

O-BANK CO., LTD.
HONG KONG BRANCH
(FORMERLY KNOWN AS INDUSTRIAL BANK OF TAIWAN CO., LTD.)

Financial Disclosure Statement
For the Year Ended 31 December 2017

I. Profit and Loss Information

	For the period 1 Jan 2017 to 31 Dec 2017 HK\$'000	For the period 1 Jan 2016 to 31 Dec 2016 HK\$'000
Interest income	287,071	211,180
Interest expense	(114,454)	(67,068)
Other operating income		
- Gains less losses from trading in foreign currencies	16,258	8,871
- Gains less losses on securities held for trading purposes	-	-
- Gains less losses from other trading activities	-	-
- Net fees and commission income	41,940	62,135
- <i>Fees and commission income</i>	43,332	63,315
- <i>Fees and commission expenses</i>	(1,392)	(1,180)
- Others	2,393	131
Total operating income	233,208	215,249
Operating expenses		
- Rental expenses	(11,818)	(10,658)
- Staff expenses	(36,805)	(30,251)
- Net (charge) /credit for debt provision	(37,284)	(53,560)
- Other operating expenses	(15,860)	(16,176)
Total operating expenses	(101,767)	(110,645)
Impairment losses and provisions for impaired loans and receivables	-	-
Gains less losses from the disposal of property, plant and equipment and investment properties	-	-
Profit before taxation	131,441	104,604
Tax expense	(26,035)	(20,383)
Profit after taxation	105,406	84,221

II. Balance Sheet Information

	As at 31 Dec 2017 HK\$'000	As at 30 Jun 2017 HK\$'000
Assets		
Cash and balances with banks	133,508	464,939
Amount due from Exchange Fund repayable or callable within one month	13,764	19,403
Placements with banks which have a residual contractual maturity of more than one month but not more than 12 months	117,222	78,508
Amount due from overseas offices	1,367,590	351,297
Trade bills	3,652	6,139
Certificates of deposit held	-	-
Securities held for trading purposes	-	-
Loans and receivables and other accounts	7,432,397	6,818,726
Investment securities	3,236,650	2,790,510
Other investments	-	-
Property, plant and equipment	9,585	10,707
Total assets	12,314,368	10,540,229
Equity and liabilities		
Deposit and balances from banks	1,735,005	2,343,660
Deposit from customers	7,237,872	6,718,553
- Demand deposit and current accounts	219,181	197,298
- Savings deposits	1,878,823	1,396,818
- Time, call and notice deposits	5,139,868	5,124,437
Amounts due to overseas offices	2,224,302	1,090,011
Certificates of deposit issued	-	-
Issued debt securities	-	-
Other liabilities	989,125	335,947
Total liabilities	12,186,304	10,488,171
Reserves	128,064	52,058
Total Equity and Liabilities	12,314,368	10,540,229

III. Additional Balance Sheet Information

(i) Loans and receivables and other accounts

	As at 31 Dec 2017 HK\$'000	As at 30 Jun 2017 HK\$'000
- Loans and advances to customers	7,368,027	6,637,629
- Loans and advances to banks	-	-
- Accrued interests and other accounts	173,248	289,440
	<u>7,541,275</u>	<u>6,927,069</u>
Less: - Collective impairment allowances	(86,475)	(80,532)
<i>Loans and advances to customers</i>	(83,130)	(77,605)
<i>Loans and advances to banks</i>	-	-
<i>Accrued interests and other accounts</i>	(3,345)	(2,927)
- Individual impairment allowances	(22,403)	(27,811)
<i>Loans and advances to customers</i>	(16,434)	(11,447)
<i>Loans and advances to banks</i>	-	-
<i>Accrued interests and other accounts</i>	(5,969)	(16,364)
	<u>(108,878)</u>	<u>(108,343)</u>
	<u>7,432,397</u>	<u>6,818,726</u>

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

	As at 31 Dec 2017		As at 30 Jun 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	22,000	22,000	-	-
- Property investment	280,000	70,000	280,000	70,000
- Financial concerns	1,042,983	845,777	876,551	537,112
- Stockbrokers	117,222	-	-	-
- Wholesale and retail trade	925,674	453,538	807,746	423,098
- Manufacturing	1,489,098	802,086	1,164,450	536,671
- Transport and transport equipment	-	-	-	-
- Recreational activities	14,500	14,500	17,000	17,000
- Information technology	79,912	54,800	98,038	4,857
- Others	1,970,371	1,505,006	1,715,282	1,177,846
<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	236,344	88,581	265,872	80,039
Loans and advances for use outside Hong Kong	1,189,923	485,372	1,412,690	535,018
Total	7,368,027	4,341,660	6,637,629	3,381,641

(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:

	<u>As at 31 Dec 2017</u>	<u>As at 30 Jun 2017</u>
	HK\$'000	HK\$'000
Hong Kong	5,991,131	5,172,240

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

	<u>As at 31 Dec 2017</u>	<u>As at 30 Jun 2017</u>
	HK\$'000	HK\$'000
China	56,512	57,234

(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 31 December 2017 and 30 June 2017.

(iv) Individual impaired loans and advances to customers

	As at 31 Dec 2017	As at 30 Jun 2017
	HK\$'000	HK\$'000
Individual impaired loans and advances	56,512	57,234
Individual impairment allowances	(16,434)	(11,447)
Collateral value	4,689	4,684
Percentage to total loans and advances to customers	0.77%	0.86%

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

(v) Overdue loans and advances to customers

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

(vi) Rescheduled loans and advances to customers

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

(vii) Other advances

There were no overdue amounts of other advances (trade bills and debt securities) as at 31 December 2017 and 30 June 2017.

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

(viii) Repossessed assets

There were no repossessed assets held by Hong Kong Branch as at 31 December 2017 and 30 June 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	Others	Total
	HK\$ million					
<u>As at 31 December 2017</u>						
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
<u>As at 30 June 2017</u>						
Offshore centres						
- Hong Kong SAR	30	-	133	1,318	-	1,481
Developing Asia and Pacific						
- China	229	-	-	443	-	672
- Taiwan	664	-	-	860	-	1,524

(x) Currency risk

	USD	GBP	JPY	EUR	CNY	AUD	Others	Total
	HK\$ million							
<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	-	-	-	-	-	-	-	-
<u>As at 30 June 2017</u>								
Spot assets	5,943	2	19	25	249	1	-	6,239
Spot liabilities	(4,919)	(38)	(20)	(23)	(469)	(3)	-	(5,472)
Forward purchases	1,916	37	2	-	1,781	3	-	3,739
Forward sales	(2,913)	-	-	-	(1,492)	-	-	(4,405)
Net options position	-	-	-	-	-	-	-	-
Net long / (short) position	27	1	1	2	69	1	-	101
Net structural position	-	-	-	-	-	-	-	-

O-Bank Co., Ltd. Hong Kong Branch
 Financial Disclosure Statement For the Year Ended 31 December 2017

(xi) Non-bank Mainland exposures

	On-balance sheet exposure HK\$'000	Off-balance sheet exposure HK'000	Total exposure HK'000
<u>As at 31 December 2017</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	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	2,154,948	734,456	2,889,404
Total assets after provision	12,314,368		
On-balance sheet exposures as percentage of total assets	17.50%		
<u>As at 30 June 2017</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	293,754	1,476,914	1,770,668
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	171,844	-	171,844
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	1,709,788	304,667	2,014,455
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	196,876	3,220	200,096
Total	2,372,262	1,784,801	4,157,063
Total assets after provision	10,540,229		
On-balance sheet exposures as percentage of total assets	22.51%		

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

	As at 31 Dec 2017	As at 30 Jun 2017
	HK\$'000	HK\$'000
<i>Total contractual or notional amounts</i>		
Direct credit substitutes	206,389	196,024
Transaction-related contingencies	4,710	5,692
Trade-related contingencies	77,477	45,511
Note issuance and revolving underwriting facilities	-	-
Other commitments	1,087,271	536,304
Others	-	-
	<u>1,375,847</u>	<u>783,531</u>

V. Derivative Transactions

	As at 31 Dec 2017	As at 30 Jun 2017
	HK\$'000	HK\$'000
<i>Total contractual or notional amounts</i>		
Exchange rate-related derivative contracts	2,129,581	4,973,640
Interest rate derivative contracts	2,689,137	3,060,569
Others	-	-
	<u>4,818,718</u>	<u>8,034,209</u>
<i>Total fair value asset</i>		
Exchange rate-related derivative contracts	8,620	40,942
Interest rate derivative contracts	8,356	7,559
Others	-	-
	<u>16,976</u>	<u>48,501</u>
<i>Total fair value liability</i>		
Exchange rate-related derivative contracts	2,482	40,279
Interest rate derivative contracts	7,978	7,717
Others	-	-
	<u>10,460</u>	<u>47,996</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 2017 to 31 Dec 2017	For the period 1 Jan 2016 to 31 Dec 2016
Average Liquidity Maintenance Ratio	49.05%	60.57%

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 31 Dec 2017 ¹ (Audited) NT\$'000	As at 30 Jun 2017 ² (Audited) NT\$'000
(i) Capital and Capital adequacy		
Consolidated Amount of Shareholders funds	46,174,643	45,595,407
Consolidated Capital Adequacy Ratio*	13.39%	13.16%
(ii) Other Financial Information		
Total assets	540,572,021	513,473,196
Total liabilities	494,397,378	467,877,789
Total loans and advances	180,086,186	169,896,728
Total customer deposits	198,286,700	188,114,477
	For the period 1 Jan 2017 to 31 Dec 2017 ¹ (Audited) NT\$'000	For the period 1 Jan 2016 to 31 Dec 2016 ³ (Audited) NT\$'000
Pre-tax Profit	2,796,099	3,575,785

¹ The figures for year ended 31 December 2017 are extracted from the audited Consolidated Financial Statements of the Bank.

² The interim figures for the period ended 30 June 2017 are extracted from the audited Consolidated Financial Statements of the Bank.

³ The figures for year ended 31 December 2016 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 2017 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