



## KNOWLEDGE CHECK

Match the type of funding to the description

Asset backed commercial paper

Repurchase agreement

Covered bond

Inter-bank deposit

1. Short term borrowing collateralised by securities.
2. Trade-able promissory note collateralised by credit cards or other types of loans.
3. Unsecured placement of funds – usually overnight or very short term and on demand
4. Medium to long term debt security backed by mortgages or other loans and issued or guaranteed by the bank.



## TEST YOUR UNDERSTANDING

*The table below shows Agricultural Bank of China's balance sheet.*

1. Calculate the loans to deposit ratio.	
2. Calculate the interbank ratio.	
3. Does the bank appear to have strong liquidity indicators?	

	As at 31 December 2014
<b>Assets</b>	
Cash and balances with central banks	2,743,065
Deposits with banks and other financial institutions	572,805
Precious metals	20,188
Placements with and loans to banks and other financial institutions	407,062
Financial assets held for trading	58,425
Financial assets designated at fair value through profit or loss	356,235
Derivative financial assets	7,195
Financial assets held under resale agreements	509,418
Loans and advances to customers	7,739,996
Available-for-sale financial assets	927,903
Held-to-maturity investments	1,710,950
Debt instruments classified as receivables	522,117
Investments in associates and joint ventures	-
Property and equipment	154,950
Goodwill	1,381
Deferred tax assets	78,640
Other assets	163,822
<b>Total assets</b>	<b>15,974,152</b>

	As at 31 December 2014
<b>Liabilities</b>	
Borrowings from central bank	80,121
Deposits from banks and other financial institutions	831,141
Placements from banks and other financial institutions	224,923
Financial liabilities held for trading	25,211
Financial liabilities designated at fair value through profit or loss	347,282
Derivative financial liabilities	7,240
Financial assets sold under repurchase agreements	131,021
Due to customers	12,533,397
Debt securities issued	325,167
Deferred tax liabilities	43
Other liabilities	435,987
<b>Total liabilities</b>	<b>14,941,533</b>
<b>Total equity</b>	<b>1,032,619</b>
<b>Total equity and liabilities</b>	<b>15,974,152</b>

Using data extracted from Agricultural Bank of China's  
Consolidated Financial Statements 2014



## TEST YOUR UNDERSTANDING

*Please rank the following sources  
of funding in order of stability  
(1 being the most stable)*

DESCRIPTION	RANK	
Interbank deposits		7
Plain vanilla unsecured bond (3 years)		3
Corporate deposits - operational		5
Subordinated debt (10 years)		2
Retail demand deposits		4
Equity		1
Repurchase agreements		6



## KNOWLEDGE CHECK

*1. Basel III will require banks to maintain a liquidity pool to cover any stress outflows of liquidity.*

*Which of the following assets would be deemed the least liquid for the purposes of calculating liquidity ratios?*

'BB'-rated corporate securities
Long dated Government bonds
AA'-rated corporate securities
'Exchange traded Equity securities

*2. Under Basel III, regulators have introduced two new ratios to address liquidity risk. The liquidity coverage ratio states that a bank must have enough high quality, unencumbered assets to cover stress cash outflows.*

*Over how long a period are the stress cash outflows calculated?*

2 weeks
1 month
3 months
12 months