

China Development Bank– Hong Kong Branch

2019 Annual Results Disclosure Statement

This is the Annual Results Disclosure Statement issued by the Bank for the year ended 31 December 2019. 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 and our Head Office website (www.cdb.com.cn/xwzx/xxgg/qtgg/).

China Development Bank - Hong Kong Branch
Annual Report for the year ended 31 December 2019

Amount expressed in thousand HKD, unless otherwise stated

I. Income Statement

	For period 1 January 2019 - 31 December 2019	For period 1 January 2018 - 31 December 2018
Interest income	12,931,073	12,439,195
Interest expense	(9,612,293)	(8,415,940)
Other operating income		
- Gains less losses arising from trading in foreign currencies	(162,053)	(566,072)
- Gains less losses on securities measured at fair value through profit or loss	19,846	(19,832)
- Net fees and commission income	281,119	304,989
- <i>Fees and commission income</i>	309,600	324,923
- <i>Fees and commission expenses</i>	(28,481)	(19,934)
- Others	368,430	(124,653)
Total operating income	<u>3,826,122</u>	<u>3,617,687</u>
Operating expenses		
- Rental expenses	(77,625)	(74,325)
- Staff expenses	(169,337)	(154,763)
- Net charge for debt provision	(384,832)	(2,391,705)
- Other operating expenses	(61,114)	(55,329)
Total operating expenses	<u>(692,908)</u>	<u>(2,676,122)</u>
Profit before taxation	3,133,214	941,565
Tax expense	(471,489)	(63,628)
Profit after taxation	<u>2,661,725</u>	<u>877,937</u>
Other comprehensive income		
- Debt instruments at fair value through other comprehensive income reserve	66,384	12,043
Total comprehensive income for the period	<u>2,728,109</u>	<u>889,980</u>

China Development Bank - Hong Kong Branch

Amount expressed in thousand HKD, unless otherwise stated

II. Balance Sheet

	As at 31 December 2019	As at 30 June 2019
Assets		
Cash and balances with banks	26,584,289	18,541,687
Placements with banks which have a residual contractual maturity of more than one month but not more than 12 months	17,896,239	10,372,801
Due from Exchange Fund	966,459	75,382
Amount due from overseas offices	21,672	985,593
Loans and receivables and other accounts	288,540,512	273,596,961
Derivative financial instruments	1,692,102	1,511,567
Certificates of deposit held	41,580,874	28,685,643
Investment securities	31,579,962	27,282,500
Property, plant and equipment and investment properties	277,804	314,458
Total assets	<u>409,139,913</u>	<u>361,366,592</u>
Equity and liabilities		
Deposits and balances from banks	91,193,445	66,347,007
Deposits from customers	23,350,421	18,057,636
- Demand deposits and current accounts	-	-
- Savings deposits	16,031,503	14,483,392
- Time, call and notice deposits	7,318,918	3,574,244
Amount due to overseas offices	40,868,681	41,693,404
Certificates of deposit issued	171,402,451	185,024,594
Issued debt securities	78,972,541	47,744,534
Derivative financial instruments	288,695	421,178
Other liabilities	293,606	329,244
Total liabilities	<u>406,369,840</u>	<u>359,617,597</u>
Reserves	2,770,073	1,748,995
Total Equity and Liabilities	<u>409,139,913</u>	<u>361,366,592</u>

Amount expressed in thousand HKD, unless otherwise stated

III. Remuneration of Senior Management and Key Personnel

The remuneration policy and package are approved by Headquarter. They are applicable to China Development Bank Hong Kong Branch.

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 2019, 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 2019 and 2018, split into fixed and variable remuneration, and number of beneficiaries:

As at 31 December 2019

	Fixed remuneration (HKD)	Variable remuneration (HKD)	Number of beneficiaries
Senior Management	4,642,117	2,874,606	5
Key Personnel	18,194,163	6,267,456	19

As at 31 December 2018

	Fixed remuneration (HKD)	Variable remuneration (HKD)	Number of beneficiaries
Senior Management	4,461,075	2,979,601	6
Key Personnel	17,494,637	6,368,205	19

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 2019.

Amount expressed in thousand HKD, unless otherwise stated

IV. Additional Balance Sheet Information

	As at 31 December 2019	As at 30 June 2019
(i) Loans and receivables and other accounts		
- loans and advances to customers	272,726,840	259,824,521
- loans and advances to banks	28,680,513	28,828,882
- accrued interest and other accounts	772,799	2,478,575
Less: Impairment allowances		
- stage 1	(5,742,041)	(5,215,365)
- stage 2	(2,723,220)	(3,256,985)
- stage 3	(5,174,379)	(9,062,667)
	<u>288,540,512</u>	<u>273,596,961</u>
(ii) Impaired loans and advances to customers:		
- Loans and advances	5,836,262	9,483,987
- Impairment allowances	(5,032,235)	(8,491,593)
- Collateral value	1,150,729	109,742
- Percentage to total loans and advances to customers	2.14%	3.65%
(iii) Analysis of gross amount of loans and advances to customers:		

By industry categories:	As at 31 December 2019		As at 30 June 2019	
	Outstanding Balance	Covered by Collateral	Outstanding Balance	Covered by Collateral
<i>Loans and advances for use in Hong Kong</i>				
Industrial, commercial and financial sectors:				
- Property development	10,818,872	-	8,981,805	-
- Property investment	-	-	-	-
- Financial concerns	78,803,079	5,383,620	63,437,822	4,253,250
- Wholesale and retail trade	6,192,972	104,577	6,528,563	64,436
- Manufacturing	866,782	809,774	875,056	874,670
- Transport and transport equipment	20,145,630	13,005,709	18,180,285	13,754,714
- Stockbrokers	1,562,753	-	1,562,536	-
- Information technology	1,403,029	-	2,033,616	-
- Others	16,469,328	1,682,283	12,424,729	1,682,283
<i>Trade finance</i>	-	-	-	-
<i>Loans and advances for use outside Hong Kong</i>	136,464,395	35,697,612	145,800,109	36,627,982
Total	<u>272,726,840</u>	<u>56,683,575</u>	<u>259,824,521</u>	<u>57,257,335</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 2019	As at 30 June 2019
China	123,740,240	115,228,994
Hong Kong	147,169,207	142,024,867
Other countries	1,817,393	2,570,660
	<u>272,726,840</u>	<u>259,824,521</u>

Amount expressed in thousand HKD, unless otherwise stated

IV. Additional Balance Sheet Information (cont'd)

(iv) Impaired loans by geographical areas

	As at 31 December 2019		As at 30 June 2019	
	Gross amount	Impairment allowances	Gross amount	Impairment allowances
China	3,819,011	(3,412,862)	8,412,107	(7,419,713)
Hong Kong	2,017,251	(1,619,373)	1,071,880	(1,071,880)
	<u>5,836,262</u>	<u>(5,032,235)</u>	<u>9,483,987</u>	<u>(8,491,593)</u>

(v) Overdue or rescheduled assets

	As at 31 December 2019		As at 30 June 2019	
	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	1,238,466	0.45%	1,299,613	0.50%
Overdue more than 3 months but not more than 6 months	-	-	-	-
Overdue more than 6 months but not more than 1 year	-	-	4,904,292	1.89%
Overdue more than 1 year	4,597,796	1.69%	4,579,695	1.76%
Total	<u>5,836,262</u>	<u>2.14%</u>	<u>10,783,600</u>	<u>4.15%</u>
Collateral value:				
Market value of collateral held against overdue loans and advances		1,150,729		1,166,583
Secured portion of overdue loans and advances		1,150,729		1,166,583
Unsecured portion of overdue loans and advances		4,685,533		9,617,017
By geographical areas:				
China		3,819,011		8,412,107
Hong Kong		2,017,251		2,371,493
		<u>5,836,262</u>		<u>10,783,600</u>
Impairment allowances		<u>(5,032,235)</u>		<u>(8,996,239)</u>

(vi) Rescheduled assets

As at 31 December 2019 and 30 June 2019, there were no 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.						
As at 31 December 2019						
Developed countries	645	-	-	-	-	645
Offshore centres	2,317	-	31,746	72,176	41	106,280
- of which: Hong Kong	1,024	-	31,746	72,070	41	104,881
Developing Europe	315	-	-	-	-	315
Developing Latin America and Caribbean	12,125	-	-	-	-	12,125
Developing Africa and Middle East	5,438	938	-	-	-	6,376
Developing Asia and Pacific	108,297	-	6,353	118,164	-	232,814
- of which: China	105,020	-	6,353	117,389	-	228,762
Total	<u>129,137</u>	<u>938</u>	<u>38,099</u>	<u>190,340</u>	<u>41</u>	<u>358,555</u>

	Banks	Official Sector	Non-bank private sector			Total
			Non-bank financial institutions	Non-financial private sector	Others	
HK\$ million eqvi.						
As at 30 June 2019						
Developed countries	1,734	-	-	56	-	1,790
Offshore centres	1,738	-	31,629	73,467	1,595	108,429
- of which: Hong Kong	482	-	31,629	72,209	1,595	105,915
Developing Europe	316	-	-	-	-	316
Developing Latin America and Caribbean	15,142	-	-	-	-	15,142
Developing Africa and Middle East	3,086	942	-	-	-	4,028
Developing Asia and Pacific	78,966	-	2,962	112,583	-	194,511
- of which: China	76,189	-	2,962	112,267	-	191,418
Total	<u>100,982</u>	<u>942</u>	<u>34,591</u>	<u>186,106</u>	<u>1,595</u>	<u>324,216</u>

Amount expressed in thousand HKD, unless otherwise stated

VI. Currency Risk

Foreign currency exposures other than reporting currency

	As at 31 December 2019					
	USD	GBP	EUR	CNY	Others	Total
	HK\$ million eqvi.					
Spot assets	292,583	2,496	15,295	22,061	20	332,455
Spot liabilities	(270,382)	(1,207)	(11,994)	(18,073)	-	(301,656)
Forward purchases	9,595	441	1,745	749	-	12,530
Forward sales	(22,061)	(1,532)	(4,624)	(3,091)	-	(31,308)
Net option position	-	-	-	-	-	-
Net long (net short) position	9,735	198	422	1,646	20	12,021
Net structural position	-	-	-	-	-	-

	As at 30 June 2019					
	USD	GBP	EUR	CNY	Others	Total
	HK\$ million eqvi.					
Spot assets	246,255	1,352	13,618	26,904	74	288,203
Spot liabilities	(237,367)	(1,165)	(16,217)	(18,554)	-	(273,303)
Forward purchases	17,044	-	3,555	1,104	-	21,703
Forward sales	(17,178)	-	(622)	(7,276)	-	(25,076)
Net option position	-	-	-	-	-	-
Net long (net short) position	8,754	187	334	2,178	74	11,527
Net structural position	-	-	-	-	-	-

VII. Non-Bank Mainland Exposures

	On-balance sheet exposure	Off-balance sheet exposure	Total
	HK\$ million eqvi.		
As at 31 December 2019			
(a) Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	162,355	29,441	191,796
(b) Local governments, local government-owned entities and their subsidiaries and JVs	45,458	6,314	51,772
(c) PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	31,720	3,690	35,410
(d) Other entities of central government not reported in item (a)	978	29	1,007
(e) Other entities of local governments not reported in item (b)	701	-	701
(f) PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	4,426	61	4,487
(g) Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	1,162	567	1,729
Total	246,800	40,102	286,902
Total assets after provision	409,811		
On-balance sheet exposures as percentage of total assets	60.22%		

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.		
As at 30 June 2019			
(a) Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	150,951	35,816	186,767
(b) Local governments, local government-owned entities and their subsidiaries and JVs	41,788	6,221	48,009
(c) PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	32,552	6,925	39,477
(d) Other entities of central government not reported in item (a)	443	576	1,019
(e) Other entities of local governments not reported in item (b)	701	-	701
(f) PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	5,595	-	5,595
(g) Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	3,525	-	3,525
Total	<u>235,555</u>	<u>49,538</u>	<u>285,093</u>
Total assets after provision	<u>361,911</u>		
On-balance sheet exposures as percentage of total assets	<u>65.09%</u>		

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

	As at 31 December 2019	As at 30 June 2019
Contractual or notional amounts of other commitments		
Direct credit substitutes	12,041,150	11,879,071
Trade-related contingencies	257,383	-
Other commitments	37,118,720	47,355,193
	<u>49,417,253</u>	<u>59,234,264</u>

IX. Derivative Transactions

	As at 31 December 2019	As at 30 June 2019
<i>Total contractual or notional amounts</i>		
Exchange rate-related derivative contracts	31,230,920	35,602,863
Interest rate derivative contracts	34,123,931	42,051,758
	<u>65,354,851</u>	<u>77,654,621</u>
<i>Total fair value asset</i>		
Exchange rate-related derivative contracts	150,845	70,832
Interest rate derivative contracts	1,541,257	1,440,735
	<u>1,692,102</u>	<u>1,511,567</u>
<i>Total fair value liability</i>		
Exchange rate-related derivative contracts	(199,924)	(246,772)
Interest rate derivative contracts	(88,771)	(174,406)
	<u>(288,695)</u>	<u>(421,178)</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 Risk Management

The Bank has many policies in place to manage its liquidity risk. The senior management and the functional departments perform their responsibilities to ensure the policies are effectively implemented in daily operation. 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 to monitor the risk.

The Bank maintains diverse sources of liquidity to facilitate flexibility in meeting funding requirements. It is primarily funded by debt capital market issuances, interbank borrowings and borrowing from the head office.

The Bank has implemented a forecast model and assumptions to perform cash flow analysis under normal and stressed scenarios. A contingency plan is established to assign procedures and responsibility of relevant departments to take appropriate actions based on stress test results. The Bank has also obtained consent to get ultimate fundings from the head office under severe liquidity crisis.

(i) Liquidity maintenance ratio and the core funding ratio

	Year ended 31 December 2019	Year ended 31 December 2018	Quarter ended 31 December 2019	Quarter ended 30 September 2019
Average liquidity maintenance ratio	92.06%	107.89%	130.13%	84.36%
Average core funding ratio	87.92%	77.02%	94.22%	94.71%

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". The average core funding ratio is the arithmetic mean of each calendar month's average value of its core funding ratio as reported in Part I of the "Stable Funding Position of an Authorized Institution".

The liquidity information can also be accessed at our website (www.cdb.com.cn/xwzx/xxgg/qtgg/).

(ii) Maturity Analysis

	Next day	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Indefinite	Total
HK\$ million equi.								
As at 31 December 2019								
Amount receivable arising from derivative contracts	-	3,444	6,363	18,443	5,623	4,481	-	38,354
Due from MA for a/c of Exchange Fund	966	-	-	-	-	-	-	966
Due from banks	12,623	13,971	21,048	16,203	9,321	22	-	73,188
Debt securities held	73,161	-	-	-	-	-	-	73,161
Loans and advances to non-bank customers	-	56,878	8,678	66,597	121,549	13,189	5,836	272,727
Other assets	-	-	-	406	-	-	1,139	1,545
Total assets	86,750	74,293	36,089	101,649	136,493	17,692	6,975	459,941
Off-balance sheet claims	-	11,682	-	-	-	-	-	11,682
Deposits from non-bank customers	16,024	637	-	6,681	8	-	-	23,350
Amount payable arising from derivative contracts	-	3,448	6,307	18,318	4,875	3,401	-	36,349
Due to banks	8,999	37,350	44,641	31,423	5,742	3,518	389	132,062
Debt securities issued and outstanding	20	7,223	38,297	73,565	119,923	10,625	-	249,653
Other liabilities	1	-	-	-	-	-	1,509	1,510
Capital and reserves	-	-	-	2,662	-	-	108	2,770
Total liabilities	25,044	48,658	89,245	132,649	130,548	17,544	2,006	445,694
Off-balance sheet obligations	60	1,800	881	21,042	19,420	6,058	11,838	61,099
Net liquidity gap	61,646	35,517	(54,037)	(52,042)	(13,475)	(5,910)	(6,869)	(35,170)

Amount expressed in thousand HKD, unless otherwise stated

(ii) Maturity Analysis (cont'd)

	Next day	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Indefinite	Total
HK\$ million eqvi.								
As at 31 December 2018								
Amount receivable arising from derivative contracts	5	9,259	1,380	19,390	3,586	5,042	-	38,662
Due from MA for a/c of Exchange Fund	2,144	-	-	-	-	-	-	2,144
Due from banks	20,964	27,596	10,138	7,504	18,586	15	-	84,803
Debt securities held	12,911	34	6,257	11,068	7,009	1,571	-	38,850
Loans and advances to non-bank customers	22	51,815	7,516	43,473	136,285	11,076	10,223	260,410
Other assets	-	-	-	-	-	-	1,723	1,723
Total assets	36,046	88,704	25,291	81,435	165,466	17,704	11,946	426,592
Off-balance sheet claims	-	16,449	-	-	-	-	-	16,449
Deposits from non-bank customers	17,818	784	-	3,520	8	-	-	22,130
Amount payable arising from derivative contracts	6	9,222	1,311	19,702	3,154	4,453	-	37,848
Due to banks	2,822	30,384	45,166	37,463	8,155	3,582	392	127,964
Debt securities issued and outstanding	-	19,039	16,287	91,041	81,778	10,853	-	218,998
Other liabilities	1	-	-	-	-	-	661	662
Capital and reserves	-	-	-	878	-	-	(101)	777
Total liabilities	20,647	59,429	62,764	152,604	93,095	18,888	952	408,379
Off-balance sheet obligations	-	414	283	32,142	13,643	-	11,906	58,388
Net liquidity gap	15,399	45,310	(37,756)	(103,311)	58,728	(1,184)	(912)	(23,726)

XI. Consolidated Bank Information

(i) Capital and Capital adequacy

	As at 31 December 2018 ¹	As at 31 December 2017 ²
Consolidated Amount of Shareholders' funds	RMB million 1,277,981	RMB million 1,219,447
Consolidated Capital Adequacy Ratio *	11.81%	11.57%

(ii) Other Financial Information

	As at 31 December 2018 ¹	As at 31 December 2017 ²
Total assets	16,179,820	15,959,288
Total liabilities	14,879,097	14,718,813
Total loans and advances, gross	11,648,287	11,036,832
Total customer deposits	1,670,777	2,070,579
Pre-tax Profit	131,560	140,624

¹ The figures for year ended 31 December 2018 are extracted from the audited Consolidated Financial Statements of Head Office.² The figures for year ended 31 December 2017 are extracted from the audited Consolidated Financial Statements of Head Office.

* The consolidated capital adequacy ratio is calculated in accordance with relevant regulations including the Provisional Rule on Capital Management of Commercial Banks issued by the China Banking and Insurance Regulatory Commission. All figures relating to capital adequacy ratios are presented on a consolidated basis.

Amount expressed in thousand HKD, unless otherwise stated

XII. Statement of Compliance

This 2019 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.



WANG Wuping
Chief Executive
China Development Bank - Hong Kong Branch