

TAIWAN COOPERATIVE BANK, HONG KONG BRANCH

Financial Information Disclosure Statement

For the Year Ended December 31, 2020

TAIWAN COOPERATIVE BANK, HONG KONG BRANCH
FINANCIAL INFORMATION DISCLOSURE STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2020

<u>CONTENTS</u>	<u>PAGES</u>
SECTION A - INFORMATION OF THE BRANCH (HONG KONG BRANCH ONLY)	
I. PROFIT AND LOSS INFORMATION	1
II. BALANCE SHEET INFORMATION	2
III. SUPPLEMENT FINANCIAL INFORMATION	3
A. ADVANCES AND IMPAIRMENT ALLOWANCES	3
B. OVERDUE AND RESCHEDULED ASSETS	4
C. OFF-BALANCE SHEET INFORMATION	5
D. SEGMENTAL INFORMATION	6
E. INTERNATIONAL CLAIMS	7
F. NON-BANK MAINLAND EXPOSURES	8
G. FOREIGN CURRENCY POSITION	9
H. LIQUIDITY INFORMATION	10
SECTION B - INFORMATION OF THE BANK (CONSOLIDATED BASIS)	
A. CAPITAL AND CAPITAL ADEQUACY RATIO	11
B. OTHER FINANCIAL INFORMATION	11
SECTION C - REMUNERATION DISCLOSURE	11
DECLARATION	12

SECTION A- INFORMATION OF THE BRANCH (HONG KONG BRANCH ONLY)

I. PROFIT AND LOSS INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020

Figures in HKD thousands

	Year to 2020-12-31	Year to 2019-12-31
INTEREST INCOME	281,719	440,889
INTEREST EXPENSE	(100,088)	(208,976)
	<u>181,631</u>	<u>231,913</u>
OTHER OPERATING INCOME		
Gains less losses arising from dealing in foreign currencies	1,508	(516)
Gains less losses on securities held for trading purposes	0	0
Gains less losses from other trading activities	8,668	2,261
Net fees and commission income		
Gross fees and commission income	7,347	8,776
Fees and commission expense	(1,284)	(1,357)
Others	41	305
	<u>16,280</u>	<u>9,469</u>
Total income	197,911	241,382
OPERATING EXPENSES		
Staff and rental expenses	(19,993)	(18,704)
Other expenses (less fees and commission expenses)	(13,037)	(10,659)
	<u>(33,030)</u>	<u>(29,363)</u>
IMPAIRMENT PROVISION FOR LOANS	(144,352)	(852)
Total expenses	(177,382)	(30,215)
PROFIT BEFORE TAXATION	20,529	211,167
TAXATION CHARGE	(15,274)	(35,834)
PROFIT AFTER TAXATION	<u>5,255</u>	<u>175,333</u>

II. BALANCE SHEET INFORMATION

AS AT 31 DECEMBER 2020

Figures in HKD thousands

	2020-12-31	As at 2020-06-30
ASSETS		
Cash and short term fund (except those included in amount due from overseas offices)	119,365	232,490
Placement with Bank maturity of more than one month but not more than 12 months (except those included in amount due from overseas offices)	1,711,484	920,430
Amount due from overseas offices	11,358	90,064
Loans and advances less impairment allowances	4,594,863	6,080,886
Certificates of deposit held	193,846	0
Amortised cost securities	714,053	831,869
Fair value through other comprehensive income securities	1,930,580	1,559,659
Other accounts	54,356	36,271
Property, plant and equipment	24,803	24,638
Accumulated depreciation	(12,676)	(9,774)
Tangible fixed assets	2,094	2,521
Total Assets	9,344,126	9,769,054
LIABILITIES		
Deposit and balances from banks (except those included in amount due to overseas offices)	2,258,749	3,407,669
Deposit from customers		
-Demand deposits and current accounts	22,232	20,890
-Savings deposits	1,753,545	1,789,029
-Time, call and notice deposits	4,099,942	3,487,553
Amount due to overseas offices	319,749	86,373
Other accounts	42,475	77,667
Total Liabilities	8,496,692	8,869,181
Reserves and current profit	847,434	899,873
Total equity and Liabilities	9,344,126	9,769,054

III. SUPPLEMENT FINANCIAL INFORMATION

AS AT 31 DECEMBER 2020

Figures in HKD thousands

	2020-12-31	As at 2020-06-30
A. ADVANCES AND IMPAIRMENT ALLOWANCES ON ADVANCES		
Advances to customers	4,437,665	5,847,732
Advances to Banks	294,647	294,577
Total	4,732,312	6,142,309
Collective impairment allowances	(40,496)	(61,423)
Individual impairment allowances	(96,953)	0
Total	(137,449)	(61,423)
Gross advances less impairment allowances	4,594,863	6,080,886
Provisions as a percentage of gross advances		
-Collective impairment allowances	0.86%	1.00%
-Individual impairment allowances	2.05%	0.00%
Total allowances	2.91%	1.00%

A1. IMPAIRMENT ALLOWANCES

	2020-12-31			As at 2020-06-30		
	Collective impairment allowances	Individual impairment allowances	Total	Collective impairment allowances	Individual impairment allowances	Total
Advances to customers	37,550	96,953	134,503	58,477	0	58,477
Advances to banks	2,946	0	2,946	2,946	0	2,946
Total			137,449			61,423

a) Impaired advances to customers

	2020-12-31	As at 2020-06-30
Amount of impaired loans and advances	314,089	0
Amount of individual impairment allowances made	78,522	0
Value of collateral	0	0
As a percentage of total advances to customers	7.08%	0.00%

b) Impaired advances to banks

	2020-12-31	As at 2020-06-30
Amount of impaired loans and advances	0	0
Amount of individual impairment allowances made	0	0
Value of collateral	0	0
As a percentage of total advances to banks	0.00%	0.00%

III. SUPPLEMENT FINANCIAL INFORMATION - CONTINUED

AS AT 31 DECEMBER 2020

Figures in HKD thousands

B. OVERDUE AND RESCHEDULED ASSETS

	As at			
	2020-12-31		2020-06-30	
	Amount	%	Amount	%
a) Loans and Advances to customers overdue for				
More than 3 months and up to 6 months	217,108	4.89%	0	0
More than 6 months and up to 1 year	0	0	0	0
More than 1 year	0	0	0	0
b) Rescheduled loans and advances to customers	0	0	0	0
c) Value of collateral held against such overdue loans and advances to customers				
- Current market value of collateral held against the covered portion of overdue loans and advances	0	0	0	0
- Covered portion of overdue loans and advances	0	0	0	0
- Uncovered portion of overdue loans and advances	217,108	4.89%	0	0
d) Individual impairment allowances on such overdue loans and advances	54,277		0	

B1. Loans and advances to banks and other financial institutions

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

B2. OTHER ASSETS (including debt securities)

There were no other assets (including debt securities) which were overdue as at 31 December 2020 and 30 June 2020.

B3. REPOSSESSED ASSETS

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

III. SUPPLEMENT FINANCIAL INFORMATION - CONTINUED

AS AT 31 DECEMBER 2020

Figures in HKD thousands

C. OFF-BALANCE SHEET INFORMATION

C1. CONTINGENT LIABILITIES AND COMMITMENTS

The following is a summary of the contractual amounts of each significant class of contingent liabilities and commitments :

	As at	
	2020-12-31	2020-06-30
Off-balance sheet exposures (in contractual amounts)		
Direct credit substitutes	0	0
Transaction-related contingencies	0	0
Trade-related contingencies	79,865	175,930
Other commitments	597,581	620,735
Forward forward deposits placed	0	0
	<u>677,446</u>	<u>796,665</u>

C2. DERIVATIVES

Interest rate contracts	0	0
Exchange rate contracts	0	0
	<u>0</u>	<u>0</u>

C3. REPLACEMENT COSTS OF DERIVATIVES

Interest rate contracts	0	0
Exchange rate contracts	0	0
	<u>0</u>	<u>0</u>

For contingent liabilities and commitments, the contract amounts represent the amounts at risk should the contract be fully drawn upon and the client default. The total of the contract amount is not representative of future liquidity requirements. The replacement costs represent the cost of replacing all contracts which have a positive value when marked to market. They do not take into account the effects of bilateral netting arrangements.

III. SUPPLEMENT FINANCIAL INFORMATION - CONTINUED

AS AT 31 DECEMBER 2020

Figures in HKD thousands

D. SEGMENTAL INFORMATION

D1. GROSS LOANS AND ADVANCES TO CUSTOMERS BY MAJOR SECTORS ANALYSIS

The following information concerning advances to customers by industry sectors has been classified in accordance with industry categories contained in the banking returns of "Quarterly Analysis of Loans and Advances and Provisions" which was submitted to H.K Monetary Authority.

	<u>2020-12-31</u>		<u>2020-06-30</u>	
	Gross	Balance	Gross	Balance
	Amount	covered by	Amount	covered by
		collateral		collateral
D2. LOANS AND ADVANCES FOR USE IN HONG KONG				
a). Industrial, commercial and financial:				
-Property development	0	0	0	0
-Property investment	0	0	0	0
-Financial concerns	349,311	0	482,026	0
-Stockbrokers	0	0	138,536	0
-Wholesale and retail trade	0	0	0	0
-Manufacturing	185,909	0	100,000	0
-Transport and transport equipment	0	0	0	0
-Electricity and gas	0	0	0	0
-Recreational activities	0	0	0	0
-Information technology	0	0	0	0
-Other	0	0	0	0
b). Individuals				
-Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	0	0	0	0
-Loans for the purchase of other residential properties	0	0	0	0
-Credit card advances	0	0	0	0
-Others	0	0	0	0
D3. TRADE FINANCE	64,398	11,819	96,243	76,088
D4. LOANS AND ADVANCES FOR USE OUTSIDE HONG KONG	3,838,047	97,424	5,030,927	124,603
Total loans & advances to customers	4,437,665	109,243	5,847,732	200,691

D5. GROSS LOANS AND ADVANCES TO CUSTOMERS BY COUNTRIES OR GEOGRAPHICAL AREAS ANALYSIS

After taking into account the transfer of risk, exposures to a single country exceeding 10% of the aggregate gross advances to customers which are disclosed as follows:

	<u>2020-12-31</u>	<u>2020-06-30</u>
-Hong Kong	1,663,042	2,214,329
-China	520,973	918,423
-British Virgin Islands	600,628	809,323
-Cayman Islands	674,688	664,231
-Others	978,334	1,241,426
Total	4,437,665	5,847,732

D6. OVERDUE AND IMPAIRED LOANS BY COUNTRIES OR GEOGRAPHICAL AREAS ANALYSIS

	<u>2020-12-31</u>	<u>2020-06-30</u>
-Hong Kong	86,843	0
-China	0	0
-British Virgin Islands	86,843	0
-Cayman Islands	96,981	0
-Others	43,422	0
Total	314,089	0

III. SUPPLEMENT FINANCIAL INFORMATION - CONTINUED

AS AT 31 DECEMBER 2020

Figures in HKD millions

E. INTERNATIONAL CLAIMS

The following tables analyses international claims by location and types of counterparties. Country or geographical segment classification is based upon the locations of counterparties after taking into account any recognized risk transfer. They are prepared in according with the H.K.M.A. Return of "International Banking Statistics" completion instructions. Countries or geographical segments constituting not less than 10% of the total cross-border claims are disclosed.

	<u>Banks</u>	<u>Official Sectors</u>	<u>Non-bank private sector</u>		<u>Total</u>
			<u>Non-bank Financial Institution</u>	<u>Non-financial private sector</u>	
<u>As at December 31, 2020</u>					
1. Developed countries	833	0	373	0	1,206
2. Offshore centres	490	0	278	3,271	4,039
of which: Hong Kong	467	0	217	1,470	2,154
3. Developing Europe	0	0	0	0	0
4. Developing Latin America and Caribbean	0	85	0	0	85
5. Developing Africa and Middle East	653	348	0	16	1,017
6. Developing Asia-Pacific	1,955	229	317	528	3,029
of which: China	770	37	181	339	1,327
Taiwan	108	0	50	105	263
7. International Organisations	0	78	0	0	78
Total	3,931	740	968	3,815	9,454

	<u>Banks</u>	<u>Official Sectors</u>	<u>Non-bank private sector</u>		<u>Total</u>
			<u>Non-bank Financial Institution</u>	<u>Non-financial private sector</u>	
<u>As at June 30, 2020</u>					
1. Developed countries	915	0	394	63	1,372
2. Offshore centres	108	0	509	3,875	4,492
of which: Hong Kong	87	0	448	1,771	2,306
3. Developing Europe	0	0	0	0	0
4. Developing Latin America and Caribbean	0	78	0	76	154
5. Developing Africa and Middle East	590	211	0	25	826
6. Developing Asia-Pacific	1,384	195	519	791	2,889
of which: China	268	34	364	555	1,221
Taiwan	175	0	50	109	334
7. International Organisations	0	85	0	0	85
Total	2,997	569	1,422	4,830	9,818

III. SUPPLEMENT FINANCIAL INFORMATION - CONTINUED

AS AT 31 DECEMBER 2020

Figures in HKD millions

F. NON-BANK MAINLAND EXPOSURES

Non-bank counterparties are identified in accordance with the definitions set out in the banking return of "Mainland Activities" issued by the HKMA.

Exposures in Mainland China arising from non-bank counterparties are summarised as follows:

<u>As at December 31, 2020</u>	<u>On-balance sheet exposure</u>	<u>Off-balance sheet exposure</u>	<u>Total</u>
1. Central government, central government-owned entities and their subsidiaries and JVs	99	0	99
2. Local governments, local government-owned entities and their subsidiaries and JVs	222	0	222
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	234	106	340
4. Other entities of central government not reported in item 1 above	50	0	50
5. Other entities of local governments not reported in item 2 above	222	0	222
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	140	1,849
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	0	0	0
Total	2,536	246	2,782
Total assets after provision	9,344		
On-balance sheet exposures as percentage of total assets	27.14%		

<u>As at June 30, 2020</u>	<u>On-balance sheet exposure</u>	<u>Off-balance sheet exposure</u>	<u>Total</u>
1. Central government, central government-owned entities and their subsidiaries and JVs	491	19	510
2. Local governments, local government-owned entities and their subsidiaries and JVs	302	0	302
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	659	119	778
4. Other entities of central government not reported in item 1 above	146	0	146
5. Other entities of local governments not reported in item 2 above	320	0	320
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	1,907	194	2,101
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	0	0	0
Total	3,825	332	4,157
Total assets after provision	9,769		
On-balance sheet exposures as percentage of total assets	39.15%		

III. SUPPLEMENT FINANCIAL INFORMATION - CONTINUED

AS AT 31 DECEMBER 2020

Figures in HKD millions

G. FOREIGN CURRENCY POSITION

The foreign currency exposures are prepared in accordance with the HKMA banking return of "Foreign Currency Position" completion instructions. The net position in foreign currencies are disclosed as follows:

As at December 31, 2020

	USD	EUR	JPY	CNY	AUD	NZD	Total
Spot assets	6,518	148	68	924	520	15	8,193
Spot liabilities	(6,513)	(145)	(69)	(929)	(520)	(15)	(8,191)
Forward purchases	0	0	0	0	0	0	0
Forward sales	0	0	0	0	0	0	0
Net long (short) position	5	3	(1)	(5)	0	0	2

As at June 30, 2020

	USD	EUR	JPY	CNY	AUD	NZD	Total
Spot assets	6,965	135	60	597	567	14	8,338
Spot liabilities	(6,960)	(135)	(60)	(597)	(567)	(14)	(8,333)
Forward purchases	0	0	0	0	0	0	0
Forward sales	0	0	0	0	0	0	0
Net long (short) position	5	0	0	0	0	0	5

There were no foreign currency structural positions as at 31 December 2020 and 30 June 2020.

III. SUPPLEMENT FINANCIAL INFORMATION - CONTINUED

AS AT 31 DECEMBER 2020

Figures in HKD thousands

H. LIQUIDITY INFORMATION

	For the quarter ended 31-Dec-20	For the quarter ended 31-Dec-19
Average liquidity maintenance ratio for the period	56.11%	44.21%
Calculation Period	Oct-Dec 2020	Oct-Dec 2019

The average liquidity maintenance ratio for the period is the simple average of each calendar month's average liquidity maintenance ratio. The liquidity maintenance ratio is computed in accordance with the Banking (Liquidity) Rules with effect from 1 January 2015.

Liquidity Risk Management

(1) Governance of liquidity risk management

The liquidity risk of our branch was managed in accordance with the "Head Office's Liquidity and Interest Rate Risk Management Policy", "Hong Kong Branch's Liquidity Management Policy", "Hong Kong Branch's Stress Testing Policy", "Hong Kong Branch's Contingency Funding Plan" and other related regulations received from our Head Office to ensure maintaining stable and adequate liquidity in order to meet the payment and settlement obligation under the normal and pressure situations. Therefore, the payment and settlement system can be operated smoothly.

(2) Structure and responsibilities for liquidity risk management

The Investment Management Committee is mainly responsible for the liquidity risk management in our Branch. The Chief Executive is the chairman of the Committee. The members include the Heads of Treasury Department, Deposits Department, Loans Department, Accounting Department, Risk Management Department and Compliance Department. Chief Executive could also invite other staff to attend the Committee meeting if necessary.

(3) Liquidity risk reports

The branch prepares daily LMR report and delivers it to management level, and prepares monthly maturity gap ratio and repricing gap reports to The Investment Management Committee and Head Office. Based on liquidity gap analysis and the changes of the structure, the branch allocates adequate funding to reduce liquidity risk.

(4) Funding strategy

The branch manages the liquidity risk to maintain adequate liquidity level and ensure payment ability. The liquidity risk management principles includes:

1. The funding sources should be diversified, stable and reliable.
2. The use of funds should be broad.
3. Regularly assess the structure of the asset and liability portfolio.

(5) Liquidity risk mitigation techniques

The minimum liquidity maintenance ratio included in our branch internal policy is higher than the statutory minimum requirement and liquidity position is monitored by the management on a daily basis to ensure that our branch maintains adequate liquidity.

(6) Stress testing

Liquidity stress test should be performed periodically for institution-specific, market-wide and combined stress scenarios and the results will be reported and delivered to management level. The result will be the reference for the improvement of liquidity risk management and contingency funding plan.

(7) Contingency funding plan

The Contingency Funding Plan (CFP) specifies a contingency plan when the market faces abnormal volatility and our branch fails to get funding at reasonable cost or lacks liquidity. The CFP should test periodically.

(8) Sources of funding

Our branch's source of funding is mainly from customer deposits and borrowing from banks.

	As % of total liabilities
Customer deposits	63%
Borrowing from banks	24%

(9) Analysis the on and off balance sheet items by remaining maturity

	Total	up to 1 month	1 month up to 3 months	3 months up to 6 months	6 months up to 1 year	Over 1 year	Balancing amount
31-Dec-20							
On-balance sheet assets	9,490,414	5,006,046	387,595	1,218,363	1,107,018	1,755,234	16,158
On-balance sheet liabilities	9,344,126	4,451,454	810,563	813,328	2,323,445	0	945,336
Off-balance sheet claims	0	0	0	0	0	0	0
Off-balance sheet obligations	677,446	139,403	79,865	78,314	209,105	170,759	0
Contractual Maturity Mismatch		415,189	(502,833)	326,721	(1,425,532)	1,584,475	
Cumulative Contractual Maturity Mismatch		415,189	(87,644)	239,077	(1,186,455)	398,020	
31-Dec-19							
On-balance sheet assets	11,319,918	3,335,537	1,382,615	725,047	1,626,083	4,244,678	5,958
On-balance sheet liabilities	11,242,250	4,629,728	3,546,326	1,338,145	818,753	0	909,298
Off-balance sheet claims	0	0	0	0	0	0	0
Off-balance sheet obligations	1,061,905	386,755	23,363	70,802	178,654	402,331	0
Contractual Maturity Mismatch		(1,680,946)	(2,187,074)	(683,900)	628,676	3,842,347	
Cumulative Contractual Maturity Mismatch		(1,680,946)	(3,868,020)	(4,551,920)	(3,923,244)	(80,897)	

SECTION B-INFORMATION OF THE BANK (CONSOLIDATED BASIS)

AS AT 31 DECEMBER 2020

A. CAPITAL AND CAPITAL ADEQUACY RATIO

	31-Dec-2020	30-Jun-2020
	(%)	(%)
a) Capital Adequacy Ratio	15.51	13.94
	NTD in thousands	NTD in thousands
b) Aggregate amount of shareholder's funds	242,028,793	234,068,565

The capital adequacy ratio is computed in accordance with the "Basel III Capital Accord" and the basis of computation incorporates allowances for credit risk, market risk and operational risk.

B. OTHER FINANCIAL INFORMATION

	As at	As at
	31-Dec-2020	30-Jun-2020
	NTD in thousands	NTD in thousands
Total assets	3,900,439,874	3,709,600,179
Total liabilities	3,658,411,081	3,475,531,614
Total advances	2,274,873,981	2,254,986,133
Total customers deposits	3,272,702,267	3,077,122,716

	For the year ended	
	31-Dec-2020	31-Dec-2019
	NTD in thousands	NTD in thousands
Profit / (Loss) before taxation	17,255,626	18,916,592

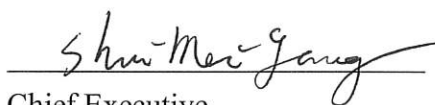
SECTION C - REMUNERATION DISCLOSURE

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(Chinese Version Only) Taiwan Cooperative Bank, in the part of Report of Corporate Governance.

Note: A copy of the Disclosure Statement is available on the website below for public inspection.
<http://www.tcb-bank.com.hk/disclosure.php>

Declaration

According to the requirement of the Hong Kong Monetary Authority on Key Financial Information Disclosure Statement of authorized institutions incorporated outside Hong Kong, we have pleasure in presenting the Financial Information Disclosure Statements of Taiwan Cooperative Bank, Hong Kong Branch for the year ended 31 December 2020. We confirmed that the information contained therein complies, in all material respects, with the supervisory policy manual CA-D-1 “Guideline on the Application of the Banking (Disclosure) Rules”, and to the best of my knowledge and belief, it is not false or misleading.



Chief Executive

Taiwan Cooperative Bank

Hong Kong Branch

28 Apr, 2021