

O-BANK CO., LTD.
HONG KONG BRANCH

Financial Disclosure Statement
For the Year Ended 31 December 2018

I. Profit and Loss Information

	For the period 1 Jan 2018 to 31 Dec 2018 HK\$'000	For the period 1 Jan 2017 to 30 Dec 2017 HK\$'000
Interest income	483,660	287,071
Interest expense	(221,148)	(114,454)
Other operating income		
- Gains less losses from trading in foreign currencies	11,100	16,258
- Gains less losses on securities held for trading purposes	-	-
- Gains less losses from other trading activities	-	-
- Net fees and commission income	34,550	41,940
- <i>Fees and commission income</i>	36,031	43,332
- <i>Fees and commission expenses</i>	(1,481)	(1,392)
- Others	1,690	2,393
Total operating income	309,852	233,208
Operating expenses		
- Rental expenses	(13,757)	(11,818)
- Staff expenses	(46,445)	(36,805)
- Net (charge)/ credit for debt provision	(30,529)	(37,284)
- Net charge for other provisions	89	-
- Other operating expenses	(60,523)	(15,860)
Total operating expenses	(151,165)	(101,767)
Impairment losses and provisions for impaired loans and receivables	-	-
Gains less losses from the disposal of property, plant and equipment and investment properties	-	-
Profit before taxation	158,687	131,441
Tax expense	(22,921)	(26,035)
Profit after taxation	135,766	105,406

II. Balance Sheet Information

	As at 31 Dec 2018 HK\$'000	As at 30 Jun 2018 HK\$'000
Assets		
Cash and balances with banks	457,039	132,604
Amount due from Exchange Fund repayable or callable within one month	46,149	6,506
Placements with banks which have a residual contractual maturity of more than one month but not more than 12 months	-	59,190
Amount due from overseas offices	681,476	549,185
Trade bills	-	10,097
Certificates of deposit held	-	-
Securities held for trading purposes	-	-
Loans and receivables and other accounts	9,680,762	8,877,342
Investment securities	3,420,492	3,027,416
Other investments	-	-
Property, plant and equipment	11,011	9,282
Total assets	14,296,929	12,671,622
Equity and liabilities		
Deposit and balances from banks	1,704,449	2,596,963
Deposit from customers	11,131,636	8,548,456
- Demand deposit and current accounts	528,360	279,247
- Savings deposits	1,937,570	1,423,532
- Time, call and notice deposits	8,665,706	6,845,677
Amounts due to overseas offices	927,714	1,164,552
Certificates of deposit issued	-	-
Issued debt securities	-	-
Other liabilities	394,712	262,130
Total liabilities	14,158,511	12,572,101
Reserves	138,418	99,521
Total Equity and Liabilities	14,296,929	12,671,622

III. Additional Balance Sheet Information

(i) Loans and receivables and other accounts

	As at 31 Dec 2018 HK\$'000	As at 30 Jun 2018 HK\$'000
- Loans and advances to customers	9,233,356	8,863,089
- Loans and advances to banks	-	-
- Accrued interests and other accounts	570,340	123,346
	<u>9,803,696</u>	<u>8,986,435</u>
Less: - Collective impairment allowances	(116,996)	(103,137)
<i>Loans and advances to customers</i>	(113,540)	(99,601)
<i>Loans and advances to banks</i>	-	-
<i>Accrued interests and other accounts</i>	(3,456)	(3,536)
- Individual impairment allowances	(5,938)	(5,956)
<i>Loans and advances to customers</i>	-	-
<i>Loans and advances to banks</i>	-	-
<i>Accrued interests and other accounts</i>	(5,938)	(5,956)
	<u>(122,934)</u>	<u>(109,093)</u>
	<u>9,680,762</u>	<u>8,877,342</u>

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

	As at 31 Dec 2018		As at 30 Jun 2018	
	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	153,210	53,210	154,710	54,710
- Property investment	623,459	347,295	697,699	455,535
- Financial concerns	1,473,576	1,223,542	1,318,152	1,069,185
- Stockbrokers	-	-	-	-
- Wholesale and retail trade	1,548,352	1,133,006	1,223,253	728,528
- Manufacturing	568,149	342,857	1,426,852	764,972
- Transport and transport equipment	-	-	-	-
- Recreational activities	19,000	19,000	14,500	14,500
- Information technology	137,211	100,801	85,318	54,800
- Others	1,850,116	1,452,518	2,228,062	1,798,946
<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	308,849	114,612	406,853	107,785
Loans and advances for use outside Hong Kong	2,551,434	1,451,830	1,307,690	753,804
Total	9,233,356	6,238,671	8,863,089	5,802,765

(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 2018	As at 30 Jun 2018
	HK\$'000	HK\$'000
Hong Kong	8,189,314	7,585,867

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

	As at 31 Dec 2018	As at 30 Jun 2018
	HK\$'000	HK\$'000
	-	-

(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 31 December 2018 and 30 June 2018.

(iv) Individual impaired loans and advances to customers

	As at 31 Dec 2018	As at 30 Jun 2018
	HK\$'000	HK\$'000
- Individual impaired loans and advances	-	-
- Individual impairment allowances	-	-
- Collateral value	-	-
- Percentage to total loans and advances to customers	0%	0%

There were no individual impaired loans and advances to customers, banks and financial institutions as at 31 December 2018 and 30 June 2018.

(v) Overdue loans and advances to customers

	As at 31 Dec 2018		As at 30 Jun 2018	
	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
-More than 3 months but not more than 6 months	-	0%	-	0%
-More than 6 months but not more than one year	-	0%	-	0%
-More than one year	-	0%	-	0%
Total	-	0%	-	0%

There were no overdue loans and advances to customers, banks and financial institutions as at 31 December 2018 and 30 June 2018.

(vi) Rescheduled loans and advances to customers

	As at 31 Dec 2018		As at 30 Jun 2018	
	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	-	0%	-	0%
Total	-	0%	-	0%

There were no rescheduled loans and advances to customers, banks and financial institutions as at 31 December 2018 and 30 June 2018.

(vii) Other advances

	As at 31 Dec 2018 HK\$'000	As at 30 Jun 2018 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	-	-
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	-	-

There were no overdue, rescheduled or impaired amount of other advances (trade bills and debt securities) to customers, banks and financial institutions as at 31 December 2018 and 30 June 2018.

(viii) Repossessed assets

There were no repossessed assets held by Hong Kong Branch as at 31 December 2018 and 30 June 2018.

(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 private sector		Others	Total
			Non-bank financial institutions	Non- financial private sector		
			HK\$ million			
<u>As at 31 December 2018</u>						
Developed countries						
- Australia	613	-	-	-	-	613
Offshore centres						
- Hong Kong SAR	22	-	-	892	-	914
Developing Asia and Pacific						
- Taiwan	1,073	-	-	626	-	1,699
<u>As at 30 June 2018</u>						
Developed countries						
- Australia	583	-	-	-	-	583
Offshore centres						
- Hong Kong SAR	10	-	-	1,258	-	1,268
Developing Asia and Pacific						
- Taiwan	550	-	-	679	-	1,229

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(x) Currency risk

	USD	GBP	JPY	EUR	CNY	AUD	Others	Total
	HK\$ million							
<u>As at 31 December 2018</u>								
Spot assets	5,456	3	13	19	187	1	-	5,679
Spot liabilities	(6,606)	(202)	(12)	(16)	(799)	(4)	(4)	(7,643)
Forward purchases	2,929	199	-	272	862	3	4	4,269
Forward sales	(1,655)	-	-	(272)	(177)	-	-	(2,104)
Net options position	-	-	-	-	-	-	-	-
Net long / (short) position	124	-	1	3	73	-	-	201
Net structural position	-	-	-	-	-	-	-	-
<u>As at 30 June 2018</u>								
Spot assets	5,112	1	10	14	245	1	1	5,384
Spot liabilities	(6,832)	(2)	(10)	(15)	(406)	(4)	-	(7,269)
Forward purchases	3,444	-	-	-	570	3	-	4,017
Forward sales	(1,597)	-	-	-	(363)	-	-	(1,960)
Net options position	-	-	-	-	-	-	-	-
Net long / (short) position	127	(1)	-	(1)	46	-	1	172
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 31 December 2018</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	3,629	168,695	172,324
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	2,218,290	187,115	2,405,405
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	486,577	48,786	535,363
Total	<u>2,708,496</u>	<u>404,596</u>	<u>3,113,092</u>
Total assets after provision	14,296,929		
On-balance sheet exposures as percentage of total assets	18.94%		
<u>As at 30 June 2018</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	161,252	484,703	645,955
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	224,674	-	224,674
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	1,928,185	318,494	2,246,679
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	253,696	-	253,696
Total	<u>2,567,807</u>	<u>803,197</u>	<u>3,371,004</u>
Total assets after provision	12,671,622		
On-balance sheet exposures as percentage of total assets	20.26%		

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

	As at 31 Dec 2018 <u>HK\$'000</u>	As at 30 Jun 2018 <u>HK\$'000</u>
<i>Total contractual or notional amounts</i>		
Direct credit substitutes	208,438	208,769
Transaction-related contingencies	4,620	4,620
Trade-related contingencies	84,353	90,315
Note issuance and revolving underwriting facilities	-	-
Other commitments	759,248	1,057,075
Others	-	392,275
	<u>1,056,659</u>	<u>1,753,054</u>

V. Derivative Transactions

	As at 31 Dec 2018 <u>HK\$'000</u>	As at 30 Jun 2018 <u>HK\$'000</u>
<i>Total contractual or notional amounts</i>		
Exchange rate-related derivative contracts	4,583,216	5,030,379
Interest rate derivative contracts	1,938,675	2,317,872
Others	-	-
	<u>6,521,891</u>	<u>7,348,251</u>
<i>Total fair value asset</i>		
Exchange rate-related derivative contracts	14,020	8,479
Interest rate derivative contracts	8,331	14,016
Others	-	-
	<u>22,351</u>	<u>22,495</u>
<i>Total fair value liability</i>		
Exchange rate-related derivative contracts	4,320	13,142
Interest rate derivative contracts	7,400	12,239
Others	-	-
	<u>11,720</u>	<u>25,381</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 financial year.

	For the period 1 Oct 2018 to 31 Dec 2018 ¹	For the period 1 Jan 2017 to 31 Dec 2017 ²
Average Liquidity Maintenance Ratio	52.02%	49.05%

¹ The average LMR of financial year 2018 is calculated as the simple average of each month's average liquidity maintenance ratio of each quarter of the financial year 2018.

² The average LMR of financial year 2017 is calculated as the simple average of each month's average liquidity maintenance ratio of the financial year 2017.

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. 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.

Anticipated impact on HK Branch's assets, liabilities and equity

	HK\$'000	HK\$'000	HK\$'000
	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Right-of-use assets	-	9,146	9,146
Total effect on assets	-	9,146	9,146
Lease liabilities	-	9,146	9,146
Total effect on liabilities	-	9,146	9,146

VIII. Consolidated Bank Information

	As at 31 Dec 2018 ¹ (Audited) <u>NT\$'000</u>	As at 30 Jun 2018 ² (Audited) <u>NT\$'000</u>
(i) Capital and Capital adequacy		
Consolidated Amount of Shareholders funds	49,118,712	45,577,624
Consolidated Capital Adequacy Ratio*	13.19%	12.69%
(ii) Other Financial Information		
Total assets	561,841,574	544,359,866
Total liabilities	512,722,862	498,782,242
Total loans and advances	197,338,050	193,973,601
Total customer deposits	261,803,321	231,788,065
	For the period 1 Jan 2018 to 31 Dec 2018 ¹ (Audited) <u>NT\$'000</u>	For the period 1 Jan 2017 to 31 Dec 2017 ³ (Audited) <u>NT\$'000</u>
Pre-tax Profit	2,673,355	2,796,099

¹ The figures for the year ended 31 December 2018 are extracted from the audited Consolidated Financial Statements of the Bank.

² The interim figures for the period ended 30 June 2018 are extracted from the audited Consolidated Financial Statements of the Bank.

³ The figures for the year ended 31 December 2017 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, please refer to the Annual Report 2018 of O-Bank Co., Ltd. (Chinese Version Only).

X. Statement of Compliance

This 2018 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
O-Bank Co., Ltd. Hong Kong Branch

