

Arab Banking Corporation SA
Annual Report
2021



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Management report of the Board of Directors provided for in Article L.225-100 of the Commercial Code

I. Situation and activity of the Company during the year ending 31 December 2021

The financial statements of ABC SA as at 31 December 2021 show a net profit of EUR 2.736 million.

This follows a loss of EUR 2.040 million in the 2020 financial year, which lasted less than three months.

As a reminder, the Bank is fully ultimately owned by Arab Banking Corporation B.S.C. ("ABC BSC" or "the Group") based in Bahrain, through its London-based arm ABC International Bank Plc ("ABCIB"). The Bank was established in 2018 to meet the challenge of Brexit and in October 2020 took over the assets of ABCIB's former Paris branch, with the Frankfurt and Milan branches becoming direct branches of the new Paris entity at the same time.

The balance sheet shows a total of €757.3 million vs. €676.8 million at 31 December 2020, which confirms a solid increase of 12%.

This robust result was underpinned by the maintenance of strong capital and liquidity ratios throughout 2021 and supported by the implementation of effective risk management and compliance processes within ABC SA.

II. Analysis of the evolution of the activity

Trade finance is the core business of ABC in Europe (ABCIB as well as ABC SA) and remains, within the *Global Transactional Banking* department (GTB), the main contributor to the overall European revenue.

This business offers a broad but focused range of trade finance products and services, including export and import documentary letters of credit and payments - still very important for many MENA (Middle East and North Africa) countries and in particular for key North African markets such as Libya - contract guarantees and bonds, pre-export financing and more structured products in the area of supply chain finance, such as insurance-backed receivables.

The unit's portfolio of trade finance assets is considered a key source of diversity and stability for ABC SA, reflecting the largely short-term maturity structure and self-liquidating nature of many of these assets and, therefore, their relatively low overall risk profile.

In recent years, and in line with the Group's strategy, wholesale and transactional banking products have become more important in the flow of business, with a renewed focus on the broader cash management needs of clients, complementing the more traditional relationship banking role developed with financial institutions. The GTDD (*Global Trade Debt and Distribution*) department has thus contributed to the success of the Group's "create, structure, distribute" model. In addition to serving as a tool for more efficient capital and liquidity management within the Bank, it offers the opportunity to leverage the expanded trade flows of MENA and non-MENA clients, as well as generate revenues in its own right.

2021 was a complex year in which the effects of the global COVID-19 pandemic were still present. However, the Bank proved operationally resilient and, supported by a strong balance sheet and a prudent and carefully calibrated risk appetite, was better able to capitalise on opportunities and renewed commercial momentum, generating a sustained level of Net Banking Income of EUR 24 million for the year. Profitability rebounded strongly during the year, with pre-tax profits of EUR 3.3 million and after-tax profits of EUR 2.7 million. These results reflect not only the strong overall profits of the various business units, but also a well-controlled cost base.

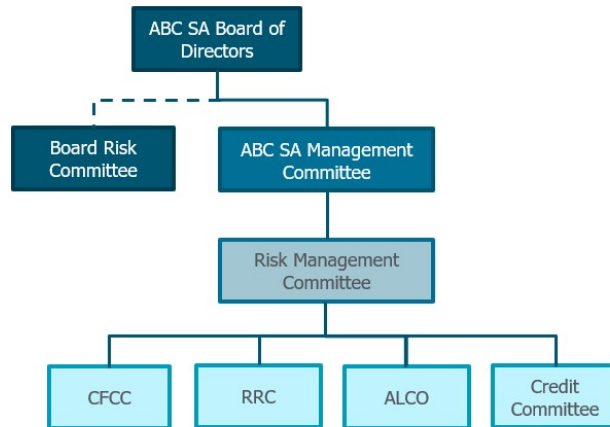
III. Main risks and uncertainties related to the business

The analysis and monitoring of the various risks incurred by the Bank and inherent to its activity are organised in accordance with the provisions of the Order of 3 November 2014 on the internal control of credit and investment institutions, which incorporates the European CRD Directive into French law.

The risk measurement and monitoring activity is largely outsourced to the parent company in London.

The functions, responsibilities and organisation of the Risk Department have been specified and described in the charter approved in January 2022.

ABC SA Committees structure:



The Bank has established a risk appetite framework that sets out the level and types of risk that ABC SA is prepared to assume in accordance with its stated risk capacity in order to be able to achieve its strategic objectives. The objective is also to be within its prudential and regulatory thresholds at all times. In addition, ABC SA has also deployed in 2021 an internal capital adequacy assessment process (ICAAP) and an internal liquidity adequacy assessment process (ILAAP) and manages its capital and liquidity risk in a manner that is fully compatible with the internal and external arrangements.

The main thresholds for the Bank's risk appetite in 2021 are detailed below:

- For the capital :
 - Capital adequacy ratio (CAR) - Maintain a minimum CAR of 15.5% (regulatory threshold is 10.5%);
 - Leverage ratio - Maintain a minimum leverage ratio of 5% (regulatory threshold of 3%);
- For liquidity :
 - Liquidity Coverage Ratio (LCR) - Maintain a minimum LCR of 5% above the regulatory threshold of 100%;
 - NSFR - Maintain a minimum NSFR of 105% (regulatory threshold 100%);
- For credit :
 - Large Exposure - Keeping exposure below 24% (the regulatory limit is 25%);
- For profit/financial performance measurement :
 - Total Operating Income (TOI) / Total amount of risk exposure as defined in Article 92 of EU Regulation 575/2013 - Target a minimum of 2%.

The risk management process has been reviewed, starting in the fourth quarter of 2021 and expected to be finalised in 2022. The revised documents take into account French and European regulatory requirements and Group standards.

In addition, and in order to improve the governance of risk management, a Risk Committee of the Board of Directors has been established in the third quarter of 2021 in addition to the already existing Credit, Asset and Liability Management and Risk Committees. This committee also covers compliance risk issues.

Credit and counterparty risks

Credit risk is considered the most significant risk for ABC SA. The Bank has therefore put in place sufficiently detailed credit risk management procedures and mechanisms that use limit systems and strict monitoring to control exposures across multiple levels of regulatory thresholds, risk appetite. This monitoring is broken down by counterparty, country of risk and industry. Counterparty credit risk is supervised by the ABC SA Credit Committee. An additional report on the monitoring of the quality of the credit portfolio is presented to the Risk Management Committee (RMC) pursuant to the authority delegated to it by the MANCOM, and after discussion it is submitted to the Board Risk Committee.

The Bank's commitments include the loan portfolio and financing commitments, as well as guarantees issued and letters of credit. Commitments are subject to a comprehensive annual review by the Risk Management Department and are submitted to the Credit Committee for approval.

A system of limits is in place to provide a framework for decision-making on the approval of new commitments and to monitor the risks associated with outstanding loans. Limits are defined for each country, sector and counterparty. These limits are reviewed annually. Any excess of limits must be justified and authorised by a decision-making body.

An internal rating system common to the Group is implemented within ABC SA. The analysis of the counterparty and the proposed limits are reviewed by the Credit Committee. The presentation rating covers separately and in a complementary manner the risk generated by a client and the risk inherent in the transaction (including the risk of the various counterparties involved in the operation). In addition to the rating of the counterparties, the risk management department expresses its opinion on the transaction risk and suggests a set of preconditions and post conditions where appropriate.

The rating system is represented by a rating scale with twenty-four levels, from 1 (best rating) to 9 (lowest rating). Rating 10 is assigned to doubtful counterparties. The use of a harmonised rating framework across the Group provides a consistent view of common counterparties and allows for a universal approach to individual clients of each Group entity.

The Bank has opted for the standard approach to credit risk for the calculation of the regulatory solvency ratio. The calculation is carried out daily by the department in charge of regulatory monitoring. As at 31 December 2021, the Bank's solvency ratio was 24.02% compared with 30.49% the previous year, still well above the regulatory level.

Operational risks

The Bank has put in place an operational risk management framework, the objective of which is to monitor and control operational risk at all levels of its business. Operational

risks within ABC SA are primarily managed by the business units, which are the first line of defence, supported by the operational risk team within the risk management department.

During 2021, several improvements were made to the operational risk management framework:

- Operational risk mapping was developed and approved in May 2021,
- The policy of raising employee awareness was strengthened and training sessions on operational and compliance risks were organised for all ABC SA staff,
- Reporting to the Risk Committee has been improved. Operational risk is also part of the quarterly report to the Board of Directors' Risk Committee.

Given the importance for ABC SA of its information system and the data it conveys, and the continuous increase in the cyber-criminal threat, the risks related to information and communication technologies and security (ICT) are major for both ABC Group and ABC SA.

Their monitoring is integrated into the operational risk management framework and managed initially by the first line of defence, Information Security and Information Systems Department within the Group and oversights by the second line of defence, Risk Management. Within ABC SA, they are monitored by the management bodies through dedicated sessions in the governance process of the Bank (Risk Management Committee, Management Committee, Board Risk Management Committee).

To strengthen the security of information system, the Group conducted in 2019 an assessment using 2 COBIT processes for assessing security practices. Afterward, this assessment aims to be deployed across the Bank ABC Group. In Q2 2021, Bank ABC began a Group-wide assessment which involved more stakeholders and using approximately 400 security practices across multiple processes. The ABC SA cyber maturity assessment resulted in level 3, which is the target level as per Bank's Risk Appetite Statement. The rooms for enhancement identified during assessment will be implemented by dedicated teams. It should be noted that ABC Group's cyber security maturity has been reassessed at level 2 which would have a positive impact on ABC SA considering the interdependencies.

No significant operational risk incidents were recorded by the Bank in 2021.

Liquidity risk management

The Board of Directors defines the liquidity risk tolerance as part of the Bank's risk appetite framework and periodically assesses the liquidity risk situation (at least annually). The Asset and Liability Management Committee is dedicated to the management of the Bank's balance sheet and is also responsible for proposing a liquidity, interest rate and foreign exchange risk management policy to management. The committee meets periodically to analyse liquidity.

The European Head of Treasury ensures the financing of the Bank's activity, maintains the level of liquidity required to meet its commitments and ensures daily monitoring and management of liquidity.

The Risk Directorate implements systems for analysing and measuring liquidity risk, performs controls on limits and is responsible for their annual review. It defines liquidity risk stress scenarios and identifies long-term liquidity risks.

The Bank's initial objective in managing liquidity is to ensure the refinancing of its activities at an optimal cost by controlling liquidity while complying with regulatory requirements. The liquidity risk management framework manages the balance sheet to achieve a targeted structure of assets and liabilities in line with the Bank's risk level defined by the Board of Directors and management.

In accordance with the regulations in force, the Bank calculates the LCR and NSFR ratios. As at 31 December 2021, the LCR ratio stood at 507% compared with 240% at the end of 2020; while the NSFR ratio stood at 143% at the end of 2021, i.e. almost the same level as at 31 December 2020 (139%). Both ratios are well above the minimum regulatory requirement of 100%.

Market activity risk

ABC SA, as part of its risk monitoring and management, uses various market risk techniques and measures to appropriately manage its risk by setting limits that are monitored on a daily basis. This information is reported to the decision-making bodies in charge of the business.

Measurement of overall interest rate risk

Interest rate risk is the risk of losses resulting from changes in interest rates. It is a factor of vulnerability of the Bank's financial situation to an unfavourable evolution of interest rates.

In its analysis of overall interest rate risk, the Bank has chosen, in accordance with the interest rate risk management guidelines published by the EBA, to differentiate between:

- the influence on economic value, which may be impacted by a sudden interest rate shock,
- the influence on future equity arising from the impact of interest rate fluctuations on future earnings power.

For this purpose, the Bank calculates the impact of a uniform yield curve shock of 2% on equity and on the current net interest margin. These projections are made in euro equivalents on all lines, irrespective of currency, and for the two significant currencies used, which are the euro and the US dollar.

ABC SA Internal control system (3 Lines of defence)

ABC SA Internal Control System is organized around three lines of defence under the accountability of the executives.

Permanent Control consists in the continuous monitoring of the risk management framework, embedded in operating processes and involving the first and the second lines of defence, whereas the periodic control, which is the third line of defence, is an audit process, independent from operating processes and done by ABCIB Internal Audit that operates according to a dedicated audit cycle.

The first line of defence (1LOD) is responsible for systems, operations, processes and for operating the first level controls which enable the Bank to manage risks. Managers and staff are accountable for achieving objectives and for risk monitoring. They should comply with applicable laws and regulations as well as with internal policies and procedures under the guidance from Compliance and Risk functions.

The second line of defence (2LOD) is responsible for defining the control framework (the system of internal control) through policies, and for monitoring the effectiveness of control through the use of various mechanism such as the Risk mapping, the Key Risk Indicators (KRI), the Compliance Monitoring plan and its testing, the 2LOD Permanent control plan and its testing, etc. This second line of defence is mainly composed by of the Head of Compliance & Permanent Control, and the Chief Risk Officer. To be noted that the 2LOD functions does not have any operational responsibility.

The Third line of defence (Periodic Control or 3LOD) is an independent and hierarchically integrated Control Function that directly hierarchically reports to the ABC SA CEO and is undertaken by the Internal Audit team of ABCIB.

Internal Audit is an independent function and undertakes reviews of the design and effectiveness of Risk Management and Internal Control System on a risk-based cycle which ensures coverage of all areas every 4 years. To be noted that the Internal Audit function does not have any operational responsibility.

IV. Communication of costs and expenses excluded from deductible expenses for the corporate tax base

In accordance with the provisions of Articles 223 *quater* and *quinquies* of the General Tax Code, it should be noted that no expenditure or sumptuary charges that are not deductible from the taxable income within the meaning of Article 39-4 of the General Tax Code, or excessive overheads within the meaning of Article 39-5 of the General Tax Code, have been recorded for the past financial year.

V. Important events since the end of the financial year

Since the end of the financial year, there have been no significant events with an impact on the Company's business.

At the accounting level, all events originating in 2021 and confirmed at the beginning of the 2022 financial year have been accounted for after the closing.

The crisis between Russia and Ukraine is being closely monitored by the Bank and will have a long-term impact on the world economy which has yet to be quantified. However, after reviewing its client portfolio, ABC SA has not identified any direct or indirect factors generating higher risk for its business.

VI. Progress made and difficulties encountered

After two and a half months of activity in 2020, ABC SA has entered the 2021 financial year with energy and vigour. Financial strength and operational resilience were accompanied by growing commercial momentum. The Bank proved that it was capable of meeting and overcoming the extraordinary challenges of the previous year and fully adapting to profound changes in behavioural and operational norms, while growing its business in Europe. A sense of 'new normal' gradually established itself during 2021 and although its path was not always straightforward or uninterrupted, the Bank was prepared for change and ready to move forward. Building on core values and strategic objectives - aspirations to be the 'bank of choice' for business flows between Europe and the MENA region did not cease - ABC SA was able to successfully embrace innovation and diversification to defend and develop its presence in its niche market, further strengthening its resilience and limiting potential operational vulnerabilities.

The Bank's business continuity was ensured in 2021 despite the COVID-19 pandemic

The Bank is fully aware of the challenging nature of the current operating environment, including the uncertainties associated with the global COVID-19 pandemic, the continuing high economic and political sovereign risk issues in its core MENA markets, and the pressures and responsibilities arising from evolving regulatory constraints.

However, the Bank's niche expertise, the continued strong support of its parent company and the existence of an extensive and deeply embedded risk and compliance structure and culture throughout its operations, continue to provide strong support for a resilient and robust performance, and allow ABC SA to look to the future with optimism. The Bank believes that the appropriate strategies and structures are in place to enable it to build on its current commercial strength and momentum and to continue to generate improved results.

Focusing on the management of the COVID-19 crisis within ABC SA, it should be noted that as in 2020 the Bank continued to implement appropriate policies and measures, taking full account of the advice and recommendations of the governments of the three European jurisdictions where the Bank has a physical presence. Three key areas were identified:

- operational resilience,
- financial resilience,
- the impact on customers.

In its ongoing response to the pandemic, ABC SA has always been able to count on the full support of ABCIB as well as of the Group and all key stakeholders, helping the Bank in its efforts to stay safe, stay focused and stay positive.

In order to strengthen its operational resilience and ensure the continuity of critical day-to-day business activities, the Bank prioritised the safety and well-being of staff in all its geographical areas. In line with the recommendations of the French, German and Italian governments, the teleworking policy introduced in 2020 has been continued into 2021, with the Bank providing the appropriate technical support to ensure safe operations.

Where it was necessary for some staff to be physically present in an office environment, the Bank implemented strongly reinforced security measures throughout its premises, in full accordance with the recommendations of the French, Italian and German governments, including social distancing, the use of face masks, more frequent and thorough office cleaning regimes and personal hand washing.

Face-to-face meetings, both internally and with external clients, have been largely replaced by increased use of video conferencing and business travel has been temporarily suspended.

The Bank and its staff responded with remarkable professionalism and fully embraced the profound behavioural and operational changes that the global pandemic necessitated, helping to minimise disruption to business activities and maintain high service levels.

Low interest rate environment

The low or even negative interest rate environment continued in 2021. However, this environment had a limited impact on the result. It is reflected in the deposit of own funds placed with the Bundesbank at a negative rate.

Transition to the new interest rate differential

Since 2014, the Financial Stability Board (FSB) has recommended the revision and improvement of benchmarks by anchoring them as closely as possible to transactions. It has also invited central banks to coordinate the development of alternatives to IBOR through *Risk Free Rates*.

During the year 2021, the Bank analysed its portfolio in order to identify the contracts affected by the transition to the new benchmark and implement the necessary actions. Only one transaction (syndicated loan) has a date beyond the end of the use of IBOR, i.e. 30 June 2023, with a maturity date of 15 December 2023. The necessary approaches to the client are being made by the agent bank. The contract will be based on the *Secured Overnight Financing Rate* (SOFR). Euro transactions are not affected by this project as the reference rate used is EURIBOR and will continue to be used.

From 1st January 2022, ABC SA, like ABCIB, will use the Federal Reserve Bank of New York's SOFR rate for all new transactions in USD.

Communication was made both internally and to the Bank's customers. Information systems and processes have been adjusted to ensure that they can accommodate the new reference rate.

Convincing financial performance

After the subdued financial performance of 2020, a year overshadowed by the global COVID-19 pandemic, ABC SA has become a truly revitalised entity over the past twelve months, generating a strong NBI of €24 million, a current profit before tax of €3.3 million and a profit after tax of €2.7 million. In addition to being supported by dynamic overall profits, higher profitability and the integration of new clients, this year showed a well-controlled cost base despite the additional hiring and costs associated with the implementation of the ABC SA banking structure. GTB which are the Bank's core business, generated a comfortable Net Banking Income.

The strong performance of the Bank's business was only made possible by a risk and compliance structure and culture developed in compliance with EU rules and supported by ABCIB as well as the Group's teams.

VII. Forecast for the year 2022

Although 2022 has started rather unsteadily, with continued restrictions on COVID-19 and continuing concerns about the spread of the Omicron variant, it would appear that we are seeing a new 'normal' with COVID-19 supported by highly effective vaccination programmes.

At the time of writing, restrictions have already begun to ease in Europe and the possibility that COVID-19 could be downgraded to an endemic rather than a pandemic phenomenon with progressively milder symptoms and effects, seems to be gaining scientific credibility and becoming a more likely scenario for the coming year. This would probably have a strongly positive impact on the business climate and activity, benefiting both the Bank and its clients. However, it is still too early to be certain of this more benign trajectory and the management of ABC SA will remain vigilant in avoiding any sense of complacency, aware also that COVID-19 still affects the Company's main geographical areas and its client base asymmetrically.

The Bank has shown resilience and adaptability since the start of its business and expects this to continue in the year ahead. The Bank will continue to implement its European business processes and gain autonomy and accountability to the London operation. In addition, a new real estate finance business is being studied and a business plan will be presented to the Group for approval during 2022. The Bank's commercial teams will also continue to be strengthened in parallel by targeted recruitment of experienced staff as part of the Bank's investments and strategic plans.

Although the rapid economic growth of 2021 may moderate somewhat, the opportunities for growth and engagement with an expanding corporate client base within and outside the Eurozone are still significant and the Bank will be in a strong position to continue its growth.

Finally, the crisis between Russia and Ukraine will undoubtedly have an impact on the global economy and on the activity of the bank's clients and markets.

VIII. The Company's research and development activity

The Company did not undertake any research and development programmes during the year under review.

IX. Employee share ownership

Pursuant to Article L.225-102 of the French Commercial Code, it should be noted that no employee holds a stake in the Company's capital on the last day of the financial year, i.e. 31 December 2021.

X. Method of valuation and presentation of the accounts for the financial year

The presentation rules and valuation methods used to prepare the annual financial statements comply with the regulations in force, and in particular with the provisions of ANC Regulation No. 2014-07 on the financial statements of companies in the banking sector dated 26 November 2014.

XI. Allocation of the result

The financial year ending 31 December 2021 results in a profit of 2,735,660 euros. We propose to allocate this profit to the "other reserves" account for an amount of 2,040,273 euros equivalent to last year losses and allocate the difference of 695,387 euros in the legal reserve account.

As a reminder, in accordance with Articles L.232-10 and L232-12 of the French Commercial Code:

- Previous losses must be offset by subsequent profits,
- Legal reserves of 10% of the capital must be set up,
- The legal reserves must be endowed each year with a minimum of 5% of the distributable profit until they are fully constituted.

In addition, we have committed ourselves to the ACPR in our application for authorisation as a Credit Institution not to distribute dividends during the first years of the company in order to consolidate the shareholding funds.

In light of the above no dividend will be distributed to the shareholders this year.

XII. Agreements referred to in Articles L. 225-38 et seq. of the Commercial Code

No agreement referred to in Articles L. 225-38 et seq. of the Commercial Code is in place within ABC SA.

XIII. Normal and routine agreements

A number of normal and ongoing agreements are in place to cover the various services provided to ABC SA by each of ABCIB and ABC BSC.

XIV. Shareholding

Of the 16,951,116 shares making up the Company's share capital, ABCIB held 16,951,115 shares at 31 December 2021.

XV. Amount of dividends distributed for the last three years

Exercise	2019	2020
Amount of dividends distributed	0	0

No dividends have been distributed in the first two financial years of the Company.

XVI. Appendix table

Attached to this report, pursuant to Article R.225-102 of the Commercial Code, is a table showing the results of ABC SA over the Company's first three financial years (**Appendix 1**).

XVII. Payment terms

The Company undertakes to pay its suppliers' invoices no later than thirty days after the date of receipt of the invoice, so that the outstanding debt to suppliers as at 31 December 2021 does not include any debt falling due after 31 January 2022.

Furthermore, with regard to Article D. 441-4 I-2^e, it is agreed that the scope of the information communicated relating to the payment periods mentioned in Article D. 441-4 of the French Commercial Code does not include bank transactions and related transactions.

In accordance with the provisions of Article L.441-14 of the French Commercial Code, the breakdown of supplier and customer payment terms is presented below:

	Article D.441 I.-1°: invoices <u>received</u> , unpaid and overdue as of the reporting date					Article D.441 I.-1°: invoices <u>issued</u> , unpaid and overdue as of the reporting date				
	Due in 0 days (indicative)	Due in 1 to 30 days	Due in 31 to 60 days	Due in 91 days or more	Total	Due in 0 days (indicative)	Due in 1 to 30 days	Due in 31 to 60 days	Due in 91 days or more	Total
(A) Overdue payment categories										
Number of invoices concerned	-	-	-	-	-	-	-	-	-	-
Total amount of invoices concerned (including taxes)	-	-	-	-	-	-	-	-	-	-
Percentage of total purchases for the year (including tax)	-	-	-	-	-	-	-	-	-	-
Percentage of revenue for the year (including taxes)	-	-	-	-	-	-	-	-	-	-
(B) Invoices excluded from (A) relating to payables and receivables in dispute or not recognised										
Number of excluded invoices					17					
Total amount of excluded invoices (including taxes)				276,927.80						
(C) Benchmark payment terms used (contractual or statutory terms - Article L. 441-6 or Article L. 443-1 of the French Commercial Code)										

XVIII. Subsidiaries and holdings of controlled companies (Article L. 233-6 of the Commercial Code)

Not applicable.

XIX. List of the Company's branches at the end of the financial year (Article L. 232-1, II of the Commercial Code)

The Bank has two branches located in Milan (Italy) and Frankfurt (Germany).

XX. Status of the Statutory Auditors' mandates

ERNST & YOUNG et Autres was appointed at the time of the Company's creation in December 2018 for a period of 6 financial years.

The size of the balance sheet after the transfer of assets, which exceeds the EUR 450 million required by law, led the Bank to appoint a joint auditor in the person of KPMG SA in 2020, also for a period of six years.

XXI. Information on remuneration policy and practices

Article 199 of the Order of 3 November 2014 provides that credit institutions with a balance sheet total of EUR 10 billion or less are not subject to the provisions of Articles L. 511-81 and L. 511-82 and the second paragraph of Article L. 10 billion are not subject to the provisions of Articles L. 511-81 and L. 511-82 and the second paragraph of Article L. 511-84 of the Monetary and Financial Code if, in order to limit excessive risk-taking, they have identified their staff who have a significant impact on the risk of the company or group and have put in place and implemented rules for limiting, deferring and diversifying the payment instruments for the variable part of the remuneration of these staff, while respecting the long-term interests of the company and provided that they do not limit the company's ability to strengthen its capital base.

Article L. 511-102 of the Monetary and Financial Code provides that reporting companies that are part of a group may apply the remuneration policy of the company that controls them.

Article 241-1 of the Order of 3 November 2014 set the threshold above which a specialised remuneration committee must be set up at EUR 5 billion in balance sheet size.

The Bank's remuneration policy is aligned to that of ABCIB and the Group.

This policy is the result of numerous exchanges with the regulators of the main countries in which the Group is established (Kingdom of Bahrain, United Kingdom and of course France), their requirements and expectations regarding ABC's approach to remuneration.

The main provisions of the policy are designed to ensure that the remuneration offered to employees is sufficient to:

- attracting and retaining those with the skills, knowledge and expertise required to perform the duties to which they are appointed,
- encourage employees to perform at a high level in line with the Bank's strategy and objectives, while ensuring full compliance with all risk management and compliance policies and guidelines,
- promote and encourage behaviour consistent with the Bank's culture and values,
- to provide remuneration in line with market practice, relative to comparable financial institutions, and within the budget approved by the Board of Directors of ABC SA, and
- have an appropriate ratio between fixed and discretionary variable pay.

Thus ABC SA complies with all applicable local remuneration regulations in France, Germany and Italy.

The remuneration policy includes measures to avoid and mitigate conflicts of interest:

- All discretionary variable remuneration is subject to agreed policy principles and parameters which are approved by, amongst others, the HR function,
- the discretionary annual bonus scheme document is mentioned in the remuneration policy and describes in particular how discretionary bonuses will be calculated,
- Neither the CEO nor DCEO are involved in setting their own remuneration,
- no manager or line manager can approve the remuneration of a direct report. HR and the CEO oversee all discretionary variable remuneration,
- The ABC SA Board is responsible for agreeing the individual remuneration packages (including discretionary bonuses) for the ABC SA Executives (CEO and DCEO).

In terms of governance, the Group and ABCIB each have remuneration committees which meet at least twice a year. ABC SA does not have its own remuneration committee, but remuneration issues are considered directly by the Board of Directors.

Finally, the Bank has identified the staff with a significant impact on the company's risk in application of the criteria mentioned in the European Commission's Delegated Regulation 604/2014.

XXII. Information on regulatory ratios

ABC SA complies with all local regulations applicable to its three units and in particular those of the Banque de France and the ACPR, as well as with European regulations.

Ratios are monitored on a daily basis and warning thresholds have been defined under the various plans: *Risk Appetite Statement*, Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Assessment Process (ILAAP).

	Amounts in Euros / Ratios in %.	31/12/2020	31/12/2021
CAR	OWN FUNDS	180,935,728	183,149,386
	TIER 1 CAPITAL	180,935,728	183,149,386
	CET1	180,935,728	183,149,386
	TOTAL CAPITAL RATIO	30.49%	24.02%
	T1 CAPITAL RATIO	30.49%	24.02%
	CET1 CAPITAL RATIO	30.49%	24.02%
	TOTAL RISK EXPOSURE AMOUNT	593,400,402	762,421,889
	RISK WEIGHTED EXPOSURE AMOUNTS FOR CREDIT, COUNTERPARTY CREDIT AND DILUTION RISKS AND FREE DELIVERIES	551,333,100	721,099,302
	RISK EXPOSURE AMOUNT FOR POSITION, FOREIGN EXCHANGE AND COMMODITIES RISKS UNDER STANDARDISED APPROACHES (SA)	749,880	2,799,428
	TOTAL RISK EXPOSURE AMOUNT FOR OPERATIONAL RISK (OPR)	41,188,021	38,465,696
LCR	LIQUIDITY COVERAGE RATIO	240.03%	506.79%
NSFR	NSFR RATIO	139.00%	142.82%
LR	LEVERAGE RATIO	21.10%	18.09%

XXIII. Information on social responsibility issues

Although the Bank's activities have a limited direct impact on the environment, the Bank's operations will always have some degree of impact on the community and the environment. The Bank continues to progress and develop its approach to Corporate Social Responsibility (CSR) issues, in accordance with Article L225-102 of the French Commercial Code. The Bank is aware of the need to continue its efforts to minimise its carbon footprint and, in line with regulatory guidance, is further developing its approach to assessing the potential risks to its activities and operations arising from climate change by, for example, incorporating them into its risk appetite.

ABCIB at the European level is taking its responsibility for its carbon footprint seriously, aspiring to achieve carbon neutrality in the near future, and following COP26 is assessing how it is potentially affected by and can mitigate its impact on future climate change. In the first half of 2021, ABCIB established a pan-European working group and committee on 'inclusion and diversity' in the workplace. Although much remains to be done in terms of formalising CSR issues, ABC SA is firmly committed to being a good corporate citizen with the support of ABCIB.

Report on corporate governance provided for in Article L.225-37 of the Commercial Code

I. Agreements between a director or a significant shareholder of the Company and a subsidiary of the Company

Not applicable

II. Information on corporate officers

In accordance with the provisions of Article L.225-37-4, 1° of the French Commercial Code, you will find attached a list of the offices and positions held in any company during the past financial year by each of the Company's corporate officers (**Appendix 2**).

In accordance with Article L.225-17 of the French Commercial Code, the Board of Directors is composed of a total of 5 directors, including 3 internal directors and 2 external directors, ensuring the independence and good governance of the Company. It should be noted that the latest recruitment to the Board of Directors allows the Board to move towards a more balanced representation of women and men.

The selection procedure for independent directors is based on the following principles:

- the search for a balance in the composition of the Board of Directors with regard to the skills and diversity of its members (professional and international qualifications and experience, balanced representation of women and men),
- the search for complementary profiles, taking into account the existing composition of the Board of Directors.

III. Status of directors' mandates

In accordance with the Bank's Statute, the term of office of directors is three years. The Board of Directors is composed of two directors from ABC BSC, one from ABCIB and two independent directors.

Dr Khaled Kawan and Mr Nicolas Hurtrez were appointed as directors at the EGM on 08 July 2019.

Mr Rajeev Adrian was reappointed on 04 September 2019.

Mr Pierre Debray was appointed as a director on 4 November 2020.

Mrs Bayone Sisombat was appointed as a director on 09 December 2021.

It is anticipated that Dr. Kawan, Mr Adrian and Mr Hurtrez will be re-appointed as

directors during Q2 2022 together with the appointment a sixth director, Mr Fouad Salame.

IV. Information about the delegations

Not applicable.

APPENDIX 1: TABLE OF COMPANY RESULTS FOR THE LAST FIVE YEARS (in thousands of euros except number of shares, earnings per share and number of employees)

NATURE OF THE INDICATIONS	2019	2020	2021
<u>I. - Financial situation at the end of the year</u>			
⋮			
a) Share capital	5,000	169,511	169,511
b) Number of shares issued	500.000	16,951,116	16,951,116
c) Number of bonds convertible into shares	-	-	-
<u>II. - Overall result of actual operations :</u>			
a) Turnover before tax	-	3,523	24,083
b) Profit before tax, depreciation and provisions	-	(266)	2,194
c) Income tax	-	(55)	(1,059)
d) Profit after tax, depreciation and provisions	-	(2,040)	2,736
e) Amount of distributed profits	-	-	
<u>III. - Result of operations reduced to one share:</u>			
a) Profit after tax but before depreciation and provisions	-	(0.02)	0.19
b) Profit after tax, depreciation and provisions	-	(0.12)	0.16
c) Dividend paid per share	-	-	-
<u>IV. - Personnel :</u>			
a) Number of employees	-	74	78
b) Total Salaries	-	1,312	6,810
c) Amount paid for social benefits (social security, works, etc.)	-	466	2,246

APPENDIX 2: LIST OF OFFICES AND POSITIONS HELD BY THE COMPANY'S CORPORATE OFFICERS (ARTICLE 225-37-4, 1° OF THE COMMERCIAL CODE)

- Mr Rajeev ADRIAN held the following positions in the following companies in 2021
 - CEO and Director, ABC International Bank plc,
 - Director, Arab Bankers Association,
 - Director, the Libyan British Business Counsel Secretariat.

- In 2021, Mr Pierre DEBRAY held the following positions in the following companies
 - President of the consulting company Marjuguilauralex S.A. (100% owned),
 - President of Inboard Partners via Marjuguilauralex SA.

- In 2021, Mr Nicolas HURTREZ held the following positions in the following companies
 - Head of Group Strategy, Arab Banking Corporation B.S.C.

- Mr Khaled KAWAN held the following positions in the following companies in 2021
 - Chairman, ABC Islamic Bank,
 - Deputy Chairman and Director, ABC International Bank plc,
 - Group CEO, Arab Banking Corporation B.S.C.,
 - Director, Bahrain Institute for Finance and banking.

- Mrs Bayone SISOMBAT held the following positions in the following companies in 2021
 - President of the consulting company BS Partner SAS,
 - Member of the Finance, Audit, Risk and CSR Commission of Apivia Macif Mutuelle.

KPMG S.A.
Tour Eqho
2, avenue Gambetta
CS 60055
92066 Paris-La Défense cedex
S.A. au capital de € 5 497 100
775 726 417 R.C.S. Nanterre

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles et du Centre

ERNST & YOUNG et Autres
Tour First
TSA 14444
92037 Paris-La Défense Cedex
S.A.S. à capital variable
438 476 913 R.C.S. Nanterre

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles et du Centre

Arab Banking Corporation S.A

Year ended December 31, 2021

Statutory auditors' report on the financial statements

To the Annual General Meeting of Arab Banking Corporation S.A,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying financial statements of Arab Banking Corporation S.A. for the year ended December 31, 2021.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2021 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for Opinion

■ Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Financial Statements* section of our report.

■ Independence

We conducted our audit engagement in compliance with the independence requirements of the French Commercial Code (*Code de commerce*) and the French Code of Ethics for Statutory Auditors (*Code de déontologie de la profession de commissaire aux comptes*) for the period from January 1, 2021 to the date of our report, and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014.

Justification of Assessments - Key Audit Matters

Due to the global crisis related to the COVID-19 pandemic, the financial statements for this period have been prepared and audited under special circumstances. Indeed, this crisis and the exceptional measures taken in the context of the health emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties regarding their future prospects. Some of these measures, such as travel restrictions and remote working, have also had an impact on companies' internal organization and on the performance of audits.

It is in this complex and evolving context that, in accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

■ Credit risk impairments

Risk identified	Audit procedures implemented to answer this risk
<p>Your Company is exposed to credit risks which are inherent in its activities and which are borne by loans and commitments to banks and customers. As indicated in Note 3 "Accounting principles and valuation methods" to the financial statements, your Company classifies these loans as non-performing when they bear an incurred credit risk and books impairments against that risk. Provisions on performing exposures are also calculated using a statistical model based on a number of assumptions as defined in Note 3.2.3 "Impairments and credit risk provisions" to the financial statements. These provisions are booked under "Provisions for risks and charges" as liabilities.</p> <p>As at December 31, 2021, non-performing loans amount to K€ 3,295 and associated impairments to K€ 3,007. Provisions for performing exposures amount to K€ 1,895 and provisions for off balance-sheet commitments to K€ 3,711.</p> <p>We considered the evaluation of such impairments to be a key audit matter because of the judgment in assessing credit risk and the impairments.</p>	<p>Our work consisted in:</p> <ul style="list-style-type: none">▶ gaining an understanding of the processes relating to the identification of non-performing exposures as well as the procedures for evaluating and booking the corresponding impairments;▶ reviewing, on a sample basis, the classification of exposures between performing and non-performing and the documentation of the risk of non-recovery;▶ testing a sample of non-performing exposures to assess the impairments booked;▶ performing a critical review of the conclusions of the work carried out by the auditors of your majority shareholder on the process of assessing the provisions on performing exposures and assessing the correct application of these methods by your Company;▶ reading the credit risk disclosures in the notes to the financial statements.

Specific Verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations.

■ **Information given in the management report and in the other documents with respect to the financial position and the financial statements provided to the shareholders**

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the Board of Directors' management report and in the other documents with respect to the financial position and the financial statements provided to the shareholders, with the exception of the following point.

The fairness and consistency with the financial statements of the information relating to the payment deadlines referred to in Article D. 441-6 of the French Commercial Code (*Code de commerce*) leads us to make the following observation: as indicated in the management report, this information does not include banking and related transactions, as your Company considers that they are not included in the scope of the information to be produced.

■ **Information relating to Corporate Governance**

We attest that the section of the Board of Directors' Report relating to Corporate Governance sets out the information required by Article L. 225-37-4 of the French Commercial Code.

Report on Other Legal and Regulatory Requirements

■ **Appointment of the Statutory Auditors**

We were appointed as statutory auditors of Arab Banking Corporation S.A. by your annual general meeting held on November 4, 2020 for KPMG S.A. and by your articles of association of December 10, 2018 for ERNST & YOUNG et Autres.

As at December 31, 2021, KPMG S.A. and ERNST & YOUNG et Autres were in their second and third year of total uninterrupted engagement, respectively (including one year since the Company became a public interest entity due to its status as a credit establishment).

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Financial Statements

■ Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- ▶ Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- ▶ Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management in the financial statements.
- ▶ Assesses the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- ▶ Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

■ Report to the Audit Committee

We submit to the Audit Committee a report which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report significant deficiencies, if any, in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France as set out in particular in Articles L. 822-10 to L. 822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics for Statutory Auditors (*Code de déontologie de la profession de commissaire aux comptes*). Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris-La Défense, April 29, 2022

The Statutory Auditors
French original signed by

KPMG S.A.

ERNST & YOUNG et Autres

Valéry Foussé

Matthieu Préchoux

Accounts as of 31 December 2021
(in thousands of euros)

Balance sheet assets		31/12/2021	31/12/2020
Cash, Central Banks, Post Office accounts	4.1	170,560	231,668
Loans and advances to credit institutions	4.1	134,980	194,908
Operations with customers	5.1	448,790	248,657
Shares and other variable income securities	6	9	-
Investments and other securities held for the long term	7	0	-
Intangible assets	8	109	70
Tangible Fixed assets	8	667	579
Prepayments, accrued income and other debtors	9 & 11.1	2,155	919
Total assets		757,270	676,801

Accounts as of 31 December 2021
(in thousands of euros)

Balance sheet liabilities & shareholder's funds		31/12/2021	31/12/2020
Deposits from banks and other financial institutions	4.2	359,176	342,217
Customer deposits	5.2	199,505	140,901
Other liabilities, accruals and deferred income	10 & 11.2	7,990	4,238
Provisions for risks and charges	12	7,450	8,509
Funds for General Banking Risk	13	304	826
Equity (excluding FGBR)	20.1	182,845	180,110
- Share capital		169,511	169,511
- Reserves		10,599	12,639
- Carried forward			-
- Financial year profit & loss		2,736	(2,040)
Total liabilities & shareholder's funds		757,270	676,801

Accounts as of 31 December 2021
(in thousands of euros)

Off balance sheet		31/12/2021	31/12/2020
Commitments given	14		
Financing commitments given		331,016	231,728
Guarantees commitments given		269,663	207,597
Other commitments given			
Commitments received			
Financing commitments received			
Guarantees commitments received			
Other commitments received			
		600,679	439,325

Income statement as at 31 December 2021
(in thousands of euros)

		31/12/2021	31/12/2020
- Interest and similar incomes		9,642	1,833
- Interest and similar expenses		(1,203)	(451)
- Income from variable income securities		196	179
- Commission and fee income		16,739	2,271
- Commission and fee expenses		(1,188)	(327)
- Gain or losses on trading portfolio transactions		-	-
- Other banking operating incomes		-	18
- Other banking operating expenses		(103)	-
Net banking income	15	24,083	3,523
- General operating expenses	16	(21,574)	(3,789)
- Depreciation and amortisation and provisions on fixed assets	8	(258)	(66)
Gross operating P&L		2,252	(332)
- Provision for credit loss (cost of risk)	17	1,022	(827)
Operating P&L		3,273	(1,159)
- Gain or losses on fixed assets		-	-
Earnings before tax and interest		3,273	(1,159)
- Exceptional income		-	-
- Allocations / reversals Fund for General Banking Risks	13	522	(826)
- Corporate income tax		(1,059)	(55)
Financial year profit/loss		2,736	(2,040)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1. HIGHLIGHTS OF THE YEAR

The December 31, 2021 year-end closing is the third closing of Arab Banking Corporation SA (ABC SA), but the first following a full financial year of operations. Indeed the transfer of assets from ABC IB (the UK entity) to ABC SA, which is the actual start date of ABC SA's activity, is October 09, 2020. As a reminder this transfer was ABC's answer to the Brexit issue. The 2020 financial year was therefore a financial year of less than 3 months of activity, and fiscal year 2019 was a year without activity.

This financial year ended with a profit of 2,736 thousand euros following the loss of 2,040 thousand euros in 2020.

2021 was a very good year for the ABC Group, as it was for the financial sector as a whole, following a year 2020 impacted by the COVID-19 health crisis.

For ABC SA, this 2021 financial year was focused on setting up and structuring the bank under the management of a new Chief Executive Officer, the transition from a three-branch addition to a real bank.

2. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

At the accounting level, no significant events have occurred since the closing. However, some events originating in the year 2021 have been provisioned as post-closing events.

The crisis generated by Russia's invasion of Ukraine is being closely monitored by the Bank, and will have long-term impacts on the global economy that have yet to be quantified, but after reviewing its client portfolio, ABC SA has not identified any direct or indirect factors generating higher risk for its business. Therefore, to the best of our knowledge, no deterioration in credit risk is expected, nor is there any impact on the going concern or the recoverability of receivables.

3. ACCOUNTING PRINCIPLES AND VALUATION METHODS

The annual financial statements are prepared in accordance with Regulation 2014-07 issued by the French Accounting Standards Authority (*Autorité des Normes Comptables* - ANC).

3.1. Accounting principles

The accounting conventions have been applied fairly, in accordance with the principle of prudence and the following fundamental assumptions:

- going concern,
- consistency of accounting methods between periods,
- independence of exercises.

We have also complied with the general rules for the preparation and presentation of annual financial statements.

The basic method used to value items recognised in the financial statements is the historical cost method.

3.2. Receivables due from and payables due to credit institutions and customers

3.2.1. Receivables and payables

Receivables and payables are recognised on the balance sheet at the date of the transaction and at their face value.

However, where these are firm commitments to carry out a transaction at a later date, they are recognised off-balance sheet at the date of said commitment (see section on off-balance sheet items).

Accrued interest on receivables is recognized as accrued interest receivable, with a corresponding credit to the income statement.

We have not recognised any moratoria or state-guaranteed loans (PGE) on ABC SA's balance sheet.

3.2.2. Non-performing receivables due from credit institutions and customers

Receivables are reclassified as non-performing receivables if they have at least one of the following three characteristics:

- there is a probable or certain risk of total or partial non-recovery,
- principal or interest receivable have been unpaid for more than three months,
- receivables are in dispute.

Interests on non-performing receivables are recognised and provisions are recognised in respect of it.

3.2.3. Impairment losses and provisions for credit risk

Impairment losses in respect of credit risk on non-performing receivables are recognised as a deduction from assets.

Provisions for performing loans calculated using the statistical model defined below are recognised as provisions for liabilities and charges.

The measurement of credit risk provisions for the financial assets assessed requires the use of models and significant assumptions about future economic conditions, credit behaviour (e.g. the probability of customer default and the resulting losses), the estimation of the

amount and timing of future cash flows and collateral values. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

For its calculations, the Bank uses a model with a certain number of underlying assumptions affecting the choice of variables and their interdependence. This model includes in particular:

- An internal credit rating model, which assigns a probability of default (PD) to the individual ratings;
- The determination of significant increase in credit risk (SICR) criteria;
- The selection of appropriate models and assumptions for measuring the provision;
- The determination of associations between macroeconomic scenarios, economic data such as unemployment levels, collateral values and the effect on PD, exposure at default (EAD) and loss given default (LGD);
- The selection and relative weighting of forward-looking scenarios to produce economic data in the provision models; and
- The determination of relevant exposure periods with regard to revolving credit facilities and facilities being restructured at the reporting date.

These calculations cover both outstanding loans and off-balance sheet commitments.

If a probable loss is identified on an off-balance sheet commitment, a provision is recognised. This provision will be recognised in the income statement under provision for credit losses.

The Bank applies the principle of contagion of impairment to all of a defaulting counterparty's exposures.

Charges to and reversals of the provision for risk of non-recovery of non-performing receivables are recognised in provision for credit losses.

The model used for credit risk impairments and provisions is a model used widely in the ABC group.

3.3. Intangible assets and property, plant and equipment

These are recognised at their acquisition cost (purchase price and incidental costs).

Non-current assets are depreciated or amortised on a straight-line basis over the life of the asset concerned:

- | | |
|------------------------------------|---------------|
| • Fixtures, fittings and furniture | 5 to 10 years |
| • Office and computer equipment | 3 to 5 years |
| • Intangible assets | 1 to 3 years |

3.4. Fees and commissions

ABC SA receives fees and commissions for a diverse range of services it provides to its customers. Fees and commissions are recognised when ABC SA satisfies a performance obligation.

These amounts include fee income and other management and advisory fees.

Fees recognised for the provision of services in a given period are recognised on a straight-line basis over that period.

3.5. Provisions for liabilities and charges

3.5.1. Provisions for employee benefit obligations

ABC SA makes provisions in its accounts for all retirement and length-of-service commitments granted to its employees.

The commitments relating to retirement benefits and long-service awards calculated by French and Italian actuaries totalled €1,529k at the end of 2021 vs. €1,567k at the end of 2020.

As regards post-employment benefits in France:

- Long-service awards have been calculated and provisioned on the assumption of payment in accordance with the collective bargaining agreement for credit institutions.
- Retirement benefits have been calculated and provisioned on the assumption of a payment in accordance with the collective bargaining agreement for credit institutions and on the basis of voluntary retirement at 62 for employees. This calculation includes employer contributions.
- As regards defined contribution pension plans, in respect of which the Company's commitment is limited to the payment of contributions, the contributions concerned are recognised as expenses of the year in which they are incurred.

As regards post-employment benefits in Italy, they have also been calculated and provisioned in accordance with the legislation in force in the country.

No post-employment benefits are recognised in Germany, in line with local requirements.

Benefits during employment, such as medical cover contributions, are recognised as expenses for the year in which they are incurred.

3.5.2. Other provisions for liabilities and charges:

If there are any tax disputes, a provision must be recognised as from the notification of tax reassessment, calculated on the basis of the estimated risk.

Other provisions for legal disputes are established on the basis of the net risk measured and calibrated by an external legal consultancy firm when needed, or at a flat rate of 100%.

3.6. Non-recurring income and expenses

Non-recurring income includes all items that, due to their nature or amount, cannot be attributed to the Company's ordinary activities.

3.7. Translation of foreign currency transactions

Foreign currency balance sheet items are translated at the year-end exchange rate in accordance with the rates provided by the Group.

3.8. Consolidation principles

As ABC SA is part of the ABC Group, our Company's annual financial statements are fully

consolidated into the consolidated financial statements of Arab Banking Corporation B.S.C. The Group's registered office is in Manama, Kingdom of Bahrain, at the following address: Bank ABC Tower, Diplomatic Area, PO Box 5698.

4. CASH, CENTRAL BANKS, POST OFFICE ACCOUNTS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS (in thousands of euros)

4.1. Assets

	31/12/2021	31/12/2020
Cash	8	7
Central banks	170,516	231,622
Accrued interest receivable	37	39
TOTAL	170,560	231,668
Current accounts	12,962	8,713
Term accounts and loans	120,870	186,361
Accrued interest receivable	1,148	177
Provisions for non-performing receivables *	-	-343
TOTAL	134,980	194,908

* In 2020, some impairment of non-performing loans were recorded under provisions for non-performing receivables to credit institutions. In 2021, they are recorded under impairment of doubtful loans to customers (Note 5.1)..

No irrecoverable loans or restructured loans are stated on the balance sheet.

A breakdown of the loans and advances to credit institutions is provided below:

	31/12/2021		31/12/2020	
	Affiliated undertakings	Other	Affiliated undertakings	Other
Current accounts	9,195	3,767	8,386	328
Term accounts and loans	472	120,398	659	185,702
Accrued interest receivable	-	1,150	-	177
Provisions for non-performing receivables	-	-	-	-343
TOTAL	9,667	125,313	9,045	185,864

A breakdown by maturity is provided below:

	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years
Current accounts	12,962	-	-	-
Term accounts and loans	26,501	70,059	24,298	13
Accrued interest receivable	495	608	45	-
TOTAL	39,958	70,667	24,343	13

A breakdown of loans by geographic region is provided below:

31/12/2021		31/12/2020	
Turkey	67,726	Turkey	61,737
Egypt	17,658	Egypt	43,401
Libya	14,901	Algeria	24,505
United Kingdom	10,209	United Arab Emirates	20,367
Bahrain	8,998	United Kingdom	16,481
Rest of the world	15,488	Rest of the world	28,417
TOTAL	134,980	TOTAL	194,908

4.2. Liabilities

	31/12/2021	31/12/2020
Current accounts	17,768	14,798
Term accounts and loans	341,390	327,513
Accrued interest payable	18	6
TOTAL	359,176	342,217

A breakdown of the liabilities is provided below:

	31/12/2021		31/12/2020	
	Affiliated undertakings	Other	Affiliated undertakings	Other
Current accounts	15,504	2,263	12,677	2,120
Term accounts and borrowings	332,030	9,359	318,778	8,635
Accrued interest payable	-	18	1	4
TOTAL	347,535	11,641	331,458	10,759

A breakdown by maturity is provided below:

	31/12/2021		31/12/2020	
	Less than 3 months	3 months to 1 year	Less than 3 months	3 months to 1 year
Current accounts	17,768	-	14,798	-
Term accounts and borrowings	41,195	300,194	82,462	244,951
Accrued interest payable	18	-	6	-
TOTAL	58,982	300,194	97,266	244,951

5. LOANS AND ADVANCES TO AND AMOUNTS DUE FROM CUSTOMERS (in thousands of euros)

5.1. Assets

	31/12/2021	31/12/2020
Discounts and similar items	72,716	32,328
Loans and advances	374,266	215,035
Accrued interest receivable	1,521	610
Non-performing loans*	3,295	3,295
Impairment of non-performing loans	(3,007)	(2,611)
TOTAL	448,790	248,657

* These amounts were transferred as part of the asset contribution and have not been affected since

There are no irrecoverable or restructured loans on the balance sheet.

A breakdown of loans by geographic region is provided below:

31/12/2021		31/12/2020	
Switzerland	129,097	Germany	69,122
Germany	84,002	Italy	39,109
United Arab Emirates	58,606	Singapore	35,348
Italy	56,990	Libya	24,460
Saudi Arabia	35,061	Netherlands	23,456
Luxembourg	17,674	United Arab Emirates	17,652

Netherlands	16,157	Saudi Arabia	9,476
France	15,915	Bahrain	8,621
Algeria	11,732	France	7,653
Rest of the world	20,775	Rest of the world	13,759
TOTAL	448,790	TOTAL	248,657

A breakdown by maturity is provided below:

	31/12/2021			
	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years
Discounts and similar items	68,223	4,493	-	-
Loans and advances	238,899	49,605	76,042	13
Accrued interest receivable	650	196	675	-
Non-performing loans				3,295
Impairment of non-performing loans	(5)	-	-	(3,002)
TOTAL	307,767	54,295	76,717	306

5.2. Liabilities

	31/12/2021	31/12/2020
Current accounts	38,433	17,991
Term deposits	155,019	116,293
Customer collateral	6,050	6,614
Accrued interest payable	3	2
TOTAL	199,505	140,901

6. SHARES AND OTHER VARIABLE INCOME SECURITIES

	31/12/2021	Acquisitions	Disposals	31/12/2021
Gross values				
Shares	-	9	-	9
Other variable income securities	-	-	-	-
TOTAL	-	9	-	9

As a Swift member ABC SA holds one share of that company. ABC SA also holds some shares of an Italian company.

7. EQUITY INVESTMENTS AND PORTFOLIO ACTIVITIES

ABC SA does not hold any investments or portfolios.

8. INTANGIBLE ASSETS AND PROPERTY PLANT AND EQUIPMENT (in thousands of euros)

	31/12/2020	Additions	Disposals	31/12/2021
Cost				
Intangible assets	1,673	133	243	1,570
Property plant and equipment	1,816	270	274	1,805
TOTAL	3,489	403	517	3,375

	31/12/2020	Charges	Reversals	31/12/2021
Depreciation and amortization				
Intangible assets	1,603	99	243	1,461
Property, plant and equipment	1,236	176	274	1,139
TOTAL	2,839	275	517	2,599

9. OTHER ASSETS (in thousands of euros)

	31/12/2021	31/12/2020
Other miscellaneous debtors	53	64
TOTAL	53	64

10. OTHER LIABILITIES (in thousands of euros)

	31/12/2021	31/12/2020
Accrued taxes (corporation tax and others)	2,173	283
Accrued staff expenses	3,090	116
Other miscellaneous creditors	33	38
TOTAL	5,296	437

11. PREPAYMENT ACCRUAL AND ADJUSTMENT ACCOUNTS (in thousands of euros)

11.1. Assets

	31/12/2021	31/12/2020
Currency adjustment account	7	7
Forward financial instruments adjustment account	-	38
Prepaid expenses	442	551
Accrued income	228	(702)
Other assets*	1,425	961
TOTAL	2,102	855

* includes an amount of €996k related to self-assessed VAT on the annual management charges invoices recorded in December 2021

11.2. Liabilities

	31/12/2021	31/12/2020
Deferred income	611	470
Accrued expenses	410	476
Other liabilities	1,673	2,854
TOTAL	2,694	3,801

12. PROVISIONS FOR LIABILITIES AND CHARGES (in thousands of euros)

	31/12/2021	31/12/2020
Provisions for pension costs and long-service awards	1,529	1,566
Provision for credit loss on commitments	3,711	3,711
Other provisions for liabilities and charges	1,895	3,231
Legal provision	315	-
TOTAL	7,450	8,508

Other provisions for liabilities and charges correspond to provisions calculated on the basis of performing loans. They are calculated by the Risk department based on statistical models

as described in section 3.2.3.

The change in provisions for liabilities and charges over the year was as follows:

	Variations
Provisions as at 31/12/2020	8,508
Charges	315
Reversals	(1,373)
Provisions as at 31/12/2021	7,450

None of the reversals correspond to a write off of this provision.

13. FUND FOR GENERAL BANKING RISKS (in thousands of euros)

	Variations
FGBR as at 31/12/2020	826
Charges	-
Reversals	(522)
FGBR as at 31/12/2021	304

None of the reversals correspond to a write off of this provision.

ABC SA in line with Group policies recorded in 2020 an additional provision in FGBR in the context of the sanitary crisis linked to COVID-19. In 2021, this provision was largely reversed because the exposure has decreased (same approach and method retained).

14. OFF-BALANCE SHEET ITEMS (in thousands of euros)

The only items recognised as off-balance sheet items are commitments given in connection with trade finance activity.

A breakdown of the counterparties is provided below:

	31/12/2021	31/12/2020
Commitments given to credit institutions	153,302	122,618
- of which financing commitments	15,510	13,953
- of which guarantees	137,793	108,665
Commitments given to customers	447,377	316,707
- of which financing commitments	315,507	217,776
- of which guarantees	131,870	98,932
TOTAL	600,679	439,325

15. REVENUE (in thousands of euros)

With only 2.5 months of activity in 2020, the year-on-year comparison is not on a fully like-for-like basis.

	31/12/2021	31/12/2020
Interest and similar income	9,845	1,833
- from bank counterparties	3,980	699
- from customers	5,866	1,134
Interest and similar expense	(1,508)	(451)
Gains or losses on foreign exchange transactions	196	179
Fee and commission income	16,536	2,271
Fee and commission expense	(883)	(327)
Other banking operating income / expense	(103)	18
Net banking income	24,083	3,523

A breakdown of Net Banking Income (NBI) by geographic region is provided below:

	31/12/2021	31/12/2020
Paris NBI	7,169	1,207
Milan branch NBI	5,636	813
Frankfurt branch NBI	11,278	1,503
NBI TOTAL	24,083	3,523

16. OPERATING EXPENSES (in thousands of euros)

A breakdown of general operating expenses is provided below:

	31/12/2021	31/12/2020
Payroll costs	12,160	1,886
- Wages and salaries	9,664	1,795
- Social security contributions	2,038	421
- Other taxes	16	4
- Change in retirement benefits provision and pension costs	443	(334)
Other operating expenses	9,414	1,903
- Other external services	4,077	908
- Management charges recharged by the Group	4,034	728

- Rent	1,340	259
- Transport	109	17
- Other taxes	(147)	(9)
Total operating expenses	21,574	3,789

17. PROVISION FOR CREDIT LOSSES

Provision for credit losses mainly represents the change over the year in provisions for credit risk based on performing loans.

It is calculated based on statistical models as described in section 3.5.1. It is a net charge for the year ended 31 December 2020. No receivables were written off during the year.

	2021	2020
Charges	(315)	(827)
Reversals	1,337	-
Amounts written off	-	-
Impairment gain / (loss) during the year	1,022	(827)

18. GAINS OR LOSSES ON NON-CURRENT ASSETS

No non-current assets were sold during the year.

19. EXPENSES AND INCOME IN RESPECT OF PRIOR YEARS

No expenses or income in respect of prior financial years were recognised during the year.

20. GENERAL INFORMATION ABOUT THE COMPANY

20.1. Shareholders' equity (excluding FGBR)

The Company's share capital of €169,511,160 is composed of 16,951,116 shares of €10 each fully paid up of which 16,451,116 were issued as part of the Assets contribution.

A breakdown of shareholders' equity excluding the FGBR at 31 December 2021 is provided below:

In thousands of euros	31/12/2021	31/12/2020
Share capital	169,511	169,511
Legal reserve	-	-
Other reserves*	10,599	12,639
Profit/(loss) for the year	2,736	(2,040)
Shareholders' equity	182,845	180,110

*includes retained earnings

Movements recorded over the period were as follows:

	Share capital	Legal reserve	Other reserves*	Profit/(loss) for the year	Shareholder's funds
31/12/2020	169,511	-	12,639	(2,040)	180,110
Capital increase	-	-	-	-	-
Allocation of 2020 P&L	-	-	(2,040)	2,040	-
Profit (loss) for the year	-	-	-	2,736	2,736
31/12/2021	169,511	0	10,599	2,736	182,846

*include retained earnings

20.2. Related party transactions

Transactions between related parties are carried out at arm's length.

20.3. Earnings per share

Earnings per share was a profit of €0.16.

20.4. Full-time equivalent workforce

ABC SA's full-time equivalent workforce consisted of 78 employees in 2021 including 21 in France and 57 in the branches (Germany and Italy).

The breakdown between managerial and non-managerial employees is as follows:

2021	Managerial employees	Non-managerial employees	Total
Paris	16*	5	21
Frankfurt	10	21	31
Milan	13	13	26
Total	39	39	78

*Excluding Paris CEO

20.5. Remuneration of the members of the Board

A remuneration in line with market practice and the director's experience was paid in 2021 to the bank's non-executive director.

20.6. Loans and advances granted to all members of the management body

No loans or advances were granted to members of the management body in 2021.

20.7. Consolidation principles and methods

Not applicable.

20.8. Statutory Auditors' fees

The following amounts were booked in the P&L in 2021:

- EY: €91,264.41
- KPMG: €75,827.25