



A member of  MUFG,
a global financial group

Liquidity Coverage Ratio (LCR)

Disclosures

For the half-year ended December 31, 2019

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

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Liquidity Coverage Ratio (LCR) Disclosures

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Liquidity Coverage Ratio (LCR) Disclosures

1. 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 and strategy and maintain such risk within its liquidity risk tolerance approved by the Board of Directors. The liquidity risk management framework is established to ensure the efficiency of the liquidity risk management to generate sufficient liquidity for debt repayment and various obligations upon maturity or being called under normal and extreme circumstances.

For managing liquidity risk of the Bank, The Board of Directors delegates the authority to manage and control liquidity risk consistent with the Bank's policies to the relevant committees. The Bank also reviews risk policies and limits to ensure that they are commensurate with changing business and market conditions.

The Bank's organizational structure clearly segregates the responsibilities and duties of the units responsible for executing transactions and risk management to avoid conflicts of interest. Liquidity risk is overseen by the Risk Management Committee (RMC) and managed by Asset and Liability Management Committee (ALCO). The Market Risk Management Division provides strategic risk management options, while the Global Markets Group analyses the Bank's and competitors' balance sheet management, including our liquidity risk and funding strategic options, and manages intraday liquidity positions under risk limits approved by the Board.

The Bank regularly conducts and analyses Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR), the liquidity gap under normal and crisis scenario, funding concentration, early warning indicators, etc. In addition, the Bank has the liquidity contingency plan in case of the liquidity shortfall that outlines the roles and responsibilities of management and relevant departments, and has early-warning indicators together with an action plan that allows the Bank to promptly prepare and manage the crisis events and successfully survive under the crisis events.

2. Strategic Liquidity Management under LCR

The Bank has applied LCR as part of the liquidity risk management. The Bank conducts a proactive 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 ensure compliance with the Bank's risk appetite. This allows the Bank to have a broader view of the level of liquidity and to trigger any necessary strategies for managing liquidity to be sufficient not only at present, but for the upcoming period as well.

3. Currency Mismatch

The Bank with the assets and liabilities in foreign currencies, has established tools and considered the appropriate strategy to manage the liquidity in THB and material 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

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.

5. Liquidity Risk Management under LCR as of 4Q/19

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. LCR has been officially implemented in Thailand since 1 January 2016 at a minimum requirement of 60% and prepare for the incremental in regulatory limit from 90% to 100% on 1 January 2020.

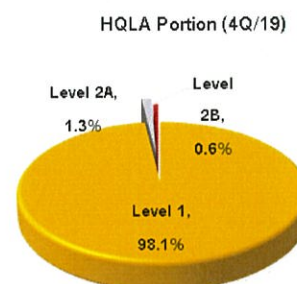
The Bank manages and closely monitors LCR on daily basis and frequently conducts the LCR simulation and pro-active monitoring with in depth analysis on the impact of cash outflow and the Bank's liquidity position to efficiently manage and promptly response to the liquidity risk.

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

The average LCR as of 4Q/19 was 138% which was still well above the 90% minimum requirement of BOT in 2019 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 Average LCR is calculated based on the data at each month-end in the specified quarter and primarily comprised of two drivers as follows:

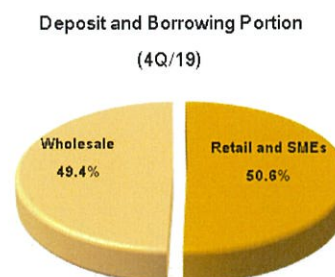
1. HQLA is unencumbered high-quality liquid asset that can be easily and immediately converted into cash at little or no loss of value even in times of stress. The value of HQLA is subject to a haircut based on quality of each asset level such as 0% haircut for Level 1.



The average weighted HQLA was approximately THB 299,369 million as of 4Q/19. Most of HQLA is level 1 asset, 98.1% of total HQLA, including government bonds, central bank bonds, PSEs bonds guaranteed by Ministry of Finance, and cash, etc. HQLA is maintained to facilitate the continuous growth of loan business.

The Bank's amount of HQLA in 4Q/19 increased by THB 52,513 million or 21% increase compared to Q4/18 due mainly to rising deposits balance and higher issuance of long-term debenture. HQLA held by the Bank continued to consist mostly of level 1 asset which has high liquidity. As a result, LCR also increased from 120% in 4Q/18 to 138% in 4Q/19.

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/19, the average weighted net cash outflows were THB 216,995 million. Since the Bank deposit are from Wholesale 49.4% and Retail and SMEs 50.6% of total deposit balance, the Bank continuously encourages the corporate customers having deposits account to facilitate clearing, custody or cash management service in order to boost operational deposit and ensure that the Bank's LCR is consistently above the BOT minimum requirement.

Other outflows include borrowing from MUFG considered as a funding source from our great partnership which is one of the world's largest banks. Meanwhile, most of expected cash inflows

were from money market operations and the payment of performing loans which continuously expand.

Liquidity Coverage Ratio: LCR

Unit: THB million

	4Q/19 (Monthly Average)	4Q/18 (Monthly Average)
(1) Total HQLA	299,369	246,857
(2) Total net cash outflows in 30 days	216,995	205,163
(3) LCR ¹ (percentage)	138	120
LCR – BOT minimum requirement (percentage)	90	80

Comparison of LCR

Unit: Percentage

	2019 (Monthly Average)	2018 (Monthly Average)
Quarter 3	129	118
Quarter 4	138	120

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).