

O-BANK CO., LTD.
HONG KONG BRANCH
(Incorporated in Taiwan with limited liability)

Interim Financial Disclosure Statement
For the Half Year Ended 30 June 2021

O-Bank Co., Ltd. Hong Kong Branch (incorporated in Taiwan with limited liability)
Interim Financial Disclosure Statement For the Half Year Ended 30 June 2021

I. Profit and Loss Information

	For the period 1 Jan 2021 to 30 Jun 2021 <u>HK\$'000</u>	For the period 1 Jan 2020 to 30 Jun 2020 <u>HK\$'000</u>
Interest income	117,619	212,495
Interest expense	(20,286)	(95,546)
Other operating income		
- Gains less losses arising from trading in foreign currencies	34,121	1,202
- Gains less losses on securities held for trading purposes	-	-
- Gains less losses from other trading activities	-	-
- Net fees and commission income	17,004	16,392
- <i>Fees and commission income</i>	18,116	17,272
- <i>Fees and commission expenses</i>	(1,112)	(880)
- Others	2,566	4,432
Total operating income	<u>151,024</u>	<u>138,975</u>
Operating expenses		
- Rental expenses	(7,647)	(7,386)
- Staff expenses	(22,842)	(26,403)
- Other operating expenses	(27,720)	(26,084)
Total operating expenses	<u>(58,209)</u>	<u>(59,873)</u>
Impairment losses and provisions for impaired loans and receivables	637	(48,140)
Gains less losses from the disposal of property, plant and equipment and investment properties	-	-
Profit before taxation	93,452	30,962
Tax expense	(15,221)	(5,890)
Profit after taxation	<u><u>78,231</u></u>	<u><u>25,072</u></u>

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II. Balance Sheet Information

	As at 30 Jun 2021 <u>HK\$'000</u>	As at 31 Dec 2020 <u>HK\$'000</u>
Assets		
Cash and balances with banks	1,003,999	1,512,020
Amount due from Exchange Fund repayable or callable within one month	185,084	169,015
Placements with banks which have a residual contractual maturity of more than one month but not more than 12 months	-	-
Amount due from overseas offices	2,849,737	1,007,804
Trade bills	15,224	-
Certificates of deposit held	-	-
Securities held for trading purposes	-	-
Loans and receivables and other accounts	6,941,174	7,414,230
Investment securities	2,929,915	3,060,747
Other investments	-	-
Property, plant and equipment	7,064	8,710
Right-of-use assets, net	13,725	13,930
Total assets	<u>13,945,922</u>	<u>13,186,456</u>
Equity and liabilities		
Deposit and balances from banks	200,000	866,000
Deposit from customers	12,553,537	11,099,193
- Demand deposit and current accounts	1,211,621	765,554
- Savings deposits	3,788,336	3,193,581
- Time, call and notice deposits	7,553,580	7,140,058
Amounts due to overseas offices	954,635	843,450
Certificates of deposit issued	-	-
Issued debt securities	-	-
Lease liabilities	14,239	14,473
Other liabilities	130,208	214,955
Total liabilities	<u>13,852,619</u>	<u>13,038,071</u>
Reserves	93,303	148,385
Total Equity and Liabilities	<u>13,945,922</u>	<u>13,186,456</u>

III. Additional Balance Sheet Information

(i) Loans and receivables and other accounts

	As at 30 Jun 2021 HK\$'000	As at 31 Dec 2020 HK\$'000
- Loans and advances to customers	6,906,652	7,355,087
- Loans and advances to banks	-	-
- Accrued interests and other accounts	128,535	164,933
	<u>7,035,187</u>	<u>7,520,020</u>
Less: - Collective impairment allowances	(77,809)	(93,387)
<i>Loans and advances to customers</i>	(75,224)	(91,033)
<i>Loans and advances to banks</i>	-	-
<i>Accrued interests and other accounts</i>	(2,585)	(2,354)
- Individual impairment allowances	(16,204)	(12,403)
<i>Loans and advances to customers</i>	(10,446)	(6,622)
<i>Loans and advances to banks</i>	-	-
<i>Accrued interests and other accounts</i>	(5,758)	(5,781)
	(94,013)	(105,790)
	<u>6,941,174</u>	<u>7,414,230</u>

(ii) Analysis of gross amount of loans and advances to customers by industry

	As at 30 Jun 2021		As at 31 Dec 2020	
	Outstanding Balance HK\$'000	Covered by Collateral or other security HK\$'000	Outstanding Balance HK\$'000	Covered by Collateral or other security HK\$'000
Loans and advances for use in Hong Kong				
<i>Industrial, commercial and financial sectors:</i>				
- Property development	182,962	67,962	157,962	67,963
- Property investment	477,536	415,486	488,878	426,028
- Financial concerns	1,323,129	906,500	1,772,930	1,418,799
- Stockbrokers	210,000	17,500	35,000	35,000
- Wholesale and retail trade	728,865	439,952	812,659	659,647
- Manufacturing	444,836	225,782	546,791	314,995
- Transport and transport equipment	13,066	13,066	13,417	13,417
- Recreational activities	-	-	-	-
- Information technology	71,000	58,800	108,250	101,398
- Others	889,151	597,046	1,049,180	685,426
<i>Individuals:</i>				
- Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme or their respective successor schemes	-	-	-	-
- Loans for the purchase of other residential properties	-	-	-	-
- Credit card advances	-	-	-	-
- Others	-	-	-	-
Trade finance	126,526	51,727	93,926	36,981
Loans and advances for use outside Hong Kong	2,439,581	1,375,628	2,276,094	1,489,051
Total	6,906,652	4,169,449	7,355,087	5,248,705

(iii) Analysis of gross amount of loans and advances to customers by geographical segments

(a) Gross amount of loans and advances to customers by major countries or geographical areas

The following geographical analysis of gross loans and advances to customers is classified in accordance with the location of the counterparties after taking into account the transfer of risk in respect of such loans and advances where appropriate. In general, such transfer of risk takes place if the loans or advances of a customer are guaranteed by a party in a country, which is different from that of the customer. A country or geographical segment, to which not less than 10% of the Branch's total amount of loans and advances to customers are attributable after taking into account any recognized risk transfer, is disclosed below:

	As at 30 Jun 2021	As at 31 Dec 2020
	HK\$'000	HK\$'000
Hong Kong	6,362,512	6,576,135

(b) Impaired loans and advance to customers by countries or geographical area

	As at 30 Jun 2021	As at 31 Dec 2020
	HK\$'000	HK\$'000
Macau	36,383	36,383
Hong Kong	29,837	29,837

(c) Gross amount of overdue loans and advance to customers by countries or geographical area

	As at 30 Jun 2021	As at 31 Dec 2020
	HK\$'000	HK\$'000
Macau	36,383	36,383
Hong Kong	29,837	29,837

(iv) Individual impaired loans and advances to customers

	As at 30 Jun 2021	As at 31 Dec 2020
	HK\$'000	HK\$'000
- Individual impaired loans and advances	66,220	66,220
- Individual impairment allowances	10,446	6,622
- Collateral value- covered portion	66,220	66,220
- Percentage to total loans and advances to customers	0.96%	0.90%

(v) Overdue loans and advances to customers

	Outstanding balance HK\$'000	% to total loans and advances to customers HK\$'000	Individual impairment allowances HK\$'000	Collateral value HK\$'000	Covered portion HK\$'000	Uncovered portion HK\$'000
<u>As at</u>						
<u>30 Jun 2021</u>						
-More than 3 months but not more than 6 months	-	0%	-	-	-	-
-More than 6 months but not more than one year	-	0%	-	-	-	-
-More than one year	66,220	0.96%	10,446	182,500	66,220	-
Total	66,220	0.96%	10,446	182,500	66,220	-

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	Outstanding balance HK\$'000	% to total loans and advances to customers HK\$'000	Individual impairment allowances HK\$'000	Collateral value HK\$'000	Covered portion HK\$'000	Uncovered portion HK\$'000
<u>As at</u>						
<u>31 Dec 2020</u>						
-More than 3 months but not more than 6 months	-	0%	-	-	-	-
-More than 6 months but not more than one year	-	0%	-	-	-	-
-More than one year	66,220	0.90%	6,622	182,500	66,220	-
Total	66,220	0.90%	6,622	182,500	66,220	-

There were no overdue loans and advances to banks and financial institutions as at 30 June 2021 and 31 December 2020.

(vi) Rescheduled loans and advances to customers

	As at 30 Jun 2021		As at 31 Dec 2020	
	Gross amount HK\$'000	% to total loans and advances to customers HK\$'000	Gross amount HK\$'000	% to total loans and advances to customers HK\$'000
-Rescheduled loans and advances to customers	-	0%	-	0%
Total	-	0%	-	0%

There were no rescheduled loans and advances to banks and financial institutions as at 30 June 2021 and 31 December 2020.

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(vii) Other advances

	As at 30 Jun 2021	As at 31 Dec 2020
	HK\$'000	HK\$'000
Gross trade bills:		
- Overdue more than 3 months but not more than 6 months	-	-
- Overdue more than 6 months but not more than 1 year	-	-
- Overdue more than 1 year	-	-
Total	-	-

	As at 30 Jun 2021	As at 31 Dec 2020
	HK\$'000	HK\$'000
Gross debt securities:		
- Overdue more than 3 months but not more than 6 months	-	-
- Overdue more than 6 months but not more than 1 year	-	-
- Overdue more than 1 year	-	-
Total	-	-

(viii) Repossessed assets

There were no repossessed assets held by Hong Kong Branch as at 30 June 2021 and 31 December 2020.

(ix) International claims

International claims by country or geographical segment is based on the physical location of the counterparty in which not less than 10% of total international claims (including Hong Kong) after taking into account the transfer of risks. In general, such transfer of risk takes place if the claims are guaranteed by a party in a country, which is different from that of the counterparty, or if the claims are on an overseas branch of a bank whose head office is located in another country.

	Banks	Official sector	Non-bank private sector Non-bank financial institutions Non-financial private sector		Others	Total
			HK\$ million			
<u>As at 30 June 2021</u>						
Offshore centres						
- Hong Kong SAR	159	78	43	1,377	-	1,657
Developing Asia and Pacific						
- Taiwan	3,564	-	-	165	-	3,729
<u>As at 31 December 2020</u>						
Offshore centres						
- Hong Kong SAR	67	-	-	1,263	-	1,330
Developing Asia and Pacific						
- Taiwan	2,210	-	-	439	-	2,649

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(x) Currency risk

	USD	GBP	JPY	EUR	CNY	CAD	AUD	Others	Total
	HK\$ million								
<u>As at 30 June 2021</u>									
Spot assets	7,574	7	22	37	17	1	395	-	8,053
Spot liabilities	(8,693)	(7)	(21)	(35)	(481)	(10)	(203)	-	(9,450)
Forward purchases	5,021	1,090	795	415	946	65	234	8	8,574
Forward sales	(3,530)	(1,090)	(796)	(416)	(367)	(56)	(422)	(8)	(6,685)
Net options position	-	-	-	-	-	-	-	-	-
Net long / (short) position	372	-	-	1	115	-	4	-	492
Net structural position	-	-	-	-	-	-	-	-	-
<u>As at 31 December 2020</u>									
Spot assets	6,433	6	19	39	14	-	374	-	6,885
Spot liabilities	(7,808)	(8)	(20)	(30)	(437)	-	(28)	-	(8,331)
Forward purchases	2,755	2	116	-	683	-	-	-	3,556
Forward sales	(993)	-	(116)	(8)	(153)	-	(344)	-	(1,614)
Net options position	-	-	-	-	-	-	-	-	-
Net long / (short) position	387	-	(1)	1	107	-	2	-	496
Net structural position	-	-	-	-	-	-	-	-	-

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(xi) Non-bank Mainland exposures

	On-balance sheet exposure HK\$'000	Off-balance sheet exposure HK'000	Total exposure HK'000
<u>As at 30 June 2021</u>			
1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	-	-	-
2. Local governments, local government-owned entities and their subsidiaries and JVs	-	-	-
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	30,044	899	30,943
4. Other entities of central government not reported in item 1 above	-	-	-
5. Other entities of local governments not reported in item 2 above	-	-	-
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	1,344,757	202,171	1,546,928
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	72,583	139,620	212,203
Total	<u>1,447,384</u>	<u>342,690</u>	<u>1,790,074</u>
Total assets after provision	13,945,992		
On-balance sheet exposures as percentage of total assets	10.38%		

As at 31 December 2020

1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	-	-	-
2. Local governments, local government-owned entities and their subsidiaries and JVs	-	-	-
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	-	1,938	1,938
4. Other entities of central government not reported in item 1 above	-	-	-
5. Other entities of local governments not reported in item 2 above	-	-	-
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	1,436,210	247,961	1,684,171
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	161,098	16,100	177,198
Total	<u>1,597,308</u>	<u>265,999</u>	<u>1,863,307</u>
Total assets after provision	13,186,456		
On-balance sheet exposures as percentage of total assets	12.11%		

IV. Off-balance Sheet Exposures (other than derivative transaction)

	As at 30 Jun 2021 <u>HK\$'000</u>	As at 31 Dec 2020 <u>HK\$'000</u>
<i>Total contractual or notional amounts</i>		
Direct credit substitutes	156,852	155,047
Transaction-related contingencies	2,935	2,792
Trade-related contingencies	76,770	44,056
Note issuance and revolving underwriting facilities	-	-
Other commitments	589,987	899,050
Others	232,949	-
	<u>1,059,493</u>	<u>1,100,945</u>

V. Derivative Transactions

	As at 30 Jun 2021 <u>HK\$'000</u>	As at 31 Dec 2020 <u>HK\$'000</u>
<i>Total contractual or notional amounts</i>		
Exchange rate-related derivative contracts	8,604,340	3,772,327
Interest rate derivative contracts	-	77,523
Others	-	-
	<u>8,604,340</u>	<u>3,849,850</u>
<i>Total fair value asset</i>		
Exchange rate-related derivative contracts	23,740	13,460
Interest rate derivative contracts	-	-
Others	-	-
	<u>23,740</u>	<u>13,460</u>
<i>Total fair value liability</i>		
Exchange rate-related derivative contracts	13,456	23,795
Interest rate derivative contracts	-	814
Others	-	-
	<u>13,456</u>	<u>24,609</u>

None of the above derivatives contracts are subject to the bilateral netting arrangements.

VI. Liquidity

The Branch has adopted the liquidity maintenance ratio (LMR) requirement in accordance with Banking (Liquidity) Rules starting 1 January 2015 onwards and complies with the minimum requirement of 25% as stipulated by the Hong Kong Monetary Authority (HKMA).

Average LMR is calculated as the simple average of each month's average liquidity maintenance ratio for the financial year.

	For the period 1 Apr 2021 to 30 Jun 2021 ¹	For the period 1 Apr 2020 to 30 Jun 2020 ²
Average Liquidity Maintenance Ratio	79.11%	51.12%

¹ The average LMR of financial year 2021 is calculated as the simple average of each month's average liquidity maintenance ratio of the second quarter of the financial year 2021.

² The average LMR of financial year 2020 is calculated as the simple average of each month's average liquidity maintenance ratio of the second quarter of the financial year 2020.

HK Branch's ALCO is responsible for supervising the overall monitoring and control of the Branch's liquidity. Its members include Chief Executive, Head of Treasury Department, Head of Risk Management Department and Head of Operation Department. The management of liquidity is in compliance with the Branch's Liquidity Management Policy to ensure compliance with local regulatory requirements and limits set by Board of Directors.

On daily basis, Finance calculates the liquidity maintenance ratio, in accordance with the Banking Ordinance, and reports to Treasury Department and Risk Management Department. Liquidity risk is managed on a weekly basis by establishing liquidity risk management indicators and limits to identify, measure, monitor and control the liquidity risk. The Branch also performs cash flow projections and stress testing to identify liquidity risk exposures and possible impact on monthly basis.

VII. IFRS 16 “Lease”

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations.

Definition of a lease

Upon initial application of IFRS 16, the Group will elect to apply IFRS 16 only to contracts entered into (or changed) on or after January 1, 2019 in order to determine whether those contracts are, or contain, a lease. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Bank as lessee

Upon initial application of IFRS 16, the Bank will recognize right-of-use assets, or investment properties if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the balance sheets except for those whose payments under low-value and short-term leases will be recognized as expenses on a straight-line basis. On the statements of comprehensive income, the Bank will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts, including property interest qualified as investment properties, are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the statements of cash flows. Leased assets and finance lease payables are recognized for contracts classified as finance leases.

The Bank anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

The Bank expects to apply the following practical expedients:

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate on January 1, 2019. All right-of-use assets are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. Which is applied, the Bank applies IAS 36 to all right-of-use assets.

- a) The Bank will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- b) The Bank will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

For leases currently classified as finance leases under IAS 17, the carrying amounts of right-of-use assets and lease liabilities on January 1, 2019 will be determined as at the carrying amounts of the respective leased assets and finance lease payables as of December 31, 2018.

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Right-of-use assets

	As at 30 Jun 2021	As at 31 Dec 2020
	<u>HK\$'000</u>	<u>HK\$'000</u>
<i>Carrying amount of Right-of-use assets</i>		
Buildings	30,847	30,464
 <i>Depreciation charges for right-of-use assets</i>		
Buildings	(17,122)	(16,534)

Lease liabilities

	As at 30 Jun 2021	As at 31 Dec 2020
	<u>HK\$'000</u>	<u>HK\$'000</u>
Carrying amount of lease liabilities	14,239	14,473

VIII. Consolidated Bank Information

	As at 30 Jun 2021 ¹ (Audited) <hr/> NTS'000	As at 31 Dec 2020 ² (Audited) <hr/> NTS'000
(i) Capital and Capital adequacy		
Consolidated Amount of Shareholders funds	54,245,845	54,252,765
Consolidated Capital Adequacy Ratio*	14.43%	12.67%
(ii) Other Financial Information		
Total assets	560,102,076	575,413,630
Total liabilities	505,856,231	521,160,865
Total loans and advances	174,734,520	183,710,973
Total customer deposits	258,197,198	267,719,672
	For the period 1 Jan 2021 to 30 Jun 2021 ¹ (Audited) <hr/> NTS'000	For the period 1 Jan 2020 to 30 Jun 2020 ³ (Audited) <hr/> NTS'000
Pre-tax Profit	2,251,882	1,293,441

¹ The interim figures for the period ended 30 June 2021 are extracted from the audited Consolidated Financial Statements of the Bank.

² The figures for the year ended 31 December 2020 are extracted from the audited Consolidated Financial Statements of the Bank.

³ The interim figures for the period ended 30 June 2020 are extracted from the audited Consolidated Financial Statements of the Bank.

* The consolidated capital adequacy ratio is calculated in accordance Basel requirements.

IX. Disclosure of Remuneration Policy

In respect to the disclosure requirement under the HKMA's Supervisory Policy Manual (CG-5) Guideline on Sound Remuneration System, please refer to the Annual Report 2020 of O-Bank Co., Ltd. (Chinese Version Only).

X. Statement of Compliance

This 2021 Interim Financial Disclosure Statement contains all disclosures required by the Banking (Disclosure) Rules and the Supervisory Policy Manual: Guideline on the Application of the Banking (Disclosure) Rules issued by the Hong Kong Monetary Authority.

This information contained in the disclosure statement is not false or misleading in any respect, and that the operations of the Bank are clearly explained.



CHEN Hsiung Jung
Chief Executive
O-Bank Co., Ltd. Hong Kong Branch
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