

## 1. Liquidity Coverage Ratio (LCR)

	Quarter 4/2020 (average)	Unit: million Baht Quarter 4/2019 (average)
(1) Total high-quality liquid assets (HQLA)	21,643	19,604
(2) Total net cash outflows within the 30-day time horizon	9,580	8,066
(3) LCR (%)	228%	247%
<i>Minimum LCR as specified by the Bank of Thailand (%)</i>	100%	90%

## 2. LCRs of the preceding quarters (for comparison)

	2020 (average)	Unit: % 2019 (average)
3 <sup>rd</sup> quarter	222%	192%
4 <sup>th</sup> quarter	228%	247%

## Liquidity Coverage Ratio

The Liquidity Coverage Ratio rule (the “LCR rule”) requires the Bank to maintain an amount of unencumbered high quality liquid assets (“HQLA”) that is sufficient to meet its estimated total net cash outflows over a prospective 30 calendar-day period of significant stress. The LCR is required to be a minimum of 100% from Jan 2020.

The Bank’s average LCR was driven by:

- HQLA, which primarily consists of cash on deposits at central banks and eligible Level 1 securities; and
- Net cash outflows predominantly related to the Bank’s deposits liabilities

## Liquidity Management

Treasury and CIO is responsible for liquidity management. The primary objectives of effective liquidity management are to:

- Ensure that the Firm’s core businesses are able to operate in support of client needs and meet contractual and contingent financial obligations through normal economic cycles as well as during stress events, and
- Manage an optimal funding mix and availability of liquidity sources.

As part of the Firm’s overall liquidity management strategy, the Firm manages liquidity and funding using a centralized, global approach in order to:

- Optimize liquidity sources and uses;
- Monitor exposures;
- Identify constraints on the transfer of liquidity between the Firm's legal entities; and
- Maintain the appropriate amount of surplus liquidity at a firmwide and legal entity level, where relevant.

In the context of the Branch's liquidity management, Treasury and CIO is responsible for:

(i) Analyzing and understanding the liquidity characteristics of the assets and liabilities of lines of business and the Branch, taking into account legal, regulatory, and operational restrictions;

(ii) Defining and monitoring the Branch's liquidity strategies, policies, reporting and country addendum to firmwide Contingency Funding Plan;

(iii) Managing compliance with regulatory requirements related to funding and liquidity risks; and

(iv) Setting transfer pricing in accordance with underlying liquidity characteristics of balance sheet assets and liabilities as well as certain off-balance sheet items.

At the Firm level, liquidity management is governed by Firmwide Asset and Liability Committee. The APAC Management Committee is the regional governing committee for liquidity management. The APAC Management Committee delegates more detailed review of liquidity management to the APAC Capital & Liquidity Committee.

The APAC Capital & Liquidity Committee and the Thailand Location Management Committee delegates review of the Branch's liquidity management to the Thailand Risk / Asset and Liability Committee.

## **LCR**

The Bank's average LCR was driven by:

- HQLA primarily consists of Level 1 unencumbered securities and cash at central bank,
- Net cash outflows predominantly related to the Bank's deposits, to a lesser extent, derivatives and contingent funding obligations.

For the three months ended December 30, 2020, the Bank's average LCR was 228%, compared with an average of 247% for the three months ended December 30, 2019. Average LCR surplus increased from THB 11.5 billion to THB 12.1 billion, respectively. The increase in the LCR surplus was largely attributable to an increase in deposits.

### **High quality liquid assets**

HQLA is the amount of liquid assets that qualify for inclusion in the LCR. HQLA primarily consist of unencumbered cash and certain high quality liquid securities as defined in the LCR rule. For the three months ended December 30, 2020, the Bank's average HQLA was THB 21.6 billion compared with an average HQLA of THB 19.6 billion for the three months ended December 30, 2019.

### **Funding sources**

The Bank funds its balance sheet through diverse sources of funding including a stable deposit franchise as well as secured funding, capital funds and borrowing from its Head office. Deposit in excess of the amount utilized to fund loans are primarily invested in the Bank's investment securities portfolio or deployed in cash or other short-term liquid investments based on their interest rate and liquidity risk characteristics.

### **Deposits**

A key strength of the Bank is its diversified deposit franchise, through each of its lines of business, which provides a stable source of funding. Wholesale operating deposits are considered to be stable sources of liquidity because they are generated from customers that maintain operating service relationships with the Bank.