



A member of  MUFG,
a global financial group

Liquidity Coverage Ratio (LCR)

Disclosures

For the half-year ended June 30, 2023

(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 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 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 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 Management under LCR**

Given the strategic direction to become a leading ASEAN bank, the bank achieved the completed acquisition of the new subsidiaries in the region – the Philippines and Vietnam. In 2H/2023, the global economy remained uncertain due to the volatility in financial markets. For Thai economy, there were the potential impacts of political uncertainty even though Thai economy expansion is expected to remain on track in 2H/2023.

The loan growth continued to expand, therefore it put high pressure on the cost of funds from higher market rates and more intense competition especially in the deposit market.

From the potential business expansion of the bank and group companies, liquidity management became more important to support business expansion, higher business volatility and to support funding to group companies to run their business. The key challenges are in terms of business projection accuracy and effective cost management that shall be well balanced.

As a D-SIB bank, the bank continued to maintain liquidity management in a cautious mode by conducting proactive business estimation so that the bank could forecast the liquidity position over the projected period in a timely manner. To strengthen liquidity risk management, the bank maintains an appropriate liquidity cushion to ensure liquidity sufficiency for business operations and unexpected cashflow volatility and to ensure compliance with regulatory requirements.

➤ **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, 2023

The Thai economy in 2023 has faced several factors which may affect the Bank's liquidity position including both internal and external factors such as the over-expected slowdown of global economic and the volatility of global financial market, diversification of the monetary policy of each major country (i.e., United States, China, etc.), the high level of household debt and business debt amid the increasing interest rates, Thai

political conditions which may affect the economic situation, and the Bank's business strategy to become ASEAN link, etc.

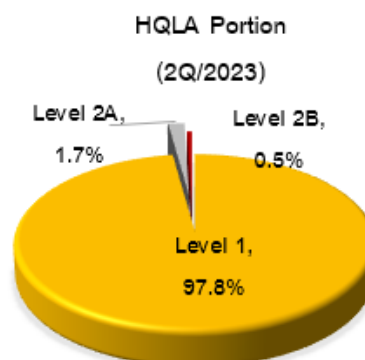
We therefore maintained daily liquidity positions for appropriate liquidity management both in terms of foreign currencies and Thai Baht to guard against any potential liquidity shortage. Additionally, we have regularly and proactively conducted the LCR simulation and impact analysis on any event that may have the impact on the funding liquidity risk 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/2023 increased to 137% 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 458,279 million as of 2Q/2023 which increased by THB 57,152 million or 14.2% compared to 2Q/2022, mainly due to an increase of reverse repo transactions, partly to support the acquisition of new oversea subsidiaries. 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.

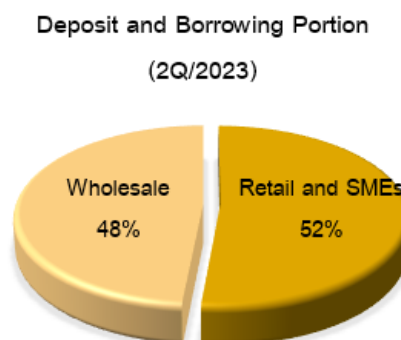


- 2) **Net Cash Outflows** are defined as the total expected cash outflows minus total expected cash inflows in the specified stress scenario for the subsequent 30 calendar days. However, total expected cash inflows are capped at 75% of total expected cash outflows.

As of 2Q/2023, the average weighted net cash outflows were THB 334,423 million, which increased by THB 25,011 million or 8.1% from 2Q/2022, mainly from the decrease of cash inflow from loans

to customers and Financial Institutions (FIs). Meanwhile, the cash outflow increased from the acquisition of new overseas subsidiaries and short-term Interbank borrowing.

Since the Bank's deposit comprises of 48% 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, 52% is from Retail and SME's customers. We have stimulated the various deposit campaigns and mobile banking services to support continuous expansion of the retail customer base.



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

3. Comparison of LCR by Quarter

Unit: THB million

	2Q/2023 (Monthly Average)	2Q/2022 (Monthly Average)
(1) Total HQLA	458,279	401,127
(2) Total net cash outflows in 30 days	334,423	309,412
(3) LCR ¹ (percentage)	137	130
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

	2023 (Monthly Average)	2022 (Monthly Average)
Quarter 1	133	136
Quarter 2	137	130