

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

**Interim Financial Disclosure Statement**  
**For the Half Year Ended 30 June 2020**

O-Bank Co., Ltd. Hong Kong Branch (incorporated in Taiwan with limited liability)  
Interim Financial Disclosure Statement For the Half Year Ended 30 June 2020

**I. Profit and Loss Information**

	For the period 1 Jan 2020 to 30 Jun 2020 <u>HK\$'000</u>	For the period 1 Jan 2019 to 30 Jun 2019 <u>HK\$'000</u>
Interest income	212,495	277,882
Interest expense	(95,546)	(130,957)
Other operating income		
- Gains less losses arising from trading in foreign currencies	1,202	14,062
- Gains less losses on securities held for trading purposes	-	-
- Gains less losses from other trading activities	-	-
- Net fees and commission income	16,392	28,150
- <i>Fees and commission income</i>	17,272	28,940
- <i>Fees and commission expenses</i>	(880)	(790)
- Others	4,432	1,181
Total operating income	<u>138,975</u>	<u>190,318</u>
Operating expenses		
- Rental expenses	(7,386)	(7,476)
- Staff expenses	(26,403)	(25,688)
- Other operating expenses	(26,084)	(31,911)
Total operating expenses	<u>(59,873)</u>	<u>(65,075)</u>
Impairment losses and provisions for impaired loans and receivables	(48,140)	(11,889)
Gains less losses from the disposal of property, plant and equipment and investment properties	-	(55)
Profit before taxation	30,962	113,299
Tax expense	(5,890)	(20,256)
Profit after taxation	<u>25,072</u>	<u>93,043</u>

## II. Balance Sheet Information

	As at 30 Jun 2020 HK\$'000	As at 31 Dec 2019 HK\$'000
<b>Assets</b>		
Cash and balances with banks	1,184,835	280,301
Amount due from Exchange Fund repayable or callable within one month	62,036	48,856
Placements with banks which have a residual contractual maturity of more than one month but not more than 12 months	-	89,385
Amount due from overseas offices	77,502	1,149,840
Trade bills	-	-
Certificates of deposit held	-	-
Securities held for trading purposes	-	-
Loans and receivables and other accounts	8,454,486	8,537,388
Investment securities	2,942,331	3,069,298
Other investments	-	-
Property, plant and equipment	7,690	9,328
Right-of-use assets, net	19,174	23,040
<b>Total assets</b>	<b>12,748,054</b>	<b>13,207,436</b>
<b>Equity and liabilities</b>		
Deposit and balances from banks	1,166,000	1,050,000
Deposit from customers	10,589,344	10,455,946
- <i>Demand deposit and current accounts</i>	391,788	316,189
- <i>Savings deposits</i>	1,765,805	1,356,563
- <i>Time, call and notice deposits</i>	8,431,751	8,783,194
Amounts due to overseas offices	843,215	1,212,588
Certificates of deposit issued	-	-
Issued debt securities	-	-
Lease liabilities	19,648	23,365
Other liabilities	79,842	261,108
<b>Total liabilities</b>	<b>12,698,049</b>	<b>13,003,007</b>
Reserves	50,005	204,429
<b>Total Equity and Liabilities</b>	<b>12,748,054</b>	<b>13,207,436</b>

### III. Additional Balance Sheet Information

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

	As at 30 Jun 2020 HK\$'000	As at 31 Dec 2019 HK\$'000
- Loans and advances to customers	8,513,667	8,306,517
- Loans and advances to banks	-	-
- Accrued interests and other accounts	61,667	348,106
	<u>8,575,334</u>	<u>8,654,623</u>
Less: - Collective impairment allowances	(98,331)	(95,943)
<i>Loans and advances to customers</i>	(95,972)	(92,758)
<i>Loans and advances to banks</i>	-	-
<i>Accrued interests and other accounts</i>	(2,359)	(3,185)
- Individual impairment allowances	(22,517)	(21,292)
<i>Loans and advances to customers</i>	(16,705)	(15,225)
<i>Loans and advances to banks</i>	-	-
<i>Accrued interests and other accounts</i>	(5,812)	(6,067)
	<u>(120,848)</u>	<u>(117,235)</u>
	<u>8,454,486</u>	<u>8,537,388</u>

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

	As at 30 Jun 2020		As at 31 Dec 2019	
	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	128,125	38,125	134,375	39,375
- Property investment	1,003,224	724,536	678,243	383,435
- Financial concerns	1,970,245	1,685,187	1,820,463	1,556,853
- Stockbrokers	-	-	-	-
- Wholesale and retail trade	1,537,478	1,321,640	1,406,297	1,245,365
- Manufacturing	542,800	310,550	534,053	234,854
- Transport and transport equipment	13,650	13,650	14,000	14,000
- Recreational activities	15,549	15,549	18,850	18,850
- Information technology	73,000	64,898	80,217	73,625
- Others	999,125	726,419	1,349,390	1,160,138
<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	105,691	26,580	166,213	53,770
Loans and advances for use outside Hong Kong	2,124,780	1,298,281	2,104,416	1,163,211
<b>Total</b>	<b>8,513,667</b>	<b>6,225,415</b>	<b>8,306,517</b>	<b>5,943,476</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 30 Jun 2020	As at 31 Dec 2019
	HK\$'000	HK\$'000
Hong Kong	7,508,086	7,024,040

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

	As at 30 Jun 2020	As at 31 Dec 2019
	HK\$'000	HK\$'000
Macau	63,883	63,000
Taiwan	-	2,141
Hong Kong	16,131	-

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

	As at 30 Jun 2020	As at 31 Dec 2019
	HK\$'000	HK\$'000
Macau	152,612	178,334
Hong Kong	62,877	71,389
Taiwan	-	2,141

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

	As at 30 Jun 2020	As at 31 Dec 2019
	HK\$'000	HK\$'000
- Individual impaired loans and advances	80,014	65,141
- Individual impairment allowances	16,705	15,225
- Collateral value- covered portion	80,014	63,000
- Percentage to total loans and advances to customers	0.94%	0.78%

**(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
<b><u>As at</u></b>						
<b><u>30 Jun 2020</u></b>						
-More than 3 months but not more than 6 months	88,729	1.04%	-	94,357	81,938	6,791
-More than 6 months but not more than one year	62,877	0.74%	1,750	299,617	62,877	-
-More than one year	63,883	0.75%	14,955	70,000	63,883	-
<b>Total</b>	<b>215,489</b>	<b>2.53%</b>	<b>16,705</b>	<b>463,974</b>	<b>208,698</b>	<b>6,791</b>

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	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
<b>As at</b>						
<b>31 Dec 2019</b>						
-More than 3 months but not more than 6 months	95,182	1.14%	-	323,167	83,857	11,325
-More than 6 months but not more than one year	-	0%	-	-	-	-
-More than one year	63,000	0.76%	14,748	70,000	63,000	-
<b>Total</b>	<b>158,182</b>	<b>1.90%</b>	<b>14,748</b>	<b>393,167</b>	<b>146,857</b>	<b>11,325</b>

There were no overdue loans and advances to banks and financial institutions as at 30 June 2020 and 31 December 2019.

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

	As at 30 Jun 2020		As at 31 Dec 2019	
	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%	2,141	0.03%
<b>Total</b>	<b>-</b>	<b>0%</b>	<b>2,141</b>	<b>0.03%</b>

There were no rescheduled loans and advances to banks and financial institutions as at 30 June 2020 and 31 December 2019.



**(vii) Other advances**

	As at 30 Jun 2020	As at 31 Dec 2019
	HK\$'000	HK\$'000
<b>Gross trade bills:</b>		
- 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 2020	As at 31 Dec 2019
	HK\$'000	HK\$'000
<b>Gross debt securities:</b>		
- 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 2020 and 31 December 2019.

**(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 Non-bank financial institutions	Non-financial private sector	Others	Total
	HK\$ million					
<u>As at 30 June 2020</u>						
Offshore centres						
- Hong Kong SAR	33	-	-	987	-	1,020
Developing Asia and Pacific						
- China	415	-	-	160	-	575
- Taiwan	1,123	-	77	403	-	1,603
- South Korea	613	-	-	-	-	613
<u>As at 31 December 2019</u>						
Offshore centres						
- Hong Kong SAR	113	-	-	768	-	881
Developing Asia and Pacific						
- China	487	-	-	355	-	842
- Taiwan	1,150	-	-	567	-	1,717
- South Korea	-	-	-	-	-	-

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(x) Currency risk

	USD	GBP	JPY	EUR	CNY	AUD	Others	Total
	HK\$ million							
<u>As at 30 June 2020</u>								
Spot assets	5,028	3	18	20	8	115	-	5,192
Spot liabilities	(7,307)	(8)	(19)	(18)	(324)	(27)	(4)	(7,707)
Forward purchases	4,349	5	1	-	656	17	4	5,032
Forward sales	(1,734)	-	-	(1)	(244)	(104)	-	(2,083)
Net options position	-	-	-	-	-	-	-	-
Net long / (short) position	336	-	-	1	96	1	-	434
Net structural position	-	-	-	-	-	-	-	-
<u>As at 31 December 2019</u>								
Spot assets	5,251	2	42	64	95	1	-	5,455
Spot liabilities	(7,523)	(2)	(39)	(62)	(478)	(15)	(4)	(8,123)
Forward purchases	3,185	-	-	-	568	14	4	3,771
Forward sales	(646)	-	(2)	(1)	(95)	-	-	(744)
Net options position	-	-	-	-	-	-	-	-
Net long / (short) position	267	-	1	1	90	-	-	359
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 30 June 2020</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	-	1,938	1,938
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	1,439,095	324,642	1,763,737
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	362,068	26,100	388,168
Total	<u>1,801,163</u>	<u>352,680</u>	<u>2,153,843</u>
Total assets after provision	12,748,054		
On-balance sheet exposures as percentage of total assets	14.13%		

As at 31 December 2019

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	-	-	-
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	1,538,301	265,675	1,803,976
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	535,225	64,400	599,625
Total	<u>2,073,526</u>	<u>330,075</u>	<u>2,403,601</u>
Total assets after provision	13,207,436		
On-balance sheet exposures as percentage of total assets	15.70%		

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

	As at 30 Jun 2020 HK\$'000	As at 31 Dec 2019 HK\$'000
<i>Total contractual or notional amounts</i>		
Direct credit substitutes	155,003	155,691
Transaction-related contingencies	2,026	1,790
Trade-related contingencies	31,920	73,799
Note issuance and revolving underwriting facilities	-	-
Other commitments	793,500	755,354
Others	-	-
	982,449	986,634

**V. Derivative Transactions**

	As at 30 Jun 2020 HK\$'000	As at 31 Dec 2019 HK\$'000
<i>Total contractual or notional amounts</i>		
Exchange rate-related derivative contracts	6,118,444	3,971,806
Interest rate derivative contracts	271,256	467,074
Others	-	-
	6,389,700	4,438,880
<i>Total fair value asset</i>		
Exchange rate-related derivative contracts	5,604	7,944
Interest rate derivative contracts	291	556
Others	-	-
	5,895	8,500
<i>Total fair value liability</i>		
Exchange rate-related derivative contracts	5,027	14,707
Interest rate derivative contracts	1,888	1,272
Others	-	-
	6,915	15,979

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 2020 to 30 Jun 2020 <sup>1</sup>	For the period 1 Apr 2019 to 30 Jun 2019 <sup>2</sup>
Average Liquidity Maintenance Ratio	51.12%	50.03%

<sup>1</sup> The average LMR of financial year 2020 is calculated as the simple average of each month's average liquidity maintenance ratio of the second quarter of the financial year 2020.

<sup>2</sup> The average LMR of financial year 2019 is calculated as the simple average of each month's average liquidity maintenance ratio of the second quarter of the financial year 2019.

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.

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Right-of-use assets

	<b>As at 30 Jun 2020</b>	<b>As at 31 Dec 2019</b>
	<u>HK\$'000</u>	<u>HK\$'000</u>
<i>Carrying amount of Right-of-use assets</i>		
Buildings	30,463	29,138
 <i>Depreciation charges for right-of-use assets</i>		
Buildings	(11,289)	(6,098)

Lease liabilities

	<b>As at 30 Jun 2020</b>	<b>As at 31 Dec 2019</b>
	<u>HK\$'000</u>	<u>HK\$'000</u>
Carrying amount of lease liabilities	19,648	23,365



### VIII. Consolidated Bank Information

	As at 30 Jun 2020 <sup>1</sup> (Audited) <hr/> NT\$'000	As at 31 Dec 2019 <sup>2</sup> (Audited) <hr/> NT\$'000
<b>(i) Capital and Capital adequacy</b>		
Consolidated Amount of Shareholders funds	50,282,333	50,816,277
Consolidated Capital Adequacy Ratio*	12.32%	13.29%
<b>(ii) Other Financial Information</b>		
Total assets	573,674,188	560,700,016
Total liabilities	523,391,855	509,883,739
Total loans and advances	194,231,869	194,246,229
Total customer deposits	272,278,213	265,731,824
	For the period 1 Jan 2020 to 30 Jun 2020 <sup>1</sup> (Audited) <hr/> NT\$'000	For the period 1 Jan 2019 to 30 Jun 2019 <sup>3</sup> (Audited) <hr/> NT\$'000
Pre-tax Profit	1,293,441	1,625,308

<sup>1</sup> The interim figures for the period ended 30 June 2020 are extracted from the audited Consolidated Financial Statements of the Bank.

<sup>2</sup> The figures for the year ended 31 December 2019 are extracted from the audited Consolidated Financial Statements of the Bank.

<sup>3</sup> The interim figures for the period ended 30 June 2019 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 2019 of O-Bank Co., Ltd. (Chinese Version Only).

**X. Statement of Compliance**

This 2020 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.



WU Wing Hong, Simon  
Chief Executive  
O-Bank Co., Ltd. Hong Kong Branch  
(incorporated in Taiwan with limited liability)