

STANDARD CHARTERED BANK (HONG KONG) LIMITED

Liquidity Coverage Ratio Current Period

Table 1: Average LCR for the year ended 31st December 2016

Liquidity Coverage Ratio Standard Disclosure Template (a)									
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 Mar 2016, 30 Jun 2016, 30 Sep 2016 & 31 Dec 2016: (3)	Q4 2016 Currency: (HK\$mil)		Q3 2016 Currency: (HK\$mil)		Q2 2016 Currency: (HK\$mil)		Q1 2016 Currency: (HK\$mil)		
	UNWEIGHTED AMOUNT (Average Value)	WEIGHTED AMOUNT (Average Value)	UNWEIGHTED AMOUNT (Average Value)	WEIGHTED AMOUNT (Average Value)	UNWEIGHTED AMOUNT (Average Value)	WEIGHTED AMOUNT (Average Value)	UNWEIGHTED AMOUNT (Average Value)	WEIGHTED AMOUNT (Average Value)	
Basis of disclosure: consolidated									
A. HIGH QUALITY LIQUID ASSETS									
1	Total high quality liquid assets (HQLA)			184,986		187,902		216,860	
B. CASH OUTFLOWS									
2	Retail deposits and small business funding, of which:	383,144	30,654	372,151	29,656	360,983	28,671	351,790	28,032
3	Stable retail deposits and stable small business funding	100,685	5,034	98,655	4,933	95,676	4,784	95,037	4,752
4	Less stable retail deposits and less stable small business funding	229,940	22,994	220,959	22,096	212,428	21,243	208,846	20,885
5	Retail term deposits and small business term funding	52,519	2,626	52,538	2,627	52,879	2,644	47,907	2,395
6	Unsecured wholesale funding (other than small business funding) and debt securities and prescribed instruments issued by the institution, of which:	389,140	175,148	380,672	167,727	365,340	166,711	384,088	171,862
7	Operational deposits	156,932	39,192	167,979	41,954	145,750	36,304	148,924	36,914
8	Unsecured wholesale funding (other than small business funding) not covered in Row 7	232,208	135,956	211,273	124,353	219,590	130,407	235,164	134,948
9	Debt securities and prescribed instruments issued by the institution and redeemable within the LCR period	-	-	1,420	1,420	-	-	-	-
10	Secured funding transactions (including securities swap transactions)		0		0		0		0
11	Additional requirements, of which:	163,032	15,752	157,000	14,011	154,713	14,685	144,473	13,916
12	Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements	4,380	4,380	4,560	4,560	8,652	5,235	7,544	4,856
13	Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions	51	51	10	10	305	305	155	155
14	Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)	158,601	11,321	152,430	9,441	145,757	9,145	136,773	8,905
15	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	27,713	27,713	12,796	12,796	17,133	17,133	17,122	17,122
16	Other contingent funding obligations (whether contractual or non-contractual)	230,980	1,042	234,678	1,034	222,870	977	233,712	903
17	TOTAL CASH OUTFLOWS		250,308		225,225		228,177		231,835
C. CASH INFLOWS									
18	Secured lending transactions (including securities swap transactions)	21,731	1,667	22,432	1,293	27,816	661	32,495	152
19	Secured and unsecured loans (other than secured lending transactions covered in Row 18) and operational deposits placed at other financial institutions	165,571	92,336	144,914	77,791	152,917	82,023	152,432	81,653
20	Other cash inflows	28,636	17,127	11,611	9,585	11,113	8,941	13,999	10,467
21	TOTAL CASH INFLOWS	215,938	111,129	178,957	88,668	191,845	91,625	198,926	92,271
D. LIQUIDITY COVERAGE RATIO									
22	TOTAL HQLA		184,506		184,986		187,902		216,860
23	TOTAL NET CASH OUTFLOWS		139,179		136,556		136,551		139,563
24	LCR (%)		134%		137%		138%		156%

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Table 2: Average LCR for the year ended 31st December 2015

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 Mar 2015, 30 Jun 2015, 30 Sep 2015 & 31 Dec 2015: (3)		Q4 2015 Currency: (HK\$mil)		Q3 2015 Currency: (HK\$mil)		Q2 2015 Currency: (HK\$mil)		Q1 2015 Currency: (HK\$mil)	
		UNWEIGHTED AMOUNT (Average Value)	WEIGHTED AMOUNT (Average Value)						
Basis of disclosure: consolidated									
A. HIGH QUALITY LIQUID ASSETS									
1	Total high quality liquid assets (HQLA)		213,125		183,421		196,152		125,463
B. CASH OUTFLOWS									
2	Retail deposits and small business funding, of which:	361,647	29,007	347,108	27,143	365,587	28,602	364,486	28,122
3	Stable retail deposits and stable small business funding	95,095	4,755	91,867	4,593	94,416	4,721	90,438	4,522
4	Less stable retail deposits and less stable small business funding	218,497	21,850	195,745	19,575	206,450	20,645	197,949	19,795
5	Retail term deposits and small business term funding	48,055	2,403	59,496	2,975	64,721	3,236	76,098	3,805
6	Unsecured wholesale funding (other than small business funding) and debt securities and prescribed instruments issued by the institution, of which:	389,396	179,701	425,479	203,082	453,625	214,606	441,846	219,287
7	Operational deposits	152,960	37,998	159,242	39,525	163,045	40,445	146,319	36,256
8	Unsecured wholesale funding (other than small business funding) not covered in Row 7	236,435	141,703	265,706	163,025	288,977	172,557	293,716	181,219
9	Debt securities and prescribed instruments issued by the institution and redeemable within the LCR period	-	-	532	532	1,603	1,603	1,811	1,811
10	Secured funding transactions (including securities swap transactions)		0		0		199		259
11	Additional requirements, of which:	100,839	11,831	28,122	6,554	29,590	6,544	31,676	6,348
12	Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements	5,914	4,476	4,669	2,853	2,779	2,099	3,914	2,058
13	Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions	304	304	32	32	553	553	266	266
14	Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)	94,621	7,051	23,422	3,669	26,258	3,891	27,497	4,024
15	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	12,197	12,197	11,191	11,191	16,121	16,121	18,125	18,125
16	Other contingent funding obligations (whether contractual or non-contractual)	304,277	1,025	404,643	1,115	428,517	1,078	392,519	989
17	TOTAL CASH OUTFLOWS		233,760		249,084		267,150		273,128
C. CASH INFLOWS									
18	Secured lending transactions (including securities swap transactions)	19,938	560	16,358	2,688	52,131	4,104	8,353	613
19	Secured and unsecured loans (other than secured lending transactions covered in Row 18) and operational deposits placed at other financial institutions	160,315	89,549	171,864	98,625	201,780	123,986	263,381	182,585
20	Other cash inflows	6,894	4,371	10,322	6,846	14,182	9,330	17,184	13,089
21	TOTAL CASH INFLOWS	187,146	94,479	198,544	108,158	268,093	137,419	288,918	196,287
D. LIQUIDITY COVERAGE RATIO									
22	TOTAL HQLA		213,125		183,421		196,152		125,463
23	TOTAL NET CASH OUTFLOWS		139,281		140,926		129,730		76,841
24	LCR (%)		154%		131%		151%		167%

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Key Drivers

The Bank has maintained a strong liquidity position during the year 2016, which was reflected in healthy short term and structural liquidity metrics.

Liquidity Coverage Ratio (LCR) measures the short-term resilience of the bank's liquidity risk profile, and is sensitive to balance sheet movement and composition. Average LCR for 2016 decreased from 156% in the 1st Quarter to 138% in the 2nd Quarter and remained stable during second half of the year 2016. In first half of the year 2016, commercial asset growth have outpaced that of commercial deposits and hence reducing the surplus liquidity from the balance sheet. The additional liquidity requirement was managed through the corresponding reduction of HQLA assets and hence the lower LCR. Nevertheless, LCR remained well above regulatory requirement of 70% throughout 2016.

Composition of High Quality Liquid Asset ("HQLA")

The Bank holds significant levels of high quality unencumbered liquid assets that can be liquefied, repo-ed or used as collateral in the event of a liquidity stress.

The liquid assets consist predominately of Level 1 assets, including mainly cash and central bank reserves, Hong Kong exchange fund bills and notes, US treasuries and other marketable debt securities issued or guaranteed by other central banks and governments. In addition, the bank also holds level 2 assets such as high quality covered bonds, corporate bonds and bonds issued by public sector entities.

Concentration of Funding Sources

A substantial portion of our assets are funded by customer deposits, largely made up of low cost and stable current and savings accounts. This forms a stable base for the bank's funding requirement. In addition, wholesale funding is widely diversified by client type and maturity which represents another stable source of funds for the Bank.

The Asset and Liability Management Committee ("ALCO") monitors trends in the balance sheet and ensures that any concerns that might impact the stability of these deposits are addressed in an effective and timely manner. The ALCO also reviews balance sheet plans to ensure that projected asset growth is matched by growth in customer deposits.

Derivatives Exposure

The use of derivatives for hedging and sale to customers as risk management products is an important part of the Bank's business activities. These instruments are also used to manage the Bank's own exposures to market risk. The principal derivative instruments used by the Bank are foreign exchange related and interest rate related contracts. Derivative positions are mark-to-market on a daily basis.

Currency Mismatch on LCR

Customer assets are as far as possible funded in the same currency. Where mismatch arise, they are controlled by limits on the amount of foreign currency that can be swapped to local currency and vice versa. Such limits are therefore a means of controlling reliance on foreign exchange markets, which minimizes the risk that obligations could not be met in the required currency in the event that access to foreign exchange markets becomes restricted.

Majority of the Bank's customer deposits are denominated in HKD, USD and CNY. The bank holds higher USD denominated HQLA due to its significant market depth and ease of conversion into other currencies in the event of liquidity stress. This is in line with the Alternative Liquidity Approach option prescribed by HKMA. During this period, the bank maintained an amount of HKD-denominated level 1 assets well above the regulatory requirement of 20% of its HKD-denominated total net cash outflows.

Centralisation of liquidity management

It is the Bank's policy to manage liquidity without presumption of the Bank's parent support. ALCO is responsible for ensuring that the Bank is able to maintain adequate liquidity at all times and be in a position to meet all obligations as they fall due; repay depositors and fulfil all commitments to lend.

Financial Markets is responsible for the day-to-day management of all the liquidity risk in the Bank, executing liquidity directives and operating within the liquidity policy and approved limits. All limits are reviewed at least annually, and more frequently if required, to ensure that they remain relevant given market conditions and business strategy. Compliance with limits is monitored independently on a regular basis. Limit excesses are escalated and approved under a delegated authority structure and reviewed by ALCO.