

O-BANK CO., LTD.
HONG KONG BRANCH
(Incorporated in Taiwan with limited liability)

Interim Financial Disclosure Statement
For the Half Year Ended 30 June 2023

I. Profit and Loss Information

	For the period 1 Jan 2023 to 30 Jun 2023 HK\$'000	For the period 1 Jan 2022 to 30 Jun 2022 HK\$'000
Interest income	452,322	147,064
Interest expense	(266,649)	(28,957)
Other operating income		
- Gains less losses arising from trading in foreign currencies	60,218	40,485
- Gains less losses on securities held for trading purposes	-	-
- Gains less losses from other trading activities	-	-
- Net fees and commission income	24,462	19,259
- <i>Fees and commission income</i>	25,161	20,354
- <i>Fees and commission expenses</i>	(699)	(1,095)
- Others	307	3,118
Total operating income	270,660	180,969
Operating expenses		
- Rental expenses	(6,199)	(7,031)
- Staff expenses	(28,585)	(24,666)
- Other operating expenses	(38,931)	(25,677)
Total operating expenses	(73,715)	(57,374)
Impairment losses and provisions for impaired loans and receivables	(31,936)	(23,503)
Gains less losses from the disposal of property, plant and equipment and investment properties	-	-
Profit before taxation	165,009	100,092
Tax expense	(30,114)	(19,241)
Profit after taxation	134,895	80,851

II. Balance Sheet Information

	As at 30 June 2023 HK\$'000	As at 31 Dec 2022 HK\$'000
Assets		
Cash and balances with banks	2,202,291	1,844,386
Amount due from Exchange Fund repayable or callable within one month	27,312	145,238
Placements with banks which have a residual contractual maturity of more than one month but not more than 12 months	-	-
Amount due from overseas offices	1,292,651	1,553,680
Trade bills	-	-
Certificates of deposit held	-	-
Securities held for trading purposes	-	-
Loans and receivables and other accounts	10,931,487	8,865,406
Investment securities	2,553,236	2,254,538
Other investments	-	-
Property, plant and equipment	3,941	4,971
Right-of-use assets, net	15,553	19,256
Total assets	17,026,471	14,687,475
Equity and liabilities		
Deposit and balances from banks	150,000	450,000
Deposit from customers	14,277,046	12,379,186
- Demand deposit and current accounts	513,564	529,550
- Savings deposits	2,249,562	2,646,586
- Time, call and notice deposits	11,513,920	9,203,050
Amounts due to overseas offices	1,547,806	959,505
Certificates of deposit issued	-	-
Issued debt securities	-	-
Lease liabilities	16,255	19,967
Other liabilities	991,452	790,706
Total liabilities	16,982,559	14,599,364
 Reserves	 43,912	 88,111
Total Equity and Liabilities	17,026,471	14,687,475

III. Additional Balance Sheet Information

(i) Loans and receivables and other accounts

	As at 30 Jun 2023 HK\$'000	As at 31 Dec 2022 HK\$'000
- Loans and advances to customers	10,887,960	8,790,422
- Loans and advances to banks	-	-
- Accrued interests and other accounts	186,082	203,922
	<u>11,074,042</u>	<u>8,994,344</u>
Less: - Collective impairment allowances	(120,646)	(100,883)
<i>Loans and advances to customers</i>	(118,110)	(97,939)
<i>Loans and advances to banks</i>	-	-
<i>Accrued interests and other accounts</i>	(2,536)	(2,944)
- Individual impairment allowances	(21,909)	(28,055)
<i>Loans and advances to customers</i>	(21,909)	(22,359)
<i>Loans and advances to banks</i>	-	-
<i>Accrued interests and other accounts</i>	-	(5,696)
	(142,555)	(128,938)
	<u>10,931,487</u>	<u>8,865,406</u>

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

	As at 30 Jun 2023		As at 31 Dec 2022	
	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	1,314,604	997,369	487,273	320,038
- Property investment	554,024	516,389	566,965	529,330
- Financial concerns	3,308,098	2,588,585	2,590,504	1,922,772
- Stockbrokers	70,000	35,000	70,000	35,000
- Wholesale and retail trade	884,352	588,862	805,820	470,646
- Manufacturing	360,553	198,678	321,200	171,856
- Transport and transport equipment	100,000	100,000	100,000	100,000
- Recreational activities	-	-	-	-
- Information technology	116,390	116,390	116,390	116,390
- Others	865,912	638,514	803,601	340,185
<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	71,921	22,474	64,388	28,413
Loans and advances for use outside Hong Kong	3,242,106	2,130,116	2,864,281	1,566,817
Total	10,887,960	7,932,377	8,790,422	5,601,447

(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 2023	As at 31 Dec 2022
	HK\$'000	HK\$'000
Hong Kong	9,458,972	7,574,992

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

	As at 30 Jun 2023	As at 31 Dec 2022
	HK\$'000	HK\$'000
Macau	36,383	36,383
Hong Kong	11,894	25,055

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

	As at 30 Jun 2023	As at 31 Dec 2022
	HK\$'000	HK\$'000
Macau	36,383	36,383
Hong Kong	11,894	12,555

(iv) Individual impaired loans and advances to customers

	As at 30 Jun 2023	As at 31 Dec 2022
	HK\$'000	HK\$'000
- Individual impaired loans and advances	48,277	61,438
- Individual impairment allowances	21,909	22,359
- Collateral value- covered portion	36,383	42,483
- Percentage to total loans and advances to customers	0.44%	0.70%

(v) Overdue loans and advances to customers

	Outstanding balance HK\$'000	% to total loans and advances to customers HK\$'000	Individual impairment allowances HK\$'000	Collateral value HK\$'000	Covered portion HK\$'000	Uncovered portion HK\$'000
<u>As at</u>						
<u>30 Jun 2023</u>						
-More than 3 months but not more than 6 months	-	0.00%	-	-	-	-
-More than 6 months but not more than one year	11,894	0.11%	8,346	-	-	11,894
-More than one year	36,383	0.33%	13,563	70,000	36,383	-
Total	48,277	0.44%	21,909	70,000	36,383	11,894

	Outstanding balance HK\$'000	% to total loans and advances to customers HK\$'000	Individual impairment allowances HK\$'000	Collateral value HK\$'000	Covered portion HK\$'000	Uncovered portion HK\$'000
As at						
<u>31 Dec 2022</u>						
-More than 3 months but not more than 6 months	-	0.00%	-	-	-	-
-More than 6 months but not more than one year	12,555	0.14%	6,277	-	-	12,555
-More than one year	36,383	0.41%	13,563	70,000	36,383	-
Total	48,938	0.55%	19,840	70,000	36,383	12,555

There were no overdue loans and advances to banks and financial institutions as at 30 June 2023 and 31 December 2022.

(vi) Rescheduled loans and advances to customers

	As at 30 Jun 2023		As at 31 Dec 2022	
	Gross amount HK\$'000	% to total loans and advances to customers HK\$'000	Gross amount HK\$'000	% to total loans and advances to customers HK\$'000
-Rescheduled loans and advances to customers	11,894	0.11%	12,500	0.14%
Total	11,894	0.11%	12,500	0.14%

There were no rescheduled loans and advances to banks and financial institutions as at 30 June 2023 and 31 December 2022.

(vii) Other advances

	As at 30 Jun 2023	As at 31 Dec 2022
	HK\$'000	HK\$'000
Gross trade bills:		
- Overdue more than 3 months but not more than 6 months	-	-
- Overdue more than 6 months but not more than 1 year	-	-
- Overdue more than 1 year	-	-
Total	-	-

	As at 30 Jun 2023	As at 31 Dec 2022
	HK\$'000	HK\$'000
Gross debt securities:		
- Overdue more than 3 months but not more than 6 months	-	-
- Overdue more than 6 months but not more than 1 year	-	-
- Overdue more than 1 year	-	-
Total	-	-

(viii) Repossessed assets

There were no repossessed assets held by Hong Kong Branch as at 30 June 2023 and 31 December 2022.

(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 2023</u>						
Offshore centres						
- Hong Kong SAR	149	65	182	732	-	1,128
Developing Asia and Pacific						
- Taiwan	3,198	-	-	426	-	3,624
<u>As at 31 December 2022</u>						
Offshore centres						
- Hong Kong SAR	133	63	178	1,241	-	1,615
Developing Asia and Pacific						
- Taiwan	3,053	-	-	308	-	3,361

(x) Currency risk

	USD	GBP	JPY	EUR	CNY	CAD	AUD	Others	Total
	HK\$ million								
<u>As at 30 June 2023</u>									
Spot assets	5,513	2	77	16	286	18	1,276	2	7,190
Spot liabilities	(10,249)	(2)	(77)	(55)	(483)	(18)	(784)	(3)	(11,671)
Forward purchases	8,733	964	758	694	1,066	-	13	1	12,229
Forward sales	(3,632)	(964)	(758)	(654)	(853)	-	(498)	-	(7,359)
Net options position	-	-	-	-	-	-	-	-	-
Net long / (short) position	365	-	-	1	16	-	7	-	389
Net structural position	-	-	-	-	-	-	-	-	-
<u>As at 31 December 2022</u>									
Spot assets	6,016	8	130	23	166	2	800	2	7,147
Spot liabilities	(9,381)	(8)	(135)	(29)	(429)	(2)	(451)	(3)	(10,438)
Forward purchases	7,435	901	799	347	1,333	24	-	1	10,840
Forward sales	(3,701)	(901)	(794)	(341)	(1,055)	(24)	(345)	-	(7,161)
Net options position	-	-	-	-	-	-	-	-	-
Net long / (short) position	369	-	-	-	15	-	4	-	388
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 2023</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	-	-	-
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	308,941	2,432,999	2,741,940
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	1,711,463	326,010	2,037,473
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	102,890	154,843	257,733
Total	2,123,294	2,913,852	5,037,146
Total assets after provision	17,026,471		
On-balance sheet exposures as percentage of total assets	12.47%		

As at 31 December 2022

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	-	-	-
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	188,807	789,629	978,436
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	1,750,460	319,699	2,070,159
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	130,410	83,009	213,419
Total	2,069,677	1,192,337	3,262,014
Total assets after provision	14,687,475		
On-balance sheet exposures as percentage of total assets	14.09%		

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

	As at 30 Jun 2023 HK\$'000	As at 31 Dec 2022 HK\$'000
<i>Total contractual or notional amounts</i>		
Direct credit substitutes	156,685	155,964
Transaction-related contingencies	1,698	1,698
Trade-related contingencies	47,523	75,597
Note issuance and revolving underwriting facilities	-	-
Other commitments	1,160,987	809,181
Others	-	-
	1,366,893	1,042,440

V. Derivative Transactions

	As at 30 Jun 2023 HK\$'000	As at 31 Dec 2022 HK\$'000
<i>Total contractual or notional amounts</i>		
Exchange rate-related derivative contracts	12,337,018	11,194,793
Interest rate derivative contracts	-	-
Others	-	-
	12,337,018	11,194,793
<i>Total fair value asset</i>		
Exchange rate-related derivative contracts	42,048	57,909
Interest rate derivative contracts	-	-
Others	-	-
	42,048	57,909
<i>Total fair value liability</i>		
Exchange rate-related derivative contracts	30,848	48,835
Interest rate derivative contracts	-	-
Others	-	-
	30,848	48,835

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 Apr 2023 to 30 Jun 2023 ¹	For the period 1 Apr 2022 to 30 Jun 2022 ²
Average Liquidity Maintenance Ratio	48.04%	52.17%

¹ The average LMR of financial year 2023 is calculated as the simple average of each month's average liquidity maintenance ratio of the second quarter of the financial year 2023.

² The average LMR of financial year 2022 is calculated as the simple average of each month's average liquidity maintenance ratio of the second quarter of the financial year 2022.

HK Branch's ALCO is responsible for supervising the overall monitoring and control of the Branch's liquidity. Its members include Chief Executive, Head of Treasury Department, Head of Risk Management Department and Head of Operation Department. 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. IFRS 16 “Lease”

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations.

Definition of a lease

Upon initial application of IFRS 16, the Group will elect to apply IFRS 16 only to contracts entered into (or changed) on or after January 1, 2019 in order to determine whether those contracts are, or contain, a lease. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Bank as lessee

Upon initial application of IFRS 16, the Bank will recognize right-of-use assets, or investment properties if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the balance sheets except for those whose payments under low-value and short-term leases will be recognized as expenses on a straight-line basis. On the statements of comprehensive income, the Bank will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts, including property interest qualified as investment properties, are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the statements of cash flows. Leased assets and finance lease payables are recognized for contracts classified as finance leases.

The Bank anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

The Bank expects to apply the following practical expedients:

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate on January 1, 2019. All right-of-use assets are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. Which is applied, the Bank applies IAS 36 to all right-of-use assets.

- a) The Bank will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- b) The Bank will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

For leases currently classified as finance leases under IAS 17, the carrying amounts of right-of-use assets and lease liabilities on January 1, 2019 will be determined as at the carrying amounts of the respective leased assets and finance lease payables as of December 31, 2018.

Right-of-use assets

	As at 30 Jun 2023	As at 31 Dec 2022
	HK\$'000	HK\$'000
<i>Carrying amount of Right-of-use assets</i>		
Buildings	27,385	26,509
<i>Depreciation charges for right-of-use assets</i>		
Buildings	(11,832)	(7,253)

Lease liabilities

	As at 30 Jun 2023	As at 31 Dec 2022
	HK\$'000	HK\$'000
Carrying amount of lease liabilities	16,255	19,967

VIII. Consolidated Bank Information

	As at 30 Jun 2023 ¹ (Audited) NTS'000	As at 31 Dec 2022 ² (Audited) NTS'000
(i) Capital and Capital adequacy		
Consolidated Amount of Shareholders funds	55,510,184	54,009,564
Consolidated Capital Adequacy Ratio*	13.10%	14.49%
(ii) Other Financial Information		
Total assets	603,136,976	577,343,132
Total liabilities	547,626,792	523,333,568
Total loans and advances	218,849,687	204,312,972
Total customer deposits	316,788,594	293,164,986
	For the period 1 Jan 2023 to 30 Jun 2023 ¹ (Audited) NTS'000	For the period 1 Jan 2022 to 30 Jun 2022 ³ (Audited) NTS'000
Pre-tax Profit	2,552,087	1,915,273

¹ The interim figures for the period ended 30 June 2023 are extracted from the audited Consolidated Financial Statements of the Bank.

² The figures for the year ended 31 December 2022 are extracted from the audited Consolidated Financial Statements of the Bank.

³ The interim figures for the period ended 30 June 2022 are extracted from the audited Consolidated Financial Statements of the Bank.

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

IX. Disclosure of Remuneration Policy

In respect to the disclosure requirement under the HKMA's Supervisory Policy Manual (CG-5) Guideline on Sound Remuneration System. For Hong Kong branch, the remuneration information of the senior management and key personnel for the period ended 30 June 2023 are listed as below:

	Senior management	Key personnel
	HK\$'000	HK\$'000
Number of employees	3	3
Fixed remuneration	1,385	1,192
Number of employees	3	3
Variable remuneration	804	1,222
Total remuneration	<u>2,189</u>	<u>2,414</u>

X. Statement of Compliance

This 2023 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.



CHEN Hsiung Jung
Chief Executive
O-Bank Co., Ltd. Hong Kong Branch
(incorporated in Taiwan with limited liability)