Banque Banorient France

Pillar III Disclosure

30th September 2024

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1. 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 Head Office 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.

2. Corporate Governance

The Code of Corporate Governance was approved in 2021 by the Board of Directors at Banque Banorient France in Paris. It sets out the Board structure that identifies the rights and responsibilities of each of the Board members, Senior Management, employees and external stakeholders. The Code complies with all local laws and regulations to which the Bank is subject to, as well as the Basel Committee's principles on Corporate Governance and outlines the expected conduct of all parties in order to achieve the objectives set for the Bank. The Code also discuss about the Audit and Risk Committee which is under supervision of the Bank's Board of Directors.

The Board of Directors meets as frequently as necessary for the discharge of its Corporate Governance obligations and to ensure good functioning of the bank, noting the Board should meet at least four times a year.

The Board is responsible to appoint the Chairman-General Manager and upon the recommendation of the Chairman of the Board, the Deputy CEO. A Fit and Proper Process is in place for the selection of the Management. The Board is advised about by the Chairman on the nomination of the Country Managers.

The Board is responsible to oversee the Senior Management. It holds members of Senior Management accountable for their actions and enumerate the consequences if those actions are not aligned with the Board's expectations. This includes adhering to the Bank's values, Risk Appetite and Risk Culture.

To strengthen the Board's oversight function of management, the independent and non-executive Board members meet at least once a year independently from Management and other executive Board members and outside the framework of Board Committees to discuss the various operations and the overall situation of the Bank.

The Bank makes sure that all employees act professionally, ethically and with the utmost integrity in accordance with an established Compliance Policies and Code of Conduct. Additionally, the Bank recognizes the value of its Human Resources as a prime stakeholder in the institution, endeavoring to treat all employees in the most equitable manner.

Awareness sessions on Corporate Governance are organized for new employees in order to introduce the Code and related principles, while more advanced presentations are provided to all employees at least every two years.

The Bank will continue to develop its Corporate Governance practices as well as its governance structure in line with the latest regulatory requirements and international best practices while seeking to enhance stakeholders' interests from shareholders to employees.

3. 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.

4 - Risk Appetite

Banque Banorient France-UAE recognizes the extent of risk tolerance as outlined below:

- Key risks that the Bank is exposed to and procedures followed by the Bank to assess monitor and report these risk factors;

- Basic principles encompassing risk management practices and risk appetite philosophy;

- Definition of risk appetite;

- Risk appetite objectives;

- Risk appetite framework and KRIs along with their thresholds;

- Process and procedures to embed risk appetite objectives into day-to-day operations of the Bank;

- The process of monitoring and reporting KRIs, including internal reporting structure along with the frequency and department responsible for reporting; and

- Procedures in case of breach of KRIs thresholds.

The Bank recognizes the three core dimensions in embedding its risk appetite:

- **Strategic dimension:**

. Optimization of risk/return within tolerances and limits set by the Bank through strategic planning and budgeting.

. Proactive communication between the Bank's Management and Business Units Heads.

- Tactical dimension:

. Translation of risk appetite into limits.

. Senior Management early warning reporting.

. Tactical resetting of risk appetite and/or risk appetite limits due to change in strategy or external factors.

. Risk appetite limits breach management.

- Operational dimension:

. Monitoring of limits;

. Alignment of performance measurement with the Bank's strategy.

The risk appetite statement constitutes of both quantitative and qualitative parameters. Defined metrics were set to monitor Capital, Liquidity, Internal Control & Governance, Employee Ethical Behavior, Regulatory Compliance, Reputational Impact, Credit, Market and Operational risk, Information Security and Conduct Risk. . The Bank strives to keep its risk exposure within its risk appetite thresholds.

5. Risk Capital Aggregation

To establish the total internal capital requirement based on a comprehensive assessment of all risks, the Bank observed two distinct approaches for Risk Capital Aggregation:

- A structured approach, whereby different methodologies for the different risk types (Pillar I and Pillar II risks) are employed and then calculating a sum of the resulting capital requirements; or

- An approach using 'bottom-up' transaction based approaches with integrated correlations.

By using the second approach, distribution assumptions would have needed to be built as a result of risk modeling over a previous time horizon and the resultant aggregation would then consider the correlations between the risks.

The Bank had two concerns with this approach

- The approach using correlations is far less conservative; and

- The reliability of correlation assumptions used for the approach is less likely to be appropriate for stressed conditions.

As such, the Bank used the structured approach whereby for each given year, different risk modeling methodologies were used and then the overall capital requirement is the sum of the resulting individual risk capital requirements.

6. Template KM1: Key metrics:

		a	b	c	d	e	f
		30/09/24	30/06/24	31/03/24	31/12/23	30/09/23	30/06/23
	Available capital (amounts)						
1	Common Equity Tier 1 (CET1)	635,133	635,133	680,004	590,261	590,261	610,507
1a	Fully loaded ECL accounting model	635,133	635,133	680,004	590,261	590,261	610,507
2	Tier 1	635,133	635,133	680,004	590,261	590,261	610,507
2a	Fully loaded ECL accounting model Tier 1	635,133	635,133	680,004	590,261	590,261	610,507
3	Total capital	651,583	651,583	696,454	606,425	606,711	626,957
3a	Fully loaded ECL accounting model total capital	651,583	651,583	696,454	606,425	606,711	626,957
	Risk-weighted assets (amounts)						
4	Total risk-weighted assets (RWA)	1,721,398	1,658,237	1,621,350	1,451,109	1,587,288	1,592,838
	Risk-based capital ratios as a percentage of RWA						
5	Common Equity Tier 1 ratio (%)	36.90%	38.30%	41.94%	40.68%	37.19%	38.33%
5a	Fully loaded ECL accounting model CET1 (%)	36.90%	38.30%	41.94%	40.68%	37.19%	38.33%
6	Tier 1 ratio (%)	36.90%	38.30%	41.94%	40.68%	37.19%	38.33%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	36.90%	38.30%	41.94%	40.68%	37.19%	38.33%
7	Total capital ratio (%)	37.85%	39.29%	42.96%	41.79%	38.22%	39.36%
7a	Fully loaded ECL accounting model total capital ratio (%)	37.85%	39.29%	42.96%	41.79%	38.22%	39.36%
	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%	2.50%
9	Countercyclical buffer requirement (%)	0%	0%	0.00%	0.00%	0%	0%
10	Bank D-SIB additional requirements (%)	0%	0%	0.00%	0.00%	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%	2.50%
12	CET1 available after meeting the bank's minimum capital requirements (%)	27.35%	28.79%	32.46%	31.29%	27.72%	28.86%
	Leverage Ratio						
13	Total leverage ratio measure	4,860,986	4,703,542	4,657,085	4,433,623	4,296,947	4,327,670
14	Leverage ratio (%) (row 2/row 13)	13.07%	13.50%	14.60%	13.31%	13.74%	14.11%
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	0	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	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	1,712,628	1,687,600	1,719,507	1,667,271	1,271,915	1,357,295
22	Total liabilities	3,919,318	3,800,681	3,776,815	3,563,340	3,443,954	3,484,112
23	Eligible Liquid Assets Ratio (ELAR) (%)	43.70%	44.40%	45.53%	46.79%	36.93%	38.96%
	ASRR						
24	Total available stable funding	3,856,885	3,762,607	3,750,993	3,548,884	3,453,917	3,469,047
25	Total Advances	1,874,735	1,832,541	1,669,486	1,453,146	1,565,359	1,762,528
26	Advances to Stable Resources Ratio (%)	48.61%	48.70%	44.51%	40.95%	45.32%	50.81%

7. Template OV1: Overview of RWA

		a	b	c	d
		RWA		Minimum capital requirements	Minimum capital requirements
		30/09/24	30/06/24	30/09/24	30/06/24
1	Credit risk (excluding counterparty credit risk)	1,495,213	1,436,931	156,997	150,878
2	Of which: standardised approach (SA)	1,495,213	1,436,931	156,997	150,878
3					
4					
5					
6	Counterparty credit risk (CCR)	-	-	-	-
7	Of which: standardised approach for counterparty credit risk	-	-	-	-
8					
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					
18	Of which: securitisation external ratings-based approach (SEC-ERBA)	-	-	-	-
19	Of which: securitisation standardised approach (SEC-SA)	-	-	-	-
20	Market risk	6,307	1,427	662	150
21	Of which: standardised approach (SA)	6,307	1,427	662	150
22					
23	Operational risk	219,879	219,879	23,087	23,087
24					
25					
26	**Total (1+6+10+11+12+13+14+15+16+20+23)**	1,721,399	1,658,237	180,747	174,115

8. Template LR2: Leverage ratio common disclosure template

		a	b	c	d
		30/09/24	30/06/24	31/03/24	31/12/23
On-balance sheet exposures					
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	4,646,507	4,502,859	4,499,102	4,260,581
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)**	4,646,507	4,502,859	4,499,102	4,260,581
Derivative exposures					
8	Replacement cost associated with *all* derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	0	0	0	0
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)**	0	0	0	0
Securities financing transactions					
14	Gross SFT *assets* (with no recognition of netting), after adjusting for sale accounting transactions	0	0	-	-
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0	0	-	-
16	CCR exposure for SFT assets	0	0	-	-
17	Agent transaction exposures	0	0	-	-
18	**Total securities financing transaction exposures (sum of rows 14 to 17)**	**0**	**0**	-	-
Other off-balance sheet exposures					
19	Off-balance sheet exposure at gross notional amount	317,331	305,088	225,750	253,642
20	(Adjustments for conversion to credit equivalent amounts)	(102,852)	(104,405)	(67,767)	(80,600)
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)**	214,479	200,683	157,983	173,042
Capital and total exposures					
23	**Tier 1 capital**	635,133	635,133	680,004	590,261
24	**Total exposures (sum of rows 7, 13, 18 and 22)**	4,860,986	4,703,542	4,657,085	4,433,623
Leverage ratio					
25	**Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)**	13.07%	13.50%	14.60%	13.31%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	13.07%	13.50%	14.60%	13.31%
26	CBUAE minimum leverage ratio requirement	3.00%	3.00%	3.00%	3.00%
27	**Applicable leverage buffers**	0	0	0	0

9. Template ELAR: Eligible Liquid Assets Ratio

30/09/24			
1	**High Quality Liquid Assets**	**Nominal amount**	**Eligible Liquid Asset**
1.1	Physical cash in hand at the bank + balances with the CBUAE	1,712,628	
1.2	UAE Federal Government Bonds and Sukuks	0	
	Sub Total (1.1 to 1.2)	1,712,628	1,712,628
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**	**1,712,628**	**1,712,628**
2	Total liabilities		3,919,318
3	**Eligible Liquid Assets Ratio (ELAR)**		**0.44**

30/06/24			
1	**High Quality Liquid Assets**	**Nominal amount**	**Eligible Liquid Asset**
1.1	Physical cash in hand at the bank + balances with the CBUAE	1,687,600	
1.2	UAE Federal Government Bonds and Sukuks	0	
	Sub Total (1.1 to 1.2)	1,687,600	1,687,600
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**	**1,687,600**	**1,687,600**
2	Total liabilities		3,800,681
3	**Eligible Liquid Assets Ratio (ELAR)**		**0.44**

10. Template ASRR: Advances to Stables Resource Ratio

			30/09/24	30/06/24	31/03/24	30/12/23	30/09/23
		Items	**Amount**	**Amount**	**Amount**	**Amount**	**Amount**
1		**Computation of Advances**					
	1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	1,172,379	1,100,377	1,131,763	1,077,949	1,144,290
	1.2	Lending to non-banking financial institutions	0	5	1,979	0	0
	1.3	Net Financial Guarantees & Stand-by LC (issued - received)	-68,639	-75,145	-78,924	-77,935	-84653
	1.4	Interbank Placements	770,995	807,304	614,668	453,132	505722
	1.5	**Total Advances**	1,874,735	1,832,541	1,669,486	1,453,146	1,565,359
2		**Calculation of Net Stable Ressources**					
	2.1	Total capital + general provisions	729,772	704,761	724,500	699,454	683,495
		Deduct:					
	2.1.1	Goodwill and other intangible assets	0	0	0	0	0
	2.1.2	Fixed Assets	58,664	59,196	60,093	60,964	62,847
	2.1.3	Funds allocated to branches abroad	0	0	0	0	0
	2.1.5	Unquoted Investments	0	0	0	0	0
	2.1.6	Investment in subsidiaries, associates and affiliates	0	0	0	0	0
	2.1.7	**Total deduction**	58,664	59,196	60,093	60,964	62,847
	2.2	**Net Free Capital Funds**	671,108	645,565	664,407	638,490	620,648
	2.3	**Other stable resources:**					
	2.3.1	Funds from the head office	91,826	91,820	106,497	106,511	106,514
	2.3.2	Interbank deposits with remaining life of more than 6 months	0	0	0	0	0
	2.3.3	Refinancing of Housing Loans	0	0	0	0	0
	2.3.4	Borrowing from non-Banking Financial Institutions	4,005	0	2,000	3,006	1,006
	2.3.5	Customer Deposits	3,089,946	3,025,222	2,978,089	2,800,877	2,725,749
	2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	0		0	0	0
	2.3.7	**Total other stable resources**	3,185,777	3,117,042	3,086,586	2,910,394	2,833,269
	2.4	**Total Stable Resources (2.2+2.3.7)**	3,856,885	3,762,607	3,750,993	3,548,884	3,453,917
3		**Advances TO STABLE RESOURCES RATIO (1.6/ 2.4*100)**	48.61	48.70	44.51	40.95	45.32