

China Development Bank– Hong Kong Branch

2017 Annual Results Disclosure Statement

This is the Annual Results Disclosure Statement issued by the Bank for the year ended 31 December 2017. The information stated is not audited. It contains all the 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 statement is readily accessible at our office located at 32/F, One International Finance Centre, No. 1 Harbour View Street, Central, Hong Kong.

China Development Bank - Hong Kong Branch
Annual Report for the year ended 31 December 2017

Amount expressed in thousand HKD, unless otherwise stated

I. Income Statement

	For period 1 January 2017 - 31 December 2017	For period 1 January 2016 - 31 December 2016
Interest income	10,362,175	8,538,061
Interest expense	(6,673,455)	(4,154,047)
Other operating income		
- Gains less losses from trading in foreign currencies	895,087	(389,786)
- Net fees and commission income	368,633	548,959
- <i>Fees and commission income</i>	392,592	557,080
- <i>Fees and commission expenses</i>	(23,959)	(8,121)
- Others	49,399	(693,607)
Total operating income	<u>5,001,839</u>	<u>3,849,580</u>
Operating expenses		
- Rental expenses	(54,291)	(49,793)
- Staff expenses	(128,821)	(118,186)
- Net charge for debt provision	(3,130,264)	(2,709,132)
- Other operating expenses	(53,900)	(47,102)
Total operating expenses	<u>(3,367,276)</u>	<u>(2,924,213)</u>
Profit before taxation	1,634,563	925,367
Tax expense	(85,415)	(525,875)
Profit after taxation	<u>1,549,148</u>	<u>399,492</u>
Other comprehensive income		
- Fair value (loss)gain on available-for-sale securities	(4,050)	26,477
Total comprehensive income for the period	<u>1,545,098</u>	<u>425,969</u>

China Development Bank - Hong Kong Branch

Amount expressed in thousand HKD, unless otherwise stated

II. Balance Sheet

	As at 31 December 2017	As at 30 June 2017
Assets		
Cash and balances with banks	40,596,454	52,829,347
Placements with banks which have a residual contractual maturity of more than one month but not more than 12 months	5,723,574	20,740,678
Amount due from overseas offices	569,404	2,073,311
Loans and receivables and other accounts	279,018,340	265,408,866
Derivative financial instruments	1,286,704	1,466,328
Certificates of deposit held	31,021,481	30,427,589
Investment securities-available-for-sale	6,494,707	5,406,365
Property, plant and equipment and investment properties	47,778	48,119
Total assets	<u>364,758,442</u>	<u>378,400,603</u>
Equity and liabilities		
Deposits and balances from banks	47,462,092	36,083,727
Deposits from customers	24,519,038	34,283,868
- <i>Demand deposits and current accounts</i>	-	-
- <i>Savings deposits</i>	20,560,471	30,864,001
- <i>Time, call and notice deposits</i>	3,958,567	3,419,867
Amount due to overseas offices	55,734,948	66,862,991
Certificates of deposit issued	204,028,822	208,785,028
Issued debt securities	30,746,962	31,287,606
Derivative financial instruments	224,760	199,119
Other liabilities	462,752	554,763
Total liabilities	<u>363,179,374</u>	<u>378,057,102</u>
Reserves	1,579,068	343,501
Total Equity and Liabilities	<u>364,758,442</u>	<u>378,400,603</u>

Amount expressed in thousand HKD, unless otherwise stated

III. Remuneration of Senior Management and Key Personnel

The remuneration policy is applicable to the China Development Bank 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 2017, 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 2017, split into fixed and variable remuneration, and number of beneficiaries:

As at 31 December 2017

	Fixed remuneration (HKD)	Variable remuneration (HKD)	Number of beneficiaries
Senior Management	3,732,178	2,469,719	4
Key Personnel	15,326,245	5,528,804	18

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

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 2017.

Amount expressed in thousand HKD, unless otherwise stated

IV. Additional Balance Sheet Information

	As at 31 December 2017	As at 30 June 2017
(i) Loans and receivables and other accounts		
- loans and advances to customers	267,348,812	256,914,551
- loans and advances to banks	26,858,105	27,305,966
- accrued interest and other accounts	422,402	320,410
Less: Collective impairment allowances	(10,480,985)	(10,180,226)
Individual impairment allowances	(5,129,994)	(8,951,835)
	<u>279,018,340</u>	<u>265,408,866</u>
 (ii) Individual impaired loans and advances to customers:		
- Loans and advances	6,471,635	11,164,862
- Individual impairment allowances	(5,129,994)	(8,951,835)
- Collateral value	111,365	138,262
- Percentage to total loans and advances to customers	2.42%	4.35%
 (iii) Analysis of gross amount of loans and advances to customers:		

	As at 31 December 2017		As at 30 June 2017	
	Outstanding Balance	Covered by Collateral	Outstanding Balance	Covered by Collateral
By industry categories:				
<i>Loans and advances for use in Hong Kong</i>				
<i>Industrial, commercial and financial sectors:</i>				
- Property development	14,046,035	-	15,062,667	-
- Financial concerns	58,228,866	3,248,685	27,813,391	3,473,228
- Wholesale and retail trade	6,282,158	4,445,016	5,567,048	4,906,975
- Manufacturing	2,382,877	420,844	2,828,946	868,402
- Transport and transport equipment	17,441,314	15,362,561	17,177,372	14,969,669
- Stockbrokers	777,373	-	775,606	-
- Information technology	2,033,822	-	1,128,585	-
- Others	14,080,556	5,576,966	31,921,663	796,939
<i>Trade finance</i>	4,747,924	1,077,529	2,828,454	766,492
<i>Loans and advances for use outside Hong Kong</i>	147,327,887	43,031,199	151,810,819	39,257,604
Total	<u>267,348,812</u>	<u>73,162,800</u>	<u>256,914,551</u>	<u>65,039,309</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 2017	As at 30 June 2017
China	111,709,488	103,274,378
Hong Kong	149,864,978	144,832,775
Other countries	5,774,346	8,807,398
	<u>267,348,812</u>	<u>256,914,551</u>

Amount expressed in thousand HKD, unless otherwise stated

IV. Additional Balance Sheet Information (cont'd)

(iv) Individual impaired loans by geographical areas

	As at 31 December 2017		As at 30 June 2017	
	Impaired loan	Individual provision	Impaired loan	Individual provision
China	6,471,635	(5,129,994)	11,164,862	(8,951,835)

(v) Overdue or rescheduled assets

	As at 31 December 2017		As at 30 June 2017	
	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 1 month but not more than 3 months	1,395,457	0.52%	2,295,691	0.89%
Overdue more than 3 months but not more than 6 months	703,518	0.26%	-	-
Overdue more than 6 months but not more than 1 year	2,235,625	0.84%	-	-
Overdue more than 1 year	3,297,986	1.23%	7,918,428	3.08%
Total	7,632,586	2.85%	10,214,119	3.97%
By geographical areas:				
China	6,471,635		10,214,119	
Singapore	615,834		-	
Hong Kong	545,117		-	
	7,632,586		10,214,119	
Individual impairment allowances	(5,129,994)		(8,577,179)	
Collateral value	111,365		138,262	
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		Others	Total
			Non-bank financial institutions	Non-financial private sector		
HK\$ million eqvi.						
As at 31 December 2017						
Developed countries	663	-	-	125	-	788
Offshore centres	4,375	-	29,865	90,030	324	124,594
- of which: Hong Kong	4,375	-	29,865	84,956	324	119,520
Developing Europe	468	-	-	-	-	468
Developing Latin America and Caribbean	20,135	-	-	-	-	20,135
Developing Asia-Pacific	64,185	-	10,830	101,457	-	176,472
- of which: China	64,185	-	10,830	100,880	-	175,895
Total	89,826	-	40,695	191,612	324	322,457

	Banks	Official Sector	Non-bank private sector		Others	Total
			Non-bank financial institutions	Non-financial private sector		
HK\$ million eqvi.						
As at 30 June 2017						
Developed countries	2,735	-	-	248	-	2,983
Offshore centres	5,496	-	30,461	83,273	361	119,591
- of which: Hong Kong	5,495	-	30,461	79,437	361	115,754
Developing Europe	448	-	-	-	-	448
Developing Latin America and Caribbean	19,382	-	-	104	-	19,486
Developing Asia-Pacific	96,253	-	9,053	98,842	-	204,148
- of which: China	92,680	-	9,053	94,221	-	195,954
Total	124,314	-	39,514	182,467	361	346,656

Amount expressed in thousand HKD, unless otherwise stated

VI. Currency Risk

Foreign currency exposures other than reporting currency

	As at 31 December 2017					Total
	USD	GBP	EUR	CNY	Others	
	HK\$ million eqvi.					
Spot assets	245,299	57	15,552	38,227	667	299,802
Spot liabilities	(231,312)	(1,220)	(14,007)	(29,088)	(446)	(276,073)
Forward purchases	153	1,365	-	1,037	-	2,555
Forward sales	(3,751)	-	-	-	(150)	(3,901)
Net option position	-	-	-	-	-	-
Net long (net short) position	10,389	202	1,545	10,176	71	22,383
Net structural position	-	-	-	-	-	-

	As at 30 June 2017					Total
	USD	GBP	EUR	CNY	Others	
	HK\$ million eqvi.					
Spot assets	257,664	1,376	18,718	38,166	506	316,430
Spot liabilities	(243,375)	(1,174)	(17,411)	(29,823)	(440)	(292,223)
Forward purchases	-	-	-	769	-	769
Forward sales	(4,197)	-	-	-	-	(4,197)
Net option position	-	-	-	-	-	-
Net long (net short) position	10,092	202	1,307	9,112	66	20,779
Net structural position	-	-	-	-	-	-

VII. Non-Bank Mainland Exposures

	On-balance sheet exposure	Off-balance sheet exposure	Total
	HK\$ million eqvi.		
As at 31 December 2017			
(a) Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	147,839	29,486	177,325
(b) Local governments, local government-owned entities and their subsidiaries and JVs	33,397	5,334	38,731
(c) PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	43,539	4,133	47,672
(d) Other entities of central government not reported in item (a)	-	-	-
(e) Other entities of local governments not reported in item (b)	1,368	-	1,368
(f) PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	11,783	1,251	13,034
(g) Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	10,829	1,876	12,705
Total	248,755	42,080	290,835
Total assets after provision	365,207		
On-balance sheet exposures as percentage of total assets	68.11%		

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 equi.		
As at 30 June 2017			
(a) Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	140,034	30,881	170,915
(b) Local governments, local government-owned entities and their subsidiaries and JVs	15,975	6,722	22,697
(c) PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	45,471	6,147	51,618
(d) Other entities of central government not reported in item (a)	-	-	-
(e) Other entities of local governments not reported in item (b)	1,367	-	1,367
(f) PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	12,630	78	12,708
(g) Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	17,487	2,775	20,262
Total	<u>232,964</u>	<u>46,603</u>	<u>279,567</u>
Total assets after provision	<u>378,871</u>		
On-balance sheet exposures as percentage of total assets	<u>61.49%</u>		

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

	As at 31 December 2017	As at 30 June 2017
Contractual or notional amounts of other commitments		
Direct credit substitutes	12,235,444	17,839,984
Trade-related contingencies	43,899	234
Other commitments	39,690,223	44,345,626
	<u>51,969,566</u>	<u>62,185,844</u>

IX. Derivative Transactions

	As at 31 December 2017	As at 30 June 2017
<i>Total contractual or notional amounts</i>		
Exchange rate-related derivative contracts	4,177,354	4,163,252
Interest rate derivative contracts	38,689,062	45,075,365
	<u>42,866,416</u>	<u>49,238,617</u>
<i>Total fair value asset</i>		
Exchange rate-related derivative contracts	42,715	12,459
Interest rate derivative contracts	1,243,989	1,453,869
	<u>1,286,704</u>	<u>1,466,328</u>
<i>Total fair value liability</i>		
Exchange rate-related derivative contracts	(116,403)	(142,577)
Interest rate derivative contracts	(108,357)	(56,542)
	<u>(224,760)</u>	<u>(199,119)</u>

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

Amount expressed in thousand HKD, unless otherwise stated

X. Liquidity ratio

	For period 1 January 2017 - 31 December 2017	For period 1 January 2016 - 31 December 2016
The average liquidity maintenance ratio	97.68%	88.00%

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 2016 ¹	As at 31 December 2015 ²
(i) Capital and Capital adequacy		
	RMB million	RMB million
Consolidated Amount of Shareholders' funds	1,141,546	1,064,324
Consolidated Capital Adequacy Ratio *	11.57%	10.81%
(ii) Other Financial Information		
Total assets	14,340,500	12,619,675
Total liabilities	13,177,780	11,549,418
Total loans and advances, gross	10,318,147	9,206,949
Total customer deposits	2,178,492	1,855,411
Pre-tax Profit	140,747	135,253

¹ The figures for year ended 31 December 2016 are extracted from the audited Consolidated Financial Statements of Head Office.

² The figures for year ended 31 December 2015 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. All figures relating to capital adequacy ratios are presented on a consolidated basis.

Amount expressed in thousand HKD, unless otherwise stated

XIII. Statement of Compliance

This 2017 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.



HAN Baoxing
Chief Executive
China Development Bank - Hong Kong Branch