

1. Liquidity Coverage Ratio (LCR)		
	Unit: million Baht	
	Quarter 4/2018* (average)	Quarter 4/2017* (average)
(1) Total high-quality liquid assets (HQLA)	15,366	9,524
(2) Total net cash outflows within the 30-day time horizon	5,493	1,939
(3) LCR** (%)	282%	508%
Minimum LCR as specified by the Bank of Thailand (%)	80%	70%

2. LCRs of the preceding quarters (for comparison)***		
	Unit: %	
	2018* (average)	2017* (average)
3 rd quarter	319%	372%
4 th quarter	282%	508%

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 80% from Jan 2018 and step-up to 100% by 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

The Bank’s Treasury and CIO is responsible for liquidity management. The primary objective of effective liquidity management is to ensure that the Firm’s core businesses and material legal entities are able to operate in support of client needs and meet contractual and contingent obligations through normal economic cycles as well as during stress events, and manage an optimal funding mix and availability of liquidity sources. The Firm manages liquidity and funding using a centralized, global approach across its entities, taking into consideration both their current liquidity profile and any potential changes over time, in order to optimize liquidity sources and uses.

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

- (i) Analyzing and understanding the liquidity characteristics of the Bank, lines of business and legal entities' assets and liabilities, taking into account legal, regulatory, and operational restrictions;
- (ii) Defining and monitoring the Bank's liquidity strategies, policies, guidelines, and contingency funding plans;
- (iii) Managing compliance with regulatory requirements related to funding and liquidity risks; and
- (iv) Setting transfer price 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 firm wide Asset-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 Bank's Thailand Location Management Committee delegates review of the Bank'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 Dec 28, 2018, the Bank's average LCR was 282%, compared with an average of 508% for the three months ended Dec 29, 2017. Average LCR surplus however increased from THB 7.6 billion to THB 9.8 billion, respectively. The improvement in the LCR surplus was largely attributable to increase in average HQLA, driven primarily by increases in cash at Bank of Thailand and reverse repurchase transactions.

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 Dec 28, 2018, the Bank's average HQLA was THB 15.4 billion compared with an average HQLA of THB 9.5 billion for the three months ended Dec 29, 2017.

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.