



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 2019

CHANG HWA COMMERCIAL BANK, LTD. HONG KONG BRANCH.

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Incorporated in Taiwan (Republic of China) with limited liability



CHANG HWA COMMERCIAL BANK, LTD.
HONG KONG BRANCH

彰化銀行
香港分行

Financial Information Disclosure Statement For the six months ended 30 June 2019

The statement is available at Chang Hwa Commercial Bank, Ltd. Hong Kong Branch at the following address:

1401, Tower II, The Gateway, 25 Canton Road, Kowloon, Hong Kong

A copy of the Disclosure Statement has been lodged with the public registry of the Hong Kong Monetary Authority's Public Registry and is available on the website <https://www.chbebank.com> for public inspection.



Financial Information Disclosure Statement

For the six months ended 30 June 2019

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Section A. Hong Kong Branch Information

1 Income statement information

	Note	For the six months ended	
		30 June 2019	30 June 2018
		HK\$,000	HK\$,000
Interest income		291,253	244,934
Interest expenses		165,320	(115,009)
Net interest income		125,933	129,925
Other operating income	3a	18,067	35,766
Operating expenses	3b	(17,233)	(16,263)
Impairment losses and provisions for impaired loans and receivables		(5,148)	(8,332)
Profit before taxation		121,619	141,096
Tax expense		(21,004)	(22,646)
Profit after taxation		100,615	118,450

2 Balance sheet information

	Note	As at	
		30 June 2019	31 December 2018
		HK\$,000	HK\$,000
Assets			
Cash and balances with banks (except those included in amount due from head office and overseas office)		3,341,405	3,266,326
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)		4,493,453	3,203,277
Amount due from head office and overseas office		510,181	968,211
Trade bills		2,919	5,341
Certificate of Deposit Held		468,882	470,010
Investment securities			
- Available-for-sale securities		2,004,622	1,316,059
Loans and receivables	3d	6,219,859	5,874,451
Other assets		171,022	101,347
Property, plant and equipment		16,651	1,121
Total assets		17,228,994	15,206,143
Liabilities			
Deposit and balances of banks and other financial institutions (except those included in amount due to head office and overseas office)		4,466,897	1,638,492
Deposit from customers	3c	8,366,477	8,918,874
Amount due to head office and overseas offices		3,265,237	3,732,839
Other liabilities and provision		299,264	185,287
Total liabilities		16,397,875	14,475,492
Equities			
Current profit		100,614	247,013
Reserves		730,505	483,638
		831,119	730,651
Total equities and liabilities		17,228,994	15,206,143

3 Notes to the income statement and balance sheet information
a. Other operating income

	For the six months ended	
	30 June 2019	30 June 2018
	HK\$,000	HK\$,000
Service fee and commission income	16,701	25,441
Service fee and commission expenses	(1,370)	(1,292)
Net fees and commission income	15,331	24,149
Gains less losses arising from trading in foreign currencies	2,724	4,786
Gains less losses from other trading activities	0	6
Income from non-trading investments	12	6,825
	18,067	35,766

b. Operating expenses

	For the six months ended	
	30 June 2019	30 June 2018
	HK\$,000	HK\$,000
Staff and rental expenses	8,123	13,145
Other expenses	9,110	3,118
	17,233	16,263

c. Deposits from customers

	As at	
	30 June 2019	31 December 2018
	HK\$,000	HK\$,000
Demand deposits and current accounts	192,542	208,953
Savings accounts	3,468,032	3,676,409
Time, call and notice deposits	4,705,903	5,033,512
	8,366,477	8,918,874

d. Loans and receivables

	As at	
	30 June 2019	31 December 2018
	HK\$,000	HK\$,000
Loans and advances to customers	6,239,505	5,894,109
Loans and advances to banks	0	0
Accrued interest and other accounts	63,692	58,805
	<u>6,303,197</u>	<u>5,952,914</u>
Less: Impairment allowances		
Loans and advances to customers		
- <i>Collective provisions</i>	81,408	77,604
- <i>Specific provisions</i>	853	282
Loans and advances to banks		
- <i>Collective provisions</i>	0	0
Trade bills		
- <i>Collective provisions</i>	29	53
Others		
- <i>Collective provisions</i>	1,048	524
	<u>83,338</u>	<u>78,463</u>
Impairment allowances for loans and receivables	<u>83,338</u>	<u>78,463</u>
	<u>6,219,859</u>	<u>5,874,451</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 2019	31 December 2018
	HK\$,000	HK\$,000
Gross amounts	2,414	307
Individual impairment allowances	853	282
Value of collateral	0	0
Percentage of such loans and advances to its total amount of loans and advances to customers	0.039%	0.01%

f. Overdue and rescheduled loans:

(i) Overdue loans

	As at			
	30 June 2019		31 December 2018	
	Percentage of total		Percentage of total	
	loans & advances to		loans & advances to	
	customers		customers	
	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	2,319	0.037%	0	0.00%
More than 6 months but not more than one year	0	0.00%	0	0.00%
More than one year	95	0.002%	307	0.01%
	<u>2,414</u>	<u>0.039%</u>	<u>307</u>	<u>0.01%</u>

Value of collateral held against the overdue loans and advances

	As at	
	30 June 2019	31 December 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			
	30 June 2019		31 December 2018	
	Percentage of total		Percentage of total	
	loans & advances to		loans & advances to	
	customers		customers	
	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%

g. Repossessed assets

There was no repossessed asset as at 30 June 2019 and 31 December 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	
	30 June 2019	31 December 2018
	HK\$,000	HK\$,000
Contingent Liabilities and Commitments		
Direct credit substitutes	24,413	15,667
Transaction-related contingencies	0	0
Trade-related contingencies	12,178	25,261
Other commitments	782,782	389,852
	<u>819,373</u>	<u>430,780</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			
	30 June 2019		31 December 2018	
Loans and advances for use in Hong Kong	Outstanding balance	Balance covered by collateral	Outstanding balance	Balance covered by collateral
	HK\$,000	HK\$,000	HK\$,000	HK\$,000
Industrial, commercial and financial				
- Property development	0	0	121,389	88,750
- Property investment	0	0	0	0
- Financial concerns	205,156	0	223,632	0
- Stockbrokers	140,000	0	140,000	0
- Wholesale and retail trade	645,602	260,250	446,760	252,313
- Manufacturing	281,671	10,878	118,261	10,870
- Transport and transport equipment	0	0	0	0
- Recreational activities	0	0	0	0
- Information technology	170,802	0	170,802	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	3,259	3,259	3,344	3,344
- Credit card advances	0	0	0	0
- Others	18,130	18,130	22,247	22,247
Trade finance	50,302	0	112,837	0
Loans and advances for use outside Hong Kong	<u>4,724,583</u>	<u>810,706</u>	<u>4,534,837</u>	<u>539,290</u>
Total loans and advances	<u>6,239,505</u>	<u>1,103,223</u>	<u>5,894,109</u>	<u>916,814</u>

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	
	30 June 2019	31 December 2018
Loans and advances by geographical segment	HK\$,000	HK\$,000
- Hong Kong	1,291,181	1,110,839
- China	3,647,361	3,625,202
- Taiwan	19,763	23,402
- Others	1,278,786	1,134,359
Impaired loans and advances by geographical segment		
- China	2,319	0
- Taiwan	95	307
	<u>6,239,505</u>	<u>5,894,109</u>

c. Mainland activities

Types of counterparties	On-balance sheet exposure	Off-balance sheet exposure	Total
	HK\$ million	HK\$ million	HK\$ million
As at 30 June 2019			
1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	331	34	365
2. Local governments, local government-owned entities and their subsidiaries and JVs	233	0	233
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	435	0	435
4. Other entities of central government not reported in item 1 above	203	218	421
5. Other entities of local governments not reported in item 2 above	72	0	72
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	1,526	0	1,526
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	860	82	942
Total	<u>3,660</u>	<u>334</u>	<u>3,994</u>
Total assets after provision	17,229		
On-balance sheet exposures as percentage of total assets	21.24%		

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	3,638	75	3,713
Total assets after provision	15,206		
On-balance sheet exposures as percentage of total assets	23.93%		

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						
		Official	financial	Non-financial		
<u>Equivalent in millions of HK\$</u>	<u>Banks</u>	<u>Sector</u>	<u>institutions</u>	<u>private sector</u>	<u>Others</u>	<u>Total</u>
As at 30 June 2019						
1. Developed countries	1,053	116	0	420	0	1,589
of which – United States	183	116	0	39	0	338
of which – United Kingdom	121	0	0	0	0	121
of which – Japan	156	0	0	0	0	156
2. Offshore centres	274	0	0	345	0	619
of which - Hong Kong	118	0	0	275	0	393
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	243	0	0	63	0	306
6. Developing Asia-Pacific	8,773	0	0	2,772	0	11,545
of which - China	1,013	0	0	2,235	0	3,248
of which - Taiwan	7,030	0	0	2	0	7,032

<u>Non-bank private sector</u>						
Non-Bank						
		Official	financial	Non-financial		
<u>Equivalent in millions of HK\$</u>	<u>Banks</u>	<u>Sector</u>	<u>institutions</u>	<u>private sector</u>	<u>Others</u>	<u>Total</u>
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

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 30 June 2019					
Spot assets	13,124	407	719	439	14,689
Spot liabilities	13,110	407	719	443	14,679
Forward purchase	0	0	0	0	0
Forward sales	0	0	0	0	0
Net option position	0	0	0	0	0
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net long/(short) position	14	0	0	(4)	10
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

<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
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net long/(short) position	16	0	(8)	(1)	7
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

There was no structural position as at 30 June 2019 and 31 December 2018.

7 Liquidity risk management

Average liquidity maintenance ratio

	For the quarter ended 30/6/2019	For the quarter ended 30/6/2018
Average liquidity maintenance ratio for the period	50.33%	43.85%

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.

(a) Governance of 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.

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 regularly prepares various liquidity risk measurement indicators and limits, and reports to the Liquidity Risk Management Committee. Then, the Committee will report to the senior management of the Head Office to let the high-level management understands the branch's funding liquidity.

(b) Funding strategy

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.

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.

(c) Liquidity risk mitigation techniques

In order to maintain a stable liquidity ratio, the branch establishes several measures to reduce the liquidity risk when branch's capital is needed in emergency.

The measures are included by following:

1. Intra Day Repo
2. Sale of debt securities
3. Funding from Head Office
4. Funding from other banks
5. Reduction of inter-bank lending activities

(d) Liquidity stress tests

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. There are 3 scenarios for stress testing. They are institution-specific stress scenario, general market stress scenario, and combination of both situations. Each scenario would perform cash-flow analysis for within 7 days or within 30 days. The stress result is used to analyzing exposure level and risk tolerance in such scenarios. The Risk Management Department also should review the assumptions and results of the stress testing periodically, as well as to adjust the different assumptions to ensure those assumptions for stress testing which are the most suitable for our branch.

(e) Liquidity buffers and contingency funding plan

Our policy set a higher internal limit of liquidity maintenance ratio than the statutory minimum to maintain adequate liquidity in response possible situation. In addition, the branch establishes a contingency funding plan that details the emergency measures which should be taken actions while a liquidity crisis occurs. The Liquidity Risk Management Committee shall formulate measures to address the emergency situation and report to the Head Office regarding the follow-up actions and results.

(f) Measure indicators of liquidity risk

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.

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

(g) Concentration limits on collateral pools and sources of funding

The branch holds HKD 155 million qualified bonds as collateral for Intra Day Repo Facility. The major sources of funding for the branch are the funding raised from Head Office and inter-banks. The group has established concentration limit of funding sources taking into account the respective risk profiles of the bank. Intra-group funding and funding from the largest funding provider are restricted to be not more than 35% of the total funding sources to reduce reliance on a single source of funding. The composition of the major funding sources as at 30 Jun 2019 is shown below:

(HK\$'000)

Significant funding instruments	Total amount	As % of total liabilities	Breakdown of total amount by remaining term to maturity				
			Up to 1 month	2 – 3 months	4-6months	7-12 months	Exceed 12 months
Deposits from retail customers	3,276,989	19.02%	1,712,334	454,243	361,679	748,733	0
Deposits from other non-bank customers	5,089,489	29.53%	2,624,795	732,040	921,555	811,099	0
Funding raised from banks	7,732,133	44.88%	1,237,068	3,681,773	0	2,813,292	0

(h) Liquidity exposures and funding

Liquidity maintenance ratio (LMR) is the regulatory indicator for liquidity exposure of the branch. The LMR is computed by its own liquefiable assets and qualifying liabilities. The information on LMR as at 30 Jun 2019 and 2018 is shown below:

(HK\$'000)

	30 Jun 2019	30 Jun 2018
	Weighted amount	Weighted amount
Liquefiable assets	4,081,690	2,887,407
Qualifying liabilities (after deductions)	4,902,924	4,584,393
Liquidity Maintenance Ratio (month-end) (%)	83.25%	62.98%

(i) On- and off-balance sheet items as of 30 June 2019 for the Branch are listed as below:

On-balance sheet liabilities

(HK\$'000)

	Total amount	Contractual maturity of cash flows and securities flows arising from the relevant items					
		Up to 1 month	Exceed 1 month, up to 3 months	Exceed 3 months, up to 6 months	Exceed 6 months, up to 12 months	Exceed 12 months	No maturity date
Deposits from non-bank customers	8,424,070	4,346,209	1,205,457	1,300,694	1,571,710	0	0
Due to bank	7,741,028	1,237,354	3,685,768	0	2,817,906	0	0
Other liabilities	333,407	68,466	7,431	46,715	2	683	210,110
Capital and reserves	730,505	0	0	0	0	0	730,505
Total	17,229,010	5,652,029	4,898,656	1,347,409	4,389,618	683	940,615

Off-balance sheet obligations

Irrevocable loan commitments or facilities granted	511,374	511,374	0	0	0	0	0
Others	36,452	3,564	24,104	0	8,784	0	0
Total	547,826	514,938	24,104	0	8,784	0	0

On-balance sheet assets

(HK\$'000)

	Total amount	Contractual maturity of cash flows and securities flows arising from the relevant items					
		Up to 1 month	Exceed 1 month, up to 3 months	Exceed 3 months, up to 6 months	Exceed 6 months, up to 12 months	Exceed 12 months	No maturity date
Currency notes and coins	9,625	9,625	0	0	0	0	0
Due from MA for a/c of Exchange Fund	206,242	206,242	0	0	0	0	0
Due from banks	8,159,002	3,655,348	3,799,499	704,155	0	0	0
Debt securities, prescribed instruments and structured financial instruments held (net of short positions)	2,472,730	1,102,742	0	234,856	173,082	962,050	0
Acceptances and bills of exchange held	2,919	2,919	0	0	0	0	0
Loans and advances to non-bank customers	6,259,446	6,717	73,803	481,384	804,545	4,864,194	28,803
Other assets	201,587	68,686	10,555	47,616	984	8,526	65,220
Total	17,311,551	5,052,279	3,883,857	1,468,011	978,611	5,834,770	94,023

Off-balance sheet claims

Contractual Maturity Mismatch		-1,114,688	-1,038,903	120,602	-3,419,791	5,834,087	
Cumulative Contractual Maturity Mismatch		-1,114,688	-2,153,591	-2,032,989	-5,452,780	381,307	

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	
	30 June 2019	31 December 2018
	NTD,000	NTD,000
Total Assets	2,124,170,452	2,081,811,670
Total Liabilities	1,965,899,309	1,925,250,039
Total Advances	1,383,680,944	1,336,701,095
Total Customers Deposits	1,700,423,094	1,689,581,112

	For the six months ended	
	30 June 2019	30 June 2018
	NTD,000	NTD,000
Pre-tax profit/(loss)	7,047,330	7,472,102

2 Capital and capital adequacy ratio

	As at	
	30 June 2019	31 December 2018
Capital adequacy ratio	14.64%	14.84%

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	
	30 June 2019	31 December 2018
	NTD,000	NTD,000
Shareholders’ funds	158,271,143	156,561,631



Declaration of Compliance

We enclose herewith the Financial Information Disclosure Statement for the six months ended 30 June 2019. 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

30 September 2019