

Standard Chartered Bank (Thai) PCL

Liquidity Coverage Ratio Disclosures **31 December 2023**



Registered Office: 140 Wireless Road, Lumpini, Patumwan, Bangkok, 10330, Thailand

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Standard Chartered Bank (Thai) PCL (“the Bank”) is required to maintain the Liquidity Coverage Ratio (“LCR”) in accordance with the guidelines as specified by the Bank of Thailand (“BOT”). 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).

$$LCR = \frac{\text{High Quality Liquid Assets (HQLA)}}{\text{Total net cash outflows within the 30 - day time horizon under liquidity stress scenarios}}$$

Liquidity management

Funding is managed centrally in the country. As such, funding decisions of the Bank are considered in concert with the operations of the Bank. Such decisions shall take into account regulatory requirements while ensuring flexibility in managing liquidity and the pool of liquid assets.

Daily liquidity management is carried out by the Treasury Markets (“TM”) Desk who regulates the day to day liquidity needs of the Bank, executing liquidity directives and operating within the liquidity policy and approved limits.

Funding and liquidity management strategies are regularly discussed during Asset and Liability Committee (“ALCO”) meeting. Such discussions include analysis on deposit momentum and tenure, funding gaps and concentration, monitoring of short and long term liquidity ratios (including LCR). The Bank utilises internal Management Action Triggers (“MATs”) which act as early warning indicators and safeguards to ensure sufficient liquidity buffers at all times. All limits and MATs are reviewed at least annually, and more frequently if required, to ensure that they remain relevant given market conditions and business strategy. Compliance with limits is monitored independently on a regular basis. Limit excesses are escalated and approved under a delegated authority structure and reviewed by ALCO. The Bank also has in place Country Recovery Plan (“CRP”) that identifies specific management action that can be invoked in times of liquidity crisis.

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In addition, the Bank 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. The Bank has developed risk-monitoring tools in accordance with the international standards and business directions, so that the Bank can better manage its liquidity positions.

Quantitative Disclosure

The data presented in the quantitative disclosure (Table1 & 2 below) are simple averages of monthly observations over each of the 2 preceding quarters.

The average LCR for Q4 of 2023 (B.E.2566) of the Bank is 214%, which is 114% higher than the minimum LCR as specified by the Bank of Thailand. This LCR is the average of LCRs as at the end of October – 224%, November – 176% and December – 242%.

Table 1 : Liquidity Coverage Ratio (LCR)

Unit : Baht

	Quarter 4 2023 (average)	Quarter 4 2022 (average)
(1) Total high-quality liquid assets (HQLA)	75,325,065,617	66,851,211,069
(2) Total net cash outflows within the 30-day time horizon	36,036,823,768	38,336,968,902
(3) LCR** (%)	214%	175%
<i>Minimum LCR as specified by the Bank of Thailand (%)</i>	100%	100%

Table 2 : LCRs of the preceding quarters (for comparison)

Unit : %

	2023 (average)	2022 (average)
Quarter 3	207%	186%
Quarter 4	214%	175%

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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 BOT.

The average HQLA of the Bank for Q4 of 2023 (B.E.2566) is THB 75,325m, which is the average of HQLA as at the end of October – December. On this, the Bank 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 Bank for Q4 of 2023 (B.E.2566) is THB 36,037m, which is the average of net cash outflows within the 30-day time horizon as at the end of October – December. The expected cash outflows on which the Bank focuses under the severe liquidity stress scenarios are the run-off of wholesales deposits and borrowings, repayments of secured borrowings under repurchase agreements (repos), 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 loan repayments from high-quality customers, and maturing debt securities, to which the inflow rates as specified by the Bank of Thailand have been assigned.

LCR increased from 175% in Q4 of 2022 to 214% in Q4 of 2023. The increase in LCR is primarily due to deposit inflow mainly in corporates deposits.