



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 2018



Financial Information Disclosure Statement

For the year ended 31 December 2018

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Section A. Hong Kong Branch Information

1 Income statement information

	Note	For the year ended	
		31 December 2018	31 December 2017
		HK\$,000	HK\$,000
Interest income		525,138	364,854
Interest expenses		(257,827)	(162,668)
Net interest income		267,311	202,186
Other operating income	3a	50,444	58,419
Operating expenses	3b	(35,080)	(32,681)
Impairment losses and provisions for impaired loans and receivables		5,463	(12,752)
Profit before taxation		288,138	215,172
Tax expense		(41,125)	(35,434)
Profit after taxation		247,013	179,738

2 Balance sheet information

	Note	As at	
		31 December 2018	30 June 2018
		HK\$,000	HK\$,000
Assets			
Cash and balances with banks (except those included in amount due from head office and overseas office)		3,266,326	3,442,640
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)		3,203,277	2,942,849
Amount due from head office and overseas office		968,211	906,568
Trade bills		5,341	2,520
Certificate of Deposit Held		470,010	470,856
Investment securities			
- Available-for-sale securities		1,316,059	981,777
Loans and receivables	3d	5,874,451	6,572,746
Other assets		101,347	62,876
Property, plant and equipment		1,121	1,284
Total assets		15,206,143	15,384,116
Liabilities			
Deposit and balances of banks and other financial institutions (except those included in amount due to head office and overseas office)		1,638,492	3,028,509
Deposit from customers	3c	8,918,874	8,413,289
Amount due to head office and overseas offices		3,732,839	3,174,617
Other liabilities and provision		185,287	163,973
Total liabilities		14,475,492	14,780,388
Equities			
Current profit		247,013	118,450
Reserves		483,638	485,278
		730,651	603,728
Total equities and liabilities		15,206,143	15,384,116

3 Notes to the income statement and balance sheet information

a. Other operating income

	For the year ended	
	31 December 2018	31 December 2017
	HK\$,000	HK\$,000
Service fee and commission income	39,022	56,024
Service fee and commission expenses	(2,776)	(2,923)
Net fees and commission income	36,246	53,101
Gains less losses arising from trading in foreign currencies	7,352	5,261
Gains less losses from other trading activities	8	57
Income from non-trading investments	6,838	0
	50,444	58,419

b. Operating expenses

	For the year ended	
	31 December 2018	31 December 2017
	HK\$,000	HK\$,000
Staff and rental expenses	28,102	28,096
Loss on sale of equipment	1	0
Other expenses	6,977	4,585
	35,080	32,681

c. Deposits from customers

	As at	
	31 December 2018	30 June 2018
	HK\$,000	HK\$,000
Demand deposits and current accounts	208,953	220,483
Savings accounts	3,676,409	3,667,606
Time, call and notice deposits	5,033,512	4,525,200
	8,918,874	8,413,289

d. Loans and receivables

	As at	
	31 December 2018	30 June 2018
	HK\$,000	HK\$,000
Loans and advances to customers	5,894,109	6,607,577
Loans and advances to banks	0	0
Accrued interest and other accounts	58,805	54,067
	<u>5,952,914</u>	<u>6,661,644</u>
Less: Impairment allowances		
Loans and advances to customers		
- <i>Collective provisions</i>	77,604	88,118
- <i>Specific provisions</i>	282	471
Loans and advances to banks		
- <i>Collective provisions</i>	0	0
Trade bills		
- <i>Collective provisions</i>	53	25
Others		
- <i>Collective provisions</i>	524	284
	<u>78,463</u>	<u>88,898</u>
Impairment allowances for loans and receivables	<u>78,463</u>	<u>88,898</u>
	<u>5,874,451</u>	<u>6,572,746</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 2018	30 June 2018
	HK\$,000	HK\$,000
Gross amounts	307	512
Individual impairment allowances	282	471
Value of collateral	0	0
Percentage of such loans and advances to its total amount of loans and advances to customers	0.01%	0.01%

f. Overdue and rescheduled loans:

(i) Overdue loans

	As at			
	31 December 2018		30 June 2018	
	Percentage of total loans & advances to customers	HK\$,000	Percentage of total loans & advances to customers	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	0.00%	0	0.00%	0
More than 6 months but not more than one year	0.00%	0	0.00%	0
More than one year	0.01%	307	0.01%	512
	0.01%	307	0.01%	512

Value of collateral held against the overdue loans and advances

	As at	
	31 December 2018	30 June 2018
	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 2018		30 June 2018	
	Percentage of total loans & advances to customers	HK\$,000	Percentage of total loans & advances to customers	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

g. Repossessed assets

There was no repossessed asset as at 31 December 2018 and 30 June 2018.

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 2018	30 June 2018
	HK\$,000	HK\$,000
Contingent Liabilities and Commitments		
Direct credit substitutes	15,667	15,695
Transaction-related contingencies	0	0
Trade-related contingencies	25,261	71,010
Other commitments	389,852	373,031
	<u>430,780</u>	<u>459,736</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 2018		30 June 2018	
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	121,389	88,750	100,450	88,750
- Property investment	0	0	0	0
- Financial concerns	223,632	0	253,476	0
- Stockbrokers	140,000	0	140,000	0
- Wholesale and retail trade	446,760	252,313	449,321	254,227
- Manufacturing	118,261	10,870	128,160	13,741
- Transport and transport equipment	0	0	0	0
- Recreational activities	0	0	0	0
- Information technology	170,802	0	173,444	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	3,344	3,344	3,429	3,429
- Credit card advances	0	0	0	0
- Others	22,247	22,247	44,420	44,420
Trade finance	112,837	0	140,572	0
Loans and advances for use outside Hong Kong	4,534,837	539,290	5,174,305	394,262
Total loans and advances	5,894,109	916,814	6,607,577	798,829

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 2018	30 June 2018
Loans and advances by geographical segment	HK\$,000	HK\$,000
- Hong Kong	1,110,839	1,156,569
- China	3,625,202	4,340,773
- Taiwan	23,402	32,852
- Others	1,134,359	1,076,871
Impaired loans and advances by geographical segment		
- Taiwan	307	512
	<u>5,894,109</u>	<u>6,607,577</u>

c. Mainland activities

Types of counterparties	On-balance sheet exposure HK\$ million	Off-balance sheet exposure HK\$ million	Total HK\$ million
As at 31 December 2018			
1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	286	16	302
2. Local governments, local government-owned entities and their subsidiaries and JVs	312	0	312
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	501	0	501
4. Other entities of central government not reported in item 1 above	197	59	256
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	1,758	0	1,758
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	584	0	584
Total	<u>3,638</u>	<u>75</u>	<u>3,713</u>
Total assets after provision	15,206		
On-balance sheet exposures as percentage of total assets	23.93 %		

Types of counterparties	On-balance sheet exposure HK\$ million	Off-balance sheet exposure HK\$ million	Total HK\$ million
As at 30 June 2018			
1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	345	0	345
2. Local governments, local government-owned entities and their subsidiaries and JVs	603	0	603
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	468	0	468
4. Other entities of central government not reported in item 1 above	232	59	291
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	1,921	0	1,921
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	787	7	794
Total	4,356	66	4,422
Total assets after provision	15,384		
On-balance sheet exposures as percentage of total assets	28.31 %		

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>Non-bank private sector</u>						
Non-Bank						
Equivalent in millions of HK\$	Banks	Official Sector	financial institutions	Non-financial private sector	Others	Total
As at 31 December 2018						
1. Developed countries	1,528	115	0	390	0	2,033
of which – United States	275	115	0	112	0	502
of which – United Kingdom	125	0	0	34	0	159
of which – Japan	675	0	0	0	0	675
2. Offshore centres	0	0	0	399	0	399
of which - Hong Kong	0	0	0	190	0	190
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	0	0	0	66	0	66
6. Developing Asia-Pacific	7,473	0	0	2,543	0	10,016
of which - China	1,015	0	0	2,154	0	3,169
of which - Taiwan	6,134	0	0	4	0	6,138

<u>Non-bank private sector</u>						
Non-Bank						
Equivalent in millions of HK\$	Banks	Official Sector	financial institutions	Non-financial private sector	Others	Total
As at 30 June 2018						
1. Developed countries	945	0	0	402	0	1,347
of which – United States	170	0	0	116	0	286
of which – United Kingdom	127	0	0	36	0	163
of which – Japan	263	0	0	0	0	263
2. Offshore centres	0	0	0	423	0	423
of which - Hong Kong	0	0	0	191	0	191
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	0	0	0	69	0	69
6. Developing Asia-Pacific	7,541	0	119	2,924	0	10,584
of which - China	1,020	0	119	2,461	0	3,600
of which - Taiwan	6,473	0	0	8	0	6,481

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	Others	Total
As at 31 December 2018					
Spot assets	11,462	417	680	297	12,856
Spot liabilities	11,446	417	688	298	12,849
Forward purchase	0	0	0	0	0
Forward sales	0	0	0	0	0
Net option position	0	0	0	0	0
Net long/(short) position	16	0	(8)	(1)	7

<u>Equivalent in millions of HK\$</u>	USD	AUD	CNY	Others	Total
As at 30 June 2018					
Spot assets	11,398	449	748	411	13,006
Spot liabilities	11,386	450	743	409	12,988
Forward purchase	0	0	0	0	0
Forward sales	0	0	0	0	0
Net option position	0	0	0	0	0
Net long/(short) position	12	(1)	5	2	18

There was no structural position as at 31 December 2018 and 30 June 2018.

7 Liquidity information disclosures

a. Average liquidity maintenance ratio

	For the quarter ended 31/12/2018	For the year ended 31/12/2018	For the year ended 31/12/2017
Average liquidity maintenance ratio for the period	44.29%	43.97%	41.12%

The average liquidity maintenance ratio is the arithmetic mean of each calendar month's average liquidity maintenance ratio for the relevant period as calculated in accordance with Section 103B of Banking (Disclosure) Rules.

b. Approach to liquidity risk management

1. Liquidity risk management monitoring	<p>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.</p> <p>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.</p>
2. Funding strategy	<p>The liquidity risk management of the branch adopts the principle of conservative and stable, forecasts the cash flow at different time points to diversify the source and duration of funds, and adjusts the liquidity gap for daily cash flow and market changes.</p> <ol style="list-style-type: none"> 1. Source of funds: based on the principle of diversification, stability and reliability. 2. Use of funds: the principle of decentralization and avoiding excessive concentration. 3. Management strategy: Based on the principle of conservative estimation, and strengthen the interactive management of foreign currency funds.
3. Liquidity stress tests	<p>Stress tests should be performed quarterly for all currencies in aggregate and separately for positions in HKD, USD, CNY that we have significant positions in order to maintain appropriate individual currency funding in needs. The liquidity stress test is carried out by the risk management department. After reporting to Liquidity Risk Management Committee for discussion, the results are reported to the senior management of the head office.</p>
4. Liquidity buffers and contingency funding plan	<p>Our policy set a higher internal limit of liquidity maintenance ratio than the statutory minimum to maintain adequate liquidity in response possible situation.</p> <p>In addition, the branch establishes a contingency funding plan that details the emergency measures that should be taken actions while a liquidity crisis occurs.</p>
5. Measure indicators of liquidity risk	<p>The branch sets up a series of limits indicators, including liquidity maintenance ratio, maturity mismatch limits, loan to deposit ratio, loss of deposit and group liquidity limits, in order to monitoring impact on liquidity risk.</p>

Limits indicators		Limit
Liquidity maintenance ratio		≥35%
Maturity mismatch limits	Within 1 month	-20%
Loan to deposit ratio	Overall	200%

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 2018.

Section B. Bank Information (Consolidated Basis)

1 Financial information

	As at	
	31 December 2018	30 June 2018
	NTD,000	NTD,000
Total Assets	2,081,811,670	2,095,013,795
Total Liabilities	1,925,250,039	1,944,155,152
Total Advances	1,336,701,095	1,370,074,982
Total Customers Deposits	1,689,581,112	1,674,630,563

	For the year ended	
	31 December 2018	31 December 2017
	NTD,000	NTD,000
Pre-tax profit/(loss)	14,710,084	14,184,219

2 Capital and capital adequacy ratio

	As at	
	31 December 2018	30 June 2018
Capital adequacy ratio	14.84%	14.16%

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 2018	30 June 2018
	NTD,000	NTD,000
Shareholders' funds	156,561,631	150,858,643

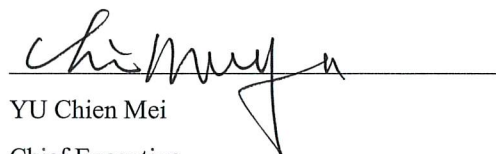
Declaration of Compliance

We enclose herewith the Financial Information Disclosure Statement for the year ended 31 December 2018. 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


YU Chien Mei
Chief Executive

27 March 2019