

**CHINA CONSTRUCTION BANK CORPORATION – HONG KONG BRANCH  
FINANCIAL INFORMATION DISCLOSURE STATEMENT (UNAUDITED)  
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

**SECTION A: HONG KONG BRANCH INFORMATION**

**INCOME STATEMENT**

	Note	Six months ended 30 June 2022 HK\$'000	Six months ended 30 June 2021 HK\$'000
Interest income		<b>1,464,365</b>	1,617,945
Interest expense		<b>(1,015,610)</b>	(1,114,997)
<b>Net interest income</b>		<b>448,755</b>	502,948
Fees and commission income		<b>168,528</b>	90,339
Fees and commission expense		<b>(6,142)</b>	(5,032)
<b>Net fees and commission income</b>		<b>162,386</b>	85,307
Net trading gain / (loss)	1	<b>71,072</b>	(4,461)
Net gain on disposal arising from investment securities		<b>41,618</b>	9,253
Other operating income, net	2	<b>119,149</b>	124,749
<b>Operating income</b>		<b>842,980</b>	717,796
<b>Operating expenses</b>	3	<b>(302,112)</b>	(322,920)
<b>Net operating income before impairment losses</b>		<b>540,868</b>	394,876
Release in expected credit losses		<b>26,701</b>	137,479
<b>Profit before tax</b>		<b>567,569</b>	532,355
Taxation charge	4	<b>(97,622)</b>	(107,920)
<b>Profit for the period</b>		<b>469,947</b>	424,435

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**STATEMENT OF FINANCIAL POSITION**

	Note	As at 30 June 2022 HK\$'000	As at 31 December 2021 HK\$'000
<b>Assets</b>			
Deposits with central banks		5,035,333	7,324,384
Deposits with banks		2,133,446	2,083,872
Placements with banks	5	17,905,926	19,016,637
Financial assets held under resale agreements		1,896,802	-
Financial assets measured at fair value through profit or loss	6	1,434,079	1,770,056
Financial assets measured at fair value through other comprehensive income	7	34,579,054	38,087,501
Financial assets measured at amortised cost	8	2,749,150	2,341,842
Derivative financial instruments	9	7,665,204	4,359,399
Amount due from head office and overseas branches		65,137,857	69,400,772
Loans and advances to overseas branches and related companies		6,423,838	9,460,231
Loans and advances to customers and trade bills	10	67,940,333	52,464,140
Furniture and equipment		466	587
Intangible assets		20	20
Deferred tax assets		175,323	128,438
Other assets		3,297,500	670,747
<b>Total assets</b>		<b>216,374,331</b>	<b>207,108,626</b>
<b>Equity and liabilities</b>			
Borrowings from central banks		692,851	2,008,954
Deposits from banks		321,721	4,351,426
Placements from banks and non-bank financial institutions		31,029,647	43,848,569
Deposits from customers	15	68,181,054	53,715,829
Derivative financial instruments	9	7,385,616	4,536,316
Certificates of deposit and medium-term notes issued		51,487,853	54,517,808
Amount due to related companies		377,603	279,941
Amount due to head office and overseas branches		48,105,939	35,876,315
Lease liabilities		10,472	15,690
Current tax liabilities		82,840	30,920
Other liabilities		1,227,495	669,536
<b>Total liabilities</b>		<b>208,903,091</b>	<b>199,851,304</b>
Reserves	16	7,471,240	7,257,322
<b>Total equity and liabilities</b>		<b>216,374,331</b>	<b>207,108,626</b>

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**NOTES TO THE FINANCIAL INFORMATION**

**1. Net trading gain / (loss)**

	For the six months ended	
	2022	2021
	HK\$'000	HK\$'000
Net gains less losses from trading in foreign currencies	91,603	40,932
Net losses from other trading activities	(20,531)	(45,393)
	<u>71,072</u>	<u>(4,461)</u>

**2. Other operating income, net**

	For the six months ended	
	2022	2021
	HK\$'000	HK\$'000
Management fee received	118,945	119,428
Others	204	5,321
	<u>119,149</u>	<u>124,749</u>

**3. Operating expenses**

	For the six months ended	
	2022	2021
	HK\$'000	HK\$'000
Management fee paid	214,588	228,675
Staff expenses	77,357	80,457
Premises expenses	520	1,724
Others	9,647	12,064
	<u>302,112</u>	<u>322,920</u>

**4. Taxation charge**

	For the six months ended	
	2022	2021
	HK\$'000	HK\$'000
Current tax – Hong Kong Profits Tax		
- Provision for the year	94,469	86,628
Deferred tax		
- Origination and reversal of temporary differences	3,153	21,292
	<u>97,622</u>	<u>107,920</u>

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**NOTES TO THE FINANCIAL INFORMATION (Continued)**

**5. Placements with banks**

	<b>As at 30 June 2022 HK\$'000</b>	<b>As at 31 December 2021 HK\$'000</b>
Placements with banks with residual contractual maturity:		
- Less than one month	<b>5,425,858</b>	6,639,100
- More than one month and less than twelve months	<b>10,642,463</b>	10,576,184
- More than twelve months	<b>1,804,419</b>	1,793,195
Less: Expected credit losses	<b>(160)</b>	(161)
	<b>17,872,580</b>	19,008,318
Accrued interest receivables	<b>33,346</b>	8,319
	<b>17,905,926</b>	19,016,637

**6. Financial assets measured at fair value through profit or loss**

	<b>As at 30 June 2022 HK\$'000</b>	<b>As at 31 December 2021 HK\$'000</b>
Trading loans	<b>1,373,520</b>	1,707,823
Investment securities	<b>58,607</b>	61,402
	<b>1,432,127</b>	1,769,225
Accrued interest receivables	<b>1,952</b>	831
	<b>1,434,079</b>	1,770,056

**7. Financial assets measured at fair value through other comprehensive income**

	<b>As at 30 June 2022 HK\$'000</b>	<b>As at 31 December 2021 HK\$'000</b>
Investment securities	<b>29,450,850</b>	34,720,294
Certificates of deposit held	<b>4,900,487</b>	3,074,479
Less: Expected credit losses	<b>(245)</b>	(325)
	<b>34,351,092</b>	37,794,448
Accrued interest receivables	<b>227,962</b>	293,053
	<b>34,579,054</b>	38,087,501

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**NOTES TO THE FINANCIAL INFORMATION (Continued)**

**8. Financial assets measured at amortised cost**

	<b>As at 30 June 2022 HK\$'000</b>	<b>As at 31 December 2021 HK\$'000</b>
Investment securities	<b>94,300</b>	93,714
Certificates of deposit held	<b>2,744,272</b>	2,336,774
Less: Expected credit losses	<b>(94,325)</b>	(93,714)
	<b>2,744,247</b>	2,336,774
Accrued interest receivables	<b>4,903</b>	5,068
	<b>2,749,150</b>	2,341,842

**9. Derivative financial instruments**

<u>As at 30 June 2022</u>	<b>Notional amount HK\$'000</b>	<b>Fair value assets HK\$'000</b>	<b>Fair value liabilities HK\$'000</b>
Exchange rate contracts	<b>652,284,730</b>	<b>7,143,357</b>	<b>7,097,793</b>
Interest rate contracts	<b>44,471,246</b>	<b>521,847</b>	<b>287,823</b>
	<b>696,755,976</b>	<b>7,665,204</b>	<b>7,385,616</b>
<u>As at 31 December 2021</u>	<b>Notional amount HK\$'000</b>	<b>Fair value assets HK\$'000</b>	<b>Fair value liabilities HK\$'000</b>
Exchange rate contracts	419,091,308	4,272,303	4,250,547
Interest rate contracts	17,285,634	87,096	285,769
	<b>436,376,942</b>	<b>4,359,399</b>	<b>4,536,316</b>

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

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

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**NOTES TO THE FINANCIAL INFORMATION (Continued)**

**10. Loans and advances to customers and trade bills**

	<b>As at 30 June 2022 HK\$'000</b>	<b>As at 31 December 2021 HK\$'000</b>
Loans and advances to customers	<b>68,536,247</b>	52,246,108
Trade bills	<b>78,332</b>	886,751
Less: Unamortised portion of upfront fees	<b>(140,076)</b>	(86,130)
Expected credit losses		
- 12 months ECL	<b>(163,549)</b>	(106,913)
- Lifetime ECL but not credit impaired	<b>(486,136)</b>	(566,327)
- Lifetime ECL and credit impaired	-	-
	<b>67,824,818</b>	52,373,489
Accrued interest receivables	<b>117,389</b>	92,105
Less: Expected credit losses	<b>(1,874)</b>	(1,454)
	<b>115,515</b>	90,651
	<b>67,940,333</b>	52,464,140

**11. 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.

	<b>As at 30 June 2022</b>		<b>As at 31 December 2021</b>	
	<b>HK\$'000</b>	<b>% covered by collateral</b>	<b>HK\$'000</b>	<b>% covered by collateral</b>
<i>Industry categories:</i>				
Industrial, commercial and financial				
- Property development	<b>10,714,560</b>	<b>32.44%</b>	8,277,563	33.27%
- Property investment	<b>1,860,000</b>	<b>38.17%</b>	-	0.00%
- Financial concern	<b>5,442,678</b>	<b>0.00%</b>	5,369,894	0.00%
- Wholesale and retail trade	<b>1,799,889</b>	<b>0.00%</b>	1,389,825	0.00%
- Manufacturing	<b>3,062,696</b>	<b>0.00%</b>	2,357,571	0.00%
- Transport and transport equipment	<b>600,000</b>	<b>0.00%</b>	600,000	0.00%
- Others	<b>5,523,726</b>	<b>0.00%</b>	3,346,100	0.00%
Loans and advances for use in Hong Kong	<b>29,003,549</b>	<b>14.43%</b>	21,340,953	12.90%
Trade finance	<b>516,535</b>	<b>66.54%</b>	-	0.00%
Loans and advances for use outside Hong Kong	<b>39,016,163</b>	<b>9.97%</b>	30,905,155	2.46%
Total	<b>68,536,247</b>	<b>12.28%</b>	52,246,108	6.72%

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**NOTES TO THE FINANCIAL INFORMATION (Continued)**

**11. Analysis of loans and advances to customers (Continued)**

(b) Analysis by geographical areas

<u>As at 30 June 2022</u>	Total loans and advances to customers HK\$'000	Impaired loans and advances to customers HK\$'000	Overdue loans and advances to customers HK\$'000
Hong Kong	60,668,482	-	-
Others	7,867,765	-	-
Total	<u>68,536,247</u>	<u>-</u>	<u>-</u>
	Total loans and advances to customers HK\$'000	Impaired loans and advances to customers HK\$'000	Overdue loans and advances to customers HK\$'000
<u>As at 31 December 2021</u>			
Hong Kong	44,972,221	-	-
Others	7,273,887	-	-
Total	<u>52,246,108</u>	<u>-</u>	<u>-</u>

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

**12. 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 2022 and 31 December 2021.

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**NOTES TO THE FINANCIAL INFORMATION (Continued)**

**13. Overdue and rescheduled assets**

(a) Overdue loans and advances

There were no overdue loans and advances as at 30 June 2022 and 31 December 2021.

(b) Rescheduled loans and advances

There were no rescheduled loans and advances as at 30 June 2022 and 31 December 2021.

(c) Other overdue assets

	<b>As at 30 June 2022 HK\$'000</b>	<b>As at 31 December 2021 HK\$'000</b>
Over one year	<b>94,300</b>	93,714

There were no other assets overdue for more than three months but not more than one year as at 30 June 2022 and 31 December 2021.

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**NOTES TO THE FINANCIAL INFORMATION (Continued)**

**14. Non-bank mainland exposures**

<u>As at 30 June 2022</u>	On-balance sheet exposures HK\$'000	Off-balance sheet exposures HK\$'000	Total exposures HK\$'000
Types of counterparties			
(a) Central government, central government-owned entities and their subsidiaries and joint ventures ("JVs")	34,370,345	18,742,936	53,113,281
(b) Local governments, local government-owned entities and their subsidiaries and JVs	4,133,665	121,325	4,254,990
(c) PRC nationals residing in the Mainland or other entities incorporated in the Mainland and their subsidiaries and JVs	7,405,959	1,349,890	8,755,849
(d) Other entities of central government not reported in item (a) above	1,010,300	-	1,010,300
(e) Other entities of local governments not reported in item (b) above	-	-	-
(f) PRC nationals residing outside the Mainland or entities incorporated outside the Mainland where the credit is granted for use in the Mainland	4,479,226	915,405	5,394,631
(g) Other counterparties where the exposure is considered by the reporting institution to be non-bank Mainland exposures	-	-	-
Total	<u>51,399,495</u>	<u>21,129,556</u>	<u>72,529,051</u>
Total assets after provision	<u>216,374,331</u>		
On-balance sheet exposures as percentage of total assets	<u>23.75%</u>		
 <u>As at 31 December 2021</u>	 On-balance sheet exposures HK\$'000	 Off-balance sheet exposures HK\$'000	 Total exposures HK\$'000
Types of counterparties			
(a) Central government, central government-owned entities and their subsidiaries and joint ventures ("JVs")	30,348,681	14,244,817	44,593,498
(b) Local governments, local government-owned entities and their subsidiaries and JVs	1,297,746	32,541	1,330,287
(c) PRC nationals residing in the Mainland or other entities incorporated in the Mainland and their subsidiaries and JVs	5,088,200	3,169,475	8,257,675
(d) Other entities of central government not reported in item (a) above	250,200	-	250,200
(e) Other entities of local governments not reported in item (b) above	-	-	-
(f) PRC nationals residing outside the Mainland or entities incorporated outside the Mainland where the credit is granted for use in the Mainland	2,441,347	442,027	2,883,374
(g) Other counterparties where the exposure is considered by the reporting institution to be non-bank Mainland exposures	-	-	-
Total	<u>39,426,174</u>	<u>17,888,860</u>	<u>57,315,034</u>
Total assets after provision	<u>207,108,626</u>		
On-balance sheet exposures as percentage of total assets	<u>19.04%</u>		

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**NOTES TO THE FINANCIAL INFORMATION (Continued)**

**15. Deposits from customers**

	<b>As at 30 June 2022 HK\$'000</b>	<b>As at 31 December 2021 HK\$'000</b>
Demand deposits and current accounts	<b>1,737,040</b>	1,914,052
Savings deposits	<b>32,242,432</b>	11,198,799
Time, call and notice deposits	<b>34,112,604</b>	40,517,259
	<b>68,092,076</b>	53,630,110
Accrued interest payables	<b>88,978</b>	85,719
	<b>68,181,054</b>	53,715,829

**16. Reserves**

The components of reserves are as follows:

	<b>As at 30 June 2022 HK\$'000</b>	<b>As at 31 December 2021 HK\$'000</b>
Investment revaluation reserve, net of deferred tax	<b>(230,125)</b>	58,190
Reserve for cash flow hedge, net of deferred tax	<b>44,055</b>	11,769
Regulatory reserve	<b>194,824</b>	194,824
Retained earnings	<b>7,462,486</b>	6,992,539
Total reserves	<b>7,471,240</b>	7,257,322

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 2022 and year ended 31 December 2021.

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**NOTES TO THE FINANCIAL INFORMATION (Continued)**

**17. 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.

<u>As at 30 June 2022</u>	Banks HK\$'000	Official sector HK\$'000	Non-bank private sector		Total HK\$'000
			Non-bank financial institutions HK\$'000	Non-financial private sector HK\$'000	
Offshore centres	17,802,429	179,072	3,582,676	22,887,940	44,452,117
- Of which Hong Kong	<u>17,717,794</u>	<u>179,072</u>	<u>3,582,676</u>	<u>22,656,403</u>	<u>44,135,945</u>
Developing Asia and Pacific	102,274,945	3,565,976	-	6,291,552	112,132,473
- Of which the Mainland	<u>90,965,668</u>	<u>3,565,976</u>	-	<u>6,100,626</u>	<u>100,632,270</u>
- Of which Malaysia	<u>11,309,277</u>	-	-	-	<u>11,309,277</u>

  

<u>As at 31 December 2021</u>	Banks HK\$'000	Official sector HK\$'000	Non-bank private sector		Total HK\$'000
			Non-bank financial institutions HK\$'000	Non-financial private sector HK\$'000	
Offshore centres	10,650,022	189,478	3,378,010	18,445,748	32,663,258
- Of which Hong Kong	<u>10,001,341</u>	<u>189,478</u>	<u>3,378,010</u>	<u>18,223,333</u>	<u>31,792,162</u>
Developing Asia and Pacific	111,456,034	3,026,528	-	6,726,020	121,208,582
- Of which the Mainland	<u>94,494,924</u>	<u>3,026,528</u>	-	<u>6,643,852</u>	<u>104,165,304</u>
- Of which Malaysia	<u>16,961,110</u>	-	-	-	<u>16,961,110</u>

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**NOTES TO THE FINANCIAL INFORMATION (Continued)**

**18. Foreign currency exposures**

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

<u>As at 30 June 2022</u>	USD HK\$'000 equiv	CNY HK\$'000 equiv
Spot assets	110,003,187	35,488,745
Spot liabilities	(103,389,086)	(37,244,906)
Forward purchases	319,621,350	217,073,762
Forward sales	<u>(326,180,339)</u>	<u>(215,308,494)</u>
Net long position	<u>55,112</u>	<u>9,107</u>

<u>As at 31 December 2021</u>	USD HK\$'000 equiv	CNY HK\$'000 equiv
Spot assets	115,750,527	34,250,576
Spot liabilities	(110,355,104)	(35,243,354)
Forward purchases	194,493,951	139,030,958
Forward sales	<u>(199,903,317)</u>	<u>(138,001,451)</u>
Net long position	<u>(13,943)</u>	<u>36,729</u>

There was no structural and option position as at 30 June 2022 and 31 December 2021.

**19. Contingent liabilities and commitments**

	As at 30 June 2022 HK\$'000	As at 31 December 2021 HK\$'000
Direct credit substitutes	31,349,262	27,248,969
Transaction-related contingencies	67,470	67,050
Trade-related contingencies	1,328,024	869,054
Other commitments	<u>21,799,727</u>	<u>21,464,668</u>
	<u>54,544,483</u>	<u>49,649,741</u>

The contractual amounts of the above contingent liabilities and commitments indicate the volume of transactions outstanding as of the balance sheet date. They do not represent amounts at risk.

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**NOTES TO THE FINANCIAL INFORMATION (Continued)**

**20. Liquidity**

The Hong Kong Branch of China Construction Bank Corporation (“the Branch”) was designated by the HKMA as a category 2A institution and required to comply with the requirements related to the liquidity maintenance ratio (“LMR”) and the core funding ratio (“CFR”) with effect from 1 Oct 2021.

(a) Average Liquidity Maintenance Ratio (“LMR”)

	<b>For the quarter ended 30 June 2022</b>	<b>For the quarter ended 31 March 2022</b>
Average Liquidity Maintenance Ratio	<u><b>41.09%</b></u>	<u><b>49.12%</b></u>

The average LMR for each quarter in 2022 is based on the arithmetic mean of the average value of its LMR for each calendar month as reported in the liquidity position return submitted for the reporting period.

The Branch maintained its LMR at healthy levels.

(b) Average Core Funding Ratio (“CFR”)

	<b>For the quarter ended 30 June 2022</b>	<b>As at quarter ended 31 March 2022</b>
Average Core Funding Ratio	<u><b>180.35%</b></u>	<u><b>186.81%</b></u>

The average CFR for each quarter in 2022 is based on the arithmetic mean of the average value of its CFR for each calendar month as reported in the liquidity position return submitted for the reporting period.

The Branch maintained its CFR at healthy levels.

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**NOTES TO THE FINANCIAL INFORMATION (Continued)**

**20. Liquidity (Continued)**

(c) Liquidity Risk Management

*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 (LM-1)" and "Sound Systems and Controls for Liquidity Risk Management (LM-2)".

*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 has 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 statutory liquidity ratios. 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)**

**20. 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 CFR and medium-term 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 Branch's key sources of liquidity backstop during times of liquidity stress.

*Liquidity Cushion*

Under LMR, the liquidity cushion held by the Branch consists of cash, withdrawable reserves maintained with central banks and marketable debt securities eligible for inclusion in liquefiable assets for the purposes of determining LMR. These securities include those issued or guaranteed by sovereigns, central banks, multilateral development banks, mainland policy banks, corporates and financial institutions.

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.

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**SECTION A: HONG KONG BRANCH INFORMATION**

**NOTES TO THE FINANCIAL INFORMATION (Continued)**

**20. Liquidity (Continued)**

(c) Liquidity Risk Management (Continued)

*Liquidity Risk Management Monitoring Framework*

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

- LMR measures the extent of liquefiable assets covering qualifying liabilities due within one month arising from on-balance sheet and off-balance sheet exposures including contingent funding obligations.
- CFR measures long term funding risk by assessing the degree of the Branch's core 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.
- Under LMR, liquidity cushion held by the Branch consists of cash, withdrawable reserves maintained with central banks and marketable debt securities eligible for inclusion in liquefiable assets for the purposes of determining LMR. 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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**NOTES TO THE FINANCIAL INFORMATION (Continued)**

**20. 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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**I. Capital and capital adequacy**

	<b>As at 30 June 2022 RMB million</b>	As at 31 December 2021 RMB million
Total capital ratio	<b>17.95%</b>	17.85%
Total equity	<b>2,681,852</b>	2,614,122

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**

	<b>As at 30 June 2022 RMB million</b>	As at 31 December 2021 RMB million
Total assets	<b>33,689,078</b>	30,253,979
Total liabilities	<b>31,007,226</b>	27,639,857
Total loans and advances to customers	<b>19,694,042</b>	18,170,492
Total customer deposits	<b>24,184,466</b>	22,378,814
	<b>For the six months ended 30 June 2022 RMB million</b>	<b>30 June 2021 RMB million</b>
Profit before tax	<b>192,386</b>	184,463