

KDB Asia Limited
Interim Results 2021

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 period, 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 incorporated in Republic of Korea.

Financial Review

The Company achieved a net profit before tax of US\$20.0 million in the first half of year 2021, an increase when compared to the same period of 2020 of US\$4.8m, which was mainly due to the increase in net interest income, fee and commission income and gains from financial assets held at fair value through profit or loss.

Total assets increased by 7.31% to US\$2,656.5 million (2020: US\$2,475.5 million), whereas total liabilities including deposits and borrowings also increased by 8.08%, amounted to US\$2,207.4 million (2020: US\$2,042.3 million). Due to the current profit contribution for the period, the Company’s shareholders’ equity recorded a growth of 3.67% to US\$449.1 million (2020: US\$433.2 million).

Financial highlights for the first six months of 2021 are as follows:

- Return on average assets: 1.35%
- Return on average equities: 7.74%
- Average liquidity maintenance ratio: 66.66%
- Leverage ratio: 16.09%
- Common Equity Tier 1 capital ratio: 19.27%
- Tier 1 capital ratio: 19.27%
- Total capital ratio: 19.71%

The Directors of KDB Asia Limited announce that the unaudited interim results of the Company for the first half year of 2021 are as follows:

(A) Income Statement

	Notes	For the six months ended 30-Jun-2021 (unaudited) US\$	For the six months ended 30-Jun-2020 (unaudited) US\$
Interest income	1	23,446,029	34,080,600
Interest expense	2	(6,248,369)	(20,408,217)
Net interest income		17,197,660	13,672,383
Fee and commission income		5,509,559	3,105,124
Fee and commission expense		(775,882)	(658,702)
Net fee and commission income	3	4,733,677	2,446,422
Net gains/(losses) from financial assets held at fair value through profit or loss	4	12,240,904	(2,603,066)
Net hedging gains/(losses)	5	409,471	(1,043,254)
Other operating (losses)/gains, net	6	(5,895,547)	627,864
Operating income		28,686,165	13,100,349
Operating expenses	7	(5,416,261)	(5,354,789)
Net charge for credit loss expenses	8	(2,811,944)	(3,120,615)
Net (losses)/gains on sale of financial assets at fair value through other comprehensive income		(448,568)	155,855
PROFIT BEFORE TAX		20,009,392	4,780,800
Income tax expense	9	(3,146,629)	(755,445)
PROFIT FOR THE PERIOD		16,862,763	4,025,355

(B) Statement of Comprehensive Income

	For the six months ended	For the six months ended
Notes	30-Jun-2021 (unaudited) US\$	30-Jun-2020 (unaudited) US\$
PROFIT FOR THE PERIOD	16,862,763	4,025,355
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		
Other comprehensive income to be reclassified to income statement in subsequent periods:		
Financial assets at fair value through other comprehensive income:		
Net movement in financial assets at fair value through other comprehensive income revaluation reserve, net of tax	10 <u>(957,769)</u>	<u>(4,550,742)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	15,904,994	(525,387)

(C) Statement of Financial Position

	Supplementary Information	At 30-Jun-2021 (unaudited) US\$	At 31-Dec-2020 (audited) US\$
ASSETS			
Cash and balances with banks and other financial institutions		3,800,792	9,187,887
Placements with banks and other financial institutions		48,641,026	104,793,149
Trade bills		221,242,094	70,337,670
Financial assets at fair value through profit or loss	(F)1	75,738,950	45,538,588
Loans and advances	(F)2	1,815,407,076	1,826,548,950
Financial assets at fair value through other comprehensive income	(F)3	425,059,250	377,442,093
Property and equipment	(F)4	765,917	819,965
Rights-of-use assets	(F)5	3,125,503	4,127,014
Tax recoverable		-	344,526
Interest receivable and other assets		62,745,035	36,401,902
TOTAL ASSETS		2,656,525,643	2,475,541,744
EQUITY AND LIABILITIES			
LIABILITIES			
Deposits and balances of banks and other financial institutions		1,819,530,317	1,497,438,043
Deposits from customers	(F)6	1,054,079	43,159,291
Financial liabilities at fair value through profit or loss		1,478,020	5,848,651
Certificates of deposit issued		357,977,400	474,482,782
Lease liabilities	(F)5	3,188,448	4,215,212
Tax payable		1,461,868	-
Interest payable and other liabilities		22,301,660	17,102,080
Deferred tax liabilities		387,109	53,937
TOTAL LIABILITIES		2,207,378,901	2,042,299,996
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital		240,000,000	240,000,000
Reserves	(F)7	209,146,742	193,241,748
TOTAL EQUITY		449,146,742	433,241,748
TOTAL EQUITY AND LIABILITIES		2,656,525,643	2,475,541,744

(D) Statement of Changes in Equity

	Share capital US\$	Financial assets at fair value through other comprehensive income revaluation reserve US\$	Retained profits US\$	Total US\$
At 1 January 2021	240,000,000	2,240,715	191,001,033	433,241,748
Profit for the period	-	-	16,862,763	16,862,763
Other comprehensive income for the period:				
Net movement in financial assets at fair value through other comprehensive income revaluation reserve, net of tax	-	(957,769)	-	(957,769)
Total comprehensive income for the period	-	(957,769)	16,862,763	15,904,994
At 30 June 2021 (unaudited)	240,000,000	1,282,946	207,863,796	449,146,742
At 1 January 2020	240,000,000	2,466,284	180,333,611	422,799,895
Profit for the period	-	-	4,025,355	4,025,355
Other comprehensive income for the period:				
Net movement in financial assets at fair value through other comprehensive income revaluation reserve, net of tax	-	(4,550,742)	-	(4,550,742)
Total comprehensive income for the period	-	(4,550,742)	4,025,355	(525,387)
At 30 June 2020 (unaudited)	240,000,000	(2,084,458)	184,358,966	422,274,508

(E) Condensed Statement of Cash Flows

	For the six months ended 30-Jun-2021 (unaudited) US\$	For the six months ended 30-Jun-2020 (unaudited) US\$
Net cash flows used in operating activities	(19,685,017)	(39,608,022)
Net cash flows (used in)/from investing activities	(49,097,418)	42,506,060
Net cash flows used in financing activities	(1,590,117)	(1,610,539)
Net (decrease)/increase in cash and cash equivalents	(70,372,552)	1,287,499
Cash and cash equivalents at 1 January	104,173,344	121,794,246
Cash and cash equivalents at 30 June	<u>33,800,792</u>	<u>123,081,745</u>

Components of cash and cash equivalents in the condensed statement of cash flows:

For the purposes of the condensed statement of cash flows, cash and cash equivalents comprise the following balances with original maturity of three months or less:

	30-Jun-2021 (unaudited) US\$	30-Jun-2020 (unaudited) US\$
Cash and balances with banks and other financial institutions	3,800,792	9,271,801
Placements with banks and other financial institutions	48,641,026	113,809,944
Cash and bank balances and placements	52,441,818	123,081,745
Less: Placements with banks and other financial institutions with original maturity more than three months	(18,641,026)	-
Cash and cash equivalents	<u>33,800,792</u>	<u>123,081,745</u>

Operational cash flows from interest and dividends:

	For the six months ended 30-Jun-2021 (unaudited) US\$	For the six months ended 30-Jun-2020 (unaudited) US\$
Interest received	25,223,067	35,193,716
Interest paid	7,106,099	20,974,463
Dividend received	<u>232,693</u>	<u>259,633</u>

Notes:

(1) Interest income arising from:

	For the six months ended 30-Jun-2021 (unaudited) US\$	For the six months ended 30-Jun-2020 (unaudited) US\$
Listed investments	5,297,738	6,648,898
Trade bills and loans and advances	17,955,050	26,638,734
Others	193,241	792,968
	<u>23,446,029</u>	<u>34,080,600</u>

Interest income is calculated using the effective interest rate method. Included in the above is interest income of US\$117,447 (2020: US\$386,375) accrued on impaired financial assets for the period ended 30 June 2021.

(2) Interest expense arising from:

	For the six months ended 30-Jun-2021 (unaudited) US\$	For the six months ended 30-Jun-2020 (unaudited) US\$
Deposits from customers, banks and other financial institutions and certificates of deposit issued	6,206,391	20,330,723
Lease liabilities	41,978	77,494
	<u>6,248,369</u>	<u>20,408,217</u>

(3) Net fee and commission income:

All fee and commission income and expense are related to financial assets and liabilities not designated at fair value through profit or loss.

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

	For the six months ended 30-Jun-2021 (unaudited) US\$	For the six months ended 30-Jun-2020 (unaudited) US\$
Net gains/(losses) from trading securities/investments in funds	15,255,117	(1,716,266)
Net interest expenses on derivatives	(3,014,213)	(886,800)
	12,240,904	(2,603,066)

(5) Net hedging gains/(losses):

	For the six months ended 30-Jun-2021 (unaudited) US\$	For the six months ended 30-Jun-2020 (unaudited) US\$
Fair value hedges		
- Net (losses)/gains on hedged items attributable to the hedged risk	(3,688,279)	11,777,668
- Net gains/(losses) on hedging instruments	4,097,750	(12,820,922)
	409,471	(1,043,254)

(6) Other operating (losses)/gains, net:

	For the six months ended 30-Jun-2021 (unaudited) US\$	For the six months ended 30-Jun-2020 (unaudited) US\$
Net (losses)/gains from dealing in foreign currencies	(6,128,889)	322,457
Dividend income from unlisted financial assets at fair value through profit or loss	232,693	259,633
Others	649	45,774
	(5,895,547)	627,864

Notes:

(7) Operating expenses:

	For the six months ended 30-Jun-2021 (unaudited) US\$	For the six months ended 30-Jun-2020 (unaudited) US\$
Staff costs	<u>3,357,229</u>	<u>3,254,032</u>
Premises and equipment expenses		
- Depreciation of property and equipment	55,804	62,645
- Depreciation of rights-of-use assets	1,111,691	1,115,155
- Rent	189,901	200,969
- Rates	51,162	58,940
	<u>1,408,558</u>	<u>1,437,709</u>
Auditor's remuneration	34,830	34,790
Others	615,644	628,258
	<u>650,474</u>	<u>663,048</u>
	<u>5,416,261</u>	<u>5,354,789</u>

Included in the staff costs above are retirement scheme contribution of US\$36,192 (2020: US\$33,151) and operating lease charges in respect of staff quarters of US\$22,161 (2020: US\$27,372) and depreciation of rights-of-use assets in respect of staff quarters of US\$411,844 (2020: US\$444,033) for the period ended 30 June 2021.

Included in the above operating expenses are total operating lease charges of US\$32,314 (2020: US\$35,520) for rental of properties and US\$179,748 (2020: US\$192,821) for rental of equipment.

(8) Net charge for credit loss expenses:

	For the six months ended 30-Jun-2021 (unaudited)			
	12-month ECL (Stage 1) US\$	Lifetime ECL not credit impaired (Stage 2) US\$	Lifetime ECL credit impaired (Stage 3) US\$	Total US\$
Net charge for credit loss expenses /(reversal of credit loss allowances):				
- Cash and cash equivalents	(14,543)	-	-	(14,543)
- Trade bills	11,430	-	-	11,430
- Loans and advances	2,181,363	594,489	(120,000)	2,655,852
- Financial assets at fair value through other comprehensive income	53,043	-	-	53,043
- Interest receivable and other assets	5,726	7,575	-	13,301
- Other commitments	91,461	-	-	91,461
- Trade-related contingencies	1,400	-	-	1,400
	<u>2,329,880</u>	<u>602,064</u>	<u>(120,000)</u>	<u>2,811,944</u>

Notes:**(8) Net charge for credit loss expenses(continued):**

	For the six months ended			
	30-Jun-2020 (unaudited)			
	12-month ECL (Stage 1) US\$	Lifetime ECL not credit impaired (Stage 2) US\$	Lifetime ECL credit impaired (Stage 3) US\$	Total US\$
Net charge for credit loss expenses /(reversal of credit loss allowances):				
- Cash and cash equivalents	34,090	-	-	34,090
- Trade bills	529	-	-	529
- Loans and advances	862,432	2,276,299	-	3,138,731
- Financial assets at fair value through other comprehensive income	(6,578)	-	-	(6,578)
- Interest receivable and other assets	1,584	1,101	-	2,685
- Other commitments	(43,286)	-	-	(43,286)
- Trade-related contingencies	(5,556)	-	-	(5,556)
	<u>843,215</u>	<u>2,277,400</u>	<u>-</u>	<u>3,120,615</u>

(9) Income tax:

	For the six months ended 30-Jun-2021 (unaudited) US\$	For the six months ended 30-Jun-2020 (unaudited) US\$
Taxation in the income statement represents:		
Current tax		
Current tax provision	2,639,084	1,405,987
Deferred tax		
Net charge/(reversal) of temporary difference	507,545	(650,542)
	<u>3,146,629</u>	<u>755,445</u>

Under the two-tiered profit tax rates regime, Hong Kong profits tax has been provided at the rate of 8.25% (2020: 8.25%) on estimated assessable profits of first HK\$2 million arising in Hong Kong during the year. The remainder of the assessable profits is to be taxed at 16.5% (2020: 16.5%).

Notes:

(10) Other comprehensive income:

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

	For the six months ended 30-Jun-2021 (unaudited)			For the six months ended 30-Jun-2020 (unaudited)		
	Before-tax amount	Tax effect	Net-of-tax amount	Before-tax amount	Tax effect	Net-of-tax amount
	US\$	US\$	US\$	US\$	US\$	US\$
Financial assets at fair value through other comprehensive income:						
Net movement in financial assets at fair value through other comprehensive income revaluation reserve	(1,132,141)	174,372	(957,769)	(5,450,237)	899,495	(4,550,742)
Other comprehensive income	(1,132,141)	174,372	(957,769)	(5,450,237)	899,495	(4,550,742)

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

	For the six months ended 30-Jun-2021 (unaudited) US\$	For the six months ended 30-Jun-2020 (unaudited) US\$
Financial assets at fair value through other comprehensive income, net of tax		
Changes in fair value recognised during the period	(1,368,581)	(4,438,408)
Reclassification adjustments for gains and losses included in profit or loss		
- Losses/(gains) on disposal	357,769	(105,756)
- Net movement in credit loss allowance of financial assets at fair value through other comprehensive income	53,043	(6,578)
Net movement in financial assets at fair value through other comprehensive income revaluation reserve income	(957,769)	(4,550,742)

(F) Supplementary Information

(1) Financial assets at fair value through profit or loss

	At 30-Jun-2021 (unaudited) US\$	At 31-Dec-2020 (audited) US\$
Listed debt securities, at fair value	10,983,710	-
Unlisted investments in funds, at fair value	60,170,623	43,438,948
Positive fair values of derivatives	4,584,617	2,099,640
	75,738,950	45,538,588
Trading securities issued by:		
- Corporate entities	2,014,760	-
- Banks and other financial institutions	8,968,950	-
	10,983,710	-
Trading securities analysed by place of listing:		
- Listed outside Hong Kong	2,014,760	-
- Listed in Hong Kong	8,968,950	-
	10,983,710	-

The above listed debt securities were classified as held for trading. The fair values of these listed securities are based on quoted market price.

(F) Supplementary Information

(2) Loans and advances

(a) Loans and advances less impairment

	At 30-Jun-2021 (unaudited) US\$	At 31-Dec-2020 (audited) US\$
Gross loans and advances to:		
- Banks	68,648,915	95,558,211
- Customers	1,764,554,316	1,746,131,042
	<u>1,833,203,231</u>	<u>1,841,689,253</u>
Less: Credit loss allowances on non-credit impaired loans and advances to		
- Banks	(17,901)	(17,551)
- Customers	(8,018,254)	(5,242,752)
	<u>(8,036,155)</u>	<u>(5,260,303)</u>
Less: Credit loss allowances on credit impaired loans and advances to		
- Customers	(9,760,000)	(9,880,000)
	<u>(9,760,000)</u>	<u>(9,880,000)</u>
Net loans and advances to:		
- Banks	68,631,014	95,540,660
- Customers	1,746,776,062	1,731,008,290
	<u>1,815,407,076</u>	<u>1,826,548,950</u>

(F) Supplementary Information

(2) Loans and advances (continued)

(b) By industry sectors

Loans and advances analysed by the coverage of collateral, overdue amount and the provisions is as follows. The economic sector analysis is based on the categories and definitions used by the HKMA.

	Gross loans and advances US\$	Percentage of collateral securing loans and advances	Specific provisions US\$	General provisions US\$	(Reversal of credit loss allowances)/credit loss expenses charged to income statement during the period/year US\$
At 30 June 2021 (unaudited)					
Industrial, commercial and financial					
- Property development	48,005,789	-	-	72,161	26,852
- Property investment	61,506,297	-	-	122,277	50,776
- Financial concerns	77,538,737	-	-	53,546	17,985
- Stock brokers	52,051,282	-	-	25,392	10,866
- Wholesale and retail trade	154,092,709	-	-	477,814	34,406
- Manufacturing	114,887,955	-	-	300,811	145,692
- Transport and transport equipment	54,851,873	-	-	53,865	6,795
- Recreational activities	6,000,000	-	-	6,426	2,712
- Others	100,180,197	-	-	441,156	155,821
Loans and advances for use in Hong Kong	669,114,839	-	-	1,553,448	451,905
Trade finance	9,361,868	1.61%	-	20,617	12,802
Loans and advances for use outside Hong Kong	1,154,726,524	-	9,760,000	6,462,090	2,191,145
	1,833,203,231	0.01%	9,760,000	8,036,155	
Credit loss expenses from income statement during the period					2,655,852
At 31 December 2020 (audited)					
Industrial, commercial and financial					
- Property development	47,958,225	-	-	45,309	21,279
- Property investment	61,467,065	-	-	71,501	66,818
- Financial concerns	92,422,574	-	-	35,561	11,634
- Stock brokers	44,362,758	-	-	14,526	5,009
- Wholesale and retail trade	185,782,829	-	-	443,408	228,660
- Manufacturing	130,601,673	-	-	155,119	(29,866)
- Transport and transport equipment	49,830,703	-	-	47,070	47,070
- Recreational activities	6,000,000	-	-	3,714	1,158
- Others	108,337,847	-	-	285,335	168,105
Loans and advances for use in Hong Kong	726,763,674	-	-	1,101,543	519,867
Trade finance	1,790,000	-	-	7,815	5,745
Loans and advances for use outside Hong Kong	1,113,135,579	-	9,880,000	4,150,945	10,050,808
	1,841,689,253	-	9,880,000	5,260,303	
Credit loss expenses from income statement during the year					10,576,420

(F) Supplementary Information

(2) Loans and advances (continued)

(c) Movement in credit loss allowances on loans and advances

	12-month ECL (Stage 1) US\$	Lifetime ECL not credit impaired (Stage 2) US\$	Lifetime ECL credit impaired (Stage 3) US\$	Total US\$
At 1 January 2021	2,868,311	2,391,992	9,880,000	15,140,303
New loans/financing originated	1,063,175	-	-	1,063,175
Loans/financing derecognised or repaid during the period (other than write-offs)	(802,833)	-	(120,000)	(922,833)
Movements due to changes in credit risk	1,921,021	594,489	-	2,515,510
At 30 June 2021	5,049,674	2,986,481	9,760,000	17,796,155
Attributable to:				
Loans and advances to banks (note 2(a))	17,901	-	-	17,901
Loans and advances to customers (note 2(a))	5,031,773	2,986,481	9,760,000	17,778,254
	5,049,674	2,986,481	9,760,000	17,796,155
Deducted from:				
Loans and advances to banks (note 2(a))	68,648,915	-	-	68,648,915
Loans and advances to customers (note 2(a))	1,743,930,066	10,864,250	9,760,000	1,764,554,316
	1,812,578,981	10,864,250	9,760,000	1,833,203,231
At 1 January 2020	1,489,664	2,219	3,072,000	4,563,883
New loans/financing originated	1,741,687	-	-	1,741,687
Loans/financing derecognised or repaid during the year (other than write-offs)	(368,056)	(156,659)	(1,144,000)	(1,668,715)
Transfer between stages - transfer to lifetime ECL not credit impaired (Stage 2)	(264,789)	2,312,789	(2,048,000)	-
Transfer between stages - transfer to lifetime ECL credit impaired (Stage 3)	-	(2,690,303)	2,690,303	-
Movements due to changes in credit risk	269,805	2,923,946	7,309,697	10,503,448
At 31 December 2020	2,868,311	2,391,992	9,880,000	15,140,303
Attributable to:				
Loans and advances to banks (note 2(a))	17,551	-	-	17,551
Loans and advances to customers (note 2(a))	2,850,760	2,391,992	9,880,000	15,122,752
	2,868,311	2,391,992	9,880,000	15,140,303
Deducted from:				
Loans and advances to banks (note 2(a))	95,558,211	-	-	95,558,211
Loans and advances to customers (note 2(a))	1,723,772,542	12,478,500	9,880,000	1,746,131,042
	1,819,330,753	12,478,500	9,880,000	1,841,689,253

(F) Supplementary Information

(2) Loans and advances (continued)

(d) Impaired loans and advances

	At 30-Jun-2021 (unaudited) US\$	At 31-Dec-2020 (audited) US\$
Gross impaired loans and advances	9,760,000	9,880,000
Credit loss allowances		
- Credit impaired	<u>(9,760,000)</u>	<u>(9,880,000)</u>
	<u>-</u>	<u>-</u>
Gross impaired loans and advances as a percentage of total gross loans and advances	<u>0.53%</u>	<u>0.54%</u>

Credit impaired loans and advances are unsecured.

(e) By geographical areas

	At 30-Jun-2021 (unaudited) US\$	At 31-Dec-2020 (audited) US\$
Gross loans and advances		
- Hong Kong	574,108,766	703,098,247
- China	737,885,103	632,004,200
- Korea	280,537,552	265,113,540
- Others	<u>230,911,810</u>	<u>231,593,266</u>
	<u>1,823,443,231</u>	<u>1,831,809,253</u>
Impaired loans (credit impaired)		
- China	<u>9,760,000</u>	<u>9,880,000</u>
	<u>1,833,203,231</u>	<u>1,841,689,253</u>

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.

(F) Supplementary Information

(3) Financial assets at fair value through other comprehensive income

	At 30-Jun-2021 (unaudited) US\$	At 31-Dec-2020 (audited) US\$
Debt securities		
- Listed in Hong Kong	158,418,840	125,677,200
- Listed outside Hong Kong	266,581,309	251,706,873
	<u>425,000,149</u>	<u>377,384,073</u>
Unlisted equity securities	59,101	58,020
	<u>425,059,250</u>	<u>377,442,093</u>
Issued by:		
Sovereigns	34,806,150	9,952,900
Banks and other financial institutions	131,027,910	92,183,845
Corporate entities	259,225,190	275,305,348
	<u>425,059,250</u>	<u>377,442,093</u>

(4) Property and equipment

	Land and buildings US\$	Leasehold improvements US\$	Furniture, fittings and office equipment US\$	Total US\$
2021				
Cost:				
At 1 January 2021	1,022,708	1,125,445	798,652	2,946,805
Additions	-	-	1,756	1,756
Disposal	-	-	(510)	(510)
At 30 June 2021	<u>1,022,708</u>	<u>1,125,445</u>	<u>799,898</u>	<u>2,948,051</u>
Accumulated depreciation:				
At 1 January 2021	460,452	963,705	702,683	2,126,840
Charge for the period	8,199	29,863	17,742	55,804
Written back on disposal	-	-	(510)	(510)
At 30 June 2021	<u>468,651</u>	<u>993,568</u>	<u>719,915</u>	<u>2,182,134</u>
Net book value:				
At 30 June 2021 (unaudited)	<u>554,057</u>	<u>131,877</u>	<u>79,983</u>	<u>765,917</u>
2020				
Cost:				
At 1 January 2020	1,022,708	1,125,445	799,235	2,947,388
Additions	-	-	10,370	10,370
Disposal	-	-	(10,953)	(10,953)
At 31 December 2020	<u>1,022,708</u>	<u>1,125,445</u>	<u>798,652</u>	<u>2,946,805</u>
Accumulated depreciation:				
At 1 January 2020	443,918	889,796	678,303	2,012,017
Charge for the year	16,534	73,909	35,333	125,776
Written back on disposal	-	-	(10,953)	(10,953)
At 31 December 2020	<u>460,452</u>	<u>963,705</u>	<u>702,683</u>	<u>2,126,840</u>
Net book value:				
At 31 December 2020 (audited)	<u>562,256</u>	<u>161,740</u>	<u>95,969</u>	<u>819,965</u>

- (F) **Supplementary Information**
- (5) **Rights-of-use assets and lease liabilities**
- (a) **Rights-of-use assets**

	Prepaid land lease payments US\$	Motor vehicles US\$	Total US\$
2021			
Cost:			
At 1 January 2021	8,684,567	261,395	8,945,962
Additions	386,064	-	386,064
Changes arising from lease modification	147,701	-	147,701
Disposal	(721,719)	-	(721,719)
At 30 June 2021	8,496,613	261,395	8,758,008
Accumulated depreciation:			
At 1 January 2021	4,748,353	70,595	4,818,948
Charge for the period	1,489,000	34,535	1,523,535
Written back on disposal	(709,978)	-	(709,978)
At 30 June 2021	5,527,375	105,130	5,632,505
Net carrying amount:			
At 30 June 2021 (unaudited)	2,969,238	156,265	3,125,503
2020			
Cost:			
At 1 January 2020	8,572,574	130,825	8,703,399
Additions	370,861	130,344	501,205
Changes arising from lease modification	41,200	226	41,426
Disposal	(300,068)	-	(300,068)
At 31 December 2020	8,684,567	261,395	8,945,962
Accumulated depreciation:			
At 1 January 2020	1,946,863	4,361	1,951,224
Charge for the year	3,101,558	66,234	3,167,792
Written back on disposal	(300,068)	-	(300,068)
At 31 December 2020	4,748,353	70,595	4,818,948
Net carrying amount:			
At 31 December 2020 (audited)	3,936,214	190,800	4,127,014

The Company leases certain of its office, staff quarters and motor vehicles used in its operations. Leases for these assets are negotiated for terms ranging from two to five years (2020: two to five years).

(F) **Supplementary Information**

(5) **Rights-of-use assets and lease liabilities (continued)**

(b) **Lease liabilities**

	At 30-Jun-2021 (unaudited) US\$	At 31-Dec-2020 (audited) US\$
At 1 January	4,215,212	6,764,556
Additions	386,064	501,205
Accretion of interest	41,978	131,107
Payments	(1,590,117)	(3,223,082)
Changes arising from lease modification	147,701	41,426
Disposal	(12,390)	-
	<u>3,188,448</u>	<u>4,215,212</u>

(c) **Amounts recognised in income statement**

	For the six months ended 30-Jun-2021 (unaudited) US\$	For the six months ended 30-Jun-2020 (unaudited) US\$
Depreciation expense of rights-of-use assets	1,523,535	1,559,188
Interest expense on lease liabilities	41,978	77,494
Operating lease charges to short-term leases	212,061	228,342
Net gain on termination on leases	(649)	(506)
Total amounts recognised in income statement	<u>1,776,925</u>	<u>1,864,518</u>

The Company had total cash outflows of US\$1,590,117 (2020: US\$3,223,082) for the period ended 30 June 2021. The Company also had non-cash additions of rights-of-use assets and lease liabilities of US\$386,064 and US\$386,064 (2020: US\$501,205 and US\$501,205) for the period ended 30 June 2021 respectively.

(6) **Deposits from customers**

All of the deposits from customers are time deposits.

(F) Supplementary Information

(7) Reserves

	Retained profits US\$	Financial assets at fair value through other comprehensive income revaluation reserve US\$	Total US\$
At 1 January 2021	191,001,033	2,240,715	193,241,748
Financial assets at fair value through other comprehensive income:			
- Change in fair value, net of deferred tax	-	(1,368,581)	(1,368,581)
- Transfer to income statement on disposal	-	357,769	357,769
- Transfer of credit loss expenses to income statement	-	53,043	53,043
Profit for the period	16,862,763	-	16,862,763
At 30 June 2021 (unaudited)	207,863,796	1,282,946	209,146,742
At 1 January 2020	180,333,611	2,466,284	182,799,895
Financial assets at fair value through other comprehensive income:			
- Change in fair value, net of deferred tax	-	(85,179)	(85,179)
- Transfer to income statement on disposal	-	(204,487)	(204,487)
- Transfer of credit loss expenses to income statement	-	64,097	64,097
Profit for the year	10,676,269	-	10,676,269
Re-measurement gains on defined benefit scheme	(8,847)	-	(8,847)
At 31 December 2020 (audited)	191,001,033	2,240,715	193,241,748

Nature and purpose of reserves

(a) Revaluation reserve on financial assets at fair value through other comprehensive income revaluation reserve

The revaluation reserve on financial assets at fair value through other comprehensive income revaluation reserve comprises the cumulative net change in the fair value of financial assets at fair value through other comprehensive income revaluation reserve held at the end of the reporting period net of any deferred tax.

(b) Regulatory reserve

As at 30 June 2021, the Company has earmarked US\$1,854,682 (31 December 2020: US\$6,715,144) 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.

(F) **Supplementary Information**

(8) **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 derivative 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.

(a) **Notional amount of derivatives**

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-2021 (unaudited) US\$	At 31-Dec-2020 (audited) US\$
Exchange rate contracts		
Forwards	418,775,782	329,546,051
Interest rate contracts		
Swaps		
- Qualifying for hedge accounting	310,200,000	329,200,000
- Others	57,200,000	22,200,000
	367,400,000	351,400,000
Debt security contracts		
Futures	12,000,000	-
	798,175,782	680,946,051

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

(F) Supplementary Information

(8) Derivatives (continued)

(b) Fair values and credit risk weighted amounts of derivatives

	At 30-Jun-2021 (unaudited)			At 31-Dec-2020 (audited)		
	Fair value		Credit risk weighted amount	Fair value		Credit risk weighted amount
	Assets	Liabilities		Assets	Liabilities	
	US\$	US\$	US\$	US\$	US\$	
Exchange rate contracts						
Forwards	4,190,148	33,363	2,827,775	1,792,495	3,546,741	
Interest rate contracts						
Swaps	394,469	1,444,657	368,555	307,145	2,301,910	
Debt security contracts						
Futures	-	-	12,096	-	-	
	4,584,617	1,478,020	3,208,426	2,099,640	5,848,651	

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 and interest rate contracts.

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

(c) 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-2021 (unaudited)			At 31-Dec-2020 (audited)		
	Change in fair value used for recognising hedge ineffectiveness	Assets	Liabilities	Change in fair value used for recognising hedge ineffectiveness	Assets	Liabilities
Interest rate contracts						
Swaps	(14,254,428)	-	1,444,657	(6,014,130)	-	2,301,910

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 2021, the net value of interest rate swaps was US\$1,444,657 (31 December 2020: US\$2,301,910) comprising of liabilities only.

(F) **Supplementary Information**

(9) **Contingent liabilities and commitments**

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

	At 30-Jun-2021 (unaudited) US\$	At 31-Dec-2020 (audited) US\$
Trade-related contingencies	2,240,001	1,187,377
Other commitments		
- with an original maturity of under one year	90,024,749	84,281,429
- with an original maturity of more than one year	100,895,445	108,943,225
	193,160,195	194,412,031
Credit risk weighted amounts	68,900,673	71,565,373

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.

Credit loss allowances as at 30 June 2021 was US\$205,171 (31 December 2020: US\$112,523).

(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-2021 (unaudited) US\$	At 31-Dec-2020 (audited) US\$
Contracted for	78,339,575	70,189,709
Credit risk weighted amounts	39,169,788	35,094,855

(F) **Supplementary Information**

(10) **Capital adequacy ratios**

	At 30-Jun-2021 (unaudited)	At 31-Dec-2020 (audited)
Common Equity Tier 1 ("CET1") capital ratio	19.27%	18.76%
Tier 1 capital ratio	19.27%	18.76%
Total capital ratio	19.71%	19.29%

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

In accordance with the Banking (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/CHGMHK99N27.act?GmBrId=AL&_mnuId=IHIHGM2065&GmMIngTc=en

(F) Supplementary Information

(11) Regulatory capital disclosures

	At 30-Jun-2021 (unaudited) US\$	At 31-Dec-2020 (audited) US\$
CET1 capital instruments	240,000,000	240,000,000
Retained earnings	207,863,796	191,001,033
Disclosed reserves	1,282,946	2,240,715
CET 1 CAPITAL BEFORE DEDUCTIONS	449,146,742	433,241,748
Deduct:		
Deferred tax assets in excess of deferred tax liabilities	-	(337,300)
Regulatory reserve for general banking risks	(1,854,682)	(6,715,144)
CET1 CAPITAL	447,292,060	426,189,304
ADDITIONAL TIER 1 CAPITAL AFTER DEDUCTIONS	-	-
TIER 1 CAPITAL	447,292,060	426,189,304
Regulatory reserve for general banking risks	1,854,682	6,715,144
Collective impairment allowance	8,292,651	5,413,981
TIER 2 CAPITAL	10,147,333	12,129,125
TOTAL CAPITAL BASE	457,439,393	438,318,429

(F) **Supplementary Information**

(12) **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-2021 (unaudited)	For the six months ended 30-Jun-2020 (unaudited)
Average liquidity maintenance ratio for the period	66.66%	99.75%

The Company calculates the average liquidity maintenance ratio of each calendar month by reference to positions 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.

To comply with the Banking (Disclosure) Rules, liquidity information disclosure will be published under the "Regulatory Disclosures" section on the website:

https://www.kdb.co.kr/CHGMHK99N27.act?GmBrnId=AL&_mnuld=IHIHGM2065&GmMlngTc=en

(F) Supplementary Information

(13) Leverage ratio

	At 30-Jun-2021 (unaudited) US\$	At 31-Dec-2020 (audited) US\$
On-balance sheet exposures	2,651,941,027	2,469,794,609
Less: Regulatory adjustments	-	(337,300)
Total on-balance sheet exposures	2,651,941,027	2,469,457,309
Replacement cost associated with all derivatives contracts	6,418,464	2,099,640
Add-on amounts for potential future exposure associated with all derivatives contracts	13,170,137	21,860,271
Total derivative exposures	19,588,601	23,959,911
Exposures with a 20% credit conversion factor	18,452,950	17,093,761
Exposures with a 50% credit conversion factor	89,617,511	89,566,467
Total off-balance sheet exposures	108,070,461	106,660,228
Securities financing transaction exposures	-	-
Total exposures before adjustments for specific and collective provisions	2,779,600,089	2,600,077,448
Less: Adjustments for specific and collective provisions	(205,171)	(112,524)
Total exposures after adjustments for specific and collective provisions	2,779,394,918	2,599,964,924
Tier 1 capital	447,292,060	426,189,304
Leverage ratio	16.09%	16.39%

Leverage ratio ("LR") is calculated in accordance with the completion instruction issued by the HKMA.

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/CHGMHK99N27.act?GmBrnId=AL&_mnuId=IHIHGM2065&GmMlngTc=en

(F) Supplementary Information

(14) Countercyclical Capital Buffer (CCyB) Ratio

Countercyclical capital buffer ratio ("CCyB") were complied with in accordance with the Banking (Capital) Rules. 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 2021 (unaudited)

Jurisdiction	Applicable JCCyB ratio in effect	Total RWA used in computation of CCyB ratio US\$	CCyB ratio	CCyB amount US\$
Hong Kong SAR	1.000%	697,829,435		
China	-	801,224,022		
Australia	-	76,382,123		
Canada	-	6,218,898		
Cayman Islands	-	68,189,548		
India	-	39,526,436		
Ireland	-	26,176,501		
Kuwait	-	7,116,873		
Luxembourg	0.500%	20,024,772		
Macau	-	7,179,774		
Malaysia	-	282,403		
Residual Latin America and Caribbean	-	15,456,339		
Saudi Arabia	-	21,204,192		
Singapore	-	21,606,562		
South Korea	-	227,554,780		
United Arab Emirates	-	8,848,365		
United Kingdom	-	45,392		
United States	-	6,568,047		
Total		2,051,434,462	0.345%	7,077,449

(F) Supplementary Information

(14) Countercyclical Capital Buffer (CCyB) Ratio (continued)

At 31 December 2020 (audited)

Jurisdiction	Applicable JCCyB ratio in effect	Total RWA used in computation of CCyB ratio US\$	CCyB ratio	CCyB amount US\$
Hong Kong SAR	1.000%	790,858,410		
China	-	754,323,583		
Angola	-	416,708		
Australia	-	46,696,120		
Canada	-	4,882,172		
Cayman Islands	-	49,887,279		
India	-	30,379,113		
Ireland	-	26,971,000		
Kuwait	-	7,541,138		
Luxembourg	0.500%	20,643,343		
Macau SAR	-	8,077,264		
Malaysia	-	282,411		
Residual Latin America and Caribbean	-	15,458,407		
Saudi Arabia	-	21,375,192		
Singapore	-	21,201,631		
South Korea	-	226,069,267		
United Arab Emirates	-	9,084,099		
United Kingdom	-	410,857		
United States	-	11,226,791		
Total		2,045,784,785	0.392%	8,019,476

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/CHGMMHK99N27.act?GmBrnId=AL&_mnuId=IHIHGM2065&GmMIngTc=en

(F) Supplementary Information

(15) 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	Official	Non-bank	Non-bank	Total
	US\$	Sector	financial	private sector	US\$
		US\$	institutions	US\$	
			US\$		
At 30 June 2021 (unaudited)					
Developed countries	49,529,135	34,827,903	106,400,687	10,304,465	201,062,190
- of which Australia	15,137,269	-	64,150,014	7,823,943	87,111,226
- of which Belgium	10,733	-	-	-	10,733
- of which Canada	-	-	5,454,441	-	5,454,441
- of which France	8,673,452	-	-	-	8,673,452
- of which Ireland	-	-	26,176,501	-	26,176,501
- of which Japan	10,773,944	-	-	-	10,773,944
- of which Luxembourg	17,231	-	10,604,985	2,480,522	13,102,738
- of which United Kingdom	13,798,311	-	14,746	-	13,813,057
- of which United States	1,118,195	34,827,903	-	-	35,946,098
Offshore centres	22,413,549	-	207,656,889	203,512,033	433,582,471
- of which Cayman Islands	-	-	36,806,679	-	36,806,679
- of which Hong Kong	13,143,307	-	147,631,840	203,512,033	364,287,180
- of which Singapore	9,270,242	-	23,218,370	-	32,488,612
Developing Latin America and Caribbean	-	-	-	14,882,265	14,882,265
- of which Residual Developing Latin America And Caribbean	-	-	-	14,882,265	14,882,265
Developing Africa and Middle East	119,367,818	7,551,709	7,116,873	30,052,557	164,088,957
- of which Kuwait	-	-	7,116,873	-	7,116,873
- of which Qatar	88,990,924	-	-	-	88,990,924
- of which Saudi Arabia	-	-	-	21,204,192	21,204,192
- of which United Arab Emirates	30,376,894	7,551,709	-	8,848,365	46,776,968
Developing Asia and Pacific	457,781,219	-	157,677,476	890,388,814	1,505,847,509
- of which China	50,668,740	-	110,337,539	678,987,224	839,993,503
- of which India	2,030,051	-	28,879,422	10,478,000	41,387,473
- of which South Korea	364,262,791	-	18,460,515	200,641,187	583,364,493
- of which Malaysia	10,819,487	-	-	282,403	11,101,890
- of which Taiwan	30,000,150	-	-	-	30,000,150

(F) Supplementary Information**(15) International claims (by ultimate nation) (continued)**

	Banks US\$	Official Sector US\$	<i>Non-bank private sector</i>		Total US\$
			Non-bank financial institutions US\$	Non-bank private sector US\$	
At 31 December 2020 (unaudited)					
Developed countries	87,677,597	9,964,261	82,223,194	12,606,243	192,471,295
- of which Australia	16,498,472	-	33,712,372	8,248,993	58,459,837
- of which Belgium	13,671	-	-	-	13,671
- of which Canada	-	-	4,002,931	-	4,002,931
- of which France	7,399,996	-	-	-	7,399,996
- of which Ireland	-	-	26,971,000	-	26,971,000
- of which Japan	45,914,840	-	-	-	45,914,840
- of which Luxembourg	13,048	-	8,212,160	4,357,250	12,582,458
- of which United Kingdom	16,199,568	-	15,740	-	16,215,308
- of which United States	1,638,002	9,964,261	9,308,991	-	20,911,254
Offshore centres	26,345,504	-	195,845,356	246,251,129	468,441,989
- of which Cayman Islands	-	-	23,860,354	-	23,860,354
- of which Hong Kong	19,377	-	150,783,371	246,251,129	397,053,877
- of which Panama	17,001,910	-	-	-	17,001,910
- of which Singapore	9,324,217	-	21,201,631	-	30,525,848
Developing Latin America and Caribbean	-	-	-	14,884,333	14,884,333
- of which Residual Developing Latin America And Caribbean	-	-	-	14,884,333	14,884,333
Developing Africa and Middle East	84,421,833	7,551,718	7,957,846	30,459,291	130,390,688
- of which Angola	-	-	416,708	-	416,708
- of which Kuwait	-	-	7,541,138	-	7,541,138
- of which Qatar	78,993,808	-	-	-	78,993,808
- of which Saudi Arabia	-	-	-	21,375,192	21,375,192
- of which United Arab Emirates	5,428,025	7,551,718	-	9,084,099	22,063,842
Developing Asia and Pacific	301,419,051	-	101,817,387	842,805,008	1,246,041,446
- of which China	4,630,384	-	59,954,525	637,893,834	702,478,743
- of which India	2,050,591	-	19,699,513	10,679,600	32,429,704
- of which South Korea	223,830,009	-	22,163,349	193,949,163	439,942,521
- of which Malaysia	10,907,487	-	-	282,411	11,189,898
- of which Taiwan	60,000,580	-	-	-	60,000,580

(F) Supplementary Information

(16) 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.

	30-Jun-2021 (unaudited)			
	Items in HKMA return	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	298,855,158	96,619	298,951,777
Local governments, local government-owned entities and their subsidiaries and joint ventures	2	124,851,175	16,296,296	141,147,471
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and joint ventures	3	498,996,069	19,148,148	518,144,217
Other entities of central government not reported in item 1 above	4	-	-	-
Other entities of local governments not reported in item 2 above	5	64,116,092	32,051,282	96,167,374
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	6	118,751,370	20,000,000	138,751,370
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	7	40,078,981	10,125,036	50,204,017
Total	8	1,145,648,845	97,717,381	1,243,366,226
Total assets after provision	9	2,661,033,732		
On-balance sheet exposures as percentage of total assets	10	43.05%		

(F) Supplementary Information

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

		31-Dec-2020 (audited)		
	Items in HKMA return	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	286,047,824	4,668,047	290,715,871
Local governments, local government-owned entities and their subsidiaries and joint ventures	2	146,014,675	2,500,000	148,514,675
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and joint ventures	3	533,131,064	43,911,129	577,042,193
Other entities of central government not reported in item 1 above	4	-	-	-
Other entities of local governments not reported in item 2 above	5	56,420,594	19,226,986	75,647,580
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	6	65,826,427	-	65,826,427
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	7	49,894,824	3,496,344	53,391,168
Total	8	<u>1,137,335,408</u>	<u>73,802,506</u>	<u>1,211,137,914</u>
Total assets after provision	9	<u>2,480,815,947</u>		
On-balance sheet exposures as percentage of total assets	10	<u>45.85%</u>		

No specific provision was made in respect of the above exposures.

(F) Supplementary Information

(17) 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-2021 (unaudited)						
	United States Dollars	Japanese Yen	Euros	Renminbi	Australian Dollars	Others	Total
Spot assets	15,648	1	455	7	567	57	16,735
Spot liabilities	(18,806)	-	(140)	(4)	(1)	-	(18,951)
Forward purchases	6,075	-	-	-	-	-	6,075
Forward sales	(2,923)	-	(311)	-	(562)	(78)	(3,874)
Net long/(short) position	(6)	1	4	3	4	(21)	(15)

Expressed in millions of Hong Kong dollars	At 31-Dec-2020 (unaudited)						
	United States Dollars	Japanese Yen	Euros	Renminbi	Australian Dollars	Others	Total
Spot assets	14,154	1	469	17	343	60	15,044
Spot liabilities	(16,552)	-	(385)	(14)	(1)	-	(16,952)
Forward purchase	5,246	-	65	-	-	-	5,311
Forward sales	(2,803)	-	(144)	-	(331)	(81)	(3,359)
Net long/(short) position	45	1	5	3	11	(21)	44

(F) Supplementary Information

(18) Overdue and rescheduled assets

(a) 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-2021 (unaudited) US\$	At 31-Dec-2020 (audited) US\$
Gross loans and advances to customers which have been overdue with respect to principal for period of		
- 1 year or less but over 6 months	-	9,880,000
- over 1 year	9,760,000	-
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(b) 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.

	At 30-Jun-2021 (unaudited) US\$	At 31-Dec-2020 (audited) US\$
Rescheduled loans and advances to customers	989,250	1,978,500
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Gross rescheduled loans and advances as a percentage of total gross loans and advances	0.05%	0.11%
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(c) There were no other assets which have been overdue for more than 3 months at 30 June 2021 and 31 December 2020.

(d) There were no repossessed assets held at 30 June 2021 and 31 December 2020.

(19) Pillar 3 disclosures

To comply with the Banking (Disclosure) Rules, all information in relation to the Company's Pillar 3 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/CHGMHK99N27.act?GmBrnId=AL&_mnuId=IHIHGM2065&GmMlngTc=en

(20) Key elements of disclosure policy

The Disclosure Policy of the Company sets out the approach used by the Company to (i) determine the content, appropriateness and frequency of the information it discloses to the general public relating to its state of affairs including its profit and loss and its financial resources (including capital/ liquidity resources) and (ii) descriptions of its own risk profile as required by the Banking (Disclosure) Rules.

To comply with the Banking (Disclosure) Rules, all information in relation to the Company's key elements of disclosure policy will be published under the "Regulatory Disclosures" section on the website:

https://www.kdb.co.kr/CHGMHK99N30.act?GmBrnId=AL&_mnuId=IHIHGM2066&GmMlngTc=en

(G) Basis of preparation

The financial information presented in this report is prepared on a basis consistent with the accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements.

(H) Compliance with Disclosure Requirements

In preparing the interim results for the six months ended 30 June 2021, 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.

(I) Review of Interim Results

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

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