

China Development Bank– Hong Kong Branch

2019 Interim Results Disclosure Statement

This is the Interim Results Disclosure Statement issued by the Bank for the period ended 30 June 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
Interim Report for the period ended 30 June 2019

Amount expressed in thousand HKD, unless otherwise stated

I. Income Statement

	For period 1 January 2019 - 30 June 2019	For period 1 January 2018 - 30 June 2018
Interest income	6,571,147	6,000,274
Interest expense	(4,667,894)	(3,832,091)
Other operating income		
- Gains less losses arising from trading in foreign currencies	(205,718)	(212,748)
- Gains less losses on securities measured at fair value through profit or loss	2,277	(19,253)
- Net fees and commission income	123,362	102,491
- <i>Fees and commission income</i>	138,838	114,803
- <i>Fees and commission expenses</i>	(15,476)	(12,312)
- Others	95,955	(165,929)
Total operating income	<u>1,919,129</u>	<u>1,872,744</u>
Operating expenses		
- Rental expenses	(35,788)	(37,063)
- Staff expenses	(85,383)	(76,127)
- Net charge for debt provision	146,143	(597,285)
- Other operating expenses	(28,201)	(19,860)
Total operating expenses	<u>(3,229)</u>	<u>(730,335)</u>
Profit before taxation	1,915,900	1,142,409
Tax expense	(265,690)	(340,943)
Profit after taxation	<u>1,650,210</u>	<u>801,466</u>
Other comprehensive income		
- Debt instruments at fair value through other comprehensive income reserve	56,822	6,016
Total comprehensive income for the period	<u><u>1,707,032</u></u>	<u><u>807,482</u></u>

China Development Bank - Hong Kong Branch

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II. Balance Sheet

	As at 30 June 2019	As at 31 December 2018
Assets		
Cash and balances with banks	18,541,687	54,235,939
Placements with banks which have a residual contractual maturity of more than one month but not more than 12 months	10,372,801	5,422,865
Due from Exchange Fund	75,382	2,143,749
Amount due from overseas offices	985,593	21,882
Loans and receivables and other accounts	273,596,961	269,061,929
Derivative financial instruments	1,511,567	850,888
Certificates of deposit held	28,685,643	24,349,064
Investment securities	27,282,500	14,499,170
Property, plant and equipment and investment properties	314,458	64,025
Total assets	<u>361,366,592</u>	<u>370,649,511</u>
Equity and liabilities		
Deposits and balances from banks	66,347,007	72,549,723
Deposits from customers	18,057,636	22,097,256
- Demand deposits and current accounts	-	-
- Savings deposits	14,483,392	17,793,493
- Time, call and notice deposits	3,574,244	4,303,763
Amount due to overseas offices	41,693,404	53,902,179
Certificates of deposit issued	185,024,594	188,568,074
Issued debt securities	47,744,534	30,644,791
Derivative financial instruments	421,178	502,937
Other liabilities	329,244	1,607,445
Total liabilities	<u>359,617,597</u>	<u>369,872,405</u>
Reserves	1,748,995	777,106
Total Equity and Liabilities	<u>361,366,592</u>	<u>370,649,511</u>

Amount expressed in thousand HKD, unless otherwise stated

III. Additional Balance Sheet Information

	As at 30 June 2019	As at 31 December 2018
(i) Loans and receivables and other accounts		
- loans and advances to customers	259,824,521	260,411,384
- loans and advances to banks	28,828,882	25,070,514
- accrued interest and other accounts	2,478,575	1,276,704
Less: Impairment allowances		
- stage 1	(5,215,365)	(5,070,302)
- stage 2	(3,256,985)	(3,723,370)
- stage 3	(9,062,667)	(8,903,001)
	<u>273,596,961</u>	<u>269,061,929</u>
 (ii) Impaired loans and advances to customers:		
- Loans and advances	9,483,987	9,575,147
- Impairment allowances	(8,491,593)	(8,769,841)
- Collateral value	109,742	112,035
- Percentage to total loans and advances to customers	3.65%	3.68%

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

By industry categories:	As at 30 June 2019		As at 31 December 2018	
	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	8,981,805	-	10,166,347	-
- Property investment	-	-	355,120	22,897
- Financial concerns	63,437,822	4,253,250	63,177,256	5,239,262
- Wholesale and retail trade	6,528,563	64,436	6,922,828	886,111
- Manufacturing	875,056	874,670	842,596	842,456
- Transport and transport equipment	18,180,285	13,754,714	16,841,136	14,099,247
- Stockbrokers	1,562,536	-	1,562,633	-
- Information technology	2,033,616	-	2,038,468	-
- Others	12,424,729	1,682,283	10,668,017	1,558,000
<i>Trade finance</i>	-	-	-	-
<i>Loans and advances for use outside Hong Kong</i>	145,800,109	36,627,982	147,836,983	42,809,453
Total	<u>259,824,521</u>	<u>57,257,335</u>	<u>260,411,384</u>	<u>65,457,426</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 2019	As at 31 December 2018
China	115,228,994	112,260,011
Hong Kong	142,024,867	145,882,408
Other countries	2,570,660	2,268,965
	<u>259,824,521</u>	<u>260,411,384</u>

Amount expressed in thousand HKD, unless otherwise stated

III. Additional Balance Sheet Information (cont'd)

(iv) Impaired loans by geographical areas

	As at 30 June 2019		As at 31 December 2018	
	Gross amount	Impairment allowances	Gross amount	Impairment allowances
Hong Kong	1,071,880	(1,071,880)	4,985,059	(4,179,753)
China	8,412,107	(7,419,713)	4,590,088	(4,590,088)
	<u>9,483,987</u>	<u>(8,491,593)</u>	<u>9,575,147</u>	<u>(8,769,841)</u>

(v) Overdue or rescheduled assets

	As at 30 June 2019		As at 31 December 2018	
	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	1,299,613	0.50%	1,445,825	0.56%
Overdue more than 3 months but not more than 6 months	-	-	1,806,944	0.69%
Overdue more than 6 months but not more than 1 year	4,904,292	1.89%	-	-
Overdue more than 1 year	4,579,695	1.76%	4,590,088	1.76%
Total	<u>10,783,600</u>	<u>4.15%</u>	<u>7,842,857</u>	<u>3.01%</u>
Collateral value:				
Market value of collateral held against overdue loans and advances	1,166,583		19,036	
Secured portion of overdue loans and advances	1,166,583		19,036	
Unsecured portion of overdue loans and advances	9,617,017		7,823,821	
By geographical areas:				
China	8,412,107		5,237,929	
Hong Kong	2,371,493		2,604,928	
	<u>10,783,600</u>		<u>7,842,857</u>	
Impairment allowances	<u>(8,996,239)</u>		<u>(6,962,249)</u>	

(vi) Rescheduled assets

As at 30 June 2019 and 31 December 2018, there were no rescheduled assets.

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 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	108,915
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	100,982	942	34,591	186,106	1,595	324,216

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		
As at 31 December 2018						
Developed countries	10,237	-	-	96	-	10,333
Offshore centres	3,477	-	29,783	80,352	113	113,725
- of which: Hong Kong	2,612	-	29,783	78,898	113	111,406
Developing Latin America and Caribbean	16,526	-	-	-	-	16,526
Developing Africa and Middle East	980	316	-	-	-	1,296
Developing Asia-Pacific	78,583	-	9,423	103,242	-	191,248
- of which: China	78,152	-	9,423	102,838	-	190,413
Total	109,803	316	39,206	183,690	113	333,128

V. Currency Risk

Foreign currency exposures other than reporting currency

	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	-	-	-	-	-	-
As at 31 December 2018						
	USD	GBP	EUR	CNY	Others	Total
HK\$ million eqvi.						
Spot assets	272,888	652	15,049	26,675	72	315,336
Spot liabilities	(238,616)	(1,160)	(14,917)	(26,779)	-	(281,472)
Forward purchases	2,378	693	2,758	3,625	-	9,454
Forward sales	(29,035)	-	(1,120)	(913)	-	(31,068)
Net option position	-	-	-	-	-	-
Net long (net short) position	7,615	185	1,770	2,608	72	12,250
Net structural position	-	-	-	-	-	-

VI. Non-Bank Mainland Exposures

	On-balance sheet exposure	Off-balance sheet exposure	Total
As at 30 June 2019			
HK\$ million eqvi.			
(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	235,555	49,538	285,093
Total assets after provision	361,911		
On-balance sheet exposures as percentage of total assets	65.09%		

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 equi.	Total
As at 31 December 2018			
(a) Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	148,518	22,345	170,863
(b) Local governments, local government-owned entities and their subsidiaries and JVs	34,079	8,579	42,658
(c) PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	39,619	5,868	45,487
(d) Other entities of central government not reported in item (a)	463	19	482
(e) Other entities of local governments not reported in item (b)	200	500	700
(f) PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	6,267	-	6,267
(g) Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	3,808	-	3,808
Total	<u>232,954</u>	<u>37,311</u>	<u>270,265</u>
Total assets after provision	<u>371,263</u>		
On-balance sheet exposures as percentage of total assets	<u>62.75%</u>		

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

	As at 30 June 2019	As at 31 December 2018
Contractual or notional amounts of other commitments		
Direct credit substitutes	11,879,071	11,906,031
Other commitments	47,355,193	34,732,731
	<u>59,234,264</u>	<u>46,638,762</u>

VIII. Derivative Transactions

	As at 30 June 2019	As at 31 December 2018
<i>Total contractual or notional amounts</i>		
Exchange rate-related derivative contracts	35,602,863	30,658,447
Interest rate derivative contracts	42,051,758	42,679,234
	<u>77,654,621</u>	<u>73,337,681</u>
<i>Total fair value asset</i>		
Exchange rate-related derivative contracts	70,832	55,494
Interest rate derivative contracts	1,440,735	795,394
	<u>1,511,567</u>	<u>850,888</u>
<i>Total fair value liability</i>		
Exchange rate-related derivative contracts	(246,772)	(283,614)
Interest rate derivative contracts	(174,406)	(219,323)
	<u>(421,178)</u>	<u>(502,937)</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

IX. 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.

Liquidity maintenance ratio and the core funding ratio	From 1 Apr 2019 to 30 June 2019	From 1 Jan 2019 to 31 Mar 2019	From 1 Apr 2018 to 30 June 2018
Average liquidity maintenance ratio	79.07%	74.70%	86.09%
Average core funding ratio	83.58%	79.16%	76.73%

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/).

X. Consolidated Bank Information

	As at 31 December 2018 ¹	As at 31 December 2017 ²
(i) Capital and Capital adequacy		
	RMB million	RMB million
Consolidated Amount of Shareholders' funds	1,277,981	1,219,447
Consolidated Capital Adequacy Ratio *	11.81%	11.57%
(ii) Other Financial Information		
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

XI. Statement of Compliance

This 2019 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