

China Construction Bank Corporation – Hong Kong Branch
Financial Information Disclosure Statement (Unaudited)
For the six months ended 30 June 2020

Section A: Hong Kong Branch Information

Income Statement

	<i>Note</i>	<i>Six months ended 30 June 2020 HK\$'000</i>	<i>Six months ended 30 June 2019 HK\$'000</i>
Interest income		3,407,173	5,493,559
Interest expense		(2,673,456)	(4,809,590)
Net interest income		733,717	683,969
Net fee and commission income	1	116,783	102,018
Net trading (losses)/gains	2	(15,607)	170,666
Other operating income	3	231,544	320,178
Operating income		1,066,437	1,276,831
Operating expenses	4	(304,566)	(263,909)
		761,871	1,012,922
Release in expected credit losses		550,790	515,114
Profit before tax		1,312,661	1,528,036
Taxation charge	5	(236,735)	(252,880)
Net profit		1,075,926	1,275,156

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Statement of Financial Position

	Note	<i>As at 30 June 2020 HK\$'000</i>	<i>As at 31 December 2019 HK\$'000 (restated)</i>
Assets			
Deposits with central banks		3,717,958	4,309,677
Deposits with banks		701,779	1,606,525
Placements with banks	6	36,985,771	40,869,823
Financial assets measured at fair value through profit or loss	7	5,756,208	7,047,079
Financial assets measured at fair value through other comprehensive income	8	38,751,931	37,793,159
Financial assets measured at amortised cost	9	6,498,034	2,334,840
Derivative financial instruments	10	1,762,834	1,571,833
Amounts due from head office and overseas branches		74,369,666	88,685,868
Loans and advances to overseas branches and related companies		17,826,062	14,414,133
Loans and advances to customers and trade bills	11	70,135,521	90,749,256
Furniture and equipment		952	1,073
Right-of-use assets		50,684	53,755
Intangible assets		360	360
Deferred tax assets		124,950	143,170
Other assets		2,132,502	748,671
Total assets		258,815,212	290,329,222
Equity and liabilities			
Borrowings from central banks		1,465,068	400,908
Deposits from banks		6,433,544	5,239,200
Placements from banks and non-bank financial institutions		43,444,382	25,253,166
Deposits from customers	16	112,751,395	123,642,052
Financial assets sold under repurchase agreements		752,447	1,196,755
Derivative financial instruments	10	2,087,444	1,744,551
Certificates of deposit and medium-term notes issued		57,067,711	78,028,497
Amounts due to related companies		172,429	407,312
Amounts due to head office and overseas branches		27,231,814	47,871,000
Lease liabilities		54,062	56,851
Current tax liabilities		139,398	320,473
Other liabilities		701,551	506,808
Total liabilities		252,301,245	284,667,573
Reserves	19	6,513,967	5,661,649
Total equity and liabilities		258,815,212	290,329,222

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Notes to the financial information

1	<i>Net fee and commission income</i>	<i>For the six months ended</i>	
		<i>30 June 2020</i>	<i>30 June 2019</i>
		HK\$'000	HK\$'000
	Fee and commission income	120,611	105,993
	Fee and commission expense	(3,828)	(3,975)
		<u>116,783</u>	<u>102,018</u>
2	<i>Net trading (losses)/gains</i>	<i>For the six months ended</i>	
		<i>30 June 2020</i>	<i>30 June 2019</i>
		HK\$'000	HK\$'000
	Net (losses)/gains less losses from trading in foreign	(16,853)	125,342
	Net gains from other trading activities	1,246	45,324
		<u>(15,607)</u>	<u>170,666</u>
3	<i>Other operating income</i>	<i>For the six months ended</i>	
		<i>30 June 2020</i>	<i>30 June 2019</i>
		HK\$'000	HK\$'000
	Net gains on disposal of debt investments measured at fair value through other comprehensive income	198,372	287,987
	Others	33,172	32,191
		<u>231,544</u>	<u>320,178</u>
4	<i>Operating expenses</i>	<i>For the six months ended</i>	
		<i>30 June 2020</i>	<i>30 June 2019</i>
		HK\$'000	HK\$'000
	Management fee paid	295,032	250,639
	Premises expenses	1,730	1,801
	Others	7,804	11,469
		<u>304,566</u>	<u>263,909</u>
5	<i>Taxation charge</i>	<i>For the six months ended</i>	
		<i>30 June 2020</i>	<i>30 June 2019</i>
		HK\$'000	HK\$'000
	Current tax – Hong Kong Profits Tax		
	- Provision for the year	146,647	167,181
	Deferred tax		
	- Origination and (reversal) of temporary differences	90,088	85,699
		<u>236,735</u>	<u>252,880</u>

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6	<i>Placements with banks</i>	<i>As at</i> 30 June 2020 HK\$'000	<i>As at</i> 31 December 2019 HK\$'000 (restated)
	Placements with banks with residual contractual maturity more than one month but not more than twelve months	35,346,701	39,160,601
	Placements with banks with residual contractual maturity more than twelve months	1,550,040	1,557,340
	Less: Expected credit losses	(7,169)	(4,686)
		<hr/> 36,889,572	<hr/> 40,713,255
	Accrued interest receivables	96,199	156,568
		<hr/> 36,985,771	<hr/> 40,869,823
7	<i>Financial assets measured at fair value through profit or loss</i>	<i>As at</i> 30 June 2020 HK\$'000	<i>As at</i> 31 December 2019 HK\$'000 (restated)
	Trading loans	5,529,219	7,044,975
	Investment securities	221,149	-
		<hr/> 5,750,368	<hr/> 7,044,975
	Accrued interest receivables	5,841	2,104
		<hr/> 5,756,209	<hr/> 7,047,079
8	<i>Financial assets measured at fair value through other comprehensive income</i>	<i>As at</i> 30 June 2020 HK\$'000	<i>As at</i> 31 December 2019 HK\$'000 (restated)
	Investment securities	30,208,667	28,288,800
	Certificates of deposit held	8,248,836	9,209,332
	Less: Expected credit losses	(593)	(114)
		<hr/> 38,456,910	<hr/> 37,498,018
	Accrued interest receivables	295,021	295,141
		<hr/> 38,751,931	<hr/> 37,793,159

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Notes to the financial information (continued)

9 Financial assets measured at amortised cost

	<i>As at</i> <i>30 June 2020</i> HK\$'000	<i>As at</i> <i>31 December 2019</i> HK\$'000 (restated)
Investment securities	93,157	93,596
Certificates of deposit held	6,492,803	2,329,389
Less: Expected credit losses	(93,157)	(93,596)
	<u>6,492,803</u>	<u>2,329,389</u>
Accrued interest receivables	5,231	5,451
	<u>6,498,034</u>	<u>2,334,840</u>

10 Derivative financial instruments

<i>As at 30 June 2020</i>	<i>Positive</i> <i>fair value</i> HK\$'000	<i>Negative</i> <i>fair value</i> HK\$'000
- Exchange rate contracts	1,648,986	1,495,737
- Interest rate contracts	113,848	591,707
	<u>1,762,834</u>	<u>2,087,444</u>
 <i>As at 31 December 2019</i>	 <i>Positive</i> <i>fair value</i> HK\$'000 (restated)	 <i>Negative</i> <i>fair value</i> HK\$'000 (restated)
- Exchange rate contracts	1,500,496	1,563,019
- Interest rate contracts	71,337	181,532
	<u>1,571,833</u>	<u>1,744,551</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)

<i>11 Loans and advances to customers and trade bills</i>	<i>As at</i> <i>30 June 2020</i> HK\$'000	<i>As at</i> <i>31 December 2019</i> HK\$'000 (restated)
Loans and advances to customers	70,285,935	91,368,293
Trade bills	107,085	231,035
Less: Unamortized portion of upfront fees	(171,147)	(198,345)
Expected credit losses	(382,089)	(1,004,682)
	<u>69,839,784</u>	<u>90,396,301</u>
Accrued interest receivables	298,356	354,275
Less: Expected credit losses	(2,619)	(1,320)
	<u>295,737</u>	<u>352,955</u>
	<u>70,135,521</u>	<u>90,749,256</u>

12 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:

	<u><i>As at 30 June 2020</i></u>		<u><i>As at 31 December 2019</i></u>	
	HK\$'000	<i>% covered</i> <i>by collateral</i>	HK\$'000 (restated)	<i>% covered</i> <i>by collateral</i> (restated)
<i>Industry categories:</i>				
Industrial, commercial and financial				
- Property development	5,909,197	0.00%	5,350,126	0.00%
- Property investment	1,659,000	0.00%	2,267,000	0.00%
- Financial concerns	8,192,099	0.00%	8,057,718	0.00%
- Wholesale and retail trade	4,258,000	0.00%	4,494,300	5.02%
- Transport and transport equipment	3,872,390	0.00%	3,115,176	11.78%
- Others	2,770,000	0.00%	1,820,000	0.00%
Loans and advances for use in				
Hong Kong	26,660,686	0.00%	25,104,320	2.36%
Trade Finance	2,488,433	94.92%	2,481,364	95.78%
Loans and advances for use outside				
Hong Kong	41,136,816	32.21%	63,782,609	46.76%
Total	<u>70,285,935</u>	<u>22.20%</u>	<u>91,368,293</u>	<u>35.89%</u>

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Notes to the financial information (continued)

12 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 2020		
Hong Kong	60,558,138	264,453
The Mainland	7,285,238	21,171
Others	2,442,559	23,461
Total	<u>70,285,935</u>	<u>309,085</u>
As at 31 December 2019 (restated)		
Hong Kong	79,642,064	901,540
The Mainland	8,146,183	14,785
Others	3,580,046	88,089
Total	<u>91,368,293</u>	<u>1,004,414</u>

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 2020 and 31 December 2019.

13 Overdue and rescheduled assets

(a) Overdue loans and advances

There were no loans and advances overdue for more than three months as at 30 June 2020 and 31 December 2019.

(b) Rescheduled loans and advances

There were no rescheduled loans and advances as at 30 June 2020 and 31 December 2019.

(c) Other overdue assets

	<i>As at 30 June 2020 HK\$'000</i>	<i>As at 31 December 2019 HK\$'000</i>
Over one year	<u>93,157</u>	<u>93,596</u>

There were no other assets overdue for over three months but one year or less as at 30 June 2020 and 31 December 2019.

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Notes to the financial information (continued)

14 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 2020 and 31 December 2019.

15 Non-bank mainland exposures

(i) As at 30 June 2020

<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)	41,945,710	18,376,896	60,322,606
(b) Local governments, local government-owned entities and their subsidiaries and JVs	1,461,289	223,957	1,685,246
(c) PRC nationals residing in the Mainland or other entities incorporated in the Mainland and their subsidiaries and JVs	9,923,076	4,012,433	13,935,509
(d) Other entities of central government not reported in item (a) above	444,869	8,500	453,369
(e) Other entities of local governments not reported in item (b) above	311,467	-	311,467
(f) PRC nationals residing outside the Mainland or entities incorporated outside the Mainland where the credit is granted for use in the Mainland	1,515,440	-	1,515,440
(g) Other counterparties where the exposure is considered by the reporting institution to be non-bank Mainland exposures	2,005,593	-	2,005,593
Total	<u>57,607,444</u>	<u>22,621,786</u>	<u>80,229,230</u>
Total assets after provision	<u>258,815,212</u>		
On-balance sheet exposures as percentage of total assets	<u>22.26%</u>		

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Notes to the financial information (continued)

15 Non-bank mainland exposures (continued)

(ii) As at 31 December 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)	56,377,538	18,038,335	74,415,873
(b) Local governments, local government-owned entities and their subsidiaries and JVs	2,091,904	189,324	2,281,228
(c) PRC nationals residing in the Mainland or other entities incorporated in the Mainland and their subsidiaries and JVs	14,609,083	3,176,812	17,785,895
(d) Other entities of central government not reported in item (a) above	452,335	30,000	482,335
(e) Other entities of local governments not reported in item (b) above	313,521	-	313,521
(f) PRC nationals residing outside the Mainland or entities incorporated outside the Mainland where the credit is granted for use in the Mainland	1,627,115	297,176	1,924,291
(g) Other counterparties where the exposure is considered by the reporting institution to be non-bank Mainland exposures	-	-	-
Total	75,471,496	21,731,647	97,203,143
Total assets after provision (restated)	290,329,222		
On-balance sheet exposures as percentage of total assets (restated)	26.00%		

16 Deposits from customers

	<i>As at 30 June 2020 HK\$'000</i>	<i>As at 31 December 2019 HK\$'000 (restated)</i>
Demand deposits and current accounts	2,030,690	1,289,861
Savings deposits	16,033,632	9,374,707
Time, call and notice deposits	94,107,943	112,197,533
	112,172,265	122,862,101
Accrued interest receivables	579,130	779,951
	112,751,395	123,642,052

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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.

	<i>Banks</i> HK\$'000	<i>Official sector</i> HK\$'000	<i>Non-bank private sector</i>		<i>Total</i> HK\$'000
			<i>Non-bank financial institutions</i> HK\$'000	<i>Non-financial private sector</i> HK\$'000	
As at 30 June 2020					
Offshore centres	9,221,229	81,886	1,104,725	25,774,408	36,182,248
- of which					
Hong Kong	<u>9,178,021</u>	<u>81,886</u>	<u>1,104,725</u>	<u>25,774,408</u>	<u>36,139,040</u>
Developing Asia and Pacific	152,710,553	1,584,371	1,437,586	17,950,704	173,683,214
- of which the					
Mainland	<u>143,912,937</u>	<u>1,584,371</u>	<u>1,347,361</u>	<u>17,899,523</u>	<u>164,744,192</u>
As at 31 December 2019					
Offshore centres	5,024,653	79,431	542,000	29,095,244	34,741,328
- of which					
Hong Kong	<u>5,006,482</u>	<u>79,431</u>	<u>506,619</u>	<u>28,333,504</u>	<u>33,926,036</u>
Developing Asia and Pacific	157,707,573	-	1,488,085	35,276,654	194,472,312
- of which the					
Mainland	<u>153,721,469</u>	<u>-</u>	<u>1,472,634</u>	<u>35,096,052</u>	<u>190,290,155</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:

As at 30 June 2020	<i>USD</i> HK\$'000 equiv	<i>EUR</i> HK\$'000 equiv	<i>CNY</i> HK\$'000 equiv
Spot assets	135,328,816	21,156,566	41,159,524
Spot liabilities	(145,082,855)	(16,808,381)	(34,251,744)
Forward purchases	206,223,486	22,094,549	126,743,229
Forward sales	<u>(196,352,711)</u>	<u>(26,446,501)</u>	<u>(133,668,947)</u>
Net long / (short) position	<u>116,736</u>	<u>(3,767)</u>	<u>(17,938)</u>
As at 31 December 2019	<i>USD</i> HK\$'000 equiv	<i>EUR</i> HK\$'000 equiv	<i>CNY</i> HK\$'000 equiv
Spot assets	154,350,674	25,306,435	37,089,435
Spot liabilities	(169,814,534)	(25,394,960)	(24,221,815)
Forward purchases	161,776,263	10,892,569	59,304,208
Forward sales	<u>(146,255,505)</u>	<u>(10,844,431)</u>	<u>(72,175,944)</u>
Net long / (short) position	<u>56,898</u>	<u>(40,387)</u>	<u>(4,116)</u>

There was no structural and option position as at 30 June 2020 and 31 December 2019.

19 Reserves

The components of reserves are as follows:

	<i>As at</i> 30 June 2020 HK\$'000	<i>As at</i> 31 December 2019 HK\$'000
Investment revaluation reserve, net of deferred tax	11,357	240,240
Reserve for cash flow hedge, net of deferred tax	(2,350)	(7,625)
Regulatory reserve	194,824	194,824
Retained earnings	<u>6,310,136</u>	<u>5,234,210</u>
Total reserves	<u>6,513,967</u>	<u>5,661,649</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 2020 and year ended 31 December 2019.

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Notes to the financial information (continued)

20 Off-balance sheet exposures

The contractual or notional amounts:	<i>As at</i> <i>30 June</i> <i>2020</i> <i>HK\$'000</i>	<i>As at</i> <i>31 December</i> <i>2019</i> <i>HK\$'000</i>
Contingent liabilities and commitments		
- Direct credit substitutes	31,886,428	33,685,482
- Trade-related contingencies	1,346,044	935,700
- Other commitments	<u>26,263,185</u>	<u>21,757,165</u>
	<u>59,495,657</u>	<u>56,378,347</u>
	<i>As at</i> <i>30 June</i> <i>2020</i> <i>HK\$'000</i>	<i>As at</i> <i>31 December</i> <i>2019</i> <i>HK\$'000</i>
Derivatives		
- Exchange rate contracts	412,800,156	321,574,406
- Interest rate contracts	<u>20,387,885</u>	<u>8,657,140</u>
	<u>433,188,041</u>	<u>330,231,546</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.

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Notes to the financial information (continued)

21 Liquidity

(a) Average Liquidity Coverage Ratio ("LCR")

	<i>For the quarter ended 30 June</i>	<i>For the quarter ended 31 March</i>
Average Liquidity Coverage Ratio	198.13%	233.31%

The average LCR for each quarter in 2020 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 healthy level. The Branch managed its high quality liquid assets and improved concentration of asset types. The Branch optimized its LCR to achieve higher efficiency.

The Branch's High quality liquid assets ("HQLA") consist of cash, balances at central banks and high quality marketable securities issued or guaranteed by sovereigns, central banks, multilateral development 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 issued and interbank money market borrowings.

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 30 June 2020 HK\$'000</i>	<i>Quarter ended 31 March 2020 HK\$'000</i>
Level 1 assets	38,216,396	35,883,814
Level 2A assets	1,748,061	1,946,261
Total weighted amount of HQLA	<u>39,964,457</u>	<u>37,830,075</u>

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

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21 Liquidity (continued)

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

	<i>As at quarter ended 30 June 2020</i>	<i>As at quarter ended 31 March 2020</i>
Net Stable Funding Ratio	117.37%	120.01%

The NSFR of the Branch was maintained at a healthy level.

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 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.

(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)" updated in 2020.

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21 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 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 LCR and NSFR. The Branch developed management information systems to provide liquidity exposures for computing these indicators on a daily basis.

China Construction Bank Corporation – Hong Kong Branch

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For the six months ended 30 June 2020

Notes to the financial information (continued)

21 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.

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Notes to the financial information (continued)

21 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 (Unaudited)
For the six months ended 30 June 2020**

Notes to the financial information (continued)

21 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.

22 Comparative figures

Certain comparative figures have been adjusted to conform with the current period’s presentation and disclosures.

China Construction Bank Corporation – Hong Kong Branch
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For the six months ended 30 June 2020

B. Bank Information (consolidated basis)

I. Capital and capital adequacy

	<i>As at</i> 30 June 2020 RMB million	<i>As at</i> 31 December 2019 RMB million
Total capital ratio	16.62%	17.52%
Total equity	2,301,317	2,235,127

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</i> 30 June 2020 RMB million	<i>As at</i> 31 December 2019 RMB million
Total assets	27,655,247	25,436,261
Total liabilities	25,353,930	23,201,134
Total loans and advances to customers	15,927,785	14,540,667
Total customer deposits	20,402,162	18,366,293
	<i>For the six months ended</i>	
	30 June 2020 RMB million	30 June 2019 RMB million
Profit before tax	168,773	191,180

China Construction Bank Corporation – Hong Kong Branch
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For the six months ended 30 June 2020

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 six months ended 30 June 2020 has been provided.



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



China Construction Bank Corporation - Hong Kong Branch
 Financial Information Disclosure Statement
 For the six months ended 30 June 2020
 Appendix: Liquidity Coverage Ratio Standard Disclosure Template

		Quarter ended 31 Mar 2020 (Number of data points: 62)		Quarter ended 30 Jun 2020 (Number of data points: 60)	
		UNWEIGHTED AMOUNT (Average Value)	WEIGHTED AMOUNT (Average Value)	UNWEIGHTED AMOUNT (Average Value)	WEIGHTED AMOUNT (Average Value)
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 2020 and 30 Jun 2020.					
Basis of disclosure: Hong Kong office					
Currency: HK\$'000					
A. HIGH QUALITY LIQUID ASSETS					
1	Total high quality liquid assets (HQLA)		39,964,457		37,830,075
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:	85,103,480	57,508,636	79,655,507	51,063,867
6	Operational deposits		-		-
7	Unsecured wholesale funding (other than small business funding) not covered in Row 7	79,721,176	52,126,332	76,351,728	47,760,088
8	Debt securities and prescribed instruments issued by the institution and redeemable within the LCR period	5,382,304	5,382,304	3,303,779	3,303,779
9	Secured funding transactions (including securities swap transactions)		-		-
10	Additional requirements, of which	27,672,463	6,457,557	24,449,379	5,723,582
11	Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements	449,903	449,903	482,617	482,617
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)	27,222,560	6,007,654	23,966,762	5,240,965
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	3,045,043	3,045,043	2,340,473	2,340,473
15	Other contingent funding obligations (whether contractual or non-contractual)	89,630,961	3,215,691	88,964,633	3,328,771
16	TOTAL CASH OUTFLOWS		70,226,927		62,456,693
C. CASH INFLOWS					
17	Secured lending transactions (including securities swap transactions)	536,482	-	193,109	-
18	Secured and unsecured loans (other than secured lending transactions covered in Row 18) and operational deposits placed at other financial institutions	64,968,108	48,411,825	63,645,518	48,366,277
19	Other cash inflows	19,136,056	1,447,859	18,140,581	845,773
20	TOTAL CASH INFLOWS	84,640,646	49,859,684	81,979,208	49,212,050
D. LIQUIDITY COVERAGE RATIO					
21	TOTAL HQLA		39,964,457		37,830,075
22	TOTAL NET CASH OUTFLOWS		21,183,998		16,496,958
23	LCR (%)		198.13%		233.31%

China Construction Bank Corporation - Hong Kong Branch
Financial Information Disclosure Statement

For the 6 months ended 30 June 2020

Appendix: Net Stable Funding Ratio Standard Disclosure Template

Basis of disclosure: Hong Kong office (Currency: HKD'000)		For the quarter ended 30 June 2020				
		(a)	(b)	(c)	(d)	(e)
		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:	-	142,838,991	20,576,262	28,663,365	83,335,688
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	-	142,838,991	20,576,262	28,663,365	83,335,688
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	304,248	16,069,206	14,559,678	34,584,324	41,864,163
12	Net derivative liabilities	304,248	-	-	-	-
13	All other funding and liabilities not included in the above categories	-	16,069,206	14,559,678	34,584,324	41,864,163
14	Total ASF					125,199,851
B. Required stable funding ("RSF") item						
15	Total HQLA for NSFR purposes				41,304,284	1,858,537
16	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
17	Performing loans and securities:	-	122,299,678	33,075,956	58,194,940	102,450,130
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	-	83,678,471	25,413,819	29,655,479	54,914,159
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:	-	34,431,822	7,493,825	25,295,901	42,464,339
21	With a risk-weight of less than or equal to 35% under the STC approach	-	-	-	-	37,830,075
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	-	4,189,385	168,312	3,243,560	5,071,632
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	2,604,444	2,113,300	67,389	3,165	961,332
27	Physical traded commodities, including gold	-	-	-	-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	152,628	-	-	-	129,734
29	Net derivative assets	-	-	-	-	-
30	Total derivative liabilities before deduction of variation margin posted	2,067,082	-	-	-	103,354
31	All other assets not included in the above categories	384,734	2,113,300	67,389	3,165	728,244
32	Off-balance sheet items				117,203,530	1,403,310
33	Total RSF					106,673,309
34	Net Stable Funding Ratio (%)					117.37%

China Construction Bank Corporation - Hong Kong Branch
Financial Information Disclosure Statement
For the 6 months ended 30 June 2020
Appendix: Net Stable Funding Ratio Standard Disclosure Template

		For the quarter ended 31 March 2020				
		(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:	-	156,823,544	30,056,446	35,545,432	106,400,941
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	-	156,823,544	30,056,446	35,545,432	106,400,941
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	351,786	28,265,647	12,495,477	43,816,764	50,064,503
12	Net derivative liabilities	351,786	-	-	-	-
13	All other funding and liabilities not included in the above categories	-	28,265,647	12,495,477	43,816,764	50,064,503
14	Total ASF	-	-	-	-	156,465,444
B. Required stable funding ("RSF") item						
15	Total HQLA for NSFR purposes	-	-	-	37,539,364	1,832,970
16	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
17	Performing loans and securities:	-	163,932,689	28,339,381	74,706,646	126,273,261
18	Performing loans to financial institutions secured by Level 1 HQLA	-	1,938,028	-	-	193,803
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	111,025,313	23,391,244	41,300,449	69,649,868
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:	-	50,945,060	4,948,137	30,586,532	53,945,151
21	With a risk-weight of less than or equal to 35% under the STC approach	-	-	-	-	37,830,075
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	-	24,288	-	2,819,665	2,484,439
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	3,065,715	2,261,034	35,526	4,336	913,069
27	Physical traded commodities, including gold	-	-	-	-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	148,781	-	-	-	126,464
29	Net derivative assets	-	-	-	-	-
30	Total derivative liabilities before deduction of variation margin posted	2,529,597	-	-	-	126,480
31	All other assets not included in the above categories	387,337	2,261,034	35,526	4,336	660,125
32	Off-balance sheet items	-	-	-	115,309,135	1,361,309
33	Total RSF	-	-	-	-	130,380,609
34	Net Stable Funding Ratio (%)	-	-	-	-	120.01%