



A member of  MUFG,
a global financial group

Liquidity Coverage Ratio (LCR)

Disclosures

For the half-year ended June 30, 2024

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

Table of Contents

	Page
1. Overview of Liquidity Risk Management Framework of the Bank	3
2. Maintenance of LCR for the half-year ended June 30, 2024	5
3. Comparison of LCR by Quarter	6

Liquidity Coverage Ratio (LCR) Disclosures

1. Overview of Liquidity Risk Management Framework of the Bank

The Bank is fully aware and recognizes the importance of regulatory requirements and manages liquidity risks as deemed appropriate based on market conditions and liquidity risk tolerance. The Bank has clearly established the liquidity risk management framework to be able to manage and control such risk in accordance with its policy, strategy and monitor such risk within its liquidity risk tolerance approved by the Board of Directors with the appropriate operating costs and sufficient liquidity for debt repayment and various obligations upon maturity or being called under normal and extreme circumstances.

o Liquidity Risk Measurements

The Bank assesses liquidity risk on a daily basis to ensure that it has adequate liquidity for its business operations.

The Bank regularly conducts liquidity risk measurement through a variety of tools, along with the Liquidity Coverage Ratio (LCR), such as Net Stable Funding Ratio (NSFR), Funding Concentration and simulate LCR impact by using Liquidity Gap to forecast net cash flow under crisis situations covering three scenarios i.e., Bank-specific crisis, Market-wide crisis, and Combination of both circumstances.

Additionally, the Bank has a liquidity contingency plan which is tested on a regular basis and outlines early-warning indicators together with an action plan that allows the Bank to promptly prepare and manage the crisis events and successfully resume normal operations.

o To manage and control liquidity risk from Funding Sources & Concentration

To support the Bank's business growth and minimize the funding concentration, the Bank has monitored the risk by establishing a concentration internal trigger level to ensure that funding sources are well-diversified by customer type, deposit type, and maturity.

For currency mismatch, the Bank has prepared and considered the appropriate strategy to manage the liquidity in THB and major foreign currencies to ensure liquidity sufficiency for current and future needs.

o Liquidity Risk Management under LCR

According to BOT notification, LCR is designed to promote more short-term resilience of banking sector by ensuring that the adequate level of HQLA is maintained to support the liquidity needs under a 30-calendar day liquidity stress scenario.

$$\text{LCR} = \frac{\text{High Quality Liquid Asset (HQLA)}}{\text{Total net cash outflows over the next 30 calendar days under liquidity crisis (Net Cash Outflows)}}$$

➤ **Strategic Liquidity Risk Management under LCR**

In 2023, with the strategic direction to become a leading ASEAN bank, the bank expands the regional achievement through the acquisition of new subsidiaries in Thailand, Philippines, Vietnam, and Indonesia. Meanwhile, high uncertainties characterized by interest rate fluctuations, market volatility, political instability, and slower-than-anticipated growth of both domestic and global economy. In response to these challenges, liquidity management has become a big concern for both regulators and bank's executive management.

We therefore retain prudent and sound liquidity management with stronger capability to cope with internal significant factor changes and high external factor uncertainties while supporting business growth, the bank has elevated and strengthened our liquidity management practices. This includes raising the Liquidity Coverage Ratio (LCR) target. To enhance resilience, it increases bank's funding costs amid the rising interest rate trend and high competition for deposits.

As one of the Domestic Systemically Important Banks (D-SIBs), the bank kept liquidity management adaptable and always in a proactive mode by regularly conducting business projections, accuracy monitoring and scenario analyses. As result of the aforesaid, the liquidity forecast is prepared over the projected period. This allows the bank to identify the required funding plan well in advance in the most cost-efficient way.

Challenges are anticipated to persist in the second half of 2024. To address this, the bank will enhance liquidity management by carefully adjusting liquidity cushion. This will protect bank operations from unexpected cashflows fluctuations and ensure regulatory compliance.

➤ **Managed Funds**

The Bank prepares the liquidity for the asset management company under financial business group from the expected cash outflows based on BOT guidelines and specified LCR template to alleviate the severity and impact from the situations or factors causing the business disruption.

2. Maintenance of LCR for the half-year ended June 30, 2024

We have regularly and proactively conducted the LCR simulation and impact analysis on any event that may have the impact on the funding liquidity risk amid volatility of Foreign Exchange, Capital and Financial markets, and Fund flow due to political uncertainties and risk factors from external in order to be well prepared and effectively manage the liquidity position covering both normal business and crisis situations. This is to ensure an adequate supply of cash and other liquid assets for the business operations of the Bank and to prepare supporting of regulatory changes in the future.

The average LCR as of 2Q/2024 increased to 155% which was still well above the Bank's internal trigger level and the BOT minimum requirement of 100% resulting from the Bank's strategic liquidity risk management under LCR including regularly and proactively conducted the LCR simulation and impact analysis on any event that may have the impact on the funding liquidity risk.

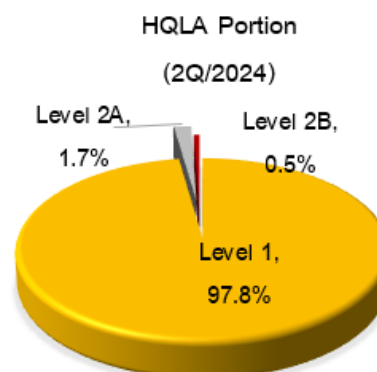
The Bank's average LCR is calculated based on the data at each month-end in the specified quarter and primarily comprised of two major factors as follows:

- 1) **HQLA is unencumbered high-quality liquid asset** that can be easily and immediately converted into cash at little or no loss of value even in times of stress. The value of HQLA is subject to a haircut based on quality of each asset level such as 0% haircut for Level 1 liquid asset.

The average HQLA after haircut was approximately THB 486,596 million as of 2Q/2024 which increased by THB 28,317 million or 6.2% compared to 2Q/2023, mainly due to an increase of reverse repo transactions.

The Bank places importance on managing liquidity appropriately to be well prepared for the volatility in the financial market and business expansion.

Additionally, the Bank had sufficient liquidity by maintaining 97.8% of total HQLA in Level 1 assets including government bonds, central bank bonds, public sector entity (PSE) bonds guaranteed by the Ministry of Finance, and cash.

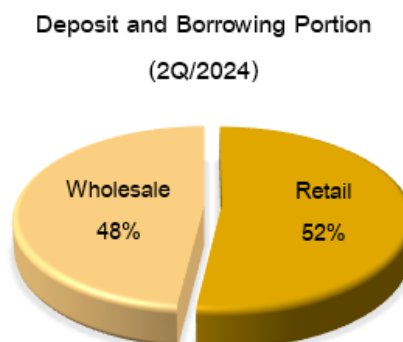


- 2) **Net Cash Outflows** are defined as the total expected cash outflows minus total expected cash inflows in the specified stress scenario for the subsequent 30 calendar days. However, total expected cash inflows are capped at 75% of total expected cash outflows.

As of 2Q/2024, the average net cash outflows after LCR factor were THB 312,971 million, which decreased by THB 21,452 million or 6.4% from 2Q/2023, mainly due to the increase of cash inflow

from 1) nostro account following the increase in deposit mainly from retail and corporate customers
2) the repayment of loans to corporate customers.

For main source of funds, the Bank's deposit and borrowings as of 2Q/2024 increased mainly from retail customers, which is about 52% of total deposits. We have stimulated various deposit campaigns and mobile banking services to support continuous expansion of the retail customer base. Meanwhile, 48% is from Wholesale customers. The Bank continuously encourages the corporate customers having deposits account to facilitate clearing, custody or cash management service in order to boost operational deposit.



3. Comparison of LCR by Quarter

Unit: THB million

	2Q/2024 (Monthly Average)	2Q/2023 (Monthly Average)
(1) Total HQLA	486,596	458,279
(2) Total net cash outflows in 30 days	312,971	334,423
(3) LCR ¹ (percentage)	155	137
LCR – BOT minimum requirement (percentage)	100	100

Remark: ¹ The LCR (3) is computed as an average ratio of month-end LCR in the quarter which may not be equal to LCR computed with the average values of HQLA (1) and Net COF (2).

Unit: Percentage

	2024 (Monthly Average)	2023 (Monthly Average)
Quarter 1	162	133
Quarter 2	155	137