

INDUSTRIAL BANK OF TAIWAN CO., LTD.  
HONG KONG BRANCH

Financial Disclosure Statement  
For the year ended 31 December 2016

**I. Profit and Loss Information**

	For the period 1 Jan 2016 to 31 Dec 2016 <u>HK\$'000</u>	For the period 1 Jan 2015 to 31 Dec 2015 <u>HK\$'000</u>
Interest income	211,180	175,255
Interest expense	(67,068)	(60,301)
Other operating income		
- Gains less losses from trading in foreign currencies	8,871	58,063
- Gains less losses on securities held for trading purposes	-	-
- Gains less losses from other trading activities	-	-
- Net fees and commission income	62,135	28,526
- <i>Fees and commission income</i>	63,315	29,568
- <i>Fees and commission expenses</i>	(1,180)	(1,042)
- Others	131	429
Total operating income	<u>215,249</u>	<u>201,972</u>
Operating expenses		
- Rental expenses	(10,658)	(11,281)
- Staff expenses	(30,251)	(25,698)
- Net (charge) /credit for debt provision	(53,560)	(74,589)
- Other operating expenses	(16,176)	(14,755)
Total operating expenses	<u>(110,645)</u>	<u>(126,323)</u>
Impairment losses and provisions for impaired loans and receivables	-	-
Gains less losses from the disposal of property, plant and equipment and investment properties	-	(286)
Profit before taxation	104,604	75,363
Tax expense	(20,383)	(18,433)
Profit after taxation	<u>84,221</u>	<u>56,930</u>

**II. Balance Sheet Information**

	As at 31 Dec 2016 HK\$'000	As at 30 Jun 2016 HK\$'000
<b>Assets</b>		
Cash and balances with banks	162,879	1,018,868
Amount due from Exchange Fund repayable or callable within one month	35,789	54,144
Placements with banks which have a residual contractual maturity of more than one month but not more than 12 months	78,622	110,613
Amount due from overseas offices	570,730	495,428
Trade bills	-	3,770
Certificates of deposit held	-	77,618
Securities held for trading purposes	-	-
Loans and receivables and other accounts	5,020,600	5,140,965
Investment securities	2,565,876	2,164,549
Other investments	-	-
Property, plant and equipment	11,890	9,621
<b>Total assets</b>	<b>8,446,386</b>	<b>9,075,576</b>
<b>Equity and liabilities</b>		
Deposit and balances from banks	1,943,098	2,416,077
Deposit from customers	5,121,094	4,827,571
- Demand deposit and current accounts	103,920	100,261
- Savings deposits	888,294	1,090,616
- Time, call and notice deposits	4,128,880	3,636,694
Amounts due to overseas offices	820,173	1,459,928
Certificates of deposit issued	-	-
Issued debt securities	-	-
Other liabilities	470,588	290,454
<b>Total liabilities</b>	<b>8,354,953</b>	<b>8,994,030</b>
 Reserves	 91,433	 81,546
 <b>Total Equity and Liabilities</b>	 <b>8,446,386</b>	 <b>9,075,576</b>

**III. Additional Balance Sheet Information**

**(i) Loans and receivables and other accounts**

	As at 31 Dec 2016 HK\$'000	As at 30 Jun 2016 HK\$'000
- Loans and advances to customers	4,841,438	4,910,243
- Loans and advances to banks	-	-
- Accrued interests and other accounts	258,119	312,955
	<u>5,099,557</u>	<u>5,223,198</u>
Less: - Collective impairment allowances	(62,590)	(66,610)
<i>Loans and advances to customers</i>	(59,812)	(63,609)
<i>Loans and advances to banks</i>	-	-
<i>Trade bills</i>	-	(57)
<i>Accrued interests and other accounts</i>	(2,778)	(2,944)
- Individual impairment allowances	(16,367)	(15,623)
<i>Loans and advances to customers</i>	-	-
<i>Loans and advances to banks</i>	-	-
<i>Trade bills</i>	-	-
<i>Accrued interests and other accounts</i>	(16,367)	(15,623)
	(78,957)	(82,233)
	<u>5,020,600</u>	<u>5,140,965</u>

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

	As at 31 Dec 2016		As at 30 Jun 2016	
	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	-	-	-	-
- Property investment	225,000	5,000	522,873	5,000
- Financial concerns	65,894	31,435	17,500	17,500
- Stockbrokers	-	-	-	-
- Wholesale and retail trade	766,469	305,296	383,430	99,428
- Manufacturing	957,551	228,843	811,242	167,520
- Transport and transport equipment	-	-	-	-
- Recreational activities	17,000	17,000	-	-
- Information technology	97,541	5,195	-	-
- Others	858,583	455,089	556,295	261,600
<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	244,179	57,455	300,508	71,009
Loans and advances for use outside Hong Kong	1,609,221	492,413	2,318,395	711,979
<b>Total</b>	<b>4,841,438</b>	<b>1,597,726</b>	<b>4,910,243</b>	<b>1,334,036</b>

**(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 31 Dec 2016	As at 30 Jun 2016
	HK\$'000	HK\$'000
Hong Kong	3,624,663	3,667,528
China	522,575	547,763
Taiwan	579,112	734,661

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

There were no impaired loans and advances to customers as at 31 December 2016 and 30 June 2016.

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

There were no overdue loans and advances to customers as at 31 December 2016 and 30 June 2016.

**(iv) Individual impaired loans and advances to customers**

There were no individual impaired loans and advances to customers as at 31 December 2016 and 30 June 2016.

**(v) Overdue loans and advances to customers**

There were no overdue loans and advances to customers as at 31 December 2016 and 30 June 2016.

**(vi) Rescheduled loans and advances to customers**

There were no rescheduled loans and advances to customers as at 31 December 2016 and 30 June 2016.

**(vii) Other advances**

There were no overdue amounts of other advances (trade bills and debt securities) as at 31 December 2016 and 30 June 2016.

There were no overdue, rescheduled or impaired amounts of other advances (trade bills and debt securities) to banks and financial institutions as at 31 December 2016 and 30 June 2016.

**(viii) Repossessed assets**

There were no repossessed assets held by Hong Kong Branch as at 31 December 2016 and 30 June 2016.

**(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	Non-financial private sector	Others	Total
	HK\$ million						
<u>As at 31 December 2016</u>							
Offshore centres							
- Hong Kong SAR	16	-	16	1,499	-	-	1,531
Developing Asia and Pacific							
- China	340	-	-	539	-	-	879
- Taiwan	571	-	-	672	-	-	1,243
<u>As at 30 June 2016</u>							
Offshore centres							
- Hong Kong SAR	91	254	482	3,376	-	-	4,203
Developing Asia and Pacific							
- China	268	-	-	576	-	-	844
- Taiwan	1,240	-	-	837	-	-	2,077



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(x) Currency risk

	USD	GBP	JPY	EUR	CNY	AUD	Others	Total
	HK\$ million							
<u>As at 31 December 2016</u>								
Spot assets	5,102	1	21	25	248	-	-	5,397
Spot liabilities	(4,711)	(34)	(14)	(28)	(447)	(3)	-	(5,237)
Forward purchases	2,124	71	34	-	1,843	3	-	4,075
Forward sales	(2,481)	(38)	(39)	-	(1,645)	-	-	(4,203)
Net options position	-	-	-	-	-	-	-	-
Net long / (short) position	34	-	2	(3)	(1)	-	-	32
Net structural position	-	-	-	-	-	-	-	-
<u>As at 30 June 2016</u>								
Spot assets	5,808	4	14	26	550	3	-	6,405
Spot liabilities	(5,574)	(83)	(4)	(26)	(583)	(6)	-	(6,276)
Forward purchases	1,900	78	25	-	1,633	3	73	3,712
Forward sales	(2,073)	-	(34)	-	(1,632)	-	(73)	(3,812)
Net options position	-	-	-	-	-	-	-	-
Net long / (short) position	61	(1)	1	-	(32)	-	-	29
Net structural position	-	-	-	-	-	-	-	-

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**(xi) Non-bank Mainland exposures**

	On-balance sheet exposure HK\$'000	Off-balance sheet exposure HK'000	Total exposure HK'000
<u>As at 31 December 2016</u>			
1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	40,032	-	40,032
2. Local governments, local government-owned entities and their subsidiaries and JVs	331,468	1,175,857	1,507,325
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	-	-	-
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	1,675,856	562,739	2,238,595
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	256,468	319,022	575,490
<b>Total</b>	<b>2,303,824</b>	<b>2,057,618</b>	<b>4,361,442</b>
Total assets after provision	8,446,386		
On-balance sheet exposures as percentage of total assets	27.28%		
<u>As at 30 June 2016</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	458,618	169,271	627,889
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	326	-	326
4. Other entities of central government not reported in item 1 above	-	-	-
5. Other entities of local governments not reported in item 2 above	-	2	2
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	2,861,791	677,496	3,539,287
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	330,926	-	330,926
<b>Total</b>	<b>3,651,661</b>	<b>846,769</b>	<b>4,498,430</b>
Total assets after provision	9,075,576		
On-balance sheet exposures as percentage of total assets	40.24%		

There were no individual impairment allowances on non-bank Mainland China Exposures as at 31 December 2016 and 30 June 2016.

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

	As at 31 Dec 2016 HK\$'000	As at 30 Jun 2016 HK\$'000
<i>Total contractual or notional amounts</i>		
Direct credit substitutes	170,679	147,552
Transaction-related contingencies	5,692	5,692
Trade-related contingencies	73,772	87,820
Note issuance and revolving underwriting facilities	-	-
Other commitments	1,035,812	950,471
Others	-	-
	1,285,955	1,191,535

**V. Derivative Transactions**

	As at 31 Dec 2016 HK\$'000	As at 30 Jun 2016 HK\$'000
<i>Total contractual or notional amounts</i>		
Exchange rate-related derivative contracts	6,046,907	8,076,446
Interest rate derivative contracts	3,634,718	3,816,153
Others	-	-
	9,681,625	11,892,599
<i>Total fair value asset</i>		
Exchange rate-related derivative contracts	175,849	201,624
Interest rate derivative contracts	9,626	28,125
Others	-	-
	185,475	229,749
<i>Total fair value liability</i>		
Exchange rate-related derivative contracts	186,507	204,644
Interest rate derivative contracts	11,174	29,693
Others	-	-
	197,681	234,337

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 2016 and 2015.

	For the period 1 Jan 2016 to 31 Dec 2016	For the period 1 Jan 2015 to 31 Dec 2015
Average Liquidity Maintenance Ratio	60.57%	55.36%

The ALCO is responsible for supervising the overall monitoring and control of the Branch's liquidity. 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. Consolidated Bank Information

	As at 31 Dec 2016 <sup>1</sup> (Audited) <u>NT\$'000</u>	As at 31 Dec 2015 <sup>2</sup> (Audited) <u>NT\$'000</u>
<b>(i) Capital and Capital adequacy</b>		
Consolidated Amount of Shareholders funds	45,871,109	46,281,290
Consolidated Capital Adequacy Ratio*	14.80%	14.12%
<b>(ii) Other Financial Information</b>		
Total assets	496,884,750	485,986,142
Total liabilities	451,013,641	439,704,852
Total loans and advances	162,544,641	146,443,247
Total customer deposits	184,587,611	172,776,282
Pre-tax Profit	3,575,785	3,612,937

<sup>1</sup> The figures for year ended 31 December 2016 are extracted from the audited Consolidated Financial Statements of Industrial Bank of Taiwan Co., Ltd.

<sup>2</sup> The figures for year ended 31 December 2015 are extracted from the audited Consolidated Financial Statements of Industrial Bank of Taiwan Co., Ltd.

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

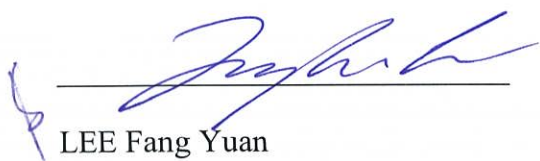
## VIII. Disclosure of Remuneration Policy

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 2016 of Industrial Bank of Taiwan Co., Ltd. (Chinese Version Only).

### **IX. Statement of Compliance**

This 2016 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.



LEE Fang Yuan  
Chief Executive  
Industrial Bank of Taiwan Co., Ltd. Hong Kong Branch