

Liquidity information disclosures

Liquidity coverage ratio

Number of data points used in calculating the average value of the Liquidity Coverage Ratio (LCR) and related components set out in this table		For the quarter ended 30 June 2016: 74 data points		For the quarter ended 31 March 2016: 71 data points	
Basis of disclosure: consolidated		UNWEIGHTED AMOUNT (Average Value)	WEIGHTED AMOUNT (Average Value)	UNWEIGHTED AMOUNT (Average Value)	WEIGHTED AMOUNT (Average Value)
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
A. HIGH QUALITY LIQUID ASSETS					
1	Total high quality liquid assets (HQLA)		46,610,952		41,209,007
B. CASH OUTFLOWS					
2	Retail deposits and small business funding, of which:	96,244,667	7,349,565	93,516,747	7,222,459
3	<i>Stable retail deposits and stable small business funding</i>	20,509,954	1,025,498	20,500,319	1,025,016
4	<i>Less stable retail deposits and less stable small business funding</i>	41,446,617	4,144,662	40,646,737	4,064,674
5	<i>Retail term deposits and small business term funding</i>	34,288,096	2,179,405	32,369,691	2,132,769
6	Unsecured wholesale funding (other than small business funding) and debt securities and prescribed instruments issued by the institution, of which:	89,513,946	50,647,042	81,192,086	46,344,652
7	<i>Operational deposits</i>	9,952,338	2,328,090	6,124,202	1,352,687
8	<i>Unsecured wholesale funding (other than small business funding) not covered in Row 7</i>	79,561,608	48,318,952	75,067,884	44,991,965
9	<i>Debt securities and prescribed instruments issued by the institution and redeemable within the LCR period</i>				
10	Secured funding transactions (including securities swap transactions)		8,015		6,678
11	Additional requirements, of which:	26,206,917	5,350,295	25,583,397	5,091,355
12	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collaterals requirements</i>	2,725,031	2,725,031	2,452,751	2,452,751
13	<i>Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions</i>				
14	<i>Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)</i>	23,481,886	2,625,264	23,130,646	2,638,604
15	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	2,006,529	2,006,529	1,892,734	1,892,734
16	Other contingent funding obligations (whether contractual or non-contractual)	111,618,078	3,104,979	103,162,668	3,056,119
17	TOTAL CASH OUTFLOWS		68,466,425		63,613,997
C. CASH INFLOWS					
18	Secured lending transactions (including securities swap transactions)	589,525	589,525	419,147	419,147
19	Secured and unsecured loans (other than secured lending transactions covered in Row 18) and operational deposits placed at other financial institutions	38,136,082	29,602,993	33,737,087	25,942,056
20	Other cash inflows	5,771,151	5,761,397	6,714,258	5,327,044
21	TOTAL CASH INFLOWS	44,496,758	35,953,915	40,870,492	31,688,247
D. LIQUIDITY COVERAGE RATIO					
22	TOTAL HQLA		46,610,952		41,209,007
23	TOTAL NET CASH OUTFLOWS		32,512,510		31,925,750
24	LCR (%)		145.26%		130.84%

Liquidity information disclosures

Liquidity coverage ratio (continued)

Notes:

- The weighted amount of HQLA is to be calculated as the amount after applying the haircuts as required under the Banking (Liquidity) Rules.
- The unweighted amounts of cash inflows and cash outflows are to be calculated as the principal amounts in the calculation of the LCR as required under the Banking (Liquidity) Rules.
- The weighted amounts of cash inflows and cash outflows are to be calculated as the amounts after applying the inflow and outflow rates as required under the Banking (Liquidity) Rules.
- The adjusted value of total HQLA and the total net cash outflows have taken into account any applicable ceiling as required under the Banking (Liquidity) Rules.

In the first half of 2016, the Group has maintained a healthy liquidity position, the LCR remained stable and there was no material change throughout the period. The average LCR of the first and second quarter were 130.84% and 145.26% respectively. The average HKD level 1 HQLA to HKD net cash outflow ratio in the first half of 2016 was 156.86%, well above the regulatory requirement of 20%. The ratios have maintained at stable and healthy levels.

The HQLA consists of cash, balances at central banks and high quality marketable securities issued or guaranteed by sovereigns, central banks, public sector entities or multilateral development banks and non-financial corporate debt securities. In the first half of 2016, the

majority of the HQLA was composed of Level 1 HQLA.

The net cash outflow was mainly from retail and corporate customer deposit which are the Group's primary source of funds, together with deposit and balance from bank and other financial institution. To ensure stable, sufficient and diversified source of funds, the Group actively attracts new deposits, keeps the core deposit and obtains supplementary funding from the interbank market. Other cash outflow, such as commitment, cash outflow under derivative contract and potential collateral requirement, were minimal to the LCR.

Majority of the Group's customer deposits are denominated in HKD, USD and RMB. As the supply of HKD denominated HQLA in the market is relatively limited, the Group swaps surplus HKD funding into USD and other foreign currencies, part of funding are deployed to investment in HQLA.