BANQUE BANORIENT FRANCE

PILLAR – 3 Disclosures

December 2022

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1. Overview, Risk Management, key prudential metrics and RWA (KM1)

a. Introduction

Banque Banorient France – UAE, is a branch of Banque Banorient France which is a French regulated company 99.99% owned by BLOM Bank S.A.L., the Parent Bank.

Banque Banorient France – UAE operates with two branches in the UAE, one in Dubai and the other in Sharjah. The Bank's business lines consist in offering corporate and commercial services, and it aims at creating a link between the Gulf and Europe since it is part of Banque Banorient France, headquartered in Paris. The Bank relies on its networks in Lebanon, Middle-East and Europe for cross-selling. The General Management at HO has a strong implication in the management of the UAE entity as the Deputy CEO has been nominated as Country Manager of the UAE operations in tandem with his existing responsibilities at the level of the Head Office. In addition, at least quarterly meetings are held in the UAE in the presence of the Chairman-General Manager to review the risks and Loans & advances portfolio of the UAE branches.

b. Risk Management Framework

Banque Banorient France Risk Management Framework is a composite of Risk policies, procedures, guidelines, risk limits and effective risk governance structure.

Banque Banorient France being under the regulatory supervision of the French Authority – ACPR – has to apply the domestic and European directives and to ensure their proper implementation within its branches and subsidiaries. The risk management framework is amended, if necessary, taking into consideration the regulatory requirements.

Banque Banorient France has formulized its main Risk Management Policy that governs other risk policies i.e. Credit Risk and Operational Risk Policies and Procedures. These Policies and Procedures were formulated to assist the Bank's Senior Management in the overall monitoring and control of the major risks arising from the Bank's business activities. Banque Banorient France risk management framework is based upon the premise that business managers understand the risks inherent in their activities, each department implements its own risk management controls and that the Group Risk Management Division has developed controls to monitor those risks and to satisfy the Bank's Senior Management that existing controls over risk are effective. These policies and procedures have provided the basis for the creation of a risk management infrastructure, thus facilitating the optimization of stakeholder value, as well as meeting the emerging regulatory compliance and industry best practice standards.

BLOM Bank Group manages its business activities within risk management guidelines as set by the Group's "Risk Management Policy" approved by the Board of Directors. The Group recognizes the role of the Board of Directors and executive management in the risk management process. In particular, it is recognized that ultimate responsibility for establishment of effective risk management practices and culture lies with the Board of Directors as does the establishing of the Group's risk appetite and tolerance levels.

BLOM Bank SAL has maintained the following minimum risk management standards in its risk management policies and procedures:

- Risks are well defined;

- Adequate and appropriate assessment of risks is done where relevant and feasible;

- Controls are effective and active throughout the relevant business periods;

- Measures are accurate; and

- Management of risks is proactive and integrated.

The Board of Directors delegates through its Risk Management Committee the day–to day responsibility for establishment and monitoring of risk management process across the Group to the Chief Risk Officer, who is directly appointed by the Board of Directors, in coordination with executive management at BLOM Bank S.A.L.

The Group Chief Risk Officer undertakes his responsibilities through the "Risk Management Division" in Beirut which also acts as Group Risk Management, overseeing and monitoring risk management activities throughout the Group. The Chief Risk Officer is responsible for establishing the function of Risk Management and its employees across the Group.

BLOM Bank's Group Risk Management aids executive management in monitoring, controlling and actively managing and mitigating the Group's overall risk. The division mainly ensures that:

- Risk policies and methodologies are consistent with the Group's risk appetite.

- Limits and risk across banking activities are monitored throughout the Group.

Through a comprehensive risk management framework, transactions and outstanding risk exposures are quantified and compared against authorized limits, whereas non quantifiable risks are monitored against policy guidelines as set by the Group's "Risk Management Policy". Any discrepancies, breaches or deviations are escalated to executive senior management in a timely manner for appropriate action.

In addition to the Group's Risk Management in Lebanon, risk managers and / or risk officers are assigned within the Group's foreign subsidiaries or branches to report to the Group Risk Management and executive senior management in a manner that ensures:

- Standardization of risk management functions and systems developed across the Group.

- Regional consistency of conducted business in line with the Board's approved risk appetite.

The major objective of risk management is the implementation of sound risk management practices and the Basel II framework as well as all related regulatory requirements within the Group.

Verification:

The Pillar 3 disclosures for the year 2022 have been reviewed by the management and external auditors.

KM1- Key metrics (at consolidated group level)

		a	b	c	d	e
		31/12/22	**30/09/22**	**30/06/22**	**31/03/22**	**31/12/21**
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	570,017	578,311	578,311	578,311	561,723
1a	Fully loaded ECL accounting model	570,017	578,311	578,311	578,311	561,723
2	Tier 1	570,017	578,311	578,311	578,311	561,723
2a	Fully loaded ECL accounting model Tier 1	570,017	578,311	578,311	578,311	561,723
3	Total capital	585,819	594,520	595,012	593,779	576,851
3a	Fully loaded ECL accounting model total capital	585,819	594,520	595,012	593,779	576,851
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	1,421,457	1,465,525	1,500,780	1,395,720	1,395,064
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	40.10%	39.46%	38.53%	41.43%	40.27%
5a	Fully loaded ECL accounting model CET1 (%)	40.10%	39.46%	38.53%	41.43%	40.27%
6	Tier 1 ratio (%)	40.10%	39.46%	38.53%	41.43%	40.27%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	40.10%	39.46%	38.53%	41.43%	40.27%
7	Total capital ratio (%)	41.21%	40.57%	39.65%	42.54%	41.35%
7a	Fully loaded ECL accounting model total capital ratio (%)	41.21%	40.57%	39.65%	42.54%	41.35%
	Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%	2.50%	2.50%	2.50%	2.50%
9	Countercyclical buffer requirement (%)	0%	0%	0%	0%	0%
10	Bank D-SIB additional requirements (%)	0%	0%	0%	0%	0%
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	2.50%	2.50%	2.50%	2.50%	2.50%
12	CET1 available after meeting the bank's minimum capital requirements (%)	30.71%	30.07%	29.15%	32.04%	30.85
	Leverage Ratio					
13	Total leverage ratio measure	4,322,000	4,159,714	4,093,509	4,109,721	4,298,756
14	Leverage ratio (%) (row 2/row 13)	13.19%	13.90%	14.13%	14.07%	13.07%
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	0	0	0	0	0
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	0	0	0	0	0
	Liquidity Coverage Ratio					
15	Total HQLA	N/A				
16	Total net cash outflow					
17	LCR ratio (%)					
	Net Stable Funding Ratio					
18	Total available stable funding	N/A				
19	Total required stable funding					
20	NSFR ratio (%)					
	ELAR					
21	Total HQLA	1,214,562	1,159,141	1,068,377	1,213,422	1,424,087
22	Total liabilities	3,534,853	3,379,327	3,314,726	3,339,249	3,482,886
23	Eligible Liquid Assets Ratio (ELAR) (%)	34.36%	34.30%	32.23%	36.34%	40.89%
	ASRR					
24	Total available stable funding	3,517,955	3,390,032	3,308,186	3,306,624	3,429,540
25	Total Advances	1,486,273	1,590,127	1,840,297	1,402,747	1,293,673
26	Advances to Stable Resources Ratio (%)	42.25%	46.91%	55.63%	42.42%	37.72%

2. Overview of Risk Management (OVA)

(a) How the business model determines and interacts with the overall risk profile (eg the key risks related to the business model and how each of these risks is reflected and described in the risk disclosures) and how the risk profile of the bank interacts with the risk tolerance approved by the board.

The risk profile of the bank is derived from the target risk appetite across the various risk categories such as market risk, credit risk and operational risk. The amount of risk the Bank is prepared to accept is linked to its business objectives taking into account its earnings potential, risk limits and capital.

For each material risk, the maximum level of risk acceptable by the Bank is expressed as a limit in terms of:

- Quantitative measures expressed relative to earnings, capital, liquidity or other relevant ratios as appropriate;
- Qualitative statements as appropriate.

Every year, the Board of Directors reviews the different limits which are the representation of the Bank's appetite for each risk category and decides on the level of risk tolerance while Senior Management determines policies after having defined its tolerance level and ensures that the means implemented are in place for a proper monitoring of the risks.

Accordingly, the Risk Management reports to the Senior Management identified risk tolerances, current performance versus established risk standards and limits, identified emerging risks, and any feedback on recent internal independent reviews to assess the level of risks.

Bank identifies meaningful and significant key risk indicators in different business units and monitors the movement in those indicators. Risk Management department analyzes the trend and highlights the emerging risks with respect to tolerance levels as defined by the Risk Management Policy. The early warning signals derived from these indicators assist Board and Senior Management in taking proactive approach towards emerging risks.

The performance of risk indicators is reflected in disclosures such as annual ICAAP report, credit, liquidity and operational risk reports to Senior Management and presented quarterly to the Audit & Risks Committee. The Board of Directors is kept informed quarterly of any key change in the risk profile of the bank, review the minutes of all Committees being at its agenda.

(b) The risk governance structure: responsibilities attributed throughout the bank (eg oversight and delegation of authority; breakdown of responsibilities by type of risk, business unit etc); relationships between the structures involved in risk management processes (eg board of directors, executive management, separate risk committee, risk management structure, compliance function, internal audit function).

Risk Governance

The Bank has established an independent Risk Management Department responsible for the assessment, monitoring, reporting and control of material risks. The bank manages its business activities within risk management guidelines as set by the “Risk Management Policy” approved by the Board of Directors. The bank recognizes the role of the Board of Directors and executive management in the risk management process. In particular, it is recognized that ultimate responsibility for establishment of effective risk management practices and culture lies with the Board of Directors as does the establishing of the Group’s risk appetite and tolerance levels.

The Risk Governance Structure of the bank relies on three levels of controls with first level as operational departments, the second level as Risk and Compliance and third as Independent Internal Audit.

Organization of the Risk Department:
Banque Banorient France in UAE is the branch of a foreign Bank Banque Banorient France, headquartered in Paris, France. In Banque Banorient UAE, the Risk Management Department consists of three units namely, credit risk, operational risk and credit control reporting to the Risk Manager. The Risk Manager reports to the Country Manager of UAE and is also supervised by the Risk Manager at Head Office.

The structure of the Risk Department at Head Office level is the following. The Department headed by the Risk Manager is subdivided into three sections:

- A section in charge of Credit Risk Management;
- A second section handling risks relating to Compliance and the fight against money laundering and the financing of terrorism (AML-CFT);
- The third section deals with permanent control and operational risk.
- Monitoring of other types of Risks (liquidity, interest rate, exchange) is coordinated by the Risk Manager.

Each section falls under the responsibility of an experienced executive at Head Office and has corresponding staff in each branch reporting to them.
The role of the Head office risk managers is:

- to co-ordinate global action at Group level,
- to monitor and manage the bank's overall risk in close partnership with the local teams
- to identify material individual, aggregate and emerging risks
- to assess the risks and propose eventually mitigating action

- to gather proper information in order to establish an accurate reporting to Senior Management and the Risk Committees on exposures and limit's utilization
- to propose/implement any necessary development/change of policy in this respect
- to maintain a close communication with the different operational teams
- to provide a technical support and advice to local teams.

The role of the Risk Managers in branches is to be a pillar on which the risk organization is based and to be the local relay for all risk matters:

- to ensure that controls, policies and procedures are duly in place and respected
- to ensure a timely and accurate reporting
- to implement and apply the Group's policies / local regulation if different
- to maintain a close communication with the different operational teams.

Board of Directors - Roles and Responsibilities

The Board of Directors - Supervisory body of the Bank – is in charge to:

- direct and set the institution's risk policies;
- determine the nature, volume, form and frequency of the information transmitted to the Board concerning the evolution of the risks;
- review on a regular basis the policies put in place for monitoring and controlling risks, to evaluate their effectiveness as well as the measures and procedures implemented for the same purposes as well as the corrective measures taken in case of failures;
- decide at least once a year on the level of tolerance and appetite for significant risks;
- set criteria and thresholds of significance to identify incidents to be brought to its attention. In accordance with Articles 98 and 241 of the Decree of 3 November 2014, the Board of Directors approved the alert threshold for losses above 50,000 Euros, this level being very much lower than what is required by regulation;
- review the results of permanent and periodic controls;
- approve, at least once a year, the limits proposed by the Senior Management.
- set the remuneration of the Chairman and Deputy Chief Executive.

The Board of Directors is assisted by the Audit & Risk Committee in carrying out its duties.

Senior Management

The Senior Management – Executive body of the Bank – is notably in charge to:

- Design systems for monitoring and controlling risks;
- periodically assess and monitor the effectiveness of the devices and procedures put in place and take appropriate measures to remedy any deficiencies;
- validate the permanent and periodic control plans;
- pilot the analysis and monitoring of the risks associated with the activity and the results;
- regularly inform the Board of Directors and the Audit & Risk Committee of the measures taken to ensure the continuity of the activity and the control of outsourced activities;

- determine the liquidity management policy after having defined its tolerance level and ensure that the means implemented are in place by monitoring changes in the liquidity situation;
- set and review, at least once a year, the overall risk limits;
- be informed, at least once a quarter, about the respect of the risk limits, especially when they are likely to be reached;
- inform the ACPR without delay of significant incidents with regard to the criteria and thresholds set and decided by the Supervisory body.

Senior Management is strongly involved in verifying the effectiveness of internal policies and procedures. Thus, the supervision of the branches abroad is ensured by periodic visits by the Chairman and the Deputy Chief Executive Officer. During these visits, all issues related to strategy, risk, administration and clientele are discussed and resolved.
A local Risk Committee chaired by the Senior Management is held. They are also vigilant on issues relating to the implementation of audit recommendations and supervisory authorities.

Risk Committees at Head Office:

➢ Audit and Risks Committee

The Audit & Risk Committee is the only committee being under the supervision of the Bank's Board of Directors. The Committee is composed of at least three members designed by the Board of Directors, the Chairman of the Committee being named amongst the independent Directors.

Audit & Risks Committee: Roles and responsibilities

Amongst the different roles and responsibilities assigned to the Committee which includes financial reporting, internal and external audit, the main objectives of the Committee concerning the risk areas are the following:

➢ Concerning the risk management and internal control:

- Assess the effectiveness of the systems implemented by the Management for the identification, evaluation, management and control of financial and non-financial risks;
- Watch the well-functioning of the internal control relative to the working-out and dealing with the accounting and financial information;
- Examine the Bank's procedures relative to the detection of fraud;
- Examine the quarterly risk reports and the internal auditors' reports on the efficiency of the financial control systems, the financial reporting and the risk management;
- Check the statements relative to the Bank's internal control and risk management system appearing in the annual report.

➢ Concerning Compliance:

- Examine the effectiveness of the compliance with the laws and regulations in force control system (including the internal procedures),
- Control the actions taken by the management further to possible incidents of non-compliance,

- Examine the quarterly risk reports and the internal auditors' reports on the efficiency of the AML/CFT systems and procedures.

Risk Management participation

The quarterly report on Permanent Control and Risks prepared by the Group's Risk Management Department is presented to the Committee. It constitutes a summary of the reports prepared by each branch that identify and analyze all events, anomalies and significant incidents which occurs during the quarter. The report covers at Group level all significant risk areas, namely Compliance and Anti-Money Laundering, Operational and Credit risks. In addition to the reports produced to the attention of the bank's specific risk Committees, this report is the main source of risk management information for the bank's management and supervisory bodies.

Management Risks Committees

The following Risk Committees chaired by the Chairman and seconded by the Deputy CEO are setup with other permanent members being designated by the Management according to the Committee's purpose:

- Credit Committee: Recommend / approve all credit requests under its specific delegation;
- Asset-Liability Committee (ALCO): Responsible for monitoring investment portfolio, ensuring adequate solvency, managing liquidity and interest rate exposures, and achieving profitability consistent with risk limits and controls, through managing the balance sheet of the Bank in terms of mix, level, yield and maturity of its assets and liabilities.
- Watch-list Committee: Monitoring and review the evolution of the credit portfolio with a particular attention on debtors, customers under watch and doubtful clients; deciding on provisions to be taken on non-performing exposures.

These Committees are reviewing the risks from a consolidated view as well as individually (per branch) and have the authority to take any decision to monitor the risks.

Risk Committee at Branch level:

The following Risk Committee chaired by the Country Manager is setup in each branch with other permanent members being designated by the Deputy CEO according to the Committee's purpose:

- Credit Committee: review all local credit requests and approve those within its delegation of authority; otherwise, Committee provides a recommendation on the file to be forwarded to the Head Office's Credit Committee;
- Local Risk Committee: Monitoring and review the evolution of the credit portfolio with a particular attention on debtors, customers under watch and doubtful clients.

Internal Audit:

The internal audit provides this 3rd level control, makes recommendations to improve the consistency and effectiveness of the permanent control system and regularly informs the Audit & Risk Committee on the results of the periodic review.

In each branch, a Risk Manager and an Auditor are the local correspondents of respectively the Head of Risks and the Head of Audit with a direct reporting line. They are responsible for the proper application of the policies and procedures.

Compliance:

The Compliance function handles regulatory monitoring and notification of regulatory changes to the bank's various departments and persons responsible for implementing the changes. In particular, it must ensure that the procedures are in accordance with the law and regulations, and with General Management directives.

(c) Channels to communicate, decline and enforce the risk culture with the bank (e.g. code of conduct; manuals containing operating limits or procedures to treat violations or breaches of risk thresholds; procedures to raise and share risk issues between business lines and risk functions).

The establishment of effective risk management practices and culture in the bank is the ultimate responsibility of the Board of Directors. One of the essential principles of strong and effective internal control system of the bank is strong involvement of the Board of Directors and Senior Management in the promotion of a control and risk culture.

The Risk Culture in the bank is promoted through risk awareness messages from the top i.e. through Risk Management policies and procedures approved by the Board and communicated down the line to all staff of the bank. The Risk Management policies clearly defines responsibilities and accountabilities related to Risk Management for all the levels of staff.

Representatives of the commercial departments, Country Manager, branch manager and corporate manager, are members of the relevant Risk Committee which provides an opportunity to share any risk issues occurring in their respective areas.

The channels selected by the bank for risk awareness are Staff Training and Development program such as mandatory annual trainings on Anti Money Laundering, Information Security Trainings, Risk and Control Self-Assessment exercises, acknowledgment of staff on employee code of conduct, placement of new staff as part of staff induction program etc.

(d) The scope and main features of risk measurement systems.

The risk management information system is based on the bank’s core banking system which records all bank's transactions, is used by all departments and implemented in each branch. The available information is the accounting data enriched with the characteristics specific to each transaction entered into the system by the operational departments, ensuring the integrity and exhaustiveness of the exposures and the related risk figures.

Given the bank's strategy of not having recourse to complex products, not being active on the financial markets and not using derivatives, the risk management measurement system is based on data available in the core banking system to which specific developments and extractions are carried out in order to meet the specific needs of the Risk Department, the use of satellite and dedicated risk software being not necessary.

This IT architecture appears adequate and satisfactory given the bank's prudent risk profile and its type of products/services offered to its customers.

(e) Description of the process of risk information reporting provided to the board and senior management, in particular the scope and main content of reporting on risk exposure.

Risk information reporting provided to the Board of Directors:

During its quarterly meeting, the Board takes notice of the different reports required by the Regulation and imposed by the internal procedures.
It reviews and validates the minutes of the Audit and Risks Committee, the ALCO Committee (Asset Liability Management) and the Watch-list Committee as well as the annual report on Internal Control. The Board is informed of the main Credit facilities granted during the period.
The Board is also responsible for reviewing and validating annually during its March meeting all the risk limits and ceilings proposed by the Executive Management.

In case of incident or event that could have significant repercussions on risk management of the bank or which financial impact is above the alert threshold defined by the Board, the Board of Directors is immediately informed by the Senior Management.

The objective of the Audit and Risks Committee, implemented as a delegated Committee of the Board, is to give an assessment of the quality of internal control, the consistency of the risk monitoring systems and to propose, if necessary, additional actions and areas for improvement.
The Committee takes especially notice of the quarterly report on Internal Control and Risks prepared by the Head of Risk and which constitutes a summary of the reports drawn up by the branches. The report records and analyses any event, any anomaly, any significant incident that occurred during the quarter. It covers the internal control organisation and cover other areas of risk, namely Compliance and the fight against money laundering, operational and credit Risks. In addition to the reports of the specific Committees of the bank, this report constitutes the main information tool in terms of risk management for the executive management and supervisory bodies of the bank.

Risk information reporting provided to the Senior Management:

Regular reporting is prepared by the Risk department in order to provide an accurate information to the Senior Management on a consolidated and individual basis through the following channels:

- Specific Risk reports prepared for the Risk Committees: Credit portfolio and risk analysis for the Watch-list Committee; liquidity and interest rate risk analysis for ALCO Committee;
- Reports on Permanent Control prepared by each branch and summarizes by the Head of Risk.

All these reports allow the Management to have a regular, broad and complete view of all the bank’s risks.

In case of specific event or significative excess on risk limits, the Risk department will immediately inform the Senior management about the issue.

(f) Qualitative information on stress testing (e.g. portfolios subject to stress testing, scenarios adopted and methodologies used, and use of stress testing in risk management).

Stress testing is an integral part of the risk management framework put in place by the bank. It consists of simulating severe but plausible forward-looking scenarios (economic, financial, political, regulatory) in order to measure the bank's ability to face and overpass such hypothetical situations.

Both within the framework of the economic approaches (such as ICAAP exercise) and that of the preventive recovery plan (prepared at Head Office level for the French authority ACPR), the bank has developed a comprehensive stress testing program carried out regularly. Given the bank's risk profile, the focus is on:

- credit stress tests used to determine changes in capital requirements and cost of risk based on sensitivity scenarios to identified economic position;
- liquidity stress tests aimed at ensuring the bank's ability to withstand a rapid outflow of customer deposits;
- interest rate stress tests to measure the sensitivity of indicators such as NBI to various scenarios of yield curve shifts.

(g) The strategies and processes to manage, hedge, and mitigate risks that arise from the bank's business model and the processes for monitoring the continuing effectiveness of hedges and mitigants.

The bank’s strategy is to follow a prudent and cautious approach in the development of its business model which is focussing on providing valuable banking services to its traditional and historical customer base.

This principle is derived in all policies of the bank, being applied in the risk culture as well as in the innovation field or in the development of new products.

Given the reduced size of its balance sheet and the comfortable level of its ratios, the bank does not use market tools for hedging its exposures. The bank has no recourse to derivatives instruments in that respect.

However, the bank takes care of the concentration and diversification of its risks. As mitigants, the bank uses “classic” techniques for reducing risks, such as:

- Avoiding mismatches on the liquidity and interest rate positions;
- Monitoring securities in the credit portfolio such as:
    - The taking, almost systematically, of personal guarantees and, after collecting information, on the assets of the guarantors,
    - The very frequent taking of real guarantees (pledges of cash, material goods and securities, mortgages),
    - Sharing the risk with other group entities (and more rarely with other financial institutions) as well as by obtaining bank guarantees.

3. Overview of Risk management, key prudential metrics and RWA (OV1)

		a	b	c
		RWA		Minimum capital requirements
		30/12/22	30/09/22	30/12/22
1	Credit risk (excluding counterparty credit risk)	1,264,128	1,296,748	132,733
2	Of which: standardised approach (SA)	1,264,128	1,296,748	132,733
3	[redacted]			
4				
5				
6	Counterparty credit risk (CCR)	-	-	-
7	Of which: standardised approach for counterparty credit risk	-	-	-
8	[redacted]			
9				
10				
11				
12	Equity investments in funds - look-through approach	-	-	-
13	Equity investments in funds - mandate-based approach	-	-	-
14	Equity investments in funds - fall-back approach	-	-	-
15	Settlement risk	-	-	-
16	Securitisation exposures in the banking book	-	-	-
17	[redacted]			
18	Of which: securitisation external ratings-based approach (SEC-ERBA)	-	-	-
19	Of which: securitisation standardised approach (SEC-SA)	-	-	-
20	Market risk	1,689	13,137	177
21	Of which: standardised approach (SA)	1,689	13,137	177
22	[redacted]			
23	Operational risk	155,640	155,640	16,342
24	[redacted]			
25				
26	**Total (1+6+10+11+12+13+14+15+16+20+23)**	1,421,457	1,465,525	149,253

4. Linkages between financial statements and regulatory exposures (LI 2)

		a	b	c	d	e
			Items subject to:			
		Total	Credit risk framework	Securitisation framework	Counterparty credit risk framework	Market risk framework
1	**Asset carrying value amount under scope of regulatory consolidation (as per template LI1)**	4,225,129	4,225,129	0	0	0
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	(768,772)	(768,772)	0	0	0
3	Total net amount under regulatory scope of consolidation	3,456,357	3,456,357	0	0	0
4	Off-balance sheet amounts	218,559	159,890	0	0	0
5	*Differences in valuations*	0	0	0	0	0
6	*Differences due to different netting rules, other than those already included in row 2*	0	0	0	0	0
7	*Differences due to consideration of provisions*	0	0	0	0	0
8	*Differences due to prudential filters*	0	0	0	0	0
9	**Exposure amounts considered for regulatory purposes**	3,674,916	3,616,247	0	0	0

5. Composition of Capital (CC1)

		a	b
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	300,000	Same as (h) from CC2 template
2	Retained earnings	-	
3	Accumulated other comprehensive income (and other reserves)	270,017	
4	*Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies)*	-	
5	Common share capital issued by third parties (amount allowed in group CET1)	-	
6	**Common Equity Tier 1 capital before regulatory deductions**	**570,017**	
	Common Equity Tier 1 capital regulatory adjustments		
7	Prudent valuation adjustments	-	
8	Goodwill (net of related tax liability)	-	CC2 (a) minus (d)
9	Other intangibles including mortgage servicing rights (net of related tax liability)	-	CC2 (b) minus (e)
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)	-	
11	Cash flow hedge reserve	-	
12	Securitisation gain on sale	-	
13	Gains and losses due to changes in own credit risk on fair valued liabilities	-	
14	Defined benefit pension fund net assets	-	

15	Investments in own shares (if not already subtracted from paid-in capital on reported balance sheet)	-	
16	Reciprocal cross-holdings in CET1, AT1, Tier 2	-	
17	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
18	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
19	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
20	Amount exceeding 15% threshold	-	
21	Of which: significant investments in the common stock of financials	-	
22	Of which: deferred tax assets arising from temporary differences	-	
23	CBUAE specific regulatory adjustments	-	
24	**Total regulatory adjustments to Common Equity Tier 1**	-	
25	**Common Equity Tier 1 capital (CET1)**	570,017	
	Additional Tier 1 capital: instruments		
26	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	-	CC2 (i)
27	OF which: classified as equity under applicable accounting standards	-	
28	Of which: classified as liabilities under applicable accounting standards	-	
29	*Directly issued capital instruments subject to phase-out from additional Tier 1*	-	
30	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in AT1)	-	
31	*Of which: instruments issued by subsidiaries subject to phase-out*	-	

32	Additional Tier 1 capital before regulatory adjustments	-	
	Additional Tier 1 capital: regulatory adjustments		
33	Investments in own additional Tier 1 instruments	-	
34	Investments in capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	
35	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	
36	CBUAE specific regulatory adjustments	-	
37	Total regulatory adjustments to additional Tier 1 capital	-	
38	**Additional Tier 1 capital (AT1)**	-	
39	**Tier 1 capital (T1= CET1 + AT1)**	**570,017**	
	Tier 2 capital: instruments and provisions		
40	Directly issued qualifying Tier 2 instruments plus related stock surplus	-	
41	*Directly issued capital instruments subject to phase-out from Tier 2*	-	
42	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 30) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-	
43	*Of which: instruments issued by subsidiaries subject to phase-out*	-	
44	Provisions	15,802	
45	**Tier 2 capital before regulatory adjustments**	15,802	
	Tier 2 capital: regulatory adjustments		
46	Investments in own Tier 2 instruments	-	
47	Investments in capital, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	

48	Significant investments in the capital, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
49	CBUAE specific regulatory adjustments	-	
50	**Total regulatory adjustments to Tier 2 capital**	-	
51	**Tier 2 capital (T2)**	15,802	
52	**Total regulatory capital (TC = T1 + T2)**	585,819	
53	**Total risk-weighted assets**	1,421,457	
	Capital ratios and buffers		
54	**Common Equity Tier 1 (as a percentage of risk-weighted assets)**	40.10%	
55	**Tier 1 (as a percentage of risk-weighted assets)**	40.10%	
56	**Total capital (as a percentage of risk-weighted assets)**	41.21%	
57	**Institution specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets)**	2.50%	
58	**Of which: capital conservation buffer requirement**	2.50%	
59	**Of which: bank-specific countercyclical buffer requirement**	0.00%	
60	**Of which: higher loss absorbency requirement (e.g. DSIB)**	0.00%	
61	**Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement.**	30.71%	
	The CBUAE Minimum Capital Requirement		
62	Common Equity Tier 1 minimum ratio	7.00%	
63	Tier 1 minimum ratio	8.50%	
64	Total capital minimum ratio	10.50%	
	Amounts below the thresholds for deduction (before risk weighting)		
[redacted]			
66	Significant investments in common stock of financial entities	-	
[redacted]			
68	Deferred tax assets arising from temporary differences (net of related tax liability)	-	

	Applicable caps on the inclusion of provisions in Tier 2		
69	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	-	
70	Cap on inclusion of provisions in Tier 2 under standardised approach	-	
[redacted]			
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
73	*Current cap on CET1 instruments subject to phase-out arrangements*	-	
74	*Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)*	-	
75	*Current cap on AT1 instruments subject to phase-out arrangements*	-	
76	*Amount excluded from AT1 due to cap (excess after redemptions and maturities)*	-	
77	*Current cap on T2 instruments subject to phase-out arrangements*	-	
78	*Amount excluded from T2 due to cap (excess after redemptions and maturities)*	-	

6. Composition of capital (CC2):

	a	b	c
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	As at period-end	As at period-end	
Assets			
Cash and balances at central banks	1,214,562		
Items in the course of collection from other banks	-		
Trading portfolio assets	-		
Financial assets designated at fair value	-		
Debt securities held at amortised cost	19,307		
Derivative financial instruments	-		
Loans and advances to banks	1,476,448		
Loans and advances to customers	1,360,761		
Reverse repurchase agreements and other similar secured lending	-		
Available for sale financial investments (Includes FVOCI)	-		
Current and deferred tax assets	-		
Prepayments, accrued income and other assets	26,310		
Investments in associates and joint ventures	-		
Goodwill and other intangible assets	-		
Of which: goodwill	-		(a)
Of which: intangibles (excluding MSRs)	-		(b)
Of which: MSRs	-		(c)
Property, plant and equipment	64,514		
Total assets	4,161,902		
Liabilities			
Deposits from banks	206,957		
Items in the course of collection due to other banks	-		
Customer accounts	3,273,599		
Repurchase agreements and other similar secured borrowing	-		
Trading portfolio liabilities	-		
Financial liabilities designated at fair value	-		
Derivative financial instruments	-		
Debt securities in issue	-		
Accruals, deferred income and other liabilities	36,360		
Current and deferred tax liabilities	10,843		
Of which: DTLs related to goodwill	-		(d)
Of which: DTLs related to intangible assets (excluding MSR	-		(e)
Of which: DTLs related to MSRs	-		(f)
Subordinated liabilities	-		
Provisions	-		
Retirement benefit liabilities	7,187		
Total liabilities	3,534,946		
Shareholders' equity			
Paid-in share capital	300,000		
Of which: amount eligible for CET1	300,000		(h)
Of which: amount eligible for AT1	-		(i)
Retained earnings	36,440		
Accumulated other comprehensive income	290,516		
Total shareholders' equity	626,956		

7. Leverage ratio (LR2)

		a	b
		31/12/22	31/12/21
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	4,161,810	4,077,647
2	Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework	-	-
3	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	-	-
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-
5	(Specific and general provisions associated with on-balance sheet exposures that are deducted from Tier 1 capital)	-	-
6	(Asset amounts deducted in determining Tier 1 capital)		-
7	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)**	4,161,810	4,077,647
Derivative exposures			
8	Replacement cost associated with *all* derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	300	28
9	Add-on amounts for PFE associated with *all* derivatives transactions	-	-
10	(Exempted CCP leg of client-cleared trade exposures)	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
13	**Total derivative exposures (sum of rows 8 to 12)**	300	28
Securities financing transactions			
14	Gross SFT *assets* (with no recognition of netting), after adjusting for sale accounting transactions	-	-
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	CCR exposure for SFT assets	-	-
17	Agent transaction exposures	-	-
18	**Total securities financing transaction exposures (sum of rows 14 to 17)**	-	-
Other off-balance sheet exposures			
19	Off-balance sheet exposure at gross notional amount	218259	287,892
20	(Adjustments for conversion to credit equivalent amounts)	(58,369)	(66,811)
21	(Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)	-	-
22	**Off-balance sheet items (sum of rows 19 to 21)**	159,890	221,081
Capital and total exposures			
23	**Tier 1 capital**	570,017	561,723
24	**Total exposures (sum of rows 7, 13, 18 and 22)**	4,322,000	4,298,756
Leverage ratio			
25	**Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)**	13.19%	13.07%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	13.19%	13.07%
26	CBUAE minimum leverage ratio requirement	3.00%	3.00%
27	**Applicable leverage buffers**	0	0

8. Liquidity (LIQA):

Liquidity is being actively managed by the ALCO Committee at the Head Office level in Paris. The Committee controls particularly different indicators for each branch (gap limits, liquidity and balance sheet ratios, stress scenarios). The central liquidity and funding management aims at ensuring that all foreseeable funding commitments and deposit withdrawals can be met when due. The Bank utilizes a diversified funding base comprising core retail and corporate customer deposits. The Bank does not rely on interbank markets for its funding.

Although maturity of many customer accounts is on demand or at short notice, in practice short-term deposit balances remain stable as inflows and outflows broadly match. Assets available to meet these liabilities include cash, central bank balances, loans to banks, and loans to customers all repayable totally within 3 months.

Banque Banorient France UAE is in compliance with the minimum 10% Liquid Asset ratio as set and regulated by the Central Bank of UAE.

In any case, Head Office will ensure that the Bank meets any exceptional liquidity requirements through direct funding from Head Office, affiliates, and branches.

Stress testing is used to figure out how much of any sudden run-off on Bank's deposits can be managed by the own resources of Banque Banorient France in the UAE without the need of neither reverting to HO, and nor to the Central Bank, the lender of last resort. Such a run will have no effect on the capital of Banque Banorient France in the UAE or its adequacy ratio.
Same stress-scenarios are applied at Group's level in order to ensure that liquidity remains comfortable on a consolidated basis and allows to meet any unexpected commitments and sudden outflows.

9. Liquidity (ELAR)

31/12/22			
1	**High Quality Liquid Assets**	**Nominal amount**	**Eligible Liquid Asset**
1.1	Physical cash in hand at the bank + balances with the CBUAE	1,214,562	
1.2	UAE Federal Government Bonds and Sukuks		
	Sub Total (1.1 to 1.2)	1,214,562	1,214,562
1.3	UAE local governments publicly traded debt securities	0	
1.4	UAE Public sector publicly traded debt securities	0	
	Sub total (1.3 to 1.4)	0	0
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks	0	0
1.6	**Total**	**1,214,562**	**1,214,562**
2	Total liabilities		3,534,853
3	**Eligible Liquid Assets Ratio (ELAR)**		**0.34**

31/12/21			
1	**High Quality Liquid Assets**	**Nominal amount**	**Eligible Liquid Asset**
1.1	Physical cash in hand at the bank + balances with the CBUAE	1,424,087	
1.2	UAE Federal Government Bonds and Sukuks	0	
	Sub Total (1.1 to 1.2)	1,424,087	1,424,087
1.3	UAE local governments publicly traded debt securities	0	
1.4	UAE Public sector publicly traded debt securities	0	
	Sub total (1.3 to 1.4)	0	0
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks	0	0
1.6	**Total**	**1,424,087**	**1,424,087**
2	Total liabilities		3,482,886
3	**Eligible Liquid Assets Ratio (ELAR)**		**0.41**

10. Advances to Stables Resource Ratio- ASRR

		Items	30/12/22 Amount	30/12/21 Amount
1		**Computation of Advances**		
	1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	1,363,550	1,252,630
	1.2	Lending to non-banking financial institutions	0	0
	1.3	Net Financial Guarantees & Stand-by LC (issued - received)	(100,259)	(11,371)
	1.4	Interbank Placements	222,982	52,414
	1.5	**Total Advances**	1,486,273	1,293,673
2		**Calculation of Net Stable Ressources**		
	2.1	Total capital + general provisions	629,957	597,761
		Deduct:		
	2.1.1	Goodwill and other intangible assets	0	0
	2.1.2	Fixed Assets	64,514	66,069
	2.1.3	Funds allocated to branches abroad	0	0
	2.1.5	Unquoted Investments	0	0
	2.1.6	Investment in subsidiaries, associates and affiliates	0	0
	2.1.7	**Total deduction**	64,514	66,069
	2.2	**Net Free Capital Funds**	565,443	531,692
	2.3	**Other stable resources:**		
	2.3.1	Funds from the head office	146,927	64,472
	2.3.2	Interbank deposits with remaining life of more than 6 months	0	0
	2.3.3	Refinancing of Housing Loans	0	0
	2.3.4	Borrowing from non-Banking Financial Institutions	0	2,291
	2.3.5	Customer Deposits	2,805,585	2,831,085
	2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	0	0
	2.3.7	**Total other stable resources**	2,952,512	2,897,848
	2.4	**Total Stable Resources (2.2+2.3.7)**	3,517,955	3,429,540
3		**Advances TO STABLE RESOURCES RATIO (1.6/ 2.4*100)**	42.25	37.72

11. Credit Risk (CRA):

(a) How the business model translates into the components of the bank's credit risk profile

Bank's Credit policy has always been conservative, favoring a prudent approach and seeking diversification. The Bank's strategy is to focus on known clients having Middle-east origin. The Bank is looking to support them in their commercial developments by providing flawless and responsive services and granting suitable facilities if needed. The Credit policy is based on a severe selection of the borrower based especially on its financial quality with the implementation of a proper set of guarantees in view to reduce the Bank's risks.

The Bank follows very strict credit policies based on a set of directives set by HO and as described in the Credit Risk Management Policy approved in December 2020. The credit process starts at the level of relationship managers and business development officers who identify clients. A credit file with a full study is then prepared by the Commercial Department, reviewed afterwards by the Credit Risk Department, and then raised to the local credit committee where credit is either rejected, approved, if within its local lending authorities, or recommended. If recommended, the whole study is sent to HO Credit Committee for their approval/rejection.

The composition of the Local Credit Committee is as follows:
Country Manager
Commercial Banking Manager
Branch Managers (Dubai & Sharjah)
Back Office Manager

The Bank is very careful of the quality of the financials presented by their clients for credit facilities. For that the Bank has a list of accepted auditors. This list is composed of audit firms that meet a set of criteria. Any audit firm that does not qualify to these criteria is excluded from bank's list, and clients are requested to change their auditors prior to approving their facilities. This list is reviewed periodically by local management, and then sent to HO for their approval.

Audited Financial statements are used to rate the clients which forms one of the selection criteria, the Bank's favoring the borrowers with a satisfactory risk rating. The Bank has implemented Moody's Risk Advisor credit rating system for commercial clients. This is used for the calculation of the IFRS9, which the bank is implementing. A thorough credit analysis is carried out before granting a credit facility, and a risk grade is assigned to each client based on Moody's Risk Advisory credit system. This rating is reviewed yearly based on the last available financials data.

Where a credit facility is covered by a real estate as a security, the latter has to be evaluated by a real estate expert. For that, the bank has prepared a short list of acceptable real estate evaluators whose credentials in that field are of acceptable standards to us. To be added on our list, the evaluator must be a member of an international recognized body such as RICS, have a good track record in the market, acceptable financials, licensed, etc. Furthermore, when the facility is in excess of AED 10 Mio, the valuation of the property should be carried out by two evaluators that we choose from our accepted list and who are directly contacted by the bank. Under normal market conditions, the valuation is done every two years, and yearly for litigious or watch listed accounts or if the market is under stressful conditions.

The Bank has developed a specific stress-financial model to risk grade and rank borrowers of Banque Banorient France (UAE) and determine their respective likelihood of financial deterioration in the event of a severe economic crisis in the UAE. The model has in its core features the assessment of the bank's borrower's liquidity, split between short-term and long-term liquidity. The objective of this assessment is to measure how liquid the borrower and his ability to weather the effects of any liquidity crisis. In assessing short-term and long-term liquidity, a series of financial variables are evaluated including: client's receivable cycle, operating cycle, bank indebtedness, return on assets, history of returned cheques, leverage ratio, trade receivables' volume and volume of shareholder's funds. In addition, the model categorizes the borrower according to a set of economic sectors or industries with varying operating cycles and liquidity levels. The basic assumption of the study, relating to the borrower's inability to pay back its dues to the bank, is directly linked to the inability to collect its receivables or to the fact of having protracted receivables.
The model reveals that most of the bank's clients have enough liquidity and can weather the negative effects of an economic crisis. Few borrowers may be on the borderline, meaning that under current operating environments their performance is acceptable, but in the event of a crisis, they might be materially affected. A very limited number of borrowers are left vulnerable to any upcoming economic crisis. For border-liners and vulnerable clients, a closer look at the borrowers' financials is performed in order to determine particularly the size, quality, and source of their receivables compared to the size of their respective equities, along with the tangible securities or collaterals at hand.

(b) Criteria and approach used for defining credit risk management policy and for setting credit risk limits

The bank's Credit Risk Management (CRM) Policy is based on the definition of Credit Risk as defined in the CRM policy as "risk of financial default arising from the failure of the borrower to meet its loan obligations to the bank in accordance with agreed terms". Also, the policy is subject to applicable rules and regulations of Central Bank of the UAE in conjunction with the French Banking Authority called ACPR (Autorité de Contrôle Prudentiel et de Resolution) and European Central Bank (ECB) the most conservative approach being applied.

The bank's credit risk policy stipulates the guiding principles for credit risk assessment and approvals of Banque Banorient France. It defines the roles and responsibilities shared between the risk and business originating credit across UAE and elaborates the general controls for granting of credits.

The main objective of CRM policy is to define roles and responsibilities, core Credit Risk principles, framework and standards for identifying, assessing, approving, managing and monitoring credit risk. Also, to define risk methodologies for tracking credit risk within the credit risk framework, to ensure the risk is managed effectively and efficiently and balance the risk and return mechanism.

The bank's credit risk limit exposures, at individual and client group's level, are in line with limits imposed by CBUAE or local regulatory authorities for overseas locations.

(c) Structure and organization of the credit risk management and control function

The Structure of Credit Risk Management in UAE is comprised of a Local Risk Committee (LRC) and Credit Risk Management Department.
The LRC is established at the UAE branch level and it is chaired by the Chairman of the Board and /or Deputy CEO of Banque Banorient France. The LRC is comprised of Country Manager, Group CFO, Head of Corporate, Branch Managers Dubai and Sharjah, Risk Manager UAE, Assistant Manager Credit Risk.
The Committee is particularly in charge to review the evolution of the credit portfolio with a particular attention on debtors, customers under watch and doubtful clients.

While the Credit Risk Management function is comprised of Assistant Manager Credit Risk and Credit Risk Analyst who reports to the Local Risk Manager in UAE. The latter has a functional reporting line to the Head of Risks based at Head Office in Paris.
The Risk team is mainly in charge to:

- Review and analyze the Credit files before submission to the local Credit Committee;
- Provide recommendation on Credit requests;
- Ensure that control, policies and procedures are respected;
- Generate a timely and accurate reporting;
- Monitor the Credit portfolio (exposures and limits).

(d) Relationships between the credit risk management, risk control, compliance and internal audit functions

Internal Audit, Operational Risk control and Compliance, provide an assurance on the adherence to the Credit Risk policies, procedures, process and act as a third line of responsibility.

The relationships between the different departments are defined in the Internal Control framework approved by the Board of Directors.
The internal control system is organized to cover all the processes of the Bank's entities, including those outsourced. It aims more specifically to ensure:

• the compliance with laws and regulations;
• the application of instructions and guidelines set by the General Management;
• the proper functioning of internal processes, particularly those contributing to the safeguarding of its assets;
• the reliability of financial information, and more generally the quality of information.

The system is based on 3 level of controls:

- First level control is provided by the operational departments;
- Second-level control is provided by the Risk and Compliance Department: the objective is to ensure the proper functioning of the organization of the first level controls. It results in substantive and formal checks as well as constant monitoring to validate the compliance of the process and the processing procedures relating to an operation or a file and to follow in a specific way the various risks that arise therein attached. The Risk Department exercises supervision according to a predefined annual action plan and also ensures a consolidated vision of the results of permanent controls.
- The internal audit provides the 3rd level control by performing periodic controls, checking the effectiveness and appropriateness of the permanent control devices.

In the UAE Branch, the Risk team is in charge to deliver the second level of control.

(e) Scope and main content of the reporting on credit risk exposure and on the credit risk management function to the executive management and to the board of directors

The Credit Risk Department maintains appropriate segmentation MIS report for the entire Bank portfolio to monitor the performance and behavior of different customer segments. Negative trends and breach of triggers are brought to the attention of the Local Risk Committee as well as Head office Risk Committee with recommendations for appropriate portfolio actions.
The Portfolio MIS reports includes, but is not limited to, the information on Past Dues, Expired credit Limit, Pending Securities, Substandard and loss account, Account Under Risk Monitoring, Watch list (OLEM) Accounts, Real-estate portfolio monitoring report [MTM, LTV etc.], Real estate Loan Tracking.
These monthly reports are consolidated at Head Office level by the Risk department and are used for performing the Group's credit portfolio review. The information is analyzed and included in the quarterly Risk reports which highlights the main evolution of the portfolio to the Management. The reports are also presented and reviewed during the Watch-list Committee of which the minutes are submitted to the Board of Directors.

Moreover, our Annual ICAAP to the Management and CBUAE comprised of information such as Deposits trends over the past 4 years, Net interest spread of the current year, Breakdown net funded facilities of the current year, Customer's loans and advances, Concentration of the exposures, Details of customers with net funded above AED 15M, Details of top real estate customers, Details of economic sector and concentration, Exposure by economic sector, Loss appetite, Deposit trends for the last 7 years, Customer's deposits, Stress test In line ICAAP policy and in line with Banque Banorient France Balance Sheet and business structure in the UAE.

12. Credit risk (CR 1)

		a	b	c	d	e	f
		Gross carrying values of			Of which ECL accounting provisions for credit losses		
		Defaulted exposures	Non-defaulted exposures	Allowances/Impairments	Allocated in regulatory category of Specific	Allocated in regulatory category of General	Net values (a+b-c)
1	Loans	122,345	1,312,822	74,406	71,618	2,788	1,360,761
2	Debt securities	-	-	-	-	-	-
3	Off-balance sheet exposures	2,315	215,943	93	-	93	218,165
4	**Total**	**124,660**	**1,528,765**	**74,499**	**71,618**	**2,881**	**1,578,926**

(CR 2)

		a
1	**Defaulted loans and debt securities at the end of the previous reporting period**	116,388
2	Loans and debt securities that have defaulted since the last reporting period	0
3	Returned to non-default status	0
4	Amounts written off	0
5	Other changes	5,957
6	**Defaulted loans and debt securities at the end of the reporting period (1+2-3-4±5)**	122,345

13. Credit Risk (CRB):

(a) The scope and definitions of 'past due' and 'impaired' exposures for accounting purposes and the differences, if any, between the definition of past due and default for accounting and regulatory purposes.

As per the requirements and guidelines detailed under IFRS-9, a definitive definition of default is not mentioned but there is a rebuttable presumption in IFRS 9 that default occurs when an asset is 90 days past due. Therefore, in line with the above, the adhered definition of past due exposures are those that are unpaid for a period of 0 – 90 days while impaired exposures are those that are unpaid for > 90 days. The bank holds the same definition for accounting and regulatory purposes

(b) The extent of past-due exposures (>90 days) that are not considered to be impaired and the reasons for this.

As at December 31, 2022, the bank does not hold any past-due exposures that are greater than 90 days and that are not considered to be impaired.

(c) Description of methods used for determining accounting provisions for credit losses. In addition, banks that have adopted an ECL accounting model must provide information on the rationale for

categorization of ECL accounting provisions in general and specific categories for standardized approach exposures

The impairment requirements under IFRS 9 are based on an Expected Credit Losses ("ECL") concept that requires the recognition of ECL in a timely and forward-looking manner. ECL is determined via a two-step approach, where the financial instruments are first assessed for their relative credit Stage, followed by the measurement of the ECL. Measurement of ECL reflects probability weighted amounts, the time value of money, and forecast of future economic conditions.

The mechanism of the ECL calculations is outlined below:

- PD: Probability of Default is a financial term used to quantify the borrower's inability to make scheduled repayments over a specific period of time.
- EAD: The Exposure at Default represents the expected balance at default, taking into account the repayment of principal and interest from the balance sheet date to the default event together with any expected drawdowns of committed facilities.
- LGD: The Loss Given Default represents expected losses on the EAD given the event of default, taking into account among other attributes, the mitigating effect of collateral value at the time it is expected to be realized and the time value of money.

The bank uses a three-scenario based approach (a central scenario, upside scenario and downside scenario) for all its portfolios, with a specific weight for each scenario. This strikes a balance between practicality and mathematical purity.

The measurement of ECL depends on the credit category or Stage details of which are defined as follows:

(a) Stage 1 (performing): Financial instruments are performing and are considered to be in "Stage 1".
(b) Stage 2 (underperforming): Financial instruments which are considered to have experienced a significant increase (rather than any increase) in credit risk will be transferred to "Stage 2".
(c) Stage 3 (non-performing): Financial instruments for which there is objective evidence of credit-impairment will be transferred to "Stage 3".

The mechanism for ECL calculation is summarized below.

- A 12 month ECL is recognized for financials instruments in Stage 1 while lifetime ECL is recognized for the other Stages (Stage 2 and 3).
- The 12 month ECL (for Stage 1), is calculated by multiplying the 12 month PD, LGD and EAD.
- The lifetime ECL (for Stage 2 and 3) is calculated using he lifetime PDs. The 12 month and lifetime PDs represent the probability of default occurring over the next 12 months and the remaining maturity of the instrument respectively.

(d) The bank's own definition of a restructured approach.

The bank's definition of a restructured approach is in line with that of the UAE Central Bank. A restructured account is one where the bank grants the borrower concession that the bank would not otherwise consider. Restructuring would normally involve modification of terms and or securities which would generally include alteration of repayment period, amount, amount of installments, rate of interest. Restructured accounts also include cases where an exposure is fully settled for a subsequent disbursement as a new loan.

(e) Breakdown of exposures by geographical areas, industry and residual maturity.

Gross Exposure by Geographical Type as at December 31, 2022 in AED '000:

Geographical Type	Funded	Non Funded	Grand Total
Europe	1,261	-	1,261
GCC	3,950	-	3,950
Middle East	4,313	2,581	6,894
Others	-	367	367
UAE	1,425,643	189,513	1,615,156
Grand Total	**1,435,168**	**192,461**	**1,627,629**

Gross Exposure by Industry Type as at December 31, 2022 in AED '000:

Industry Type	Funded	Non Funded	Grand Total
Construction	304,195	34,160	338,354
Financial Institution	1	10,177	10,178
Individual	82,591	369	82,960
Manufacturing	298,489	54,850	353,339
Others	933	433	1,366
Real Estate	193,565	1,547	195,111
Services	185,440	15,537	200,977
Trade	322,495	53,510	376,006
Transportation, Storage and Communication	47,458	21,879	69,337
Grand Total	**1,435,168**	**192,461**	**1,627,629**

Gross Exposure by Residual Maturity as at December 31, 2022 in AED '000:

Residual Maturity	Funded	Non Funded	Grand Total
<3 Months	825,598	29,128	854,726
3-6 Months	138,925	6,019	144,944
6-12 Months	72,754	42,145	114,899
1-5 yrs	384,797	71,304	456,100
> 5 yrs	13,094	43,867	56,960
Grand Total	**1,435,168**	**192,461**	**1,627,629**

(f) Amounts of impaired exposures (according to the definition used by the bank for accounting purposes) and related allowances and write-offs, broken down by geographical areas and industry.

Impaired Exposure by Geographical Type as at December 31, 2022 in AED '000:

Geographical Type	Funded	Non Funded	PROVISION	Interest in Suspense	Margin	Net
Middle East	2,070	-	(917)	(1,153)	-	(0)
UAE	120,276	2,315	(28,955)	(40,593)	(1,528)	51,515
Grand Total	**122,345**	**2,315**	**(29,872)**	**(41,745)**	**(1,528)**	**51,515**

Impaired Exposure by Industry Type as at December 31, 2022 in AED '000:

Industry Type	Funded	Non Funded	PROVISION	Interest in Suspense	Margin	Net
Construction	8,362	101	(4,842)	(1,276)	(101)	2,243
Manufacturing	48,074	2,159	(19,002)	(16,613)	(1,372)	13,245
Others	933	-	(743)	(190)	-	0
Real Estate	4,988	-	(0)	(4,988)	-	-
Services	53,476	-	(4,190)	(13,645)	-	35,641
Trade	4,809	-	(328)	(4,481)	-	(0)
Transportation, Storage and Communication	1,704	56	(767)	(551)	(55)	386
Grand Total	**122,345**	**2,315**	**(29,872)**	**(41,745)**	**(1,528)**	**51,515**

(g) Ageing analysis of accounting past-due exposures.

As at December 31, 2022 in AED '000:

Current	Past Due		Impaired			Total
Current Exposure (Funded + Non Funded)	Less than 30 days	30 - 90 days (exclusive)	90 - 120 days (exclusive)	120– 180 days (exclusive)	Over 180 days	Total past due and Impaired
1,502,791	97	80	-	-	124,661	124,838

(h) Breakdown of restructured exposures between impaired and not impaired exposures.

As at December 31, 2022, the bank does not hold any restructured exposures.

14. Credit risk under standardized approach (CR 4)

		a	b	c	d	e	f
		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	Asset classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Sovereigns and their central banks	1,200,926	-	1,200,926	-	-	0%
2	Public Sector Entities	-	-	-	-	-	0%
3	Multilateral development banks	-	-	-	-	-	0%
4	Banks	1,495,873	16,063	1,495,873	16,063	423,255	28%
5	Securities firms	-	-	-	-	-	0%
6	Corporates	576,512	156,683	409,952	30,829	385,212	87%
7	Regulatory retail portfolios	422,793	39,247	115,336	7,427	122,762	100%
8	Secured by residential property	500	-	-	-	-	0%
9	Secured by commercial real estate	313,018	4,250	216,791	1,138	217,929	100%
10	Equity Investment in Funds (EIF)	-	-	-	-	-	0%
11	Past-due loans	50,728	2,315	28,124	788	28,912	100%
12	Higher-risk categories	-	-	-	-	-	0%
13	Other assets	93,161	-	93,161	-	85,909	92%
14	**Total**	**4,153,511**	**218,559**	**3,560,163**	**56,245**	**1,263,979**	**35%**

15. Standardized approach - exposures by asset classes and risk weights CR (5)

		a	b	c	d	e	f	g	h	i
	Risk weight / Asset classes	0%	20%	35%	50%	75%	100%	150%	Others	Total credit exposures amount (post CCF and post-CRM)
1	Sovereigns and their central banks	1,200,926	-	-	-	-	-	-	-	-
2	Public Sector Entities	-	-	-	-	-	-	-	-	-
3	Multilateral development banks	-	-	-	-	-	-	-	-	-
4	Banks	-	1,138,213		364,745	-	455	8,523	-	423,255
5	Securities firms	-	-	-	-	-	-	-	-	-
6	Corporates	-	-	-	-	-	119,423	-	613,772	385,212
7	Regulatory retail portfolios	-	-	-	-	-	462,040	-	-	122,762
8	Secured by residential property	-	-	500	-	-	-	-	-	-
9	Secured by commercial real estate	-	-	-	-	-	317,268	-	-	217,929
10	Equity Investment in Funds (EIF)	-	-	-	-	-	-	-	-	-
11	Past-due loans	-	-	-	-	-	53,043	-	-	28,912
12	Higher-risk categories	-	-	-	-	-	-	-	-	-
13	Other assets	13,636	-	-	-	-	75,269	-	4,256	85,909
14	**Total**	**1,214,562**	**1,138,213**	**500**	**364,745**	**-**	**1,027,498**	**8,523**	**618,028**	**1,263,979**

16. Market Risk (MRA):

The Bank calculates the regulatory capital requirements for market risk using the Standardized Measurement Method as stipulated in Basel II guidelines.

The Bank exposure on Market risk is extremely reduced, being only exposed to a limited and residual Foreign Exchange risk in the banking book resulting from customer transactions.

For calculating the capital requirements for foreign exchange risk, the Bank has assumed that the foreign exchange positions grow in line with the growth in asset and liability classes giving rise to such positions (i.e. Due from banks and financial institutions, loans and advances to customers and customer deposits).

For calculating the capital requirements for interest rate risk, based on December 2022 capital charges, percentages of capital allocation for each time band within the different time zones were calculated. Those percentages were assigned as capital allocation for the subsequent projected years.

(MR1)

		a
		RWA
1	General Interest rate risk (General and Specific)	0
2	Equity risk (General and Specific)	0
3	Foreign exchange risk	1,689
4	Commodity risk	0
	Options	
5	Simplified approach	0
6	Delta-plus method	0
7	[redacted]	
8	Securitisation	0
9	**Total**	**1,689**

17. Interest rate risk in the banking book (IRBBA):

Interest rate risk in the banking book (IRRBB) is the risk of loss resulting from changes in interest rates. This risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Bank is exposed to interest rate risk as a result of mismatches or gaps in the amounts of interest rate sensitive assets and interest rate sensitive liabilities and off-balance sheet instruments that mature or reprice in a given period. The management of IRRBB is done by the Asset & Liability Committee (ALCO), which in turn monitors IRRBB on a monthly basis and reviews key developments affecting the management of structural IRR. Stress testing using different yield curve scenarios are performed on the net exposures. Interest rate risk is also assessed by measuring the impact of defined movements in interest yield curves on the Bank's net interest income.

Gap reports hereby help assess interest rate risk exposure, specifically, a bank's re-pricing and maturity imbalances. A decrease in interest rates would further increase the impact on net interest income. However, as most of the Bank's assets are commercial loans, this risk is mitigated as the bank charges a floating interest rate on its loans and advances portfolio, i.e. the debit interest rate is linked to the EBOR (or LIBOR under USD lending) with a minimum rate. Hence, this provides a protection against downward as well as upward movements in interest rate levels. Additionally, and although the credit interest rate allocated to client's deposits is fixed, any drop in the interest rates will have moderate effect on bank's profits especially that almost 77% of Bank's deposits are non-interest bearing.

As a consequence, given the structure of the Assets and Liabilities, the prudent policy of the Bank aiming to avoid significant mismatches, the strategy to hedge the transactions and to keep a minimal exposure illustrated by the concentration of the transactions' maturities on short term period, the interest rate exposure of the Bank is maintained at a reduced level.

18. Operational Risk (OR1):

(a) The policies, frameworks and guidelines for the management of operational risk.

In line with regulatory requirements and leading best practices, Banque Banorient France has established a formal Operational Risk Management (ORM) framework to manage Operational Risk in the bank. The bank has setup an Operational Risk function within overall Risk Management Structure responsible for developing appropriate policies, procedures, and tools to help identify, assess, monitor, and manage operational risks.

The bank has a documented Operational Risk Management Policy in place that outlines the Roles and Responsibilities in relation to ORM, principles and strategies, ORM processes and tools of ORM. The guidelines for managing ORM is in the form of Operational Risk Procedures that provide guidance related to tools of ORM i.e., Key Risk Indicators (KRIs), Risk and Control Self-Assessment (RCSA) and Operational Loss Event Management.

(b) The structure and organization of the operational risk management and control function.

Operational Risk Management function in Banque Banorient France UAE is part of independent Risk Management function in UAE managed by the local Risk Manager. This ORM function is handled by Operational Risk Manager reporting to the Risk Manager who in turns reports to Risk Manager at Head Office.
Group Risk Manager at Head Office reports to the Deputy CEO.

The Risk Management function is the second level of the bank's internal control framework.
First level control is provided by the operational departments. It consists of a permanent management and monitoring of risks in the context of the processing of transactions. It focuses on the implementation and consistent processing of transactions during the day (compliance with procedures) and the successful execution of operations and their proper integration into the accounting system and reporting systems.
The objective of the second level control performed by the Risk department is to ensure the proper functioning of the organization of the first level controls.
The third level is in charge of periodic controls and performed by Audit department.

(c) The operational risk measurement system.

Operational Risk Measurement System:

Operational Risk Department utilizes operational risk measurement tools such as Key Risk Indicators (KRIs), Key Performance Indicators (KPIs) and Operational Loss Database to perform quantitative analysis as part of risk measurement system.
The scope of KRIs and KPIs covers measurable and significant indicators identified from the processes of business units, mainly includes following but not limited to:

Business Unit	**KRI and KPIs (Measured in Ratios and Percentage)**	**Frequency of Measurement**
Human Resources	Staff Turnover	Quarterly
Information Security	IT and IS Incidents	Quarterly
Operations	Inward and outward Cheque Returns	Quarterly
Operations	New Opening and Closing of Accounts	Quarterly
Operations	Customer Complaints	Quarterly
Operations	Loss Incidents	Quarterly

The data for these indicators are collected from core banking systems and from business units.

Operational Risk, in terms of monetary loss, is measured from the Operational Loss incidents reported or incidents identified during the year by Operational Risk Department. As per the Operational Risk Policy and Procedures, all business units are required to report loss events to Operational Risk Department. Operational Risk Department maintains database of loss events that records the amount of losses and amount of recovery for each event for further analysis and for reporting to the Senior Management and the Board.
Moreover, the bank implemented an automated system of Operational Risk “OneSumX” which facilitate in collecting, measuring and reporting of risk in a consolidated form.
The quality of data received other than the core banking system such as from staff, customers, outsourcing agents, regulators are verified by Risk and Compliance departments on best efforts basis.

(d) The scope and main context of their reporting framework on operational risk to executive management and to the board of directors.

Operational Risk Reports:

Operational risk reports are prepared by Operational Risk Department on quarterly basis and submitted to Senior Management of Banque Banorient France UAE and to its Head Office in Paris.

Using these reports, a consolidated Risk report is prepared quarterly by Group Head of Risk and distributed to the bank’s Management. The report is also presented to the quarterly Audit & Risk Committee. The Minutes of the Committee are at the agenda of the Board of Directors’ meeting.

Operational Risk reports includes Loss and Near Miss Incidents report, Risk and Control Self-Assessment (RCSA) summary report, Data for Key Risk & Key Performance Indicators and a detailed Permanent Control Report.
The data for these risk reports is collected from all business units and analyzed for risk exposures, early warning signals and enhancement of controls and for operational risk reporting to Management.
The report on operational losses consists of a descriptive report along with an excel based database that includes loss event details such as but not limited to date of event, customer name, business unit involved, amount of loss, recoveries, recommendations and actions plans.
In case of a significant loss event, above a threshold defined by the Board of Directors, immediate information of the Senior Management is required. Business unit should prepare a loss report to the Group Head of Risk and the Senior Management which will advise the Board of Directors on the incident and the remediation action.

The summary report on Risk and Control-Self Assessment (RCSA) includes summary of risk and control assessments conducted by business units for their processes and the operational risk analysis of that assessment performed by Operational Risk Department. The summary report on RCSA concludes on recommendations from Operational Risk department for the improvement in controls for critical and high-risk processes and agreed action plans with business unit.

The report on Key Risk Indicators and Key Performance Indicators includes data collected by Operational Risk Department for predetermined list of significant indicators. This data is collected from core banking system and from business units and complied in an excel based worksheet. Trend analysis is performed to identify any outlier by comparing it with previous quarter. In exceptional cases, the root cause analysis is performed for the outlier and reported to Management.

The permanent control report details the control testing performed by Operational Risk department. At each beginning of the year, a pre-determined list of controls is received from Risk Management at Head Office while the Permanent Control Officer (Operational Risk Officer) collects sample data from concerned business units and verify the effectiveness and efficiency of implemented controls. In case of lacking and discrepancies, the findings are discussed with control owners to agree on suitable action plan. Permanent Control covers all MIS reports assigned to control owners, summary of Operational Risk loss and near miss events during the reporting period, RCSA progress, Business Continuity Plan (BCP) activities and testing, assessment of any regulatory violation, customer complaints received during the period and checklists for compliance of Policies related to BCP, outsourcing activities and Archiving and Management of Information in the bank.

(e) The risk mitigation and risk transfer used in the management of operational risk.

Risk Mitigation:

In case of identification of Critical or High operational risk areas where the controls are weak, bank decides on selection of controls on the basis of cost & benefit analysis. In most of the cases, new controls or amendment in existing controls are made by enhancing the standard operating procedures.

Risk Transfer:

The bank has insured itself on expected losses such as losses due to fire and disastrous incidents, all risks to properties, erroneous transfer, Cyber-attacks, Fraudulent transfers, Forgery and Alteration, Counterfeit currencies etc.

19. Remuneration Policy (REMA)

Remuneration System:

The Chairman of the Bank approves the compensation policy proposed by the Deputy Chief Executive Officer, in particular the annual package of salary increases and variable bonuses allocated to personnel for all entities.

The Board of Directors annually reviews the general principles of the remuneration policy, particularly within the framework of the budgetary process and empowers the Chairman and Chief Executive Officer of the Bank to apply the policy decided within the framework of the powers granted to him upon his appointment.
The Board monitors its implementation during its quarterly review of the execution of the budget, the evolution of expenses and the staff costs in particular.

Due to the size of the bank, the Board of Directors did not consider it necessary to set up a Remuneration Committee.

With the exception of the London branch, all staff may receive fixed remuneration and variable remuneration, consisting of an exceptional bonus paid once a year, the amount of which is not guaranteed. Only the Chairman receives a performance bonus approved by the Board of Directors.

Under the qualitative criteria defined in the European Regulation dated 4 March 2014, the number of staff members having a significant impact on the Bank's risk profile is reduced, including branch managers, managers in charge of Finance, Audit and Risks at Group level.
Their compensation is set and decided by the Bank's General Management according to the principles and procedures mentioned above.

Evaluation process :

The Bank has put in place a staff evaluation process consisting of the holding of annual evaluation interviews. These interviews are held with the concerned Heads of department during the month of February.
The annual evaluation sheets relate to: the assessment of the past year and the objectives for the coming year, the achievement of the objectives of the previous year, the overall evaluation of the head of department and management, including a review of the behavioral and technical skills of the employee and the comments of the latter. The general performance of the employee is judged on both quantitative and qualitative criteria.

For all group employees, including those working in contact with customers, the Bank has chosen not to set individual sales targets for customers that could generate variable compensation.

Country managers and Director of departments at Headquarters, on the basis of proposals from the heads of concerned departments and within the framework of the annual guidelines communicated to them by General Management, draw up a table of proposals for advancement and increase relating to fixed compensation and variable compensation.
These proposals are analyzed by General Management and the Human Resources Manager, then the Chairman definitively validates the salary increases and the level of bonuses.

Structure of Remuneration:

The remuneration policy implemented by the Bank is intended above all to be reasoned and responsible and seeks as a priority to align the interests of the Bank and those of its employees. It aims in particular to:

- ensure fair remuneration for work and retain talented employees by offering them appropriate fixed salary levels, taking into account the competitive environment and in relation to their seniority, expertise and professional experience;
- not to encourage excessive risk-taking and avoid the establishment of incentives that could lead to conflicts of interest and not to induce or encourage unauthorized activities;
- ensure consistency between employee behavior and the Bank's long-term objectives, particularly in the area of risk management control;
- ensure that regulatory ratios are maintained at comfortable levels.

Only the variable compensation of the Chairman and the Deputy Chief Executive Officer is subject to deferred payment in accordance with the European regulations in force and the criteria concerning personnel having a significant impact on the Bank's risk profile.

REM1

			a	b
	Remuneration Amount		**Senior Management**	**Other Material Risk-takers**
1	Fixed Remuneration	Number of employees	7	
2		Total fixed remuneration (3 + 5 + 7)	3,484,908	
3		Of which: cash-based	3,484,908	
4		Of which: deferred		
5		Of which: shares or other share-linked instruments		
6		Of which: deferred		
7		Of which: other forms		
8		Of which: deferred		
9	Variable Remuneration	Number of employees	7	
10		Total variable remuneration (11 + 13 + 15)	1,000,000	
11		Of which: cash-based	1,000,000	
12		Of which: deferred		
13		Of which: shares or other share-linked instruments		
14		Of which: deferred		
15		Of which: other forms		
16		Of which: deferred		
17	**Total Remuneration (2+10)**		4,484,908	