CHINA CONSTRUCTION BANK CORPORATION – HONG KONG BRANCH
FINANCIAL INFORMATION DISCLOSURE STATEMENT (UNAUDITED)
FOR THE YEAR ENDED 31 DECEMBER 2022

SECTION A: HONG KONG BRANCH INFORMATION

INCOME STATEMENT

	Note	2022 HK$'000	2021 HK$'000
Interest income		**4,323,706**	2,912,389
Interest expense		**(3,154,709)**	(2,065,662)
Net interest income		**1,168,997**	846,727
Fees and commission income		**321,895**	182,489
Fees and commission expense		**(15,324)**	(16,920)
Net fees and commission income		**306,571**	165,569
Net trading gain	1	**207,007**	60,275
Net gain on disposal arising from investment securities		**103,169**	48,670
Other operating income, net	2	**289,932**	319,495
Operating income		**2,075,676**	1,440,736
Operating expenses	3	**(724,442)**	(677,626)
Net operating income before impairment losses		**1,351,234**	763,110
Release in expected credit losses		**219,906**	337,673
Profit before tax		**1,571,140**	1,100,783
Taxation charge	4	**(262,254)**	(183,375)
Profit for the period		**1,308,886**	917,408

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FINANCIAL INFORMATION DISCLOSURE STATEMENT (UNAUDITED)
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SECTION A: HONG KONG BRANCH INFORMATION

STATEMENT OF FINANCIAL POSITION

	Note	**As at 31 December 2022 HK$'000**	As at 30 June 2022 HK$'000
Assets			
Deposits with central banks		**1,222,658**	5,035,333
Deposits with banks		**2,364,319**	2,133,446
Placements with banks	5	**20,132,230**	17,905,926
Financial assets held under resale agreements		**-**	1,896,802
Financial assets measured at fair value through profit or loss	6	**-**	1,434,079
Financial assets measured at fair value through other comprehensive income	7	**52,068,988**	34,579,054
Financial assets measured at amortised cost	8	**-**	2,749,150
Derivative financial instruments	9	**9,254,352**	7,665,204
Amount due from head office and overseas branches		**47,039,163**	65,137,857
Loans and advances to overseas branches and related companies		**4,337,760**	6,423,838
Loans and advances to customers and trade bills	10	**90,388,612**	67,940,333
Furniture and equipment		**344**	466
Intangible assets		**20**	20
Deferred tax assets		**195,007**	175,323
Other assets		**453,666**	3,297,500
Total assets		**227,457,119**	216,374,331
Equity and liabilities			
Borrowings from central banks		**-**	692,851
Deposits from banks		**471,553**	321,721
Placements from banks and non-bank financial institutions		**29,445,286**	31,029,647
Deposits from customers	15	**100,688,594**	68,181,054
Derivative financial instruments	9	**8,747,655**	7,385,616
Certificates of deposit and medium-term notes issued		**34,885,484**	51,487,853
Amount due to related companies		**234,685**	377,603
Amount due to head office and overseas branches		**44,006,128**	48,105,939
Lease liabilities		**5,202**	10,472
Current tax liabilities		**162,976**	82,840
Other liabilities		**754,712**	1,227,495
Total liabilities		**219,402,275**	208,903,091
Reserves	16	**8,054,844**	7,471,240
Total equity and liabilities		**227,457,119**	216,374,331

SECTION A: HONG KONG BRANCH INFORMATION

NOTES TO THE FINANCIAL INFORMATION

1. Net trading gain

	For the year ended	
	2022	2021
	HK$'000	HK$'000
Net gains from trading in foreign currencies	**102,065**	143,440
Net gains/(losses) from other trading activities	**104,942**	(83,165)
	207,007	60,275

2. Other operating income, net

	For the year ended	
	2022	2021
	HK$'000	HK$'000
Management fee received	**289,637**	313,357
Others	**295**	6,138
	289,932	319,495

3. Operating expenses

	For the year ended	
	2022	2021
	HK$'000	HK$'000
Management fee paid	**449,749**	447,692
Staff expenses	**249,201**	206,795
Premises expenses	**6,128**	2,471
Others	**19,364**	20,668
	724,442	677,626

4. Taxation charge

	For the year ended	
	2022	2021
	HK$'000	HK$'000
Current tax – Hong Kong Profits Tax		
- Provision for the year	**227,248**	127,854
Deferred tax		
- Origination of temporary differences	**35,006**	55,521
	262,254	183,375

SECTION A: HONG KONG BRANCH INFORMATION

NOTES TO THE FINANCIAL INFORMATION (Continued)

5. Placements with banks

	As at 31 December 2022 HK$'000	As at 30 June 2022 HK$'000
Placements with banks with residual contractual maturity:		
- Less than one month	**15,577,002**	5,425,858
- More than one month and less than twelve months	**2,732,240**	10,642,463
- More than twelve months	**1,795,472**	1,804,419
Less: Expected credit losses allowance	**(415)**	(160)
	20,104,299	17,872,580
Accrued interest receivables	**27,931**	33,346
	20,132,230	17,905,926

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

	As at 31 December 2022 HK$'000	As at 30 June 2022 HK$'000
Trading loans	**-**	1,373,520
Investment securities	**-**	58,607
	-	1,432,127
Accrued interest receivables	**-**	1,952
	-	1,434,079

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

	As at 31 December 2022 HK$'000	As at 30 June 2022 HK$'000
Investment securities	**37,688,438**	29,450,850
Certificates of deposit held	**14,109,322**	4,900,487
	51,797,760	34,351,337
Accrued interest receivables	**271,438**	227,962
Less: Expected credit losses allowance	**(210)**	(245)
	271,228	227,717
	52,068,988	34,579,054

SECTION A: HONG KONG BRANCH INFORMATION

NOTES TO THE FINANCIAL INFORMATION (Continued)

8. Financial assets measured at amortised cost

	As at 31 December 2022 HK$'000	As at 30 June 2022 HK$'000
Investment securities	**93,833**	94,300
Certificates of deposit held	**-**	2,744,272
Less: Expected credit losses allowance	**(93,833)**	(94,325)
	-	2,744,247
Accrued interest receivables	**-**	4,903
	-	2,749,150

9. Derivative financial instruments

As at 31 December 2022	**Notional amount HK$'000**	**Fair value assets HK$'000**	**Fair value liabilities HK$'000**
Exchange rate contracts	**590,944,658**	**7,671,308**	**7,619,279**
Interest rate contracts	**80,155,505**	**1,583,044**	**1,128,376**
	671,100,163	**9,254,352**	**8,747,655**

As at 30 June 2022	Notional amount HK$'000	Fair value assets HK$'000	Fair value liabilities HK$'000
Exchange rate contracts	652,284,730	7,143,357	7,097,793
Interest rate contracts	44,471,246	521,847	287,823
	696,755,976	7,665,204	7,385,616

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.

10. Loans and advances to customers and trade bills

	As at 31 December 2022 HK$'000	As at 30 June 2022 HK$'000
Loans and advances to customers	**90,659,383**	68,536,247
Trade bills	**139,934**	78,332
Less: Unamortised portion of upfront fees	**(168,167)**	(140,076)
Expected credit losses		
- 12 months ECL	**(208,704)**	(163,549)
- Lifetime ECL but not credit impaired	**(296,016)**	(486,136)
- Lifetime ECL and credit impaired	**-**	-
	90,126,430	67,824,818
Accrued interest receivables	**264,967**	117,389
Less: Expected credit losses allowance	**(2,785)**	(1,874)
	262,182	115,515
	90,388,612	67,940,333

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 2022		As at 30 June 2022	
	HK$'000	**% covered by collateral**	HK$'000	% covered by collateral
Industry categories:				
Industrial, commercial and financial				
- Property development	**11,584,063**	**35.12%**	10,714,560	32.44%
- Property investment	**1,860,000**	**38.17%**	1,860,000	38.17%
- Financial concern	**16,238,478**	**0.00%**	5,442,678	0.00%
- Wholesale and retail trade	**1,140,320**	**0.00%**	1,799,889	0.00%
- Manufacturing	**4,849,201**	**0.00%**	3,062,696	0.00%
- Transport and transport equipment	**3,036,194**	**28.18%**	600,000	0.00%
- Information technology	**1,264,124**	**0.00%**	-	0.00%
- Others	**6,396,664**	**15.33%**	5,523,726	0.00%
Loans and advances for use in Hong Kong	**46,369,044**	**14.26%**	29,003,549	14.43%
Trade finance	**-**	**0.00%**	516,535	66.54%
Loans and advances for use outside Hong Kong	**44,290,339**	**10.20%**	39,016,163	9.97%
Total	**90,659,383**	**12.28%**	68,536,247	12.28%

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

(b) Analysis by geographical areas

As at 31 December 2022	**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	**83,203,509**	-	-
Others	**7,455,874**	-	-
Total	**90,659,383**	-	-

As at 30 June 2022	Total loans and advances to customers HK$'000	Impaired loans and advances to customers HK$'000	Overdue loans and advances to customers HK$'000
Hong Kong	60,668,482	-	-
Others	7,867,765	-	-
Total	68,536,247	-	-

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 2022 and 30 June 2022.

SECTION A: HONG KONG BRANCH INFORMATION

NOTES TO THE FINANCIAL INFORMATION (Continued)

13. Overdue and rescheduled assets

(a) Overdue loans and advances

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

(b) Rescheduled loans and advances

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

(c) Other overdue assets

	As at 31 December 2022 HK$'000	As at 30 June 2022 HK$'000
Over one year	**93,833**	94,300

There were no other assets overdue for over three months but one year or less as at 31 December 2022 and 30 June 2022.

14. Non-bank mainland exposures

As at 31 December 2022 Types of counterparties	On-balance sheet exposures HK$'000	Off-balance sheet exposures HK$'000	Total exposures HK$'000
(a) Central government, central government-owned entities and their subsidiaries and joint ventures ("JVs")	**42,128,886**	**17,304,477**	**59,433,363**
(b) Local governments, local government-owned entities and their subsidiaries and JVs	**4,322,141**	**35,256**	**4,357,397**
(c) PRC nationals residing in the Mainland or other entities incorporated in the Mainland and their subsidiaries and JVs	**9,767,007**	**720,266**	**10,487,273**
(d) Other entities of central government not reported in item (a) above	**700,415**	**-**	**700,415**
(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	**4,610,317**	**1,500,149**	**6,110,466**
(g) Other counterparties where the exposure is considered by the reporting institution to be non-bank Mainland exposures	**-**	**-**	**-**
Total	**61,528,766**	**19,560,148**	**81,088,914**
Total assets after provision	**227,600,704**		
On-balance sheet exposures as percentage of total assets	**27.03 %**		

As at 30 June 2022 Types of counterparties	On-balance sheet exposures HK$'000	Off-balance sheet exposures HK$'000	Total exposures HK$'000
(a) Central government, central government-owned entities and their subsidiaries and joint ventures ("JVs")	34,370,345	18,742,936	53,113,281
(b) Local governments, local government-owned entities and their subsidiaries and JVs	4,133,665	121,325	4,254,990
(c) PRC nationals residing in the Mainland or other entities incorporated in the Mainland and their subsidiaries and JVs	7,405,959	1,349,890	8,755,849
(d) Other entities of central government not reported in item (a) above	1,010,300	-	1,010,300
(e) Other entities of local governments not reported in item (b) above	-	-	-
(f) PRC nationals residing outside the Mainland or entities incorporated outside the Mainland where the credit is granted for use in the Mainland	4,479,226	915,405	5,394,631
(g) Other counterparties where the exposure is considered by the reporting institution to be non-bank Mainland exposures	-	-	-
Total	51,399,495	21,129,556	72,529,051
Total assets after provision	216,466,490		
On-balance sheet exposures as percentage of total assets	23.74%		

SECTION A: HONG KONG BRANCH INFORMATION

NOTES TO THE FINANCIAL INFORMATION (Continued)

15. Deposits from customers

	As at 31 December 2022 HK$'000	As at 30 June 2022 HK$'000
Demand deposits and current accounts	**1,639,212**	1,737,040
Savings deposits	**22,835,147**	32,242,432
Time, call and notice deposits	**75,878,831**	34,112,604
	100,353,190	68,092,076
Accrued interest payables	**335,404**	88,978
	100,688,594	68,181,054

16. Reserves

The components of reserves are as follows:

	As at 31 December 2022 HK$'000	As at 30 June 2022 HK$'000
Investment revaluation reserve, net of deferred tax	**(494,996)**	(230,125)
Reserve for cash flow hedge, net of deferred tax	**53,591**	44,055
Regulatory reserve	**194,824**	194,824
Retained earnings	**8,301,425**	7,462,486
Total reserves	**8,054,844**	7,471,240

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 2022 and six months ended 30 June 2022.

SECTION A: HONG KONG BRANCH INFORMATION

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.

			Non-bank private sector		
As at 31 December 2022	**Banks HK$'000**	**Official sector HK$'000**	**Non-bank financial institutions HK$'000**	**Non-financial private sector HK$'000**	**Total HK$'000**
Developed countries	**5,585,633**	**13,557,736**	**446,555**	**1,528,353**	**21,118,277**
Offshore centres	**11,041,703**	**175,362**	**6,476,357**	**21,165,917**	**38,859,339**
- Of which Hong Kong	**9,450,160**	**175,362**	**5,986,929**	**20,434,935**	**36,047,386**
Developing Asia and Pacific	**82,671,386**	**4,656,595**	**-**	**11,507,044**	**98,835,025**
- Of which the Mainland	**75,378,103**	**4,656,595**	**-**	**10,983,730**	**91,018,428**

			Non-bank private sector		
As at 30 June 2022	Banks HK$'000	Official sector HK$'000	Non-bank financial institutions HK$'000	Non-financial private sector HK$'000	Total HK$'000
Developed countries	3,155,598	6,334,461	257,606	2,942,798	12,690,463
Offshore centres	17,802,429	179,072	3,582,676	22,887,940	44,452,117
- Of which Hong Kong	17,717,794	179,072	3,582,676	22,656,403	44,135,945
Developing Asia and Pacific	102,274,945	3,565,976	-	6,291,552	112,132,473
- Of which the Mainland	90,965,668	3,565,976	-	6,100,626	100,632,270

SECTION A: HONG KONG BRANCH INFORMATION

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 31 December 2022	**USD HK$'000 equiv**	**CNY HK$'000 equiv**	**SGD HK$'000 equiv**	**CHF HK$'000 equiv**
Spot assets	**111,920,788**	**30,553,992**	**367,430**	**12,097**
Spot liabilities	**(102,810,938)**	**(36,901,751)**	**(649,861)**	**(158)**
Forward purchases	**280,881,673**	**208,830,605**	**372,300**	**1,697,597**
Forward sales	**(289,996,748)**	**(202,478,899)**	**(92,857)**	**(1,711,249)**
Net long position	**(5,225)**	**3,947**	**(2,988)**	**(1,713)**

As at 30 June 2022	USD HK$'000 equiv	CNY HK$'000 equiv	SGD HK$'000 equiv	CHF HK$'000 equiv
Spot assets	110,003,187	35,488,745	783,901	16,051
Spot liabilities	(103,389,086)	(37,244,906)	(168,721)	(277)
Forward purchases	319,621,350	217,073,762	11,280	365,377
Forward sales	(326,180,339)	(215,308,494)	(626,044)	(381,050)
Net long position	55,112	9,107	416	101

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

19. Contingent liabilities and commitments

	As at 31 December 2022 HK$'000	As at 30 June 2022 HK$'000
Direct credit substitutes	**30,372,116**	31,349,262
Transaction-related contingencies	**67,135**	67,470
Trade-related contingencies	**391,000**	1,328,024
Other commitments	**22,522,350**	21,799,727
	53,352,601	54,544,483

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.

SECTION A: HONG KONG BRANCH INFORMATION

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 2022	For the quarter ended 30 September 2022
Average Liquidity Maintenance Ratio	**44.84%**	41.62%

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

The Branch maintained its LMR at healthy levels.

(b) Average Core Funding Ratio ("CFR")

	For the quarter ended 31 December 2022	For the quarter ended 30 September 2022
Average Core Funding Ratio	**155.97%**	152.15%

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

The Branch maintained its CFR at healthy levels.

SECTION A: HONG KONG BRANCH INFORMATION

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 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	-

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)	

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 2021

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	53,639,868	13,819,995	12,130,309	15,302,452	12,387,112	-	-	-
Amount payable arising from derivative contracts	4,398,533	14,792,463	33,114,627	3,293,762	11,588,811	16,010,577	-	-
Due to banks	86,162,273	14,612,645	3,693,413	30,275,185	12,575,441	23,711,370	1,294,219	-
Debt securities issued	54,494,456	-	2,338,950	7,016,850	19,113,939	26,024,717	-	-
Other liabilities and reserves	8,266,907	108,912	137,487	249,706	508,277	5,202	-	7,257,323
Total on-balance sheet liabilities	206,962,037	43,334,015	51,414,786	56,137,955	56,173,580	65,751,866	1,294,219	7,257,323
Total off-balance sheet liabilities	49,703,349	110,124	874,375	900,741	18,418,570	7,569,339	21,830,200	-

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 2021

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	4,246,193	14,811,235	33,124,192	3,196,370	11,678,046	16,683,412	42,082	-
Balances with central bank	7,324,384	7,324,384	-	-	-	-	-	-
Due from banks	99,895,776	16,064,739	13,017,645	20,330,909	21,280,158	29,202,325	-	-
Debt securities	40,631,063	40,537,349	-	-	-	-	-	93,714
Acceptances and bills of exchange held	958,556	-	320,049	638,507	-	-	-	-
Loans and advances to customers	54,115,291	2,502,190	15,260,223	10,520,316	7,850,033	16,808,491	1,174,038	-
Other assets	(138,948)	70,841	123,307	206,798	325,425	42,784	-	(908,103)
Total on-balance sheet assets	207,032,315	81,310,738	61,845,416	34,892,900	41,133,662	62,737,012	1,216,120	(814,389)
Total off-balance sheet assets	9,355,800	9,355,800	-	-	-	-	-	-
Contractual Maturity Mismatch		47,222,399	9,556,255	(22,145,796)	(33,458,488)	(10,584,193)	(21,908,299)	
Cumulative Contractual Maturity Mismatch		47,222,399	56,778,654	34,632,858	1,174,370	(9,409,823)	(31,318,122)	

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.

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.

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.

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.

SECTION B: BANK INFORMATION (CONSOLIDATED BASIS)

I. Capital and capital adequacy

	As at 31 December 2022 RMB million	As at 30 June 2022 RMB million
Total capital ratio	**18.42%**	17.95%
Total equity	**2,878,760**	2,681,852

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 2022 RMB million	As at 30 June 2022 RMB million
Total assets	**34,601,917**	33,689,078
Total liabilities	**31,723,157**	31,007,226
Total loans and advances to customers	**20,495,117**	19,694,042
Total customer deposits	**25,020,807**	24,184,466

	For the year ended	
	31 December 2022 RMB million	31 December 2021 RMB million
Profit before tax	**382,017**	378,412

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 2022 has been provided.

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