



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 2017



Financial Information Disclosure Statement
For the year ended 31 December 2017

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Section A. Hong Kong Branch Information

1 Income statement information

	Note	For the year ended	
		31 December 2017	31 December 2016
		HK\$,000	HK\$,000
Interest income		364,854	270,882
Interest expenses		(162,668)	(107,477)
Net interest income		202,186	163,405
Other operating income	3a	58,419	54,423
Operating expenses	3b	(32,681)	(30,177)
Impairment losses and provisions for impaired loans and receivables		(12,752)	19,788
Profit before taxation		215,172	207,439
Tax expense		(35,434)	(28,825)
Profit after taxation		179,738	178,614

2 Balance sheet information

	Note	As at	
		31 December 2017	30 June 2017
		HK\$,000	HK\$,000
Assets			
Cash and balances with banks (except those included in amount due from head office and overseas office)		3,983,634	3,679,687
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)		3,267,589	3,559,308
Amount due from head office and overseas office		725,491	471,603
Trade bills		2,443	2,197
Certificate of Deposit Held		234,516	234,165
Investment securities			
- Available-for-sale securities		689,320	825,448
Loans and receivables	3d	5,958,368	5,284,423
Other assets		112,675	80,134
Property, plant and equipment		1,401	1,689
Total assets		14,975,437	14,138,654
Liabilities			
Deposit and balances of banks and other financial institutions (except those included in amount due from head office and overseas office)		2,280,704	2,178,424
Deposit from customers	3c	8,674,802	8,119,446
Amount due to head office and overseas offices		3,197,038	3,270,261
Other liabilities and provision		331,633	175,556
Total liabilities		14,484,177	13,743,687
Equities			
Current profit		179,738	84,484
Reserves		311,522	310,483
		491,260	394,967
Total equities and liabilities		14,975,437	14,138,654

3 Notes to the income statement and balance sheet information

a. Other operating income

	For the year ended	
	31 December 2017	31 December 2016
	HK\$,000	HK\$,000
Service fee and commission income	56,024	48,741
Service fee and commission expenses	(2,923)	(2,275)
Net fees and commission income	53,101	46,466
Gains less losses arising from trading in foreign currencies	5,261	7,770
Others	57	187
	<u>58,419</u>	<u>54,423</u>

b. Operating expenses

	For the year ended	
	31 December 2017	31 December 2016
	HK\$,000	HK\$,000
Staff and rental expenses	28,096	25,477
Other expenses	4,585	4,700
	<u>32,681</u>	<u>30,177</u>

c. Deposits from customers

	As at	
	31 December 2017	30 June 2017
	HK\$,000	HK\$,000
Demand deposits and current accounts	209,734	215,006
Savings accounts	3,838,012	3,624,582
Time, call and notice deposits	4,627,056	4,279,858
	<u>8,674,802</u>	<u>8,119,446</u>

d. Loans and receivables

	As at	
	31 December 2017	30 June 2017
	HK\$,000	HK\$,000
Loans and advances to customers	5,994,196	5,308,423
Loans and advances to banks	0	8,354
Accrued interest and other accounts	44,856	39,383
	<u>6,039,052</u>	<u>5,356,160</u>
Less: Impairment allowances		
Loans and advances to customers		
- <i>Collective provisions</i>	79,730	70,255
- <i>Specific provisions</i>	641	828
Loans and advances to banks		
- <i>Collective provisions</i>	0	0
Trade bills		
- <i>Collective provisions</i>	24	22
Others		
- <i>Collective provisions</i>	289	632
	<u>80,684</u>	<u>71,737</u>
Impairment allowances for loans and receivables		
	<u>5,958,368</u>	<u>5,284,423</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 2017	30 June 2017
	HK\$,000	HK\$,000
Gross amounts	697	920
Individual impairment allowances	641	828
Value of collateral	0	0
Percentage of such loans and advances to its total amount of loans and advances to customers	0.01%	0.02%

f. Overdue and rescheduled loans:

(i) Overdue loans

	As at			
	31 December 2017		30 June 2017	
	Percentage of total	Percentage of total	Percentage of total	Percentage of total
	loans & advances to	loans & advances to	loans & advances to	loans & advances to
	customers	customers	customers	customers
	HK\$,000	HK\$,000	HK\$,000	HK\$,000
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	697	0.01%	920	0.00%
	697	0.01%	920	0.02%

Value of collateral held against the overdue loans and advances

	As at	
	31 December 2017	30 June 2017
	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			
	31 December 2017		30 June 2017	
	Percentage of total	Percentage of total	Percentage of total	Percentage of total
	loans & advances to	loans & advances to	loans & advances to	loans & advances to
	customers	customers	customers	customers
	HK\$,000	HK\$,000	HK\$,000	HK\$,000
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%	0	0.00%

g. Repossessed assets

There was no repossessed asset as at 31 December 2017 and 30 June 2017.

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 2017	30 June 2017
	HK\$,000	HK\$,000
Contingent Liabilities and Commitments		
Direct credit substitutes	15,634	15,611
Transaction-related contingencies	0	0
Trade-related contingencies	13,137	42,417
Other commitments	780,320	500,216
	<u>809,091</u>	<u>558,244</u>
Derivatives		
Exchange rate contracts	<u>0</u>	<u>0</u>
Replacement cost of derivatives		
Exchange rate contracts	<u>0</u>	<u>0</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 customers by industry classification

	As at			
	31 December 2017		30 June 2017	
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	96,032	88,750	91,862	88,750
- Property investment	0	0	0	0
- Financial concerns	234,045	0	151,746	0
- Stockbrokers	140,000	0	0	0
- Wholesale and retail trade	295,451	254,571	61,207	25,157
- Manufacturing	127,853	11,726	200,577	14,708
- Transport and transport equipment	0	0	0	0
- Recreational activities	0	0	0	0
- Information technology	176,085	0	91,472	0
- Others	0	0	0	0
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	3,514	3,514	4,185	4,185
- Credit card advances	0	0	0	0
- Others	63,876	63,876	70,931	70,931
Trade finance	149,693	0	162,274	0
Loans and advances for use outside Hong Kong				
	4,707,647	278,358	4,474,169	130,069
Total loans and advances	5,994,196	700,795	5,308,423	333,800

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 2017	30 June 2017
Loans and advances by geographical segment	HK\$,000	HK\$,000
- Hong Kong	1,023,311	790,148
- China	3,927,028	3,404,598
- Taiwan	35,112	36,522
- Others	1,008,048	1,076,235
Impaired loans and advances by geographical segment		
- Taiwan	697	920
	<u>5,994,196</u>	<u>5,308,423</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 2017			
1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	416	19	435
2. Local governments, local government-owned entities and their subsidiaries and JVs	402	0	402
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	336	0	336
4. Other entities of central government not reported in item 1 above	160	59	219
5. Other entities of local governments not reported in item 2 above	80	0	80
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	1,765	176	1,941
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	777	23	800
Total	<u>3,936</u>	<u>277</u>	<u>4,213</u>
Total assets after provision	14,975		
On-balance sheet exposures as percentage of total assets	26.28 %		

Types of counterparties	On-balance	Off-balance	Total
	sheet exposure	sheet exposure	
	HK\$ million	HK\$ million	HK\$ million
As at 30 June 2017			
1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	343	78	421
2. Local governments, local government-owned entities and their subsidiaries and JVs	498	0	498
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	148	0	148
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	1,603	16	1,619
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	721	0	721
Total	3,414	94	3,508
Total assets after provision	14,139		
On-balance sheet exposures as percentage of total assets	24.14%		

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 financial institutions</u>	<u>Non-financial private sector</u>	<u>Others</u>	
As at 31 December 2017						
1. Developed countries	1,848	0	0	275	0	2,123
of which – United States	463	0	0	115	0	578
of which – United Kingdom	192	0	0	36	0	228
of which – Japan	704	0	0	0	0	704
2. Offshore centres	166	0	0	504	0	670
of which - Hong Kong	156	0	0	283	0	439
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	75	0	0	71	0	146
6. Developing Asia-Pacific	6,631	0	0	2,794	0	9,425
of which - China	503	0	0	2,265	0	2,768
of which - Taiwan	6,082	0	0	8	0	6,090

<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 financial institutions</u>	<u>Non-financial private sector</u>	<u>Others</u>	
As at 30 June 2017						
1. Developed countries	1,737	99	0	328	0	2,164
of which – United States	320	0	0	117	0	437
of which – United Kingdom	194	99	0	35	0	328
of which – Japan	586	0	0	0	0	586
2. Offshore centres	212	0	0	431	0	643
of which - Hong Kong	71	0	0	199	0	270
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	70	0	140
6. Developing Asia-Pacific	6,415	0	0	2,876	0	9,291
of which - China	357	0	0	2,285	0	2,642
of which - Taiwan	5,567	0	0	12	0	5,579

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 2017				
Spot assets	11,433	325	832	12,590
Spot liabilities	11,486	324	830	12,640
Forward purchase	0	0	0	0
Forward sales	0	0	0	0
Net option position	0	0	0	0
Net long/(short) position	(53)	1	2	(50)
As at 30 June 2017				
Spot assets	11,366	319	884	12,569
Spot liabilities	11,400	318	883	12,601
Forward purchase	0	0	0	0
Forward sales	0	0	0	0
Net option position	0	0	0	0
Net long/(short) position	(34)	1	1	(32)

There was no structural position as at 31 December 2017 and 30 June 2017.

7 Liquidity information disclosures

a. Average liquidity maintenance ratio

	For the year of	
	2017	2016
Average liquidity maintenance ratio	41.12%	44.52%

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 2017.

Section B. Bank Information (Consolidated Basis)

1 Financial information

	As at	
	31 December 2017	30 June 2017
	NTD,000	NTD,000
Total Assets	2,036,258,400	1,983,808,905
Total Liabilities	1,891,310,836	1,844,271,842
Total Advances	1,377,040,660	1,340,346,323
Total Customers Deposits	1,672,079,784	1,628,136,755

	For the year ended	
	31 December 2017	31 December 2016
	NTD,000	NTD,000
Pre-tax profit/(loss)	14,184,219	14,083,041

2 Capital and capital adequacy ratio

	As at	
	31 December 2017	30 June 2017
Capital adequacy ratio	13.56%	12.75%

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 2017	30 June 2017
	NTD,000	NTD,000
Shareholders’ funds	144,947,564	139,537,063

Declaration of Compliance

We enclose herewith the Financial Information Disclosure Statement for the year ended 31 December 2017. 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

A handwritten signature in black ink, appearing to read 'Teng Hsiu Chuan', is written over a horizontal line.

Teng Hsiu Chuan
Chief Executive

27 March 2018