

China Construction Bank Corporation – Hong Kong Branch
Financial Information Disclosure Statement
For the six months ended 30 June 2019

Section A: Hong Kong Branch Information

Income Statement

	<i>Note</i>	<i>Six months ended 30 June 2019 HK\$'000</i>	<i>Six months ended 30 June 2018 HK\$'000</i>
Interest income		5,493,559	6,393,878
Interest expense		(4,809,590)	(5,479,585)
Net interest income		683,969	914,293
Net fee and commission income	1	102,018	222,829
Net trading gains	2	170,666	243,471
Other operating income	3	320,178	18,867
Operating income		1,276,831	1,399,460
Operating expenses	4	(263,909)	(249,855)
		1,012,922	1,149,605
Release in expected credit losses		515,114	65,907
Profit before tax		1,528,036	1,215,512
Taxation charge	5	(252,880)	(200,428)
Net profit		1,275,156	1,015,084

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Statement of Financial Position

	Note	<i>As at</i> 30 June <i>2019</i> HK\$'000	<i>As at</i> 31 December <i>2018</i> HK\$'000
Assets			
Cash and balances with banks		31,310,638	33,543,174
Placements with banks with residual contractual maturity more than one month but not more than twelve months		13,951,057	3,700,107
Loans to banks		1,763,097	2,837,396
Amounts due from overseas offices		119,127,576	124,111,292
Trade bills		1,327,710	604,474
Financial assets held under resale agreement		-	2,420,859
Certificates of deposit held		11,465,883	35,534,131
Loans and advances to customers and other accounts	6	114,238,627	128,857,337
Financial assets measured at fair value through profit or loss		3,640,920	5,282,676
Investment securities	11	47,789,602	67,974,590
Unlisted equity investment		1	1
Fixed assets		58,021	8
Other assets		100,992	158,911
Total assets		344,774,124	405,024,956
Equity and liabilities			
Deposits from banks		45,846,229	41,110,824
Financial assets sold under repurchase agreements		3,390,887	1,898,294
Deposits from customers	12	136,600,862	137,134,099
Amounts due to overseas offices		69,588,277	121,714,905
Certificates of deposit issued		75,589,670	93,480,970
Other liabilities		8,393,453	5,427,034
Total liabilities		339,409,378	400,766,126
Reserves	15	5,364,746	4,258,830
Total equity and liabilities		344,774,124	405,024,956

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Notes to the financial information

1 Net fee and commission income

	<i>For the six months ended</i>	
	<i>30 June 2019</i>	<i>30 June 2018</i>
	HK\$'000	HK\$'000
Fee and commission income	105,993	227,320
Fee and commission expense	(3,975)	(4,491)
	<u>102,018</u>	<u>222,829</u>

2 Net trading gains

	<i>For the six months ended</i>	
	<i>30 June 2019</i>	<i>30 June 2018</i>
	HK\$'000	HK\$'000
Gains less losses arising from trading in foreign currencies	125,342	236,158
Gains less losses from other trading activities	45,324	7,313
	<u>170,666</u>	<u>243,471</u>

3 Other operating income

	<i>For the six months ended</i>	
	<i>30 June 2019</i>	<i>30 June 2018</i>
	HK\$'000	HK\$'000
Net gains on disposal of debt investments measured at fair value through other comprehensive income	287,987	-
Others	32,191	18,867
	<u>320,178</u>	<u>18,867</u>

4 Operating expenses

	<i>For the six months ended</i>	
	<i>30 June 2019</i>	<i>30 June 2018</i>
	HK\$'000	HK\$'000
Premises expenses	1,801	4,844
Management fee paid	250,639	243,078
Others	11,469	1,933
	<u>263,909</u>	<u>249,855</u>

5 Taxation charge

	<i>For the six months ended</i>	
	<i>30 June 2019</i>	<i>30 June 2018</i>
	HK\$'000	HK\$'000
Current tax – Hong Kong Profits Tax		
- Provision for the year	167,181	189,045
Deferred tax		
- Origination and reversal of temporary differences	85,699	11,383
	<u>252,880</u>	<u>200,428</u>

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Notes to the financial information (continued)

6 Loans and advances to customers and other accounts	<i>As at</i> 30 June 2019 HK\$'000	<i>As at</i> 31 December 2018 HK\$'000
Loans and advances to customers	109,359,861	125,213,462
Less: Expected credit losses	(897,303)	(1,356,802)
	<u>108,462,558</u>	<u>123,856,660</u>
Other accounts		
- Accrued interest receivables	1,770,443	2,729,537
- Others	4,005,626	2,271,140
	<u>5,776,069</u>	<u>5,000,677</u>
	<u>114,238,627</u>	<u>128,857,337</u>

7 Analysis of loans and advances to customers

(a) Analysis by industry categories

The following analysis is based on the categories and definitions used by the Hong Kong Monetary Authority:

	<i>As at 30 June 2019</i>		<i>As at 31 December 2018</i>	
	HK\$'000	<i>% covered by collateral</i>	HK\$'000	<i>% covered by collateral</i>
<i>Industry categories:</i>				
Industrial, commercial and financial				
- Property development	6,136,317	5.19%	6,417,516	6.19%
- Property investment	1,200,000	0.00%	1,500,000	0.00%
- Financial concerns	7,777,589	0.00%	7,367,905	2.71%
- Wholesale and retail trade	4,541,272	4.71%	4,497,622	3.21%
- Transport and transport equipment	3,108,425	14.96%	3,216,061	14.58%
- Information technology	-	-	294,980	0.00%
- Others	5,246,400	58.07%	9,161,100	33.25%
Loans and advances for use in				
Hong Kong	28,010,003	14.44%	32,455,184	13.12%
Trade Finance	733,573	9.29%	2,608,730	99.40%
Loans and advances for use outside				
Hong Kong	80,616,285	55.64%	90,149,548	57.51%
Total	<u>109,359,861</u>	<u>44.78%</u>	<u>125,213,462</u>	<u>46.88%</u>

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Notes to the financial information (continued)

7 Analysis of loans and advances to customers (continued)

(b) Analysis by geographical areas

	<i>Total loans and advances to customers HK\$'000</i>	<i>Expected Credit losses ("ECL") HK\$'000</i>
As at 30 June 2019		
Hong Kong	88,492,739	799,105
The Mainland	17,157,197	20,064
Others	3,709,925	78,134
Total	109,359,861	897,303
As at 31 December 2018		
Hong Kong	98,048,183	1,275,685
The Mainland	21,507,735	38,359
Others	5,657,544	42,758
Total	125,213,462	1,356,802

Loans and advances to customers by geographical areas are classified according to the location of the counterparties.

There were no stage 3 "lifetime ECL and credit-impaired" made as at 30 June 2019 and 31 December 2018.

8 Overdue and rescheduled assets

(a) Overdue loans and advances

There were no overdue loans and advances as at 30 June 2019 and 31 December 2018.

(b) Rescheduled loans and advances

There were no rescheduled loans and advances as at 30 June 2019 and 31 December 2018.

(c) Other overdue assets

	<i>As at 30 June 2019 HK\$'000</i>	<i>As at 30 December 2018 HK\$'000</i>
Over one year	95,367	95,566

There were no other assets overdue for over three months but one year or less as at 30 June 2019 and 31 December 2018.

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Notes to the financial information (continued)

9 Impaired loans and advances

Impaired loans and advances to customers are those loans and advances where full repayment of principal and/or interest is considered unlikely and are so classified as soon as such a situation becomes apparent.

There were no impaired loans and advances and repossessed assets as at 30 June 2019 and 31 December 2018.

10 Mainland activities exposures

(i) As at 30 June 2019

<i>Types of counterparties</i>	<i>On-balance sheet exposure HK\$'000</i>	<i>Off-balance sheet exposure HK\$'000</i>	<i>Total HK\$'000</i>
(a) Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	62,527,342	20,816,460	83,343,802
(b) Local governments, local government-owned entities and their subsidiaries and JVs	10,918,659	113,973	11,032,632
(c) PRC nationals residing in the Mainland or other entities incorporated in the Mainland and their subsidiaries and JVs	19,114,585	2,340,086	21,454,671
(d) Other entities of central government not reported in item (a) above	676,727	30,000	706,727
(e) Other entities of local governments not reported in item (b) above	314,933	-	314,933
(f) PRC nationals residing outside the Mainland or entities incorporated outside the Mainland where the credit is granted for use in the Mainland	1,294,387	262,602	1,556,989
(g) Other counterparties where the exposure is considered by the reporting institution to be non-bank Mainland exposures	-	-	-
Total	<u>94,846,633</u>	<u>23,563,121</u>	<u>118,409,754</u>
Total assets after provision	<u>344,774,124</u>		
On-balance sheet exposures as percentage of total assets	<u>27.51%</u>		

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Notes to the financial information (continued)

10 Mainland activities exposures (continued)

(ii) As at 31 December 2018

<i>Types of counterparties</i>	<i>On-balance sheet exposure HK\$'000</i>	<i>Off-balance sheet exposure HK\$'000</i>	<i>Total HK\$'000</i>
(a) Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	70,198,663	21,367,852	91,566,515
(b) Local governments, local government-owned entities and their subsidiaries and JVs	8,165,217	54,406	8,219,623
(c) PRC nationals residing in the Mainland or other entities incorporated in the Mainland and their subsidiaries and JVs	25,729,843	4,673,116	30,402,959
(d) Other entities of central government not reported in item (a) above	793,831	20,000	813,831
(e) Other entities of local governments not reported in item (b) above	315,571	-	315,571
(f) PRC nationals residing outside the Mainland or entities incorporated outside the Mainland where the credit is granted for use in the Mainland	1,277,689	309,654	1,587,343
(g) Other counterparties where the exposure is considered by the reporting institution to be non-bank Mainland exposures	2,514,098	-	2,514,098
Total	<u>108,994,912</u>	<u>26,425,028</u>	<u>135,419,940</u>
Total assets after provision	<u>405,024,956</u>		
On-balance sheet exposures as percentage of total assets	<u>26.91%</u>		

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Notes to the financial information (continued)

<i>11 Investment securities</i>	<i>As at 30 June 2019 HK\$'000</i>	<i>As at 31 December 2018 HK\$'000</i>
Debt investments measured at fair value through other comprehensive income	46,933,957	67,974,590
Debt investments measured at fair value through profit or loss	55,652	-
Debt investments measured at amortized costs	895,367	95,566
	<u>47,884,976</u>	<u>68,070,156</u>
Less: Expected credit losses	(95,374)	(95,566)
Total	<u>47,789,602</u>	<u>67,974,590</u>
 <i>12 Deposits from customers</i>	 <i>As at 30 June 2019 HK\$'000</i>	 <i>As at 31 December 2018 HK\$'000</i>
Demand deposits and current accounts	2,216,573	1,402,229
Savings deposits	16,746,529	10,046,342
Time, call and notice deposits	117,637,760	125,685,528
	<u>136,600,862</u>	<u>137,134,099</u>

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Notes to the financial information (continued)

13 International claims

The international claims are the sum of cross-border claims in all currencies and local claims in foreign currencies. International claims include loans and advances to customers, deposits and placements with banks and non-bank financial institutions, holdings of trade bills and certificates of deposit and investment securities.

International claims have been disclosed by country and geographical area. A country or geographical area is reported when it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfer. Risk is transferred only when the Branch effectively transfers the risk from a particular country or geographical area to other country or geographical area by applying credit risk mitigants. The credit risk can be mitigated through guarantees, collateral and credit derivatives.

derivatives.

			<i>Non-bank private sector</i>		
	<i>Banks</i>	<i>Official</i>	<i>Non-bank</i>	<i>Non- financial</i>	<i>Total</i>
	HK\$'000	sector	financial	private sector	
		HK\$'000	institutions	HK\$'000	HK\$'000
			HK\$'000		
As at 30 June 2019					
Offshore centres	19,582,922	79,966	691,862	24,460,695	44,815,445
- of which					
Hong Kong	19,471,910	79,966	647,523	23,637,550	43,836,949
Developing Asia					
and Pacific	179,296,509	-	1,347,228	47,861,862	228,505,599
- of which the					
Mainland	177,381,912	-	1,304,409	47,657,811	226,344,132
			<i>Non-bank private sector</i>		
	<i>Banks</i>	<i>Official</i>	<i>Non-bank</i>	<i>Non- financial</i>	<i>Total</i>
	HK\$'000	sector	financial	private sector	
		HK\$'000	institutions	HK\$'000	HK\$'000
			HK\$'000		
As at 31 December 2018					
Offshore centres	27,176,547	-	599,706	26,701,872	54,478,125
- of which					
Hong Kong	26,783,102	-	546,705	25,820,062	53,149,869
Developing Asia					
and Pacific	218,503,718	-	2,970,731	58,641,277	280,115,726
- of which the					
Mainland	216,698,020	-	2,938,800	58,413,995	278,050,815

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Notes to the financial information (continued)

14 Foreign currency exposures

Net foreign currency positions amounting to 10% or more of the net position in all foreign currencies are disclosed as follows:

As at 30 June 2019	USD HK\$'000 equiv	EUR HK\$'000 equiv	CNY HK\$'000 equiv
Spot assets	182,328,294	29,264,856	45,385,337
Spot liabilities	(188,513,941)	(35,733,160)	(36,082,370)
Forward purchases	155,428,423	27,329,459	41,803,703
Forward sales	(149,190,827)	(20,901,474)	(51,023,826)
Net long / (short) position	<u>51,949</u>	<u>(40,319)</u>	<u>82,844</u>
31 December 2018	USD HK\$'000 equiv	EUR HK\$'000 equiv	CNY HK\$'000 equiv
Spot assets	182,980,734	30,705,001	107,243,882
Spot liabilities	(208,854,562)	(31,938,953)	(96,978,424)
Forward purchases	104,534,680	5,462,128	46,943,455
Forward sales	(78,607,093)	(4,213,877)	(57,202,798)
Net long position	<u>53,759</u>	<u>14,299</u>	<u>6,115</u>

There was no structural and option position as at 30 June 2019 and 31 December 2018.

15 Reserves

The components of reserves are as follows:

	As at 30 June 2019 HK\$'000	As at 31 December 2018 HK\$'000
Investment revaluation reserve, net of deferred tax	394,657	554,693
Reserve for cash flow hedge, net of deferred tax	(1,276)	7,928
Regulatory reserve	194,824	194,824
Retained earnings	4,776,541	3,501,385
Total reserves	<u>5,364,746</u>	<u>4,258,830</u>

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 earnings and in consultation with the Hong Kong Monetary Authority. There was no movement of regulatory reserve during six months ended 30 June 2019 and year ended 31 December 2018.

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Notes to the financial information (continued)

16 Off-balance sheet exposures

(a) The contractual or notional amounts

	<i>As at</i> 30 June 2019 HK\$'000	<i>As at</i> 31 December 2018 HK\$'000
Contingent liabilities and commitments		
- Direct credit substitutes	29,625,564	30,715,913
- Trade-related contingencies	1,334,809	495,169
- Other commitments	22,110,268	23,376,546
	<u>53,070,641</u>	<u>54,587,628</u>

	<i>As at 30 June 2019</i>		<i>As at 31 December 2018</i>	
	<i>Trading</i> HK\$'000	<i>Hedging</i> HK\$'000	<i>Trading</i> HK\$'000	<i>Hedging</i> HK\$'000
Derivatives				
- Exchange rate contracts	310,494,277	-	188,523,854	-
- Interest rate contracts	-	7,730,923	-	9,416,412
	<u>310,494,277</u>	<u>7,730,923</u>	<u>188,523,854</u>	<u>9,416,412</u>

The contractual or notional amounts of these instruments indicate the volume of transactions outstanding as of the balance sheet date. They do not represent amounts at risk.

(b) Fair value of derivatives

<i>As at 30 June 2019</i>	<i>Trading</i>		<i>Hedging</i>	
	<i>Positive</i> <i>fair value</i> HK\$'000	<i>Negative</i> <i>fair value</i> HK\$'000	<i>Positive</i> <i>fair value</i> HK\$'000	<i>Negative</i> <i>fair value</i> HK\$'000
- Exchange rate contracts	966,718	(788,630)	-	-
- Interest rate contracts	-	-	11,844	(140,732)
	<u>966,718</u>	<u>(788,630)</u>	<u>11,844</u>	<u>(140,732)</u>

<i>As at 31 December 2018</i>	<i>Trading</i>		<i>Hedging</i>	
	<i>Positive</i> <i>fair value</i> HK\$'000	<i>Negative</i> <i>fair value</i> HK\$'000	<i>Positive</i> <i>fair value</i> HK\$'000	<i>Negative</i> <i>fair value</i> HK\$'000
- Exchange rate contracts	1,242,299	(1,138,827)	-	-
- Interest rate contracts	-	-	172,139	(8,361)
	<u>1,242,299</u>	<u>(1,138,827)</u>	<u>172,139</u>	<u>(8,361)</u>

There is no effect of bilateral netting agreement on the fair value of derivatives.

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Notes to the financial information (continued)

17 Liquidity

(a) Average liquidity coverage ratio ("LCR")

	2019	2018
First quarter	433.99%	282.69%
Second quarter	335.77%	316.48%

The average LCR for each quarter in 2019 and 2018 is based on the arithmetic mean of its LCR as at the end of each working day in the quarter as required by the Hong Kong Monetary Authority for its regulatory purposes.

The average LCR of the Hong Kong Branch of China Construction Bank Corporation (the "Branch") was maintained at a stable level in the first half of 2019.

The Branch's High Quality Liquidity Assets ("HQLA") consists of cash, balances at central banks and high quality marketable securities issued or guaranteed by sovereigns, central banks, and Mainland policy banks.

The currency mismatch between the HQLA and the net cash outflow in the calculation of LCR is controlled and monitored via individual currency LCR limits. The HQLA mix is further governed by concentration caps and limits in accordance with statutory requirements and internal policy requirements for risk management purposes.

The Branch's primary sources of funds are corporate customer deposits, certificates of deposit and debt instruments issued and interbank money market borrowings.

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Notes to the financial information (continued)

17 Liquidity (continued)

(a) Average liquidity coverage ratio ("LCR") (continued)

The composition of the Branch's high quality liquid assets ("HQLA") as defined under Schedule 2 of the Banking (Liquidity) Rules is shown as below.

	<i>Weighted amount (Average value)</i>			
	<i>Quarter ended</i>	<i>Quarter ended</i>	<i>Quarter ended</i>	<i>Quarter ended</i>
	<i>30 June</i>	<i>31 March</i>	<i>30 June</i>	<i>31 March</i>
	<i>2019</i>	<i>2019</i>	<i>2018</i>	<i>2018</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Level 1 assets	69,367,556	101,458,408	135,810,599	139,037,926
Level 2A assets	44,611	-	-	-
Total weighted amount of HQLA	<u>69,412,167</u>	<u>101,458,408</u>	<u>135,810,599</u>	<u>139,037,926</u>

To comply with the Banking (Disclosure) Rules, the Liquidity Coverage Ratio Standard Disclosure Template is shown in the appendix.

(b) Net Stable Funding Ratio ("NSFR")

	<i>2019</i>	<i>2018</i>
First quarter	121.30%	143.83%
Second quarter	117.03%	117.77%

The NSFR of the Branch was maintained at a healthy level during the first half of 2019.

Net stable funding ratio means the ratio of the amount of the Branch's available stable funding ("ASF") to the amount of the Branch's required stable funding ("RSF").

ASF is the sum of weighted amounts of the Branch's capital and on-balance sheet liabilities. The Branch's liabilities include customer deposits, certificates of deposit and medium term debts issued and interbank money market borrowing.

RSF is the sum of weighted amounts of the Branch's on-balance sheet assets and off-balance sheet obligations. The Branch's assets include loans to customers, interbank money market lending and debt securities held. The Branch's off-balance sheet obligations mainly involve potential drawdown of undrawn committed facilities.

To comply with the Banking (Disclosure) Rules, the Net Stable Funding Ratio Standard Disclosure Template is shown in the appendix.

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17 Liquidity (continued)

(c) Liquidity risk management (continued)

Liquidity risk management strategy

Liquidity risk is the risk that the Branch may not be able to fund the increase in assets or meet obligations as they fall due without incurring unacceptable losses. This may be caused by market disruption or liquidity squeeze whereby the Branch may only unwind specific exposures at significantly discounted values.

The purpose of liquidity management is to ensure sufficient cash flows to meet all financial commitments and to capitalize on opportunities for business expansion. This includes the Branch'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 ratios, and to make new loans and investments as opportunities arise.

To achieve this purpose, the Branch adopts a prudent risk appetite in setting liquidity risk tolerance. Risk appetite is set in the form of liquidity risk limits and metric framework.

The Branch has established a set of liquidity risk management policies which set out the liquidity risk management framework of the Branch according to the requirements of the HKMA's Supervisory Policy Manuals "Regulatory Framework for Supervision of Liquidity Risk (LM1)" and "Sound Systems and Controls for Liquidity Risk Management (LM2)" updated in 2016.

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Notes to the financial information (continued)

17 Liquidity (continued)

(c) Liquidity risk management (continued)

Liquidity risk management responsibilities

The Executive Committee (“EC”) is ultimately responsible for having an effective liquidity risk management framework in place. Risk Management Committee (“RMC”) is set up to oversee the Branch’s overall asset quality as well as resolving all important risk-related or governance issues including those on liquidity risk. The RMC is responsible for providing guidance and overseeing the Branch’s liquidity risk management strategy; review or approve liquidity risk management policies and review the Branch’s liquidity risk position.

The Asset and Liability Committee (“ALCO”) is a functional committee formed under the Executive Committee to oversee the Branch’s assets and liabilities. Its main responsibility is to develop strategies on the asset and liability structure and capital allocation according to the annual business plan and financial budget assigned by CCB Head Office.

Regular meetings of various committees are held to review the compliance status of liquidity measurements and the needs for change in strategy and policy. Daily liquidity management is performed by the Treasury. Risk Management Division (“RMD”) is responsible for the daily monitoring of liquidity limits and measurements, and submits regular reports of the Branch’s liquidity profile to ALCO and RMC. RMD timely reports potential liquidity risk issues to EC, RMC and ALCO. Internal Audit periodically performs independent reviews on the Branch’s liquidity management framework to ensure the validity and effectiveness of the Branch’s liquidity risk management functions.

The Branch established liquidity risk management indicators and limits for daily measurement and management of liquidity risk. These indicators and limits include, but are not limited to LCR and NSFR. The Branch developed management information systems to provide liquidity exposures for computing these indicators on a daily basis.

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Notes to the financial information (continued)

17 Liquidity (continued)

(c) Liquidity risk management (continued)

Funding Strategy

The Branch sets its liquidity funding strategy according to the size and sophistication of its business, as well as the nature and complexity of its activities. It also ensures that the Branch complies with applicable statutory liquidity requirements.

The objective of the Branch's funding strategy is to strive for a balance between business growth opportunities and funding stability. The Branch seeks to maintain diversified and stable funding sources with an appropriate mix of liabilities including customer deposits, interbank borrowings, issuance of negotiable certificates of deposit and debt instruments.

To manage currency mismatch and avoid over-reliance on the currency swap market, the Branch sets limits on swapped fund ratios of major currency positions which are subject to daily monitoring. The swapped fund ratios limit the extent of one currency's assets being funded by other currencies through the swap market. The extent of diversification in tenors of funding is governed by liquidity metrics such as NSFR and medium-funding ratio. A medium-term funding ratio highlights the extent to which medium-term assets are being financed by the roll-over of short-term liabilities. To mitigate the risk of contagion from other CCB group entities when they are under liquidity stress, the Branch sets intragroup liquidity limits.

The funding support provided by CCB Head Office is one of the key sources of liquidity backstop during times of liquidity stress.

Liquidity Cushion

The Branch's liquidity cushion consists of cash, balances at central banks, high quality and other marketable securities issued or guaranteed by sovereigns, central banks, and mainland policy banks. Liquidity cushion being held by the Branch consists of High Quality Liquid Assets for purposes of determining the Branch's LCR and other marketable debt securities.

The extent of the Branch's maturity mismatch and the sufficiency of liquidity cushion are governed by various liquidity metrics and measurement tools such as maturity mismatch limits and liquidity stress tests.

The marketability of the Branch's liquidity cushion is periodically reviewed in keeping update with market conditions. The size of the liquidity cushion being maintained must be sufficient to meet intraday payments and settlement obligations on a timely basis under both normal and stressed conditions.

China Construction Bank Corporation – Hong Kong Branch

Financial Information Disclosure Statement

For the six months ended 30 June 2019

Notes to the financial information (continued)

17 Liquidity (continued)

(c) Liquidity risk management (continued)

Liquidity risk management monitoring framework

The Liquidity risk management monitoring framework is formed by the following measures

- LCR measures the extent of liquid assets covering total net cash outflow due within 30 days arising from on-balance sheet and off-balance sheet exposures including contingent funding obligations.
- NSFR measures long term funding risk by assessing the degree of the Branch's stable funding sources supporting the need in funding its business activities.
- Cash Flow Projection is to collect the next 30-day cash flow information arising from loan and deposit businesses entered into by various front line divisions. By consolidating this projection with the cash flow from Treasury's transactions, the Branch's overall cash flow can be projected and such information will take an important part in the Branch's liquidity funding management.
- Liquidity Stress Testing is regularly conducted to project the Branch's cash flows under stress scenarios and evaluate the sufficiency of liquidity cushion. The stress scenarios cover institution-specific crisis scenario, general market crisis scenario and combined crisis scenario. The cash flows under each stress scenario are determined by applying a standard set of prescribed stress assumptions to the Branch's cash flow projection. The potential cash flow arising from off-balance sheet items is included. The stress test results are regularly reported to the RMC and ALCO. Liquidity cushion being held by the Branch consists of High Quality Liquid Assets for purposes of determining the Branch's Liquidity Coverage Ratio and other marketable debt securities. It is the Branch's policy that the liquidity cushion should be able to cover projected cash outflows under various prescribed stress scenarios.
- Maturity Profile Analysis analyzes the assets and liabilities by their remaining maturities into different time buckets. The potential cash flow arising from off-balance sheet items is included. The gap amount for each time bucket represents the liquidity exposure after netting the assets and liabilities maturing in the same bucket.
- Swapped Fund Ratio is designed to measure the reliance of the Branch on FX Swap market to fund the currency mismatch. Branch sets limits on swapped fund ratios of major currency positions which are subject to daily monitoring.

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Financial Information Disclosure Statement

For the six months ended 30 June 2019

Notes to the financial information (continued)

17 Liquidity (continued)

(c) Liquidity risk management (continued)

Contingency funding plan (“CFP”)

The Branch has a CFP which clearly defines a set of triggering events that will activate the plan as well as the mechanisms for identification, monitoring and reporting of such events. The mechanisms incorporate:

- A set of early warning indicators that helps to identify any emerging liquidity risks at an early stage;
- A list of potential funding sources, with due consideration of their reliability, priority and the expected available time during liquidity crisis; and
- Detailed action steps and properly assigned responsibilities to implement the CFP in case of need.

The extent of liquidity shortfalls estimated from stress testing under various scenarios beyond the level of liquidity cushion is a factor in determining severity levels and strategies to be adopted under the CFP. The Branch developed Business Continuity Plan (“BCP”) to handle branch-wide disaster and major crisis including bank run situations. The CFP constitutes an integral part of the BCP as bank run event may lead to liquidity drain.

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B. Bank Information (consolidated basis)

I. Capital and capital adequacy	<i>As at 30 June 2019 RMB million</i>	<i>As at 31 December 2018 RMB million</i>
Total capital ratio	17.06%	17.19%
Total equity	2,072,038	1,991,594

The capital adequacy ratio is calculated in accordance with the guidelines issued by the China Banking and Insurance Regulatory Commission. These guidelines are different from the document or Directive referred to in paragraph (a) Section 105 Chapter 155M of Banking (Disclosure) Rules.

II. Other financial information	<i>As at 30 June 2019 RMB million</i>	<i>As at 31 December 2018 RMB million</i>
Total assets	24,383,151	23,222,693
Total liabilities	22,311,113	21,231,099
Total loans and advances to customers	14,087,296	13,365,430
Total customer deposits	18,214,072	17,108,678
	<i>For the six months ended</i>	
	<i>30 June 2019 RMB million</i>	<i>30 June 2018 RMB million</i>
Profit before tax	191,180	181,420

China Construction Bank Corporation – Hong Kong Branch
Financial Information Disclosure Statement
For the six months ended 30 June 2019

Statement of compliance

To the best of my knowledge, the information disclosed complies fully with disclosure provisions of the Banking (Disclosure) Rules.



Zhang Jun
Chief Executive
China Construction Bank Corporation, Hong Kong Branch

China Construction Bank Corporation - Hong Kong Branch
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For the six months ended 30 June 2019
Appendix: Liquidity Coverage Ratio Standard Disclosure Template

Number of data points used in calculating the average value of the Liquidity Coverage Ratio (LCR) and related components set out in this Template for the quarter ending on 31 Mar 2019 and 30 Jun 2019.			Quarter ended 30 Jun 2019 (Number of data points: 59)		Quarter ended 31 Mar 2019 (Number of data points: 60)	
Basis of disclosure: Hong Kong office Currency: HK\$'000			UNWEIGHTED AMOUNT (Average Value)	WEIGHTED AMOUNT (Average Value)	UNWEIGHTED AMOUNT (Average Value)	WEIGHTED AMOUNT (Average Value)
A. HIGH QUALITY LIQUID ASSETS						
1	Total high quality liquid assets (HQLA)			69,412,167		101,458,408
B. CASH OUTFLOWS						
2	Retail deposits and small business funding, of which		-	-	-	-
3	Stable retail deposits and stable small business funding		-	-	-	-
4	Less stable retail deposits and less stable small business funding		-	-	-	-
4a	Retail term deposits and small business term funding		-	-	-	-
5	Unsecured wholesale funding (other than small business funding) and debt securities and prescribed instruments issued by the institution, of which:		90,739,179	61,337,195	89,726,708	63,228,083
6	Operational deposits		-	-	-	-
7	Unsecured wholesale funding (other than small business funding) not covered in Row 7		88,930,806	59,528,822	84,586,306	58,087,681
8	Debt securities and prescribed instruments issued by the institution and redeemable within the LCR period		1,808,373	1,808,373	5,140,402	5,140,402
9	Secured funding transactions (including securities swap transactions)			-		-
10	Additional requirements, of which		27,059,505	5,773,105	27,041,818	5,855,836
11	Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements		308,848	308,848	402,792	402,792
12	Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions		-	-	-	-
13	Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)		26,750,657	5,464,257	26,639,026	5,453,044
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows		4,100,480	4,100,480	1,567,710	1,567,710
15	Other contingent funding obligations (whether contractual or non-contractual)		92,491,063	3,175,448	104,518,570	3,177,137
16	TOTAL CASH OUTFLOWS			74,386,228		73,828,766
C. CASH INFLOWS						
17	Secured lending transactions (including securities swap transactions)		935,958	-	21,099	-
18	Secured and unsecured loans (other than secured lending transactions covered in Row 18) and operational deposits placed at other financial institutions		68,222,124	51,916,505	56,099,526	44,014,644
19	Other cash inflows		22,088,435	4,663,948	22,418,932	1,508,320
20	TOTAL CASH INFLOWS		91,246,517	56,580,453	78,539,557	45,522,964
D. LIQUIDITY COVERAGE RATIO						
21	TOTAL HQLA			69,412,167		101,458,408
22	TOTAL NET CASH OUTFLOWS			18,596,557		28,305,802
23	LCR (%)			335.77%		433.99%

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For the six months ended 30 June 2019

Appendix: Net Stable Funding Ratio Standard Disclosure Template

		For the quarter ended 30 June 2019				
		(a)	(b)	(c)	(d)	(e)
Basis of disclosure: Hong Kong office (Currency: HKD'000)		Unweighted value by residual maturity				Weighted amount
		No specified term to maturity	<6 months or repayable on demand	6 months to < 12 months	12 months or more	
A. Available stable funding ("ASF") item						
1	Capital:	-	-	-	-	-
2	Regulatory capital	-	-	-	-	-
2a	Minority interests not covered by row 2	-	-	-	-	-
3	Other capital instruments	-	-	-	-	-
4	Retail deposits and small business funding:	-	-	-	-	-
5	Stable deposits		-	-	-	-
6	Less stable deposits		-	-	-	-
7	Wholesale funding:	-	181,643,124	19,390,144	56,008,066	115,349,087
8	Operational deposits		-	-	-	-
9	Other wholesale funding	-	181,643,124	19,390,144	56,008,066	115,349,087
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	-	21,198,467	20,542,994	45,999,914	56,271,411
12	Net derivative liabilities	-				
13	All other funding and liabilities not included in the above categories	-	21,198,467	20,542,994	45,999,914	56,271,411
14	Total ASF					171,620,498
B. Required stable funding ("RSF") item						
15	Total HQLA for NSFR purposes				58,063,830	2,389,401
16	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
17	Performing loans and securities:	-	164,368,893	22,236,120	96,217,208	139,775,995
18	Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	119,013,211	14,307,023	41,815,973	66,821,466
20	Performing loans, other than performing residential mortgage, to non-financial corporate clients, retail and small business customers, sovereigns, the Monetary Authority for the account of the Exchange Fund, central banks and PSEs, of which:	-	44,569,703	7,929,097	51,569,335	70,083,335
21	With a risk-weight of less than or equal to 35% under the STC approach	-	-	-	-	-
22	Performing residential mortgages, of which:	-	-	-	-	-
23	With a risk-weight of less than or equal to 35% under the STC approach	-	-	-	-	-
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	785,979	-	2,831,900	2,871,194
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	3,673,012	1,051,772	123,161	1,756	3,280,756
27	Physical traded commodities, including gold	-				-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	-				-
29	Net derivative assets	63,479				63,479
30	Total derivative liabilities before deduction of variation margin posted	953,043				N/A
31	All other assets not included in the above categories	2,656,490	1,051,772	123,161	1,756	3,217,277
32	Off-balance sheet items				114,338,206	1,197,439
33	Total RSF					146,643,591
34	Net Stable Funding Ratio (%)					117.03%

China Construction Bank Corporation - Hong Kong Branch

Financial Information Disclosure Statement

For the six months ended 30 June 2019

Appendix: Net Stable Funding Ratio Standard Disclosure Template

		For the quarter ended 31 March 2019				
		(a)	(b)	(c)	(d)	(e)
		Unweighted value by residual maturity				Weighted amount
Basis of disclosure: Hong Kong office (Currency: HKD'000)		No specified term to maturity	<6 months or repayable on demand	6 months to < 12 months	12 months or more	
A. Available stable funding ("ASF") item						
1	Capital:	-	-	-	-	-
2	Regulatory capital	-	-	-	-	-
2a	Minority interests not covered by row 2	-	-	-	-	-
3	Other capital instruments	-	-	-	-	-
4	Retail deposits and small business funding:	-	-	-	-	-
5	Stable deposits		-	-	-	-
6	Less stable deposits		-	-	-	-
7	Wholesale funding:	-	182,868,587	41,635,126	53,441,461	123,430,374
8	Operational deposits		-	-	-	-
9	Other wholesale funding	-	182,868,587	41,635,126	53,441,461	123,430,374
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	-	16,966,877	9,958,900	61,475,710	66,455,160
12	Net derivative liabilities	-				
13	All other funding and liabilities not included in the above categories	-	16,966,877	9,958,900	61,475,710	66,455,160
14	Total ASF					189,885,534
B. Required stable funding ("RSF") item						
15	Total HQLA for NSFR purposes				93,549,489	4,164,280
16	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
17	Performing loans and securities:	-	133,590,026	30,298,482	107,653,733	149,833,643
18	Performing loans to financial institutions secured by Level 1 HQLA	-	1,267,080	-	-	126,708
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	87,222,086	16,339,660	49,455,185	70,708,328
20	Performing loans, other than performing residential mortgage, to non-financial corporate clients, retail and small business customers, sovereigns, the Monetary Authority for the account of the Exchange Fund, central banks and PSEs, of which:	-	45,076,465	13,958,822	55,370,096	76,582,225
21	With a risk-weight of less than or equal to 35% under the STC approach	-	-	-	-	-
22	Performing residential mortgages, of which:	-	-	-	-	-
23	With a risk-weight of less than or equal to 35% under the STC approach	-	-	-	-	-
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	24,395	-	2,828,452	2,416,382
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	1,536,636	2,103,472	184,531	1,382	1,124,654
27	Physical traded commodities, including gold	-				-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	-				-
29	Net derivative assets	169,143				169,143
30	Total derivative liabilities before deduction of variation margin posted	1,176,826				N/A
31	All other assets not included in the above categories	190,667	2,103,472	184,531	1,382	955,511
32	Off-balance sheet items				162,566,244	1,425,906
33	Total RSF					156,548,483
34	Net Stable Funding Ratio (%)					121.30%