



**第一商業銀行股份有限公司**

(於台灣成立的有限責任公司)

**香港分行**

**First Commercial Bank, Ltd**

(Incorporated in Taiwan with limited liability)

**Hong Kong Branch**

**Financial Information Disclosure Statement**

**For the year ended 31 December 2019**



## **KEY FINANCIAL INFORMATION DISCLOSURE STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019**

<b><u>CONTENTS</u></b>	<b><u>PAGE(S)</u></b>
<b>SECTION A. - INFORMATION OF THE BRANCH 〈INCLUDE HONG KONG BRANCH ONLY〉</b>	
I. Profit and loss information	1
II. Balance sheet information	2
III. Supplement financial information	
1. Trade bills and impairment allowances on trade bills	3
2. Advances and impairment allowances on advances	3~5
3. Other accounts and impairment allowances	6
4. Debt securities held	7
5. Off-balance sheet information	8
6. Gross advances to customers analysed and reported by loan usage	9~10
7. International claims	11
8. Mainland activities exposures	12
9. Foreign currency position	13
10. Liquidity maintenance ratio	13
IV. Other information	
1. Disclosure of remuneration	14
2. Liquidity risk management	15~19
3. Publication of key financial information disclosure statement on website	19
<b>SECTION B. - INFORMATION OF THE BANK 〈CONSOLIDATED BASIS〉</b>	
I. Capital and capital adequacy ratio	20
II. Other financial information	20
<b>DECLARATION</b>	21



**SECTION A. - INFORMATION OF THE BRANCH (INCLUDE H.K. BR. ONLY)**

**I. PROFIT AND LOSS INFORMATION**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

Figures in HKD thousand

	<b>For the year ended 31 December</b>	
	<b><u>2019</u></b>	<b><u>2018</u></b>
Interest Income	725,282	627,508
Interest Expense	<u>(326,046)</u>	<u>(259,293)</u>
Net interest income	399,236	368,215
Fee and commission income	32,647	34,403
Fee and commission expense	<u>(2,012)</u>	<u>(2,034)</u>
Net fee and commission income	30,635	32,369
Other operating income		
- Gains less losses arising from dealing in foreign currencies	5,995	5,289
- Net gains/(losses) on financial instruments designated at fair value through profit or loss	51	720
- Net gains/(losses) on others	<u>83</u>	<u>-</u>
	6,129	6,009
<b>Total income</b>	<b><u>436,000</u></b>	<b><u>406,593</u></b>
Operating expenses		
- Staff and rental expenses	(42,294)	(40,996)
- Other expenses	<u>(7,571)</u>	<u>(5,868)</u>
<b>Total expenses</b>	<b><u>(49,865)</u></b>	<b><u>(46,864)</u></b>
Profit before impairment allowances	<b>386,135</b>	<b>359,729</b>
Impairment losses written back/(charges) on loans and advances	10,086	(36,176)
Impairment losses written back/(charges) on other assets	<u>(836)</u>	<u>13</u>
<b>Profit before taxation</b>	<b>395,385</b>	<b>323,566</b>
Taxation charge	(63,506)	(57,279)
<b>Profit after taxation</b>	<b><u>331,879</u></b>	<b><u>266,287</u></b>



## II. BALANCE SHEET INFORMATION

AS AT 31 DECEMBER 2019

Figures in HKD thousands

	<u>31-Dec-2019</u>	<u>30-Jun-2019</u>
<b><u>ASSETS</u></b>		
Cash and balances with banks (except those included in amount due from overseas offices)	2,851,092	1,710,832
Placement with banks and other financial institutions maturing between one and twelve months (except those included in amount due from overseas offices)	1,748,253	3,207,113
Amount due from overseas offices	289,843	374,698
Trade bills less impairment allowances	2,295	2,187
Loans and advances less impairment allowances	8,742,964	9,440,302
Certificates of deposit held less impairment allowances	856,200	390,411
Financial assets at fair value through other comprehensive income less impairment allowances	4,498,219	4,825,962
Financial assets at amortised cost less impairment allowances	-	-
Other assets		
- Accrued interest	55,791	69,274
- Other accounts less impairment allowances	91,467	107,554
Property, plant and equipment	9,470	10,465
<b>Total assets</b>	<b><u>19,145,594</u></b>	<b><u>20,138,798</u></b>
<b><u>LIABILITIES</u></b>		
Deposits and balances of banks and other financial institutions (except those included in amount due to overseas offices)	3,451,913	3,547,140
Current, fixed, savings and other deposits from customers		
- Demand deposits and current accounts	232,811	270,028
- Savings deposits	5,074,977	5,703,660
- Time deposits	7,740,817	8,058,033
- Structured deposits	-	-
Amount due to overseas offices	315,570	411,486
Other liabilities	268,951	253,048
<b>Total liabilities</b>	<b><u>17,085,039</u></b>	<b><u>18,243,395</u></b>
<b>Reserves and current profit/(loss)</b>	<b><u>2,060,555</u></b>	<b><u>1,895,403</u></b>
<b>Total equity and liabilities</b>	<b><u>19,145,594</u></b>	<b><u>20,138,798</u></b>

### Notes:

Our Branch has adopted the accounting policies of HKFRS 9 from 1 January 2018, and the financial assets have been reclassified and measured according to the requirements.



### III. SUPPLEMENTARY FINANCIAL INFORMATION

Figures in HKD thousands

#### 1. TRADE BILLS AND IMPAIRMENT ALLOWANCES ON TRADE BILLS

	As at	
	<u>31-Dec-2019</u>	<u>30-Jun-2019</u>
Trade bills	2,295	2,239
Collective impairment allowances	-	(52)
Gross trade bills less impairment allowances	<u>2,295</u>	<u>2,187</u>

#### 2. ADVANCES AND IMPAIRMENT ALLOWANCES ON ADVANCES

##### A. Advances to customers and impairment allowances on advances to customers

	As at	
	<u>31-Dec-2019</u>	<u>30-Jun-2019</u>
Advances to customers	8,679,864	9,231,986
Advances to banks and other financial institutions	155,716	312,344
Total	8,835,580	9,544,330
Collective provisions	(89,704)	(100,996)
Specific provisions	(2,912)	(3,032)
Total	(92,616)	(104,028)
Gross advances less provisions	<u>8,742,964</u>	<u>9,440,302</u>
Allowances as a percentage of gross advances		
- Collective provisions	1.02%	1.06%
- Specific provisions	0.03%	0.03%
Total provisions	<u>1.05%</u>	<u>1.09%</u>

##### B. Impairment allowances

<u>Balance as at 31 Dec 2019</u>	Specific provisions	Collective provisions	Total
- Advances to customers	2,912	87,785	90,697
- Advances to banks and other financial institutions	-	1,919	1,919
	<u>2,912</u>	<u>89,704</u>	<u>92,616</u>
<u>Balance as at 30 Jun 2019</u>	Specific provisions	Collective provisions	Total
- Advances to customers	3,032	97,115	100,147
- Advances to banks and other financial institutions	-	3,881	3,881
	<u>3,032</u>	<u>100,996</u>	<u>104,028</u>

Under the requirements of HKFRS 9 "Financial Instruments". Since 1 January 2018 our Branch has adopted Expect Credit Loss ("ECL") approach to measure the impairment allowance of financial assets. The scope of impairment covers amortised cost financial assets, loan commitments and financial guarantees, as well as debt instruments measured at Fair Value through Other Comprehensive Income ("FVOCI").



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### III. SUPPLEMENTARY FINANCIAL INFORMATION - *continued*

Figures in HKD thousands

## 2. ADVANCES AND IMPAIRMENT ALLOWANCES ON ADVANCES - *continued*

### C. Impaired advances to customers

	As at	
	<u>31-Dec-2019</u>	<u>30-Jun-2019</u>
- Gross impaired advances to customers	2,912	3,032
- Specific provisions	<u>(2,912)</u>	<u>(3,032)</u>
Total	<u>0</u>	<u>0</u>
Market value of collateral pledged	<u>0</u>	<u>0</u>
Covered portion of impaired advances	<u>0</u>	<u>0</u>
Uncovered portion of impaired advances	<u>2,912</u>	<u>3,032</u>
Gross impaired advances as a percentage of gross advances to customers	<u>0.03%</u>	<u>0.03%</u>
Specific provisions as a percentage of gross impaired advances	<u>100.00%</u>	<u>100.00%</u>

There were no impaired advances to banks and other financial institutions, nor were there any specific provisions made for them as at 31 December 2019 and 30 June 2019.



### III. SUPPLEMENTARY FINANCIAL INFORMATION - *continued*

Figures in HKD thousands

#### D. Overdue and rescheduled advances to customers

As at

**31-Dec-2019**                      **30-Jun-2019**

##### a. Advances to customers overdue for

more than 1 month and up to 3 months	-	-
more than 3 months and up to 6 months	-	-
more than 6 months and up to 1 year	-	-
more than 1 year	-	-
	<u>0</u>	<u>0</u>

Specific provisions made in respect of the above overdue advances

0                      0

Market value of collateral held against the covered portion of all overdue advances

0                      0

Covered portion of all overdue advances

0                      0

Uncovered portion of all overdue advances

0                      0

##### b. Rescheduled advances to customers

2,912                      3,032

(Net of those overdue advances which have been disclosed in above)

As a percentage of total gross advances to customers

**31-Dec-2019**                      **30-Jun-2019**

Percentage (%)                      Percentage (%)

##### c. Advances to customers overdue for

more than 1 month and up to 3 months	-	-
more than 3 months and up to 6 months	-	-
more than 6 months and up to 1 year	-	-
more than 1 year	-	-
	<u>0.00</u>	<u>0.00</u>

##### d. Rescheduled advances to customers

0.03                      0.03

#### E. Reconciliation for advances to customer between overdue advances and impaired advances is as follows:

**31-Dec-2019**                      **30-Jun-2019**

Advances to customers overdue for more than 3 months	-	-
Less: loans overdue but not impaired	-	-
Add: overdue loans for 3 months or less and on which interest is being placed in suspense or interest ceased to accrue	-	-
Add: impaired loans overdue for 3 months or less or not yet overdue and on which is still being accrued	2,912	3,032
Total impaired advances	<u>2,912</u>	<u>3,032</u>

There were no advances to banks and other financial institutions which were overdue or rescheduled as at 31 December 2019 and 30 June 2019.

#### F. Repossessed assets

As at 31 December 2019 and 30 June 2019, there were no repossessed assets held by our bank.



**III. SUPPLEMENTARY FINANCIAL INFORMATION - *continued***

Figures in HKD thousands

**3. OTHER ACCOUNTS AND IMPAIRMENT ALLOWANCES**

	As at	
	<u>31-Dec-2019</u>	<u>30-Jun-2019</u>
Other accounts receivable and prepayment	95,115	110,927
Specific provisions	(285)	(865)
Provisions for loan commitments and financial guarantees	<u>(3,363)</u>	<u>(2,508)</u>
Other accounts less provisions	<u>91,467</u>	<u>107,554</u>





### III. SUPPLEMENTARY FINANCIAL INFORMATION - *continued*

Figures in HKD thousands

#### 4. DEBT SECURITIES HELD

##### A. Financial assets at fair value through other comprehensive income

	As at	
	31-Dec-2019	30-Jun-2019
Government Bonds (including Hong Kong Exchange Fund Bills)	79,947	49,868
Floating rate notes	4,142,146	3,865,422
Debt securities	276,126	910,672
Total	<u>4,498,219</u>	<u>4,825,962</u>
Issued by:		
Government organization	79,947	49,868
Banks	3,763,061	3,746,169
Other financial institutions	656,156	1,030,119
Corporate entities	-	-
Total	<u>4,499,164</u>	<u>4,826,156</u>
Impairment allowances	(945)	(194)
Financial assets at fair value through other comprehensive income less impairment allowances	<u>4,498,219</u>	<u>4,825,962</u>
Impairment allowances as a percentage of financial assets at fair value through other comprehensive income	<u>0.02%</u>	<u>0.01%</u>

##### B. Financial assets at amortised cost

	As at	
	31-Dec-2019	30-Jun-2019
Debt securities	-	-
Issued by:		
Other financial institutions outside Hong Kong	-	-

##### C. Overdue or impaired securities

###### Balance as at 31 Dec 2019

	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Impairment allowances
- Neither overdue nor impaired	4,499,164	-	(945)
- Non-overdue but impaired	-	-	-
- Overdue and impaired	-	-	-
Total	<u>4,499,164</u>	<u>0</u>	<u>(945)</u>

###### Balance as at 30 Jun 2019

	Available-for-sale securities	Held-to-maturity securities	Individual impairment allowances
- Neither overdue nor impaired	4,826,156	-	(194)
- Non-overdue but impaired	-	-	-
- Overdue and impaired	-	-	-
Total	<u>4,826,156</u>	<u>0</u>	<u>(194)</u>

On 1 January 2018, the financial assets held by our Branch have been reclassified into the appropriate HKFRS 9 categories. The adoption of expected credit loss approach could increased the impairment allowances for financial instruments.



### III. SUPPLEMENTARY FINANCIAL INFORMATION - *continued*

Figures in HKD thousands

#### 5. OFF-BALANCE SHEET INFORMATION

##### A. Contingent liabilities and commitments

The following is a summary of the contractual amounts of each significant class of contingent liabilities and commitments:

	As at	
	<u>31-Dec-2019</u>	<u>30-Jun-2019</u>
Direct credit substitutes	55,677	44,153
Trade-related contingencies		
- Customer's liabilities under letter of credit	56,308	24,508
- Customer's liabilities under guarantee	-	-
- Customer's liabilities under acceptance	74,058	27,991
Forward forward deposits placed	-	-
Other commitments		
- Other commitments with an original maturity of not more than one year	1,471,340	1,482,927
- Other commitments with an original maturity of more than one year	667,294	541,095
	<u>2,324,677</u>	<u>2,120,674</u>

##### B. Derivative financial instruments

	Contract / notional amount	Contract / notional amount
<b>Exchange rate contracts</b>		
- Spot and forwards	6,895	10,210
- Swaps	165,129	509,313
- Options purchased	-	-
- Options written	-	-
	<u>172,024</u>	<u>519,523</u>
Replacement Costs of Derivatives (of the above derivatives)		
<b>Exchange rate contracts</b>	Replacement costs	Replacement costs
- Spot and forwards	6	3
- Swaps	163	34
- Options purchased	-	-
- Options written	-	-
	<u>169</u>	<u>37</u>

For contingent liabilities and commitments, the contract amounts represent the amounts at risk should the contract be fully drawn upon and the client default.

The replacement costs represent the cost of replacing all contracts which have a positive value when marked to market. They do not take into account the effects of bilateral netting arrangements.



### III. SUPPLEMENTARY FINANCIAL INFORMATION - *continued*

Figures in HKD thousands

#### 6. GROSS ADVANCES TO CUSTOMERS ANALYSED AND REPORTED BY LOAN USAGE

The following information concerning advances to customers by industry sectors has been classified in accordance with industry categories contained in the banking returns of Quarterly Analysis of Loans and Advances and the Provisions (MA(BS)2A) and Assets and Liabilities of an Authorised Institution (MA(BS)1) submitted to the Hong Kong Monetary Authority.

##### A. By loan usage

##### 1. Loan for use in Hong Kong

As at 31 Dec 2019

As at 30 Jun 2019

	Outstanding balance	Balance covered by collateral	Outstanding balance	Balance covered by collateral
<b>a. Industrial, commercial and financial</b>				
- Property development	96,875	-	96,875	-
- Property investment	2,574,698	2,265,975	2,412,492	2,115,125
- Financial concerns	652,500	-	726,500	-
- Wholesale and retail trade	965,139	867,817	845,192	845,192
- Manufacturing	626,295	4,200	641,007	4,900
- Hotels, boarding houses & catering	415,000	415,000	764,250	764,250
- Transport and transport equipment	8,397	8,397	-	-
- Information technology	-	-	-	-
- Others	58,481	13,241	19,023	5,423
<b>b. Individuals</b>				
- Loans for the purchase of other residential properties	38,726	38,726	40,806	40,806
- Others	-	-	-	-
<b>c. Others</b>	-	-	-	-
	<u>5,436,111</u>	<u>3,613,356</u>	<u>5,546,145</u>	<u>3,775,696</u>
<b>2. Trade finance</b>	79,630	25,667	65,346	20,165
<b>3. Loan for use outside Hong Kong</b>	<u>3,164,123</u>	<u>972,376</u>	<u>3,620,495</u>	<u>983,181</u>
<b>Total</b>	<u>8,679,864</u>	<u>4,611,399</u>	<u>9,231,986</u>	<u>4,779,042</u>



### III. SUPPLEMENTARY FINANCIAL INFORMATION - *continued*

Figures in HKD thousands

## 6. GROSS ADVANCES TO CUSTOMERS ANALYSED AND REPORTED BY LOAN USAGE- *continued*

### B. Analysis of impaired advances for the individual loan usage category:

	<u>As at 31 Dec 2019</u>		<u>As at 30 Jun 2019</u>	
	Impaired advances	Individual impairment allowances	Impaired advances	Individual impairment allowances
- Manufacturing	-	-	-	-
- Loan for use outside Hong Kong	2,912	2,912	3,032	3,032
	<u>2,912</u>	<u>2,912</u>	<u>3,032</u>	<u>3,032</u>

### C. By geographical area

After taking into account the transfer of risk, exposures to a single country exceeding 10% of the aggregate gross advances to customers which are disclosed as follows:

<u>As at 31 Dec 2019</u>	Outstanding balance	Advances overdue for over three months	Impaired advances	Individual impairment allowances
- Hong Kong	6,973,772	-	-	-
- Taiwan	148,884	-	2,912	2,912
- China	439,191	-	-	-
- Others	1,118,017	-	-	-
	<u>8,679,864</u>	<u>0</u>	<u>2,912</u>	<u>2,912</u>

<u>As at 30 Jun 2019</u>	Outstanding balance	Advances overdue for over three months	Impaired advances	Individual impairment allowances
- Hong Kong	7,445,659	-	-	-
- Taiwan	100,576	-	3,032	3,032
- China	452,877	-	-	-
- Others	1,232,874	-	-	-
	<u>9,231,986</u>	<u>0</u>	<u>3,032</u>	<u>3,032</u>



### III. SUPPLEMENTARY FINANCIAL INFORMATION - *continued*

Figures in HKD millions

#### 7. INTERNATIONAL CLAIMS

The information on international claims discloses exposures to foreign counterparties on which the ultimate risk lies, and is derived according to the location of the counterparties after taking into account any recognized risk transfer. 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. Only regions constituting 10% or more of the aggregate international claims after taking into account any recognized risk transfer are disclosed.

	As at 31 Dec 2019					
			Non-bank private sector			
			Non-bank	Non-		
			financial	financial		
	Banks	Official sector	institution	private	Others	Total claims
Counterparty country/jurisdiction						
Developed countries	3,027	-	429	608	-	4,064
Offshore centres	701	94	654	6,375	-	7,824
– of which : Hong Kong	700	94	654	6,328	-	7,776
Developing Europe	-	-	-	-	-	0
Developing Latin America and Caribbean	156	-	-	-	-	156
Developing Africa and Middle East	156	-	226	-	-	382
Developing Asia and Pacific	5,475	-	-	1,055	-	6,530
– of which : Chinese Taipei	1,801	-	-	149	-	1,950
China	2,012	-	-	440	-	2,452
International Organisations	-	-	156	-	-	156
<b>Total</b>	<b>9,515</b>	<b>94</b>	<b>1,465</b>	<b>8,038</b>	<b>0</b>	<b>19,112</b>

	As at 30 Jun 2019					
			Non-bank private sector			
			Non-bank	Non-		
	Banks	Official	financial	financial	Others	Total claims
Counterparty country/jurisdiction		sector	institution	private		
Developed countries	2,461	-	312	1,030	-	3,803
Offshore centres	793	56	728	6,774	-	8,351
– of which : Hong Kong	793	56	728	6,727	-	8,304
Developing Europe	-	-	-	-	-	0
Developing Latin America and Caribbean	157	-	-	-	-	157
Developing Africa and Middle East	156	-	378	-	-	534
Developing Asia and Pacific	6,046	-	-	1,063	-	7,109
– of which : Chinese Taipei	2,509	-	-	101	-	2,610
China	1,868	-	-	454	-	2,322
International Organisations	-	-	157	-	-	157
<b>Total</b>	<b>9,613</b>	<b>56</b>	<b>1,575</b>	<b>8,867</b>	<b>0</b>	<b>20,111</b>

The above figures are disclosed according to the HKMA return of international banking statistics and pursuant to Section 63 of the Banking Ordinance.



### III. SUPPLEMENTARY FINANCIAL INFORMATION - *continued*

Figures in HKD millions

#### 8. MAINLAND ACTIVITIES EXPOSURES

The analysis of Mainland activities exposures is based on the categories of non-bank counterparties and the type of direct exposures defined by the Hong Kong Monetary Authority under the Banking (Disclosure) Rules with reference to the Hong Kong Monetary Authority return of non-bank Mainland exposures.

##### As at 31 Dec 2019

	<u>On-balance sheet exposures</u>	<u>Off-balance sheet exposures</u>	<u>Total exposures</u>
1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	-	-	0
2. Local governments, local government-owned entities and their subsidiaries and JVs	-	-	0
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	95	62	157
4. Other entities of central government not reported in item 1 above	78	-	78
5. Other entities of local governments not reported in item 2 above	654	48	702
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	1,316	267	1,583
7. Other counterparties where the exposures are considered by exposures the reporting institution to be non-bank Mainland China exposures	-	1	1
<b>Total</b>	<b><u>2,143</u></b>	<b><u>378</u></b>	<b><u>2,521</u></b>
Total assets after provision	<b><u>19,146</u></b>		
On-balance sheet exposures as percentage of total assets	<b><u>11.19%</u></b>		

##### As at 30 Jun 2019

	<u>On-balance sheet exposures</u>	<u>Off-balance sheet exposures</u>	<u>Total exposures</u>
1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	-	-	0
2. Local governments, local government-owned entities and their subsidiaries and JVs	-	-	0
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	96	62	158
4. Other entities of central government not reported in item 1 above	78	-	78
5. Other entities of local governments not reported in item 2 above	652	50	702
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	1,508	304	1,812
7. Other counterparties where the exposures are considered by exposures the reporting institution to be non-bank Mainland China exposures	-	1	1
<b>Total</b>	<b><u>2,334</u></b>	<b><u>417</u></b>	<b><u>2,751</u></b>
Total assets after provision	<b><u>20,139</u></b>		
On-balance sheet exposures as percentage of total assets	<b><u>11.59%</u></b>		



III. SUPPLEMENTARY FINANCIAL INFORMATION - *continued*

Figures in HKD millions

9. FOREIGN CURRENCY POSITION

The foreign currency exposures are prepared in accordance with the HKMA banking return of "Foreign Currency Position" completion instructions. The net position in foreign currencies are disclosed as follows:

As at 31 Dec 2019

Currency	USD	JPY	EUR	CNY	AUD	GBP	Other foreign currencies	Total
Spot assets	11,318	122	180	1,111	48	2	21	12,802
Spot liabilities	(11,248)	(107)	(180)	(1,166)	(65)	(9)	(21)	(12,796)
Forward purchases	52	1	-	68	34	14	-	169
Forward sales	(120)	(15)	-	(12)	(17)	(7)	-	(171)
Net option position	-	-	-	-	-	-	-	0
Net long (short) position	<u>2</u>	<u>1</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4</u>

As at 30 Jun 2019

Currency	USD	JPY	EUR	CNY	AUD	GBP	Other foreign currencies	Total
Spot assets	12,056	123	182	1,366	70	7	27	13,831
Spot liabilities	(12,504)	(112)	(183)	(1,379)	(68)	(7)	(26)	(14,279)
Forward purchases	485	11	1	20	2	-	-	519
Forward sales	(34)	(22)	-	(7)	(3)	-	-	(66)
Net option position	-	-	-	-	-	-	-	0
Net long (short) position	<u>3</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>1</u>	<u>5</u>

There were no foreign currency structural position as at the above respective reporting dates.

10. LIQUIDITY MAINTENANCE RATIO

AVERAGE LIQUIDITY RATIO

	Fourth quarter 31 December 2019 Percentage (%)	Third quarter 31 September 2019 Percentage (%)	Fourth quarter 31 December 2018 Percentage (%)
Liquidity maintenance ratio	<u>47.01</u>	<u>44.94</u>	<u>42.01</u>

Pursuant to the requirement under the Banking (Disclosure) Rule effective from 30 June 2018. The LMR average percentage is calculated based on the arithmetical mean of each calendar month's average LMR in the quarter. The liquidity maintenance ratio is computed in accordance with the Banking (Liquidity) Rules.



#### IV. OTHER INFORMATION

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##### 1. DISCLOSURE OF REMUNERATION

###### A. Remuneration system

The reward system of our Branch is designed and reviewed by our Head Office. The basis of determining the emoluments payable by the Branch to senior management is mainly by reference to the level of emoluments normally paid by comparable banks and employees' performance. Total compensation comprises a fixed component, allowance and benefits. The reward to be expensed as cash settled, no award as shared-based compensation plan.

###### B. Remuneration for Senior Management and Key Personnel under CG-5

For the purpose of disclosure, Senior Management and Key Personnel mentioned in this section are defined according to the Hong Kong Monetary Authority's Guideline on a Sound Remuneration System.

Senior Management : The senior executives, including General Manager and Deputy General Managers, who are designated by the Bank and responsible for oversight of the branch-wide strategy or material business.

Key Personnel : The employees, including heads of functional departments and risk control, whose individual business activities involve the assumption of material risk which may have significant impact on risk exposure, or whose individual responsibilities are directly and materially linked to the profit.

	For the year ended 31 December	
	<u>2019</u>	<u>2018</u>
	HKD '000	HKD '000
Persons	12	12
Basic salaries, allowances and benefits	11,059	9,997
Variable remuneration	86	216
Deferred remuneration	-	-

The remuneration above includes 4 (2018: 4) members of Senior Management and 8 (2018: 8) members of Key Personnel.





#### IV. OTHER INFORMATION - *continued*

## 2. LIQUIDITY RISK MANAGEMENT

### A. Policy Statement

The Liquidity Risk Management of our Branch is based on the internal policy of “Liquidity Management Guideline”, as well as relevant regulations of the Main Office’s policies, with the aim to ensure that our Branch possess ability to maintain adequate cash flow, in fulfilling due payment obligations to customers as well as counterparties, and in times of liquidity crisis occurrence, with the resiliency to maintain sufficient highly qualified liquid assets.

In order to manage liquidity risk cautiously, so as to maintain Liquidity Maintenance Ratio (LMR) higher than the minimum statutory requirement of 25%, our Branch has set an internal target and monitor LMR through Three Lines of Defense:

Defense	Monitoring Item
1 <sup>st</sup> Line	Assets and liabilities situation of the Branch, reporting and discussing its impact due to market circumstances in regular internal meetings
2 <sup>nd</sup> Line	Internal Target-Daily LMR not lower than 35%
3 <sup>rd</sup> Line	Alarm Value to report HKMA- Daily LMR not lower than 30%

The Liquidity Risk Management of our Branch is “Asset/Liability Committee” (ALCO), with Branch Manager as the Chairman, members comprising of Heads of Loan, Accounting, Risk Management, Operation Departments and Dealing Room, as well as other members designated by our Branch Manager. ALCO meeting is summoned every month, and its frequency is subjected to flexible adjustment.

### B. The management of funding and liquidity risk

As liquidity risk arises from the maturity mismatching of assets and liabilities, in order to monitor balance sheet and off-balance sheet items, our Branch has set Interest-sensitive Gap Control, Liquidity Gap Control, Interest-sensitive Stress Test and Earning Warning Indicators (not limited to the following).

Indicator	Definition	Value Set
Currency Mismatch	The sensitivity of daily changes in foreign exchange to balance sheet	±5%
Loan Ceiling	Ratio of Loan Portfolio of our Branch/ Equity Capital of Main Office	> 25%
Funding Cost	Interbank offered rate higher than standard market rate for 7 successive days	100bps
Attitude of Counterparties	Sudden request for additional collateral for each notional trade	10%
	Reject transactions despite credit line is available	3 successive days
Decreasing interest rate spread	Net interest rate changes in funding demand and supply in 3 successive months	↓ 30%
Outflow of Deposit	Outflow of Savings and Fixed Deposits in 3 successive days	↓ 20%
Deteriorating Asset Quality	Ratio of Non-performing Loan/ Loan Portfolio of our Branch per month	> 10%
Change in Credit Rating of Main Office	Downgrading of credit Rating by international ratings agencies	> Level 2



第一商業銀行股份有限公司 (於台灣成立的有限責任公司) 香港分行

**First Commercial Bank, Ltd.** (Incorporated in Taiwan with limited liability)

Hong Kong Branch

#### IV. OTHER INFORMATION - *continued*

### 2. LIQUIDITY RISK MANAGEMENT - *continued*

#### C. LIQUIDITY STRESS TESTING

In order to maintain suitable liquidity and interest-sensitive position as well as to reduce maturity mismatch risks, our Branch execute “Interest-sensitive Stress Test Evaluation” based on conditions of our assets, liabilities and interest-sensitive gap, which also serve as early warning indicators. Besides, in order to distinguish potential liquidity stress sources under different stressed circumstances, our Branch execute Stress Test based on three scenarios—Intuitional-Specific Stress, General Market Stress and Combined Stress.

#### D. Primary sources of funding

The main financing source of our Branch is Customer Deposits (Savings and Fixed). The centralization trend of Deposits and its long-term changing level of our Branch are monitored regularly, so as to know the change in Savings Deposits of which have no maturity, as well as the distribution of different tenors of Fixed Deposits (min.7days, max. 1year). The tenor of inter-bank funding is mostly over-night, and not exceeding 3 months, with affiliates exclusive.

The funding source of our Branch is stable, with loan-deposit ratio at 67.68% approximately. Since idle funds are available in our Branch where we offer to interbank in the primary market, it is not necessary for us to obtain through other source of funds (for instance, the use of collateral).

Potential Funding Source	Concentration Limit (that of Total Assets)	Actual Rate
Savings Deposit	0~70%	28.21%
Fixed Deposit	0~50%	41.34%
Funds within internal Financial Group, including intra and subsidiary branch	0~35%	1.69%
Funds from Local Banks in Hong Kong	0~25%	18.16%
Funds from Foreign Banks outside Hong Kong	0~25%	0.23%
Other liquid instruments and retained earnings	0~25%	10.37%



#### **IV. OTHER INFORMATION - *continued***

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### **2. LIQUIDITY RISK MANAGEMENT - *continued***

#### **E. Funding Strategy**

To ensure that reliable financing is available no matter under normal or stressed circumstances, our Branch maintain diversified and stable funding sources in handling the liquidity needs for different tenors, centralization limits of respective liquid assets as well as funding sources are thereby set. Besides, in order to avoid over-reliance for funding sources from specific Big Depositors, our Branch monitors the past performance of these depositors, in the meantime, builds close and stable ties with them through providing high quality service, routine contacts, cross-selling of products, and so forth.

#### **F. Contingency Funding Plan**

The aim of this plan is to enable precautionary active measures to be taken, stating strategies and procedures to be taken during inadequate cash flows circumstances. The Contingency Funding Plan of our Branch includes concentration limits of liquid assets and financing source, qualitative as well as quantitative early warning indicators, action steps to avoid liquidity crisis, function of Liquidity Crisis Team, members and contacts of Contingency Funding Plan Team, contingency funding source and testing, customer relationship priority, public relations, and disclosure policy. To ensure extra financing source is available to get through liquidity crisis, our Branch build-up relations with international brokers and new counterparties from different geographical regions and ask for price quotation at times to ascertain financing arrangements. The amount, reliability and time required to get financing is also estimated for each potential financing source. In accordance to the policy of Recovery Plan of Hong Kong Monetary Authority (HKMA), our Branch has revised our recovery plan and obtained approval from the Board of Directors. This plan assists our Branch to get through tedious stressed period and return to normal operation rapidly, while maintaining liquid assets at a certain level.

#### **G. Liquidity Cushion**

To strengthen the ability of our Branch to control liquidity risk, the assets of our Branch is being distinguished as 1st class and 2nd class, of which its buffer and combination is being reviewed regularly by ALCO. 1st class assets refer to high liquidity assets that can easily be realized any time and under any circumstances with little or no loss or discount; our branch mainly possess cash, deposits in other banks, exchange fund bills. 2nd class assets refer to other kinds of high liquidity assets with marketable value, possessed in case of deteriorating or lengthening stressed circumstances in order to enhance liquidity buffer; our Branch mainly possess investment grade financial bonds.



#### IV. OTHER INFORMATION - *continued*

#### 2. LIQUIDITY RISK MANAGEMENT - *continued*

##### H. Liquidity Gap

The table below analyses the on- and off-balance sheet items, broken down into maturity buckets\* of the Branch as at 31 December 2019.

		2019						
In HK\$millions	Total amount	Repayable on demand	Within 1 month	Over 1 month but within 3 months	Over 3 months but within 1 year	Over 1 year but within 5 years	Over 5 years	Undated or overdue
Cash and balances with central bank	19	19	-	-	-	-	-	-
Due from banks	5,042	674	2,199	1,848	165	156	-	-
Debt securities	5,358	80	-	-	742	4,417	119	-
Loans and advances to customers	8,694	1	1,054	585	545	6,430	76	3
Other assets	105	1	-	2	44	-	-	58
<b>Total on-balance sheet assets</b>	<b><u>19,218</u></b>	<b><u>775</u></b>	<b><u>3,253</u></b>	<b><u>2,435</u></b>	<b><u>1,496</u></b>	<b><u>11,003</u></b>	<b><u>195</u></b>	<b><u>61</u></b>
<b>Total off-balance sheet claims</b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>
In HK\$millions	Total amount	Repayable on demand	Within 1 month	Over 1 month but within 3 months	Over 3 months but within 1 year	Over 1 year but within 5 years	Over 5 years	Undated or overdue
Deposits from customers	13,085	5,578	2,658	2,068	2,781	-	-	-
Due to banks	3,777	414	2,393	765	205	-	-	-
Certificates of deposit issued	0	-	-	-	-	-	-	-
Other Liabilities	223	-	5	121	-	-	-	97
Capital and reserves	1,729	-	-	-	-	-	-	1,729
<b>Total on-balance sheet liabilities</b>	<b><u>18,814</u></b>	<b><u>5,992</u></b>	<b><u>5,056</u></b>	<b><u>2,954</u></b>	<b><u>2,986</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>1,826</u></b>
<b>Total off-balance sheet obligations</b>	<b><u>2,325</u></b>	<b><u>1,558</u></b>	<b><u>648</u></b>	<b><u>65</u></b>	<b><u>54</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>

\* The maturity buckets mainly follow information provided to the HKMA for part 4 of the MA(BS)23 - Liquidity Monitoring Tools return.



#### IV. OTHER INFORMATION - *continued*

#### 2. LIQUIDITY RISK MANAGEMENT - *continued*

##### H. Liquidity Gap - *continued*

In HK\$millions	2018							
	Total amount	Repayable on demand	Within 1 month	Over 1 month but within 3 months	Over 3 months but within 1 year	Over 1 year but within 5 years	Over 5 years	Undated or overdue
Cash and balances with central bank	19	19	-	-	-	-	-	-
Due from banks	5,631	942	1,944	2,126	306	313	-	-
Debt securities	4,661	50	-	157	867	3,587	-	-
Loans and advances to customers	8,893	1	808	565	508	6,895	97	19
Other assets	90	5	1	3	44	-	-	37
<b>Total on-balance sheet assets</b>	<b><u>19,294</u></b>	<b><u>1,017</u></b>	<b><u>2,753</u></b>	<b><u>2,851</u></b>	<b><u>1,725</u></b>	<b><u>10,795</u></b>	<b><u>97</u></b>	<b><u>56</u></b>
<b>Total off-balance sheet claims</b>	<b><u>1</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>1</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>
In HK\$millions	Total amount	Repayable on demand	Within 1 month	Over 1 month but within 3 months	Over 3 months but within 1 year	Over 1 year but within 5 years	Over 5 years	Undated or overdue
Deposits from customers	13,541	6,697	1,850	2,425	2,569	-	-	-
Due to banks	3,827	497	2,433	771	126	-	-	-
Certificates of deposit issued	0	-	-	-	-	-	-	-
Other Liabilities	107	-	9	-	58	-	-	40
Capital and reserves	1,462	-	-	-	-	-	-	1,462
<b>Total on-balance sheet liabilities</b>	<b><u>18,937</u></b>	<b><u>7,194</u></b>	<b><u>4,292</u></b>	<b><u>3,196</u></b>	<b><u>2,753</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>1,502</u></b>
<b>Total off-balance sheet obligations</b>	<b><u>1,850</u></b>	<b><u>1,764</u></b>	<b><u>22</u></b>	<b><u>22</u></b>	<b><u>42</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>

#### 3. PUBLICATION OF KEY FINANCIAL INFORMATION DISCLOSURE STATEMENT ON WEBSITE

The Disclosure Statement of the Branch will be published on the website of the Bank (<http://www.firstbank.com.tw>) in due course. Users can download from the Bank's website for free.



## SECTION B. - INFORMATION OF THE BANK (CONSOLIDATED BASIS)

### I. CAPITAL AND CAPITAL ADEQUACY RATIO

#### A. Capital adequacy ratio

	<b><u>31-Dec-2019</u></b>	<b><u>30-Jun-2019</u></b>
	Percentage (%)	Percentage (%)
	Unaudited	Unaudited
Common Equity Tier 1 capital ratio	10.63	10.64
Tier 1 capital ratio	11.11	11.22
Total capital ratio	13.00	13.22
Leverage ratio	<u>5.90</u>	<u>6.07</u>

The capital adequacy ratios of the Bank are compiled in accordance with Basel Capital Accord. The ratio compares the capital base of the Bank with on and off balance sheet assets, weighted for risk.

The relevant disclosures can be found on the Bank's website <http://www.firstbank.com.tw>, accessible through the "Regulatory Disclosures" link on the home page of the website.

#### B. Aggregate amount of shareholders' funds

<b><u>31-Dec-2019</u></b>	<b><u>30-Jun-2019</u></b>
HKD '000	HKD '000
<u>56,882,812</u>	<u>53,022,669</u>

### II. OTHER FINANCIAL INFORMATION (Consolidation basis)

Figures in HKD thousands

	<b><u>31-Dec-2019</u></b>	<b><u>30-Jun-2019</u></b>
<b>Total assets</b>	<u>804,276,768</u>	<u>730,056,665</u>
<b>Total liabilities</b>	<u>747,393,956</u>	<u>677,033,996</u>
<b>Net loans and advances</b>	<u>454,764,161</u>	<u>428,606,372</u>
<b>Total customer deposit</b>	<u>620,036,025</u>	<u>555,722,806</u>
	<b><u>Year to</u></b>	<b><u>Year to</u></b>
	<b><u>31-Dec-2019</u></b>	<b><u>31-Dec-2018</u></b>
<b>Profit/(Loss) before taxation</b>	<u>5,898,936</u>	<u>5,296,433</u>



第一商業銀行股份有限公司 (於台灣成立的有限責任公司) 香港分行  
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Hong Kong Branch

## **Declaration**

According to the requirement of the Hong Kong Monetary Authority on Key Financial Information Disclosure Statement, we have pleasure in presenting the Key Financial Information Disclosure Statements of First Commercial Bank Limited, Hong Kong Branch for the year ended 31 December 2019. We confirmed that the information contained therein complies, in all material respects, with the supervisory policy manual CA-D-1 "Guideline on the Application of the Banking (Disclosure) Rules", and to the best of my knowledge and belief, it is not false or misleading.

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General Manager (LIN Huei Chuan)  
First Commercial Bank Limited  
Hong Kong Branch

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20 April 2020

Date