



Pillar 3 published on
31 December 2021



Contents

Pillar 3

1	Governance and risk management	4
1.1	EU OVA: The establishment's approach to risk management	4
1.1.1	Information on the risk governance structure	4
1.1.2	Scope and nature of reporting and/or risk assessment systems	6
1.1.3	Information on the main features of the information and risk assessment systems	7
1.1.4	Risk management strategies and processes in place for each separate risk category:	
1.2	EU OVB: Publication of information on governance mechanisms	9
1.2.1	Management functions performed by members of the management body	9
1.2.2	Information on the recruitment policy for the selection of effective managers and their knowledge, skills and expertise.	9
1.2.3	Set-up of a separate risk committee	9
1.2.4	Risk information flow to the management body	10
2	Key indicators: EU KM1 - Template for key indicators	11
3	Risk categories:	12
3.1	Credit risk: EU CRA - General qualitative information on credit risk	12
2.1.1	Risk Appetite Statement	12
2.1.2	Predefined criteria for the selection of credit operations	13
2.1.3	Description of credit granting procedures	13
2.1.4	Credit risk management arrangements	13
2.1.5	Concentration risk management	15
2.1.6	Staffing and hierarchical and functional positioning of the unit responsible for monitoring and controlling credit risks	16
2.1.7	Governance roles and responsibilities	16
3.2	Market risk: EU MRA - Disclosure requirements for qualitative market risk information	16
3.3	Operational risk: EU ORA - Qualitative information on operational risk	17
2.3.1	Structure, processes and organisation of operational risk	17
2.3.2	Description of the types of operational risks to which the establishment is exposed	17
2.3.3	Operational risk measurement and control - Summary description of reporting used for operational risk measurement and management	18
2.3.4	Hedging and mitigating operational risk	18
4	Capital and capital requirements	19
4.1	EU OVC: ICAAP information	19
4.2	EU OV1: Overview of total exposure amounts	21
4.3	EU CC1: Composition of regulatory capital	22
4.4	EU CC2: Reconciliation of regulatory capital to the balance sheet in the audited financial statements	27
5	Correspondence table	28

Introduction

The following information relates to the risks of QNB Paris Branch and is disclosed in accordance with the disclosure requirements of Pillar III of the Basel Accords, transposed into European law through Regulation (EU) n° 575/2013 (CRR) as amended by Regulation n° 2019/876 of 20 May 2019 (CRR2) and Directive 2013/36/EU (CRD IV) as amended by Directive 2019/878/EU of 20 May 2019 (CRD V).

More specifically, this information is disclosed on the basis of the requirements set out in article 433c of CRR2, as the establishment falls into the category of "other non-listed establishments".

This document presents all of the qualitative and quantitative statements (excluding the "Remuneration" statements) based on data as at 31 December 2021 applicable to the establishment under Pillar 3.

Pillar 3 disclosure statement

The General Management is responsible for establishing and maintaining an effective internal control structure governing the establishment's disclosures, including those made under Pillar III.

In this context, I certify that QNB Paris is publishing the information required under Part Eight of Regulation (EU) n° 575/2013 of the Parliament and of the Council in accordance with the formal policies and internal procedures, systems and controls.

Having taken all reasonable steps to do so, I confirm that the information provided as at 31 December 2021 has been subjected to the same level of internal audit as the other information provided as part of the establishment's financial report.

Alexandre ZIBAUT

QNB Paris General Manager

1 Governance and risk management

Risk is an integral part of QNB Paris business and decision-making process. QNB Group's and QNB Paris's sustainable performance depends on our ability to manage risk at all levels. As a result, QNB Paris has a robust risk management governance structure and framework, fully integrated and aligned with the one of the QNB Group that ensures a crucial balance between risk and reward. QNB's risk profile and appetite are approved by the Board of Directors (BOD) and Group Board Risk Committee (GBRC). It then cascaded down in a QNB Paris risk profile and appetite statement.

QNB Paris Risk Appetite Statement is central to the Group's integrated approach to risk management and articulates the risk culture, governance and boundaries of QNB Group and QNB Paris. The QNB Paris Risk Appetite Statement provides a framework for QNB Paris's attitude toward risk-taking and is reviewed, reassessed and agreed alongside QNB Paris's strategic and financial planning process.

The identification of principal risks is a process overseen by Group Risk. The material risks are regularly reported to the GBRC and Group Management Risk Committee (GMRC), together with a regular evaluation of the effectiveness of the risk-operating controls. The day-to-day governance is delegated through an Enterprise Risk Management oversight structure and a robust risk control framework. This framework consists of a comprehensive set of policies, standards, procedures and processes designed to identify, measure, monitor, mitigate and report risk in a consistent and effective manner.

Since its creation, and in the framework of its original mission, QNB Paris has carried out a niche activity consisting of assisting Qatari institutional and private investors wishing to invest or settle in France. Thereafter, its activity was extended to the monitoring of major French and European companies with investment projects or commercial activities in Qatar and in the countries where the Group is present in the Middle East, Africa and Asia. Precisely, QNB Paris activities is as follows:

- Credit activity offered to 3 types of clients: Corporate, Financial Institutions and individuals;
- Deposits activity: QNB Paris offers several type of deposits products (at sight or term deposits, plain vanilla or structured).

As such, main risks to which QNB Paris exposed are credit risk, ALM risks and operational risk.

1.1 EU OVA: The establishment's approach to risk management

1.1.1. Information on the risk governance structure

a) Permanent control:

Placed under the responsibility of each business line, under managerial supervision, the first-level permanent control within the establishment is intended to implement prevention and total control of the risks.

It is organised in such a way as to ensure a separation between the various actors who are called upon to intervene either as applicants for a transaction, in charge of its execution or its validation after verification and control of the transaction.

Permanent second level control

The main objectives assigned to the second level of permanent internal control are the following:

- Ensure the implementation, review and execution of the control plan
- Ensure the verification of the effectiveness of the system and the implementation of 1st level controls
- Check the effectiveness and relevance of the 1st level control
- Check the compliance with procedures and their correct application
- Follow-up on recommendations and action and remediation plans
- Raise awareness and support the various business lines in the implementation of their controls

The main players in second-level permanent control are the Risk Department, the Compliance and Internal Control Department and the Finance Department.

b) Periodic control

The QNB Paris periodic control is carried out by the QNB Group Internal Audit Department (GIAD). According to the terms of the SLA signed between QNB Paris and GIAD, the scope of the audited activities is set by GIAD. However, QNB Paris may, on its own initiative and in addition to the assignments decided by GIAD, mandate GIAD to perform any audit assignment.

c) Composition of the QNB Paris risk department as at 31.12.2021:

The QNB Paris risk department consists of:

- A Head of Risk;
- A Credit Risk Manager;
- A Credit Risk Analyst;
- A Credit Administration Officer;
- An ALM and Market Risk Manager.

d) Roles of effective managers in defining the overall risk strategy

The QNB Paris risk appetite framework is formalised through the Risk Appetite Statement (hereafter RAS).

Organised by generic risk type (credit, ALM and market and operational risk), it includes indicators and limits that are monitored on a monthly basis both internally and vis-à-vis headquarters.

The indicators are based both on QNB Group standards (harmonised indicators within the Group) and on local specificities (risk indicators derived from the QNB Paris strategy, updated annually and presented to headquarters for validation).

The QNB Paris RAS is established within the branch by the QNB Paris Risk Department and validated by the QNB Paris General Manager and the Risk Department of the head office. It is updated annually. The last update of the QNB Paris RAS (risk appetite framework/ risk strategy, indicators and related limits) took place in Q1 2022 and is concurrent with the update of the QNB Paris Corporate Strategy.

e) Internal risk monitoring and management committee

QNB Paris has several internal committees dedicated to risk monitoring and management:

- Risk Committee;
- Credit Committee;
- ALM Committee.

The Risk Committee, which meets quarterly and whose missions are mainly based on the following axes:

- Ensure that the risks incurred by QNB Paris are within the risk appetite framework and established limits;
- Review the effectiveness of the processes by which QNB Paris identifies, measures, mitigates, manages and reports branch risks and ensure the implementation of action plans to improve processes where necessary.
- Review reports assessing the overall risk profile of Paris.

The Credit Committee, whose missions are mainly based on the following axes:

- Recommend and approve credit proposals (new transactions or annual reviews) to the Group Credit Department and/or the Group Credit Committee
- Provide overall supervision and governance of the credit granting process, monitor the performance of the credit portfolio and monitor compliance with the credit risk appetite framework (monitoring of breaches of individual counterparty limits or general limits by economic sector or country, monitoring of annual reviews and monitoring of covenants).

The Credit Committee meets as often as necessary according to the need to examine files and at least once a month.

The ALM (Assets Liabilities Management) Committee meets monthly. It examines the reporting on liquidity, interest rate and foreign exchange risks and validates the strategies needed to maintain the risks within the risk appetite framework.

1.1.2. Scope and nature of reporting and/or risk assessment systems

a) Summary description of reporting used for credit risk management

Monthly reports are produced by the QNB Paris Risk Department and sent to the head office and to the QNB Paris General Management. These reports mainly cover the credit portfolio allocation by economic sector and by internal rating, the real estate financing portfolio, the large exposures (over QAR 200 million or about EUR 50 million) as well as credit operations restructured or rescheduled.

b) Summary description of the reporting used for the management of the overall interest rate risk

The reporting used for global interest rate risk management is the IRRBB report. It is prepared each month by the QNB Paris Risk Department and sent to the QNB Paris General Manager and to the QNB Head Office Risk Department and is reviewed by the ALM Committee. Interest rate risk is controlled by limits applied to several indicators:

- The bank's overall sensitivity;
- Sensitivities by bank maturity tenor;
- Earning at Risk (impact on the net interest margin of a parallel movement of 100 bps in the yield curve);
- The Economic Value of Equity (net present value).

Interest rate risk is measured by the QNB Paris Risk Department, which produces a monthly IRRBB report. The data is taken from an ALM system from a leading provider which has been deployed by the head office.

The measurement of the overall interest rate risk monitoring is carried out on the basis of statistical gaps. The monitoring indicators include the sensitivity of the net present value to a parallel shock of 0.01%, 1%, but also to steepening, flattening and inversion scenarios of the yield curve.

The rate limits per tenor and overall are limits defined for a rate change of 1 bp (0.01%). These limits are reviewed annually. The EaR and EVE limits are set as a percentage of the budgeted net interest margin for the current year. These limits are also reviewed annually. All of these limits are validated by the QNB Paris ALM Committee.

c) Summary description of the reporting used for liquidity risk management

QNB Paris has a daily schedule covering its entire portfolio, enabling it to anticipate any mismatch between use and resources and to manage its refinancing on a daily basis.

In addition, the major balances are monitored by the QNB Paris Risk Department, which reports weekly on liquidity risk.

This reporting determines the liquidity gaps according to two approaches (contractual and behavioural) and according to several maturity bands ranging from 1 day to more than 3 months.

This reporting is sent to the ALM department at the head office and is also reviewed by the QNB Paris ALM Committee.

1.1.3. Information on the main features of the information and risk assessment systems

The limits governing the risks incurred by QNB Paris, mainly credit, liquidity, interest rate, foreign exchange and operational risks are reviewed annually.

1.1.4. Risk management strategies and processes in place for each separate risk category:

a) Presentation of the main risks generated by the activities carried out by the establishment

The main risks generated by the activities carried out by QNB Paris are the following:

- Credit risk;
- ALM risk;
- Operational risk.

The strategies and processes for managing these risks are described above.

b) Reputation risk assessment and control

The activities of QNB Paris are in strict compliance with the provisions specific to banking and financial activities. In particular, QNB Paris is committed to preserving and enhancing its image by relying on:

- Targeting of its potential clients: its business model is based on serving mainly Qatari clients and/or a clientele that is in most cases that of the Group or one of the Group's subsidiaries/branches. This is a well-identified clientele with well-documented KYC records and economic ties to Qatar or the group that justify the business relationship.

- Targeting of its partners: In line with its risk appetite policy, QNB Paris is "diligent" in selecting its suppliers, partners and intermediaries by conducting investigations to assess the degree of operational risk in dealing with these third parties.

- Its transparency and business ethics: QNB Paris, like its parent company, pays particular attention to the issues of conflict of interest, internal fraud and whistleblowing and has specialised procedures and awareness training for these topics. Similarly, QNB Paris employees follow a code of conduct in line with the Group's values and guidelines. QNB Paris also implements Chinese walls and segregation of duties to control these risks.

- A permanent watch on unfavourable media: QNB Paris attaches great importance to negative news that may concern a client or type of client of the group or even a sector of activity and endeavours to carry out a systematic scan of its clientele. QNB Paris ensures that its employees behave fairly towards clients and that its practices are honest. It also attaches importance to client satisfaction, particularly through its complaints management. For example, the client complaint and grievance procedure requires that any complaint or grievance be immediately forwarded to the Chief Executive Officer and the Head of Compliance and Internal Control. The employees concerned are informed of the incident and the complaint or claim is reviewed by the General Management in the presence of the compliance officer. All necessary steps are taken as quickly as possible to satisfy clients and protect the bank's interests: except in exceptional circumstances, the client receives a reply within 15 working days.

- The application of a fair and equitable HR policy to all its employees and the competence of its employees: QNB Paris aims to maintain its image as an employer of choice, in particular by practising a policy of non-discrimination in hiring and heterogeneity in the profiles sought. In addition, the QNB Group sends out an annual satisfaction questionnaire to all of its employees.

- Its profitability and growth prospects: For the past six years, the branch has been engaged in controlled growth, with a business model that has been modified at the margin, with risks remaining under control and a team strengthening its support functions, in particular risk, compliance and permanent control.

c) Description of the stress scenarios used to measure the risk incurred in the event of a sharp change in market parameters and the contingency plans put in place to deal with a liquidity crisis

QNB Paris is now simulating 3 scenarios as part of the liquidity stress tests. These liquidity stress tests were validated by the ALM Committee. The 3 constructed scenarios are in order of increasing severity:

- (i) Idiosyncratic Scenario with one scenario impacting QNB Paris only;
- (ii) Market Wide Scenario with a systemic scenario in which a major event affects liquidity in general;
- (iii) Combined Scenario in which the two previous scenarios are combined.

The result of the stress test is a survival period of the Bank in days. At 31/12/2021, the survival period was over 90 days for scenarios (i) and (ii) and 31 days for scenario (iii). It is important to note that the QNB head office is committed to covering the needs of its branch office at all times. It should be noted that a Contingency Funding Plan has been drafted to respond to a liquidity crisis situation or a forecast of a liquidity crisis situation.

1.2 EU OVB: Publication of information on governance mechanisms

1.2.1. Management functions performed by members of the management body

Governance organisation at the Paris branch level

The QNB Paris General Manager is the representative of the Group Chief Executive Officer. He is therefore the effective manager of the Paris branch in this report. The General Manager is also an effective manager under French law. In accordance with the requirements of the Monetary and Financial Code, a second effective manager is appointed and approved by the ACPR. This is the Director of Operations.

The QNB Paris effective managers do not exercise any management functions other than those performed within QNB Paris.

1.2.2. Information on the recruitment policy for the selection of effective managers and their knowledge, skills and expertise.

The recruitment policy for the selection of effective managers is based on the principles set by the competent authority, the ACPR.

In this context, the effective managers of QNB Paris have, at all times, the necessary good character, knowledge, skills and experience to perform their duties. In addition, they collectively have the knowledge, skills and experience to understand the full range of the QNB Paris activities, including the principal risks involved.

Finally, each effective manager must demonstrate honesty, integrity and independence of mind in order to ensure management in a sound and prudent manner.

1.2.3. Set-up of a separate risk committee

A separate Risk Committee has been established and meets each quarter.

1.2.4. Risk information flow to the management body.

a) Calculation and reporting of risk appetite indicators in the context of the risk strategy and policy

The RAS (Risk Appetite Statement) indicators are calculated and reported monthly both internally (including to the QNB Paris General Manager) and to the Group's Risk department.

b) Governance - information be provided to the effective managers

Monthly report related to Credit Risk (see 1.1.2.a) are provided to the QNB Paris General Manager. The QNB Paris General Manager is also the recipient of all risk reports, notably in the field of ALM and operational risks.

The QNB Paris General Manager is member of the Credit Committee (as Chairman), the Risk Committee (as Chairman) and the ALM Committee. As such, he receives all documents presented and examined by these bodies.

c) Information provided on possible changes in the texts applicable to the operations performed

A regulatory watch committee meeting is held every quarter to identify new legal and regulatory provisions, their potential impacts and to define an action plan for compliance. The various departments of the branch are represented by a permanent member of this committee and are thus informed of the regulatory developments relating to their activity.

2 Key indicators: EU KM1 - Template for key indicators

		a	e
		31/12/2021	31/12/2020
Available equity (amounts)			
1	Core Tier 1 capital (CET1)	440,805,507	442,571,607
2	Tier 1 capital	440,805,507	442,571,607
3	Total equity	440,805,507	442,571,607
Weighted exposure amounts			
4	Total amount of risk exposure	3,359,038,749	3,833,937,744
Capital ratios (as a percentage of risk-weighted exposure)			
5	Core Tier 1 capital ratio (%)	13.12%	11.54%
6	Tier 1 capital ratio (%)	13.12%	11.54%
7	Total capital ratio (%)	13.12%	11.54%
Liquidity coverage ratio			
15	Total high quality liquid assets (HQLA) (weighted average value)	710,072,973	693,188,530
EU 16a	Cash outflows - Total weighted value	2,201,389,076	2,531,635,102
EU 16b	Cash inflows - Total weighted value	3,913,314,805	5,447,663,142
16	Total net cash outflow (adjusted value)	550,347,269	632,908,776
17	Liquidity coverage ratio (%)	129.02%	109.52%
Net stable funding ratio			
18	Total available stable funding	6,571,497,463	7,305,877,364
19	Total stable funding required	4,365,472,749	4,610,564,805
20	NSFR ratio (%)	150.5%	158.5%

3 Risk categories:

3.1 Credit risk: EU CRA - General qualitative information on credit risk

The credit activity of QNB Paris is based on the following axes:

- Activity with Corporate
 - o Types of clients
 - Subsidiaries or branches of major Qatari companies
 - Large French or European companies;
 - Traders in Swiss or European agricultural or energy commodities;
 - Large African public or semi-public companies.
 - o Products marketed:
 - Loans: real estate loans, hotel loans, structured financing, participation in syndicated financing, bilateral credit lines, overdraft facilities, discounting, non-recourse discounting;
 - Trade finance: issuance of market, financial and rental guarantees, issuance of standby letters of credit, opening of documentary credits and confirmation of documentary credits.
- Activity with Banks: management of relations with African banks (coverage of financial establishments in North Africa and sub-Saharan Africa for the group from Paris). The offered products are "Export Finance" products: confirmation and notification of letters of credit, discounting of letters of credit, discounting of endorsed bills of exchange, issuing or reissuing of international bank guarantees.
- Retail activity
 - o Types of clients: almost exclusively non-resident clients (mainly Qatari), clients of the international QNB network;
 - o The marketed products are mainly home loans and, to a lesser extent, personal loans and overdraft facilities.

3.1.1 Risk Appetite Statement

QNB Paris' risk appetite framework is formalised through the Risk Appetite Statement (RAS). Organised by generic risk type (credit, ALM and market and operational risk), it includes indicators and limits that are monitored on a monthly basis both internally and vis-à-vis headquarters.

The indicators are based both on QNB Group standards (harmonised indicators within the Group) and on local specificities (risk indicators derived from the QNB Paris strategy, updated annually and presented to headquarters for validation).

The QNB Paris RAS is updated annually. The last update took place in Q1 2022 and is concurrent with the update of the QNB Paris Corporate Strategy.

The RAS indicators are calculated and reported monthly both internally and to the Group's risk department. They are also reviewed by the QNB Paris Risk Committee on a quarterly basis.

3.1.2 Predefined criteria for the selection of credit operations

All credit transactions are subject to case-by-case validation. There are no predefined criteria. However, they are pre-selected in accordance with the branch's strategic and budgetary objectives. These are mainly criteria of geographical and economic coverage:

- Risk on companies with projects in Qatar or GCC countries, particularly in the following sectors: construction, raw materials, defence, manufacturing, industry, oil and gas, telecommunications, services;
- Risk on Qatari companies and individuals with projects in France, particularly in the following sectors: real estate, hotels, retail banking, media, sports;
- Risk on banks in OECD countries and Middle East, North Africa and Sub-Saharan Africa;
- Asset financing in EU, Middle East and North African countries;
- Real estate risks on this area's clients in France and Europe.

3.1.3 Description of credit granting procedures

According to a precise and formalised delegated scheme and depending on the size and characteristics of the transaction, credit operations are approved by General Manager of QNB Paris or QNB Paris Credit Committee or by Group Credit Department or by Group Credit Committee.

In all cases, credit decisions are based on a comprehensive credit application package composed of the following:

- A credit application prepared by relationship managers;
- An adversarial review carried out locally by QNB Paris Risk Department, which prepares an independent recommendation;
- An internal rating, prepared by relationship manager and controlled/reviewed by Risk department. Each client is rated internally using Credit Lens (Moody's®) for financial and qualitative analysis. The rating is the result of a combination of quantitative assessment (financial factors based on analysis of clients' financial statements) and qualitative assessment (soft factors based on clients' characteristics);
- ESG assessment;
- RAROC calculation (Risk Adjusted Return On Capital).

3.1.4 Credit risk management arrangements

a) Annual review of credit files:

Each credit file is reviewed at least annually in the form of a detailed study of the risk of the operation, the evolution of the outstanding amount and the analysis of the client's risk. The process is the same as for granting credit.

b) The “Problem Loan Report” process:

On a monthly or quarterly basis and by decision of the parent company (on the proposal of the branch), a detailed review of the files to be monitored is carried out by the account manager and the credit manager, who issue a report explaining:

- The outstanding amount;
- The amount of the requested provision (if any);
- The history of the relationship; the actions taken;
- Proposed actions.

After a study of the file, debts receivable whose recovery has become uncertain lead to the

creation of impairment, which is recorded as a deduction from assets, intended to cover the risk of loss. Impairment is calculated debt by debt, taking into account the current value of guarantees received. They are set based upon an analysis of the risk and the guarantees available.

(c) Reclassification within internal risk assessment categories, as well as allocations to the accounting headings of doubtful or impaired loans and indication of any adjustment to the level of provisioning

Any reclassification needs to be approved by the Head Office Credit Department, on the recommendation of the branch. The internal rating is reviewed at each annual renewal or as part of the Problem Loan Report process. These rating changes are listed and reported to the Head Office Credit Department on a monthly basis. The criteria for determining that a facility is non-performing are in credit policies.

The accounting valuation of expected credit losses (IFRS9 provision) is performed according to the methodology established by the QNB Group. It should be noted that while these expected losses are recognised in the financial reports transmitted to the QNB Group and established under IFRS, they are not recognised in the financial statements established under French accounting standards.

d) Stress tests:

Each month, two stress scenario reports are prepared:

- A test on the value of real estate on which QNB Paris has a security interest: lender's lien, conventional mortgage or negative pledge. This test determines whether the bank is able to withstand a decline in the value of the assets by 25%, 50% and 75%.
- A test on the value of shares in companies on which QNB Paris has a pledge. This test determines whether the bank is able to withstand a decline in the value of the shares by 25%, 50% and 75%.

d) Credit risk exposure limit framework

i. Definition and updating of limits

Limits are set on a case-by-case basis, following the credit granting process described above, as follows:

- **By counterparty:** some counterparties are assigned an overall limit to issue a certain type of transaction:
 - Limits assigned to banks: per bank and per transaction (loans, letters of credit, letters of guarantee, discounts);
 - Limits on the issuance of off-balance sheet transactions (letters of guarantee, structured letters of credit) by certain companies;
 - Limits on the use of funds by certain clients (revolving credit facilities, overdraft authorisations);

Within these overall limits, each operation is considered on a case-by-case basis and approved under the operation selection scheme.

- **Or by operation:** in this case the limit is allocated to a specific operation (loan, temporary overdraft, rental guarantee, etc.).

Each limit must be reviewed or renewed annually, following the same process as for credit granting. The limits for interbank facilities are all reviewed at once, with the last review taking

place in the fourth quarter of 2021 for approval by the parent company in January 2022.

ii. Monitoring of limits

A daily report edited from the establishment's management system and containing details of limit overruns is sent to the sales team on a daily basis for follow-up and regularisation. It is also forwarded to the Risk Department and the General Manager.

The limits are also reported at the end of each month by the QNB Paris Risk Department. Limit overruns and unpaid instalments are reported in the form of a specific report, the "Monthly Irregular Report", in which the Risk Department draws up a list of cases where the limit has been exceeded and specifies:

- The outstanding amount;
- The history of the relationship;
- The actions taken;
- The proposed actions

This report is sent to the Head Office Credit Department, as well as to the Branch General Manager, the Commercial Managers and the Compliance Department.

3.1.5 Concentration risk management

a) By counterparty

i. Counterparty concentration risk monitoring tool

All commitments made, whether in the form of financing or as a signature commitment, are taken into account in the calculation of counterparty risk.

The concentration risk per counterparty is reported monthly in the Credit Concentration Report.

ii. Counterparty exposure limits mechanism

Each commitment decision for any credit operation of any kind (financing, commitment by signature, etc.) is materialised by the approval of a limit, entered into the Bank's information systems.

Compliance with the limits granted per counterparty is monitored daily and reported by the Risk Department at the end of each month. Any overruns are reported in the irregular report and dealt with on a case-by-case basis by the commercial managers under the supervision of Risk.

b) By sector:

i. Sector concentration risk monitoring tool

The monitoring and reporting of sector concentration risk is carried out by the Risk Department. This monitoring is reported monthly to the parent company and to the branch's General Management.

ii. Sectoral exposure limit mechanism

The branch's general strategy, including credit risks and in particular the establishment's current and future credit risk appetite, is prepared by the relationship managers with the support of Risk Management and then presented by the General Management to the parent company's Credit Committee, chaired by the Group's Chief Executive Officer, which gives its approval on this basis. This strategy determines the limits by geographical area, economic sector, rating and counterparty. In addition, files are studied on a case-by-case basis when a financing opportunity is presented and validated (except for facilities under the delegation of the Chief Executive Officer) by the parent company, which controls the overall limits. Compliance with the limits granted per counterparty is monitored by the Risk Department.

c) By geographical area:

Country limits are set at Group level by the bank's Board of Directors. These limits are transmitted annually to the branch that acts within these limits. The monitoring and reporting of concentration risk by geographical area is done manually by the Risk Department. This monitoring is presented to the branch's General Management in the Risk Committee.

3.1.6 Staffing and hierarchical and functional positioning of the unit responsible for monitoring and controlling credit risks

The QNB Paris Risk Department is responsible for monitoring and controlling credit risks. In 2021, the number of staff responsible for monitoring and controlling credit risks was four (Head of Risk, Credit Risk Manager, Credit Analyst and Credit Administration Officer). The Risk Department reports to the General Manager of QNB Paris and functionally to Group Risk and Group Credit departments of the parent company.

3.1.7 Governance roles and responsibilities

The branch's general strategy, including credit risks and in particular the establishment's current and future credit risk appetite, is prepared by the relationship managers with the support of Risk Management and then presented by the General Management to the parent company's Credit Committee, chaired by the Group's Chief Executive Officer, which gives its approval on this basis. This strategy determines the limits by geographical area, economic sector, rating and counterparty. The last validated strategy is from 2021, in the context of the definition of the Risk Appetite Statement and the corresponding indicators. The Branch Risk Committee meets quarterly and reviews the overall risk strategy in general and credit risk in particular, based on portfolio presentations.

3.2 Market risk: EU MRA - Disclosure requirements for qualitative market risk information

QNB Paris does not engage in any proprietary trading activities. Commitments that may constitute exposure to market price risk - forward interest rate transactions - are only entered into with the Head Office Treasury and only to hedge client lending transactions requiring the implementation of interest adjustment arrangements.

The only positions taken by QNB Paris are in high quality liquid assets in order to comply with the Short Term Liquidity Ratio required by the EU CRD IV (LCR).

The size and composition of the portfolio is reviewed once a month according to the liquidity needs of the branch. As of 31.12.2021, the portfolio consists of US dollar bonds. The investments are managed through a procedure that specifies the stakeholders, the risk profile of the bonds and also of the portfolio, the specific monitoring of the portfolio and the proactive warning indicators. Each investment must be validated by the monthly Asset-Liability Committee.

3.3 Operational risk: EU ORA - Qualitative information on operational risk

3.3.1 Structure, processes and organisation of operational risk

Operational risk management is part of an overall risk assessment conducted within the Group, which is summarised by the Group Risk Department and reviewed by the Group Risk Committee each quarter.

The QNB Paris operational risk management mechanism is in line with the “QNB Group Operational Risk Strategy - 2020 vision“. The main pillars are:

- Operational risk mapping, called RCSA (Risk and Control Self-Assessment), updated annually;
- KRI (Key Risk Indicators) monthly reporting;
- Operational incident reporting in case of an event (QNEP - QNB Notifiable Event Process);
- The Risk Mitigating Action (RMA) plan.

The RCSA (Risk and Control Self-Assessment) is prepared by QNB Paris and is subject to a double validation. First internally, within QNB Paris, then by the Group's risk department.

- The format of the monthly KRI reporting is established by the Group's risk department, which determines the indicators and the applicable limits. Reporting is done monthly by the QNB Paris risk department and sent to the Group risk department.
- Operational incident reports - QNEP - are prepared by the QNB Paris teams, reviewed by the QNB Paris Risk Department and sent to the QNB Paris Chief Executive Officer for validation and submission to the Group Risk Department.
- Risk mitigation plans - RMAs - are actions taken by QNB Paris departments in order to reduce operational risks. RMAs help to manage action plans to reduce operational risks, define responsibilities, forecast completion dates and allow regular monitoring of their progress.

Operational risk is integrated into the governance of QNB Paris, with this subject being regularly discussed by the Management Committee (frequency of meetings: at least monthly) and the Risk Committee (frequency of meetings: quarterly).

In addition, operational risk is also integrated into the governance of the QNB Group through the Group Operational Risk Management Committee - International Branches. This committee, created in 2018, is a specialised committee of the Group Management Risk Committee. It meets quarterly and is responsible for establishing, updating and reviewing procedures to identify, monitor, review and reduce operational risk. QNB Paris participates in this committee, with its Head of Risk as a member.

3.3.2 Description of the types of operational risks to which the establishment is exposed

Control of operational risks:

The types of operational risks to which QNB Paris is exposed are those defined by international standards:

- Internal fraud risk;
- External fraud risk;
- Information and cyber security risk;
- Risk related to employment and safety practices in the workplace;
- Customer, product and business practices risk;
- Risk of damage to technology and infrastructure, including physical assets;
- Risk related to the execution, delivery and management of processes.

Risk mapping

The operational risk map, called RCSA (Risk and Control Self-Assessment), is updated annually. Prepared by the QNB Paris risk department, the RCSA identifies and measures the key operational risks of each QNB Paris activity/department, describes the existing controls and assesses their effectiveness.

Each identified risk is assessed according to criteria of severity/impact and frequency/probability of occurrence.

The RCSA also indicates the actions to be taken in the event that the level of residual risk is considered excessive. This table is updated annually, or more frequently if deemed necessary. The last update was finalised in November 2021.

3.3.3 Operational risk measurement and control - Summary description of reporting used for operational risk measurement and management

In addition to risk mapping, the main reporting tool used to measure and manage operational risk is the monthly Key Risk Indicators (KRI) report.

The KRI is prepared by the QNB Paris risk department on the basis of information provided by the bank's various departments. It is organised by type of risk (mainly operational risk, but also legal risk, reputation risk, IT risk/IT security) and makes it possible to assess the general state of the entire establishment from an operational risk point of view. The KRI consists of 35 indicators, which are updated at least once a year to reflect new activities or risks that have emerged during the year. Limits are associated with each indicator according to three alert indicator levels ("green": risk, "orange": to be monitored, "red": action to be taken immediately).

3.3.4 Hedging and mitigating operational risk

a) Description of specific procedures for the control of internal and external fraud risk:

External fraud involves losses resulting from the actions of third parties intended to commit fraud or misappropriation of assets or to violate a legal or regulatory provision. It is minimised by keeping and monitoring a register of incoming mail and a register of visits. In addition, with regard to means of payment, all transfer orders and cheque issues over EUR 5,000 are subject to telephone confirmation with the client by the account manager as to the reality of the payment request and the beneficiary of the transaction. On return from clearing, cheques are checked against the beneficiary information obtained directly from the client at the time of issue by telephone verification by the account manager.

b) Processes to help mitigate the risk of internal fraud:

The instruction and funds transfer processes, on the SEPA system or by SWIFT message, systematically require the validation of two operators different from the one who entered the instruction.

Capture of credit limits in the system is also subject to maker/checker system which require the validation of a manager different from the one who entered the limit.

- Dormant and suspense accounts are subject to specific control processes. Unannounced and independent safe checks are carried out every month by the Internal Control and Compliance Department in order to check, on the one hand, that the main cash desk was properly maintained and, on the other hand, to verify the adequacy of the existing cash desk with the accounting balance throughout the previous month.

c) General description of the contingency and business continuity plan:

The QNB Paris emergency and business continuity plan is formalised in a single document, the QNB Paris Business Continuity Plan (hereinafter "BCP"). The BCP was reviewed in 2021, in two stages.

Firstly, the BCP was fully reviewed and updated in early 2021. The updated BCP was validated in March 2021 at the local level (validation by the QNB Paris General Manager) and by the head office (validation by the Head of Business Continuity within the QNB Group Risk Department). It was distributed to all QNB Paris staff. This single document notably deals with:

- The governance applicable to contingency planning and business continuity;
- The objectives of the contingency and business continuity plan and the selected scenarios;
- The overall architecture of the emergency and business continuity plan and the related organisation;
- The scope of activities covered by the emergency and business continuity plan;
- Solutions implemented or planned to respond to the envisaged emergency situations.

Secondly, the BIA (Business Impact Analysis) was reviewed and updated in Q3 2021. The reviews and updates included the following topics:

- Key business processes;
- MAO (Maximum Acceptable Outage) and RTO (Recovery Time Objective);
- Identification of dedicated staff and their equipment, including IT tools.

The BCP was then updated in light of the updated BIA.

Formalization of procedures, summary description of backup and fallback sites:

The BCP was updated to take into account the lessons learned from the activation of the BCP in 2020 in the context of the Covid-19 epidemic and the new measures and solutions deployed by QNB Paris, particularly in the area of teleworking. At the same time, IT back-up procedures were integrated into the operational procedures applied by the IT department, particularly in the context of periodic back-ups. They make it possible to implement a back-up plan by making daily back-ups of data on magnetic tapes and on a remote server in order to be able to restore them on the back-up site, which also benefits from access to all of the head office computer systems used by the establishment in a secure environment.

Testing of the contingency and business continuity plan

The contingency and business continuity plan is subject to several tests conducted on an annual basis:

- A restoration and connectivity test from the main backup site;
- A comprehensive test of the QNB Group's BCP, which integrates QNB Paris for the network with the head office, information and communication systems.

The tests conducted in 2021 did not reveal any anomalies.

4 Capital and capital requirements

4.1 EU OVC: ICAAP information

Capital adequacy assessment method.

- **ICAAP:**

An ICAAP process is in place at QNB Group level. It enables the QNB Group, its subsidiaries and branches to maintain a rigorous and forward-looking assessment of capital adequacy through the dynamic identification and internal assessment of its risks and corresponding capital requirements. The evolution of the valuation and management processes ensures that QNB's capital is sufficient to support business growth and regulatory requirements under both favourable and unfavourable conditions.

As part of this assessment, the financial projections of the income statement and balance sheet of each subsidiary and branch are aggregated and used to calculate and compare the Group's capital requirements and capital resources.

ICAAP is also a useful process for documenting the link between QNB's capital management and its risk appetite, business strategy and risk management, thereby ensuring that capital is managed appropriately and used effectively. In practical terms, this means that QNB's capital target is a key element for risk-adjusted pricing for each transaction, setting limits at client, entity and country level for example.

- **Stress test:**

As part of the QNB Group's risk management framework, financial planning, capital and recovery processes, the Group uses stress tests to assess its capital adequacy under adverse but plausible scenarios. The group stress tests are the sum of the impacts of the entity-specific scenarios for each of its subsidiaries and international branches.

For the QNB Paris branch, this includes the scenario of a recovery from the global credit crisis. Management actions are included to give a before and after impact on QNB's earnings and capital in the stress scenarios.

The results of the Group's recent stress tests (conducted quarterly or more regularly as required) show that the post-mitigation stressed capital ratios would remain above the minimum regulatory capital requirements and meet operational needs over the planning horizon.

4.2 EU OV1: Overview of total exposure amounts

		Total risk exposure amount (TREA)		Total capital requirements
		a	b	c
		31/12/2021	31/12/2020	31/12/2021
1	Credit risk (excluding CCR)	3,279,550,650	3,754,449,645	262,364,052
2	Of which standard approach	3,279,550,650	3,754,449,645	262,364,052
3	Of which simple NI approach (F-IRB)			
4	Of which approach by referencing			
EU 4a	Of which shares according to the simple weighting method			
5	Of which Advanced IRB approach (A-IRB)			
6	Counterparty credit risk - CCR			
7	Of which standard approach			
8	Of which internal model method (IMM)			
EU 8a	Of which exposures on a CCP			
EU 8b	Of which credit valuation adjustment - CVA			
9	Of which other ACCs			
10	Not applicable			
11	Not applicable			
12	Not applicable			
13	Not applicable			
14	Not applicable			
15	Settlement risk			
16	Securitisation exposures in the non-trading book (after the cap)			

		Total risk exposure amount (TREA)		Total capital requirements
17	Of which SEC-IRBA approach			
18	Of which SEC-ERBA (including AFI)			
19	Of which SEC-SA approach			
EU 19a	Of which 1,250% / deduction			
20	Position, currency and commodity risks (Market Risk)			
21	Of which standard approach			
22	Of which internal model approach			
EU 22a	Major risks			
23	Operational risk	79,488,099	79,488,099	6,359,048
EU 23a	Of which elementary approach	79,488,099	79,488,099	6,359,048
EU 23b	Of which standard approach			
EU 23c	Of which advanced measurement approach			
24	Amounts below deduction thresholds (subject to 250% weighting)			
25	Not applicable			
26	Not applicable			
27	Not applicable			
28	Not applicable			
29	Total	3,359,038,749	3,833,937,744	268,723,100

4.3 EU CC1: Composition of regulatory capital

		a	b
17	Of which SEC-IRBA approach		
18	Of which SEC-ERBA (including AFI)		
19	Of which SEC-SA approach		
EU 19a	Of which 1,250% / deduction		
20	Position, currency and commodity risks (Market Risk)		
21	Of which standard approach		
22	Of which internal model approach		
EU 22a	Major risks		
23	Operational risk	79,488,099	79,488,099
EU 23a	Of which elementary approach	79,488,099	79,488,099
EU 23b	Of which standard approach		
EU 23c	Of which advanced measurement approach		
24	Amounts below deduction thresholds (subject to 250% weighting)		
25	Not applicable		
26	Not applicable		
27	Not applicable		
28	Not applicable		
29	Total	3,359,038,749	3,833,937,744

		Amount 31.12.2021 (in EUR)
REGULATORY CAPITAL	0010	440,805,507
TIER 1 CAPITAL	0015	440,805,507
COMMON EQUITY TIER 1 CAPITAL	0020	440,805,507
Capital instruments eligible as CET1 Capital	0030	385,547,294
Fully paid up capital instruments	0040	385,547,294
Of which: Capital instruments subscribed by public authorities in emergency situations	0045	
Memorandum item: Capital instruments not eligible	0050	
Share premium	0060	
(-) Own CET1 instruments	0070	
(-) Direct holdings of CET1 instruments	0080	
(-) Indirect holdings of CET1 instruments	0090	
(-) Synthetic holdings of CET1 instruments	0091	
(-) Actual or contingent obligations to purchase own CET1 instruments	0092	
Retained earnings	0130	55,583,177
Previous years retained earnings	0140	55,583,177
Profit or loss eligible	0150	
Profit or loss attributable to owners of the parent	0160	
(-) Part of interim or year-end profit not eligible	0170	
Accumulated other comprehensive income	0180	
Other reserves	0200	
Funds for general banking risk	0210	

Transitional adjustments due to grandfathered CET1 Capital instruments	0220	
Minority interest given recognition in CET1 capital	0230	
Transitional adjustments due to additional minority interests	0240	
Adjustments to CET1 due to prudential filters	0250	
(-) Increases in equity resulting from securitised assets	0260	
Cash flow hedge reserve	0270	
Cumulative gains and losses due to changes in own credit risk on fair valued liabilities	0280	
Fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	0285	
(-) Value adjustments due to the requirements for prudent valuation	0290	
(-) Goodwill	0300	
(-) Goodwill accounted for as intangible asset	0310	
(-) Goodwill included in the valuation of significant investments	0320	
Deferred tax liabilities associated to goodwill	0330	
Accounting revaluation of subsidiaries' goodwill derived from the consolidation of subsidiaries attributable to third persons	0335	
(-) Other intangible assets	0340	-324,964
(-) Other intangible assets before deduction of deferred tax liabilities	0350	-324,964
Deferred tax liabilities associated to other intangible assets	0360	

Accounting revaluation of subsidiaries' other intangible assets derived from the consolidation of subsidiaries attributable to third persons	0365	
(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	0370	
(-) IRB shortfall of credit risk adjustments to expected losses	0380	
(-) Defined benefit pension fund assets	0390	
(-) Defined benefit pension fund assets	0400	
Deferred tax liabilities associated to defined benefit pension fund assets	0410	
Defined benefit pension fund assets which the institution has an unrestricted ability to use	0420	
(-) Reciprocal cross holdings in CET1 Capital	0430	
(-) Excess of deduction from AT1 items over AT1 Capital (see 1.2.10)	0440	
(-) Qualifying holdings outside the financial sector which can alternatively be subject to a 1.250% risk weight	0450	
(-) Securitisation positions which can alternatively be subject to a 1.250% risk weight	0460	
(-) Free deliveries which can alternatively be subject to a 1.250% risk weight	0470	
(-) Positions in a basket for which an institution cannot determine the risk weight under the IRB approach, and can alternatively be subject to a 1.250% risk weight	0471	
(-) Equity exposures under an internal models approach which can alternatively be subject to a 1.250% risk weight	0472	

(-) CET1 instruments of financial sector entities where the institution does not have a significant investment	0480	
(-) Deductible deferred tax assets that rely on future profitability and arise from temporary differences	0490	
(-) CET1 instruments of financial sector entities where the institution has a significant investment	0500	
(-) Amount exceeding the 17.65% threshold	0510	
(-) Amount exceeding the 17.65% threshold related to CET1 instruments of financial sector entities where the institution has a significant investment	0511	
(-) Amount exceeding the 17.65% threshold related to deferred tax assets arising from temporary differences	0512	
(-) Insufficient coverage for non-performing exposures	0513	
(-) Minimum value commitment shortfalls	0514	
(-) Other foreseeable tax charges	0515	
Other transitional adjustments to CET1 Capital	0520	
(-) Additional deductions of CET1 Capital due to Article 3 CRR	0524	
CET1 capital elements or deductions - other	0529	
ADDITIONAL TIER 1 CAPITAL	0530	
Capital instruments eligible as AT1 Capital	0540	
Fully paid up, directly issued capital instruments	0551	
Memorandum item: Capital instruments not eligible	0560	
Share premium	0571	

(-) Own AT1 instruments	0580	
(-) Direct holdings of AT1 instruments	0590	
(-) Indirect holdings of AT1 instruments	0620	
(-) Synthetic holdings of AT1 instruments	0621	
(-) Actual or contingent obligations to purchase own AT1 instruments	0622	
Transitional adjustments due to grandfathered AT1 Capital instruments	0660	
Instruments issued by subsidiaries that are given recognition in AT1 Capital	0670	
Transitional adjustments due to additional recognition in AT1 Capital of instruments issued by subsidiaries	0680	
(-) Reciprocal cross holdings in AT1 Capital	0690	
(-) AT1 instruments of financial sector entities where the institution does not have a significant investment	0700	
(-) AT1 instruments of financial sector entities where the institution has a significant investment	0710	
(-) Excess of deduction from T2 items over T2 Capital	0720	
Other transitional adjustments to AT1 Capital	0730	
Excess of deduction from AT1 items over AT1 Capital (deducted in CET1)	0740	
(-) Additional deductions of AT1 Capital due to Article 3 CRR	0744	
AT1 capital elements or deductions - other	0748	
TIER 2 CAPITAL	0750	
Capital instruments eligible as T2 Capital	0760	

Fully paid up, directly issued capital instruments	0771	
Memorandum item: Capital instruments not eligible	0780	
Share premium	0791	
(-) Own T2 instruments	0800	
(-) Direct holdings of T2 instruments	0810	
(-) Indirect holdings of T2 instruments	0840	
(-) Synthetic holdings of T2 instruments	0841	
(-) Actual or contingent obligations to purchase own T2 instruments	0842	
Transitional adjustments due to grandfathered T2 Capital instruments	0880	
Instruments issued by subsidiaries that are given recognition in T2 Capital	0890	
Transitional adjustments due to additional recognition in T2 Capital of instruments issued by subsidiaries	0900	
IRB Excess of provisions over expected losses eligible	0910	
SA General credit risk adjustments	0920	
(-) Reciprocal cross holdings in T2 Capital	0930	
(-) T2 instruments of financial sector entities where the institution does not have a significant investment	0940	
(-) T2 instruments of financial sector entities where the institution has a significant investment	0950	
(-) Excess of deductions from eligible liabilities over eligible liabilities	0955	
Other transitional adjustments to T2 Capital	0960	

Excess of deduction from T2 items over T2 Capital (deducted in AT1)	0970	
(-) Additional deductions of T2 Capital due to Article 3 CRR	0974	
T2 capital elements or deductions - other	0978	

		Amount 31.12.2021 (in EUR)
REGULATORY CAPITAL	0010	440,805,507
TOTAL RISK EXPOSURE AMOUNT	0010	3,359,038,749
CET1 Capital ratio	0010	13.12%
Surplus(+)/Deficit(-) of CET1 capital	0020	289,648,763
T1 Capital ratio	0030	13.12%
Surplus(+)/Deficit(-) of T1 capital	0040	239,263,182
Total capital ratio	0050	13.12%
Surplus(+)/Deficit(-) of total capital	0060	172,082,407
Total SREP capital requirement ratio (TSCR)	0130	8.00%
TSCR: to be made up of CET1 capital ¹⁰⁸⁰	0140	4.50%
TSCR: to be made up of Tier 1	0150	6.00%
Overall capital requirement ratio (OCR)	0160	10.50%
OCR: to be made up of CET1 capital	0170	7.00%
OCR: to be made up of Tier 1	0180	
OCR and Pillar 2 Guidance (P2G)	0190	10.50%
OCR and P2G: to be made up of CET1 capital	0200	7.00%
OCR and P2G: to be made up of Tier 1 capital	0210	

4.4 EU CC2: Reconciliation of regulatory capital to the balance sheet in the audited financial statements

		a	b
		Balance sheet in published financial statements	According to the regulatory consolidation scope
		31/12/2021	31/12/2021
1	Funds, Central banks, CCP	594,960	594,960
2	Loans to Banks	8,292,571	8,292,571
3	Transactions with clients	810,305	810,305
4	Bonds and other fixed income securities	180,429	180,429
5	Intangible assets	325	325
6	Tangible fixed assets	798	798
7	Other assets	3,132	3,132
8	Accruals and deferrals	20,836	20,836
9	Total assets	9,903,356	9,903,356
1	Due to credit institutions	1,734,437	1,734,437
2	Transactions with clients - liabilities	7,685,845	7,685,845
3	Other liabilities	6,542	6,542
4	Accruals and deferred income	8,828	8,828
5	Provisions for contingencies and expenses	14,740	14,740
6	Total liabilities (excluding equity)	9,450,392	9,450,392
1	Share capital	385,547	385,547
2	Carried forward (+/-)	55,583	55,583
3	Profit for period (+/-)	11,834	11,834
4	Total equity	452,964	452,964

5 Correspondence table

Reference	Name of the template	Regulatory reference
EU OVA	Institution's risk management approach	Article 435(1)(a) to (f)
EU OVB	Publication of information on governance mechanism	Article 435(2)(a) to (e)
EU OVC	ICAAP information	Article 438(a) and (c)
EU OV1	Overview of total exposure amounts	Article 438(d)
EU CC1	Composition of regulatory capital	Article 437(a), (d), (e) and (f)
EU CC2	Reconciliation of regulatory capital to the balance sheet in the audited financial statements	Article 437(a)
EU KM1	Model for key indicators	Article 437(a) to (g) Article 438(b)
EU CRA	General qualitative information about credit risk	Article 435(1)(a),(b), (d) and (f)
EU MRA	Qualitative disclosure requirements related to market risk	Article 435(1)(a) to (d)
EU ORA	Qualitative information about operational risk	Article 435(1)(a) to (d) Article 446 Article 454