor schemes	0	0	0	0
- Loans for the purchase of other residential properties	4,556	4,556	4,725	4,725
- Credit card advances	0	0	0	0
- Others	66,953	66,953	0	0
Trade finance	147,351	0	80,008	0
Loans and advances for use outside Hong Kong				
	3,808,470	68,075	4,754,958	105,554
Total loans and advances	4,952,335	180,395	6,165,388	170,717

b. Geographical segments analysis

The breakdown of the gross amount of advances to customers by countries, which according to the location of the counterparties and the amounts was reported after taking into account any recognised risk transfers, where it constitutes 10% or more of the relevant disclosure item.

	As at	
	30 June 2016	31 December 2015
Loans and advances by geographical segment	HK\$,000	HK\$,000
- Hong Kong	761,784	1,658,207
- China	3,472,904	3,877,579
- Taiwan	88,414	87,578
- Others	627,862	542,024
Impaired loans and advances by geographical segment		
- Taiwan	1,371	0
	<u>4,952,335</u>	<u>6,165,388</u>

c. Mainland activities

Types of counterparties	On-balance	Off-balance	Total
	sheet exposure	sheet exposure	
	HK\$ million	HK\$ million	HK\$ million
As at 30 June 2016			
1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	723	54	777
2. Local governments, local government-owned entities and their subsidiaries and JVs	301	0	301
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	0	0	0
4. Other entities of central government not reported in item 1 above	234	0	234
5. Other entities of local governments not reported in item 2 above	39	0	39
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	1,766	8	1,774
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	446	20	466
Total	<u>3,509</u>	<u>82</u>	<u>3,591</u>
Total assets after provision	12,758		
On-balance sheet exposures as percentage of total assets	27.50%		

Types of counterparties	On-balance sheet exposure HK\$ million	Off-balance sheet exposure HK\$ million	Total HK\$ million
As at 31 December 2015			
1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	998	65	1,063
2. Local governments, local government-owned entities and their subsidiaries and JVs	562	0	562
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	21	0	21
4. Other entities of central government not reported in item 1 above	256	0	256
5. Other entities of local governments not reported in item 2 above	60	19	79
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	2,490	231	2,721
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	333	0	333
Total	4,720	315	5,035
Total assets after provision	12,524		
On-balance sheet exposures as percentage of total assets	37.69%		

d. International claims

International claims include the following types of financial claims: receivables and loans and advances, cash and balances and placements with banks (including loans and advances to banks), holdings of certificates of deposit, bills, promissory notes, commercial paper, other debt instruments and investments and accrued interest and overdue interest on all above assets.

The analysis of international claims by geographical segments in accordance with the location and the types of counterparties which constitutes not less than 10% of total international claims after taking into account any recognized risk transfer is as follow:

<u>Equivalent in millions of HK\$</u>	<u>Non-bank private sector</u>					<u>Total</u>
	<u>Banks</u>	<u>Official Sector</u>	<u>Non-Bank</u>		<u>Others</u>	
			<u>financial institutions</u>	<u>Non-financial private sector</u>		
As at 30 June 2016						
1. Developed countries	1,636	100	0	207	0	1,943
of which – United Kingdom	237	100	0	36	0	373
of which – Japan	660	0	0	35	0	695
2. Offshore centres	1	0	0	616	0	617
of which - Hong Kong	1	0	0	384	0	385
3. Developing Europe	0	0	0	0	0	0
4. Developing Latin America and Caribbean	0	0	0	0	0	0
5. Developing Africa and Middle East	106	0	0	0	0	106
6. Developing Asia-Pacific	5,465	0	0	2,663	0	8,128
of which - China	166	0	0	2,257	0	2,423
of which - Taiwan	5,221	0	0	18	0	5,239

<u>Equivalent in millions of HK\$</u>	<u>Non-bank private sector</u>					<u>Total</u>
	<u>Banks</u>	<u>Official Sector</u>	<u>Non-Bank</u>		<u>Others</u>	
			<u>financial institutions</u>	<u>Non-financial private sector</u>		
As at 31 December 2015						
1. Developed countries	838	102	0	211	0	1,151
of which – United Kingdom	116	102	0	36	0	254
of which – Japan	310	0	0	37	0	347
2. Offshore centres	0	0	0	689	0	689
of which - Hong Kong	0	0	0	457	0	457
3. Developing Europe	0	0	0	0	0	0
4. Developing Latin America and Caribbean	0	0	0	0	0	0
5. Developing Africa and Middle East	111	0	0	0	0	111
6. Developing Asia-Pacific	4,870	0	0	2,418	310	7,598
of which - China	168	0	0	2,403	0	2,571
of which - Taiwan	4,702	0	0	15	0	4,717

6 Currency risk

The currency risk which arise from operations for the net position (in absolute terms) in a particular currency which constitutes not less than 10% of the total net position in all foreign currencies is as follow:

<u>Equivalent in millions of HK\$</u>	USD	AUD	CNY	Total
As at 30 June 2016				
Spot assets	10,435	91	899	11,425
Spot liabilities	10,564	92	899	11,555
Forward purchase	179	0	40	219
Forward sales	39	0	38	77
Net option position	0	0	0	0
Net long/(short) position	11	(1)	2	12
As at 31 December 2015				
Spot assets	9,770	102	1,383	11,255
Spot liabilities	10,319	102	1,283	11,704
Forward purchase	511	0	0	511
Forward sales	0	0	86	86
Net option position	0	0	0	0
Net long/(short) position	(38)	0	14	(24)

There was no structural position as at 30 June 2016 and 31 December 2015.

7 Liquidity information disclosures

a. Average liquidity maintenance ratio

	For the first half year of	
	2016	2015
Average liquidity maintenance ratio	43.58%	41.92%

The average liquidity maintenance ratio is the arithmetic mean of each calendar month's average liquidity maintenance ratio for the period as calculated in accordance with the Banking (Liquidity) Rules with effect from 1 January 2015.

b. Approach to liquidity risk management

The branch manages our liquidity risk in accordance with the Liquidity Risk Management Policy, which is set by Liquidity Risk Management Committee in Hong Kong branch and approved by our head office's Assets and Liabilities Committee. The Policy provides a set of principles for the prudent management of liquidity in the normal course of business. The primary measures used to manage liquidity within the tolerance are the stress-testing and scenario analysis, liquidity maintenance ratio, loan-to-deposit and cash flow maturity mismatch analysis. In additions, our policy set a higher internal limit of liquidity maintenance ratio than the statutory minimum to reduce the liquidity risk.

Liquidity Risk Management Committee is responsible for the liquidity risk management in our branch. Chief Executive is the chairman of the Committee. The members include the head and staff of treasury department, risk management department and accounting department. Chief Executive could also invite other department heads or staff to attend the Committee meeting in need. The regular Committee meeting will be convened monthly or on a need basis.

The branch also follows Liquidity Risk Management Policy of our head office, the guidance set forth by the Hong Kong Monetary Authority in Supervisory Policy Manual (LM-2) - Sound Systems and Controls for Liquidity Risk Management and (LM-1) – Regulatory Framework for Supervision of Liquidity Risk.

8 Remuneration disclosure

In respect to the disclosure requirement under the Hong Kong Monetary Authority's Supervisory Policy Manual (CG-5) - Guideline on a Sound Remuneration System, Chang Hwa Commercial Bank, Ltd. has disclosed the relevant information under the part of Corporate Governance Report of annual report 2015.

Section B. Bank Information (Consolidated Basis)

1 Financial information

	As at	
	30 June 2016	31 December 2015
	NTD,000	NTD,000
Total Assets	1,920,080,054	1,906,257,219
Total Liabilities	1,787,107,074	1,776,782,260
Total Advances	1,335,635,512	1,321,934,363
Total Customers Deposits	1,552,896,075	1,547,739,711

	For the six months ended	
	30 June 2016	30 June 2015
	NTD,000	NTD,000
Pre-tax profit/(loss)	7,180,909	3,669,906

2 Capital and capital adequacy ratio

	As at	
	30 June 2016	31 December 2015
Capital adequacy ratio	11.56%	11.78%

The capital and capital adequacy ratio is calculated in accordance with “Guideline of managing Capital adequacy ratio” and “Instruction of calculation of the bank’s self-owned capital and credit risk-weighted assets”. The capital adequacy ratio is calculated as the percentage of self-owned capital divided by risk-weighted assets.

Self-owned capital is the sum of common stockholders’ equity, other Tier I capital and Tier II capital.

Risk-weighted assets are the sum of credit risk-weighted assets and the capital requirement for credit risk and operation risk multiplied by 12.5.

3 Total amount of shareholders’ funds

	As at	
	30 June 2016	31 December 2015
	NTD,000	NTD,000
Shareholders’ funds	132,972,980	129,474,959

Declaration of Compliance

We enclose herewith the Financial Information Disclosure Statement for the six months ended 30 June 2016. We confirm that the information contained in the disclosure statement complies fully with the Banking (Disclosure) Rules and the supervisory policy manual CA-D-1 "Guideline on the Application of the Banking (Disclosure) Rules" for authorized institutions incorporated outside Hong Kong which issued by Hong Kong Monetary Authority and to the best of our knowledge and belief, is not false or misleading in any material respect.

For and on behalf of
Chang Hwa Commercial Bank, Ltd.
Hong Kong Branch



Teng Hsiu Chuan
Chief Executive

27 September 2016