

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 31 March 2015: 73 data points | | For the quarter ended 30 June 2015: 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) | | 37,147,019 | | 36,851,316 |
| B. CASH OUTFLOWS | | | | | |
| 2 | Retail deposits and small business funding, of which: | 106,654,853 | 7,950,161 | 107,381,623 | 7,975,859 |
| 3 | <i>Stable retail deposits and stable small business funding</i> | 25,454,625 | 1,272,731 | 24,884,132 | 1,244,207 |
| 4 | <i>Less stable retail deposits and less stable small business funding</i> | 35,801,204 | 3,580,120 | 37,509,051 | 3,750,905 |
| 5 | <i>Retail term deposits and small business term funding</i> | 45,399,024 | 3,097,310 | 44,988,440 | 2,980,747 |
| 6 | Unsecured wholesale funding (other than small business funding) and debt securities and prescribed instruments issued by the institution, of which: | 79,530,131 | 48,545,660 | 70,570,235 | 42,555,662 |
| 7 | <i>Operational deposits</i> | 4,719,313 | 1,020,094 | 5,090,923 | 1,113,292 |
| 8 | <i>Unsecured wholesale funding (other than small business funding) not covered in Row 7</i> | 74,810,818 | 47,525,566 | 65,479,312 | 41,442,370 |
| 9 | <i>Debt securities and prescribed instruments issued by the institution and redeemable within the LCR period</i> | 0 | 0 | 0 | 0 |
| 10 | Secured funding transactions (including securities swap transactions) | | 0 | | 0 |
| 11 | Additional requirements, of which: | 12,247,169 | 2,159,003 | 10,288,076 | 4,399,996 |
| 12 | <i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collaterals requirements</i> | 622,315 | 622,315 | 3,581,080 | 3,581,080 |
| 13 | <i>Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions</i> | 0 | 0 | 0 | 0 |
| 14 | <i>Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)</i> | 11,624,854 | 1,536,688 | 6,706,996 | 818,916 |
| 15 | Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows | 1,458,110 | 1,458,110 | 1,479,940 | 1,479,940 |
| 16 | Other contingent funding obligations (whether contractual or non-contractual) | 99,034,444 | 2,637,411 | 106,868,363 | 3,337,275 |
| 17 | TOTAL CASH OUTFLOWS | | 62,750,345 | | 59,748,732 |
| C. CASH INFLOWS | | | | | |
| 18 | Secured lending transactions (including securities swap transactions) | 2,598,613 | 2,505,712 | 2,485,438 | 2,485,438 |
| 19 | Secured and unsecured loans (other than secured lending transactions covered in Row 18) and operational deposits placed at other financial institutions | 40,222,332 | 27,742,799 | 44,231,834 | 28,957,447 |
| 20 | Other cash inflows | 5,671,703 | 1,787,411 | 9,213,400 | 5,365,073 |
| 21 | TOTAL CASH INFLOWS | 48,492,648 | 32,035,922 | 55,930,672 | 36,807,958 |
| D. LIQUIDITY COVERAGE RATIO | | | | | |
| 22 | TOTAL HQLA | | 37,147,019 | | 36,851,316 |
| 23 | TOTAL NET CASH OUTFLOWS | | 30,714,423 | | 22,940,774 |
| 24 | LCR (%) | | 123.70% | | 163.68% |

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 after taking into account any applicable ceiling as required under the Banking (Liquidity) Rules.

In the first half of 2015, there was no material change in the LCR. The first quarter average LCR was 123.70% and the second quarter average LCR was 163.68%. The average HKD level 1 HQLA to HKD net cash outflow ratio in the first half of 2015 was 322.07%, 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 2015, 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.