

CHINA CONSTRUCTION BANK CORPORATION – HONG KONG BRANCH
FINANCIAL INFORMATION DISCLOSURE STATEMENT (UNAUDITED)
FOR THE YEAR ENDED 31 DECEMBER 2023

SECTION A: HONG KONG BRANCH INFORMATION

INCOME STATEMENT

	Note	2023 HK\$'000	2022 HK\$'000
Interest income		9,172,325	4,323,706
Interest expense		(7,538,601)	(3,154,709)
Net interest income		1,633,724	1,168,997
Fees and commission income		177,177	321,895
Fees and commission expense		(22,532)	(15,324)
Net fees and commission income		154,645	306,571
Net trading gain	1	191,727	207,007
Net gain on disposal arising from investment securities		60,147	103,169
Other operating income, net	2	277,337	289,932
Operating income		2,317,580	2,075,676
Operating expenses	3	(740,497)	(724,442)
Net operating income before impairment losses		1,577,083	1,351,234
(Allowance for)/release in expected credit losses		(187,469)	219,906
Profit before tax		1,389,614	1,571,140
Taxation charge	4	(272,016)	(262,254)
Profit for the period		1,117,598	1,308,886

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STATEMENT OF FINANCIAL POSITION

		As at 31 December 2023 HK\$'000	As at 30 June 2023 HK\$'000
	Note		
Assets			
Deposits with central banks		468,748	459,359
Deposits with banks		2,630,804	1,759,160
Placements with banks	5	22,664,429	25,433,635
Financial assets measured at fair value through profit or loss	6	204,244	-
Financial assets measured at fair value through other comprehensive income	7	63,190,670	61,544,557
Derivative financial instruments	9	9,878,263	11,934,247
Amount due from head office and overseas branches		33,245,892	30,248,476
Loans and advances to overseas branches and related companies		4,143,191	3,652,250
Loans and advances to customers and trade bills	10	96,323,756	93,545,431
Furniture and equipment		235	223
Right-of-use assets		187	-
Intangible assets		20	20
Deferred tax assets		173,652	106,444
Other assets		787,764	1,772,991
Total assets		233,711,855	230,456,793
Equity and liabilities			
Borrowings from central banks		393,890	1,463,182
Deposits from banks		280,744	386,038
Placements from banks and non-bank financial institutions		45,601,998	53,743,515
Deposits from customers	15	96,113,656	83,161,819
Financial assets sold under repurchase agreements		1,932,784	283,729
Derivative financial instruments	9	9,660,401	11,451,128
Certificates of deposit and medium-term notes issued		24,209,983	34,661,073
Amount due to related companies		1,523,106	798,466
Amount due to head office and overseas branches		43,563,967	34,728,973
Lease liabilities		190	772
Current tax liabilities		109,356	258,542
Other liabilities		856,802	772,703
Total liabilities		224,246,877	221,709,940
Reserves	16	9,464,978	8,746,853
Total equity and liabilities		233,711,855	230,456,793

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NOTES TO THE FINANCIAL INFORMATION

1. Net trading gain

	For the year ended	
	2023	2022
	HK\$'000	HK\$'000
Net (losses) / gains from trading in foreign currencies	(69,240)	102,065
Net gains from other trading activities	260,967	104,942
	<u>191,727</u>	<u>207,007</u>

2. Other operating income, net

	For the year ended	
	2023	2022
	HK\$'000	HK\$'000
Management fee received	277,103	289,637
Others	234	295
	<u>277,337</u>	<u>289,932</u>

3. Operating expenses

	For the year ended	
	2023	2022
	HK\$'000	HK\$'000
Management fee paid	494,288	449,749
Staff expenses	188,123	249,201
Premises expenses	6,902	6,128
Others	51,184	19,364
	<u>740,497</u>	<u>724,442</u>

4. Taxation charge

	For the year ended	
	2023	2022
	HK\$'000	HK\$'000
Current tax – Hong Kong Profits Tax		
- Provision for the year	302,967	227,248
Deferred tax		
- (reversal) / origination of temporary differences	(30,951)	35,006
	<u>272,016</u>	<u>262,254</u>

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NOTES TO THE FINANCIAL INFORMATION (Continued)

5. Placements with banks

	As at 31 December 2023 HK\$'000	As at 30 June 2023 HK\$'000
Placements with banks with residual contractual maturity:		
- Less than one month	20,792,923	17,478,593
- More than one month and less than twelve months	1,561,740	6,116,990
- More than twelve months	234,261	1,802,027
Less: Expected credit losses allowance	(228)	(117)
	22,588,696	25,397,493
Accrued interest receivables	75,733	36,142
	<u>22,664,429</u>	<u>25,433,635</u>

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

	As at 31 December 2023 HK\$'000	As at 30 June 2023 HK\$'000
Trading loans	-	-
Investment securities	203,088	-
	203,088	-
Accrued interest receivables	1,156	-
	<u>204,244</u>	<u>-</u>

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

	As at 31 December 2023 HK\$'000	As at 30 June 2023 HK\$'000
Investment securities	39,357,751	39,595,877
Certificates of deposit held	23,210,653	21,577,389
	62,568,404	61,173,266
Accrued interest receivables	622,849	371,582
Less: Expected credit losses allowance	(583)	(291)
	<u>63,190,670</u>	<u>61,544,557</u>

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NOTES TO THE FINANCIAL INFORMATION (Continued)

8. Financial assets measured at amortised cost

	As at 31 December 2023 HK\$'000	As at 30 June 2023 HK\$'000
Investment securities	93,861	94,175
Less: Expected credit losses allowance	(93,861)	(94,175)
	-	-
Accrued interest receivables	-	-
	-	-

9. Derivative financial instruments

<u>As at 31 December 2023</u>	Notional amount HK\$'000	Fair value assets HK\$'000	Fair value liabilities HK\$'000
Exchange rate contracts	535,527,335	5,724,688	5,753,598
Interest rate contracts	139,934,247	4,153,575	3,906,803
	675,461,582	9,878,263	9,660,401
<u>As at 30 June 2023</u>	Notional amount HK\$'000	Fair value assets HK\$'000	Fair value liabilities HK\$'000
Exchange rate contracts	612,180,666	9,115,946	9,061,965
Interest rate contracts	135,519,532	2,818,301	2,389,163
	747,700,198	11,934,247	11,451,128

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

	As at 31 December 2023 HK\$'000	As at 30 June 2023 HK\$'000
Loans and advances to customers	96,563,510	93,666,668
Trade bills	-	21,523
Less: Unamortised portion of upfront fees	(147,199)	(164,844)
Expected credit losses		
- 12 months ECL	(314,983)	(300,160)
- Lifetime ECL but not credit impaired	(392,175)	(64,600)
- Lifetime ECL and credit impaired	-	-
	95,709,153	93,158,587
Accrued interest receivables	619,119	387,774
Less: Expected credit losses allowance	(4,516)	(930)
	614,603	386,844
	96,323,756	93,545,431

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.

	As at 31 December 2023		As at 30 June 2023	
	HK\$'000	% covered by collateral	HK\$'000	% covered by collateral
<i>Industry categories:</i>				
Industrial, commercial and financial				
- Property development	12,090,517	23.14%	12,475,595	26.19%
- Property investment	1,881,488	38.88%	1,860,000	38.17%
- Financial concern	15,194,697	16.58%	13,772,805	17.99%
- Wholesale and retail trade	1,390,435	0.00%	891,745	0.00%
- Manufacturing	4,836,084	0.00%	4,902,217	0.00%
- Transport and transport equipment	1,853,561	31.72%	792,075	100.00%
- Information technology	2,288,393	0.00%	2,290,031	0.00%
- Others	5,159,580	0.00%	8,015,613	0.26%
Loans and advances for use in Hong Kong	44,694,755	14.85%	45,000,081	16.15%
Trade finance	227,370	100.00%	1,756,234	75.44%
Loans and advances for use outside Hong Kong	51,641,385	2.71%	46,910,353	8.05%
Total	96,563,510	8.56%	93,666,668	13.21%

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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 31 December 2023</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	89,225,858	-	2,110,500
Others	7,337,652	-	-
Total	96,563,510	-	2,110,500

<u>As at 30 June 2023</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	86,854,502	-	-
Others	6,812,166	-	-
Total	93,666,668	-	-

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 31 December 2023 and 30 June 2023.

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NOTES TO THE FINANCIAL INFORMATION (Continued)

13. Overdue and rescheduled assets

(a) Overdue loans and advances

	As at 31 December 2023	% of total Loans and advances to customers	As at 30 June 2023	% of total Loans and advances to customers
	HK\$'000		HK\$'000	
Overdue three months or less	<u>2,110,500</u>	<u>2.19%</u>	<u>-</u>	<u>-</u>

There were no loans and advances overdue for over three months as at 31 December 2023 and 30 June 2023.

	As at 31 December 2023	As at 30 June 2023
	HK\$'000	HK\$'000
Uncovered portion of overdue loans and advances	<u>2,110,500</u>	<u>-</u>

(b) Rescheduled loans and advances

There were no rescheduled loans and advances as at 31 December 2023 and 30 June 2023.

(c) Other overdue assets

	As at 31 December 2023	As at 30 June 2023
	HK\$'000	HK\$'000
Over one year	<u>93,861</u>	<u>94,175</u>

There were no other assets overdue for over three months but one year or less as at 31 December 2023 and 30 June 2023.

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NOTES TO THE FINANCIAL INFORMATION (Continued)

14. Non-bank mainland exposures

<u>As at 31 December 2023</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")	50,587,211	10,097,118	60,684,329
(b) Local governments, local government-owned entities and their subsidiaries and JVs	6,033,121	350,470	6,383,591
(c) PRC nationals residing in the Mainland or other entities incorporated in the Mainland and their subsidiaries and JVs	8,034,562	275,740	8,310,302
(d) Other entities of central government not reported in item (a) above	1,574,145	-	1,574,145
(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	4,318,406	859,000	5,177,406
(g) Other counterparties where the exposure is considered by the reporting institution to be non-bank Mainland exposures	-	-	-
Total	<u>70,547,445</u>	<u>11,582,328</u>	<u>82,129,773</u>
Total assets after provision	<u>234,033,320</u>		
On-balance sheet exposures as percentage of total assets	<u>30.14%</u>		
<u>As at 30 June 2023</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")	46,239,871	4,939,946	51,179,817
(b) Local governments, local government-owned entities and their subsidiaries and JVs	4,654,880	139,802	4,794,682
(c) PRC nationals residing in the Mainland or other entities incorporated in the Mainland and their subsidiaries and JVs	8,963,866	200,867	9,164,733
(d) Other entities of central government not reported in item (a) above	1,482,539	-	1,482,539
(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	4,922,693	641,565	5,564,258
(g) Other counterparties where the exposure is considered by the reporting institution to be non-bank Mainland exposures	-	-	-
Total	<u>66,263,849</u>	<u>5,922,180</u>	<u>72,186,029</u>
Total assets after provision	<u>231,031,565</u>		
On-balance sheet exposures as percentage of total assets	<u>28.68%</u>		

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NOTES TO THE FINANCIAL INFORMATION (Continued)

15. Deposits from customers

	As at 31 December 2023 HK\$'000	As at 30 June 2023 HK\$'000
Demand deposits and current accounts	3,982,978	1,840,310
Savings deposits	14,517,148	25,073,044
Time, call and notice deposits	77,161,898	55,942,455
	95,662,024	82,855,809
Accrued interest payables	451,632	306,010
	96,113,656	83,161,819

16. Reserves

The components of reserves are as follows:

	As at 31 December 2023 HK\$'000	As at 30 June 2023 HK\$'000
Investment revaluation reserve, net of deferred tax	(148,869)	(507,473)
Reserve for cash flow hedge, net of deferred tax	-	(8,608)
Regulatory reserve	194,824	194,824
Retained earnings	9,419,023	9,068,110
Total reserves	9,464,978	8,746,853

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 year ended 31 December 2023 and six months ended 30 June 2023.

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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 31 December 2023</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	
Developed countries	5,764,416	15,459,446	1,703,199	2,401,800	25,328,861
Offshore centres	10,017,457	236,859	15,367,165	30,690,175	56,311,656
- Of which Hong Kong	<u>9,652,316</u>	<u>236,859</u>	<u>14,389,528</u>	<u>30,006,629</u>	<u>54,285,332</u>
Developing Asia and Pacific	79,120,375	3,756,634	581,746	8,460,387	91,919,142
- Of which the Mainland	<u>76,833,652</u>	<u>3,756,634</u>	<u>581,746</u>	<u>7,936,901</u>	<u>89,108,933</u>

<u>As at 30 June 2023</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	
Developed countries	12,454,856	16,083,851	1,916,601	2,400,668	32,855,976
Offshore centres	2,953,924	275,504	12,932,656	27,230,378	43,392,462
- Of which Hong Kong	<u>1,276,451</u>	<u>275,504</u>	<u>11,950,872</u>	<u>26,493,150</u>	<u>39,995,977</u>
Developing Asia and Pacific	78,605,128	3,284,503	1,602,705	7,289,522	90,781,858
- Of which the Mainland	<u>72,800,774</u>	<u>3,284,503</u>	<u>1,602,705</u>	<u>6,764,487</u>	<u>84,452,469</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 31 December 2023</u>	USD HK\$'000 equiv	CNY HK\$'000 equiv	AUD HK\$'000 equiv
Spot assets	108,053,983	34,265,902	45,990
Spot liabilities	(99,366,034)	(34,814,867)	(48,490)
Forward purchases	253,646,304	135,908,784	13,190,126
Forward sales	(262,351,282)	(135,381,434)	(13,194,551)
Net long/ (short) position	<u>(17,029)</u>	<u>(21,615)</u>	<u>(6,925)</u>
 <u>As at 30 June 2023</u>	 USD HK\$'000 equiv	 CNY HK\$'000 equiv	 AUD HK\$'000 equiv
Spot assets	110,581,593	33,908,374	97,339
Spot liabilities	(119,458,069)	(36,452,516)	(75,852)
Forward purchases	304,958,335	157,713,070	12,012,158
Forward sales	(296,040,173)	(155,177,341)	(12,031,104)
Net long/ (short) position	<u>41,686</u>	<u>(8,413)</u>	<u>2,541</u>

There was no structural and option position as at 31 December 2023 and 30 June 2023.

19. Contingent liabilities and commitments

	As at 31 December 2023 HK\$'000	As at 30 June 2023 HK\$'000
Direct credit substitutes	29,222,812	27,903,904
Transaction-related contingencies	67,155	81,541
Trade-related contingencies	738,610	312,012
Other commitments	<u>11,353,724</u>	<u>10,242,303</u>
	<u>41,382,301</u>	<u>38,539,760</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").

(a) Liquidity Maintenance Ratio ("LMR")

	For the quarter ended 31 December 2023	For the quarter ended 30 September 2023
Average Liquidity Maintenance Ratio	53.34%	51.13%

The average LMR for each quarter in 2023 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")

	For the quarter ended 31 December 2023	For the quarter ended 30 September 2023
Average Core Funding Ratio	150.37%	131.86%

The average CFR for each quarter in 2023 is based on the arithmetic mean of the average value of its CFR for each calendar month as reported in the stable funding 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 Gap

The table below analyses the on- and off-balance sheet items, broken down into maturity buckets:

As at 31 December 2023

In HK\$'000	Total amount	Next day	Within 1 month	> 1 month up to 3 months	> 3 months up to 1 year	> 1 year up to 5 years	Over 5 years	Balancing amount
Deposits and balances from customers	95,732,796	18,796,226	27,146,312	35,020,960	14,769,298	-	-	-
Amount payable arising from derivative contracts	5,528,101	10,079,753	7,598,550	18,560,309	27,731,599	24,653,808	74,263	-
Due to banks	90,219,376	17,720,279	12,666,195	33,866,250	8,376,520	16,293,888	1,296,244	-
Debt securities issued	24,168,707	-	-	-	9,722,612	14,446,095	-	-
Other liabilities and reserves	14,122,147	32,384	422,852	1,233,319	3,009,804	148	-	9,423,640
Total on-balance sheet liabilities	229,771,127	46,628,642	47,833,909	88,680,838	63,609,833	55,393,939	1,370,507	9,423,640
Total off-balance sheet liabilities	43,263,012	502,972	2,890,585	6,443,609	6,437,174	21,522,582	5,466,090	-

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20. Liquidity (Continued)

(c) Liquidity risk management (Continued)

Liquidity Gap (Continued)

As at 31 December 2023

In HK\$'000	Total amount	Next day	Within 1 month	> 1 month up to 3 months	> 3 months up to 1 year	> 1 year up to 5 years	Over 5 years	Balancing amount
Amount receivable arising from derivative contracts	5,756,505	10,023,212	7,505,799	18,378,297	28,060,990	25,118,112	80,978	-
Balances with central bank	468,748	468,748	-	-	-	-	-	-
Due from banks	61,977,635	14,254,547	17,757,210	1,261,859	16,719,758	11,984,261	-	-
Debt securities	61,387,176	61,082,553	-	-	-	210,763	-	93,860
Acceptances and bills of exchange held	-	-	-	-	-	-	-	-
Loans and advances to customers	97,057,688	-	18,951,629	8,922,823	16,100,376	49,921,161	3,074,650	87,049
Other assets	1,031,733	189,233	421,887	144,624	921,241	26,737	-	(671,989)
Total on-balance sheet assets	227,679,485	86,018,293	44,636,525	28,707,603	61,802,365	87,261,034	3,155,628	(491,080)
Total off-balance sheet assets	7,027,830	7,027,830	-	-	-	-	-	-
Contractual Maturity Mismatch		45,914,509	(6,087,969)	(65,291,902)	(7,267,404)	10,344,513	(3,680,969)	
Cumulative Contractual Maturity Mismatch		45,914,509	39,826,540	(25,465,362)	(32,732,766)	(22,388,253)	(26,069,222)	

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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 Gap (Continued)

As at 31 December 2022

In HK\$'000	Total amount	Next day	Within 1 month	> 1 month up to 3 months	> 3 months up to 1 year	> 1 year up to 5 years	Over 5 years	Balancing amount
Deposits and balances from customers	101,170,346	24,885,518	18,573,258	45,814,881	11,896,689	-	-	-
Amount payable arising from derivative contracts	7,785,112	12,536,432	18,840,803	24,558,392	55,891,419	42,591,376	301,542	-
Due to banks	73,435,651	18,367,587	14,043	7,259,388	39,685,406	6,813,365	1,295,862	-
Debt securities issued	34,867,385	218,579	546,448	728,694	18,151,184	15,222,480	-	-
Other liabilities and reserves	9,647,615	26,034	549,635	147,189	869,913	-	-	8,054,844
Total on-balance sheet liabilities	226,906,109	56,034,150	38,524,187	78,508,544	126,494,611	64,627,221	1,597,404	8,054,844
Total off-balance sheet liabilities	56,455,968	279,878	5,642,060	6,381,855	15,494,480	23,193,215	5,464,480	-

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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 Gap (Continued)

As at 31 December 2022

In HK\$'000	Total amount	Next day	Within 1 month	> 1 month up to 3 months	> 3 months up to 1 year	> 1 year up to 5 years	Over 5 years	Balancing amount
Amount receivable arising from derivative contracts	8,284,180	12,569,929	18,757,123	24,558,953	56,132,364	43,203,157	311,419	-
Balances with central bank	1,222,658	1,222,658	-	-	-	-	-	-
Due from banks	73,082,279	23,696,737	8,840,883	4,275,639	20,909,059	15,359,961	-	-
Debt securities	52,163,031	52,069,198	-	-	-	-	-	93,833
Acceptances and bills of exchange held	140,400	-	-	66,267	74,133	-	-	-
Loans and advances to customers	90,923,881	109,576	26,349,467	8,788,008	15,707,687	38,407,173	1,561,970	-
Other assets	1,082,051	261,371	409,297	83,816	797,599	14,334	-	(484,366)
Total on-balance sheet assets	226,898,480	89,929,469	54,356,770	37,772,683	93,620,842	96,984,625	1,873,389	(390,533)
Total off-balance sheet assets	1,561,280	1,561,280	-	-	-	-	-	-
Contractual Maturity Mismatch		35,176,721	10,190,523	(47,117,716)	(48,368,249)	9,164,189	(5,188,495)	
Cumulative Contractual Maturity Mismatch		35,176,721	45,367,244	(1,750,472)	(50,118,721)	(40,954,532)	(46,143,027)	

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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 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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SECTION A: HONG KONG BRANCH INFORMATION

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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SECTION A: HONG KONG BRANCH INFORMATION

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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SECTION B: BANK INFORMATION (CONSOLIDATED BASIS)

I. Capital and capital adequacy

	As at 31 December 2023 RMB million	As at 30 June 2023 RMB million
Total capital ratio	17.95%	17.40%
Total equity	3,172,074	2,956,228

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

	As at 31 December 2023 RMB million	As at 30 June 2023 RMB million
Total assets	38,324,826	38,254,706
Total liabilities	35,152,752	35,298,478
Total loans and advances to customers	23,083,377	22,360,543
Total customer deposits	27,654,011	27,628,473

	For the year ended 31 December 2023 RMB million	31 December 2022 RMB million
Profit before tax	389,377	382,017

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STATEMENT OF COMPLIANCE

In compliance with the Banking (Disclosure) Rules Part 8 “Disclosures to be made by Authorized Institutions incorporated outside Hong Kong”, the enclosed unaudited financial information disclosure statement for the year ended 2023 has been provided.



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



