



BNP Paribas USA, Inc. Liquidity Coverage Ratio Disclosure

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Introduction & IHC Overview

BNP Paribas USA, Inc. is a wholly-owned subsidiary of BNP Paribas, a French incorporated company. BNP Paribas is a European leading provider of banking and financial services. BNP Paribas has been present in the United States since the late 1800s and has over 13,500 employees in North America. BNP Paribas USA, Inc. offers its U.S. clients a full range of financial services through its two core businesses: Wholesale Banking and Retail Banking.

Following the adoption of Regulation YY of the Board of Governors of the Federal Reserve System, BNP Paribas organized its U.S. subsidiaries under a designated U.S. intermediate holding company, BNP Paribas USA, Inc. BNP Paribas USA, Inc. **and its subsidiaries (collectively, the "IHC")** engage in multiple businesses, including CIB, Asset Management and Retail Banking. The IHC is subject to risk-based and leverage capital requirements, liquidity requirements, capital planning requirements, as well as other prudential requirements.

The U.S. Liquidity Coverage Ratio rule (the "LCR Rule") requires the IHC to maintain an amount of unencumbered high **quality liquid assets ("HQLA") sufficient to** meet its total net cash outflow amount over a prospective 30-day period of significant stress. The ratio of eligible HQLA to total net cash outflow amount (the "Liquidity Coverage Ratio" or "LCR") is required to be a minimum of 100%. The IHC is subject to a modified form of the LCR Rule with IHC's **total net cash** outflow weighted by 70% of the otherwise applicable amount. Under the LCR Rule, the amount of HQLA held by a subsidiary that exceeds the amount of the **subsidiary's** net cash outflows, and that are not transferable to the IHC due to regulatory or other restrictions must be excluded from the IHC's **HQLA**.

The LCR Rule imposes quarterly public disclosure requirements on the IHC. This report represents the IHC's LCR disclosures for the quarter ended September 30, 2019.



Liquidity Coverage Ratio Overview

LCR Overview

The IHC's **average weighted** LCR for the quarter ended September 30, 2019 is summarized below:

(in millions USD)	Average <u>Weighted Amount</u>
HQLA ¹	\$22,004
Total Net Cash Outflow Amount ²	\$13,796
Liquid Coverage Ratio	160%
Excess HQLA ¹	\$8,208

¹ Excludes certain HQLA held at subsidiaries after accounting for the LCR Rule's restrictions related to the transferability of HQLA.

² The total net cash outflow amount is inclusive of the 70% factor applicable to the computation of the modified LCR.

The IHC maintained an average LCR of 160% for the quarter ended September 30, 2019. This ratio represents a decrease of 9% over the prior quarter's **average**. The evolution of the ratio can be understood through its two primary components:

- HQLA, which increased from USD 21.2 billion to USD 22 billion. This was primarily due to an increase in mortgage-backed securities issued by US Government Sponsored Entity (GSE).
- Net cash outflows, which increased from USD 12.6 billion to USD 13.8 billion, resulting from variations in forward purchase and sales of US Treasuries with affiliates.

The IHC's **average LCR** may experience fluctuations between reporting periods due to changes in HQLA and net cash outflows as a result of normal business activity. Through well-established liquidity risk management practices, including internal limits to avoid concentration risk, the IHC expects to maintain an adequate liquidity position on an ongoing basis.

LCR Quantitative Disclosure

The table on the following page presents quantitative disclosure of the IHC's **average LCR, and average unweighted and weighted amount of HQLA, cash inflows and outflows**, for the three months ended September 30, 2019.



LCR Entity: BNP Paribas USA, Inc - Consolidated (Modified LCR)

7/1/2019 to 9/30/2019 In millions of U.S. Dollars		Average Unweighted Amount	Average Weighted Amount
HIGH-QUALITY LIQUID ASSETS			
1	Total eligible high-quality liquid assets (HOLA), of which:	22,379.00	22,004.00
2	Eligible level 1 liquid assets	19,880.00	19,880.00
3	Eligible level 2A liquid assets	2,499.00	2,124.00
4	Eligible level 2B liquid assets	0.00	0.00
CASH OUTFLOW AMOUNTS			
5	Deposit outflow from retail customers and counterparties, of which:	40,018.00	3,236.00
6	Stable retail deposit outflow	18,012.00	540.00
7	Other retail funding	17,342.00	1,734.00
8	Brokered deposit outflow	4,664.00	962.00
9	Unsecured wholesale funding outflow, of which:	21,802.00	11,239.00
10	Operational deposit outflow	3,731.00	919.00
11	Non-operational funding outflow	17,954.00	10,203.00
12	Unsecured debt outflow	117.00	117.00
13	Secured wholesale funding and asset exchange outflow	46,288.00	10,554.00
14	Additional outflow requirements, of which:	20,269.00	6,269.00
15	Outflow related to derivative exposures and other collateral requirements	6,108.00	4,668.00
16	Outflow related to credit and liquidity facilities including unconsolidated structured transactions and mortgage commitments	14,161.00	1,601.00
17	Other contractual funding obligation outflow	86.00	86.00
18	Other contingent funding obligations outflow	0.00	0.00
19	TOTAL CASH OUTFLOW	128,463.00	31,384.00
CASH INFLOW AMOUNTS			
20	Secured lending and asset exchange cash inflow	44,581.00	7,726.00
21	Retail cash inflow	459.00	230.00
22	Unsecured wholesale cash inflow	2,141.00	1,514.00
23	Other cash inflows, of which:	2,207.00	2,207.00
24	Net derivative cash inflow	2,201.00	2,201.00
25	Securities cash inflow	6.00	6.00
26	Broker-dealer segregated account inflow	0.00	0.00
27	Other cash inflow	0.00	0.00
28	TOTAL CASH INFLOW	49,388.00	11,677.00
			Average Amount ¹
29	HOLA AMOUNT		22,004.00
30	TOTAL NET CASH OUTFLOW AMOUNT EXCLUDING THE MATURITY MISMATCH ADD-ON		13,796.00
31	MATURITY MISMATCH ADD-ON		0.00
32	TOTAL NET CASH OUTFLOW AMOUNT		13,796.00
33	LIQUIDITY COVERAGE RATIO (%)		159.71%
¹ The amounts reported in this column may not equal the calculation of those amounts using component amounts reported in rows 1-28 due to technical factors such as the application of the level 2 liquid asset caps, the total inflow cap, and for depository institution holding companies subject to subpart G, the application of the modification to total net cash outflows.			



High Quality Liquidity Assets

HQLA, as defined in the LCR Rule, includes certain unencumbered assets that can be promptly monetized. HQLA is categorized into three classifications. Level 1 is considered the most liquid and not subject to haircuts. Levels 2A and 2B are subject to defined haircuts. Levels 2A and 2B combined can represent no more than 40% of the total HQLA of the IHC.

The IHC's HQLA for the quarter ended September 30, 2019 are summarized below:

(in millions USD)	Average <u>Unweighted</u>	Average <u>Weighted</u>
Total High Quality Liquid Assets	\$22,379	\$22,004
Eligible High Quality Liquid Assets	\$22,379	\$22,004
Level 1	\$19,880	\$19,880
Level 2A	\$2,499	\$2,124
Level 2B	\$0	\$0

The IHC's **average weighted** eligible HQLA was USD 22 billion, as compared to USD 21.2 billion for the prior quarter. These amounts exclude the amount of HQLA held by each subsidiary of the IHC that exceeds **that subsidiary's net cash** outflows if not transferable to the IHC due to regulatory or other restrictions.

Level 1 assets represented USD 19.8 billion or 90.3% of the IHC's **total eligible HQLA in the quarter**. The majority of the Level 1 assets are unrestricted reserve balances with the Federal Reserve, U.S. Treasury securities and U.S. government agency-issued guaranteed mortgage-backed securities (e.g., Ginnie Mae). The remaining 9.7% of HQLA is classified as Level 2A assets, which mainly consists of U.S. agency mortgage-backed securities.

Net Cash Outflows

The IHC's **net cash outflows are determined through the application of standardized outflow and inflow rates** prescribed by the LCR Rule, to certain assets, liabilities and off-balance sheet items over a 30-day stress horizon.

For the quarter ended September 30, 2019, the average weighted cash inflow was USD 11.7 billion. Secured lending and asset exchanges, composed of reverse repos and customer margin loans, represented USD 7.7 billion or 66.2% of the total average weighted inflows. Net derivatives positions represented USD 2.2 billion or 18.8%. The remaining inflows were primarily composed of unsecured wholesale cash.



Over the same period, the average weighted cash outflow was USD 31.4 billion. Secured outflows, composed of securities lending, reverse repos, short positions, and clearing activities, represented USD 10.5 billion or 33.6% of total average weighted outflows. Unsecured outflows largely composed of wholesale deposits represented USD 11.2 billion or 35.8% of total average weighted outflows. The remaining USD 9.5 billion is predominantly composed of net derivatives positions and non-financial corporate credit facilities.

Refer to **the** “Sources of Funding” and “Off-Balance Sheet Commitments and Guarantees” sections below for further details.

Sources of Funding

Deposits

A key source of liquidity is the IHC’s depository business, which supports the financing of corporate and retail activities. The IHC’s deposit portfolio is well-diversified across retail and operational deposits, both of which are considered to be stable sources of liquidity within the context of the LCR calculation. This is due to the fact that these deposits are either **linked to the respective customer’s operational services and/or are fully insured, and therefore** may be retained during a stress scenario.

For the quarter ended September 30, 2019, the IHC had total average unweighted retail deposits of USD 40 billion and operational deposits of USD 3.7 billion. The average weighted retail deposit cash outflows were USD 3.2 billion and operational deposit outflows were USD 0.9 billion. The retail and operational deposits have an implied LCR average weighted cash outflow rate of 8% and 25%, resulting in a stable source of liquidity of 92% and 75%, respectively.

The IHC’s deposit and funding outflows for the quarter ended September 30, 2019 are summarized below:

(in millions USD)	Average Unweighted <u>Amount</u>	Average Weighted <u>Amount</u> ¹	Cash Outflow <u>Percentage</u>	Liquidity <u>Value</u>
Retail Deposit Outflow from retail				
Customers and counterparties:	\$40,018	\$3,236	8%	92%
Stable Retail Deposits Outflow	\$18,012	\$540	3%	97%
Other Retail Outflow	\$17,342	\$1,734	10%	90%
Brokered Deposit Outflow	\$4,664	\$962	21%	79%
Operational Deposit Outflow	\$3,731	\$919	25%	75%
Non-Operational Outflow	\$17,954	\$10,203	57%	43%
Total	\$61,703	\$14,358	23%	77%

1. The average weighted amount is exclusive of the 70% factor applicable to the computation of the modified LCR.



Short-term Funding

The IHC's short-term sources of funding mainly consist of repurchase and securities lending agreements, which are predominantly collateralized with HQLA, such as U.S.-government-issued debt (U.S. Treasuries) and guaranteed agency issued debt (MBS). Additionally, the IHC may obtain short-term funding through the issuance of time deposits, certificates of deposits, and commercial paper. Finally, a portion of the IHC's real estate lending is pledged to secure Federal Home Loan Bank advances.

Long-term Funding

The IHC further secures its liquidity position through the definition of a long-term funding plan, which aims to secure stable funding and liquidity for commercial needs, liquidity consumption under a normal business or stress scenario, and the overall management of liquidity reserves. Through diversification across markets, tenors, and currencies, the IHC's long-term funding plan provides support and funding for both the IHC and its subsidiaries.

Source of Funds (excluding deposits) reported in the consolidated BNP Paribas USA, Inc. quarter-end balance sheet, as of September 30, 2019

(in millions USD)	<u>Amount</u>
Repurchase Agreements - Securities Loaned or Sold	\$13,635
Short-term Borrowings	\$2,414
Long-term debt	\$11,332
o/w TLAC ¹	\$6,000
Total Shareholder's Equity	\$18,890

Off-balance Sheet Commitments and Guarantees

To meet the financing needs of customers, the IHC extends credit as loan commitments, financial guarantees, and credit and liquidity facilities. The facilities are used by customers for a variety of purposes, such as working capital, debt financing, and letters of credit. Unfunded or undrawn portions of such facilities linked to legally binding funding agreements represent potential future outflows, and are therefore included in the LCR calculation with the prescribed outflow rates.

Derivative Exposures

The IHC's exposure to derivatives instruments is predominantly derived from product offerings to assist clients in managing their credit and market risk exposure. In certain cases, derivative counterparties have contractual rights that require the IHC to post additional collateral as margin in the instance the IHC experiences a downgrade from a credit

¹ Total loss-absorbing capacity ("TLAC") standard requires global systemically important banks (G-SIBs) to have financial instruments available to absorb losses and enable them to be recapitalized to continue performing their critical functions while the resolution process is ongoing. The objective is to have an orderly resolution by making debt/equity holders absorb losses (enabling a "bail-in"), instead of using public funds (conducting a "bailout").



agency. The potential impact of such an event is reflected in the LCR through the net cash outflows related to derivatives; however, the IHC actively deploys risk-mitigating factors to ensure the ability to sustain any such event.

Liquidity & Liquidity Risk Management

The liquidity management practices of the IHC align with BNP Paribas' overall liquidity management policy to maintain a sound structural liquidity position and a balanced financing structure for the development of BNP Paribas business activities and ensure resilience to sustain its business during crisis situations. The IHC is committed to maintaining liquidity at an amount aligned with the internal risk profile and risk tolerance objectives through measures compliant with all regulatory requirements.

The **IHC's Board of Directors** provides oversight for the liquidity risk management of the IHC and it is responsible for establishing and periodically reviewing the acceptable level of liquidity risk that the IHC is willing to assume in connection with its **operating strategies**. **Thereafter, the IHC's Asset & Liability Management Committees (ALCOs) oversee** the implementation of an effective process for managing liquidity risks, including the adoption of new policies and risk limits. Operationally, the Asset & Liability Management Treasury department, overseen by the IHC Treasurer, is then responsible for working with the lines of business to manage liquidity within the established risk framework.

The IHC's liquidity management framework is founded upon on four key concepts:

- liquidity risk metrics
- **steering of businesses' funding needs and stressed funding needs**
- operational liquidity and funding management mitigation strategies
- contingency planning

This approach includes the management of liquidity through a wide range of metrics covering various instruments, **maturities, counterparties, businesses, and entities**. **These metrics provide quantitative evaluation of the IHC's liquidity** situation and the mitigation strategies. This includes both the active monitoring of the LCR and the estimation of liquidity risk associated with unanticipated funding requirements by employing various stress testing approaches.

Forward-Looking Statements

This report contains forward-looking statements. BNP Paribas and the IHC may also make forward-looking statements in their audited annual financial statements, in their interim financial statements, in press releases and in other written materials and in oral statements made by their officers, directors or employees to third parties. Statements that are **not historical facts, including statements about BNP Paribas' or the IHC's beliefs and expectations, are forward-looking** statements. These statements are based on current plans, estimates and projections, and therefore undue reliance should not be placed on them. Forward-looking statements speak only as of the date they are made, and BNP Paribas and the IHC undertake no obligation to update publicly any of them in light of new information or future events.