



Liquidity Coverage Ratio (LCR) DISCLOSURES

Mizuho Bank, Ltd. Bangkok Branch

As of September 2023

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LCR general background

As per Bank of Thailand's notification no. SorNorSor. 9/2558 re: Liquidity Coverage Ratio (LCR) requirement, in principle the Bank shall maintain high quality liquid assets to be covered net cash outflows within 30 days stress period in accordance with the guidelines.

In 2020, the Bank of Thailand has an amendment LCR guideline according to BOT's Notification No. SorNorSor. 4/2563 Re: Liquidity Coverage Ratio: LCR (Second Edition) to comply with the credit counterparty types, assets types and financial obligations under the classification and provisioning criteria that have been improved.

1. Definition of LCR ratio

$$\text{Liquidity Coverage Ratio (LCR)} = \frac{\text{High Quality Liquid Assets (HQLA)}}{\text{Total net cash outflows within 30 days stress period (Expected cash outflows - Expected cash inflows)}} \geq 100\%$$

2. Minimum requirement

Under the notification, the first minimum requirement is 60%. Then, it will be raised by 10% every year and will reach until 100% on 1 January 2020.

| | <i>Unit: %</i> | | | | |
|---------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| BOT Timeline | 1 January 2016 | 1 January 2017 | 1 January 2018 | 1 January 2019 | 1 January 2020 |
| BOT requirement | ≥60 | ≥70 | ≥80 | ≥90 | ≥100 |

Scope of LCR Disclosure

Regarding to Bank of Thailand's Notification no. SorNorSor. 2/2561 Re: Liquidity Coverage Ratio Disclosure Standard, there are minimum requirements set out for commercial bank to disclose quantitative information on liquidity coverage ratio and explanation on liquidity coverage ratio information as well as information on liquidity risk management to be disclosed on bank's website on semi-annual basis.

The bank conducts LCR disclosure for 2 times as per fiscal year, the 1st half during April - September will be disclosed in quarter 2 data and posted on the Bank's website within January of the next year. For 2nd half during October - March will be disclosed in quarter 4 data and posted on the Bank's website within July (BOT's notification no. SorNorSor 14/2562 Re: Disclosure Requirement on Capital Adequacy for a Commercial Bank – Commercial Banks shall disclose all information within 4 months from the period ending).

Disclosure of quantitative data

1. Liquidity Coverage Ratio (LCR)

| | <i>Unit: Million Baht</i> | |
|---|--|--|
| | 2 nd Quarter / FY 2023 ^[1] (average) | 2 nd Quarter / FY 2022 ^[1] (average) |
| 1) Total high-quality liquid assets (HQLA) | 113,198 | 72,850 |
| 2) Total net cash outflows over the next 30 days under acute stressed scenarios | 65,338 | 40,441 |
| 3) LCR (%) | 175 | 187 |
| <i>Minimum LCR as specified by the Bank of Thailand (%)</i> | 100 | 100 |

^[1] Calculated by simple average based on average data of each quarter

2. LCR of the preceding quarters (for comparison)

| | <i>Unit: %</i> | |
|-------------------------|-------------------------------------|-------------------------------------|
| | FY 2023 ^[1] (average) | FY 2022 ^[1] (average) |
| 1 st Quarter | 150 | 175 |
| 2 nd Quarter | 175 | 187 |

^[1] Calculated by simple average based on average data of each quarter

3. Explanation of LCR quantitative data ^[2]

The calculation of LCR comprises of 2 components; (1) the calculation of HQLA and (2) the calculation of total net cash outflows over the next 30 days under acute stressed scenarios. With regard to the transaction relating to securities investment, the commercial bank shall use trade date accounting. The LCR calculation can be summarized as follows:

Component 1: High quality liquid assets (HQLA)

Liquid assets under LCR Guidelines must have the following characteristics, namely, (1) Fundamental characteristics e.g. low risk and easy to assess the value, (2) Market-related characteristics e.g. regularly traded, low volatility and in demand during stressed periods.

HQLA is comprised of;

- Level 1 assets
- Level 2A assets
- Level 2B assets

Component 2: Net cash outflows

Estimated amount of net cash outflows within 30 days under acute stressed scenarios is calculated from expected cash outflows within 30 days under acute stressed scenarios, deducted by expected cash inflows within 30 days under acute stressed scenarios. The expected cash

inflows are capped at 75% of the expected cash outflows and must not be included in qualified liquid assets.

Net cash outflow is comprised of;

- Total Expected cash outflows
- Total Expected cash inflows

| | | | | |
|--|---|---|---|--|
| Estimated net cash outflows over 30 days under acute stressed scenarios | = | <i>Expected cash outflows over 30 days under acute stressed scenarios</i> | - | <i>Expected cash inflows over 30 days under acute stressed scenarios</i> |
|--|---|---|---|--|

^[2] For more details, please refer to BOT's Notification No. SorNorSor. 9/2558 re: The Liquidity Coverage Ratio (LCR) requirement

In the second quarter of FY 2023, the average LCR was 175% which is above the BOT minimum requirement of 100 % calculating from LCR at the end of July, August and September 2023. An average total HQLA was 113,198 THB millions and an average total net cash outflows within the 30-day time horizon was 65,338 THB millions.

- **Average HQLA**, the bank consisted mostly of level 1 asset which has high liquidity including cash, deposits and reserves at central bank and debt securities.
- **Average Net cash outflows**, the bank consisted of two main components, consisted of (1) total expected cash outflows within 30 days by the significant factor as deposit from corporate customers and (2) total expected cash inflows within 30 days by the main factors as loan repayment.

Liquidity risk management guideline

Liquidity risks of Mizuho Bank (MHBK) shall be managed by the Head Office (HO) on a global basis, setting out the local guidelines and procedures that Bangkok Branch needs to apply, and the minimum criteria it should use, to prudently manage and control liquidity risks.

The policy as liquidity strategy and goal in the branch is the following. In order to conduct stable and smooth funding, the Bank establishes funding gap limits as liquidity risk tolerances which are set based on group-wide rule. In particular the Thai Baht, the Bank conducts regular stress tests that factored in the possibility of severe liquidity strain. To meet liquidity needs in times of such liquidity strain, the Bank holds appropriate amount of high liquid assets and has other measures in place. The Bank also establishes robust and sufficiently tested contingency plans to cope with funding difficulties under liquidity strain.

Other reference

Further details of Mizuho Financial Group's information related to Liquidity Standards, the liquidity coverage ratio (LCR) information is available on <https://www.mizuhogroup.com/asia-pacific/thailand/service#Basel>