



A member of  MUFG,
a global financial group

Liquidity Coverage Ratio (LCR)

Disclosures

For the half-year ended December 31, 2021

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

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Liquidity Coverage Ratio (LCR) Disclosures

1. Overview of Liquidity Risk Management Framework

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 continuous 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 Liquidity Gap under both normal and 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 that 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 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 the 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 are 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 Management under LCR**

Under the changing and highly volatile market, the situation for liquidity management of banks become more complex. Still, the Bank remains pro-active in understanding the dynamic factors by focusing on the cashflow projections with high accuracy for effectively managing the liquidity ratios. This ensures the compliance with the BOT regulation, Bank's own risk appetite, and also liquidity sufficiency for business operations. The Bank adopts various liquidity measurements to capture the risk as part of the liquidity risk management and controlling framework together with formulating proper liquidity management strategies to assess the need for exercising relevant actions promptly and well upon the time needed.

➤ **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 December 31,2021

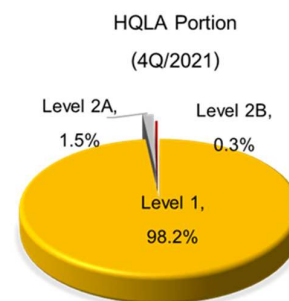
The Bank recognizes the economic uncertainty caused by the COVID-19 pandemic as well as changes in external factors in 2021. We therefore maintained daily liquidity positions for appropriate liquidity management both in terms of foreign currencies and the Thai Baht to guard against any potential liquidity shortage. Additionally, we have regularly conducted the LCR simulation and impact analysis 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 4Q/2021 was 139% which was still well above the Bank's internal trigger level and the BOT minimum requirement of 100%.

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.



The average weighted HQLA was approximately THB 408,644 million as of 4Q/2021 which decreased by THB 80,479 million or 16.5% compared to 4Q/2020, mainly due to a decrease of reverse repo transactions to support the loan growth and the repayment of interbank borrowing. However, the Bank still had sufficient liquidity by maintaining 98.2% of total HQLA in Level 1 assets including government bonds, BOT 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 4Q/2021, the average weighted net cash outflows were THB 293,700 million, which decreased by THB 36,612 million or 11.1% from 4Q/2020, mainly from the decrease of Interbank borrowing and deposits from wholesale customers.

Since the Bank's deposit comprises of 47% 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. Meanwhile, 53% is from Retail and SME's customers. We stimulate by various deposit campaigns and mobile banking services to support continuous expansion of the retail customer base.

Deposit and Borrowing Portion
(4Q/2021)



Most of expected cash inflows were from money market operations and the payment of performing loans.

3. Comparison of LCR by Quarter

Unit: THB million

	4Q/2021 (Monthly Average)	4Q/2020 (Monthly Average)
(1) Total HQLA	408,644	489,122
(2) Total net cash outflows in 30 days	293,700	330,313
(3) LCR ¹ (percentage)	139	148
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

	2021 (Monthly Average)	2020 (Monthly Average)
Quarter 3	140	143
Quarter 4	139	148