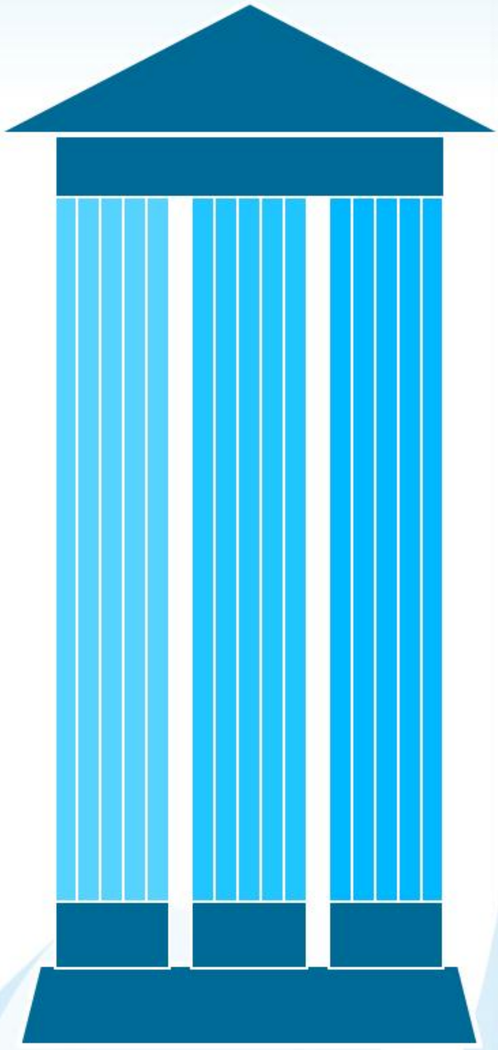
Liquidity Coverage Ratio (LCR) Disclosure

June 2018

Liquidity

Coverage

Ratio



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Liquidity Coverage Ratio (LCR) Disclosure

1. Introduction

The Bank of Thailand (BOT) has adopted the LCR in Thailand on January 1, 2016. The LCR promotes the short-term resilience of a bank's liquidity risk profile. It does this by ensuring that a bank has an adequate stock of unencumbered high-quality liquid assets (HQLA) that can be converted into cash easily and immediately in private markets to meet its liquidity needs for a 30 calendar day liquidity stress scenario. It will improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source, thus reducing the risk of spillover from the financial sector to the real economy.

$$\text{LCR} = \frac{\text{Stock of High Quality Liquid Asset (HQLA)}}{\text{Total Net Cash Outflows over the next 30 calendar days estimated under severe liquidity stress scenario}}$$

The LCR became a minimum requirement on January 1, 2016 and required to maintain LCR above 60 percent with 10 percent step-up each year to 100%. The requirement is set at 80% in 2018.

2. Scope of Disclosure

The Bank has disclosed LCR in compliance with BOT requirements in banking level.

3. Liquidity Coverage Ratio: LCR

3.1 Quantitative Information

3.1.1 Liquidity Coverage Ratio: LCR

(Unit: THB Million)

	Q2, 2018 (Average)	Q2, 2017 (Average)
(1) Total High Quality Liquid Assets	631,681	465,029
(2) Total Net Cash Outflows in 30 days	296,907	280,122
(3) LCR (%)	213	166
BOT minimum requirement (%)	80	70

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3.1.2 LCR Comparison by Quarter

(Unit: %)

	2018 (Average)	2017 (Average)
Quarter 1	216	171
Quarter 2	213	166

3.2 Quantitative Information

3.2.1 LCR

In the second quarter of 2018, Average LCR was 213% above the BOT minimum requirements of 80% and above the average LCR of the second quarter of 2017 at 166%. The Average LCR is calculated from LCR at the end of April, May and June 2018.

3.2.2 High-Quality Liquid Assets: HQLA

Assets are considered to be HQLA if they can be easily and immediately converted into cash during a time of stress scenario or no loss of value and have low risk, low volatility, unencumbered. Nevertheless, the value of HQLA is still adjusted by haircuts for each asset level.

In the second quarter of 2018, Average total HQLA was THB 631,681 million, calculated from HQLA at the end of April, May and June 2018. The major HQLA was consisted of level 1 assets, which were cash and bond issued by Thailand governments (approximately 84%) and level 2 assets were promissory notes by Ministry of Finance (approximately 11%). The HQLA assets were consisted of various securities, that were well diversified within the asset classes.

3.2.3 Total Net Cash Outflows

The total net cash outflows is defined as the total expected cash outflows minus total expected cash inflows in the specified stress scenario for the subsequent 30 calendar days. Total expected cash outflows are calculated by multiplying the outstanding balances of various categories or types of liabilities and off-balance sheet commitments by the rates at which they are expected to run off or be drawn down. Total expected cash inflows are calculated by multiplying the outstanding balances of various categories of contractual receivables by the rates at which they are expected to flow in under the scenario up to an aggregate cap of 75% of total expected cash outflows.

In the second quarter of 2018, The average net cash outflows was THB 296,907 million, calculated from net cash outflows at the end of April, May, and June 2018. The expected cash outflows were predominantly related to deposits and borrowing from retail and government sectors, while the majority of the expected cash inflows are repayment from performing loans.

4. Other Information

The Bank has significant risk management processes. The liquidity risk management policy is approved by the Board of Directors in order to set the framework of risk management. The Bank also specifies triggers of liquidity risk approved by the board of directors for controlling the liquidity risk to be in acceptable level.

The Bank has constantly monitored and reported liquidity position to Risk Management Committee, and related parties who are responsible for manage liquidity risk to acknowledge the existing risk position and level. As a result, they can appropriately prepare sources of fund or reduce deficient liquidity risk.

The liquidity risk is able to measure the estimate of cash inflow and outflow, including off-balance sheet contingencies in order to view the liquidity position in each liquidity gap and funding concentration for analysis liquidity risk trend. In addition, the Bank sets survival period that the Bank can sufficiently manage liquidity under stress situation defined by the Bank.

The Bank assesses and analyses its liquidity risk on a continuous basis to ensure that it has adequate liquidity for its business operations. In addition, the Bank has also developed tools to assess and analyze liquidity risk that meet international standards, to support our business growth and achieve our goal sustainably.

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