

Hua Nan Commercial Bank, Ltd.

Hong Kong Branch

Financial Information Disclosure Statements

For the half year ended 30 June 2024

Section A-Branch Information

HKD'000

I. Income Statement Information	<u>Half year to</u> 30 Jun 2024	<u>Half year to</u> 30 Jun 2023
Net interest income	314,616	289,517
Interest income	639,526	517,789
Interest expense	(324,910)	(228,272)
Other operating income	11,190	9,390
Gains less losses arising from trading in foreign currencies	3,895	2,560
Gains less losses on securities held for trading purposes	0	0
Gains less losses from other trading activities	0	0
Net fees and commission income:	<u>Half year to</u> <u>30 Jun 2024</u>	<u>Half year to</u> <u>30 Jun 2023</u>
Income from fees and commission	7,676	8,008
Less : fees and commission expenses	(1,021)	(1,042)
Others	640	(136)
Operating expenses	(37,977)	(30,993)
Staff and rental expenses	(24,458)	(25,852)
Other expenses less fees and commission expenses	(13,519)	(5,141)
Provisions for bad and doubtful debts	(5,386)	(662)
Provisions for other	(493)	6,765
Provisions for impairment loss on assets	(588)	(479)
Profit before taxation	281,362	273,538
Tax expense	(46,700)	(45,800)
Profit after taxation	<u>234,662</u>	<u>227,738</u>

II. Balance Sheet Information	30 Jun 2024	31 Dec 2023
Assets		
Cash and short term fund (except those included in amount due from overseas offices)	1,824,226	3,512,438
Placements with banks and other financial institutions maturing between 1~12 months (except those included in amount due from overseas offices)	796,136	1,087,068
Amount due from overseas offices of the institution	391,101	158,446
Trade bills	4,346	2,294
Certificates of deposit held	2,966,777	2,454,245
Advances to customers, banks and other financial institutions	7,965,753	7,501,737
Investment securities	8,779,486	6,753,849
Tangible fixed assets	19,461	23,643
Other assets and interest receivables	199,748	153,080
Total assets	<u>22,947,034</u>	<u>21,646,800</u>
Equity and Liabilities		
Deposits and balances of banks and other financial institutions (except those included in amount due to overseas offices)	4,954,719	2,226,182
Deposits from customers	15,181,344	17,005,157
Demand deposits and current accounts	123,203	141,646
Savings deposits	5,058,183	5,612,007
Time, call and notice deposits	9,999,958	11,251,504
Amount due to overseas offices of the institution	242,466	131,079
Other liabilities and provisions	365,351	337,870
Total liabilities	<u>20,743,880</u>	<u>19,700,288</u>
Reserves and current profit	2,203,154	1,946,512
Total equity and liabilities	<u>22,947,034</u>	<u>21,646,800</u>

III. Additional Balance Sheet Information		30 Jun 2024	31 Dec 2023
(i) Advances and other accounts		30 Jun 2024	31 Dec 2023
<i>A. Advances to customers</i>			
			5,984,301
Loans to finance imports to H.K. and exports and re-exports from H.K.		65,871	47,540
Other loans for use in H.K.		3,720,743	3,741,190
Other loans for use outside H.K.		2,197,687	1,593,198
<i>B. Advances to banks and other financial institutions</i>			
			1,981,452
<i>C. Accrued interest and other accounts</i>			
			199,748
Accrued interest		194,545	148,723
Other accounts:		5,203	4,357
		<u>30 Jun 2024</u>	<u>31 Dec 2023</u>
Prepaid expenses		2,236	1,469
Other accounts receivable		0	0
Prepaid taxes		0	0
Other prepayment		0	0
Fair value adjustments on financial assets designated at fair value		0	0
Forward exchange contract receivable		82	0
Refundable deposits		2,308	2,206
Computer software		577	682
Gain from revaluation of securities		0	0
<i>D. Provisions for bad and doubtful debts</i>			
			83,148
Reserves for loans:			
General provisions			79,027
To customers		59,212	52,278
To country risk		0	0
To banks		19,815	21,198
Specific provisions			4,121
To customers		4,121	4,454
Reserves for other receivables:			
Specific provisions			0

III. Additional Balance Sheet Information (Continued)

(ii) Non-performing loans

	<u>Principal amt</u>	<u>Suspended interest</u>	<u>Total amt</u>	<u>Percentage to total advances</u>	<u>Value of collateral</u>	<u>Provisions</u>
30 Jun 2024	0	0	0	0.00%	0	0
31 Dec 2023	0	0	0	0.00%	0	0

(iii) The gross amount of advances to customers which have been overdue

	<u>30 Jun 2024</u>			<u>31 Dec 2023</u>		
	<u>Loans</u>	<u>Percentage to total advances</u>	<u>Provisions</u>	<u>Loans</u>	<u>Percentage to total advances</u>	<u>Provisions</u>
six months or less but over three months:	0	0.00%	0	0	0.00%	0
one year or less but over six months:	0	0.00%	0	0	0.00%	0
over one year:	0	0.00%	0	0	0.00%	0
Total	<u>0</u>		<u>0</u>	<u>0</u>		<u>0</u>
Market value of collateral held against the covered portion of all overdue advances	<u>0</u>			<u>0</u>		
Covered portion of all overdue advances	<u>0</u>			<u>0</u>		
Uncovered portion of all overdue advances	<u>0</u>			<u>0</u>		

III. Additional Balance Sheet Information (Continued)	30 Jun 2024	31 Dec 2023
(iv) a. The amount of advances to customers which have been overdue for more than three months and on which interest is still being accrued	0	0
b. The amount of advances to customers which have been overdue for three months or less or not yet overdue and on which interest is being placed in suspense or on which interest accrual has ceased	0	0
c. The amount of advances to customers which have been overdue for three months or less or not yet overdue and on which interest is still being accrued	0	0
(v) The amount of rescheduled advances to customers (net of those which have been overdue for over three months and reported in (iii) above)	0	0
(vi) Reconciliation between overdue loans and non-performing loans		
The amount of advances to customers which have been overdue for more than three months	0	0
Add: - The amount of advances to customers which have been overdue for three months or less or not yet overdue and on which interest is being placed in suspense or on which interest accrual has ceased	0	0
- The amount of advances to customers which have been overdue for three months or less or not yet overdue and on which interest is still being accrued	0	0
Less: The amount of advances to customers which have been overdue for more than three months and on which interest is still being accrued	0	0
	0	0
	0	0
<u>Non-performing Loans</u>		
	<u>30 Jun 2024</u>	<u>31 Dec 2023</u>
Hong Kong areas	0	0
Other areas	0	0
(vii) The debt securities which have been overdue	0	0
(viii) Other assets which have been overdue	0	0

IV. Segmental Information

(i) Breakdown of the gross amount of advances to customers by industry sectors

	30 Jun 2024		31 Dec 2023	
	Amount	Amount covered by collateral	Amount	Amount covered by collateral
A.Loans for use in Hong Kong	3,720,743	564,448	3,741,190	707,351
a.Industrial,commercial and financial	3,720,743	564,448	3,741,190	707,351
Manufacturing	0	0	0	0
Property development	275,000	0	318,125	0
Property investment	507,633	200,000	513,167	200,000
Electricity and gas	0	0	0	0
Recreational activities	0	0	0	0
Information technology	597,594	0	597,594	0
Wholesale and retail trade	414,328	247,318	430,745	257,351
Transport	734,260	0	734,449	0
Hotels,boarding houses & catering	31,500	0	313,000	250,000
Financial concerns	1,160,428	117,130	834,110	0
Stockbrokers	0	0	0	0
Others	0	0	0	0
b.Individuals	0	0	0	0
Others	0	0	0	0
B.Trade finance	65,871	28,109	47,540	29,994
C.Loans for use outside H.K.	2,197,687	446,107	1,593,198	331,494
Total	5,984,301	1,038,664	5,381,928	1,068,839

(ii) Gross amount of advances to customers by countries or geographical areas

30 Jun 2024

31 Dec 2023

(A country or geographical area is reported where it constitutes 10% or more of the aggregate gross amount of advances to customers after taking into consideration the transfers of risks.)

<u>Hong Kong</u> : Loans and advance to customers	3,736,115	3,673,378
<u>Taiwan</u> : Loans and advance to customers	64,636	75,373
Overdue loans	0	0
Non-performing loans	0	0
<u>China</u> : Loans and advance to customers	118,192	125,548

There are overdue and non-performing loans under the identified countries or geographical areas in addition to Taiwan

(iii) Repossessed assets

0

0

IV. Segmental Information (Continued)

(iv) Cross-border claims

	<u>Banks</u>	<u>Official Sector</u>	<u>Non-bank financial institutions</u>	<u>Non-financial private sector</u>	<u>Others</u>	<u>Total</u>
<u>As at 30 Jun 2024</u>						
1.Developing Asia-Pacific	6,766	1	630	624	0	8,021
of which country: Taiwan	838	0	0	53	0	891
China	1,698	1	0	120	0	1,819
2.Offshore centres	1,234	35	1,460	3,179	0	5,908
of which country: Hong Kong	1,234	35	1,349	2,730	0	5,348
<u>As at 31 Dec 2023</u>						
1.Developing Asia-Pacific	7,218	1	609	552	0	8,380
of which country: Taiwan	1,646	0	0	74	0	1,720
China	1,932	1	0	126	0	2,059
2.Offshore centres	895	18	810	3,518	0	5,241
of which country: Hong Kong	490	18	699	2,989	0	4,196

The basis of the country/geographical classification has been taken account the transfer of risk.

(v) Mainland activities exposures

<u>As at 30 Jun 2024</u>	<u>On-balance sheet exposure</u>	<u>Off-balance sheet exposure</u>	<u>Total</u>
Types of Counterparties			
1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	0	0	0
2. Local government, 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	0	0	0
4. Other entities of central governments not reported in item 1 above	356	0	356
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	583	270	853
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	23	196	219
<u>Total</u>	962	466	1,428
Total assets after provision	22,861		
On-balance sheet exposures as percentage of total assets	4.21%		

IV. Segmental Information (Continued)

(v) Mainland activities exposures

<u>As at 31 Dec 2023</u>	<u>On-balance sheet exposure</u>	<u>Off-balance sheet exposure</u>	<u>Total</u>
Type of Counterparties			
1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	0	0	0
2. Local government, 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	0	0	0
4. Other entities of central governments not reported in item 1 above	239	0	239
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	304	881	1,185
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	22	201	223
<u>Total</u>	565	1,082	1,647
Total assets after provision	21,567		
On-balance sheet exposures as percentage of total assets	2.62%		

V. Currency Risk

(An individual currency is reported if the net position (in absolute terms)

constitutes 10% or more of the total net position in all foreign currencies.)

<u>30 Jun 2024</u>	<u>USD</u>	<u>EUR</u>	<u>GBP</u>	<u>JPY</u>	<u>CNY</u>	<u>NZD</u>
Spot assets	15,846	261	3	198	1,886	5
Spot liabilities	(15,860)	(261)	(3)	(198)	(1,882)	(5)
Forward purchases	0	0	0	0	0	0
Forward sales	0	0	0	0	0	0
Net long (short) position	(14)	0	0	0	4	0
<u>31 Dec 2023</u>	<u>USD</u>	<u>EUR</u>	<u>GBP</u>	<u>JPY</u>	<u>CNY</u>	<u>NZD</u>
Spot assets	14,116	277	3	213	2,353	5
Spot liabilities	(14,096)	(276)	(3)	(215)	(2,352)	(6)
Forward purchases	0	0	0	0	0	0
Forward sales	0	0	0	0	0	0
Net long (short) position	20	1	0	(2)	1	(1)

VI. Off-Balance Sheet Exposures			30 Jun 2024	31 Dec 2023
(i) Contingent liabilities and commitments	30 Jun 2024	31 Dec 2023		
A. Direct credit substitutes			767,447	1,397,089
Customers' liabilities under guarantee	767,447	1,397,089		
B. Transaction-related contingencies			0	0
C. Trade-related contingent items			257,481	316,697
Collection receivable for customers	81,741	125,930		
Customers' liabilities under L/C	173,843	186,046		
Customers' liabilities under guarantee (SG)	0	0		
Customers' liabilities under acceptance	1,897	4,721		
D. Sale and repurchase agreements			0	486,765
E. Other commitments				
With an original maturity of under 1 year available OD & loans limit			2,030,963	2,077,947
With an original maturity of over 1 year loans limit			948,320	1,200,500
Note issue and revolving underwriting facilities			0	0

The contract amounts of the contingent liabilities and commitments represent the amounts at risk should the contract be fully drawn upon and the client default, the total of the contract amounts is not representative of future liquidity requirements.

(ii) Derivatives	30 Jun 2024	31 Dec 2023
Contract amounts :		
Interest rate contracts	0	0
Exchange rate contracts	0	0
	<u>0</u>	<u>0</u>
Replacement costs (of the above derivatives) :		
Interest rate contracts	0	0
Exchange rate contracts	0	0
	<u>0</u>	<u>0</u>

The contract amounts indicate the volume of transactions outstanding at the balance sheet date; they do not represent amounts at risk. The replacement costs do not take into account the effects of bilateral netting arrangements.

VII. Liquidity

	<u>For the half year of 2024</u>	<u>For the half year of 2023</u>
The average liquidity coverage ratio	N/A	N/A
	<u>For the half year of 2024</u>	<u>For the half year of 2023</u>
The average liquidity maintenance ratio for Q1 (Calculation period : Jan ~ Mar 2024 , Jan ~ Mar 2023)	81.53%	62.53%
The average liquidity maintenance ratio for Q2 (Calculation period : Apr ~ Jun 2024 , Apr ~ Jun 2023)	76.07%	71.14%
The average liquidity maintenance ratio for H1 (Calculation period : Jan ~ Jun 2024 , Jan ~ Jun 2023)	78.80%	66.83%

The Liquidity Ratio specified under section 102 of the Banking Ordinance, which was replaced by the Liquidity Maintenance Ratio ('LMR') on 1 January 2015. LMR was complied in accordance with the Banking (Liquidity) Rules issued by the HKMA with effective from 1 January 2015 for the implementation of the Basel III capital framework.

The average ratio is calculated based on the arithmetic mean of the average value of its liquidity position return for each month during the reporting period.(ex. Q1 is the 3 months' average.)

VIII.Liquidity Risk Management

Please review the attachment of liquidity Risk Management.

IX Remuneration Disclosure

In respect to the disclosure requirement under the HKMA's Supervisory Policy Manual (CG-5)-Guideline on a Sound Remuneration System, please refer to the Bank's Annual Report (Chinese version) (in the part of Corporate Governance Report).

NTD'000

Section B-Bank Information (Consolidated Basis)

(HKD/TWD=4.171)

I. Capital and Capital Adequacy	<u>30 Jun 2024</u>	<u>31 Dec 2023</u>
Consolidated capital adequacy ratio	13.77%	14.46%
Aggregate amount of shareholders' funds	291,820,922	292,756,825

The ratio is computed in accordance with the New Basel Capital Accord's Capital Adequacy Directive and the basis of computation incorporates allowances for credit, market and operational risks.

II. Other Financial Information	<u>30 Jun 2024</u>	<u>31 Dec 2023</u>
Total assets	4,051,179,112	3,762,896,643
Total liabilities	3,822,763,910	3,534,214,350
Total net advances	2,399,986,492	2,272,317,920
Total customer deposits	3,332,693,404	3,066,338,593
	<u>Half year to</u> <u>30 Jun 2024</u>	<u>Half year to</u> <u>30 Jun 2023</u>
Pre-tax Profit	12,760,941	12,011,013

Declaration of Compliance

It is certified by the Chief Executive of Hua Nan Commercial Bank, Ltd. Hong Kong Branch that the information disclosed above complies fully with the disclosure standards as set out in CA-D-1 (Guideline on the Application of the Banking (Disclosure) Rules) of the Supervisory Policy Manual (V.2 - 06.08.15) issued by the Hong Kong Monetary Authority and is not false or misleading.

For and on behalf of

Hua Nan Commercial Bank, Ltd.

Hong Kong Branch


Date: 24 September 2024

Chen, Ching Hsi

Vice President & General Manager

Liquidity Risk Management of Hua Nan Commercial Bank, Ltd. Hong Kong Branch

1.	Strategy and policies of liquidity risk management	According to the CAP 155Q Banking (Liquidity) Rules of the Hong Kong Banking Ordinance, the Supervisory Policy Manual “LM-1: Regulatory Framework for Supervision of Liquidity Risk ” and “LM-2: Sound Systems and Controls for Liquidity Risk Management ” issued by the Hong Kong Monetary Authority, “Liquidity Risk Management Standard” and “Overseas Branches Guidelines and Measures of Liquidity and Interest Rate Risk Management in Banking Book” issued by head office, Hong Kong Branch has formulated the “ Liquidity Risk Management System and Control Measures” to ensure maintaining stable and adequate liquidity in daily operations and certain circumstances.
2.	Structure and responsibilities for liquidity risk management	The Branch has set up the Risk Management Committee, the branch manager as the convener to periodic review and analyze the liquidity risk management guideline and controlling measure, liquidity of funds, maturity gap, trend of interest rate and other related issues.
3.	Risk tolerance of liquidity risk management	According to the risk tolerance set by head office and the Supervisory Policy Manual issued by the Hong Kong Monetary Authority, AIs must maintain a LMR not less than 25% on average in each calendar month. The Branch has set LMR not less than 35% and the indicator reviews periodically and provided to head office.
4.	Reports of liquidity risk management	The Branch provide interest sensitivity indicators to head office and report to ALCO of Hong Kong Branch monthly. The Branch develop a proper funding plan based on the liquidity gap and structure to identify, monitor and mitigate liquidity risk.
5.	Strategy of funding plan	The Branch funding strategy is decentralized. To maintain appropriate liquidity asset portfolio by interbank borrowing or overdraw limit and prevent from centralizing deposit to meet the needs of daily operation funds. Appendix : The Branch has set interbank borrowings to single counterparty not more than HKD400 Million / CNY300Million.

6.	Stress testing of liquidity risk management	According to 華南商業銀行香港分行流動性風險管理制度及管控措施, the Branch proceed stress testing periodically based on the possible condition and hypothesis and submit results to head office and discuss on the branch Assets and Liabilities Management Committee.
7.	Contingency funding plan of liquidity risk management	The Contingency Funding Plan is made by the Branch. To obtain support from central bank or head office or issue bonds /fixed deposits to mitigate liquidity gap and maintain the resources of going concern. The Branch assess and practices the Contingency Funding Plan every year.
8.	Liquidity risk mitigation techniques	The Branch has formulated and followed a daily internal and external liquidity ratio and early warning indicators to ensure sufficiently liquidity funds. When it needs, activate the Contingency Funding Plan and Recovery Plan to mitigate liquidity gaps.

(HK\$'000)

	Total amount	Contractual maturity of cash flows and securities flows arising from the relevant items							Balancing amount		
		Next day	2 to 7 days	8 days to 1 month	> 1 month up to 3 months	> 3 months up to 6 months	> 6 months up to 1 year	> 1 year up to 2 years		> 2 years up to 3 years	> 3 years up to 5 years
Total	22,825,027	8,534,331	1,020,981	5,129,361	3,592,601	1,246,299	879,207	0	0	78,087	2,344,160

	Total amount	Contractual maturity of cash flows and securities flows arising from the relevant items							Balancing amount		
		Next day	2 to 7 days	8 days to 1 month	> 1 month up to 3 months	> 3 months up to 6 months	> 6 months up to 1 year	> 1 year up to 2 years		> 2 years up to 3 years	> 3 years up to 5 years
Total	2,784,944	1,754,710	1,501	74,184	56,261	213,460	79,232	4,685	18,880	76,450	505,581

	Total amount	Contractual maturity of cash flows and securities flows arising from the relevant items							Balancing amount		
		Next day	2 to 7 days	8 days to 1 month	> 1 month up to 3 months	> 3 months up to 6 months	> 6 months up to 1 year	> 1 year up to 2 years		> 2 years up to 3 years	> 3 years up to 5 years
Total	22,898,926	12,081,634	182,483	1,924,658	647,073	996,208	1,968,811	2,196,945	1,175,031	1,369,886	331,533

	Total amount	Contractual maturity of cash flows and securities flows arising from the relevant items							Balancing amount		
		Next day	2 to 7 days	8 days to 1 month	> 1 month up to 3 months	> 3 months up to 6 months	> 6 months up to 1 year	> 1 year up to 2 years		> 2 years up to 3 years	> 3 years up to 5 years
Total	2,048,951	71,679	1,535	85,116	101,094	319,014	270,432	275,588	177,920	235,617	510,956

Contractual Maturity Mismatch	1,864,272	(838,464)	(3,193,771)	(2,900,695)	(144,537)	1,280,804	2,467,848	1,334,071	1,529,053	258,821
Cumulative Contractual Maturity Mismatch	1,864,272	1,025,808	(2,167,963)	(5,068,658)	(5,213,195)	(3,932,391)	(1,464,543)	(130,472)	1,398,581	1,657,402