Krungthai
กรุงไทย

Liquidity Coverage Ratio (LCR) Disclosure

30 June 2023

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1. Introduction

The Bank of Thailand (BOT) has adopted Liquidity Coverage Ratio (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 financial markets to meet its liquidity needs for a 30 calendar days 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.

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

estimated under severe liquidity stress scenario

The LCR has a minimum requirement to maintain above 100% in 2020.

2. Scope of Disclosure

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

3. Liquidity Coverage Ratio

3.1 Quantitative Information

3.1.1 Liquidity Coverage Ratio

(Unit: Million Baht)

	Q2, 2023 (Average)[1]	Q2 2022 (Average)[1]
(1) Total High Quality Liquid Assets	833,273	851,699
(2) Total Net Cash Outflows in 30 days	410,911	451,712
(3) LCR (%)[2]	203	188
BOT minimum requirement (%)	100	100

[1] The average data calculated based on a simple average using month-end data for each quarter. The second quarter is calculated from LCR at the end of April, May and June.

[2] The LCR item (3) is computed as an average ratio of month end LCR in the quarter which may not be equal to Total High Quality Liquid Assets (1) divided by Total Net Cash Outflows in 30 days (2).

3.1.2 LCR Comparison by Quarter

(Unit: %)

	2023 (Average)	2022 (Average)
Quarter 1	199	196
Quarter 2	203	188

3.2 Quantitative Description

3.2.1 Liquidity Coverage Ratio

In the second quarter of 2023, the average LCR was 203% above the BOT minimum requirements of 100%. The average LCR is calculated from LCR at the end of April, May and June 2023.

3.2.2 High-Quality Liquid Assets

Assets are considered to be HQLA if they refer to the good quality assets which are high liquid, low risk, unencumbered and can be easily and immediately converted into cash in a short time, with little or no significant loss of value under stress scenarios. However, some HQLA classes have haircuts to adjust of their fair values and cap the amount of holding assets in each classes based on LCR regulations by the Bank of Thailand.

In the second quarter of 2023, the average total HQLA calculated from HQLA at the end of April, May and June 2023 was THB 833,273 million. The major HQLA was consisted of level 1 assets, which were cash and bond issued by Thailand governments (approximately 67%) and level 2 assets were promissory notes issued by Ministry of Finance (approximately 31%). The HQLA assets were consisted of various securities, that were well diversified in different the asset classes.

3.2.3 Total Net Cash Outflows

The total net cash outflows are defined as the total expected cash outflows minus the total expected cash inflows under 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 items as well as contractual and non – contractual obligation 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 inflow 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 2023, The average net cash outflows calculated from the net cash outflows at the end of April, May and June 2023 were THB 410,911 million. 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 repayments from performing loans.

4. Other Information

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

The Bank has constantly monitored and reported liquidity position to Risk Oversight Committee, and related parties to acknowledge the risk exposure.

The liquidity risk is measured by analyzing the projection of cash inflow and outflow, including off-balance sheet items in order to view the liquidity position in each period gap. Source of funding concentration analysis is also used to be liquidity risk measures. Besides, the Bank sets survival period that the Bank can sufficiently manage liquidity under stress situation.

The Bank assesses and analyses its liquidity risk on a continuous basis to ensure that it has adequate liquidity for its usual business operations. In addition, the Bank has developed robust liquidity risk management tools to support our sustainable business growth.

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