

**O-BANK CO., LTD.
HONG KONG BRANCH
(FORMERLY KNOWN AS INDUSTRIAL BANK OF TAIWAN CO., LTD.)**

**Interim Financial Disclosure Statement
For the Half Year Ended 30 June 2017**

I. Profit and Loss Information

	For the period 1 Jan 2017 to 30 Jun 2017 <u>HK\$'000</u>	For the period 1 Jan 2016 to 30 Jun 2016 <u>HK\$'000</u>
Interest income	125,559	107,278
Interest expense	(49,873)	(32,573)
Other operating income		
- Gains less losses from trading in foreign currencies	8,289	3,163
- Gains less losses on securities held for trading purposes	-	-
- Gains less losses from other trading activities	-	-
- Net fees and commission income	29,433	45,307
- <i>Fees and commission income</i>	30,040	45,884
- <i>Fees and commission expenses</i>	(607)	(577)
- Others	2,351	131
Total operating income	<u>115,759</u>	<u>123,306</u>
Operating expenses		
- Rental expenses	(5,898)	(5,035)
- Staff expenses	(17,695)	(14,399)
- Net (charge) /credit for debt provision	(30,229)	(14,894)
- Other operating expenses	(6,286)	(7,264)
Total operating expenses	<u>(60,108)</u>	<u>(41,592)</u>
Impairment losses and provisions for impaired loans and receivables	-	-
Gains less losses from the disposal of property, plant and equipment and investment properties	-	-
	<u>-</u>	<u>-</u>
Profit before taxation	55,651	81,714
Tax expense	(15,759)	(10,819)
Profit after taxation	<u><u>39,892</u></u>	<u><u>70,895</u></u>

II. Balance Sheet Information

	As at 30 Jun 2017	As at 31 Dec 2016
	HK\$'000	HK\$'000
Assets		
Cash and balances with banks	464,939	162,879
Amount due from Exchange Fund repayable or callable within one month	19,403	35,789
Placements with banks which have a residual contractual maturity of more than one month but not more than 12 months	78,508	78,622
Amount due from overseas offices	351,297	570,730
Trade bills	6,139	-
Certificates of deposit held	-	-
Securities held for trading purposes	-	-
Loans and receivables and other accounts	6,818,726	5,020,600
Investment securities	2,790,510	2,565,876
Other investments	-	-
Property, plant and equipment	10,707	11,890
Total assets	10,540,229	8,446,386
Equity and liabilities		
Deposit and balances from banks	2,343,660	1,943,098
Deposit from customers	6,718,553	5,121,094
- Demand deposit and current accounts	197,298	103,920
- Savings deposits	1,396,818	888,294
- Time, call and notice deposits	5,124,437	4,128,880
Amounts due to overseas offices	1,090,011	820,173
Certificates of deposit issued	-	-
Issued debt securities	-	-
Other liabilities	335,947	470,588
Total liabilities	10,488,171	8,354,953
Reserves	52,058	91,433
Total Equity and Liabilities	10,540,229	8,446,386

III. Additional Balance Sheet Information

(i) Loans and receivables and other accounts

	As at 30 Jun 2017 HK\$'000	As at 31 Dec 2016 HK\$'000
- Loans and advances to customers	6,637,629	4,841,438
- Loans and advances to banks	-	-
- Accrued interests and other accounts	289,440	258,119
	<u>6,927,069</u>	<u>5,099,557</u>
Less: - Collective impairment allowances	(80,532)	(62,590)
<i>Loans and advances to customers</i>	(77,605)	(59,812)
<i>Loans and advances to banks</i>	-	-
<i>Accrued interests and other accounts</i>	(2,927)	(2,778)
- Individual impairment allowances	(27,811)	(16,367)
<i>Loans and advances to customers</i>	(11,447)	-
<i>Loans and advances to banks</i>	-	-
<i>Accrued interests and other accounts</i>	(16,364)	(16,367)
	<u>(108,343)</u>	<u>(78,957)</u>
	<u>6,818,726</u>	<u>5,020,600</u>

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

	As at 30 Jun 2017		As at 31 Dec 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	280,000	70,000	225,000	5,000
- Financial concerns	876,551	537,112	65,894	31,435
- Stockbrokers	-	-	-	-
- Wholesale and retail trade	807,746	423,098	766,469	305,296
- Manufacturing	1,164,450	536,671	957,551	228,843
- Transport and transport equipment	-	-	-	-
- Recreational activities	17,000	17,000	17,000	17,000
- Information technology	98,038	4,857	97,541	5,195
- Others	1,715,282	1,177,846	858,583	455,089
<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	265,872	80,039	244,179	57,455
Loans and advances for use outside Hong Kong	1,412,690	535,018	1,609,221	492,413
Total	6,637,629	3,381,641	4,841,438	1,597,726

(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 2017	As at 31 Dec 2016
	HK\$'000	HK\$'000
Hong Kong	5,172,240	3,624,663
Taiwan	848,087	579,112

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

	As at 30 Jun 2017	As at 31 Dec 2016
	HK\$'000	HK\$'000
China	57,234	-

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

There were no overdue loans and advances to customers, banks and financial institutions as at 30 June 2017 and 31 December 2016.

(iv) Individual impaired loans and advances to customers

	As at 30 Jun 2017	As at 31 Dec 2016
	HK\$'000	HK\$'000
Individual impaired loans and advances	57,234	-
Individual impairment allowances	(11,447)	-
Collateral value	4,684	-
Percentage to total loans and advances to customers	0.86%	-

There were no individual impaired loans and advances to banks and financial institutions as at 30 June 2017 and 31 December 2016.

(v) Overdue loans and advances to customers

There were no overdue loans and advances to customers, banks and financial institutions as at 30 June 2017 and 31 December 2016.

(vi) Rescheduled loans and advances to customers

There were no rescheduled loans and advances to customers, banks and financial institutions as at 30 June 2017 and 31 December 2016.

(vii) Other advances

There were no overdue amounts of other advances (trade bills and debt securities) as at 30 June 2017 and 31 December 2016.

There were no overdue, rescheduled or impaired amounts of other advances (trade bills and debt securities) to banks and financial institutions as at 30 June 2017 and 31 December 2016.

(viii) Repossessed assets

There were no repossessed assets held by Hong Kong Branch as at 30 June 2017 and 31 December 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 financial private sector	Others	Total
	HK\$ million					
<u>As at 30 June 2017</u>						
Offshore centres						
- Hong Kong SAR	30	-	133	1,318	-	1,481
Developing Asia and Pacific						
- China	229	-	-	443	-	672
- Taiwan	664	-	-	860	-	1,524
<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

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(x) Currency risk

	USD	GBP	JPY	EUR	CNY	AUD	Others	Total
	HK\$ million							
<u>As at 30 June 2017</u>								
Spot assets	5,943	2	19	25	249	1	-	6,239
Spot liabilities	(4,919)	(38)	(20)	(23)	(469)	(3)	-	(5,472)
Forward purchases	1,916	37	2	-	1,781	3	-	3,739
Forward sales	(2,913)	-	-	-	(1,492)	-	-	(4,405)
Net options position	-	-	-	-	-	-	-	-
Net long / (short) position	27	1	1	2	69	1	-	101
Net structural position	-	-	-	-	-	-	-	-
<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	-	-	-	-	-	-	-	-

(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 2017</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	293,754	1,476,914	1,770,668
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	171,844	-	171,844
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	1,709,788	304,667	2,014,455
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	196,876	3,220	200,096
Total	2,372,262	1,784,801	4,157,063
Total assets after provision	10,540,229		
On-balance sheet exposures as percentage of total assets	22.51%		
<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
Total	2,303,824	2,057,618	4,361,442
Total assets after provision	8,446,386		
On-balance sheet exposures as percentage of total assets	27.28%		

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

	As at 30 Jun 2017 <u>HK\$'000</u>	As at 31 Dec 2016 <u>HK\$'000</u>
<i>Total contractual or notional amounts</i>		
Direct credit substitutes	196,024	170,679
Transaction-related contingencies	5,692	5,692
Trade-related contingencies	45,511	73,772
Note issuance and revolving underwriting facilities	-	-
Other commitments	536,304	1,035,812
Others	-	-
	<u>783,531</u>	<u>1,285,955</u>

V. Derivative Transactions

	As at 30 Jun 2017 <u>HK\$'000</u>	As at 31 Dec 2016 <u>HK\$'000</u>
<i>Total contractual or notional amounts</i>		
Exchange rate-related derivative contracts	4,973,640	6,046,907
Interest rate derivative contracts	3,060,569	3,634,718
Others	-	-
	<u>8,034,209</u>	<u>9,681,625</u>
<i>Total fair value asset</i>		
Exchange rate-related derivative contracts	40,942	175,849
Interest rate derivative contracts	7,559	9,626
Others	-	-
	<u>48,501</u>	<u>185,475</u>
<i>Total fair value liability</i>		
Exchange rate-related derivative contracts	40,279	186,507
Interest rate derivative contracts	7,717	11,174
Others	-	-
	<u>47,996</u>	<u>197,681</u>

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 first six months of the financial year.

	For the period 1 Jan 2017 to 30 Jun 2017	For the period 1 Jan 2016 to 30 Jun 2016
Average Liquidity Maintenance Ratio	53.57%	61.23%

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 30 Jun 2017 ¹ (Audited) <u>NT\$'000</u>	(Restated) As at 31 Dec 2016 ² (Audited) <u>NT\$'000</u>
(i) Capital and Capital adequacy		
Consolidated Amount of Shareholders funds	45,595,407	45,871,109
Consolidated Capital Adequacy Ratio*	13.16%	14.22%
(ii) Other Financial Information		
Total assets	513,473,196	496,884,750
Total liabilities	467,877,789	451,013,641
Total loans and advances	169,896,728	162,544,641
Total customer deposits	188,114,477	184,587,611
	For the period 1 Jan 2017 to 30 Jun 2017 ¹ (Audited) <u>NT\$'000</u>	For the period 1 Jan 2016 to 30 Jun 2016 ³ (Audited) <u>NT\$'000</u>
Pre-tax Profit	1,589,758	1,973,411

¹ The interim figures for the period ended 30 June 2017 are extracted from the audited Consolidated Financial Statements of the Bank.

² The figures for year ended 31 December 2016 are extracted from the audited Consolidated Financial Statements of the Bank.

³ The interim figures for the period ended 30 June 2016 are extracted from the audited Consolidated Financial Statements of the Bank.

* 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 O-Bank Co., Ltd (Formerly known as Industrial Bank of Taiwan Co., Ltd.) (Chinese Version Only).

IX. Statement of Compliance

This 2017 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.



LEE Fang Yuan
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O-Bank Co., Ltd. Hong Kong Branch