

China Development Bank– Hong Kong Branch

2020 Interim Results Disclosure Statement

This is the Interim Results Disclosure Statement issued by the Bank for the period ended 30 June 2020. 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 2020

Amount expressed in thousand HKD, unless otherwise stated

I. Income Statement

	For period 1 January 2020 - 30 June 2020	For period 1 January 2019 - 30 June 2019
Interest income	5,215,350	6,571,147
Interest expense	(4,000,520)	(4,667,894)
Other operating income		
- Gains less losses arising from trading in foreign currencies	(30,045)	(205,718)
- Gains less losses on securities measured at fair value through profit or loss	-	2,277
- Net fees and commission income	42,126	123,362
- <i>Fees and commission income</i>	51,407	138,838
- <i>Fees and commission expenses</i>	(9,281)	(15,476)
- Others	197,907	95,955
Total operating income	<u>1,424,818</u>	<u>1,919,129</u>
Operating expenses		
- Rental expenses	(38,079)	(35,788)
- Staff expenses	(69,300)	(85,383)
- Net charge for debt provision	(253,199)	146,143
- Other operating expenses	(28,118)	(28,201)
Total operating expenses	<u>(388,696)</u>	<u>(3,229)</u>
Profit before taxation	1,036,122	1,915,900
Tax expense	(207,491)	(265,690)
Profit after taxation	<u>828,631</u>	<u>1,650,210</u>
Other comprehensive income		
- Debt instruments at fair value through other comprehensive income reserve	7,067	56,822
Total comprehensive income for the period	<u>835,698</u>	<u>1,707,032</u>

China Development Bank - Hong Kong Branch

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II. Balance Sheet

	As at 30 June 2020	As at 31 December 2019
Assets		
Cash and balances with banks	24,510,787	26,584,289
Placements with banks which have a residual contractual maturity of more than one month but not more than 12 months	19,360,891	17,896,239
Due from Exchange Fund	3,330,265	966,459
Amount due from overseas offices	21,433	21,672
Loans and receivables and other accounts	288,038,478	288,540,512
Derivative financial instruments	3,230,978	1,692,102
Certificates of deposit held	53,311,446	41,580,874
Investment securities	22,464,539	31,579,962
Property, plant and equipment and investment properties	239,364	277,804
Total assets	<u>414,508,181</u>	<u>409,139,913</u>
Equity and liabilities		
Deposits and balances from banks	82,835,599	91,193,445
Deposits from customers	23,052,776	23,350,421
- Demand deposits and current accounts	-	-
- Savings deposits	16,520,700	16,031,503
- Time, call and notice deposits	6,532,076	7,318,918
Amount due to overseas offices	40,548,320	40,868,681
Certificates of deposit issued	193,777,191	171,402,451
Issued debt securities	69,442,528	78,972,541
Derivative financial instruments	182,733	288,695
Other liabilities	1,063,264	293,606
Total liabilities	<u>410,902,411</u>	<u>406,369,840</u>
Reserves	3,605,770	2,770,073
Total Equity and Liabilities	<u>414,508,181</u>	<u>409,139,913</u>

Amount expressed in thousand HKD, unless otherwise stated

III. Additional Balance Sheet Information

	As at 30 June 2020	As at 31 December 2019
(i) Loans and receivables and other accounts		
- loans and advances to customers	267,644,181	272,726,840
- loans and advances to banks	30,522,478	28,680,513
- accrued interest and other accounts	3,672,012	772,799
Less: Impairment allowances		
- stage 1	(5,572,591)	(5,742,041)
- stage 2	(3,195,439)	(2,723,220)
- stage 3	(5,032,163)	(5,174,379)
	<u>288,038,478</u>	<u>288,540,512</u>
(ii) Impaired loans and advances to customers:		
- Loans and advances	5,773,103	5,836,262
- Impairment allowances	(5,032,163)	(5,032,235)
- Collateral value	590,203	1,150,729
- Percentage to total loans and advances to customers	2.16%	2.14%

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

	As at 30 June 2020		As at 31 December 2019	
	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	12,130,753	-	10,818,872	-
- Property investment	-	-	-	-
- Financial concerns	87,946,219	3,152,428	78,803,079	5,383,620
- Wholesale and retail trade	6,137,217	287,412	6,192,972	104,577
- Manufacturing	1,246,531	789,311	866,782	809,774
- Transport and transport equipment	21,391,249	12,633,107	20,145,630	13,005,709
- Stockbrokers	1,561,074	-	1,562,753	-
- Information technology	1,395,574	-	1,403,029	-
- Others	17,333,817	1,314,283	16,469,328	1,682,283
<i>Trade finance</i>	-	-	-	-
<i>Loans and advances for use outside Hong Kong</i>	118,501,747	25,529,761	136,464,395	35,697,612
Total	<u>267,644,181</u>	<u>43,706,302</u>	<u>272,726,840</u>	<u>56,683,575</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 2020	As at 31 December 2019
China	114,286,925	123,740,240
Hong Kong	152,051,063	147,169,207
Other countries	1,306,193	1,817,393
	<u>267,644,181</u>	<u>272,726,840</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 2020		As at 31 December 2019	
	Gross amount	Impairment allowances	Gross amount	Impairment allowances
China	3,800,633	(3,426,313)	3,819,011	(3,412,862)
Hong Kong	1,972,470	(1,605,850)	2,017,251	(1,619,373)
	<u>5,773,103</u>	<u>(5,032,163)</u>	<u>5,836,262</u>	<u>(5,032,235)</u>

(v) Overdue or rescheduled assets

	As at 30 June 2020		As at 31 December 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	1,487,509	0.56%	1,238,466	0.45%
Overdue more than 3 months but not more than 6 months	-	-	-	-
Overdue more than 6 months but not more than 1 year	1,197,433	0.45%	-	-
Overdue more than 1 year	4,575,670	1.71%	4,597,796	1.69%
Total	<u>7,260,612</u>	<u>2.71%</u>	<u>5,836,262</u>	<u>2.14%</u>
Collateral value:				
Market value of collateral held against overdue loans and advances	1,016,914		1,150,729	
Secured portion of overdue loans and advances	1,016,914		1,150,729	
Unsecured portion of overdue loans and advances	6,243,698		4,685,533	
By geographical areas:				
China	5,288,142		3,819,011	
Hong Kong	<u>1,972,470</u>		<u>2,017,251</u>	
	<u>7,260,612</u>		<u>5,836,262</u>	
Impairment allowances	<u>(5,208,821)</u>		<u>(5,032,235)</u>	

(vi) Rescheduled assets

As at 30 June 2020 and 31 December 2019, 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 2020						
Developed countries	396	-	-	-	-	396
Offshore centres	2,913	-	25,515	87,582	-	116,010
- of which: Hong Kong	1,640	-	25,515	87,348	-	114,503
Developing Europe	1,349	-	-	-	-	1,349
Developing Latin America and Caribbean	11,865	-	-	-	-	11,865
Developing Africa and Middle East	5,027	932	-	-	-	5,959
Developing Asia and Pacific	116,748	-	7,545	106,883	-	231,176
- of which: China	112,716	-	7,545	106,742	-	227,003
Total	<u>138,298</u>	<u>932</u>	<u>33,060</u>	<u>194,465</u>	<u>-</u>	<u>366,755</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 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-Pacific	108,297	-	6,353	118,164	-	232,814
- of which: China	105,020	-	6,353	117,389	-	228,762
Total	129,137	938	38,099	190,340	41	358,555

V. Currency Risk

Foreign currency exposures other than reporting currency

	As at 30 June 2020					
	USD	GBP	EUR	CNY	Others	Total
HK\$ million eqvi.						
Spot assets	303,360	2,636	12,365	26,203	19	344,583
Spot liabilities	(264,571)	(1,610)	(11,172)	(26,577)	-	(303,930)
Forward purchases	8,016	603	-	5,201	-	13,820
Forward sales	(36,133)	(1,431)	(697)	(3,031)	-	(41,292)
Net option position	-	-	-	-	-	-
Net long (net short) position	10,672	198	496	1,796	19	13,181
Net structural position	-	-	-	-	-	-
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	-	-	-	-	-	-

VI. Non-Bank Mainland Exposures

	On-balance sheet exposure	Off-balance sheet exposure	Total
	HK\$ million eqvi.		
As at 30 June 2020			
(a) Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	166,710	29,126	195,836
(b) Local governments, local government-owned entities and their subsidiaries and JVs	40,470	5,775	46,245
(c) PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	29,356	3,867	33,223
(d) Other entities of central government not reported in item (a)	800	-	800
(e) Other entities of local governments not reported in item (b)	700	-	700
(f) PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	3,982	28	4,010
(g) Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	1,686	8	1,694
Total	243,704	38,804	282,508
Total assets after provision	415,131		
On-balance sheet exposures as percentage of total assets	58.71%		

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 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%		

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

	As at 30 June 2020	As at 31 December 2019
Contractual or notional amounts of other commitments		
Direct credit substitutes	11,780,566	12,041,150
Trade-related contingencies	-	257,383
Other commitments	46,113,515	37,118,720
	57,894,081	49,417,253

VIII. Derivative Transactions

	As at 30 June 2020	As at 31 December 2019
<i>Total contractual or notional amounts</i>		
Exchange rate-related derivative contracts	44,899,473	31,230,920
Interest rate derivative contracts	30,581,427	34,123,931
	75,480,900	65,354,851
<i>Total fair value asset</i>		
Exchange rate-related derivative contracts	296,451	150,845
Interest rate derivative contracts	2,934,527	1,541,257
	3,230,978	1,692,102
<i>Total fair value liability</i>		
Exchange rate-related derivative contracts	(153,885)	(199,924)
Interest rate derivative contracts	(28,848)	(88,771)
	(182,733)	(288,695)

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 2020 to 30 June 2020	From 1 Jan 2020 to 31 Mar 2020	From 1 Apr 2019 to 30 June 2019
Average liquidity maintenance ratio	107.96%	104.62%	79.07%
Average core funding ratio	91.68%	95.06%	83.58%

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 2020 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
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China Development Bank - Hong Kong Branch