

**CHINA CONSTRUCTION BANK CORPORATION – HONG KONG BRANCH
FINANCIAL INFORMATION DISCLOSURE STATEMENT (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2024**

SECTION A: HONG KONG BRANCH INFORMATION

INCOME STATEMENT

	Note	Six months ended 30 June 2024 HK\$'000	Six months ended 30 June 2023 HK\$'000
Interest income		4,807,542	4,146,444
Interest expense		(4,126,532)	(3,372,754)
Net interest income		<u>681,010</u>	<u>773,690</u>
Fees and commission income		73,120	86,721
Fees and commission expense		(9,690)	(13,657)
Net fees and commission income		<u>63,430</u>	<u>73,064</u>
Net trading gain	1	<u>150,752</u>	<u>75,045</u>
Net gain on disposal arising from investment securities		<u>30,584</u>	<u>53,874</u>
Other operating income, net	2	<u>81,268</u>	<u>116,253</u>
Operating income		<u>1,007,044</u>	<u>1,091,926</u>
Operating expenses	3	<u>(328,104)</u>	<u>(340,238)</u>
Net operating income before impairment losses		<u>678,940</u>	<u>751,688</u>
(Allowance for)/release in expected credit losses		<u>(355,059)</u>	<u>178,236</u>
Profit before tax		<u>323,881</u>	<u>929,924</u>
Taxation charge	4	<u>(88,254)</u>	<u>(163,239)</u>
Profit for the period		<u>235,627</u>	<u>766,685</u>

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STATEMENT OF FINANCIAL POSITION

		As at 30 June 2024 HK\$'000	As at 31 December 2023 HK\$'000
Assets			
Deposits with central banks		642,860	468,748
Deposits with banks		3,808,355	2,630,804
Placements with banks	5	28,223,044	22,664,429
Financial assets measured at fair value through profit or loss	6	919,001	204,244
Financial assets measured at fair value through other comprehensive income	7	69,541,569	63,190,670
Derivative financial instruments	9	7,459,411	9,878,263
Amount due from head office and overseas branches		22,159,192	33,245,892
Loans and advances to overseas branches and related companies		2,353,679	4,143,191
Loans and advances to customers and trade bills	10	101,743,487	96,323,756
Furniture and equipment		774	235
Right-of-use assets		165	187
Intangible assets		20	20
Deferred tax assets		130,215	173,652
Other assets		1,093,968	787,764
Total assets		238,075,740	233,711,855
Equity and liabilities			
Borrowings from central banks		-	393,890
Deposits from banks		219,401	280,744
Placements from banks and non-bank financial institutions		47,546,469	45,601,998
Deposits from customers	15	119,266,889	96,113,656
Financial assets sold under repurchase agreements		3,609,251	1,932,784
Derivative financial instruments	9	6,908,799	9,660,401
Certificates of deposit and medium-term notes issued		18,710,376	24,209,983
Amount due to related companies		277,078	1,523,106
Amount due to head office and overseas branches		30,453,319	43,563,967
Lease liabilities		169	190
Current tax liabilities		150,580	109,356
Other liabilities		1,230,757	856,802
Total liabilities		228,373,088	224,246,877
Reserves	16	9,702,652	9,464,978
Total equity and liabilities		238,075,740	233,711,855

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NOTES TO THE FINANCIAL INFORMATION

1 Net trading gain

	For the six months ended	
	2024	2023
	HK\$'000	HK\$'000
Net gains/(losses) from trading in foreign currencies	51,571	(73,611)
Net gains from other trading activities	99,181	148,656
	<u>150,752</u>	<u>75,045</u>

2 Other operating income, net

	For the six months ended	
	2024	2023
	HK\$'000	HK\$'000
Management fee received	80,153	116,212
Others	1,115	41
	<u>81,268</u>	<u>116,253</u>

3 Operating expenses

	For the six months ended	
	2024	2023
	HK\$'000	HK\$'000
Management fee paid	237,929	237,217
Staff expenses	63,335	76,712
Premises expenses	1,474	1,266
Others	25,366	25,043
	<u>328,104</u>	<u>340,238</u>

4. Taxation charge

	For the six months ended	
	2024	2023
	HK\$'000	HK\$'000
Current tax – Hong Kong Profits Tax		
- Provision for the year	41,224	127,402
Deferred tax		
- Origination of temporary differences	47,030	35,837
	<u>88,254</u>	<u>163,239</u>

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NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

5 Placements with banks

	As at 30 June 2024 HK\$'000	As at 31 December 2023 HK\$'000
Placements with banks with residual contractual maturity:		
- Less than one month	26,401,422	20,792,923
- More than one month and less than twelve months	1,561,640	1,561,740
- More than twelve months	234,246	234,261
Less: Expected credit losses allowances	<u>(133)</u>	<u>(228)</u>
	28,197,175	22,588,696
Accrued interest receivables	<u>25,869</u>	<u>75,733</u>
	<u>28,223,044</u>	<u>22,664,429</u>

6 Financial assets measured at fair value through profit or loss

	As at 30 June 2024 HK\$'000	As at 31 December 2023 HK\$'000
Investment securities	913,200	203,088
Accrued interest receivables	<u>5,801</u>	<u>1,156</u>
	<u>919,001</u>	<u>204,244</u>

7 Financial assets measured at fair value through other comprehensive income

	As at 30 June 2024 HK\$'000	As at 31 December 2023 HK\$'000
Investment securities	46,210,958	39,357,751
Certificates of deposit held	<u>22,701,237</u>	<u>23,210,653</u>
	68,912,195	62,568,404
Accrued interest receivables	630,105	622,849
Less: Expected credit losses allowances	<u>(731)</u>	<u>(583)</u>
	<u>69,541,569</u>	<u>63,190,670</u>

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NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

8 Financial assets measured at amortised cost

	As at 30 June 2024 HK\$'000	As at 31 December 2023 HK\$'000
Investment securities	93,854	93,861
Less: Expected credit losses allowance	(93,854)	(93,861)
	-	-
Accrued interest receivables	-	-
	-	-

9 Derivative financial instruments

<u>As at 30 June 2024</u>	Notional amount HK\$'000	Fair value assets HK\$'000	Fair value liabilities HK\$'000
Exchange rate contracts	692,741,449	4,637,096	4,364,965
Interest rate contracts	120,567,963	2,822,315	2,543,834
	<u>813,309,412</u>	<u>7,459,411</u>	<u>6,908,799</u>
<u>As at 31 December 2023</u>	Notional amount HK\$'000	Fair value assets HK\$'000	Fair value liabilities HK\$'000
Exchange rate contracts	535,527,335	5,724,688	5,753,598
Interest rate contracts	139,934,247	4,153,575	3,906,803
	<u>675,461,582</u>	<u>9,878,263</u>	<u>9,660,401</u>

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

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

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NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

10 Loans and advances to customers and trade bills

	As at 30 June 2024 HK\$'000	As at 31 December 2023 HK\$'000
Loans and advances to customers	102,367,640	96,563,510
Trade bills	-	-
Less: Unamortised portion of upfront fees	(118,192)	(147,199)
Expected credit losses allowances		
- Stage 1: 12 months ECL	(400,341)	(314,983)
- Stage 2: Lifetime ECL but not credit impaired	(13,702)	(392,175)
- Stage 3: Lifetime ECL and credit impaired	(637,309)	-
	101,198,096	95,709,153
Accrued interest receivables	546,813	619,119
Less: Expected credit losses allowances	(1,422)	(4,516)
	545,391	614,603
	101,743,487	96,323,756

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.

	<u>As at 30 June 2024</u>		<u>As at 31 December 2023</u>	
	HK\$'000	% covered by collateral	HK\$'000	% covered by collateral
<i>Industry categories:</i>				
Industrial, commercial and financial				
- Property development	9,689,255	20.65%	12,090,517	23.14%
- Property investment	1,881,488	38.88%	1,881,488	38.88%
- Financial concern	18,337,441	13.71%	15,194,697	16.58%
- Wholesale and retail trade	590,410	0.00%	1,390,435	0.00%
- Manufacturing	3,251,506	0.00%	4,836,084	0.00%
- Transport and transport equipment	2,373,988	14.81%	1,853,561	31.72%
- Information technology	2,165,783	0.00%	2,288,393	0.00%
- Others	6,364,580	0.00%	5,159,580	0.00%
Loans and advances for use in Hong Kong	44,654,451	12.54%	44,694,755	14.85%
Trade finance	1,090,843	0.00%	227,370	100.00%
Loans and advances for use outside Hong Kong	56,622,346	0.27%	51,641,385	2.71%
Total	102,367,640	5.62%	96,563,510	8.56%

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NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

11 Analysis of loans and advances to customers (Continued)

(b) Analysis by geographical areas

<u>As at 30 June 2024</u>	Total loans and advances to customers HK\$'000	Impaired loans and advances to customers HK\$'000	Overdue loans and advances to customers HK\$'000
Hong Kong	93,189,310	2,110,500	2,110,500
Others	9,178,330	-	-
Total	<u>102,367,640</u>	<u>2,110,500</u>	<u>2,110,500</u>
	Total loans and advances to customers HK\$'000	Impaired loans and advances to customers HK\$'000	Overdue loans and advances to customers HK\$'000
<u>As at 31 December 2023</u>			
Hong Kong	89,225,858	-	2,110,500
Others	7,337,652	-	-
Total	<u>96,563,510</u>	<u>-</u>	<u>2,110,500</u>

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

12 Impaired loans and advances

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

	As at 30 June 2024 HK\$'000	As at 31 December 2023 HK\$'000
Impaired loans and advances to customers	2,110,500	-
As a percentage to total loans and advances to customers	2.06%	-
Expected credit loss on impaired loans and advances to customers	(637,309)	-
Value of collateral held against the impaired loans and advances to customers	-	-

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NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

13 Overdue and rescheduled assets

(a) Overdue loans and advances

	As at 30 June 2024 HK\$'000	% of total Loans and advances to customers	As at 31 December 2023 HK\$'000	% of total Loans and advances to customers
Three months or less	-	-	2,110,500	2.19%
One year or less but over six months	<u>2,110,500</u>	<u>2.06%</u>	-	-
Total overdue loans and advances	<u>2,110,500</u>	<u>2.06%</u>	<u>2,110,500</u>	<u>2.19%</u>

	As at 30 June 2024 HK\$'000	As at 31 December 2023 HK\$'000
Uncovered portion of overdue loans and advances	<u>2,110,500</u>	<u>2,110,500</u>

(b) Rescheduled loans and advances

There were no rescheduled loans and advances as at 30 June 2024 and 31 December 2023.

(c) Other overdue assets

	As at 30 June 2024 HK\$'000	As at 31 December 2023 HK\$'000
Over one year	<u>93,854</u>	<u>93,861</u>

There were no other assets overdue for more than three months but not more than one year as at 30 June 2024 and 31 December 2023.

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NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

14 Non-bank mainland exposures

<u>As at 30 June 2024</u>	On-balance sheet exposures HK\$'000	Off-balance sheet exposures HK\$'000	Total exposures HK\$'000
Types of counterparties			
(a) Central government, central government-owned entities and their subsidiaries and joint ventures ("JVs")	51,054,467	9,050,440	60,104,907
(b) Local governments, local government-owned entities and their subsidiaries and JVs	6,212,066	334,593	6,546,659
(c) PRC nationals residing in the Mainland or other entities incorporated in the Mainland and their subsidiaries and JVs	7,680,691	601,877	8,282,568
(d) Other entities of central government not reported in item (a) above	1,572,454	-	1,572,454
(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	4,679,248	477,425	5,156,673
(g) Other counterparties where the exposure is considered by the reporting institution to be non-bank Mainland exposures	-	-	-
Total	<u>71,198,926</u>	<u>10,464,335</u>	<u>81,663,261</u>
Total assets after provision	<u>238,555,342</u>		
On-balance sheet exposures as percentage of total assets	<u>29.85%</u>		
 <u>As at 31 December 2023</u>			
Types of counterparties			
(a) Central government, central government-owned entities and their subsidiaries and joint ventures ("JVs")	50,587,211	10,097,118	60,684,329
(b) Local governments, local government-owned entities and their subsidiaries and JVs	6,033,121	350,470	6,383,591
(c) PRC nationals residing in the Mainland or other entities incorporated in the Mainland and their subsidiaries and JVs	8,034,562	275,740	8,310,302
(d) Other entities of central government not reported in item (a) above	1,574,145	-	1,574,145
(e) Other entities of local governments not reported in item (b) above	-	-	-
(f) PRC nationals residing outside the Mainland or entities incorporated outside the Mainland where the credit is granted for use in the Mainland	4,318,406	859,000	5,177,406
(g) Other counterparties where the exposure is considered by the reporting institution to be non-bank Mainland exposures	-	-	-
Total	<u>70,547,445</u>	<u>11,582,328</u>	<u>82,129,773</u>
Total assets after provision	<u>234,033,320</u>		
On-balance sheet exposures as percentage of total assets	<u>30.14%</u>		

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NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

15 Deposits from customers

	As at 30 June 2024 HK\$'000	As at 31 December 2023 HK\$'000
Demand deposits and current accounts	2,436,053	3,982,978
Savings deposits	38,450,611	14,517,148
Time, call and notice deposits	77,873,651	77,161,898
	118,760,315	95,662,024
Accrued interest payables	506,574	451,632
	119,266,889	96,113,656

16 Reserves

The components of reserves are as follows:

	As at 30 June 2024 HK\$'000	As at 31 December 2023 HK\$'000
Investment revaluation reserve, net of deferred tax	(146,822)	(148,869)
Reserve for cash flow hedge, net of deferred tax	-	-
Regulatory reserve	194,824	194,824
Retained earnings	9,654,650	9,419,023
Total reserves	9,702,652	9,464,978

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 2024 and year ended 31 December 2023.

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NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

17 International claims

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

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

<u>As at 30 June 2024</u>	Banks HK\$'000	Official sector HK\$'000	Non-bank private sector		Total HK\$'000
			Non-bank financial institutions HK\$'000	Non-financial private sector HK\$'000	
Developed countries	3,489,657	15,494,846	1,265,494	982,706	21,232,703
- Of which United States	<u>1,828,566</u>	<u>15,494,846</u>	-	111,999	<u>17,435,411</u>
Offshore centres	8,497,360	237,526	14,326,163	39,564,844	62,625,893
- Of which Hong Kong	<u>7,967,217</u>	<u>237,526</u>	<u>13,594,216</u>	<u>38,180,939</u>	<u>59,979,898</u>
Developing Asia and Pacific	81,874,648	3,146,387	505,494	7,807,773	93,334,302
- Of which the Mainland	<u>79,487,978</u>	<u>3,146,387</u>	<u>505,494</u>	<u>7,284,320</u>	<u>90,424,179</u>

<u>As at 31 December 2023</u>	Banks HK\$'000	Official sector HK\$'000	Non-bank private sector		Total HK\$'000
			Non-bank financial institutions HK\$'000	Non-financial private sector HK\$'000	
Developed countries	5,764,416	15,459,446	1,703,199	2,401,800	25,328,861
- Of which United States	<u>789,235</u>	<u>15,459,446</u>	-	110,239	<u>16,358,920</u>
Offshore centres	10,017,457	236,859	15,367,165	30,690,175	56,311,656
- Of which Hong Kong	<u>9,652,316</u>	<u>236,859</u>	<u>14,389,528</u>	<u>30,006,629</u>	<u>54,285,332</u>
Developing Asia and Pacific	79,120,375	3,756,634	581,746	8,460,387	91,919,142
- Of which the Mainland	<u>76,833,652</u>	<u>3,756,634</u>	<u>581,746</u>	<u>7,936,901</u>	<u>89,108,933</u>

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18 Foreign currency exposures

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

<u>As at 30 June 2024</u>	USD HK\$'000 equiv	CNY HK\$'000 equiv	EUR HK\$'000 equiv
Spot assets	103,152,960	41,718,516	8,580,231
Spot liabilities	(110,892,121)	(36,170,862)	(3,553,786)
Forward purchases	339,445,625	173,194,274	20,772,318
Forward sales	<u>(331,674,744)</u>	<u>(178,761,731)</u>	<u>(25,786,858)</u>
Net long/ (short) position	<u>31,720</u>	<u>(19,803)</u>	<u>11,905</u>

<u>As at 31 December 2023</u>	USD HK\$'000 equiv	CNY HK\$'000 equiv	EUR HK\$'000 equiv
Spot assets	108,053,983	34,265,902	9,637,237
Spot liabilities	(99,366,034)	(34,814,867)	(8,542,416)
Forward purchases	253,646,304	135,908,784	24,239,535
Forward sales	<u>(262,351,282)</u>	<u>(135,381,434)</u>	<u>(25,332,335)</u>
Net long/ (short) position	<u>(17,029)</u>	<u>(21,615)</u>	<u>2,021</u>

There was no structural and option position as at 30 June 2024 and 31 December 2023.

19 Contingent liabilities and commitments

	As at 30 June 2024 HK\$'000	As at 31 December 2023 HK\$'000
Direct credit substitutes	28,072,230	29,222,812
Transaction-related contingencies	67,151	67,155
Trade-related contingencies	710,009	738,610
Other commitments	<u>10,094,088</u>	<u>11,353,724</u>
	<u>38,943,478</u>	<u>41,382,301</u>

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

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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) Average Liquidity Maintenance Ratio (“LMR”)

	For the quarter ended 30 June 2024	For the quarter ended 30 June 2023
Average Liquidity Maintenance Ratio	<u>49.06%</u>	<u>49.75%</u>

The average LMR for each quarter in 2024 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 30 June 2024	For the quarter ended 30 June 2023
Average Core Funding Ratio	<u>182.09%</u>	<u>144.85%</u>

The average CFR for each quarter in 2024 is based on the arithmetic mean of the average value of its CFR for each calendar month as reported in the stable funding position return submitted for the reporting period.

The Branch maintained its CFR at healthy levels.

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20 Liquidity (Continued)

(c) Liquidity Risk Management

Liquidity Risk Management Strategy

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

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

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

The Branch has established a set of liquidity risk management policies which set out the liquidity risk management framework of the Branch according to the requirements of the HKMA's Supervisory Policy Manuals "Regulatory Framework for Supervision of Liquidity Risk (LM-1)" and "Sound Systems and Controls for Liquidity Risk Management (LM-2)".

Liquidity Risk Management Responsibilities

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

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

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

The Branch has established liquidity risk management indicators and limits for daily measurement and management of liquidity risk. These indicators and limits include, but are not limited to statutory liquidity ratios. The Branch developed management information systems to provide liquidity exposures for computing these indicators on a daily basis.

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SECTION A: HONG KONG BRANCH INFORMATION

NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

20 Liquidity (Continued)

(c) Liquidity Risk Management (Continued)

Funding Strategy

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

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

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

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

Liquidity Cushion

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

The extent of the Branch's maturity mismatch and the sufficiency of liquidity cushion are governed by various liquidity metrics and measurement tools such as maturity mismatch limits and liquidity stress tests.

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

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SECTION A: HONG KONG BRANCH INFORMATION

NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

20 Liquidity (Continued)

(c) Liquidity Risk Management (Continued)

Liquidity Risk Management Monitoring Framework

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

- LMR measures the extent of liquefiable assets covering qualifying liabilities due within one month arising from on-balance sheet and off-balance sheet exposures including contingent funding obligations.
- CFR measures long term funding risk by assessing the degree of the Branch's core funding sources supporting the need in funding its business activities.
- Cash Flow Projection is to collect the next 30-day cash flow information arising from loan and deposit businesses entered into by various front line divisions. By consolidating this projection with the cash flow from Treasury's transactions, the Branch's overall cash flow can be projected and such information will take an important part in the Branch's liquidity funding management.
- Liquidity Stress Testing is regularly conducted to project the Branch's cash flows under stress scenarios and evaluate the sufficiency of liquidity cushion. The stress scenarios cover institution-specific crisis scenario, general market crisis scenario and combined crisis scenario. The cash flows under each stress scenario are determined by applying a standard set of prescribed stress assumptions to the Branch's cash flow projection. The potential cash flow arising from off-balance sheet items is included. The stress test results are regularly reported to the RMC and ALCO.
- Under LMR, liquidity cushion held by the Branch consists of cash, withdrawable reserves maintained with central banks and marketable debt securities eligible for inclusion in liquefiable assets for the purposes of determining LMR. It is the Branch's policy that the liquidity cushion should be able to cover projected cash outflows under various prescribed stress scenarios.
- Maturity Profile Analysis analyzes the assets and liabilities by their remaining maturities into different time buckets. The potential cash flow arising from off-balance sheet items is included. The gap amount for each time bucket represents the liquidity exposure after netting the assets and liabilities maturing in the same bucket.
- Swapped Fund Ratio is designed to measure the reliance of the Branch on FX Swap market to fund the currency mismatch. Branch sets limits on swapped fund ratios of major currency positions which are subject to daily monitoring.

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SECTION A: HONG KONG BRANCH INFORMATION

NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

20 Liquidity (Continued)

(c) Liquidity Risk Management (Continued)

Contingency Funding Plan (“CFP”)

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

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

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

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SECTION B: BANK INFORMATION (CONSOLIDATED BASIS)

I. Capital and capital adequacy

	As at 30 June 2024 RMB million	As at 31 December 2023 RMB million
Total capital ratio	19.25%	17.95%
Total equity	3,255,476	3,172,074

The capital adequacy ratio is calculated in accordance with the guidelines issued by the National Administration of Financial Regulation. These guidelines are different from the document or Directive referred to Section 105(a) of Banking (Disclosure) Rules.

II. Other financial information

	As at 30 June 2024 RMB million	As at 31 December 2023 RMB million
Total assets	40,294,387	38,324,826
Total liabilities	37,038,911	35,152,752
Total loans and advances to customers	24,629,185	23,083,377
Total customer deposits	28,707,067	27,654,011
	For the six months ended 2024 RMB million	2023 RMB million
Profit before tax	193,012	197,264

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STATEMENT OF COMPLIANCE

In compliance with the Banking (Disclosure) Rules Part 8 “Disclosures to be made by Authorized Institutions incorporated outside Hong Kong”, the enclosed unaudited financial information disclosure statement for the six months ended 30 June 2024 has been provided.



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



20/11/11