BMCE BANK INTERNATIONAL plc

PILLAR 3 DISCLOSURES

FOR THE YEAR 2015

Company Registration N°5321714 (England and Wales)

Additional information required by the Capital Requirements Directive (CRD)

Pillar 3 Disclosures

This is unaudited information

A. Ratios

The following disclosures are in accordance with the requirements of the Capital Requirements Directive. The numbers in this appendix are as submitted to the Prudential Regulation Authority and do not reflect late adjustments to the financial statements which are not considered to be material.

Further information on capital management is available in note 39 of the 2015 audited financial statements.

The Bank has no Tier 3 capital.

Deductions from pillar 1 capital are goodwill and AFS reserve. Figures are available on table in note 39of the 2015 audited financial statements.

£’000	2015	2014
Tier 1 capital	45,544	40,825
Subordinated debt (principal)	13,001	13,775
Tier 2 capital	**58,545**	**54,600**
Required capital pre capital planning buffer	43,840	37,091
Capital planning buffer	8,200	8,200
Required capital including buffer	**52,040**	**45,291**
Surplus Capital	**6,505**	**9,309**
Risk weighted assets	360,523	305,024
Tier 1 capital ratio	12.6%	13.3%
Solvency ratio	16.2%	17.9%

B. Regulatory exposure values

The regulatory net exposure values and pillar 1 capital requirements by class are as follows:

£’000	2015	2014-Restated*
Central governments or central banks	43,541	36,550
Institutions	137,934	72,086
Corporate	84,922	79,742
Retail	180	185
Short term claims on institutions	107,245	94,933
Other items	9,033	11,853
Total	**382,855**	**295,349**

*The Bank changed its approach of disclosing, regulatory net exposure, and as a result the 2014 figures were restated.

Additional information required by the Capital Requirements Directive (CRD)

Pillar 3 Disclosures (continued)

B. Regulatory exposure values (continued)

Pillar 1 capital requirement:

£'000	2015	2014
Central governments or central banks	4,668	2,773
Institutions	8,316	5,682
Corporate	4,881	6,587
Retail	16	16
Short term claims on institutions	1,797	1,941
Other items	678	143
Total	**20,356**	**17,142**

C. Risk management

Risk Management is described in note 33 of the 2015 audited financial statements.

D. Credit risk

Credit Risk is described in note 34 of the 2015 audited financial statements..

The average net exposures by class during the year

£'000	2015	2014-Restated*
Central governments or central banks	37,706	35,222
Institutions	88,860	132,998
Corporate	75,299	61,081
Retail	161	172
Short term claims on institutions and corporate	91,798	37,628
Other items	13,098	12,927
Total	**306,922**	**280,028**

*The Bank changed its approach of disclosing, average net exposure, and as a result the 2014 figures were restated.

The bank monitors the performance of all credit exposures. It classifies an exposure as past due whenever a due payment of interest or principal is overdue. The risk department is responsible for monitoring exposures. If it has a concern as to whether an exposure may be at risk of default this is referred to the credit committee. Exposures are classified as impaired if there is a reasonable probability of default.

Additional information required by the Capital Requirements Directive (CRD)

Pillar 3 Disclosures (continued)

D. Credit risk (continued)

The table below shows loans impaired and provisions applied:

£'000	2015 Principal	2015 Provision	2014 Principal	2014 Provision
By type				
Loans to customers	1,829	597	9,929	1,785
By sector				
Construction & heavy goods	1,242	387	4,925	1,359
Commodities extraction and production	-	-	4,276	187
Individuals	6	-	-	-
Recreational	581	210	615	222
Transport and shipping	-	-	113	17
Total	**1,829**	**597**	**9,929**	**1,785**
Expected Recovery				
0 to 3 months		-		187
3 - 6 months		-		1,359
6 months to 1 year		-		239
1 to 2 years		387		-
Greater than 2 years		210		-
Total		**597**		**1,785**

The Bank uses the following External Credit Assessment Institutions:

- Fitch Ratings;
- Moody's Investors Service.

These ratings are applied to the exposures to Institutions and central governments.

The ratings are mapped as follows:

Credit quality	Moodys	Fitch
1	Aaa	AAA
2	Aa1 to Aa3	AA+ to AA-
3	A1 to A3	A+ to A-
4	Baa1+ to Baa3	BBB+ to BBB-
5	Ba1 to Ba3	BB+ to BB-
6	B1 to B3	B+ to B-
7	Caa1 and below	CCC+ and below
NR	Not rated	
SN	Supranational	

Additional information required by the Capital Requirements Directive (CRD)

Pillar 3 Disclosures (continued)

E. Market risk

The exposures that are subject to market risk are:

- Interest rate swaps
- Foreign exchange open positions
- Available for sale instruments

Equity risk is measured using the standardised approach. The trading book equities are quoted but are not part of any qualifying equity index. There are no short positions and hence no netting.

The Bank calculates the general market risk on its interest rate swaps by using the maturity method. The swaps are standard fixed / floating swaps. The risk is calculated by the standardised method of placing the cash flows into time bands.

The Bank applies the ordinary credit default swap PRR (Position Risk Requirement) method. A valuation change capital charge is added to a default capital charge. The aggregate charge is limited to the maximum loss possible under the swaps.

Further information is available in note 36.

£'000	2015	2014
Interest rate risk	6,954	5,046
Foreign exchange risk	197	7
Total	**7,151**	**5,053**

F. Liquidity risk

Liquidity Risk is described in note 35.

of the 2015 audited financial statements.

G. Operational risk

The Bank calculates its operational risk capital requirement by using the basic indicator approach.

Further information is available on note 37.

H. Remuneration policy

The Remuneration Committee meets at least annually or as frequently as is required to:

- establish the compensation policy;
- review individual performances, salary adjustments and position upgrades; and
- review any other relevant compensation issues.

The Remuneration committee consist of two non-executive Directors, with Chief Executive Officer and Human Resource, and others by invitation as considered appropriate.

The committee is chaired by a non-executive Director.

In addition to the Chair of the committee, another member of the Board of Directors, the Chief Executive Officer and Human Resources department also attend.

No employee receives shares or other variable remuneration.

Non-cash benefits are those that are standard within the industry; the most significant being private medical insurance and season ticket loans.

Total remuneration is disclosed in note 10 of the 2015 audited financial statements.

Remuneration of key personnel is disclosed in note 30 of the 2015 audited financial statements. The number of employees is such that further analysis is not material and would be confidential.