


KDB Asia Limited
Interim Results 2016

Certified True Copy
For KDB ASIA LIMITED



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Authorized Signature

Corporate Information

KDB Asia Limited (“the Company”) is a limited company incorporated and domiciled in Hong Kong and is a restricted licence bank under the Hong Kong Banking Ordinance. Its registered office is Suite 2005-2010, 20th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

During the year, the principal activities of the Company consisted of deposit taking, loan syndication, underwriting, investment, trade financing and the provision of financial services.

In the opinion of the directors, the holding company is the Korea Development Bank, which is wholly owned by the South Korea Government.

Financial Review

The Company achieved a high net profit before tax of US\$12.1 million in the first half of year 2016 when compared to the same period of 2015. The increase in net profit before tax is mainly contributed by the increase in net interest income, net gains from financial assets held at fair value through profit or loss and release of impairment allowances on loans and advances.

Total assets recorded growth of 2.30% to US\$1,217.3 million (2015: US\$1,189.9 million), whereas total liabilities including deposits and borrowings recorded an increment of 1.4%, amounted to US\$969.1 million (2015: US\$955.3 million). Due to the current profit contribution for the period and the increase in revaluation reserve resulting from the appreciation of available-for-sale investments, the Company’s shareholders’ equity recorded a growth of 5.8% to US\$248.2 million (2015: US\$234.6 million).

Financial highlights for the first six months of 2016 are as follows:

- Return on average assets: 1.68%
- Return on average equities: 8.47%
- Average liquidity maintenance ratio: 156.37%
- Leverage ratio: 19.52%
- Common Equity Tier 1 capital ratio: 26.41%
- Tier 1 capital ratio: 26.41%
- Total capital ratio: 26.91%

The Directors of KDB Asia Limited announce that the unaudited interim results of the company for the first half year of 2016 are as follows:

(A) Income Statement

| | Notes | For the six months ended 30-Jun-2016 (unaudited) US\$ | For the six months ended 30-Jun-2015 (unaudited) US\$ |
|---|-------|--|--|
| Interest income | 1 | 15,241,369 | 11,552,118 |
| Interest expense | 2 | (5,813,380) | (3,402,778) |
| Net interest income | | 9,427,989 | 8,149,340 |
| Fee and commission income | | 4,916,630 | 4,986,224 |
| Fee and commission expense | | (253,766) | (124,579) |
| Net fee and commission income | 3 | 4,662,864 | 4,861,645 |
| Net gains from financial assets held at fair value through profit or loss | 4 | 1,670,730 | 131,126 |
| Net hedging loss | 5 | (285,764) | (118,461) |
| Other operating losses, net | 6 | (1,144,327) | (93,363) |
| Operating income | | 14,331,492 | 12,930,287 |
| Operating expenses | 7 | (4,631,045) | (4,419,849) |
| Release/(charge) of impairment allowances on loans and advances | 8 | 1,230,614 | (74,199) |
| Release of impairment allowance on available-for-sale investments | | 33,631 | 812,580 |
| Gains from sale of available-for-sale investments | | 1,170,847 | 1,420,779 |
| PROFIT BEFORE TAX | | 12,135,539 | 10,669,598 |
| Income tax expense | 9 | (1,913,863) | (1,533,176) |
| PROFIT FOR THE PERIOD | | 10,221,676 | 9,136,422 |

(B) Statement of Comprehensive Income

| | | For the six months ended | For the six months ended |
|--|-------|---|---|
| | Notes | 30-Jun-2016 (unaudited) US\$ | 30-Jun-2015 (unaudited) US\$ |
| PROFIT FOR THE PERIOD | | 10,221,676 | 9,136,422 |
| OTHER COMPREHENSIVE INCOME FOR THE PERIOD | | | |
| Other comprehensive income to be reclassified to income statement in subsequent periods: | | | |
| Available-for-sale investments: | | | |
| Net movement in the available-for-sale fair value reserve, net of tax | 10 | <u>3,385,742</u> | <u>(1,792,597)</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | <u>13,607,418</u> | <u>7,343,825</u> |

(C) Statement of Financial Position

| | Supplementary Information | At 30-Jun-2016 (unaudited) US\$ | At 31-Dec-2015 (audited) US\$ |
|---|------------------------------|---------------------------------------|-------------------------------------|
| ASSETS | | | |
| Cash and balances with banks and other financial institutions | | 33,151,492 | 12,616,602 |
| Placements with banks and other financial institutions | | 87,000,000 | 95,000,000 |
| Trade bills | | 161,403,867 | 200,008,889 |
| Trading assets | (D)1 | 39,483,325 | 10,248,684 |
| Loans and advances | (D)2 | 462,952,334 | 439,459,187 |
| Available-for-sale investments | | 416,548,142 | 421,456,680 |
| Property and equipment | (D)3 | 1,189,520 | 882,706 |
| Interest receivable and other assets | | 13,609,679 | 7,595,128 |
| Deferred tax assets | | 1,976,691 | 2,639,347 |
| TOTAL ASSETS | | 1,217,315,050 | 1,189,907,223 |
| EQUITY AND LIABILITIES | | | |
| LIABILITIES | | | |
| Deposits and balances of banks and other financial institutions | | 472,000,000 | 519,368,000 |
| Deposits from customers | (D)4 | 3,537,704 | 2,633,557 |
| Trading liabilities | | 3,893,537 | 1,598,416 |
| Certificates of deposit issued | | 425,090,725 | 362,978,357 |
| Tax payable | | 2,372,644 | 543,919 |
| Interest payable and other liabilities | | 62,223,011 | 68,194,963 |
| TOTAL LIABILITIES | | 969,117,621 | 955,317,212 |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY | | | |
| Share capital | | 140,000,000 | 140,000,000 |
| Reserves | (D)5 | 108,197,429 | 94,590,011 |
| TOTAL EQUITY | | 248,197,429 | 234,590,011 |
| TOTAL EQUITY AND LIABILITIES | | 1,217,315,050 | 1,189,907,223 |

Notes:**(1) Interest income arising from:**

| | For the six months ended 30-Jun-2016 (unaudited) US\$ | For the six months ended 30-Jun-2015 (unaudited) US\$ |
|------------------------------------|--|--|
| Listed investments | 5,475,040 | 4,169,879 |
| Unlisted investments | 580,867 | 738,840 |
| Trade bills and loans and advances | 8,585,171 | 6,171,227 |
| Others | 600,291 | 472,172 |
| | <u>15,241,369</u> | <u>11,552,118</u> |

Included in the above is interest income of US\$322,132 (2015: Nil) accrued on impaired financial assets for the period ended 30 June 2016.

(2) Interest expense arising from:

| | For the six months ended 30-Jun-2016 (unaudited) US\$ | For the six months ended 30-Jun-2015 (unaudited) US\$ |
|--|--|--|
| Deposits from customers, banks and other financial institutions and certificates of deposit issued | 5,813,380 | 3,402,778 |

(3) Net fee and commission income:

Of the total fee and commission income and expense, fee and commission income of US\$4,916,630 (2015: US\$4,986,224) and fee and commission expense of US\$253,766 (2015: US\$124,579) (other than fees included in determining the effective interest rate) are related to financial assets and liabilities not designated at fair value through profit or loss.

(4) Net gains from financial assets held at fair value through profit or loss:

| | For the six months ended 30-Jun-2016 (unaudited) US\$ | For the six months ended 30-Jun-2015 (unaudited) US\$ |
|-------------------------------------|--|--|
| Net gains from trading securities | 2,677,214 | 1,573,730 |
| Net interest expense on derivatives | (1,006,484) | (1,442,604) |
| | <u>1,670,730</u> | <u>131,126</u> |

Notes:**(5) Net hedging loss:**

| | For the six months ended 30-Jun-2016 (unaudited) US\$ | For the six months ended 30-Jun-2015 (unaudited) US\$ |
|---|--|--|
| Fair value hedges | | |
| - Net gains on hedged items attributable to the hedged risk | 4,696,130 | 440,950 |
| - Net losses on hedging instruments | (4,981,894) | (559,411) |
| | <u>(285,764)</u> | <u>(118,461)</u> |

(6) Other operating losses, net:

| | For the six months ended 30-Jun-2016 (unaudited) US\$ | For the six months ended 30-Jun-2015 (unaudited) US\$ |
|--|--|--|
| Net losses from dealing in foreign currencies | (1,160,892) | (99,093) |
| Dividend income from unlisted available-for-sale investments | 16,565 | 5,730 |
| | <u>(1,144,327)</u> | <u>(93,363)</u> |

(7) Operating expenses:

| | For the six months ended 30-Jun-2016 (unaudited) US\$ | For the six months ended 30-Jun-2015 (unaudited) US\$ |
|---------------------------------|--|--|
| Staff costs | 2,763,756 | 2,618,991 |
| Premises and equipment expenses | | |
| - Depreciation | 52,143 | 57,624 |
| - Rent | 1,034,256 | 963,958 |
| - Rates | 47,583 | 39,582 |
| | <u>1,133,982</u> | <u>1,061,164</u> |
| Auditor's remuneration | 31,500 | 30,638 |
| Others | 701,807 | 709,056 |
| | <u>733,307</u> | <u>739,694</u> |
| | <u>4,631,045</u> | <u>4,419,849</u> |

Included in the staff costs above are retirement scheme contribution of US\$20,200 (2015: US\$19,055) and operating lease charges in respect of staff quarters of US\$527,928 (2015: US\$392,962) for the period ended 30 June 2016.

Included in the above operating expenses are operating lease charges of US\$1,426,929 (2015: US\$1,241,501) for rental of properties and US\$135,255 (2015: US\$115,419) for rental of equipment.

Notes:

(8) Release/(charge) of impairment allowances on loans and advances:

| | For the six months ended 30-Jun-2016 (unaudited) US\$ | For the six months ended 30-Jun-2015 (unaudited) US\$ |
|--|--|--|
| Release/(charge) to income statement collectively assessed | 440,891 | (74,199) |
| Release to income statement individually assessed | 789,723 | - |
| | <u>1,230,614</u> | <u>(74,199)</u> |

(9) Income tax

| | For the six months ended 30-Jun-2016 (unaudited) US\$ | For the six months ended 30-Jun-2015 (unaudited) US\$ |
|---|--|--|
| Taxation in the income statement represents: | | |
| Current tax | | |
| Current tax provision | 1,828,725 | 1,544,341 |
| Deferred tax | | |
| Net reversal of temporary difference | 85,138 | (11,165) |
| | <u>1,913,863</u> | <u>1,533,176</u> |

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the reporting period.

Notes:

(10) Other comprehensive income

(a) Tax effects relating to each component of other comprehensive income

| | For the six months ended 30-Jun-2016 (unaudited) | | | For the six months ended 30-Jun-2015 (unaudited) | | |
|---|--|------------------|----------------------|--|----------------|----------------------|
| | Before-tax amount | Tax expense | Net-of-tax amount | Before-tax amount | Tax expense | Net-of-tax amount |
| | US\$ | US\$ | US\$ | US\$ | US\$ | US\$ |
| Available-for-sale investments: Net movement in available-for- sale investments fair value reserve | 3,963,260 | (577,518) | 3,385,742 | (1,581,868) | (210,729) | (1,792,597) |
| Other comprehensive income | 3,963,260 | (577,518) | 3,385,742 | (1,581,868) | (210,729) | (1,792,597) |

(b) Reclassification adjustments relating to components of other comprehensive income

| | For the six months ended 30-Jun-2016 (unaudited) US\$ | For the six months ended 30-Jun-2015 (unaudited) US\$ |
|--|--|--|
| Available-for-sale investments, net of tax: | | |
| Changes in fair value recognised during the period | 4,203,589 | (24,559) |
| Reclassification adjustments for gains and losses included in profit or loss | | |
| - gains on disposal | (817,847) | (1,768,038) |
| Net movement in the available-for-sale investments fair value reserve during the period recognised in other comprehensive income | 3,385,742 | (1,792,597) |

(D) Supplementary Information

(1) Trading assets

| | At 30-Jun-2016 (unaudited) US\$ | At 31-Dec-2015 (audited) US\$ |
|--|---------------------------------------|-------------------------------------|
| Listed debt securities, at fair value | 36,512,495 | 7,940,800 |
| Positive fair value of derivatives | 2,970,830 | 2,307,884 |
| | <u>39,483,325</u> | <u>10,248,684</u> |
| Trading securities issued by: | | |
| - banks and other financial institutions | 33,436,355 | - |
| - corporate entities | 3,076,140 | 7,940,800 |
| | <u>36,512,495</u> | <u>7,940,800</u> |
| Trading securities analysed by place of listing: | | |
| - Listed outside Hong Kong | 36,512,495 | 7,940,800 |
| | <u>36,512,495</u> | <u>7,940,800</u> |

(2) Loans and advances

(a) Loans and advances less impairment

| | At 30-Jun-2016 (unaudited) US\$ | At 31-Dec-2015 (audited) US\$ |
|--|---------------------------------------|-------------------------------------|
| Gross loans and advances to: | | |
| - banks | 20,687,081 | 50,671,177 |
| - customers | 468,951,659 | 416,705,031 |
| | <u>489,638,740</u> | <u>467,376,208</u> |
| Less: Collectively assessed impairment allowances on loans and advances to | | |
| - banks | (168,075) | (482,125) |
| - customers | (3,624,407) | (3,751,249) |
| | <u>(3,792,482)</u> | <u>(4,233,374)</u> |
| Less: Individually assessed impairment allowances on loans and advances to | | |
| - customers | (22,893,924) | (23,683,647) |
| | <u>(22,893,924)</u> | <u>(23,683,647)</u> |
| Net loans and advances to: | | |
| - banks | 20,519,006 | 50,189,052 |
| - customers | 442,433,328 | 389,270,135 |
| | <u>462,952,334</u> | <u>439,459,187</u> |

(D) **Supplementary Information**

(2) **Loans and advances (continued)**

| | At 30-Jun-2016 (unaudited) US\$ | At 31-Dec-2015 (audited) US\$ |
|---|--|--|
| (b) Impaired loans and advances: | | |
| Gross impaired loans and advances | 22,893,924 | 23,683,647 |
| Impairment allowance - individually assessed | (22,893,924) | (23,683,647) |
| | <hr/> - <hr/> | <hr/> - <hr/> |
| Gross impaired loans and advances as a percentage of total gross loans and advances | <hr/> 4.68% <hr/> | <hr/> 5.07% <hr/> |

Impaired loans and advances are individually assessed loans with objective evidence of impairment on an individual basis.

Individually assessed impaired loans and advances are unsecured.

(D) Supplementary Information

(2) Loans and advances (continued)

(c) By industry sectors

The analysis of loans and advances by industry sector is based on the categories used in the "Quarterly Analysis of Loans and Advances and Provisions" Return to the HKMA.

| | At 30-Jun-2016 (unaudited) US\$ | % of collateral securing loans and advances | At 31-Dec-2015 (audited) US\$ | % of collateral securing loans and advances |
|--|---------------------------------------|---|-------------------------------------|---|
| - Manufacturing | 11,892,494 | - | 16,807,008 | - |
| - Wholesale and retail trade | 70,355,594 | - | 35,812,326 | - |
| - Transport and transport equipment | 22,422,036 | - | 23,683,647 | - |
| - Financial concerns | 84,961,229 | 11.77% | 88,450,014 | 11.31% |
| - Stock brokers | 11,438,648 | - | 3,718,774 | - |
| - Others | 20,464,599 | - | 18,142,157 | - |
| Loans and advances for use in Hong Kong | 221,534,600 | - | 186,613,926 | - |
| Trade finance | 17,644,924 | - | 8,787,733 | 1.13% |
| Loans and advances for use outside Hong Kong | 250,459,216 | - | 271,974,549 | - |
| | 489,638,740 | 2.04% | 467,376,208 | 2.16% |

The gross amount of impairment loans and impairment allowances for industry sectors is analysed as follows:

| | Impaired loans and advances US\$ | Individually assessed impairment allowances US\$ | Collectively assessed impairment allowances US\$ |
|--|--|--|--|
| At 30 June 2016 (unaudited) | | | |
| - Manufacturing | - | - | 96,631 |
| - Wholesale and retail trade | - | - | 571,666 |
| - Transport and transport equipment | 2,893,924 | 2,893,924 | 158,673 |
| - Financial concerns | - | - | 690,343 |
| - Stock brokers | - | - | 92,943 |
| - Others | - | - | 166,283 |
| Loans and advances for use in Hong Kong | 2,893,924 | 2,893,924 | 1,776,539 |
| Trade finance | - | - | 143,372 |
| Loans and advances for use outside Hong Kong | 20,000,000 | 20,000,000 | 1,872,571 |
| | 22,893,924 | 22,893,924 | 3,792,482 |
| At 31 December 2015 (unaudited) | | | |
| - Manufacturing | - | - | 160,360 |
| - Wholesale and retail trade | - | - | 341,694 |
| - Transport and transport equipment | 3,683,647 | 3,683,647 | 190,825 |
| - Financial concerns | - | - | 843,922 |
| - Stock brokers | - | - | 35,482 |
| - Others | - | - | 173,097 |
| Loans and advances for use in Hong Kong | 3,683,647 | 3,683,647 | 1,745,380 |
| Trade finance | - | - | 83,846 |
| Loans and advances for use outside Hong Kong | 20,000,000 | 20,000,000 | 2,404,148 |
| | 23,683,647 | 23,683,647 | 4,233,374 |

(D) **Supplementary Information**

(2) **Loans and advances (continued)**

(d) **By geographical areas**

| | At 30-Jun-2016 (unaudited) US\$ | At 31-Dec-2015 (unaudited) US\$ |
|--|--|--|
| Gross loans and advances | | |
| - South Korea | 175,530,709 | 131,609,080 |
| - Hong Kong | 166,213,709 | 132,875,777 |
| - China | 36,604,872 | 84,611,500 |
| - Others | 88,395,526 | 94,596,204 |
| | 466,744,816 | 443,692,561 |
| Impaired loans (individually determined) | | |
| - South Korea | 22,893,924 | 23,683,647 |
| | 489,638,740 | 467,376,208 |

The above geographical analysis is classified by the location of the counterparties after taking into account the transfer of risk. For a claim guaranteed by a party situated in a country different from the counterparty, risk will be transferred to the country of the guarantor. For a claim on the branch of a bank or other financial institution, the risk will be transferred to the country where its head office is situated.

(3) **Property and equipment**

| | Land and buildings US\$ | Leasehold improvements US\$ | Furniture, fittings and office equipment US\$ | Motor vehicles US\$ | Total US\$ |
|------------------------------------|--------------------------------------|--|---|-------------------------------|----------------------|
| Cost: | | | | | |
| At 1 January 2016 | 1,022,708 | 713,796 | 704,600 | 117,680 | 2,558,784 |
| Additions | - | 352,316 | 6,641 | - | 358,957 |
| Disposal | - | - | (2,414) | - | (2,414) |
| At 30 June 2016 | 1,022,708 | 1,066,112 | 708,827 | 117,680 | 2,915,327 |
| Accumulated depreciation: | | | | | |
| At 1 January 2016 | 377,782 | 573,194 | 650,625 | 74,477 | 1,676,078 |
| Charge for the year | 8,222 | 18,871 | 13,346 | 11,704 | 52,143 |
| Written back on disposal | - | - | (2,414) | - | (2,414) |
| At 30 June 2016 | 386,004 | 592,065 | 661,557 | 86,181 | 1,725,807 |
| Net book value: | | | | | |
| At 30 June 2016 (unaudited) | 636,704 | 474,047 | 47,270 | 31,499 | 1,189,520 |
| At 31 December 2015 (audited) | 644,926 | 140,602 | 53,975 | 43,203 | 882,706 |

(D) **Supplementary Information**

(4) **Deposits from customers**

All of the deposits from customers are time deposits.

(5) **Reserves**

| | Retained profits US\$ | Available-for-sale investments revaluation reserve US\$ | Total US\$ |
|--|-----------------------------|---|--------------------|
| At 1 January 2016 | 88,179,338 | 6,410,673 | 94,590,011 |
| Available-for-sale investments: | | | |
| - Change in fair value, net of deferred tax | - | 4,203,589 | 4,203,589 |
| - Transfer to income statement on disposal | - | (817,847) | (817,847) |
| Profit for the period | 10,221,676 | - | 10,221,676 |
| At 30 June 2016 (unaudited) | 98,401,014 | 9,796,415 | 108,197,429 |
| At 1 January 2015 | 97,734,473 | 13,026,235 | 110,760,708 |
| Available-for-sale investments: | | | |
| - Change in fair value, net of deferred tax | - | (5,357,785) | (5,357,785) |
| - Transfer to income statement on disposal | - | (1,257,777) | (1,257,777) |
| Loss for the year | (2,059,997) | - | (2,059,997) |
| Dividend declared and paid for the year | (7,500,000) | - | (7,500,000) |
| Re-measurement gains on defined benefit scheme | 4,862 | - | 4,862 |
| At 31 December 2015 (audited) | 88,179,338 | 6,410,673 | 94,590,011 |

Nature and purpose of reserves

(i) Revaluation reserve on available-for-sale investments

The revaluation reserve on available-for-sale investments comprises the cumulative net change in the fair value of available-for-sale investments held at the end of the reporting period net of any deferred tax.

(ii) Regulatory reserve

At 30 June 2016, the Company has earmarked US\$889,595 (2015: US\$222,809) as regulatory reserve from retained profits. The regulatory reserve is maintained to satisfy the provisions of the Hong Kong Banking Ordinance for prudential supervision purposes. Movements in the reserve are made directly through retained profits and in consultation with the HKMA.

(D) Supplementary Information

(6) International claims (by ultimate nation)

International claims are on-balance sheet exposures to counterparties based on the location of the counterparties after taking into account the transfer of risk and by types of counterparties. For a claim guaranteed by a party situated in a country different from the counterparty, risk will be transferred to the country of the guarantor. For a claim on the branch of a bank or other financial institution, the risk will be transferred to the country where its head office is situated. Claims on individual countries or areas, after risk transfer, are shown as follows:

| | <i>Non-bank private sector</i> | | | |
|--|--------------------------------|---------------------------------------|----------------------------|--------------------|
| | Banks | Non-bank financial institutions | Non-bank private sector | Total |
| | US\$ | US\$ | US\$ | US\$ |
| At 30 June 2016 (Unaudited) | | | | |
| Developed countries | 73,916,446 | 26,905,271 | 9,532,096 | 110,353,813 |
| - of which Australia | 12,376,124 | - | - | 12,376,124 |
| - of which Belgium | 5,932 | - | - | 5,932 |
| - of which France | 3,076,356 | - | - | 3,076,356 |
| - of which Germany | 20,657,355 | - | - | 20,657,355 |
| - of which Ireland | - | 13,349,691 | - | 13,349,691 |
| - of which Japan | 2,209,142 | - | - | 2,209,142 |
| - of which Luxembourg | 2,044 | - | - | 2,044 |
| - of which Netherlands | - | - | 9,532,096 | 9,532,096 |
| - of which Spain | 698 | - | - | 698 |
| - of which Switzerland | 1,063,750 | - | - | 1,063,750 |
| - of which United Kingdom | 33,612,364 | 4,321,105 | - | 37,933,469 |
| - of which United States | 912,681 | 9,234,475 | - | 10,147,156 |
| Offshore centres | 12,173,963 | 105,849,526 | 150,350,456 | 268,373,945 |
| - of which Bahrain | 1,949,673 | - | - | 1,949,673 |
| - of which Cayman Islands | - | 19,457,490 | - | 19,457,490 |
| - of which Hong Kong | 10,224,290 | 81,265,969 | 150,350,456 | 241,840,715 |
| - of which Singapore | - | 5,126,067 | - | 5,126,067 |
| Developing Africa and Middle East | 10,318,817 | 9,917,972 | - | 20,236,789 |
| - of which Angola | - | 4,167,133 | - | 4,167,133 |
| - of which Kuwait | - | 5,750,839 | - | 5,750,839 |
| - of which United Arab Emirates | 10,318,817 | - | - | 10,318,817 |
| Developing Asia and Pacific | 458,211,429 | 25,861,111 | 323,234,414 | 807,306,954 |
| - of which China | 82,340,911 | 2,503,004 | 62,949,128 | 147,793,043 |
| - of which India | - | - | 18,998,000 | 18,998,000 |
| - of which Indonesia | - | 10,011,527 | 7,501,720 | 17,513,247 |
| - of which South Korea | 306,580,492 | 13,346,580 | 215,925,711 | 535,852,783 |
| - of which Malaysia | 23,429,676 | - | 569,224 | 23,998,900 |
| - of which Philippines | 20,771,270 | - | 17,290,631 | 38,061,901 |
| - of which Thailand | 24,698,163 | - | - | 24,698,163 |
| - of which Vietnam | 390,917 | - | - | 390,917 |

(D) Supplementary Information**(6) International claims (by ultimate nation) (continued)**

| | <i>Non-bank private sector</i> | | | |
|--|--------------------------------|---------------------------------------|----------------------------|-------------|
| | Banks | Non-bank financial institutions | Non-bank private sector | Total |
| | US\$ | US\$ | US\$ | US\$ |
| At 31 December 2015 (Unaudited) | | | | |
| Developed countries | 26,863,467 | 1,729,703 | 9,695,545 | 38,288,715 |
| - of which Australia | - | - | 14,948 | 14,948 |
| - of which Austria | 3,000,029 | - | - | 3,000,029 |
| - of which Belgium | 5,955 | - | - | 5,955 |
| - of which France | 1,072,158 | - | - | 1,072,158 |
| - of which Germany | 161,359 | - | - | 161,359 |
| - of which Japan | 20,028,797 | - | - | 20,028,797 |
| - of which Luxembourg | 6,294 | - | - | 6,294 |
| - of which Netherlands | - | - | 9,680,597 | 9,680,597 |
| - of which United Kingdom | 979,077 | 1,729,703 | - | 2,708,780 |
| - of which United States | 1,609,798 | - | - | 1,609,798 |
| Offshore centres | 17,255,740 | 93,189,235 | 110,450,581 | 220,895,556 |
| - of which Bahrain | 1,947,544 | - | - | 1,947,544 |
| - of which Cayman Islands | - | 15,365,158 | 19,740,522 | 35,105,680 |
| - of which Hong Kong | 15,308,196 | 72,860,360 | 90,710,059 | 178,878,615 |
| - of which Singapore | - | 4,963,717 | - | 4,963,717 |
| Developing Latin America and Caribbean | 20,067,172 | - | - | 20,067,172 |
| - of which Brazil | 20,067,172 | - | - | 20,067,172 |
| Developing Africa and Middle East | 10,067,117 | 4,583,843 | - | 14,650,960 |
| - of which Angola | - | 4,583,843 | - | 4,583,843 |
| - of which United Arab Emirates | 10,067,117 | - | - | 10,067,117 |
| Developing Asia and Pacific | 499,187,083 | 40,323,422 | 359,538,612 | 899,049,117 |
| - of which China | 63,271,151 | 29,008,939 | 109,174,846 | 201,454,936 |
| - of which Indonesia | - | 1,401,800 | 10,513,433 | 11,915,233 |
| - of which South Korea | 335,038,761 | 9,912,683 | 221,670,638 | 566,622,082 |
| - of which Malaysia | 45,492,326 | - | 381,426 | 45,873,752 |
| - of which Philippines | 20,769,075 | - | 17,798,269 | 38,567,344 |
| - of which Thailand | 24,560,053 | - | - | 24,560,053 |
| - of which Vietnam | 10,055,717 | - | - | 10,055,717 |

(D) **Supplementary Information**

(7) **Contingent liabilities, commitments and derivatives**

(a) **Contingent liabilities and commitments to extend credit**

| | At 30-Jun-2016 (unaudited) US\$ | At 31-Dec-2015 (audited) US\$ |
|---|---------------------------------------|-------------------------------------|
| Trade-related contingencies | 24,646,624 | 20,665,861 |
| Other commitments | | |
| - with an original maturity of under one year | 81,821,595 | 81,895,817 |
| - with an original maturity of more than one year | 3,547,780 | 22,528,057 |
| | <hr/> 110,015,999 | <hr/> 125,089,735 |
| Credit risk weighted amounts | <hr/> 23,067,534 | <hr/> 31,776,364 |

Contingent liabilities and commitments are credit-related instruments which include commitments to extend credit. The contractual amounts represent the amounts at risk should the contract be fully drawn upon and the customer default. As the facilities may expire without being drawn upon, the contractual amounts do not represent expected future cash flows.

The risk weights used range from 0% to 100% for contingent liabilities and commitments.

(b) **Capital commitments**

Commitments to unlisted investments in funds outstanding at the reporting period not provided for in the financial statements were as follows:

| | At 30-Jun-2016 (unaudited) US\$ | At 31-Dec-2015 (audited) US\$ |
|------------------------------|---------------------------------------|-------------------------------------|
| Contracted for | 7,510,888 | 4,183,580 |
| Credit risk weighted amounts | <hr/> 3,755,444 | <hr/> 2,091,790 |

(D) **Supplementary Information**

(7) **Contingent liabilities, commitments and derivatives (continued)**

(c) **Derivatives**

The use of derivatives as risk management products sold to customers is an integral part of the Company's business activities. These instruments are also used to manage the Company's own exposures to market risk as part of its asset and liability management process. The principal derivatives instruments used by the Company are interest and foreign exchange rate related contracts, which are primarily over-the-counter derivatives. For accounting purposes, derivatives are classified as trading financial instruments.

Derivatives refer to financial contracts whose value depends on the value of one or more underlying assets or indices. The notional amounts of these instruments indicate the volume of transactions outstanding at the reporting period and they do not represent amounts at risk.

| | At 30-Jun-2016 (unaudited) US\$ | At 31-Dec-2015 (audited) US\$ |
|-----------------------------------|--|--|
| Exchange rate contracts | | |
| Forwards | 137,211,305 | 80,642,877 |
| Swaps | 17,773,828 | 16,999,575 |
| | 154,985,133 | 97,642,452 |
| Interest rate contracts | | |
| Swaps | | |
| - Qualifying for hedge accounting | 274,500,000 | 291,500,000 |
| - Others | 44,500,000 | 60,500,000 |
| | 319,000,000 | 352,000,000 |
| Debt security contracts | | |
| Futures | 34,500,000 | 10,400,000 |
| | 508,485,133 | 460,042,452 |

The transactions are used to hedge the Company's own exposure to market risks as part of its asset and liability management.

(D) Supplementary Information

(7) Contingent liabilities, commitments and derivatives (continued)

(d) Risk exposure information

Fair values and credit risk weighted amounts of derivatives

| | At 30-Jun-2016 (unaudited) | | | At 31-Dec-2015 (audited) | | |
|--------------------------------|----------------------------|---------------------|-------------------------------------|--------------------------|---------------------|-------------------------------------|
| | Fair value | | Credit risk weighted amount US\$ | Fair value | | Credit risk weighted amount US\$ |
| | Assets US\$ | Liabilities US\$ | | Assets US\$ | Liabilities US\$ | |
| Exchange rate contracts | | | | | | |
| Forwards | 1,810,983 | 121,301 | 739,183 | 234,155 | 852,683 | 310,681 |
| Swaps | 829,170 | - | 201,382 | 9,459 | - | 35,891 |
| | 2,640,153 | 121,301 | 940,565 | 243,614 | 852,683 | 346,572 |
| Interest rate contracts | | | | | | |
| Swaps | 330,677 | 3,772,236 | 1,191,790 | 2,064,270 | 745,733 | 2,452,387 |
| Debt security contracts | | | | | | |
| Futures | - | - | 692,922 | - | - | 211,088 |
| | 2,970,830 | 3,893,537 | 2,825,277 | 2,307,884 | 1,598,416 | 3,010,047 |

Credit risk-weighted amount refers to the amount as computed in accordance with the Banking (Capital) Rules of the Hong Kong Banking Ordinance. The amount depends on the status of the counterparty and the maturity characteristics. The risk weights used range from 20% to 100% for exchange rate, interest rate and debt security contracts.

The Company did not enter into any bilateral netting arrangement during the period and accordingly these amounts are shown on a gross basis.

Fair values of derivatives designated as hedging instruments

The following is a summary of the fair values of derivatives held for hedging purposes by product type entered into by the Company:

| | At 30-Jun-2016 (unaudited) | | At 31-Dec-2015 (audited) | |
|-------|--------------------------------|---------------------|--------------------------|---------------------|
| | Assets US\$ | Liabilities US\$ | Assets US\$ | Liabilities US\$ |
| | Interest rate contracts | | | |
| Swaps | 290,072 | 3,611,755 | 1,811,550 | 136,725 |

Fair value hedges principally consist of interest rate swaps that are used to protect against changes in the fair value of certain fixed rate assets due to the movements in market interest rates. At 30 June 2016, the net fair value of interest rate swaps was US\$3,321,683 (2015: US\$1,674,825) comprising assets of US\$290,072 (2015: US\$1,811,550) and liabilities of US\$3,611,755 (2015: US\$136,725).

(D) **Supplementary Information**

(8) **Currency risk**

The Company's foreign currency positions arise from foreign exchange dealing and commercial banking operations. All foreign currency positions are managed by the global markets department within limits approved by the board.

The following table indicates the concentration of currency risk at the end of reporting period defined by the Banking (Disclosure) Rules.

| Expressed in millions of Hong Kong dollars | At 30-Jun-2016 (unaudited) | | | | | | |
|---|-----------------------------|---------------|-----------------|----------|----------|----------------------|-------------|
| | United States dollars | Korean Won | Japanese Yen | Euros | Renminbi | Singapore dollars | Total |
| Spot assets | 9,045 | 1 | 1 | 7 | 320 | 2 | 9,376 |
| Spot liabilities | (8,623) | - | (19) | - | (828) | (141) | (9,611) |
| Forward purchase | 2,851 | - | 18 | - | 585 | 139 | 3,593 |
| Forward sales | (3,313) | - | - | - | (76) | - | (3,389) |
| Net long/(short) position | (40) | 1 | - | 7 | 1 | - | (31) |

| Expressed in millions of Hong Kong dollars | At 31-Dec-2015 (unaudited) | | | | | | |
|---|-----------------------------|------------|-----------------|-------------|----------|----------------------|----------|
| | United states Dollars | Korean Won | Japanese Yen | Euros | Renminbi | Singapore dollars | Total |
| Spot assets | 9,111 | 1 | 13 | 11 | 153 | 1 | 9,290 |
| Spot liabilities | (8,906) | - | (17) | (34) | (313) | (133) | (9,403) |
| Forward purchase | 3,037 | - | - | - | 237 | 132 | 3,406 |
| Forward sales | (3,222) | - | - | - | (71) | - | (3,293) |
| Net long/(short) position | 20 | 1 | (4) | (23) | 6 | - | - |

(D) **Supplementary Information**

(9) **Capital adequacy ratios and regulatory capital disclosures**

(a) **Capital adequacy ratios**

| | At 30-Jun-2016 (unaudited) | At 31-Dec-2015 (audited) |
|---|---------------------------------------|-----------------------------|
| Common Equity Tier 1 ("CET1") capital ratio | 26.41% | 26.67% |
| Tier 1 capital ratio | 26.41% | 26.67% |
| Total capital ratio | 26.91% | 27.19% |

Capital adequacy ratios were compiled in accordance with the Banking (Capital) Rules ("the Capital Rules") issued by the HKMA. The capital disclosures at the reporting period are compiled in accordance with the Banking (Capital) (Amendment) Rules 2012 effective from 1 January 2013 for the implementation of the Basel III capital framework.

In accordance with the Capital rules, the Company has adopted the "basic approach" for the calculation of the risk-weighted assets for credit risk, the standardized (market risk) approach to calculate its market risk, and the "basic indicator approach" for the calculation of operational risk. The Company has adopted the "standardised method" for the calculation of CVA capital charge.

To comply with the Banking (Disclosure) Rules, all additional information in relation to the Company's regulatory capital disclosures will be published by using the standard disclosure templates as specified by the HKMA under the "Regulatory Disclosures" section on the website:

<https://www.kdb.co.kr/ih/simpleJsp.do?actionId=IHGMBBL&actionTg=IHGM&intgBlbdId=PDS253&menuId=IHIHGM9026&localeCode=en>

(D) Supplementary Information

(9) Capital adequacy ratios and regulatory capital disclosures (continued)

(b) Regulatory capital disclosures

| | At 30-Jun-2016 (unaudited) US\$ | At 31-Dec-2015 (audited) US\$ |
|---|---------------------------------------|-------------------------------------|
| CET1 capital instruments | 140,000,000 | 140,000,000 |
| Retained earnings | 98,401,014 | 88,179,338 |
| Disclosed reserves | 9,796,415 | 6,410,673 |
| CET 1 CAPITAL BEFORE DEDUCTIONS | 248,197,429 | 234,590,011 |
| Deduct: | | |
| Deferred tax assets in excess of deferred tax liabilities | (3,820,987) | (3,906,125) |
| Regulatory reserve for general banking risks | (889,595) | (222,809) |
| CET1 CAPITAL | 243,486,847 | 230,461,077 |
| ADDITIONAL TIER 1 CAPITAL AFTER DEDUCTIONS | - | - |
| TIER 1 CAPITAL | 243,486,847 | 230,461,077 |
| Regulatory reserve for general banking risks | 889,595 | 222,809 |
| Collective impairment allowance | 3,792,482 | 4,233,374 |
| TIER 2 CAPITAL | 4,682,077 | 4,456,183 |
| TOTAL CAPITAL BASE | 248,168,924 | 234,917,260 |

(D) Supplementary Information

(10) Liquidity maintenance ratio

The purpose of liquidity management is to ensure sufficient cash flows to meet all financial commitments and to capitalise on opportunities for business expansion. This includes the Company's ability to meet deposit withdrawals either on demand or at contractual maturity, to repay borrowings as they mature, to comply with the statutory liquidity ratio, and to make new loans and investments as opportunities arise.

Liquidity is managed on a daily basis by the global markets department under the direction of the Risk Management Committee. The global markets department is responsible for ensuring that the Company has adequate liquidity for all operations; ensuring that the funding mix is appropriate so as to avoid maturity mismatches and to prevent price and reinvestment risk in case of a maturity gap; and monitoring local and international markets for the adequacy of funding and liquidity.

The Company manages liquidity risk by holding sufficient liquid assets (e.g. cash and short-term funds and securities) of appropriate quality to ensure that short-term funding requirements are covered within prudent limits. Adequate facilities can be obtained from its holding company to provide liquidity to meet unexpected and material cash outflows in the ordinary course of business.

| | For the six months ended | |
|--|--------------------------|-------------|
| | 30-Jun-2016 | 30-Jun-2015 |
| | (unaudited) | (unaudited) |
| Average liquidity maintenance ratio for the period | 156.37% | 85.20% |

The Company calculates the average liquidity maintenance ratio of each calendar month by reference to position of specified days approved by the HKMA pursuant to Rule 48(2) of the Banking (Liquidity) Rules.

The average liquidity maintenance ratio is computed on a solo basis using the arithmetic mean of each calendar month's average liquidity maintenance ratio as reported in the return relating to liquidity position submitted to the HKMA.

(D) Supplementary Information

(11) Leverage ratio

| | At 30-Jun-2016 (unaudited) US\$ | At 31-Dec-2015 (audited) US\$ |
|---|---------------------------------------|-------------------------------------|
| On-balance sheet exposures | 1,214,344,220 | 1,187,599,339 |
| Less: | | |
| Regulatory adjustments | (3,820,987) | (3,906,125) |
| Total on-balance sheet exposures | 1,210,523,233 | 1,183,693,214 |
| Replacement cost associated with all derivatives transactions | 2,985,440 | 2,323,321 |
| Add-on amounts for potential future exposure associated with all derivatives transactions | 6,965,172 | 4,429,245 |
| Total derivative exposures | 9,950,612 | 6,752,566 |
| Exposures with a 20% credit conversion factor | 21,293,644 | 20,512,336 |
| Exposures with a 50% credit conversion factor | 5,529,334 | 13,355,818 |
| Total off-balance sheet exposures | 26,822,978 | 33,868,154 |
| Securities financing transaction exposures | - | - |
| Total exposures | 1,247,296,823 | 1,224,313,934 |
| Tier 1 capital | 243,486,847 | 230,461,077 |
| Leverage ratio | 19.52% | 18.82% |

Leverage ratio ("LR") is calculated in accordance with the completion instruction issued by the HKMA. The LR disclosure requirement is scheduled to take effect from 2015 for the implementation of the Basel III leverage ratio framework.

To comply with the Banking (Disclosure) Rules, all additional information in relation to the Company's leverage ratio disclosure will be published by using the standard disclosure templates as specified by the HKMA under the "Regulatory Disclosures" section on the website:

<https://www.kdb.co.kr/ih/simpleJsp.do?actionId=IHGM&actionTg=IHGM&intgBlbdId=PDS350&localeCode=en&menuId=IHGM9037>

(D) **Supplementary Information**

(12) **Countercyclical Capital Buffer (CCyB) Ratio**

CCyB ratio were complied in accordance with the Banking (Capital) Rules issued by the HKMA. The Company's specific CCyB rate is calculated as the weighted average of the applicable jurisdictional CCyB rates, in respect of the jurisdictions (including Hong Kong) where the Company has private sector credit exposures. The weight to be attributed to a given jurisdiction's applicable CCyB rate is the ratio of the Company's aggregate risk-weighted amounts for its private sector credit exposures (in both the banking book and the trading book) in that jurisdiction (where the location of the exposures is determined as far as possible on an ultimate risk basis) to the sum of the Company's aggregate risk-weighted amounts across all jurisdictions in which the Company has private sector credit exposure. For a credit exposure guaranteed by a party situated in a country different from the counterparty, risk will be transferred to the country of the guarantor.

Geographical breakdown of risk-weighted amounts (RWA) in relation to private sector credit exposures, are shown as follows:

At 30 June 2016 (unaudited)

| Jurisdiction | Applicable JCCyB ratio in effect | Total RWA used in computation of CCyB ratio US\$ | CCyB ratio | CCyB amount US\$ |
|----------------|----------------------------------|--|---------------|------------------|
| Hong Kong SAR | 0.625% | 275,375,367 | | |
| China | - | 65,952,132 | | |
| Angola | - | 4,167,133 | | |
| Cayman Islands | - | 23,212,934 | | |
| India | - | 18,998,000 | | |
| Indonesia | - | 17,513,247 | | |
| Ireland | - | 13,349,691 | | |
| Kuwait | - | 5,750,839 | | |
| Malaysia | - | 569,224 | | |
| Netherlands | - | 9,532,096 | | |
| Philippines | - | 17,290,631 | | |
| Singapore | - | 5,126,067 | | |
| South Korea | - | 217,745,632 | | |
| United Kingdom | - | 5,071,105 | | |
| United States | - | 9,234,475 | | |
| Total | | 688,888,573 | 0.250% | 1,722,221 |

Countercyclical capital buffer ratio is scheduled to take effect from 2016 for the implementation of the Basel III countercyclical capital buffer framework.

To comply with the Banking (Disclosure) Rules, all additional information in relation to the Company's countercyclical capital buffer ratio disclosure will be published by using the standard disclosure templates as specified by the HKMA under the "Regulatory Disclosures" section on the website:

<https://www.kdb.co.kr/ih/simpleJsp.do?actionId=IHGM BBL&actionTg=IHGM&intgBlbdId=PDS369&menuId=IHIGHM9048&localeCode=en>

Comparative figures are not presented as this is the first year of disclosure.

(D) Supplementary Information

(13) Non-bank Mainland China exposures

The analysis of non-bank Mainland China exposures is based on the categories of non-bank counterparties and the type of direct exposures with reference to the Completion Instruction for the HKMA return of non-bank Mainland exposures.

| | Items in HKMA return | 30-Jun-2016 (unaudited) | | |
|---|----------------------------|--------------------------------------|---------------------------------------|--------------------|
| | | On-balance sheet exposure US\$ | Off-balance sheet exposure US\$ | Total US\$ |
| Central government, central government-owned entities and their subsidiaries and joint ventures | 1 | 125,028,288 | 130,807 | 125,159,095 |
| Local governments, local government-owned entities and their subsidiaries and joint ventures | 2 | 26,724,055 | 2,961,538 | 29,685,593 |
| PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and joint ventures | 3 | 50,319,464 | - | 50,319,464 |
| Other entities of central government not reported in item 1 above | 4 | - | - | - |
| Other entities of local governments not reported in item 2 above | 5 | 11,542,453 | 2,307,692 | 13,850,145 |
| PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China | 6 | 49,454,142 | - | 49,454,142 |
| Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures | 7 | 27,256,263 | 2,706,030 | 29,962,293 |
| Total | 8 | 290,324,665 | 8,106,067 | 298,430,732 |
| Total assets after provision | 9 | 1,219,034,333 | | |
| On-balance sheet exposures as percentage of total assets | 10 | 23.82% | | |

No individually assessed impairment loss is provided for the above exposures.

(D) Supplementary Information

(13) Non-bank Mainland China exposures (continued)

| | Items in HKMA return | 31-Dec-2015 (audited) | | Total US\$ |
|---|----------------------|--------------------------------|---------------------------------|--------------------|
| | | On-balance sheet exposure US\$ | Off-balance sheet exposure US\$ | |
| Central government, central government-owned entities and their subsidiaries and joint ventures | 1 | 133,873,694 | 1,566,704 | 135,440,398 |
| Local governments, local government-owned entities and their subsidiaries and joint ventures | 2 | 24,049,641 | 5,250,000 | 29,299,641 |
| PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and joint ventures | 3 | 59,806,055 | - | 59,806,055 |
| Other entities of central government not reported in item 1 above | 4 | - | - | - |
| Other entities of local governments not reported in item 2 above | 5 | 3,892,267 | 10,000,000 | 13,892,267 |
| PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China | 6 | 43,845,546 | - | 43,845,546 |
| Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures | 7 | 24,803,569 | 2,824,166 | 27,627,735 |
| Total | 8 | <u>290,270,772</u> | <u>19,640,870</u> | <u>309,911,642</u> |
| Total assets after provision | 9 | <u>1,192,157,762</u> | | |
| On-balance sheet exposures as percentage of total assets | 10 | <u>24.35%</u> | | |

No individually assessed impairment loss is provided for the above exposures.

(D) Supplementary Information

(14) Overdue and rescheduled assets

(i) Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue and remains unpaid at the period-end.

| | At 30-Jun-2016 (unaudited) US\$ | At 31-Dec-2015 (audited) US\$ |
|---|--|--|
| Gross loans and advances to customers which have been overdue with respect to principal for period of | | |
| - Over 1 year | <u>2,893,924</u> | <u>3,683,647</u> |

(ii) Rescheduled loans and advances

Rescheduled loans and advances are those loans and advances which have been restructured or renegotiated because of a deterioration in the financial position of the borrower, or of the inability of the borrower to meet the original repayment schedule and for which the revised repayment terms are non-commercial to the Company.

There are no rescheduled loans and advances to banks and customers at 30 June 2016 and 31 December 2015.

(iii) Other overdue assets

| | At 30-Jun-2016 (unaudited) US\$ | At 31-Dec-2015 (audited) US\$ |
|---|--|--|
| Debt securities which have been overdue with respect to principal for period of | | |
| - Over 1 year | <u>1,465,797</u> | <u>1,499,428</u> |

(iv) There are no repossessed assets held at 30 June 2016 and 31 December 2015.

(E) Basis of preparation

The financial information presented in this report is prepared on a basis consistent with the accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements.

(F) Compliance with Disclosure Requirements

In preparing the interim results for the six months ended 30 June 2016, the Company has fully complied with the requirements set out in the Banking (Disclosure) Rules and the guideline on the application of the Banking (Disclosure) Rules issued by the Hong Kong Monetary Authority.

(G) Review of Interim Results

These interim results have been reviewed by the Company's Board of Directors.

- End -