

China Development Bank– Hong Kong Branch

2018 Interim Results Disclosure Statement

This is the Interim Results Disclosure Statement issued by the Bank for the period ended 30 June 2018. 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
Interim Report for the period ended 30 June 2018

Amount expressed in thousand HKD, unless otherwise stated

I. Income Statement

	For period 1 January 2018 - 30 June 2018	For period 1 January 2017 - 30 June 2017
Interest income	6,000,274	5,011,791
Interest expense	(3,832,091)	(3,165,108)
Other operating income		
- Gains less losses arising from trading in foreign currencies	(212,748)	579,943
- Gains less losses on securities measured at fair value through profit or loss	(19,253)	-
- Net fees and commission income	102,491	184,599
- <i>Fees and commission income</i>	114,803	194,632
- <i>Fees and commission expenses</i>	(12,312)	(10,033)
- Others	(165,929)	11,918
Total operating income	<u>1,872,744</u>	<u>2,623,143</u>
Operating expenses		
- Rental expenses	(37,063)	(24,984)
- Staff expenses	(76,127)	(61,509)
- Net charge for debt provision	(597,285)	(2,177,681)
- Other operating expenses	(19,860)	(19,355)
Total operating expenses	<u>(730,335)</u>	<u>(2,283,529)</u>
Profit before taxation	1,142,409	339,614
Tax expense	(340,943)	(30,084)
Profit after taxation	<u>801,466</u>	<u>309,530</u>
Other comprehensive income/(expense)		
- Debt instruments at fair value through other comprehensive income reserve	6,016	(21,064)
Total comprehensive income for the period	<u><u>807,482</u></u>	<u><u>288,466</u></u>

China Development Bank - Hong Kong Branch

Amount expressed in thousand HKD, unless otherwise stated

II. Balance Sheet

	As at 30 June 2018	As at 31 December 2017
Assets		
Cash and balances with banks	57,827,878	40,596,454
Placements with banks which have a residual contractual maturity of more than one month but not more than 12 months	1,618,457	5,723,574
Amount due from overseas offices	21,767	569,404
Loans and receivables and other accounts	257,077,235	279,018,340
Derivative financial instruments	656,618	1,286,704
Certificates of deposit held	21,323,066	31,021,481
Investment securities	8,914,942	6,494,707
Property, plant and equipment and investment properties	46,256	47,778
Total assets	<u>347,486,219</u>	<u>364,758,442</u>
Equity and liabilities		
Deposits and balances from banks	58,946,431	47,462,092
Deposits from customers	23,219,854	24,519,038
- Demand deposits and current accounts	-	-
- Savings deposits	19,223,887	20,560,471
- Time, call and notice deposits	3,995,967	3,958,567
Amount due to overseas offices	56,078,147	55,734,948
Certificates of deposit issued	175,834,651	204,028,822
Issued debt securities	30,718,917	30,746,962
Derivative financial instruments	549,484	224,760
Other liabilities	1,444,127	462,752
Total liabilities	<u>346,791,611</u>	<u>363,179,374</u>
Reserves	694,608	1,579,068
Total Equity and Liabilities	<u>347,486,219</u>	<u>364,758,442</u>

Amount expressed in thousand HKD, unless otherwise stated

III. Additional Balance Sheet Information

	As at 30 June 2018	As at 31 December 2017
(i) Loans and receivables and other accounts		
- loans and advances to customers	246,317,332	267,348,812
- loans and advances to banks	25,479,756	26,858,105
- accrued interest and other accounts	1,297,825	422,402
Less: Collective impairment allowances	(9,797,008)	(10,480,985)
Individual impairment allowances	(6,220,670)	(5,129,994)
	<u>257,077,235</u>	<u>279,018,340</u>
 (ii) Individual impaired loans and advances to customers:		
- Loans and advances	6,811,624	6,471,635
- Individual impairment allowances	(5,869,797)	(5,129,994)
- Collateral value	266,991	111,365
- Percentage to total loans and advances to customers	2.77%	2.42%

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

	As at 30 June 2018		As at 31 December 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	10,848,737	-	14,046,035	-
- Property investment	355,679	29,368	-	-
- Financial concerns	57,817,834	3,216,696	58,228,866	3,248,685
- Wholesale and retail trade	10,123,982	3,963,525	6,282,158	4,445,016
- Manufacturing	2,777,940	1,594,588	2,382,877	420,844
- Transport and transport equipment	15,572,021	13,572,670	17,441,314	15,362,561
- Stockbrokers	778,024	-	777,373	-
- Information technology	2,041,905	-	2,033,822	-
- Others	6,597,595	2,065,588	14,080,556	5,576,966
<i>Trade finance</i>	75,384	-	4,747,924	1,077,529
<i>Loans and advances for use outside Hong Kong</i>	139,328,231	42,587,135	147,327,887	43,031,199
Total	<u>246,317,332</u>	<u>67,029,570</u>	<u>267,348,812</u>	<u>73,162,800</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 30 June 2018	As at 31 December 2017
China	100,490,430	111,709,488
Hong Kong	143,979,419	149,864,978
Other countries	1,847,483	5,774,346
	<u>246,317,332</u>	<u>267,348,812</u>

Amount expressed in thousand HKD, unless otherwise stated

III. Additional Balance Sheet Information (cont'd)

(iv) Individual impaired loans by geographical areas

	As at 30 June 2018		As at 31 December 2017	
	Impaired loan	Individual provision	Impaired loan	Individual provision
China	5,640,887	(5,290,343)	6,471,635	(5,129,994)
Hong Kong	1,170,737	(579,454)	-	-
	<u>6,811,624</u>	<u>(5,869,797)</u>	<u>6,471,635</u>	<u>(5,129,994)</u>

(v) Overdue or rescheduled assets

	As at 30 June 2018		As at 31 December 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%
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	941,753	0.38%	2,235,625	0.84%
Overdue more than 1 year	3,657,142	1.48%	3,297,986	1.23%
Total	<u>4,598,895</u>	<u>1.86%</u>	<u>7,632,586</u>	<u>2.85%</u>
By geographical areas:				
China	4,598,895		6,471,635	
Singapore	-		615,834	
Hong Kong	-		545,117	
	<u>4,598,895</u>		<u>7,632,586</u>	
Individual impairment allowances	<u>(4,598,895)</u>		<u>(5,129,994)</u>	
Collateral value	<u>111,808</u>		<u>111,365</u>	
Rescheduled assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

IV. 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 30 June 2018						
Developed countries	4,415	-	-	111	-	4,526
Offshore centres	2,197	-	29,884	83,421	295	115,797
- of which: Hong Kong	1,961	-	29,884	82,175	295	114,315
Developing Latin America and Caribbean	18,572	-	-	-	-	18,572
Developing Africa and Middle East	392	-	-	-	-	392
Developing Asia and Pacific	75,537	-	7,711	93,273	-	176,521
- of which: China	75,537	-	7,711	92,781	-	176,029
Total	<u>101,113</u>	<u>-</u>	<u>37,595</u>	<u>176,805</u>	<u>295</u>	<u>315,808</u>

Amount expressed in thousand HKD, unless otherwise stated

IV. International Claims (cont'd)

	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

V. Currency Risk

Foreign currency exposures other than reporting currency

	As at 30 June 2018					
	USD	GBP	EUR	CNY	Others	Total
HK\$ million eqvi.						
Spot assets	249,778	108	14,484	33,088	696	298,154
Spot liabilities	(228,446)	(1,197)	(13,465)	(24,992)	(228)	(268,328)
Forward purchases	396	1,283	635	2,689	-	5,003
Forward sales	(12,690)	-	-	-	(395)	(13,085)
Net option position	-	-	-	-	-	-
Net long (net short) position	9,038	194	1,654	10,785	73	21,744
Net structural position	-	-	-	-	-	-
As at 31 December 2017						
	USD	GBP	EUR	CNY	Others	Total
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	-	-	-	-	-	-

VI. Non-Bank Mainland Exposures

	On-balance sheet exposure	Off-balance sheet exposure	Total
HK\$ million eqvi.			
As at 30 June 2018			
(a) Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	145,162	19,686	164,848
(b) Local governments, local government-owned entities and their subsidiaries and JVs	28,276	7,351	35,627
(c) PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	38,882	3,508	42,390
(d) Other entities of central government not reported in item (a)	-	-	-
(e) Other entities of local governments not reported in item (b)	-	-	-
(f) PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	6,285	-	6,285
(g) Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	5,550	-	5,550
Total	224,155	30,545	254,700
Total assets after provision	347,910		
On-balance sheet exposures as percentage of total assets	64.43%		

Amount expressed in thousand HKD, unless otherwise stated

VI. Non-Bank Mainland Exposures (cont'd)

	On-balance sheet exposure	Off-balance sheet exposure HK\$ million eqvi.	Total
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%		

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

	As at 30 June 2018	As at 31 December 2017
Contractual or notional amounts of other commitments		
Direct credit substitutes	11,928,872	12,235,444
Trade-related contingencies	-	43,899
Other commitments	28,213,768	39,690,223
	40,142,640	51,969,566

VIII. Derivative Transactions

	As at 30 June 2018	As at 31 December 2017
<i>Total contractual or notional amounts</i>		
Exchange rate-related derivative contracts	13,213,513	4,177,354
Interest rate derivative contracts	38,695,525	38,689,062
	51,909,038	42,866,416
<i>Total fair value asset</i>		
Exchange rate-related derivative contracts	4,097	42,715
Interest rate derivative contracts	652,521	1,243,989
	656,618	1,286,704
<i>Total fair value liability</i>		
Exchange rate-related derivative contracts	(270,925)	(116,403)
Interest rate derivative contracts	(278,559)	(108,357)
	(549,484)	(224,760)

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

IX. Liquidity information

	Quarter ended 30 June	Quarter ended 31 March
Average liquidity maintenance ratio		
-2018	86.09%	74.41%
-2017	93.11%	90.52%
Average core funding ratio		
-2018	76.73%	75.68%
-2017	NA	NA

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".

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X. 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.

XI. Consolidated Bank Information

	As at 31 December 2017 ¹	As at 31 December 2016 ²
(i) Capital and Capital adequacy		
	RMB million	RMB million
Consolidated Amount of Shareholders' funds	1,219,447	1,141,546
Consolidated Capital Adequacy Ratio *	11.57%	11.57%
(ii) Other Financial Information		
Total assets	15,959,288	14,340,500
Total liabilities	14,718,813	13,177,780
Total loans and advances, gross	11,036,832	10,318,147
Total customer deposits	2,070,579	2,178,492
Pre-tax Profit	140,624	140,747

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

² The figures for year ended 31 December 2016 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.

XII. Statement of Compliance

This 2018 Interim Financial Disclosure Statement contains all disclosures required by the Banking (Disclosure) Rules and the Supervisory Policy Manual:- Guideline on the Application of the Banking (Disclosure) Rules issued by the Hong Kong Monetary Authority.

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