



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 2021

CHANG HWA COMMERCIAL BANK, LTD. HONG KONG BRANCH.

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Incorporated in Taiwan 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 2021

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 2021

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Section A. Hong Kong Branch Information

1 Income statement information

	Note	For the six months ended	
		30 June 2021	30 June 2020
		HK\$,000	HK\$,000
Interest income		67,149	167,353
Interest expenses		20,871	81,982
Net interest income		46,278	85,371
Other operating income	3a	10,457	13,798
Operating expenses	3b	(20,451)	(18,090)
Impairment losses and provisions for impaired loans and receivables		(72,578)	(85,461)
Profit before taxation		(36,294)	(4,382)
Tax expense		(2,594)	(12,681)
Profit after taxation		(38,888)	(17,063)

2 Balance sheet information

	Note	As at	
		30 June 2021	31 December 2020
		HK\$,000	HK\$,000
Assets			
Cash and balances with banks (except those included in amount due from head office and overseas office)		3,779,878	2,895,152
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)		2,088,623	2,131,855
Amount due from head office and overseas office		692,516	998,409
Trade bills		2,003	4,158
Certificate of Deposit Held		295,047	232,566
Investment securities			
- Available-for-sale securities		2,255,748	2,028,866
Loans and receivables	3d	3,303,211	3,697,094
Other assets		187,294	151,133
Property, plant and equipment		26,447	6,359
Total assets		12,630,767	12,145,592
Liabilities			
Deposit and balances of banks and other financial institutions (except those included in amount due to head office and overseas office)		288,232	63,410
Deposit from customers	3c	8,255,153	7,719,364
Amount due to head office and overseas offices		3,475,215	3,732,553
Other liabilities and provision		195,500	174,774
Total liabilities		12,214,100	11,690,101
Equities			
Current profit		(82,751)	(43,863)
Reserves		499,418	499,354
		416,667	455,491
Total equities and liabilities		12,630,767	12,145,592

3 Notes to the income statement and balance sheet information

a. Other operating income

	For the six months ended	
	30 June 2021	30 June 2020
	HK\$,000	HK\$,000
Service fee and commission income	8,875	11,796
Service fee and commission expenses	(1,137)	(1,105)
Net fees and commission income	7,738	10,691
Gains less losses arising from trading in foreign currencies	2,718	3,005
Income from non-trading investments	1	102
	10,457	13,798

b. Operating expenses

	For the six months ended	
	30 June 2021	30 June 2020
	HK\$,000	HK\$,000
Staff and rental expenses	11,622	9,713
Other expenses	8,829	8,377
	20,451	18,090

c. Deposits from customers

	As at	
	30 June 2021	31 December 2020
	HK\$,000	HK\$,000
Demand deposits and current accounts	151,497	155,597
Savings accounts	4,075,998	3,448,111
Time, call and notice deposits	4,027,658	4,115,656
	8,255,153	7,719,364

d. Loans and receivables

	As at	
	30 June 2021	31 December 2020
	HK\$,000	HK\$,000
Loans and advances to customers	3,354,790	3,797,371
Loans and advances to banks	0	0
Accrued interest and other accounts	21,030	19,887
	<u>3,375,820</u>	<u>3,817,258</u>
Less: Impairment allowances		
Loans and advances to customers		
- <i>Collective provisions</i>	40,463	45,786
- <i>Specific provisions</i>	31,504	73,463
Loans and advances to banks		
- <i>Collective provisions</i>	0	0
Trade bills		
- <i>Collective provisions</i>	20	42
Others		
- <i>Collective provisions</i>	622	873
	<u>72,609</u>	<u>120,164</u>
Impairment allowances for loans and receivables	<u>72,609</u>	<u>120,164</u>
	<u>3,303,211</u>	<u>3,697,094</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 2021	31 December 2020
	HK\$,000	HK\$,000
Gross amounts	124,554	227,536
Individual impairment allowances	31,504	73,463
Value of collateral	0	0
Percentage of such loans and advances to its total amount of loans and advances to customers	3.71%	6%

f. Overdue and rescheduled loans:

(i) Overdue loans

	As at			
	30 June 2021		31 December 2020	
	Percentage of total		Percentage of total	
Gross amount of loans and advances to customers which have been overdue for:	loans & advances to		loans & advances to	
	HK\$,000	customers	HK\$,000	customers
More than 1 month and up to 3 months	0	0%	100,070	2.64%
More than 3 months but not more than 6 months	0	0%	12,113	0.32%
More than 6 months but not more than one year	10,536	0.31%	114,887	3.03%
More than one year	114,018	3.40%	466	0.01%
	<u>124,554</u>	<u>3.71%</u>	<u>227,536</u>	<u>6%</u>

Value of collateral held against the overdue loans and advances

	As at	
	30 June 2021	31 December 2020
	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 2021		31 December 2020	
	Percentage of total		Percentage of total	
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)	loans & advances to		loans & advances to	
	HK\$,000	customers	HK\$,000	customers
	0	0%	0	0%

g. Repossessed assets

There was no repossessed asset as at 30 June 2021 and 31 December 2020.

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 2021	31 December 2020
	HK\$,000	HK\$,000
Contingent Liabilities and Commitments		
Direct credit substitutes	18,138	20,008
Transaction-related contingencies	0	0
Trade-related contingencies	24,213	12,585
Other commitments	340,685	230,137
	<u>383,036</u>	<u>262,730</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 2021		31 December 2020	
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	0	0
- Financial concerns	39,192	0	26,459	0
- Stockbrokers	0	0	0	0
- Wholesale and retail trade	326,673	14,174	332,680	14,840
- Manufacturing	113,656	77,556	114,403	10,802
- Transport and transport equipment	0	0	0	0
- Recreational activities	0	0	0	0
- Information technology	247,140	0	163,141	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	2,897	2,897	2,989	2,989
- Credit card advances	0	0	0	0
- Others	0	0	0	0
Trade finance	50,102	0	33,326	0
Loans and advances for use outside Hong Kong	<u>2,575,130</u>	<u>678,420</u>	<u>3,124,373</u>	<u>746,521</u>
Total loans and advances	<u>3,354,790</u>	<u>773,047</u>	<u>3,797,371</u>	<u>775,152</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 2021	31 December 2020
Loans and advances by geographical segment	HK\$,000	HK\$,000
- Hong Kong	776,183	690,930
- China	1,497,107	1,911,967
- Taiwan	19,910	18,901
- Others	937,036	948,037
Impaired loans and advances by geographical segment		
- China	124,554	227,536
	<u>3,354,790</u>	<u>3,797,371</u>

c. Mainland activities

	On-balance	Off-balance	
Types of counterparties	sheet exposure	sheet exposure	Total
	HK\$ million	HK\$ million	HK\$ million
As at 30 June 2021			
1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	61	0	61
2. Local governments, local government-owned entities and their subsidiaries and JVs	0	0	0
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	209	54	263
4. Other entities of central government not reported in item 1 above	200	0	200
5. Other entities of local governments not reported in item 2 above	100	0	100
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	563	0	563
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank			
Mainland China exposures	563	3	566
Total	1,696	57	1,753
Total assets after provision	12,631		
On-balance sheet exposures as percentage of total assets	13.43%		

Types of counterparties	On-balance sheet exposure HK\$ million	Off-balance sheet exposure HK\$ million	Total HK\$ million
As at 31 December 2020			
1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	49	12	61
2. Local governments, local government-owned entities and their subsidiaries and JVs	120	0	120
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	215	0	215
4. Other entities of central government not reported in item 1 above	246	0	246
5. Other entities of local governments not reported in item 2 above	100	0	100
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	755	0	755
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	740	4	744
Total	2,225	16	2,241
Total assets after provision	12,146		
On-balance sheet exposures as percentage of total assets	18.32%		

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>	Banks	Sector	institutions	private sector	Others	Total
As at 30 June 2021						
1. Developed countries	734	0	39	358	0	1,131
of which – United States	59	0	0	39	0	98
of which – United Kingdom	152	0	0	0	0	152
of which – Japan	233	0	0	0	0	233
2. Offshore centres	155	0	0	336	0	491
of which - Hong Kong	155	0	0	336	0	491
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	240	0	120	50	0	410
6. Developing Asia-Pacific	7,305	55	39	1,627	0	9,026
of which - China	618	0	0	1,033	0	1,651
of which - Taiwan	5,891	0	0	46	0	5,937

<u>Non-bank private sector</u>						
Non-Bank						
		Official	financial	Non-financial		
<u>Equivalent in millions of HK\$</u>	Banks	Sector	institutions	private sector	Others	Total
As at 31 December 2020						
1. Developed countries	1,342	0	39	400	0	1,781
of which – United States	84	0	0	39	0	123
of which – United Kingdom	35	0	0	0	0	35
of which – Japan	854	0	0	1	0	855
2. Offshore centres	351	0	0	194	0	545
of which - Hong Kong	351	0	0	194	0	545
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	240	0	119	52	0	411
6. Developing Asia-Pacific	5,833	55	0	1,693	0	7,581
of which - China	546	0	0	1,224	0	1,770
of which - Taiwan	4,678	0	0	44	0	4,722

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 2021					
Spot assets	10,100	251	596	236	11,183
Spot liabilities	10,081	251	607	236	11,175
Forward purchase	0	0	0	0	0
Forward sales	0	0	0	0	0
Net option position	0	0	0	0	0
	<u>19</u>	<u>0</u>	<u>(11)</u>	<u>0</u>	<u>8</u>
Net long/(short) position					

<u>Equivalent in millions of HK\$</u>	USD	AUD	CNY	Others	Total
As at 31 December 2020					
Spot assets	9,595	258	442	252	10,547
Spot liabilities	9,655	258	444	252	10,609
Forward purchase	0	0	0	0	0
Forward sales	0	0	0	0	0
Net option position	0	0	0	0	0
	<u>(60)</u>	<u>0</u>	<u>(2)</u>	<u>0</u>	<u>(62)</u>
Net long/(short) position					

There was no structural position as at 30 June 2021 and 31 December 2020.

7 Liquidity risk management

Average liquidity maintenance ratio

	For the quarter ended 30/6/2021	For the quarter ended 30/6/2020
Average liquidity maintenance ratio for the period	76.54%	77.24%

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 June 2021 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	3,038,027	24.05%	1,623,357	388,582	432,665	593,423	0
Deposits from other non-bank customers	5,217,126	41.31%	3,613,991	502,117	516,550	584,468	0
Funding raised from banks	3,763,446	29.80%	426,410	541,852	0	0	2,795,184

(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 2021 and 30 Jun 2020 is shown below:

(HK\$'000)

	30 Jun 2021	30 Jun 2020
	Weighted amount	Weighted amount
Liquefiable assets	4,367,281	3,890,674
Qualifying liabilities (after deductions)	4,444,494	2,956,730
Liquidity Maintenance Ratio (month-end) (%)	98.26%	131.59%

(i) On- and off-balance sheet items as of 30 June 2021 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	8,263,285	5,239,289	893,162	951,158	1,179,676	0	0
Due to bank	3,764,040	426,434	541,883	0	0	2,795,723	0
Other liabilities	148,194	28,384	61,398	0	134	1,594	56,684
Capital and reserves	455,555	0	0	0	0	0	455,555
Total	12,631,074	5,694,107	1,496,443	951,158	1,179,810	2,797,317	512,239

Off-balance sheet obligations

Irrevocable loan commitments or facilities granted	144,069	144,069	0	0	0	0	0
Others	41,457	9,928	23,476	8,053	0	0	0
Total	185,526	153,997	23,476	8,053	0	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	7,439	7,439	0	0	0	0	0
Due from MA for a/c of Exchange Fund	11,626	11,626	0	0	0	0	0
Due from banks	6,546,055	4,204,922	2,280,342	0	60,791	0	0
Debt securities, prescribed instruments and structured financial instruments held (net of short positions)	2,551,313	1,093,524	26,528	0	61,888	1,369,373	0
Acceptances and bills of exchange held	2,003	2,003	0	0	0	0	0
Loans and advances to non-bank customers	3,360,348	77,251	112,422	267,172	333,643	2,569,860	0
Other assets	224,591	28,519	62,307	0	526	9,338	123,901
Total	12,703,375	5,425,284	2,481,599	267,172	456,848	3,948,571	123,901

Off-balance sheet claims

Contractual Maturity Mismatch		-422,820	961,680	-692,039	-722,962	1,151,254	
Cumulative Contractual Maturity Mismatch		-422,820	538,860	-153,179	-876,141	275,113	

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 2020.

Section B. Bank Information (Consolidated Basis)

1 Financial information

	As at	
	30 June 2021	31 December 2020
	NTD,000	NTD,000
Total Assets	2,417,921,905	2,313,440,219
Total Liabilities	2,248,105,555	2,148,386,429
Total Advances	1,523,351,146	1,477,886,845
Total Customers Deposits	2,026,263,562	1,917,987,149

	For the six months ended	
	30 June 2021	30 June 2020
	NTD,000	NTD,000
Pre-tax profit/(loss)	4,878,721	5,216,625

2 Capital and capital adequacy ratio

	As at	
	30 June 2021	31 December 2020
Capital adequacy ratio	16.46%	15.10%

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 2021	31 December 2020
	NTD,000	NTD,000
Shareholders’ funds	169,816,350	165,053,790



Declaration of Compliance

We enclose herewith the Financial Information Disclosure Statement for the six months ended 30 June 2021. 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

Lin Huei Jin
Chief Executive

29 September 2021