



彰化銀行香港分行

CHANG HWA COMMERCIAL BANK, LTD.

HONG KONG BRANCH

Financial Information Disclosure Statement

For the year ended 31 December 2016



Financial Information Disclosure Statement
For the year ended 31 December 2016

Contents	Pages
Section A. Hong Kong Branch Information	
1. Income statement information	1
2. Balance sheet information	2
3. Notes to income statement and balance sheet information	3
4. Off-balance sheet exposures information	6
5. Segmental information	
a. Loans and advances to customers by industry classification	7
b. Geographical segments analysis	7
c. Mainland activities	8
d. International claims	9
6. Currency risk	11
7. Liquidity information disclosures	11
8. Remuneration disclosure	12
Section B. Bank Information (Consolidated Basis)	
1. Financial information	13
2. Capital and capital adequacy ratio	13
3. Total amount of shareholders' funds	13
Declaration of Compliance	14

Section A. Hong Kong Branch Information

1 Income statement information

	Note	For the year ended	
		31 December 2016 HK\$,000	31 December 2015 HK\$,000
Interest income		270,882	251,799
Interest expenses		(107,477)	(97,768)
Net interest income		163,405	154,031
Other operating income	3a	54,423	49,439
Operating expenses	3b	(30,177)	(28,378)
Impairment losses and provisions for impaired loans and receivables		19,788	(13,789)
Profit before taxation		207,439	161,303
Tax expense		(28,825)	(27,300)
Profit after taxation		178,614	134,003

2 Balance sheet information

	Note	As at	
		31 December 2016	30 June 2016
		HK\$,000	HK\$,000
Assets			
Cash and balances with banks (except those included in amount due from head office and overseas office)		2,763,208	883,353
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)		2,681,982	5,893,632
Amount due from head office and overseas office		1,661,880	371,562
Trade bills		3,273	4,127
Loans and receivables	3d	4,869,209	4,905,774
Investment securities			
- Available-for-sale securities		1,024,207	589,588
Other assets		107,337	108,512
Property, plant and equipment		1,666	1,717
Total assets		13,112,762	12,758,265
Liabilities			
Deposit and balances of banks and other financial institutions (except those included in amount due from head office and overseas office)		1,467,184	235,176
Deposit from customers	3c	7,988,092	9,178,694
Amount due to head office and overseas offices		3,159,607	2,917,382
Other liabilities and provision		185,262	193,262
Total liabilities		12,800,145	12,524,514
Equities			
Current profit		178,614	99,748
Reserves		134,003	134,003
		312,617	233,751
Total equities and liabilities		13,112,762	12,758,265

3 Notes to the income statement and balance sheet information

a. Other operating income

	For the year ended	
	31 December 2016	31 December 2015
	HK\$,000	HK\$,000
Service fee and commission income	48,741	46,192
Service fee and commission expenses	(2,275)	(1,789)
Net fees and commission income	46,466	44,403
Gains less losses arising from trading in foreign currencies	7,770	4,999
Others	187	37
	<u>54,423</u>	<u>49,439</u>

b. Operating expenses

	For the year ended	
	31 December 2016	31 December 2015
	HK\$,000	HK\$,000
Staff and rental expenses	25,477	23,593
Other expenses	4,700	4,785
	<u>30,177</u>	<u>28,378</u>

c. Deposits from customers

	As at	
	31 December 2016	30 June 2016
	HK\$,000	HK\$,000
Demand deposits and current accounts	226,118	226,823
Savings accounts	3,721,424	3,659,097
Time, call and notice deposits	4,040,550	5,292,774
	<u>7,988,092</u>	<u>9,178,694</u>

d. Loans and receivables

	As at	
	31 December 2016	30 June 2016
	HK\$,000	HK\$,000
Loans and advances to customers	4,873,438	4,952,335
Loans and advances to banks	26,904	0
Accrued interest and other accounts	35,902	21,808
	<u>4,936,244</u>	<u>4,974,143</u>
Less: Impairment allowances		
Loans and advances to customers		
- <i>Collective provisions</i>	65,141	67,350
- <i>Specific provisions</i>	815	0
Loans and advances to banks		
- <i>Collective provisions</i>	0	0
Trade bills		
- <i>Collective provisions</i>	33	41
Others		
- <i>Collective provisions</i>	1,046	978
	<u>67,035</u>	<u>68,369</u>
Impairment allowances for loans and receivables		
	<u>4,869,209</u>	<u>4,905,774</u>

e. Detail of impaired loans and advances to customers

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

	As at	
	31 December 2016	30 June 2016
	HK\$,000	HK\$,000
Gross amounts	1,165	1,371
Individual impairment allowances	815	343
Value of collateral	0	0
Percentage of such loans and advances to its total amount of loans and advances to customers	0.02%	0.03%

f. Overdue and rescheduled loans:

(i) Overdue loans

	As at			
	31 December 2016		30 June 2016	
	HK\$,000	Percentage of total loans & advances to customers	HK\$,000	Percentage of total loans & advances to 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	1,165	0.02%	0	0.00%
More than one year	0	0.00%	0	0.00%
	<u>1,165</u>	<u>0.02%</u>	<u>0</u>	<u>0.00%</u>

Value of collateral held against the overdue loans and advances

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

g. Repossessed assets

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

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	
	31 December 2016	30 June 2016
	HK\$,000	HK\$,000
Contingent Liabilities and Commitments		
Direct credit substitutes	18,614	18,621
Transaction-related contingencies	0	0
Trade-related contingencies	21,461	46,558
Other commitments	565,041	702,243
	<u>605,116</u>	<u>767,422</u>
Derivatives		
Exchange rate contracts	0	295,549
Replacement cost of derivatives		
Exchange rate contracts	0	(118)

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 customers by industry classification

	As at			
	31 December 2016		30 June 2016	
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	0	0	12,062	0
- Financial concerns	227,560	0	304,926	0
- Stockbrokers	0	0	0	0
- Wholesale and retail trade	146,452	23,944	162,532	25,073
- Manufacturing	207,581	15,234	239,153	14,238
- Transport and transport equipment	0	0	0	0
- Recreational activities	0	0	0	0
- Information technology	96,234	0	0	0
- Others	165,979	0	206,332	1,500
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	4,418	4,418	4,556	4,556
- Credit card advances	0	0	0	0
- Others	90,352	90,352	66,953	66,953
Trade finance	133,780	0	147,351	0
Loans and advances for use outside Hong Kong	3,801,082	16,752	3,808,470	68,075
Total loans and advances	4,873,438	150,700	4,952,335	180,395

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 recognized risk transfers, where it constitutes 10% or more of the relevant disclosure item.

	As at	
	31 December 2016	30 June 2016
Loans and advances by geographical segment	HK\$,000	HK\$,000
- Hong Kong	727,032	761,784
- China	3,243,022	3,472,904
- Taiwan	49,739	88,414
- Others	852,480	627,862
Impaired loans and advances by geographical segment		
- Taiwan	1,165	1,371
	<u>4,873,438</u>	<u>4,952,335</u>

c. Mainland activities

Types of counterparties	On-balance	Off-balance	Total
	sheet exposure	sheet exposure	
	HK\$ million	HK\$ million	HK\$ million
As at 31 December 2016			
1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	632	54	686
2. Local governments, local government-owned entities and their subsidiaries and JVs	393	0	393
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	101	0	101
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	1,495	16	1,511
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	553	0	553
Total	<u>3,174</u>	<u>70</u>	<u>3,244</u>
Total assets after provision	13,113		
On-balance sheet exposures as percentage of total assets	24.21 %		

Types of counterparties	On-balance	Off-balance	Total
	sheet exposure HK\$ million	sheet exposure 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	3,509	82	3,591
Total assets after provision	12,758		
On-balance sheet exposures as percentage of total assets	27.50%		

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>					Total
	Banks	Official Sector	Non-Bank financial institutions	Non-financial private sector	Others	
As at 31 December 2016						
1. Developed countries	1,938	96	0	156	0	2,190
of which – United States	343	0	0	0	0	343
of which – United Kingdom	203	96	0	34	0	579
of which – Japan	545	0	0	34	0	579
2. Offshore centres	1	0	0	597	0	598
of which - Hong Kong	0	0	0	365	0	365
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	70	0	0	0	0	70
6. Developing Asia-Pacific	5,872	0	0	2,643	0	8,515
of which - China	346	0	0	2,083	0	2,429
of which - Taiwan	5,448	0	0	15	0	5,463

<u>Equivalent in millions of HK\$</u>	<u>Non-bank private sector</u>					Total
	Banks	Official Sector	Non-Bank financial institutions	Non-financial private sector	Others	
As at 30 June 2016						
1. Developed countries	1,636	100	0	207	0	1,943
of which – United States	233	0	0	0	0	233
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

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 31 December 2016				
Spot assets	10,467	83	1,006	11,556
Spot liabilities	10,468	83	1,007	11,558
Forward purchase	0	0	0	0
Forward sales	0	0	0	0
Net option position	0	0	0	0
Net long/(short) position	(1)	0	(1)	(2)
<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

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

7 Liquidity information disclosures

a. Average liquidity maintenance ratio

	For the year of	
	2016	2015
Average liquidity maintenance ratio	44.52%	42.08%

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 2016.

Section B. Bank Information (Consolidated Basis)

1 Financial information

	As at	
	31 December 2016	30 June 2016
	NTD,000	NTD,000
Total Assets	2,005,151,504	1,920,084,054
Total Liabilities	1,867,627,979	1,787,107,074
Total Advances	1,367,259,890	1,335,635,512
Total Customers Deposits	1,624,429,817	1,552,896,075

	For the year ended	
	31 December 2016	31 December 2015
	NTD,000	NTD,000
Pre-tax profit/(loss)	14,083,041	13,746,201

2 Capital and capital adequacy ratio

	As at	
	31 December 2016	30 June 2016
Capital adequacy ratio	12.01%	11.56%

The capital adequacy ratio is calculated in accordance with “Guideline of managing Capital adequacy ratio” issued by Financial Supervisory Commission Republic of China (Taiwan). The guideline closely follows the prevailing banking supervisory standards relating to capital adequacy issued by the Basel Committee.

3 Total amount of shareholders’ funds

	As at	
	31 December 2016	30 June 2016
	NTD,000	NTD,000
Shareholders’ funds	137,523,525	132,972,980

Declaration of Compliance

We enclose herewith the Financial Information Disclosure Statement for the year ended 31 December 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

29 March 2017