



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

2017 2ND 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 30 June 2017: (72)		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)		78,670,515
B. CASH OUTFLOWS			
2	Retail deposits and small business funding, of which:	121,752,053	11,593,518
3	Stable retail deposits and stable small business funding	8,322,114	250,524
4	Less stable retail deposits and less stable small business funding	113,429,939	11,342,994
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:	277,458,746	166,935,326
7	Operational deposits	14,210,702	3,478,651
8	Unsecured wholesale funding (other than small business funding) not covered in Row 7	254,169,138	154,377,769
9	Debt securities and prescribed instruments issued by the institution and redeemable within the LCR period	9,078,906	9,078,906
10	Secured funding transactions (including securities swap transactions)		2,020,950
11	Additional requirements, of which:	59,167,854	15,200,276
12	Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements	10,343,399	10,249,577
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)	48,824,455	4,950,699
15	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	40,847	53,760
16	Other contingent funding obligations (whether contractual or non-contractual)	665,548,971	1,175,433
17	TOTAL CASH OUTFLOWS		196,979,263
C. CASH INFLOWS			
18	Secured lending transactions (including securities swap transactions)	2,289,546	6,773
19	Secured and unsecured loans (other than secured lending transactions covered in Row 18) and operational deposits placed at other financial institutions	160,243,220	130,580,069
20	Other cash inflows	15,063,469	12,396,328
21	TOTAL CASH INFLOWS	-	142,983,170
D. LIQUIDITY COVERAGE RATIO			
22	TOTAL HQLA		76,892,689
23	TOTAL NET CASH OUTFLOWS		56,999,526
24	LCR (%)		136.31%

Liquidity Coverage Ratio

The Liquidity Coverage Ratio(' LCR ') throughout the half year of 2017 meets regulatory requirement and maintains at a high level.

(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 CEO 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.