



**Liquidity Coverage Ratio (LCR) DISCLOSURE**

**BNP PARIBAS BANGKOK BRANCH**

**For the quarterly period ended 31 December 2018**

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**REGULATOR : Bank of Thailand**

**VALIDATION DATE : March 21, 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.

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

**BNP PARIBAS BANGKOK BRANCH** has its average LCR for the 4<sup>th</sup> quarter period ended **31 December 2018** at 132% which is higher than the BOT's minimum requirement at 80%. The ratio 132% is calculated from the average LCR as at month end date of October (at 114%), November (at 134%) and December (at 146%). The LCR level in 2018 is lower from the level at the same period (2017 : 224%) because of the increased in 30 days net cash outflows THB 4,578 million and increased in HQLA THB 1,610 million.

The average LCR for the 3<sup>rd</sup> quarter period ending **30 September 2018** at 129% is calculated from the average LCR as at month end date of July (at 144%), August (at 125%) and September (at 119%). The LCR level in 2018 is lower from the level at the same period (2017 : 218%) because of the increased in 30 days net cash outflows THB 4,872 million and increased in HQLA THB 3,065 million.

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.

The average HQLA for the 4<sup>th</sup> quarter period ended 31 December 2018 is at THB 11,718 million, and mainly consisted of Government and Bank of Thailand bond (73%), committed Facilities from BNPP Group (25%) and central bank deposits (2%). The HQLA is calculated from the ending balances of October, November and December.

The average HQLA for the 3<sup>rd</sup> quarter period ending 30 September 2018 is at THB 11,477 million, and mainly consisted of Government and Bank of Thailand bond (97%) and central bank deposits (3%). The HQLA is calculated from the ending balances of July, August and September.

**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.

The average net COF over 30 days for the 4<sup>th</sup> quarter period ended 31 December 2018 is at THB 9,187 million, calculated from the average ending balances of October, November and December, and mainly corresponds to 30-day deposits and borrowings outflow of THB 8,860 million and unsettled trade payable THB 9,428million. Reciprocally, cash inflows under the 30-day liquidity regulatory stress scenario from unsettled trade receivable THB 7,676 million and loans THB 3,461 million, respectively.

The average net COF over 30 days for the 3<sup>rd</sup> quarter period ending 30 September 2018 is at THB 8,823million, calculated from the average ending balances of July, August and September, and mainly corresponds to 30-day deposits and borrowings outflow of THB 8,598 million and unsettled trade payable THB 6,355 million. Reciprocally, cash inflows under the 30-day liquidity regulatory stress scenario from unsettled trade receivable THB 5,400 million and loans THB 3,106 million, respectively.

**LIQUIDITY COVERAGE RATIO (LCR)**

<i>In millions of THB</i>	Simple Average <sup>(1)</sup>	
	3-mth ended 31 Dec 2018	3-mth ended 31 Dec 2017
Total High-quality liquid assets (HQLA)	11,718	10,108
Estimated total Net Cash Outflows over 30 days (Net COF)	9,187	4,608
Liquidity coverage ratio (%) <sup>(2)</sup>	132%	224%
Bank of Thailand minimum requirement LCR ratio (%)	80%	70%

<sup>(1)</sup> Value calculated by simple average of the ending balance of Oct, Nov and Dec

<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.

<i>In millions of THB</i>	Simple Average <sup>(1)</sup>	
	3-mth ended 30 Sep 2018	3-mth ended 30 Sep 2017
Total High-quality liquid assets (HQLA)	11,477	8,411
Estimated total Net Cash Outflows over 30 days (Net COF)	8,823	3,951
Liquidity coverage ratio (%) <sup>(2)</sup>	129%	218%
Bank of Thailand minimum requirement LCR ratio (%)	80%	70%

<sup>(1)</sup> Value calculated by simple average of the ending balance of Jul, Aug, Sep

<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**

<i>(%)</i>	Simple Average <sup>(1)</sup>	
	2018	2017
4th Quarter period ended Dec	132%	224%
3rd Quarter period ended Sep	129%	218%

<sup>(1)</sup> Value calculated by simple average of the ending balance of Jul, Aug and Sep for the 3rd Quarter and Oct, Nov and Dec for the 4th 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)