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# Liquidity Coverage Ratio (LCR)

## Disclosures

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For the half-year ended June 30, 2018

(Translation: Please refer to the Thai text for the official version)

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## Liquidity Coverage Ratio (LCR) Disclosures

### 1. Liquidity Risk Management Framework

Liquidity risk management is overseen by the Risk Management Committee (RMC) and Asset & Liability Management Committee (ALCO). The Market Risk Management Division has provided strategic risk management options and reported risk exposure to the committee to manage and control liquidity risk consistently with the Bank's policy. Under Global Markets Group, the Strategic Assets and Liabilities Management Department provides ALCO with analyses of the Bank's and competitors' balance sheet management including our liquidity risk and funding strategic options. In addition, Corporate Treasury Division is responsible for monitoring and managing positions under risk limits approved by the Board.

The Bank strictly complies with BOT notification for the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) to ensure the efficiency in short-term and long-term liquidity management. In addition, the Bank realizes the significance of adequate liquidity risk measurement tools and methodologies appropriate for the size and complexity of transactions both on- and off-balance sheet, while employing various liquidity risk management tools such as and liquidity gap analyses, funding concentration, etc. A liquidity cushion has been provided, with regular testing of liquidity contingency plans.

### 2. Strategic Liquidity Management under LCR

The Bank manages the liquidity ratios pro-actively by assessing the projected liquidity ratios expected in the future based on the most likely business growth. Apart from performing projection, the Bank also conducts scenario analysis based on both business and non-business factors. Business factors such as big changes in the funding or lending product mix; whereas non-business factors such as regulatory changes on definition or assumption of calculated components. This is to be aware on the liquidity shortfall in liquidity position early enough to take the appropriate action for raising funds and managing liquidity as well as to ensure the adequacy of high-quality liquid asset (HQLA). HQLA held by the Bank consisted mostly of level1 asset which has high liquidity.

In addition, the Bank recognizes the importance on managing liquidity under the acceptable risk level which complies with both internal and regulatory limits. And the tools and principles on liquidity risk management has been reviewed and approved by ALCO and RMC continuously and regularly.

### **3. Currency Mismatch**

The Bank has prepared and considered the appropriate strategy to manage the liquidity in THB and foreign currencies to ensure the liquidity sufficiency for current and future needs to be in line with the loan growth and volatility in global economic.

### **4. Managed Funds**

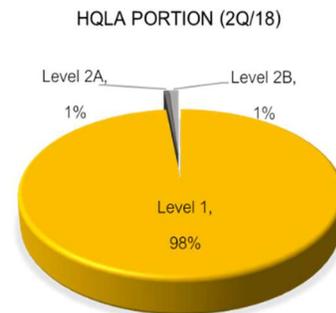
In addition to the liquidity to be prepared and provided for the Bank, Bank also prepares the liquidity for the asset management company under financial business group by considering potential risk and economic fluctuation. The Bank considers the liquidity support from the expected cash outflows based on BOT guidelines to alleviate the severity and impact from the situations or factors causing the business disruption.

### **5. Liquidity Risk Management under LCR as of 2Q/18**

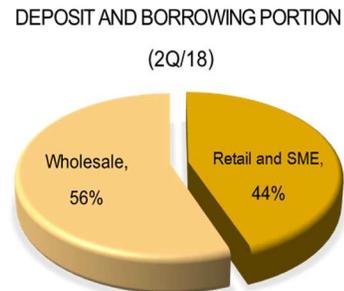
Average LCR as of 2Q/18 was 130% which slightly decreased from 2Q/17. However, it was still well above the 80% minimum requirement of BOT and the Bank's internal trigger level. The Bank emphasizes managing and controlling liquidity risk consistent with the risk appetite and reasonable operating costs. The Bank manages the LCR on daily basis.

In addition, the Bank also ensures the effective excess liquidity management be to commensurate with the current economic situation. Average LCR is calculated based on the data at each month-end in the specified quarter and primarily comprised of two drivers as follows:

1. The average weighted HQLA was approximately THB 288,341 million as of 2Q/18. Of this amount, 98% consisted of level 1 assets including government bonds, central bank bonds, PSEs bonds guaranteed by Ministry of Finance, and cash, etc. The Bank has maintained more volume of Level 1 HQLA compared to 2Q/17 by about THB 65,000 million. This is to facilitate the continuous growth of loan business.



2. As of 2Q/18, the average weighted net cash outflows were THB 220,789 million which was an increase of THB 58,000 million from 2Q/17, primarily due to the constant growth in deposits. The majority of increase deposits is from corporate customers including operational deposits and non-operational deposits. The Bank has recognized the significance of operational deposits in compliance with BOT regulations by encouraging the corporate customers having deposits account to facilitate clearing, custody or cash management service.



The Bank's funding source includes both domestic and foreign funding to support the increasing business trend. Meanwhile, most of expected cash inflows were from the payment of performing loans which increased as per the continuous growth of loans. The expected cash outflows and inflows are subjected to run-off rate and inflow rate respectively defined by BOT notification.

## Liquidity Coverage Ratio: LCR

Unit: THB million

	2Q/18 (Monthly Average)	2Q/17 (Monthly Average)
(1) Total HQLA	288,341	223,806
(2) Total net cash outflows in 30 days	220,789	161,868
(3) LCR (percentage)	130	138
<i>LCR – BOT minimum requirement (percentage)</i>	80	70

## Comparison of LCR

Unit: Percentage

	2018 (Monthly Average)	2017 (Monthly Average)
Quarter 1	145	133
Quarter 2	130	138