



臺灣中小企業銀行 香港分行
TAIWAN BUSINESS BANK Hong Kong Branch

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TAIWAN BUSINESS BANK
HONG KONG BRANCH

Key Financial Information Disclosure Statement
For The Whole Year Ended 2017 / 12 / 31



TAIWAN BUSINESS BANK HONG KONG BRANCH
Key Financial Information Disclosure Statement
For The Whole Year Ended 2017 / 12 / 31

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Section A-Information of the Branch (Hong Kong Branch Only)

I. Income statement information

	For the year end 2017/12/31 HK\$'000	For the year end 2016/12/31 HK\$'000
Interest Income	142,419	132,332
Interest Expense	<u>-45,800</u>	<u>-46,792</u>
	96,619	85,540
Other operating income		
Gains less losses arising from trading in foreign currencies	4,658	2,433
Gains less losses on securities held for trading purpose	0	0
Gains less losses from other trading activities	0	0
Income from fees and commissions	8,180	8,856
Others	<u>0</u>	<u>0</u>
	12,838	11,289
Operating Expense		
Staff and rental expenses	-21,713	-20,272
Net charge for other provisions	-612	-74
Other expenses	-9,864	-11,849
Impairment losses and provisions for impaired loans and receivables	-4,173	9,980
Gains less losses from the disposal of property, plant and equipment and investment properties	<u>0</u>	<u>0</u>
	-36,362	-22,215
Profit before taxation	73,095	74,614
Taxation expense or tax income	-11,154	-16,484
Profit after taxation	<u><u>61,941</u></u>	<u><u>58,130</u></u>

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II. Balance sheet information

	2017/12/31	2017/06/30
	HK\$'000	HK\$'000
Assets		
Cash and balances with banks (except those included in amount due from overseas offices)	1,942,284	1,642,349
Placement with banks maturing between 1 and 12 months (except those included in amount due from overseas offices)	408,473	1,625,645
Amount due from overseas offices	0	1,743
Trade bills	260	1,138
Available-for-sale securities and impairment provisions	0	0
Available-for-sale securities	399,601	392,506
Impairment provisions (specific)	0	0
Held-to-maturity securities	415,421	376,021
Loans and advances and impairment provisions		
Loans and advances to customers	2,613,777	1,920,472
Loans and advanced to banks	0	0
Impairment provisions (collective and specific)	-35,615	-26,643
Property, plant and equipment and investment properties	3,975	3,265
Other assets		
Accrued interest	19,658	14,049
Others	3,409	6,514
Total assets	<u>5,771,243</u>	<u>5,957,059</u>
Liabilities		
Deposits and balances of banks (except those included in amount due to overseas offices)	1,355,567	1,997,192
Deposits from customers		
Demand deposits and current accounts	165,805	201,299
Savings deposits	2,466,586	2,220,636
Time, call and notice deposits	1,398,264	1,259,116
Amount due to overseas offices	83,185	11,878
Other liabilities	35,151	23,303
Total liabilities	<u>5,504,558</u>	<u>5,713,424</u>
Paid up capital	78,000	78,000
Reserves	126,744	128,549
Current profit/(loss)	61,941	37,086
Total equities	<u>266,685</u>	<u>243,635</u>
Total Equities and Liabilities	<u>5,771,243</u>	<u>5,957,059</u>

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III. Additional Balance sheet information

1. Loans and advances and impairment provisions

A. Loans and advances and impairment provisions

	2017/12/31	2017/06/30
	HK\$'000	HK\$'000
Loans and advances to customers	2,613,777	1,920,472
Loans and advances to banks	<u>0</u>	<u>0</u>
Total	2,613,777	1,920,472
Collective impairment provisions	-25,743	-18,737
Specific impairment provisions	<u>-9,872</u>	<u>-7,906</u>
Total	-35,615	-26,643
Gross loans and advances less impairment provisions	<u>2,578,162</u>	<u>1,893,829</u>
Provisions as % of gross loans and advances		
Collective impairment provisions	0.98%	0.98%
Specific impairment provisions	<u>0.38%</u>	<u>0.41%</u>
Total	1.36%	1.39%

B. Impairment provisions

	Specific impairment provisions	Collective impairment provisions	Total
2017/12/31			
Loans and advances to customers	9,872	25,743	35,615
Loans and advances to banks	<u>0</u>	<u>0</u>	<u>0</u>
Total	9,872	25,743	35,615
2017/06/30			
Loans and advances to customers	7,906	18,737	26,643
Loans and advances to banks	<u>0</u>	<u>0</u>	<u>0</u>
Total	7,906	18,737	26,643

C. Impaired loans and advances to customers

	2017/12/31	2017/06/30
	HK\$'000	HK\$'000
Impaired loans and advances to customers	39,486	46,769
Specific impairment provisions	<u>-9,872</u>	<u>-7,906</u>
Total	29,614	38,863
Market value of collateral of loans and advances to customers	0	0
covered portion of impaired loans and advances to customers	0	0
uncovered portion of impaired loans and advances to customers	39,486	46,769
Impaired advances as % of gross loans and advances to customers	1.51%	2.44%
Specific impairment provisions as % of impaired loans and advances to customers	25.00%	16.90%

D. Impaired loans and advances to bank

	2017/12/31	2017/06/30
	HK\$'000	HK\$'000
Impaired loans and advances to banks	0	0
Specific impairment provisions	<u>0</u>	<u>0</u>
Total	0	0
Market value of collateral of loans and advances to banks	0	0
covered portion of impaired loans and advances to banks	0	0
uncovered portion of impaired loans and advances to banks	0	0
Impaired advances as % of gross loans and advances to banks	0.00%	0.00%
Specific impairment provisions as % of impaired loans and advances to banks	0.00%	0.00%

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2. Overdue and rescheduled assets

Part I. Loans and advances to customers

	2017/12/31	2017/06/30
	HK\$'000	HK\$'000
A. Loans and advances to customers overdue for		
more than 3 months but not more than 6 months	0	0
more than 6 months but not more than 1 year	0	0
more than 1 year	0	0
Total	<u>0</u>	<u>0</u>
Specific impairment provisions made in respect of the above	0	0
Market value of collateral of overdue loans and advances to customers	0	0
covered portion of overdue loans and advances to customers	0	0
uncovered portion of overdue loans and advances to customers	0	0
B. Rescheduled loans and advances to customers	<u>39,637</u>	<u>30,395</u>
(Net of those overdue loans and advances which have been disclosed above)		
	As % of gross advances	As % of gross advances
	to customers	to customers
	2017/12/31	2017/06/30
a. Advance to customers overdue for		
more than 3 months but not more than 6 months	0.00%	0.00%
more than 6 months but not more than 1 year	0.00%	0.00%
more than 1 year	0.00%	0.00%
Total	<u>0.00%</u>	<u>0.00%</u>
b. Rescheduled loans and advances to customers	<u>1.52%</u>	<u>1.58%</u>

C. Repossessed assets

As at 2017 / 12 / 31 and 2017 / 06 / 30, there were no repossessed assets held by our branch.

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Part II. Loans and advances to banks

	2017/12/31	2017/06/30
	<u>HK\$'000</u>	<u>HK\$'000</u>
A. Loans and advances to banks overdue for		
more than 3 months but not more than 6 months	0	0
more than 6 months but not more than 1 year	0	0
more than 1 year	0	0
Total	<u>0</u>	<u>0</u>
Specific impairment provisions made in respect of the above	0	0
Market value of collateral of overdue loans and advances to banks	0	0
covered portion of overdue loans and advances to banks	0	0
uncovered portion of overdue loans and advances to banks	0	0
B. Rescheduled loans and advances to banks	<u>0</u>	<u>0</u>
(Net of those overdue loans and advances which have been disclosed above)		
	As % of gross advances to banks	As % of gross advances to banks
	2017/12/31	2017/06/30
a. Advance to bank overdue for		
more than 3 months but not more than 6 months	0.00%	0.00%
more than 6 months but not more than 1 year	0.00%	0.00%
more than 1 year	0.00%	0.00%
Total	<u>0.00%</u>	<u>0.00%</u>
b. Rescheduled loans and advances to banks	<u>0.00%</u>	<u>0.00%</u>
C. Repossessed assets		
As at 2017 / 12 / 31 and 2017 / 06 / 30, there were no repossessed assets held by our branch.		

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Part III. Other assets

(Available-for-sale securities and Held-to-maturity securities)

	2017/12/31	2017/06/30
	HK\$'000	HK\$'000
A. Other assets overdue for		
more than 3 months but not more than 6 months	0	0
more than 6 months but not more than 1 year	0	0
more than 1 year	<u>0</u>	<u>0</u>
	<u>0</u>	<u>0</u>
Specific impairment provisions made in respect of the above	0	0
Market value of collateral of overdue other assets	0	0
covered portion of overdue other assets	0	0
uncovered portion of overdue other assets	0	0
B. Rescheduled Other assets	<u>0</u>	<u>0</u>
(Net of those overdue other assets which have been disclosed above)		
	As % of gross	As % of gross
	Other assets	Other assets
	2017/12/31	2017/06/30
a. Other assets overdue for		
more than 3 months but not more than 6 months	0.00%	0.00%
more than 6 months but not more than 1 year	0.00%	0.00%
more than 1 year	<u>0.00%</u>	<u>0.00%</u>
Total	<u>0.00%</u>	<u>0.00%</u>
b. Rescheduled Other assets	<u>0.00%</u>	<u>0.00%</u>
C. Repossessed assets		
As at 2017 / 12 / 31 and 2017 / 06 / 30, there were no repossessed assets held by our branch.		

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3. Off-balance sheet information

For contingent liabilities, commitments and derivatives, they refer to the contractual amounts at risks should the contracts be fully drawn upon and the clients do not repay accordingly.

A. The contractual or notional amounts of each material class of its off-balance sheet exposures (other than Derivative transactions)

	2017/12/31	2017/06/30
	<u>HK\$'000</u>	<u>HK\$'000</u>
Direct credit substitutes	0	0
Transaction-related contingencies	0	0
Trade-related contingencies	180,241	159,088
Other commitments	1,104,691	1,087,277
Others	<u>0</u>	<u>0</u>
Total	1,284,932	1,246,365

B. Derivative transactions

	2017/12/31	2017/06/30
	<u>HK\$'000</u>	<u>HK\$'000</u>
Exchange rate contract	8,106	8,176
Interest rate contract		
Total	<u>8,106</u>	<u>8,176</u>
Replacement cost of derivatives		
Exchange rate contract		
Positive Fair Value	22	4
Negative Fair Value	(22)	(4)
Interest rate contract		
Positive Fair Value	0	0
Negative Fair Value	<u>0</u>	<u>0</u>
Total	0	0

The fair value of derivatives represent the costs of replacing all contracts which have a positive value in the market. They do not take into account the effects of bilateral netting arrangements.

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4. Gross advances to customers segmental analysis

A. By loan usage

The following analysis of gross loans and advances to customers by major sectors are prepared in accordance with the definitions and the detailed descriptions in the completion instructions for the "Return of Quarterly Analysis of Loans and Advances and Provisions".

	2017/12/31		2017/06/30	
	HK\$'000		HK\$'000	
	Balance covered		Balance covered	
	Amount	by collateral	Amount	by collateral
Loan and advances for use in HK				
Industrial, commercial and financial:				
-Property development	0	0	0	0
-Property investment	0	0	0	0
-Financial concerns	168,780	0	90,610	0
-Stockbrokers	91,158	0	65,923	0
-Wholesale and retail trade	342,207	0	236,922	0
-Manufacturing	0	0	0	0
-Transport and transport equipment	93,780	0	0	0
-Recreational activities	0	0	0	0
-Information Technology	0	0	0	0
-Others	167	0	334	0
Individuals:				
-Loan for the purchase of other residential properties	0	0	0	0
-Others	0	0	0	0
Total	696,092	0	393,789	0
Trade finance	43,449	0	50,127	0
Loan and advances for use outside HK	1,874,236	14,227	1,476,556	22,014
Total	2,613,777	14,227	1,920,472	22,014

B. By countries or geographical segments

2017/12/31	Gross	Overdue	Specific
	Amount	& Impaired	
HK\$'000			
Hong Kong	1,340,395	25,395	6,349
Bermuda	159,193	0	0
Cayman Islands	478,141	0	0
Singapore	217,890	0	0
China	55,503	14,091	3,523
Others	362,655	0	0
Total	2,613,777	39,486	9,872
2017/06/30	Gross	Overdue	Specific impairment
HK\$'000	Amount	& Impaired	provisions
Hong Kong	638,689	32,419	4,329
Bermuda	172,122	0	0
Cayman Islands	469,020	0	0
Singapore	218,349	0	0
China	71,546	14,350	3,577
Others	350,746	0	0
Total	1,920,472	46,769	7,906

Only exposures to a country or geographical segment in accordance with the location of the counterparty not less than 10% of the aggregate gross amount of loans and advances to customers as at the above respective reporting dates are disclosed.

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5. International claims

International claims include the following types of financial claims : receivables and loans and advances, cash and balances and placements with banks (including loans and advances to banks), holdings of certificates of deposit, bills ,promissory notes, commercial paper ,other debt instruments and investments and accrued interest and overdue interest on all above assets.

The analysis of international claims by geographical segments in accordance with the location and the types of counterparties which constitutes not less than 10% of total international claims after taking into account any recognized risk transfer is as follow :

2017/12/31 HK\$ millions	Bandks.	Non-bank private sector				Others	Total
		Official Sector	Financial institutions	Non-financial private sector			
1. Developed countries	1,260	1	93	0	0	1,354	
of which-USA	501	1	0	0	0	502	
2. Offshore centres	837	0	238	1,528	0	2,603	
of which-Hong Kong	463	0	79	625	0	1,167	
of which-Cayman Islands	0	0	0	479	0	479	
of which-Singapore	374	0	0	218	0	592	
3. Developing Europe	0	0	0	0	0	0	
4. Developing Latin America and Caribbean	0	0	0	0	0	0	
5. Developing Africa and Middle East	0	0	0	1	0	1	
6. Developing Asia-Pacific	646	1	57	124	0	828	

2017/06/30 HK\$ millions	Bandks.	Non-bank private sector				Others	Total
		Official Sector	Financial institutions	Non-financial private sector			
1. Developed countries	1,560	2	0	0	0	1,562	
of which-USA	616	2	0	0	0	618	
2. Offshore centres	994	0	157	1,252	0	2,403	
of which-Hong Kong	835	0	0	360	0	1,195	
3. Developing Europe	0	0	0	0	0	0	
4. Developing Latin America and Caribbean	0	0	0	0	0	0	
5. Developing Africa and Middle East	0	0	0	1	0	1	
6. Developing Asia-Pacific	1,116	1	19	113	0	1,249	
of which-Taiwan	817	0	0	0	0	817	

6. Non-bank Mainland exposures

2017/12/31 HK\$'000	On-balance sheet exposures		Off-balance sheet exposures	Total	Specific provision
1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)		62,041	0	62,041	0
2. Local governments, local government-owned entities and their subsidiaries and JVs		0	0	0	0
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs		489,864	133,307	623,171	3,523
4. Other entities of central government not reported in item 1 above		130,407	26,050	156,457	0
5. Other entities of local governments not reported in item 2 above		0	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		1,100,027	161,382	1,261,409	0
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures		30,034	0	30,034	0
Total		1,812,373	320,739	2,133,112	3,523
Total assets after provision		5,771,243			
On-balance sheet exposures as percentage of total assets		31.40%			

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2017/06/30

HK\$'000

	On-balance sheet exposures	Off-balance sheet exposures	Total	Specific provision
1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	58,333	0	58,333	0
2. Local governments, local government-owned entities and their subsidiaries and JVs	0	0	0	0
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	395,021	135,874	530,895	3,577
4. Other entities of central government not reported in item 1 above	0	29,063	29,063	0
5. Other entities of local governments not reported in item 2 above	0	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	891,307	111,622	1,002,929	0
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	69,516	0	69,516	0
Total	1,414,177	276,559	1,690,736	3,577
Total assets after provision	5,957,059			
On-balance sheet exposures as percentage of total assets	23.74%			

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7. Currency risk

2017/12/31

HK\$ millions	USD	GBP	JPY	EUR	CNY	CAD	AUD	NZD	Total
Spot assets	4,233	14	54	176	493	4	59	0	5,033
Spot liabilities	4,232	14	54	174	490	6	59	0	5,029
Forward purchases	0	0	0	0	0	0	0	0	0
Forward sales	0	0	0	0	0	0	0	0	0
Net option position	0	0	0	0	0	0	0	0	0
Net long/short position	1	0	0	2	3	-2	0	0	4

2017/06/30

HK\$ millions	USD	GBP	JPY	EUR	CNY	CAD	AUD	NZD	Total
Spot assets	4,647	18	75	127	397	4	54	1	5,323
Spot liabilities	4,603	17	74	126	389	6	52	0	5,267
Forward purchases	0	0	0	0	0	0	0	0	0
Forward sales	0	0	0	0	0	0	0	0	0
Net option position	0	0	0	0	0	0	0	0	0
Net long/short position	44	1	1	1	8	-2	2	1	56

There were no foreign currency structural positions as at 2017 / 12 / 31 and 2017 / 06 / 30

8. Liquidity information disclosures

a. Average liquidity maintenance ratio/average liquidity ratio

	For the year end 31/12/2017	For the half year of 30/6/2017
Average liquidity maintenance ratio	43.93%	41.89%

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

b. Approach to liquidity risk management

The branch manages our liquidity risk in accordance with the Liquidity Risk Management Policy, which is set by Liquidity Risk Management Committee in Hong Kong branch and approved by our head office's Assets and Liabilities Committee.

The Policy provides a set of principles for the prudent management of liquidity in the normal course of business. The primary measures used to manage liquidity within the tolerance are the stress-testing and scenario analysis, liquidity maintenance ratio, loan-to-deposit and cash flow maturity mismatch analysis. In additions, our policy set a higher internal limit of liquidity maintenance ratio than the statutory minimum to reduce the liquidity risk.

Liquidity Risk Management Committee is mainly responsible for the liquidity risk management in our branch.

Chief Executive is the chairman of the Committee. The members include the department head of Treasury, risk management and accounting department. Chief Executive could also invite other department heads to attend to Committee meeting in need.

The branch also follows the guidance set forth by the Hong Kong Monetary Authority in Supervisory Policy Manual (LM-2) - Sound Systems and Controls for Liquidity Risk Management.

c. Funding strategies and Contingency funding plan

The branch's main funding strategies include diverse funding source, relationship-building in financial market, and intra-group transactions. The general manager of branch should call the meeting with all departments head to control and assess in case of excess of warning index. Furthermore, the branch should report to risk management department of head office which is going to assess the possibility whether the operating risk occur and the branch start Contingency funding plan.

d. Maintenance of liquidity cushion

Tier 1 assets: HKD 1,519,763,995 Tier 2 assets: HKD 0 (both as of 31/12/2017)

e. Warning index

The bank maintains two kinds of the warning indexes which are internal warning index and market warning index. Internal warning index includes profitability, quality of assets, source of assets and funding, financial cost, maturity date mismatch, and regulation of branch and authority. Market warning index includes the bank credit rating, stock price, interbank transaction, and average deposit balance from customers.

f. Liquidity gap ratio

The branch maintains the due date in one month liquidity gap ratio and sets up the formula as follows:

$(\text{due date in 1-month assets} - \text{due date in 1-month liabilities}) / \text{total liabilities}$

The ratio is -11.35% as of 31/12/2017

g. Stress test

The scenarios of 3 cases for our stress test are institution-specific stress scenario, general market stress scenario, and combination of both.

9. Remuneration Disclosure

In accordance with section 3 of the HKMA's Supervisory policy Manual Guideline CG-5 "Sound Remuneration System", Taiwan Business Bank Co., Ltd. has disclosed the relevant information in the part of Corporate Governance of the Bank's 2017 Annual Report (Chinese version).

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Section B-Information of the Bank (Consolidated Basis)

I. Capital and capital adequacy ratio

	<u>as at</u> <u>2017/12/31</u> <u>TW\$ million</u>	<u>as at</u> <u>2017/06/30</u> <u>TW\$ million</u>
A. Capital Adequacy Ratio	12.27%	12.57%
B. Aggregate amount of shareholder's funds	75,818	73,930

The capital adequacy ratio is calculated in accordance with the document entitled "International Convergence of Capital Measurement and Capital Standards: A Revised Framework (Comprehensive Version)" (published by the Basel Committee on Banking Supervision in Nov 2012).

II. Other financial information

	<u>as at</u> <u>2017/12/31</u> <u>TW\$ million</u>	<u>as at</u> <u>2017/06/30</u> <u>TW\$ million</u>
Total assets	1,584,094	1,521,394
Total liabilities	1,508,276	1,447,463
Total loans and advances	1,123,976	1,070,973
Total customer deposits	1,316,024	1,265,956

	<u>Year to</u> <u>2017/12/31</u> <u>TW\$ million</u>	<u>Year to</u> <u>2016/12/31</u> <u>TW\$ million</u>
Profit /(Loss) before taxation	5,871	6,359

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 Key Financial Information Disclosure Statement of Taiwan Business Bank, Hong Kong Branch for the year ended 31 December 2017. We confirmed that the information contained therein complies, in all material aspects, with the relevant requirements for financial disclosure by overseas incorporated authorized institutions as set out in the supervisory policy manual CA-D-1 "Guideline on the Application of the Banking (Disclosure) Rules" issued in Aug 2015, and to the best of my knowledge and belief, it is not false or misleading.



FAN Jen Jung
Chief Executive
Taiwan Business Bank Hong Kong Branch

Date :