



INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED

中國工商銀行(亞洲)有限公司

(於香港註冊成立之有限公司)

STANDARD TEMPLATES FOR DISCLOSURES IN RELATION TO
LIQUIDITY COVERAGE RATIO

2016 4TH QUARTER

Number of data points used in calculating the average value of the Liquidity Coverage Ratio (LCR) and related components set out in this Template for the quarter ending on 31 Dec 2016: (74)		Currency: (HK\$'000)	
Basis of disclosure: unconsolidated		UNWEIGHTED AMOUNT (Average Value)	WEIGHTED AMOUNT (Average Value)
A. HIGH QUALITY LIQUID ASSETS			
1	Total high quality liquid assets (HQLA)		73,891,678
B. CASH OUTFLOWS			
2	Retail deposits and small business funding, of which:	114,822,388	11,099,494
3	Stable retail deposits and stable small business funding	7,654,897	382,745
4	Less stable retail deposits and less stable small business funding	107,167,491	10,716,749
5	Retail term deposits and small business term funding	–	–
6	Unsecured wholesale funding (other than small business funding) and debt securities and prescribed instruments issued by the institution, of which:	242,289,940	138,497,460
7	Operational deposits	12,032,164	2,943,121
8	Unsecured wholesale funding (other than small business funding) not covered in Row 7	220,034,022	125,330,585
9	Debt securities and prescribed instruments issued by the institution and redeemable within the LCR period	10,223,754	10,223,754
10	Secured funding transactions (including securities swap transactions)		3,185,604
11	Additional requirements, of which:	59,267,938	9,207,904
12	Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements	3,646,535	3,646,535
13	Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions	–	–
14	Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)	55,621,403	5,561,369
15	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	55,096	55,237
16	Other contingent funding obligations (whether contractual or non-contractual)	748,841,838	1,092,244
17	TOTAL CASH OUTFLOWS		163,137,943
C. CASH INFLOWS			
18	Secured lending transactions (including securities swap transactions)	236,172	-
19	Secured and unsecured loans (other than secured lending transactions covered in Row 18) and operational deposits placed at other financial institutions	132,621,962	105,802,910
20	Other cash inflows	9,317,346	6,796,529
21	TOTAL CASH INFLOWS	–	112,599,439
D. LIQUIDITY COVERAGE RATIO			
22	TOTAL HQLA		72,109,619
23	TOTAL NET CASH OUTFLOWS		51,418,184
24	LCR (%)		141.50%

Liquidity Coverage Ratio

The LCR is sensitive to the asset deployment and the funding structure of the Bank throughout the whole year of 2016, with the average LCR in the fourth quarter higher than that of the third quarter. The main contributor was an increase in the average holding of high quality liquid assets (excluding cash and central bank reserves), which was a 26% jump quarter-on-quarter.

(i) Composition of High Quality Liquid Assets (“HQLA”)

The Bank holds a portfolio of unencumbered HQLA which can be readily liquidated to meet cash flow obligations under stress scenarios, as defined in the LCR rules. These liquid assets consist primarily of Level 1 HQLA, such as the Hong Kong Exchange Fund bills and notes as well as the US Treasuries, supplemented by Level 2A and 2B HQLA, such as bonds issued by highly rated corporate issuers.

(ii) Concentration of funding sources

The Bank maintains a diversified funding base composed mainly by retail and corporate customer deposits, supplemented by wholesale funding including but not limited to issuance of certificates of deposit and term debts. Short-term interbank money market borrowing is also used from time to time to meet temporary funding need.

The Bank continues to expand and diversify its deposit base, and to increase the proportion of stable deposits in its overall funding pool.

(iii) Derivative Exposures

The Bank closely monitors all its exchange traded and over-the-counter derivative exposures arising from customer transactions and their corresponding hedging activities. Such derivative contracts comprise mainly of foreign exchange forwards, interest rate and cross currency swaps. Collateral may be required to be posted to counterparties depending on the marked-to-market of the derivative contracts.

(iv) Currency mismatch

The Bank’s customer deposits are mainly denominated in HKD. To meet customer loan demand, the Bank swaps surplus HKD funding into USD and other foreign currencies. This represents the major currency mismatch of the Bank.

On the other hand, as the supply of HKD denominated HQLA is relatively limited, the Bank covers its HKD mismatch by holding HQLA denominated in USD. This is in line with the LCR alternative liquidity approach option elected by the HKMA.

(v) Centralization of liquidity management

The Bank has a wholly owned subsidiary in the Mainland China, namely China Mercantile Bank (“CMB”), which has set up its own liquidity risk management policy and managed liquidity risk in accordance with its local regulatory requirements. CMB calculates its own LCR, which would then be consolidated with the Bank’s LCR to reflect the liquidity position on a Group basis.

(vi) Approach to liquidity risk management

The Bank has established a comprehensive liquidity risk management framework in accordance with the HKMA requirements and BCBS guidance. The Board-level Risk Management Committee is ultimately responsible for liquidity risk management, with the support from senior management committees including the Risk Management Committee and the Asset and Liability Management Committee. Policies and procedures are in place, with properly approved limits and indicators in order to identify, measure and monitor liquidity risk. Stress tests are conducted regularly, and the Bank has readied the Contingent Funding Plan which details the procedures in dealing with a potential liquidity crisis.