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# Liquidity Coverage Ratio (LCR)

## Disclosures

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For the half-year ended June 30, 2021

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

## Table of Contents

	Page
1. Overview of Liquidity Risk Management Framework	3
2. Maintenance of LCR for the half-year ended June 30, 2021	4
3. Comparison of LCR by Quarter	6

## 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**

The Bank had a pro-active liquidity ratio management by mainly focusing on assessing the projected liquidity ratios expected in the future based on the most likely business growth scenarios in order to view the liquidity position upon the survival period and ensure compliance with the Bank's risk appetite. The Bank has applied such liquidity measurement as part of the liquidity risk management and controlling framework.

➤ **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 30,2021**

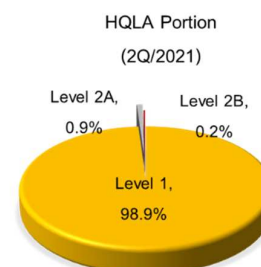
The Bank has continued to assess the impact of liquidity position arising from the new wave of COVID-19 and reduction of deposit protection to only THB 1 million, effective since 11 August 2021 onwards. We have regularly conducted the LCR simulation and impact analysis in order to be well prepared and 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 2Q/2021 was 151% 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:

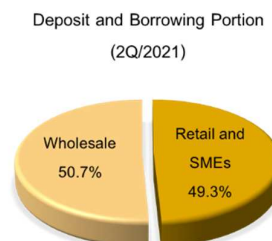
- 1) **HQLA is unencumbered high-quality liquid asset** that can be easily and immediately converted into cash at little or no loss of value even in times of stress. The value of HQLA is subject to a haircut based on quality of each asset level such as 0% haircut for Level 1.

The average weighted HQLA was approximately THB 594,421 million as of 2Q/2021. Most of HQLA is level 1 asset, 98.9% of total HQLA, including government bonds, central bank bonds, PSEs bonds guaranteed by Ministry of Finance, and cash, etc.



- 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/2021, the average weighted net cash outflows were THB 392,878 million. Since the Bank's deposit comprises of 50.7% from Wholesale customers and 49.3% from Retail 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, most of expected cash inflows were from money market operations and the payment of performing loans.



- 3) With the HQLA and net cash outflows, the Bank's average weighted HQLA increased by THB 210,374 million or 54.8% compared to Q2/2020 due mainly to an increase in level 1 asset. While the net cash outflows in 30 days increased by THB 95,577 million or 32.2% came mainly from the rising customer deposits. As a result, LCR increased from 129% in Q2/2020 to 151% in Q2/2021.

4) LCR for the half-year ended June 30, 2021

Unit: THB million

	2Q/2021 (Monthly Average)	2Q/2020 (Monthly Average)
(1) Total HQLA	594,421	384,048
(2) Total net cash outflows in 30 days	392,878	297,301
(3) LCR <sup>1</sup> (percentage)	151	129
LCR – BOT minimum requirement (percentage)	100	100

Remark: <sup>1</sup> 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).

3. Comparison of LCR by Quarter

Unit: Percentage

	2021 (Monthly Average)	2020 (Monthly Average)
Quarter 1	156	140
Quarter 2	151	129