

中國信託銀行



CTBC BANK

CTBC Bank Co., Ltd.

Hong Kong Branch

Key Financial Information Disclosure Statements

For Year Ended 31 December 2017



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A. HONG KONG BRANCH INFORMATION

1. Income statement information

	<i>year ended</i> <u>31 December 2017</u>	<i>year ended</i> <u>31 December 2016</u>
	HK\$'000	
Interest income	1,358,155	1,063,913
Interest expense	426,986	356,072
Net interest income	<u>931,169</u>	<u>707,841</u>
Gains less (losses) arising from dealing in foreign currencies	164,505	290,340
Gains less (losses) on securities held for trading purposes	(4,567)	50,464
Gains less (losses) from other dealing activities	(590)	(3,290)
Net fees and commission income	159,300	157,194
- gross fees and commission income	185,480	180,737
- less: fee and commission expenses	(26,180)	(23,543)
Other operating income	115,320	100,600
Net operating income	<u>433,968</u>	<u>595,308</u>
Operating expenses	565,542	573,846
- Staff expenses	343,107	317,888
- Rental expenses	60,097	60,499
- Other expenses	162,338	195,459
Operating profit before impairment	<u>799,595</u>	<u>729,303</u>
(Charge) for impairment allowances for advances to customers	(100,462)	(188,843)
(Charge) for impairment allowances for other impaired assets	(9,345)	(45,481)
Gains less (losses) from disposal of tangible fixed assets	0	(1,022)
Profit before taxation	<u>689,788</u>	<u>493,957</u>
Taxation charges	124,453	88,231
Profit after taxation	<u><u>565,335</u></u>	<u><u>405,726</u></u>

**2. Balance sheet information**

	HK\$'000	
	<u>31 December 2017</u>	<u>30 June 2017</u>
(i) Assets		
Cash and balances with banks	12,511,165	8,991,783
Placements with banks and other financial institutions maturing between 1 and 12 months	2,927,102	3,077,736
Amount due from overseas offices	18,972,777	12,574,163
Trade bills	872,178	680,211
Advances and other accounts (Additional Balance Sheet Information)	25,579,053	24,266,704
Available-for-sale securities	4,580,826	2,408,361
Held-to-maturity securities	5,342,933	7,683,627
Tangible fixed assets	18,169	20,367
Total assets	<u>70,804,203</u>	<u>59,702,952</u>
(ii) Liabilities		
Deposits and balances of banks and other financial institutions	19,012	37,694
Deposits from customers	63,591,946	53,114,861
- Demand deposits and current accounts	1,267,624	1,439,376
- Savings deposits	34,350,457	28,312,034
- Time, call and notice deposits	27,973,865	23,363,451
Amount due to overseas offices	503,575	132,918
Issued debt securities	0	0
Other liabilities	2,346,544	2,358,454
Reserves and current profit	4,343,126	4,059,025
Total liabilities	<u>70,804,203</u>	<u>59,702,952</u>



3. Additional Balance sheet information

HK\$'000

(i) Advances and other accounts	31 December 2017	30 June 2017
Advances to customers	24,297,327	22,332,600
Advances to banks and other financial institutions	0	0
Accrued interest and other accounts	1,678,812	2,263,864
Less: Impairment allowance for impaired assets (Note)	397,086	329,760
Advances to customers	388,364	322,958
Advances to banks and other financial institutions	0	0
Trade bills	8,722	6,802
Investment securities	0	0
Advances and other accounts after impairment allowance for impaired assets	<u>25,579,053</u>	<u>24,266,704</u>

Note:

Impairment allowance for impaired assets -

- Collective
- Individual

Total

31 December 2017		30 June 2017	
Trade bills	Customers	Trade bills	Customers
8,722	240,891	6,802	221,377
0	147,473	0	101,581
<u>8,722</u>	<u>388,364</u>	<u>6,802</u>	<u>322,958</u>

(ii) Details of the impaired assets

Impaired loans amount*

Individual impairment allowances

- Percentage to total advances to Banks & other FI's /Customers

31 December 2017		30 June 2017	
Banks and other FI's	Customers	Banks and other FI's	Customers
0	205,210	0	270,552
0	147,473	0	101,581
0.00%	0.84%	0.00%	1.21%

* Impaired loans are loans on which interest is being placed in suspense or on which interest accrual has ceased.

(iii) Overdue and rescheduled loans

(a) Overdue loans

Three months or less but over one month

- Percentage to total advances to Banks & other FI's /Customers

Six months or less but over three months

- Percentage to total advances to Banks & other FI's /Customers

One year or less but over six months

- Percentage to total advances to Banks & other FI's /Customers

Over one year

- Percentage to total advances to Banks & other FI's /Customers

Total Overdue loans

- Total Percentage to total advances to Banks & other FI's /Customers

(b) Rescheduled loans

Rescheduled loans, net of those reported in (a)

- Percentage to total advances to Banks & other FI's /Customers

(c) Value of collateral held against overdue loans and advances of those reported in (a)

- Current market value of collateral held against the covered portion of overdue loans and advances

- Covered portion of overdue loans and advances

- Uncovered portion of overdue loans and advances

31 December 2017		30 June 2017	
Banks and other FI's	Customers	Banks and other FI's	Customers
0	3,089	0	29,446
0.00%	0.01%	0.00%	0.13%
0	36,286	0	6,019
0.00%	0.15%	0.00%	0.03%
0	16,292	0	54,964
0.00%	0.07%	0.00%	0.25%
0	65,376	0	95,852
0.00%	0.27%	0.00%	0.43%
0	121,043	0	186,281
0.00%	0.50%	0.00%	0.83%
0	46,938	0	46,872
0.00%	0.19%	0.00%	0.21%
0	19,830	0	65,348
0	19,830	0	65,348
0	101,213	0	120,933

(iv) Repossessed assets held

0	0	0	47,500
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4. Off-balance sheet exposures

HK\$'000

	<u>31 December 2017</u>	<u>30 June 2017</u>
(i) The contract or notional amounts of off-balance sheet exposures outstanding		
Contingent liabilities and commitments		
Direct credit substitutes	1,609,033	1,059,361
Transaction-related contingencies	98,174	89,862
Trade-related contingencies	1,284,469	939,115
Other commitments	65,258,849	61,535,457
Others	0	0
Total of above	<u>68,250,525</u>	<u>63,623,795</u>
Derivatives		
Exchange rate contracts	302,187,660	586,186,786
Interest rate contracts	14,370,585	14,083,498
Others	0	0
Total of above	<u>316,558,245</u>	<u>600,270,284</u>
(ii) The replacement costs of derivatives outstanding		
Exchange rate contracts	1,285,641	1,697,156
Interest rate contracts	90,004	274,675
Others	0	0
Total of above	<u>1,375,645</u>	<u>1,971,831</u>

For contingent liabilities and commitments, the contract amount represents the amount at risk should the contract be drawn upon and the client defaults. The total of the contract amount is not representative of future liquidity requirements.

For derivatives, the notional amounts indicate the nominal value of transactions outstanding at the balance sheet date; they do not represent amounts at risk.

In deriving the derivatives' replacement costs, no effect of bilateral netting arrangements has been taken into account.

5. Segmental information

HK\$'000

	<u>31 December 2017</u>	<u>30 June 2017</u>
(i) Advances to customers by industry classification		
a) Loans for use in Hong Kong	4,854,712	3,973,931
Industrial, commercial and financial:		
- Civil engineering works	16,052	25,380
- Property development	411,103	450,754
- Property investment	703,865	709,371
- Financial concerns	883,575	529,984
- Stockbrokers	515,387	88,089
- Wholesale and retail trade	420,567	343,293
- Manufacturing	791,580	714,075
- Transport and transport equipment	0	0
- Electricity and gas	0	0
- Information technology	424,236	393,410
- Recreational activities	0	0
- Others	688,347	715,672
Individual:		
- Loans for the purchase of other residential properties	0	0
- Others	0	3,903
b) Trade finance	2,725,194	2,723,391
c) Loans for use outside Hong Kong	16,717,421	15,635,278
Total of above	<u>24,297,327</u>	<u>22,332,600</u>
(ii) Value of collateral secured the loans and advances by industry classification		
a) Loans for use in Hong Kong	2,709,434	2,323,472
Industrial, commercial and financial:		
- Civil engineering works	4,643	11,680
- Property development	240,056	235,030
- Property investment	647,956	655,130
- Financial concerns	235,687	0
- Stockbrokers	0	0
- Wholesale and retail trade	330,563	235,165
- Manufacturing	618,387	570,098
- Transport and transport equipment	0	0
- Electricity and gas	0	0
- Information technology	0	0
- Recreational activities	0	0
- Others	632,142	612,466
Individual:		
- Loans for the purchase of other residential properties	0	0
- Others	0	3,903
b) Trade finance	756,653	946,131
c) Loans for use outside Hong Kong	4,445,805	3,504,966
Total of above	<u>7,911,892</u>	<u>6,774,569</u>



5. Segmental information (cont'd)

HK\$'000

(iii) Non-bank Mainland exposures

31 December 2017

Types of counterparties

	On-balance sheet exposures	Off-balance sheet exposures	Total
1. Central government, central government-owned entities and their subsidiaries and JVs	2,087,007	6,596	2,093,603
2. Local governments, local government-owned entities and their subsidiaries and JVs	460,524	7,185	467,709
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	3,321,193	514,647	3,835,840
4. Other entities of central government not reported in item 1 above	1,436,629	389,905	1,826,534
5. Other entities of local governments not reported in item 2 above	436,536	0	436,536
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	8,954,242	1,369,744	10,323,986
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	90,297	0	90,297
Total	16,786,428	2,288,077	19,074,505

Total assets after provision

70,804,203

On-balance sheet exposures as percentage of total assets

23.71%

30 June 2017

Types of counterparties

1. Central government, central government-owned entities and their subsidiaries and JVs	1,800,858	109,535	1,910,393
2. Local governments, local government-owned entities and their subsidiaries and JVs	551,284	0	551,284
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	3,139,992	460,787	3,600,779
4. Other entities of central government not reported in item 1 above	420,101	2,011	422,112
5. Other entities of local governments not reported in item 2 above	218,179	0	218,179
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	8,749,533	868,396	9,617,929
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	0	0	0
Total	14,879,947	1,440,729	16,320,676

Total assets after provision

59,702,952

On-balance sheet exposures as percentage of total assets

24.92%



5. Segmental information (cont'd)

HK\$ million

(iv) International claims

	Banks	Official sector	Non-bank private sector		Others	Total
			Non-bank financial institutions	Non-financial private sector		
<i>31 December 2017</i>						
Developed countries	7,645	1,073	57	265	0	9,040
Offshore centres	1,353	1,314	788	8,410	0	11,865
- of which Hong Kong	827	1,314	788	8,408	0	11,337
Developing Asia-Pacific	34,715	420	774	14,383	0	50,292
- of which China	6,514	420	774	11,559	0	19,267
- of which Taiwan	26,107	0	0	1,371	0	27,478
<i>30 June 2017</i>						
Developed countries	6,257	752	24	56	0	7,089
Offshore centres	1,824	624	524	8,160	0	11,132
- of which Hong Kong	1,568	624	524	8,147	0	10,863
Developing Asia-Pacific	27,203	415	127	13,959	0	41,704
- of which China	6,744	415	127	11,411	0	18,697
- of which Taiwan	16,664	0	0	1,434	0	18,098

Claim on an individual country or geographical area is reported if it constitutes 10% or more of the total international claims.

The above classification has been taken into account of transfer of risk.



6. Currency risk

						HK\$ million
	USD	CNY	EUR	JPY	NTD	Total
<i>31 December 2017</i>						
Spot assets	53,566	4,043	1,954	644	275	62,409
Spot liabilities	53,268	5,645	1,292	447	272	62,517
Forward purchases	145,407	25,455	910	1,707	17,621	193,818
Forward sales	145,977	23,912	1,570	1,904	17,353	193,782
Net option position	0	0	0	0	0	0
Net long (short) position	(272)	(59)	2	0	271	(72)
Net structural position	0	0	0	0	0	0
<i>30 June 2017</i>						
Spot assets	45,049	3,593	1,710	497	546	52,066
Spot liabilities	43,859	5,212	712	420	549	52,264
Forward purchases	279,886	37,418	416	1,720	32,662	355,926
Forward sales	281,620	35,280	1,414	1,802	32,580	355,675
Net option position	0	0	0	0	0	0
Net long (short) position	(544)	519	0	(5)	79	53
Net structural position	0	0	0	0	0	0

The "Total" column represents the aggregate positions of all currencies.

The net option position is calculated using the delta equivalent value of the option contracts.

7. Liquidity

Starting from 2015, the HKMA applied the new Liquidity Maintenance Ratio to category 2 institution under Banking Ordinance Cap 155M Section 103B (3). The average liquidity maintenance ratio is being calculated based on the arithmetic mean of the average value of liquidity maintenance ratio for each month during the reporting period. The liquidity maintenance ratio is calculated in accordance with the guidelines of the HKMA and the Banking (Liquidity) Rules.

	<i>year ended</i>	<i>year ended</i>
	<u>31 December 2017</u>	<u>31 December 2016</u>
Average liquidity maintenance ratio	46.77%	48.25%

Liquidity Risk Management

The liquidity maintenance ratio is prepared by Accounting Department on a daily basis and a daily report is submitted to branch management and Treasury Department for monitoring purpose. Treasury Department is also performed the liquidity maintenance ratio projection on a daily basis.

Governance

The Branch has an Asset-Liability Committee ("ALCO"), responsible for the management of assets, liabilities, commitments and contingent liabilities of the Branch. Its function is to ensure the management of risk and liquidity profile of the branch which are carried on within the approved limits and policies. Liquidity stress test result cover general, institution specific and combined crisis scenario is also addressed on a quarterly basis in the ALCO meeting to ensure the effective control on liquidity of the branch.

Funding and Liquidity Cushion

Treasury is responsible for managing the funding of the branch which include interbank market funding and placement, customer deposits, etc and Head Office support when necessary. The branch is maintained the liquidity cushion by holding high quality marketable securities issued or guaranteed by sovereigns. Composition consists of China Government Bond, Hong Kong Exchange Fund Bills and NCDs issued by authorized institution in Hong Kong.

8. Remuneration disclosure

In accordance with paragraph 3.1.2 of the HKMA's Supervisory Policy Manual Guideline on a Sound Remuneration System – CG5 issued on March 12, 2015, CTBC Bank has disclosed the relevant information under Part III Corporate Governance of the Chinese version of CTBC Bank Annual Report 2016.



B. BANK INFORMATION (CONSOLIDATED BASIS)

1. Capital and capital adequacy

NTD million

	<u>31 December 2017</u>	<u>30 June 2017</u>
Consolidated capital adequacy ratio	14.47%	14.13%
Aggregate amount of shareholders' fund	279,710	265,732

The capital adequacy ratio is computed in accordance with the Basel Capital Accord under Taiwan MOF regulation. It is calculated as the percentage of net eligible capital divided by risk-weighted assets.

Net eligible capital is the sum of Tier I capital and qualified Tier II and Tier III capital (Total eligible capital) less required capital deductions.

Risk-weighted assets is the sum of credit risk-weighted assets plus the capital requirement for market risk and operational risk multiplied by 12.5.

2. Other financial information

NTD million

	<u>31 December 2017</u>	<u>30 June 2017</u>
Total assets	3,761,499	3,623,178
Total liabilities	3,481,788	3,357,446
Total advances	2,142,676	2,094,239
Total customer deposits	2,981,845	2,846,582
	<i>year ended</i>	<i>year ended</i>
Pre-tax profit / (loss)	<u>31 December 2017</u> 36,648	<u>31 December 2016</u> 28,927

* Notes for NTD/HKD conversion rates : 3.82 (31-Dec-2017); 3.90 (30-Jun-2017) and 4.16 (31-Dec-2016).

Chief executive's declaration of compliance

We enclose herewith the Key Financial Information Disclosure Statement for the year ended 31 December 2017. We confirm that the information contained therein complies fully with the relevant requirements for financial disclosure by overseas incorporated authorized institutions as set out in CA-D-1<Guideline on the Application of the Banking (Disclosure) Rules> of Supervisory Policy Manual issued by Hong Kong Monetary Authority and is not false or misleading.

Hwang Sheng Wen
Chief Executive
CTBC Bank Co., Ltd.
Hong Kong Branch

28 March 2018