



**Liquidity Coverage Ratio (LCR) DISCLOSURE**

**BNP PARIBAS BANGKOK BRANCH**

**For the quarterly period ended 30 June 2019**

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**REGULATOR : Bank of Thailand**

**VALIDATION DATE : 12 September 2019**



**BNP PARIBAS BANGKOK BRANCH** maintains its **Liquidity Coverage Ratio (LCR)** in accordance with the Group's liquidity management policy and the Notification of the Bank of Thailand No. SorNorSor. 9/2558 Re: Guidelines on Liquidity Coverage Ratio (LCR) dated 27 May 2015 and the Bank of Thailand's Policy Guidance Re: Policy Guidance on Liquidity Risk Management of Financial Institutions dated 28 January 2010.

LCR guidelines aim for commercial banks to have adequate liquidity to support short-term severe liquidity stress by requiring commercial banks to maintain high quality liquid assets that are unencumbered and can be converted into cash without significant change in value. Banks shall have enough liquid assets to support estimated cash outflows over 30 days under acute stressed scenarios in accordance with the guidelines by the Bank of Thailand. The minimum LCR requirement with phase-in period from 60% by 1 January 2016 and addition of 10% each year until reach 100% by 1 January 2020.

$$\text{LCR} = \frac{\text{High-quality liquid assets (HQLA)}}{\text{Estimated net cash outflows over a 30-day period under acute stressed scenario}}$$

There are 2 key components of LCR as followings.

**1. High-quality liquid assets (HQLA)** means unencumbered high quality liquid assets that can be converted to cash quickly without significant change of value even under acute stressed scenarios. In addition, the HQLA shall be applied the haircut to the value of eligible liquid assets and is capped following to the BOT's guideline.

**2. Estimated net Cash Outflows (Net COF)** commercial banks shall deduct the expected cash inflows over 30 days from the expected cash outflow over 30 days under acute stressed scenarios. Cash outflows and Cash inflows shall be applied the Bank of Thailand's run-off rate and inflow rate guideline. In addition, the expected cash inflows subject to 75% cap of the expected cash outflows.

**BNP PARIBAS BANGKOK BRANCH** has its average LCR for the 1<sup>st</sup> quarter period ended **31 March 2019** at 135% remained well above the BOT's minimum requirement of 90%. The ratio calculated from the average LCR at end of Jan (at 130%), Feb (at 133%) and Mar (at 143%). The LCR level in 2019 was higher than in 2018 at the same period (2018 : at 120%) because the increased average HQLA THB 7,743 million net by the increased average net cash outflow THB 4,795 million.

**The average HQLA** was THB 18,350 million, calculated from HQLA at the end of Jan, Feb and Mar. These HQLA mainly consisted of bond issued by Thailand Government and Bank of Thailand THB 13,043 million and committed facilities from BNPP Group THB 4,927 million.

**The average net COF** was THB 13,686 million, calculated from net cash outflows at end of Jan, Feb and Mar. The expected cash outflows mainly driven by 30-day deposits and borrowings outflow THB 12,904 million, intragroup net outflow transactions THB 2,881 million and unsettled trade bond payable THB 2,110 million, while the majority of the expected cash inflows under the 30-day liquidity regulatory stress scenario were from the repayment of loans THB 3,033 million and unsettled trade bond receivable THB 2,519 million, respectively.



The average LCR for the 2<sup>nd</sup> quarter period ended **30 June 2019** at 164% remained well above the BOT's minimum requirement of 90%. The ratio 164% calculated from the average LCR at end of April (at 149%), May (at 155%) and June (at 187%). The LCR level in 2019 was higher than in 2018 at the same period (2018 : at 99%) because the increased average HQLA THB 1,939 million and the decreased average net cash outflows THB 2,041 million.

**The average HQLA** was THB 9,971 million, calculated from HQLA at the end of April, May and June. These HQLA mainly consisted of Level 1 assets which were bond issued by Thailand Government and Bank of Thailand and central bank deposit THB 7,726 million.

**The average net COF** was THB 6,235 million, calculated from net cash outflows at end of April, May and June. The expected cash outflows mainly driven by 30-day deposits and borrowings outflow THB 8,450 million and unsettled trade bond payable THB 6,414 million, while the majority of the expected cash inflows under the 30-day liquidity regulatory stress scenario were from unsettled trade bond receivable THB 6,634 million and repayment of loans THB 3,703 million, respectively.

**BNP PARIBAS BANGKOK BRANCH** 's quarterly LCR which is an average of month-end value in each quarter is shown below.

#### LIQUIDITY COVERAGE RATIO (LCR)

In millions of THB	Simple Average <sup>(1)</sup>	
	3-mth ended 31 Mar 2019	3-mth ended 31 Mar 2018
Total High-quality liquid assets (HQLA)	18,350	10,607
Estimated total Net Cash Outflows over 30 days (Net COF)	13,686	8,892
Liquidity coverage ratio (%) <sup>(2)</sup>	135%	120%
Bank of Thailand minimum requirement LCR ratio (%)	90%	80%

<sup>(1)</sup> Value calculated by simple average of the ending balance of January, February and March

<sup>(2)</sup> The LCR is computed as an average of the observations of LCR during the quarter. This may not be equal to an LCR computed with the average values of HQLA and Net COF disclosed in the table.

#### LIQUIDITY COVERAGE RATIO (LCR)

In millions of THB	Simple Average <sup>(1)</sup>	
	3-mth ended 30 Jun 2019	3-mth ended 30 Jun 2018
Total High-quality liquid assets (HQLA)	9,971	8,031
Estimated total Net Cash Outflows over 30 days (Net COF)	6,235	8,276
Liquidity coverage ratio (%) <sup>(2)</sup>	164%	99%
Bank of Thailand minimum requirement LCR ratio (%)	90%	80%

<sup>(1)</sup> Value calculated by simple average of the ending balance of April, May and June

<sup>(2)</sup> The LCR is computed as an average of the observations of LCR during the quarter. This may not be equal to an LCR computed with the average values of HQLA and Net COF disclosed in the table.

#### COMPARISON OF LIQUIDITY COVERAGE RATIO

%	Simple Average <sup>(1)</sup>	
	2019	2018
1st Quarter period ended Mar	135%	120%
2nd Quarter period ended Jun	164%	99%

<sup>(1)</sup> Value calculated by simple average of the ending balance of Jan, Feb and Mar for the 1st Quarter and Apr, May and Jun for the 2nd Quarter



The **BNP PARIBAS Group's** liquidity management policies are to secure a balanced financing structure for the development of BNP Paribas business activities, and to ensure it is sufficiently robust to cope with crisis situations. The BNP Paribas Group's regulatory intelligence includes monitoring of all anticipated developments with respect to liquidity and long-term funding.

The liquidity risk management framework relies on:

- a) Management indicators:
  - (i) By volume, to ensure that business or activities comply with their liquidity targets set in line with the Group's funding capacity,
  - (ii) By price, via internal liquidity pricing;
- (b) The definition of monitoring indicators which enable assessment of the BNP PARIBAS Group's liquidity position under normal conditions and in crisis situations, the efficiency of actions undertaken and compliance with regulatory ratios:
- (c) The implementation of liquidity risk management strategies based on diversification of funding sources with maturities in line with needs, and the constitution of liquidity reserves.

The BNP Paribas Group LIQUIDTY COVERATE RATIO (LCR) information is disclosed under part 5 within the 2018 Registration Document [https://invest.bnpparibas.com/sites/default/files/documents/ddr2018-gb-bnp\\_paribas.pdf](https://invest.bnpparibas.com/sites/default/files/documents/ddr2018-gb-bnp_paribas.pdf) (see 5.8 Liquidity Risk, Table 90 : Short-term Liquidity Ratio (LCR) on page 420)