

LCR Disclosure of Oversea-Chinese Banking Corporation Limited – Bangkok Branch (the “Branch”)

Disclosure of quantitative data

1. Liquidity Coverage Ratio (LCR)

	Unit: In million Baht	
	Quarter 2 - 2018 (average)	Quarter 2 - 2017 (average)
(1) Total high-quality liquid assets (HQLA)	12,691	16,709
(2) Total net cash outflows within the 30-day time horizon	4,914	12,749
(3) LCR (%)	324	132
<i>Minimum LCR as specified by the Bank of Thailand (%)</i>	80	70

2. LCRs of the preceding quarters (for comparison)

	Unit: %	
	2018 (average)	2017 (average)
1 st quarter	163	149
2 nd quarter	324	132

Disclosure of descriptions for quantitative data

Commercial banks are required to maintain the liquidity coverage ratio in accordance with the guidelines as specified by the Bank of Thailand. The LCR is expected to encourage commercial banks to have robust and adequate liquidity position so that they can survive short-term severe liquidity stress. The minimum LCR, which is the ratio of high-quality liquid assets to total net cash outflows within the 30-day time horizon, of 60% was introduced on 1 January 2016 (B.E.2559), and increased by 10% each year until it reaches 100% in 2020 (B.E.2563).

$$LCR = \frac{\text{High – quality liquid assets (HQLA)}}{\text{Total net cash outflows within the 30 – day time horizon under liquidity stress scenarios}}$$

The average LCR for the 2nd quarter of 2018 (B.E.2561) of the Branch is 324%, which is higher than the minimum LCR as specified by the Bank of Thailand at 80%. This LCR is the average of LCRs as at the end of April – 163%, May – 521% and June – 288%. The LCR consists of 2 main components, namely:

1. High-quality liquid assets (HQLA) include unencumbered high-quality assets with low risk and low volatility that can be easily monetized without any significant changes to their values, even in times of liquidity stress. The value of each type of HQLA is after the application of both haircuts and any applicable caps as specified by the Bank of Thailand.

The average HQLA of the Branch for the 2nd quarter of 2018 (B.E.2561) is 12,691 million Baht (94.9% of which is Level 1 assets, namely government bonds, cash and deposit at central bank), which is the average of HQLA as at the end of April – June. On this, the Branch holds several types of high-quality liquid assets to ensure the diversification of the stock of HQLA.

2. The amount of net cash outflows (net COF) is equal to expected cash outflows within the 30-day time horizon minus expected cash inflows within the 30-day time horizon under liquidity stress scenarios; but the expected cash inflows must not exceed 75% of the expected cash outflows.

The average net COF of the Branch for the 2nd quarter of 2018 (B.E.2561) is 4,914 million Baht, which is the average of net cash outflows within the 30-day time horizon as at the end of April – June. The expected cash outflows on which the Branch focuses under the severe liquidity stress scenarios are the run-off of interbank, financial institution and intragroup borrowings to which the run-off rates as specified by the Bank of Thailand have been assigned. On the other hand, expected cash inflows are mostly from interbank and financial institution placements and also from loan repayments from high-quality non-financial corporate customers, to which the inflow rates as specified by the Bank of Thailand have been assigned.

In addition, the Branch also regularly examines its liquidity gaps and funding concentrations, which is part of the assessment and analysis of liquidity risk, to ensure that it has adequate liquidity to support the business. Moreover, as the Branch, with guideline from Head Office, has developed risk-monitoring tools in accordance with the international standards and business directions so that the Branch can better manage its liquidity positions.