

China Construction Bank Corporation – Hong Kong Branch
Financial Information Disclosure Statement
For the year ended 31 December 2018

Section A: Hong Kong Branch Information

Income Statement

	<i>Note</i>	<i>2018</i> HK\$'000	<i>2017</i> HK\$'000
Interest income		12,702,113	12,069,392
Interest expense		(10,926,405)	(9,899,885)
Net interest income		1,775,708	2,169,507
Net fee and commission income	1	426,682	351,306
Net trading gains	2	411,695	283,782
Other operating income	3	153,355	32,637
Operating income		2,767,440	2,837,232
Operating expenses	4	(540,090)	(551,369)
		2,227,350	2,285,863
Change in expected credit losses		(299,811)	-
Impairment allowances charged		-	(388,837)
Profit before tax		1,927,539	1,897,026
Taxation charge	5	(316,292)	(317,758)
Net profit		1,611,247	1,579,268

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Statement of Financial Position

	Note	<i>As at</i> <i>31 December</i> <i>2018</i> HK\$'000	<i>As at</i> <i>30 June</i> <i>2018</i> HK\$'000
Assets			
Cash and balances with banks		33,543,174	50,041,561
Placements with banks with residual contractual maturity more than one month but not more than twelve months		3,700,107	26,034,882
Loans to banks		2,837,396	2,936,544
Amounts due from overseas offices		124,111,292	121,159,483
Trade bills		604,474	5,545,506
New financial assets held under resale agreement		2,420,859	-
Certificates of deposit held		35,534,131	36,292,012
Loans and advances to customers and other accounts	6	128,857,337	154,997,739
Financial assets measured at fair value through profit or loss		5,282,676	9,353,384
Investment securities	11	67,974,590	97,637,568
Unlisted equity investment		1	1
Fixed assets		8	-
Other assets		158,911	283,887
Total assets		405,024,956	504,282,567
Equity and liabilities			
Deposits from banks		41,110,824	84,187,867
Financial assets sold under repurchase agreements		1,898,294	6,377,012
Deposits from customers	12	137,134,099	140,892,599
Amounts due to overseas offices		121,714,905	155,606,473
Certificates of deposit issued		93,480,970	106,928,069
Other liabilities		5,427,034	7,517,583
Total liabilities		400,766,126	501,509,603
Reserves	15	4,258,830	2,772,964
Total equity and liabilities		405,024,956	504,282,567

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Notes to the financial information

1	<i>Net fee and commission income</i>	<i>For the year ended 31 December</i>	
		<i>2018</i>	<i>2017</i>
		HK\$'000	HK\$'000
	Fee and commission income	435,239	361,365
	Fee and commission expense	(8,557)	(10,059)
		<u>426,682</u>	<u>351,306</u>

2	<i>Net trading gains</i>	<i>For the year ended 31 December</i>	
		<i>2018</i>	<i>2017</i>
		HK\$'000	HK\$'000
	Gains less losses arising from trading in foreign currencies	394,421	285,803
	Gains less losses from other trading activities	17,274	(2,021)
		<u>411,695</u>	<u>283,782</u>

There were no net trading gains arose from foreign exchange revaluation gains on RMB foreign exchange contracts entered into for hedging the position of the CCB Group (31 Dec 2017: HKD66 million).

3	<i>Other operating income</i>	<i>For the year ended 31 December</i>	
		<i>2018</i>	<i>2017</i>
		HK\$'000	HK\$'000
	Net gains on disposal of debt investments measured at fair value through other comprehensive income	135,965	-
	Net gains on disposal of available-for-sale financial assets	-	11,837
	Others	17,390	20,800
		<u>153,355</u>	<u>32,637</u>

4	<i>Operating expenses</i>	<i>For the year ended 31 December</i>	
		<i>2018</i>	<i>2017</i>
		HK\$'000	HK\$'000
	Premises expenses	12,639	10,632
	Management fee paid	520,830	516,107
	Others	6,621	24,630
		<u>540,090</u>	<u>551,369</u>

5	<i>Taxation charge</i>	<i>For the year ended 31 December</i>	
		<i>2018</i>	<i>2017</i>
		HK\$'000	HK\$'000
	Current tax – Hong Kong Profits Tax		
	- Provision for the year	365,687	377,344
	Current tax – Overseas		
	- Withholding tax charged in the Mainland	-	4,662
	Deferred tax		
	- Origination and reversal of temporary differences	(49,395)	(64,248)
		<u>316,292</u>	<u>317,758</u>

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Notes to the financial information (continued)

<i>6 Loans and advances to customers and other accounts</i>	<i>As at 31 December 2018 HK\$'000</i>	<i>As at 30 June 2018 HK\$'000</i>
Loans and advances to customers	125,213,462	145,310,009
Less: Expected credit losses	<u>(1,356,802)</u>	<u>(990,971)</u>
	<u>123,856,660</u>	<u>144,319,038</u>
Other accounts		
- Accrued interest receivables	2,729,537	4,127,988
- Others	<u>2,271,140</u>	<u>6,550,713</u>
	<u>5,000,677</u>	<u>10,678,701</u>
	<u>128,857,337</u>	<u>154,997,739</u>

7 Analysis of loans and advances to customers

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

(a) Analysis by industry categories

	<u><i>As at 31 December 2018</i></u>		<u><i>As at 30 June 2018</i></u>	
	<u>HK\$'000</u>	<u>% covered by collateral</u>	<u>HK\$'000</u>	<u>% covered by collateral</u>
<i>Industry categories:</i>				
Industrial, commercial and financial				
- Property development	6,417,516	6.19%	7,823,455	4.50%
- Property investment	1,500,000	0.00%	1,500,000	0.00%
- Financial concerns	7,367,905	2.71%	9,140,960	22.45%
- Wholesale and retail trade	4,497,622	3.21%	7,867,570	0.00%
- Transport and transport equipment	3,216,061	14.58%	4,731,628	10.34%
- Information technology	294,980	0.00%	371,598	0.00%
- Others	<u>9,161,100</u>	<u>33.25%</u>	<u>7,969,800</u>	<u>38.22%</u>
Loans and advances for use in				
Hong Kong	32,455,184	13.12%	39,405,011	15.08%
Trade Finance	2,608,730	99.40%	5,321,327	87.25%
Loans and advances for use outside				
Hong Kong	<u>90,149,548</u>	<u>57.51%</u>	<u>100,583,671</u>	<u>57.05%</u>
Total	<u>125,213,462</u>	<u>46.88%</u>	<u>145,310,009</u>	<u>46.77%</u>

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Notes to the financial information (continued)

7 Analysis of loans and advances to customers (continued)

(b) Analysis by geographical areas

	<i>Total loans and advances to customers</i> HK\$'000	<i>Expected Credit losses ("ECL")</i> HK\$'000
As at 31 December 2018		
Hong Kong	98,048,183	1,275,685
The Mainland	21,507,735	38,359
Others	5,657,544	42,758
Total	<u>125,213,462</u>	<u>1,356,802</u>
As at 30 June 2018		
Hong Kong	113,889,440	937,452
The Mainland	25,543,015	36,547
Others	5,877,554	16,972
Total	<u>145,310,009</u>	<u>990,971</u>

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

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

8 Overdue and rescheduled assets

(a) Overdue loans and advances

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

(b) Rescheduled loans and advances

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

(c) Other overdue assets

	<i>As at 30 December 2018</i> HK\$'000	<i>As at 30 June 2018</i> HK\$'000
Over one year	<u>95,566</u>	<u>95,778</u>

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

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Notes to the financial information (continued)

9 Impaired loans and advances

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

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

10 Mainland activities exposures

(i) As at 31 December 2018

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

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Notes to the financial information (continued)

10 Mainland activities exposures (continued)

(ii) As at 30 June 2018

<i>Types of counterparties</i>	<i>On-balance sheet exposure HK\$'000</i>	<i>Off-balance sheet exposure HK\$'000</i>	<i>Total HK\$'000</i>
(a) Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	80,961,011	20,683,741	101,644,752
(b) Local governments, local government-owned entities and their subsidiaries and JVs	10,004,363	85,527	10,089,890
(c) PRC nationals residing in the Mainland or other entities incorporated in the Mainland and their subsidiaries and JVs	28,882,575	7,324,581	36,207,156
(d) Other entities of central government not reported in item (a) above	911,052	-	911,052
(e) Other entities of local governments not reported in item (b) above	316,160	-	316,160
(f) PRC nationals residing outside the Mainland or entities incorporated outside the Mainland where the credit is granted for use in the Mainland	2,106,661	287,165	2,393,826
(g) Other counterparties where the exposure is considered by the reporting institution to be non-bank Mainland exposures	3,564,387	-	3,564,387
Total	<u>126,746,209</u>	<u>28,381,014</u>	<u>155,127,223</u>
Total assets after provision	<u>504,282,567</u>		
On-balance sheet exposures as percentage of total assets	<u>25.13%</u>		

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Notes to the financial information (continued)

<i>11 Investment securities</i>	<i>As at 31 December 2018 HK\$'000</i>	<i>As at 30 June 2018 HK\$'000</i>
Debt investments measured at fair value through other comprehensive income	67,974,590	97,637,568
Debt investments measured at amortized costs	95,566	95,778
	<u>68,070,156</u>	<u>97,733,346</u>
Less: Expected credit losses	(95,566)	(95,778)
Total	<u>67,974,590</u>	<u>97,637,568</u>
<i>12 Deposits from customers</i>	<i>As at 31 December 2018 HK\$'000</i>	<i>As at 30 June 2018 HK\$'000</i>
Demand deposits and current accounts	1,402,229	2,009,120
Savings deposits	10,046,342	21,801,573
Time, call and notice deposits	125,685,528	117,081,906
	<u>137,134,099</u>	<u>140,892,599</u>

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Notes to the financial information (continued)

13 International claims

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

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

	<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 31 December 2018					
Offshore centres	27,176,547	-	599,706	26,701,872	54,478,125
- of which					
Hong Kong	<u>26,783,102</u>	<u>-</u>	<u>546,705</u>	<u>25,820,062</u>	<u>53,149,869</u>
Developing Asia and Pacific	218,503,718	-	2,970,731	58,641,277	280,115,726
- of which the Mainland	<u>216,698,020</u>	<u>-</u>	<u>2,938,800</u>	<u>58,413,995</u>	<u>278,050,815</u>
	<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 2018					
Offshore centres	47,898,775	-	1,122,615	35,121,018	84,142,408
- of which					
Hong Kong	<u>47,895,982</u>	<u>-</u>	<u>1,061,198</u>	<u>34,002,483</u>	<u>82,959,663</u>
Developing Asia and Pacific	251,397,657	-	6,409,958	61,769,880	319,577,495
- of which the Mainland	<u>249,745,779</u>	<u>-</u>	<u>6,364,789</u>	<u>61,455,660</u>	<u>317,566,228</u>

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Notes to the financial information (continued)

14 Foreign currency exposures

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

As at 31 December 2018	<i>USD</i> HK\$'000 equiv	<i>EUR</i> HK\$'000 equiv	<i>CNY</i> HK\$'000 equiv
Spot assets	182,980,734	30,705,001	107,243,882
Spot liabilities	(208,854,562)	(31,938,953)	(96,978,424)
Forward purchases	104,534,680	5,462,128	46,943,455
Forward sales	(78,607,093)	(4,213,877)	(57,202,798)
Net long position	<u>53,759</u>	<u>14,299</u>	<u>6,115</u>
As at 30 June 2018	<i>USD</i> HK\$'000 equiv	<i>EUR</i> HK\$'000 equiv	<i>CNY</i> HK\$'000 equiv
Spot assets	188,526,954	35,088,818	154,309,427
Spot liabilities	(218,707,594)	(36,741,456)	(155,021,718)
Forward purchases	142,517,887	8,244,950	71,678,295
Forward sales	(112,337,576)	(6,585,062)	(70,965,243)
Net long / (short) position	<u>(329)</u>	<u>7,250</u>	<u>761</u>

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

15 Reserves

The components of reserves are as follows

	<i>As at</i> 31 December 2018 HK\$'000	<i>As at</i> 30 June 2018 HK\$'000
Investment revaluation reserve, net of deferred tax	554,693	(321,236)
Reserve for cash flow hedge, net of deferred tax	7,928	(5,846)
Regulatory reserve	194,824	194,824
Retained earnings	3,501,385	2,905,222
Total reserves	<u>4,258,830</u>	<u>2,772,964</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 year end 31 December 2018 and six months ended 30 June 2018.

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Notes to the financial information (continued)

16 Off-balance sheet exposures

(a) The contractual or notional amounts

	<i>As at</i> <i>31 December</i> 2018 HK\$'000	<i>As at</i> <i>30 June</i> 2018 HK\$'000
Contingent liabilities and commitments		
- Direct credit substitutes	30,715,913	29,605,078
- Trade-related contingencies	495,169	1,243,632
- Other commitments	<u>23,376,546</u>	<u>30,397,933</u>
	<u>54,587,628</u>	<u>61,246,643</u>

	<i>As at 31 December 2018</i>		<i>As at 30 June 2018</i>	
	<i>Trading</i> HK\$'000	<i>Hedging</i> HK\$'000	<i>Trading</i> HK\$'000	<i>Hedging</i> HK\$'000
Derivatives				
- Exchange rate contracts	188,523,854	-	259,701,633	-
- Interest rate contracts	-	9,416,412	903,455	10,406,698
	<u>188,523,854</u>	<u>9,416,412</u>	<u>260,605,088</u>	<u>10,406,698</u>

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

(b) Fair value of derivatives

As at 31 December 2018	<i>Trading</i>		<i>Hedging</i>	
	<i>Positive</i> <i>fair value</i> HK\$'000	<i>Negative</i> <i>fair value</i> HK\$'000	<i>Positive</i> <i>fair value</i> HK\$'000	<i>Negative</i> <i>fair value</i> HK\$'000
- Exchange rate contracts	1,242,299	(1,138,827)	-	-
- Interest rate contracts	-	-	172,139	(8,361)
	<u>1,242,299</u>	<u>(1,138,827)</u>	<u>172,139</u>	<u>(8,361)</u>
As at 30 June 2018				
	<i>Trading</i>		<i>Hedging</i>	
	<i>Positive</i> <i>fair value</i> HK\$'000	<i>Negative</i> <i>fair value</i> HK\$'000	<i>Positive</i> <i>fair value</i> HK\$'000	<i>Negative</i> <i>fair value</i> HK\$'000
- Exchange rate contracts	2,110,016	(2,141,956)	-	-
- Interest rate contracts	865	(471)	332,596	(865)
	<u>2,110,881</u>	<u>(2,142,427)</u>	<u>332,596</u>	<u>(865)</u>

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

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Notes to the financial information (continued)

17 Liquidity

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

	<i>2018</i>	<i>2017</i>
First quarter	282.69%	120.60%
Second quarter	316.48%	120.95%
Third quarter	355.84%	190.64%
Fourth quarter	477.77%	539.60%

The average LCR for each quarter in 2018 and 2017 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 LCR of the Hong Kong Branch of China Construction Bank Corporation (the "Branch") was maintained at a healthy level throughout 2018. With decreasing loans and debt securities, the LCR was uplifted owing to lower net cash outflows.

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

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

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

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Notes to the financial information (continued)

17 Liquidity (continued)

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

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

	<i>Weighted amount (Average value)</i>			
	<i>Quarter ended</i> <i>31 December</i> <i>2018</i> HK\$'000	<i>Quarter ended</i> <i>30 September</i> <i>2018</i> HK\$'000	<i>Quarter ended</i> <i>30 June</i> <i>2018</i> HK\$'000	<i>Quarter ended</i> <i>31 March</i> <i>2018</i> HK\$'000
Level 1 assets	<u>110,495,227</u>	<u>125,474,162</u>	<u>135,810,599</u>	<u>139,037,926</u>
Total weighted amount of HQLA	<u>110,495,227</u>	<u>125,474,162</u>	<u>135,810,599</u>	<u>139,037,926</u>

	<i>Weighted amount (Average value)</i>			
	<i>Quarter ended</i> <i>31 December</i> <i>2017</i> HK\$'000	<i>Quarter ended</i> <i>30 September</i> <i>2017</i> HK\$'000	<i>Quarter ended</i> <i>30 June</i> <i>2017</i> HK\$'000	<i>Quarter ended</i> <i>31 March</i> <i>2017</i> HK\$'000
Level 1 assets	132,739,279	125,643,354	112,107,708	112,430,863
Level 2A assets	-	5,712,636	3,862,606	-
Level 2B assets	<u>52,145</u>	<u>121,910</u>	<u>137,919</u>	<u>118,591</u>
Total weighted amount of HQLA	<u>132,791,424</u>	<u>131,477,900</u>	<u>116,108,233</u>	<u>112,549,454</u>

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

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Notes to the financial information (continued)

17 Liquidity (continued)

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

	<i>2018</i>
First quarter	143.83%
Second quarter	117.77%
Third quarter	118.42%
Fourth quarter	121.00%

The NSFR of the Branch was maintained at a healthy level in 2018.

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

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

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

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17 Liquidity (continued)

(c) Liquidity risk management

Liquidity gap

The table below analyses the on- and off-balance sheet items, broken down into maturity buckets as at 31 December 2018:

In HK\$'000	Total amount	Next day	2 to 7 days	8 days to 1 month	> 1 month up to 3 months	> 3 months up to 6 months	> 6 months up to 1 year	> 1 year up to 2 years	> 2 years up to 3 years	> 3 years up to 5 years	Over 5 years	Balancing amount
Deposits and balances from customers	144,256,799	14,214,912	10,171,067	30,739,046	47,330,992	27,827,460	10,706,202	2,360,802	906,318	-	-	-
Due to banks	158,197,713	12,428,282	12,691,080	5,087,276	13,869,184	32,105,700	25,812,890	54,903,621	-	-	1,299,680	-
Debt securities issued	93,498,694	716,359	2,570,739	5,114,886	9,297,120	8,031,441	10,449,158	27,870,912	20,851,398	8,596,681	-	-
Other liabilities	7,222,104	11,620	177,264	499,200	837,428	1,311,103	105,917	19,335	1,408	-	-	4,258,829
Total on-balance sheet liabilities	403,175,310	27,371,173	25,610,150	41,440,408	71,334,724	69,275,704	47,074,167	85,154,670	21,759,124	8,596,681	1,299,680	4,258,829
Total off-balance sheet liabilities	60,696,299	96,251	150,553	3,793,229	4,061,858	14,389,236	5,968,900	7,381,053	5,585,440	2,237,725	17,032,054	-

China Construction Bank Corporation – Hong Kong Branch
Financial Information Disclosure Statement
For the year ended 31 December 2018

Notes to the financial information (continued)

17 Liquidity (continued)

(c) Liquidity risk management (continued)

Liquidity gap (continued)

In HK\$'000	Total amount	Next day	2 to 7 days	8 days to 1 month	> 1 month up to 3 months	> 3 months up to 6 months	> 6 months up to 1 year	> 1 year up to 2 years	> 2 years up to 3 years	> 3 years up to 5 years	Over 5 years	Balancing amount
Balances with central bank	3,297,435	3,297,435	-	-	-	-	-	-	-	-	-	-
Due from banks	162,466,564	20,334,964	21,979,392	17,590,550	23,199,394	16,848,447	21,117,209	15,518,613	18,607,876	7,243,310	26,809	-
Debt securities	104,369,474	101,481,473	-	-	-	-	-	-	-	2,340,036	547,965	-
Loans and advances to customers	130,109,448	-	4,107,162	8,728,504	9,200,397	10,928,206	33,944,698	34,215,312	15,145,089	8,472,716	5,367,364	-
Trade bills	612,731	-	11,722	124,487	333,229	143,293	-	-	-	-	-	-
Other assets	2,319,247	60,681	158,995	459,533	832,352	753,825	360,913	757,482	167,179	210,261	156,699	(1,598,673)
Total on-balance sheet assets	403,174,899	125,174,553	26,257,271	26,903,074	33,565,372	28,673,771	55,422,820	50,491,407	33,920,144	18,266,323	6,098,837	(1,598,673)
Total off-balance sheet assets	21,660,144	14,277,386	-	386,106	3,970,145	75,334	207,811	449,834	385,314	819,500	1,088,714	-
Contractual Maturity Mismatch	111,984,515	111,984,515	496,568	(17,944,457)	(37,861,065)	(54,915,835)	2,587,564	(41,594,482)	6,960,894	8,251,417	(11,144,183)	-
Cumulative Contractual Maturity Mismatch	111,984,515	112,481,083	112,481,083	94,536,626	56,675,561	1,759,726	4,347,290	(37,247,192)	(30,286,298)	(22,034,881)	(33,179,064)	-

China Construction Bank Corporation – Hong Kong Branch

Financial Information Disclosure Statement

For the year ended 31 December 2018

17 Liquidity (continued)

(c) Liquidity risk management (continued)

Liquidity risk management strategy

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

The purpose of liquidity management is to ensure sufficient cash flows to meet all financial commitments and to capitalize on opportunities for business expansion. This includes the Branch's ability to meet deposit withdrawals either on demand or at contractual maturity, to repay borrowings as they mature, to comply with the statutory liquidity ratios, and to make new loans and investments as opportunities arise.

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

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

China Construction Bank Corporation – Hong Kong Branch

Financial Information Disclosure Statement

For the year ended 31 December 2018

Notes to the financial information (continued)

17 Liquidity (continued)

(c) Liquidity risk management (continued)

Liquidity risk management responsibilities

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

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

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

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

China Construction Bank Corporation – Hong Kong Branch

Financial Information Disclosure Statement

For the year ended 31 December 2018

Notes to the financial information (continued)

17 Liquidity (continued)

(c) Liquidity risk management (continued)

Funding Strategy

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

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

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

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

Liquidity Cushion

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

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 test.

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

China Construction Bank Corporation – Hong Kong Branch

Financial Information Disclosure Statement

For the year ended 31 December 2018

Notes to the financial information (continued)

17 Liquidity (continued)

(c) Liquidity risk management (continued)

Liquidity risk management monitoring framework

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

- LCR measures the extent of liquid assets covering total net cash outflow due within 30 days arising from on-balance sheet and off-balance sheet exposures including contingent funding obligations.
- NSFR measures long term funding risk by assessing the degree of the Branch's stable funding sources supporting the need in funding its business activities.
- Cash Flow Projection is to collect the next 30-day cash flow information arisen from loan and deposit business 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 arisen from off-balance sheet items is included. The stress test results are regularly reported to the RMC and ALCO. The definition of liquidity cushion being held by the Branch is consistent to the definition of High Quality Liquid Assets for purposes of determining the Branch's Liquidity Coverage Ratio. 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 arisen 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.

China Construction Bank Corporation – Hong Kong Branch

Financial Information Disclosure Statement

For the year ended 31 December 2018

Notes to the financial information (continued)

17 Liquidity (continued)

(c) Liquidity risk management (continued)

Contingency funding plan (“CFP”)

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

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

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

China Construction Bank Corporation – Hong Kong Branch

Financial Information Disclosure Statement

For the year ended 31 December 2018

B. Bank Information (consolidated basis)

I. Capital and capital adequacy	<i>As at</i> <i>31 December 2018</i> RMB million	<i>As at</i> <i>30 June 2018</i> RMB million
Total capital ratio	17.19%	15.64%
Total equity	1,991,594	1,864,577

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> <i>31 December 2018</i> RMB million	<i>As at</i> <i>30 June 2018</i> RMB million
Total assets	23,222,693	22,805,182
Total liabilities	21,231,099	20,940,605
Total loans and advances to customers	13,365,430	13,068,482
Total customer deposits	17,108,678	16,965,489
	<i>For the year ended 31 December</i> <i>2018</i> RMB million	<i>2017</i> RMB million
Profit before tax	308,160	299,787

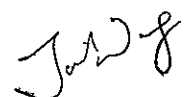
China Construction Bank Corporation – Hong Kong Branch
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Statement of compliance

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



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



China Construction Bank Corporation - Hong Kong Branch
 Financial Information Disclosure Statement
 For the year ended 31 December 2018
 Appendix: Liquidity Coverage Ratio Standard Disclosure Template

		Quarter ended 31 Dec 2018 (Number of data points: 62)		Quarter ended 30 Sep 2018 (Number of data points: 63)	
		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 30 Sep 2018 and 31 Dec 2018.					
Basis of disclosure: Hong Kong office Currency: HK\$'000					
A. HIGH QUALITY LIQUID ASSETS					
1	Total high quality liquid assets (HQLA)		110,495,227		125,474,162
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:	100,885,197	67,320,363	123,848,127	87,408,485
6	Operational deposits		-		-
7	Unsecured wholesale funding (other than small business funding) not covered in Row 7	95,560,904	61,996,070	113,639,871	77,200,229
8	Debt securities and prescribed instruments issued by the institution and redeemable within the LCR period	5,324,293	5,324,293	10,208,256	10,208,256
9	Secured funding transactions (including securities swap transactions)		134,045		-
10	Additional requirements, of which	27,295,085	5,901,910	31,017,350	6,310,570
11	Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements	430,041	430,041	462,655	462,655
12	Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions		-		-
13	Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)	26,865,044	5,471,869	30,554,695	5,847,915
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	2,341,668	2,341,668	1,319,173	1,319,173
15	Other contingent funding obligations (whether contractual or non-contractual)	108,560,400	3,014,166	104,305,833	2,905,255
16	TOTAL CASH OUTFLOWS		78,712,152		97,943,483
C. CASH INFLOWS					
17	Secured lending transactions (including securities swap transactions)		33,973		-
18	Secured and unsecured loans (other than secured lending transactions covered in Row 18) and operational deposits placed at other financial institutions	62,151,825	48,903,213	73,643,109	58,259,240
19	Other cash inflows	16,441,428	3,657,506	12,100,182	2,560,042
20	TOTAL CASH INFLOWS	78,627,226	52,560,719	85,743,291	60,819,282
D. LIQUIDITY COVERAGE RATIO					
21	TOTAL HQLA		110,495,227		125,474,162
22	TOTAL NET CASH OUTFLOWS		26,738,365		37,131,970
23	LCR (%)		477.77%		355.84%

China Construction Bank Corporation - Hong Kong Branch
Financial Information Disclosure Statement
For the year ended 31 December 2018
Appendix: Net Stable Funding Ratio Standard Disclosure Template

		For the quarter ended 31 December 2018				
		(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:	-	208,369,528	36,519,092	59,470,421	131,851,701
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	-	208,369,528	36,519,092	59,470,421	131,851,701
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	-	27,450,114	10,447,220	63,057,998	68,281,608
12	Net derivative liabilities	-	-	-	-	-
13	All other funding and liabilities not included in the above categories	-	27,450,114	10,447,220	63,057,998	68,281,608
14	Total ASF					200,133,309
B. Required stable funding ("RSF") item						
15	Total HQLA for NSFR purposes				106,679,240	4,686,407
16	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
17	Performing loans and securities:	-	135,279,713	55,079,298	108,266,228	158,023,012
18	Performing loans to financial institutions secured by Level 1 HQLA	-	2,426,608	-	-	242,661
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	102,076,433	21,266,659	50,097,382	76,042,176
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:	-	30,771,191	33,812,639	55,376,412	79,361,865
21	With a risk-weight of less than or equal to 35% under the STC approach	-	-	-	-	-
22	Performing residential mortgages, of which:	-	-	-	-	-
23	With a risk-weight of less than or equal to 35% under the STC approach	-	-	-	-	-
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	5,481	-	2,792,434	2,376,309
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	1,621,463	1,538,084	453,969	1,557	1,420,703
27	Physical traded commodities, including gold	-	-	-	-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	-	-	-	-	-
29	Net derivative assets	287,709	-	-	-	287,709
30	Total derivative liabilities before deduction of variation margin posted	1,198,344	-	-	-	N/A
31	All other assets not included in the above categories	135,410	1,538,084	453,969	1,557	1,132,994
32	Off-balance sheet items				132,174,804	1,271,270
33	Total RSF					165,401,391
34	Net Stable Funding Ratio (%)					121.00%

China Construction Bank Corporation - Hong Kong Branch
Financial Information Disclosure Statement
For the year ended 31 December 2018
Appendix: Net Stable Funding Ratio Standard Disclosure Template

		For the quarter ended 30 September 2018				
		(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:	-	189,422,854	76,616,052	51,082,283	143,104,573
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	-	189,422,854	76,616,052	51,082,283	143,104,573
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	-	34,850,128	10,378,576	65,646,269	70,835,557
12	Net derivative liabilities	-	-	-	-	-
13	All other funding and liabilities not included in the above categories	-	34,850,128	10,378,576	65,646,269	70,835,557
14	Total ASF					213,940,130
B. Required stable funding ("RSF") item						
15	Total HQLA for NSFR purposes				123,583,122	5,706,406
16	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
17	Performing loans and securities:	-	122,089,980	48,126,801	128,493,063	171,653,176
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	-	88,350,441	18,724,839	54,988,900	77,603,886
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:	-	33,277,488	29,401,962	71,164,920	91,829,907
21	With a risk-weight of less than or equal to 35% under the STC approach	-	-	-	-	-
22	Performing residential mortgages, of which:	-	-	-	-	-
23	With a risk-weight of less than or equal to 35% under the STC approach	-	-	-	-	-
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	462,051	-	2,339,243	2,219,383
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	2,492,645	4,894,980	328,614	1,142	1,890,361
27	Physical traded commodities, including gold	-	-	-	-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	-	-	-	-	-
29	Net derivative assets	446,500	-	-	-	446,500
30	Total derivative liabilities before deduction of variation margin posted	2,014,185	-	-	-	N/A
31	All other assets not included in the above categories	31,960	4,894,980	328,614	1,142	1,443,861
32	Off-balance sheet items	-	-	-	134,268,601	1,418,969
33	Total RSF					180,668,912
34	Net Stable Funding Ratio (%)					118.42%