

O-BANK CO., LTD.
HONG KONG BRANCH

Interim Financial Disclosure Statement
For the Half Year Ended 30 June 2018

I. Profit and Loss Information

	For the period 1 Jan 2018 to 30 Jun 2018 <u>HK\$'000</u>	For the period 1 Jan 2017 to 30 Jun 2017 <u>HK\$'000</u>
Interest income	213,195	125,559
Interest expense	(91,022)	(49,873)
Other operating income		
- Gains less losses from trading in foreign currencies	9,097	8,289
- Gains less losses on securities held for trading purposes	-	-
- Gains less losses from other trading activities	-	-
- Net fees and commission income	23,413	29,433
- <i>Fees and commission income</i>	24,074	30,040
- <i>Fees and commission expenses</i>	(661)	(607)
- Others	1,688	2,351
Total operating income	<u>156,371</u>	<u>115,759</u>
Operating expenses		
- Rental expenses	(6,314)	(5,898)
- Staff expenses	(22,105)	(17,695)
- Net (charge) /credit for debt provision	(16,771)	(30,229)
- Other operating expenses	(9,254)	(6,286)
Total operating expenses	<u>(54,444)</u>	<u>(60,108)</u>
Impairment losses and provisions for impaired loans and receivables	-	-
Gains less losses from the disposal of property, plant and equipment and investment properties	-	-
	<u>-</u>	<u>-</u>
Profit before taxation	101,927	55,651
Tax expense	(10,806)	(15,759)
Profit after taxation	<u>91,121</u>	<u>39,892</u>

II. Balance Sheet Information

	As at 30 Jun 2018	As at 31 Dec 2017
	HK\$'000	HK\$'000
Assets		
Cash and balances with banks	132,604	133,508
Amount due from Exchange Fund repayable or callable within one month	6,506	13,764
Placements with banks which have a residual contractual maturity of more than one month but not more than 12 months	59,190	117,222
Amount due from overseas offices	549,185	1,367,590
Trade bills	10,097	3,652
Certificates of deposit held	-	-
Securities held for trading purposes	-	-
Loans and receivables and other accounts	8,877,342	7,432,397
Investment securities	3,027,416	3,236,650
Other investments	-	-
Property, plant and equipment	9,282	9,585
Total assets	12,671,622	12,314,368
Equity and liabilities		
Deposit and balances from banks	2,596,963	1,735,005
Deposit from customers	8,548,456	7,237,872
- Demand deposit and current accounts	279,247	219,181
- Savings deposits	1,423,532	1,878,823
- Time, call and notice deposits	6,845,677	5,139,868
Amounts due to overseas offices	1,164,552	2,224,302
Certificates of deposit issued	-	-
Issued debt securities	-	-
Other liabilities	262,130	989,125
Total liabilities	12,572,101	12,186,304
Reserves	99,521	128,064
Total Equity and Liabilities	12,671,622	12,314,368

III. Additional Balance Sheet Information

(i) Loans and receivables and other accounts

	As at 30 Jun 2018 <u>HK\$'000</u>	As at 31 Dec 2017 <u>HK\$'000</u>
- Loans and advances to customers	8,863,089	7,368,027
- Loans and advances to banks	-	-
- Accrued interests and other accounts	123,346	173,248
	<u>8,986,435</u>	<u>7,541,275</u>
Less: - Collective impairment allowances	(103,137)	(86,475)
<i>Loans and advances to customers</i>	(99,601)	(83,130)
<i>Loans and advances to banks</i>	-	-
<i>Accrued interests and other accounts</i>	(3,536)	(3,345)
- Individual impairment allowances	(5,956)	(22,403)
<i>Loans and advances to customers</i>	-	(16,434)
<i>Loans and advances to banks</i>	-	-
<i>Accrued interests and other accounts</i>	(5,956)	(5,969)
	<u>(109,093)</u>	<u>(108,878)</u>
	<u>8,877,342</u>	<u>7,432,397</u>

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

	As at 30 Jun 2018		As at 31 Dec 2017	
	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	154,710	54,710	22,000	22,000
- Property investment	697,699	455,535	280,000	70,000
- Financial concerns	1,318,152	1,069,185	1,042,983	845,777
- Stockbrokers	-	-	117,222	-
- Wholesale and retail trade	1,223,253	728,528	925,674	453,538
- Manufacturing	1,426,852	764,972	1,489,098	802,086
- Transport and transport equipment	-	-	-	-
- Recreational activities	14,500	14,500	14,500	14,500
- Information technology	85,318	54,800	79,912	54,800
- Others	2,228,062	1,798,946	1,970,371	1,505,006
<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	406,853	107,785	236,344	88,581
Loans and advances for use outside Hong Kong	1,307,690	753,804	1,189,923	485,372
Total	8,863,089	5,802,765	7,368,027	4,341,660

(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 2018	As at 31 Dec 2017
	HK\$'000	HK\$'000
Hong Kong	7,585,867	5,991,131

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

	As at 30 Jun 2018	As at 31 Dec 2017
	HK\$'000	HK\$'000
China	-	56,512

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

There were no overdue loans and advances to customers, banks and financial institutions as at 30 June 2018 and 31 December 2017.

(iv) Individual impaired loans and advances to customers

	As at 30 Jun 2018	As at 31 Dec 2017
	HK\$'000	HK\$'000
Individual impaired loans and advances	-	56,512
Individual impairment allowances	-	(16,434)
Collateral value	-	4,689
Percentage to total loans and advances to customers	-	0.77%

There were no individual impaired loans and advances to banks and financial institutions as at 30 June 2018 and 31 December 2017.

(v) Overdue loans and advances to customers

There were no overdue loans and advances to customers, banks and financial institutions as at 30 June 2018 and 31 December 2017.

(vi) Rescheduled loans and advances to customers

	As at 30 Jun 2018	(Restate) As at 31 Dec 2017
	HK\$'000	HK\$'000
Rescheduled loans and advances to customers	-	56,512
Percentage to total loans and advances to customers	-	0.77%

There were no rescheduled loans and advances to banks and financial institutions as at 30 June 2018 and 31 December 2017.

(vii) Other advances

There were no overdue, rescheduled or impaired amount of other advances (trade bills and debt securities) to customers, banks and financial institutions as at 30 June 2018 and 31 December 2017.

(viii) Repossessed assets

There were no repossessed assets held by Hong Kong Branch as at 30 June 2018 and 31 December 2017.

(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 financial institutions	Non-bank private sector financial private sector	Others	Total
	HK\$ million					
<u>As at 30 June 2018</u>						
Developed countries						
- Australia	583	-	-	-	-	583
Offshore centres						
- Hong Kong SAR	10	-	-	1,258	-	1,268
Developing Asia and Pacific						
- China	403	-	-	179	-	582
- Taiwan	550	-	-	679	-	1,229
<u>As at 31 December 2017</u>						
Developed countries						
- Australia	585	-	-	-	-	585
Offshore centres						
- Hong Kong SAR	137	-	117	1,176	-	1,430
Developing Asia and Pacific						
- China	438	-	-	314	-	752
- Taiwan	1,369	-	-	736	-	2,105

O-Bank Co., Ltd. Hong Kong Branch
Interim Financial Disclosure Statement For the Half Year Ended 30 June 2018

(x) Currency risk

	USD	GBP	JPY	EUR	CNY	AUD	Others	Total
	HK\$ million							
<u>As at 30 June 2018</u>								
Spot assets	5,112	1	10	14	245	1	1	5,384
Spot liabilities	(6,832)	(2)	(10)	(15)	(406)	(4)	-	(7,269)
Forward purchases	3,444	-	-	-	570	3	-	4,017
Forward sales	(1,597)	-	-	-	(363)	-	-	(1,960)
Net options position	-	-	-	-	-	-	-	-
Net long / (short) position	127	(1)	-	(1)	46	-	1	172
Net structural position	-	-	-	-	-	-	-	-
<u>As at 31 December 2017</u>								
Spot assets	6,633	2	17	15	272	1	-	6,940
Spot liabilities	(6,466)	(1)	(16)	(14)	(446)	(3)	-	(6,946)
Forward purchases	968	22	1	28	449	15	-	1,483
Forward sales	(1,153)	(11)	-	(19)	(186)	(6)	-	(1,375)
Net options position	-	-	-	-	-	-	-	-
Net long / (short) position	(18)	12	2	10	89	7	-	102
Net structural position	-	-	-	-	-	-	-	-

(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 2018</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	161,252	484,703	645,955
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	224,674	-	224,674
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	1,928,185	318,494	2,246,679
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	253,696	-	253,696
Total	<u>2,567,807</u>	<u>803,197</u>	<u>3,371,004</u>
Total assets after provision	12,671,622		
On-balance sheet exposures as percentage of total assets	20.26%		

As at 31 December 2017

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	221,612	367,168	588,780
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	228,793	-	228,793
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	1,526,104	367,288	1,893,392
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	178,439	-	178,439
Total	<u>2,154,948</u>	<u>734,456</u>	<u>2,889,404</u>
Total assets after provision	12,314,368		
On-balance sheet exposures as percentage of total assets	17.50%		

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

	As at 30 Jun 2018 <u>HK\$'000</u>	As at 31 Dec 2017 <u>HK\$'000</u>
<i>Total contractual or notional amounts</i>		
Direct credit substitutes	208,769	206,389
Transaction-related contingencies	4,620	4,710
Trade-related contingencies	90,315	77,477
Note issuance and revolving underwriting facilities	-	-
Other commitments	1,057,075	1,087,271
Others	392,275	-
	<u>1,753,054</u>	<u>1,375,847</u>

V. Derivative Transactions

	As at 30 Jun 2018 <u>HK\$'000</u>	As at 31 Dec 2017 <u>HK\$'000</u>
<i>Total contractual or notional amounts</i>		
Exchange rate-related derivative contracts	5,030,379	2,129,581
Interest rate derivative contracts	2,317,872	2,689,137
Others	-	-
	<u>7,348,251</u>	<u>4,818,718</u>
<i>Total fair value asset</i>		
Exchange rate-related derivative contracts	8,479	8,620
Interest rate derivative contracts	14,016	8,356
Others	-	-
	<u>22,495</u>	<u>16,976</u>
<i>Total fair value liability</i>		
Exchange rate-related derivative contracts	13,142	2,482
Interest rate derivative contracts	12,239	7,978
Others	-	-
	<u>25,381</u>	<u>10,460</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 Jan 2018 to 31 Mar 2018 ¹	For the period 1 Jan 2017 to 30 Jun 2017 ²
Average Liquidity Maintenance Ratio	38.41%	53.57%
	For the period 1 Apr 2018 to 30 Jun 2018 ¹	For the period 1 Jan 2017 to 30 Jun 2017 ²
Average Liquidity Maintenance Ratio	35.19%	53.57%

¹ The average LMR of financial year 2018 is calculated as the simple average of each month's average liquidity maintenance ratio of each quarter of the financial year 2018.

² The average LMR of financial year 2017 is calculated as the simple average of each month's average liquidity maintenance ratio for the first half of the financial year 2017.

The ALCO is responsible for supervising the overall monitoring and control of the Branch's liquidity. 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. Consolidated Bank Information

	As at 30 Jun 2018 ¹ (Audited) <hr/> NTS'000	As at 31 Dec 2017 ² (Audited) <hr/> NTS'000
(i) Capital and Capital adequacy		
Consolidated Amount of Shareholders funds	45,577,624	46,174,643
Consolidated Capital Adequacy Ratio*	12.69%	13.39%
(ii) Other Financial Information		
Total assets	544,359,866	540,572,021
Total liabilities	498,782,242	494,397,378
Total loans and advances	193,973,601	180,086,186
Total customer deposits	231,788,065	198,286,700
	For the period 1 Jan 2018 to 30 Jun 2018 ¹ (Audited) <hr/> NTS'000	For the period 1 Jan 2017 to 30 Jun 2017 ³ (Audited) <hr/> NTS'000
Pre-tax Profit	1,480,406	1,589,758

¹ The interim figures for the period ended 30 June 2018 are extracted from the audited Consolidated Financial Statements of the Bank.

² The figures for year ended 31 December 2017 are extracted from the audited Consolidated Financial Statements of the Bank.

³ The interim figures for the period ended 30 June 2017 are extracted from the audited Consolidated Financial Statements of the Bank.

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

VIII. 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 2017 of O-Bank Co., Ltd. (Chinese Version Only).

IX. Statement of Compliance

This 2018 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.



LEE Fang Yuan
Chief Executive
O-Bank Co., Ltd. Hong Kong Branch