

**China Development Bank Corporation - Hong Kong Branch**  
**Annual Report for the year ended 31 December 2016**

Amount expressed in thousand HKD, unless otherwise stated

**I. Income Statement**

	For period 1 January 2016 - 31 December 2016	For period 1 January 2015 - 31 December 2015
Interest income	8,538,061	8,860,341
Interest expense	(4,154,047)	(4,123,192)
Other operating income		
- Gains less losses from trading in foreign currencies	(389,786)	36,758
- Net fees and commission income	548,959	452,478
- <i>Fees and commission income</i>	557,080	478,483
- <i>Fees and commission expenses</i>	(8,121)	(26,005)
- Others	(693,607)	510,584
Total operating income	<u>3,849,580</u>	<u>5,736,969</u>
Operating expenses		
- Rental expenses	(49,793)	(49,280)
- Staff expenses	(118,186)	(118,138)
- Net charge for debt provision	(2,709,132)	(4,452,960)
- Other operating expenses	(47,102)	(52,510)
Total operating expenses	<u>(2,924,213)</u>	<u>(4,672,888)</u>
Profit before taxation	925,367	1,064,081
Tax expense	(525,875)	(926,115)
Profit after taxation	<u>399,492</u>	<u>137,966</u>
Other comprehensive income		
- Fair value gain on available-for-sale securities	26,477	20,009
Total comprehensive income for the period	<u>425,969</u>	<u>157,975</u>

## China Development Bank Corporation - Hong Kong Branch

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### II. Balance Sheet

	As at 31 December 2016	As at 30 June 2016
<b>Assets</b>		
Cash and balances with banks	75,032,583	111,736,986
Placements with banks which have a residual contractual maturity of more than one month but not more than 12 months	-	-
Amount due from overseas offices	5,859	830,435
Trade bills	170,034	278,896
Loans and receivables and other accounts	259,231,289	234,578,479
Derivative financial instruments	1,249,985	3,076,461
Certificates of deposit held	7,278,326	-
Investment securities-available-for-sale	2,643,084	2,159,584
Property, plant and equipment and investment properties	49,716	52,123
Total assets	<u>345,660,876</u>	<u>352,712,964</u>
<b>Equity and liabilities</b>		
Deposits and balances from banks	41,252,219	52,995,974
Deposits from customers	48,350,499	72,588,125
- Demand deposits and current accounts	-	-
- Savings deposits	44,559,578	64,297,500
- Time, call and notice deposits	3,790,921	8,290,625
Amount due to overseas offices	68,869,333	41,587,366
Certificates of deposit issued	178,013,923	182,541,417
Issued debt securities	7,540,251	938,910
Derivative financial instruments	368,262	201,305
Other liabilities	673,895	640,020
Total liabilities	<u>345,068,382</u>	<u>351,493,117</u>
Reserves	592,494	1,219,847
Total Equity and Liabilities	<u>345,660,876</u>	<u>352,712,964</u>

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### III. Remuneration of Senior Management and Key Personnel

The remuneration policy is applicable to the China Development Bank Corporation Head Office and branches in mainland and overseas and the remuneration policy and package are approved by Headquarter.

In determining remuneration policy, the Human Resources Department of the Headquarter will take into account the business objective, people strategy, short-term and long-term performance, business and economic environment conditions, market practices and risk management needs, in order to ensure the remuneration aligns with business and individual performances, promotes effective risk management, facilitates retention of quality personnel and is competitive in the market.

The following factors are considered when determining the remuneration packages of Senior Management and Key Personnel:

- business needs;
- general economic situation;
- market compensation competitiveness;
- individual contribution to the business;
- retention consideration and individual potential.

In this financial year of 2016, the Human Resources Department of the Headquarter has discussed and reviewed the Bank remuneration periodically. The remuneration policy has been reviewed and there is no change made to the policy.

Aggregate quantitative information on the remuneration for the Branch's senior management and key personnel is set out below:

(i) Amount of remuneration for the financial year 2016, split into fixed and variable remuneration, and number of beneficiaries:

#### As at 31 December 2016

	Fixed remuneration (HKD)	Variable remuneration (HKD)	Number of beneficiaries
Senior Management	3,700,625	2,366,090	4
Key Personnel	12,810,102	5,512,561	18

#### As at 31 December 2015

	Fixed remuneration (HKD)	Variable remuneration (HKD)	Number of beneficiaries
Senior Management	4,172,857	2,920,862	5
Key Personnel	12,777,566	5,530,192	17

Senior management: The senior executives, including the Branch Chief Executive, the Branch Alternate Chief Executives, who are designated by the Bank and responsible for oversight the branch-wide business and strategy.

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

(ii) According to the existing remuneration policy, both fixed and variable remuneration are paid in cash.

(iii) According to the existing remuneration policy, there is no deferral remuneration.

(iv) In relation to the risk management area, we have effective individual performance management system and all staff are required to complete the annual performance review. The assessment factors are not only based on the contribution to business results but also other management factors of the staff.

(v) No senior management or key personnel has been awarded with new sign-on or severance payment during the financial year 2016.

Amount expressed in thousand HKD, unless otherwise stated

**IV. Additional Balance Sheet Information**

## (i) Trade bills

	As at 31 December 2016	As at 30 June 2016
Gross trade bills	175,329	287,492
Less: collective impairment allowances	<u>(5,295)</u>	<u>(8,596)</u>
	<u>170,034</u>	<u>278,896</u>

## (ii) Loans and receivables and other accounts

- loans and advances to customers	248,425,388	220,919,093
- loans and advances to banks	27,165,590	28,090,132
- accrued interest and other accounts	397,233	289,261
Less: Collective impairment allowances	(10,345,951)	(9,494,390)
Individual impairment allowances	<u>(6,410,971)</u>	<u>(5,225,617)</u>
	<u>259,231,289</u>	<u>234,578,479</u>

## (iii) Individual impaired loans and advances to customers:

- Loans and advances	7,867,457	7,871,210
- Individual impairment allowances	(6,410,971)	(5,225,617)
- Collateral value	135,144	140,405
- Percentage to total loans and advances to customers	3.17%	3.56%

## (iv) Analysis of gross amount of loans and advances to customers:

	As at 31 December 2016		As at 30 June 2016	
	Outstanding Balance	Covered by Collateral	Outstanding Balance	Covered by Collateral
By industry categories:				
<i>Loans and advances for use in Hong Kong</i>				
Industrial, commercial and financial sectors:				
- Property development	15,457,877	-	15,437,963	-
- Financial concerns	27,682,593	2,755,198	39,124,715	2,058,053
- Wholesale and retail trade	6,884,221	5,484,288	6,524,381	4,866,138
- Manufacturing	6,115,234	3,417,827	6,080,181	3,410,162
- Transport and transport equipment	12,236,546	8,952,118	13,295,120	8,959,558
- Stockbrokers	775,725	-	775,560	-
- Information technology	620,529	-	620,779	-
- Others	29,716,589	580,000	22,902,165	580,000
<i>Trade finance</i>	4,219,508	228,085	3,397,644	681,777
<i>Loans and advances for use outside Hong Kong</i>	144,716,566	46,421,531	112,760,585	51,626,337
Total	<u>248,425,388</u>	<u>67,839,047</u>	<u>220,919,093</u>	<u>72,182,025</u>

## By geographical areas:

The gross amount of loans and advances to customers by countries or geographical segment is in accordance with the location of the counterparties after taking into account the transfer of risk. In general, a transfer of risk arises 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 recognised risk transfer, is disclosed at below:

	As at 31 December 2016	As at 30 June 2016
China	96,996,266	99,029,864
Hong Kong	140,240,927	111,565,492
Other countries	11,188,195	10,323,737
	<u>248,425,388</u>	<u>220,919,093</u>

**China Development Bank Corporation - Hong Kong Branch**
**Additional Information**

Amount expressed in thousand HKD, unless otherwise stated

**IV. Additional Balance Sheet Information (cont'd)**

(v) Individual impaired loans by geographical areas

	As at 31 December 2016		As at 30 June 2016	
	Impaired loan	Individual provision	Impaired loan	Individual provision
China	7,867,457	(6,410,971)	7,871,210	(5,225,617)

(vi) Overdue or rescheduled assets

	As at 31 December 2016		As at 30 June 2016	
	Gross amount	% to total loans and advances to customers	Gross amount	% to total loans and advances to customers
Loans and advances to customers:				
Overdue more than 3 months but not more than 6 months	-	-	-	-
Overdue more than 6 months but not more than 1 year	-	-	4,344,919	1.97%
Overdue more than 1 year	7,867,457	3.17%	3,526,291	1.59%
<b>Total</b>	<b>7,867,457</b>	<b>3.17%</b>	<b>7,871,210</b>	<b>3.56%</b>
By geographical areas:				
China	7,867,457		7,871,210	
Individual impairment allowances	6,410,971		5,225,617	
Collateral value	135,144		140,405	
Rescheduled assets	-		-	

**V. 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 recognised 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 recognised risk transfer are disclosed.

	Banks	Official Sector	Non-bank private sector			Total
			Non-bank financial institutions	Non-financial private sector	Others	
HK\$ million eqvi.						
<b>As at 31 December 2016</b>						
Developed countries	475	-	-	284	-	759
Offshore centres	6,404	-	31,759	80,377	131	118,671
- of which: Hong Kong	6,403	-	31,759	74,364	131	112,657
Developing Europe	410	-	-	-	-	410
Developing Latin America and Caribbean	18,767	-	-	207	-	18,974
Developing Asia-Pacific	54,200	-	6,649	95,032	-	155,881
- of which: China	50,089	-	6,649	90,347	-	147,085
<b>Total</b>	<b>80,256</b>	<b>-</b>	<b>38,408</b>	<b>175,900</b>	<b>131</b>	<b>294,695</b>

	Banks	Official Sector	Non-bank private sector			Total
			Non-bank financial institutions	Non-financial private sector	Others	
HK\$ million eqvi.						
<b>As at 30 June 2016</b>						
Developed countries	1,004	-	-	709	-	1,713
Offshore centres	16,521	-	9,714	73,663	2,427	102,325
- of which: Hong Kong	16,520	-	9,093	70,554	2,427	98,594
Developing Europe	433	-	-	-	-	433
Developing Latin America and Caribbean	19,625	-	-	311	-	19,936
Developing Asia-Pacific	56,223	-	4,259	100,344	-	160,826
- of which: China	52,071	-	4,259	94,771	-	151,101
<b>Total</b>	<b>93,806</b>	<b>-</b>	<b>13,973</b>	<b>175,027</b>	<b>2,427</b>	<b>285,233</b>

Amount expressed in thousand HKD, unless otherwise stated

**VI. Currency Risk**

Foreign currency exposures other than reporting currency

	As at 31 December 2016					
	USD	GBP	EUR	CNY	Others	Total
	HK\$ million eqvi.					
Spot assets	234,045	52	16,731	37,597	167	288,592
Spot liabilities	(217,469)	(1,095)	(14,566)	(30,133)	(69)	(263,332)
Forward purchases	1,199	1,237	-	746	-	3,182
Forward sales	(6,743)	-	(1,144)	-	(34)	(7,921)
Net option position	-	-	-	-	-	-
Net long (net short) position	11,032	194	1,021	8,210	64	20,521
Net structural position	-	-	-	-	-	-

	As at 30 June 2016					
	USD	GBP	EUR	CNY	Others	Total
	HK\$ million eqvi.					
Spot assets	215,996	579	19,498	40,430	99	276,602
Spot liabilities	(202,312)	(1,196)	(10,842)	(33,184)	-	(247,534)
Forward purchases	7,859	835	-	781	-	9,475
Forward sales	(11,005)	-	(7,766)	-	(36)	(18,807)
Net option position	-	-	-	-	-	-
Net long (net short) position	10,538	218	890	8,027	63	19,736
Net structural position	-	-	-	-	-	-

**VII. Non-Bank Mainland Exposures**

	On-balance sheet exposure	Off-balance sheet exposure	Total
	HK\$ million eqvi.		
<b>As at 31 December 2016</b>			
(a) Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	119,648	21,389	141,037
(b) Local governments, local government-owned entities and their subsidiaries and JVs	16,459	4,356	20,815
(c) PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	49,681	3,964	53,645
(d) Other entities of central government not reported in item (a)	1,877	-	1,877
(e) Other entities of local governments not reported in item (b)	1,362	-	1,362
(f) PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	13,505	-	13,505
(g) Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	22,463	931	23,394
Total	224,995	30,640	255,635
Total assets after provision	345,799		
On-balance sheet exposures as percentage of total assets	65.07%		

Amount expressed in thousand HKD, unless otherwise stated

**VII. Non-Bank Mainland Exposures (cont'd)**

	On-balance sheet exposure	Off-balance sheet exposure	Total
	HK\$ million eqvi.		
<b>As at 30 June 2016</b>			
(a) Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	96,763	27,408	124,171
(b) Local governments, local government-owned entities and their subsidiaries and JVs	18,754	4,284	23,038
(c) PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	43,986	6,055	50,041
(d) Other entities of central government not reported in item (a)	2,601	-	2,601
(e) Other entities of local governments not reported in item (b)	2,216	-	2,216
(f) PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	12,192	18	12,210
(g) Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	20,564	931	21,495
Total	<u>197,076</u>	<u>38,696</u>	<u>235,772</u>
Total assets after provision	<u>355,186</u>		
On-balance sheet exposures as percentage of total assets	<u>55.49%</u>		

**VIII. Off-balance Sheet Exposures (other than derivative transactions)**

	As at 31 December 2016	As at 30 June 2016
Contractual or notional amounts of other commitments		
Direct credit substitutes	15,771,451	17,981,808
Transaction-related contingencies	-	258,872
Trade-related contingencies	269,446	41,163
Other commitments	28,840,847	35,648,662
	<u>44,881,744</u>	<u>53,930,505</u>

**IX. Derivative Transactions**

	As at 31 December 2016	As at 30 June 2016
<i>Total contractual or notional amounts</i>		
Exchange rate-related derivative contracts	7,881,238	18,853,002
Interest rate derivative contracts	43,343,093	33,631,290
	<u>51,224,331</u>	<u>52,484,292</u>
<i>Total fair value asset</i>		
Exchange rate-related derivative contracts	51,306	130,960
Interest rate derivative contracts	1,198,679	2,945,501
	<u>1,249,985</u>	<u>3,076,461</u>
<i>Total fair value liability</i>		
Exchange rate-related derivative contracts	(202,871)	(189,506)
Interest rate derivative contracts	(165,391)	(11,799)
	<u>(368,262)</u>	<u>(201,305)</u>

The fair values of derivatives do not take into account the effects of bilateral netting arrangements.

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#### X. Liquidity ratio

	For period 1 January 2016 - 31 December 2016	For period 1 January 2015 - 31 December 2015
The average liquidity maintenance ratio	88.00%	127.66%

The average liquidity maintenance ratio is the arithmetic mean of each calendar month's average value of its liquidity maintenance ratio as reported in Part I(2) of the "Return of Liquidity Position of an Authorized Institution".

#### XI. Liquidity Risk Management

The Bank uses various tools for measurement of liquidity risk including liquidity ratio, stress testing, liquidity gap analysis, dynamic liquidity cashflow model and maturity ladder. The Bank maintains diverse sources of liquidity to facilitate flexibility in meeting funding requirements. The Bank are primarily funded by debt capital market issuances, borrowing from head office and other financial institutions.

#### XII. Consolidated Bank Information

	As at 31 December 2015 <sup>1</sup>	As at 31 December 2014 <sup>2</sup>
<b>(i) Capital and Capital adequacy</b>		
	RMB million	RMB million
Consolidated Amount of Shareholders' funds	1,064,324	667,609
Consolidated Capital Adequacy Ratio *	10.81%	11.88%
<b>(ii) Other Financial Information</b>		
Total assets	12,619,675	10,317,030
Total liabilities	11,549,418	9,636,190
Total loans and advances, gross	9,206,949	7,941,642
Total customer deposits	1,855,411	1,087,712
Pre-tax Profit	135,253	129,003

<sup>1</sup> The figures for year ended 31 December 2015 are extracted from the audited Consolidated Financial Statements of Head Office.

<sup>2</sup> The figures for year ended 31 December 2014 are extracted from the audited Consolidated Financial Statements of Head Office.

\* The consolidated capital adequacy ratio is calculated in accordance with the Capital Rules for Commercial Banks (Provisional) issued by the China Banking Regulatory Commission and other relevant requirements, while prior-year capital adequacy ratio is calculated in accordance with the Rules for Regulating the Capital Adequacy Requirement of Commercial Banks and other relevant requirements. The inputs are based on consolidated financial statements prepared in accordance with the China Accounting Standards.

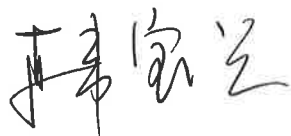


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**XIII. Statement of Compliance**

This 2016 Annual 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.

The information contained in the disclosure statement is not false or misleading in any respect, and that the operations of the Bank are clearly explained.



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*HAN Baoxing*  
*Chief Executive*  
*China Development Bank Corporation - Hong Kong Branch*