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Arab Banking Corporation SA

*Statutory auditors' report on the financial
statements*

For the year ended 31 December 2020

Arab Banking Corporation SA

8 rue Halévy 75009 Paris

This report contains 7 pages

Reference : xxx-xxx

This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.

This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Arab Banking Corporation SA

Registered office: 8 rue Halévy 75009 Paris

Share capital: €169,511,160

Statutory auditors' report on the financial statements

For the year ended 31 December 2020

To the annual general meeting of Arab Banking Corporation SA

Opinion

In compliance with the engagement entrusted to us by your annual general meeting and your Articles of Association, we have audited the accompanying financial statements of Arab Banking Corporation SA for the year ended 31 December 2020.

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 31 December 2020 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 independence requirements of the French Commercial Code (code de commerce) and the French Code of Ethics (code de déontologie) for statutory auditors for the period from 1st January 2020 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 of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of the 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.

Key audit matter: Impairment due to credit risk

Risk identified

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" of the notes to the statutory financial statements, your company classifies these loans as non-performing when they bear an incurred credit risk and books impairments against that risk. Provision on performing exposures are also calculated using a statistical model based on a number of assumptions as defined in the note 3.2.3 "Impairment and credit risk provisions". These provisions are booked under "Provisions for risks and charges" as liabilities.

As of December 31, 2020, non-performing loans amounted to € 3 295 thousand and associated impairments to € 2 954 thousand. Provisions for performing exposures amount to € 3 231 thousand and provisions for off balance-sheet commitments to € 3 711 thousand.

We considered the evaluation of such impairments and provisions to be a key audit matter because of the judgment in assessing credit risk.

Our audit approach in response to the risk identified

Our work consisted in :

- 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 impairment;
- 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 impairment 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 assessed the correct application of these methods by your company;
- Reading the credit risk disclosures in the notes to the statutory 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 except for the emphasis of matter set out below.

We draw the attention on the fair presentation and the consistency with the financial statements of the information relating to payment deadlines mentioned in Article D.441-6 of the French Commercial Code (*Code de commerce*) as follows: As indicated in the management report, the information does not include banking and related transactions, as your company considers that they do not fall within the scope of the information to be provided.

Information relating to Corporate Governance

We attest that the section of the Board of Directors' management report on corporate governance sets out the information required by Article L. 225-37-4 of the French Commercial Code (*Code de commerce*).

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Arab Banking Corporation SA by the annual general meeting held on 4 November 2020 for KPMG SA and by your Articles of Association dated 10 December 1018 for Ernst & Young et Autres.

As at 31 December 2020, KPMG SA was in the 1st year of total uninterrupted engagement and Ernst & Young et Autres in the 2nd year (including one year since your Company became, as a credit institution, a public interest entity).

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 risks 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 taken 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 a report to the Audit Committee 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, if any, significant deficiencies 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) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (code de commerce) and in the French Code of Ethics (*code de déontologie*) for statutory auditors. 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, on the 21 May 2021

KPMG S.A.

Paris La Défense, on the 21 May 2021

ERNST & YOUNG ET AUTRES



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Arab Banking Corporation SA
Statutory auditors' report on the financial statements
21 May 2021

The statutory auditors

French original signed by

Valéry Foussé
Partner

Matthieu Préchoux
Partner

Accounts as of 31 December 2020
(in thousands of euros)

| Balance sheet assets | | 31/12/2020 | 31/12/2019 |
|---|------|-------------------|-------------------|
| Cash, Central Banks, Post Office accounts | 4.1 | 231 668 | - |
| Loans and advances to credit institutions | 4.1 | 194 908 | 5 000 |
| Operations with customers | 5.1 | 248 657 | - |
| Shares and other variable income securities | 6 | - | - |
| Investments and other securities held for the long term | 6 | - | - |
| Intangible assets | 7 | 70 | - |
| Tangible Fixed assets | 7 | 579 | - |
| Prepayments, accrued income and other debtors | 8 | 919 | - |
| | 10.1 | | |
| Total assets | | 676 801 | 5 000 |

Accounts as of 31 December 2020
(in thousands of euros)

| Balance sheet liabilities | | 31/12/2020 | 31/12/2019 |
|--|------------|-------------------|-------------------|
| Deposits from banks and other financial institutions | 4.2 | 342 217 | - |
| Customer deposits | 5.2 | 140 901 | - |
| Other liabilities, accruals and deferred income | 9 | 4 238 | - |
| Provisions for risks and charges | 10.2 11 | 8 509 | - |
| Funds for General Banking Risk | 12 | 826 | |
| Equity (excluding FGBR) | 18.1 | 180 110 | 5 000 |
| - Share capital | | 169 511 | 5 000 |
| - Reserves | | 12 639 | - |
| - Carried forward | | - | - |
| - Financial year profit & loss | | (2 040) | - |
| Total liabilities | | 676 801 | 5 000 |

Accounts as of 31 December 2020
(in thousands of euros)

| Off balance sheet | 31/12/2020 | 31/12/2019 |
|---------------------------------|-------------------|-------------------|
| Commitments given | 13 | |
| Financing commitments given | 231 728 | |
| Guarantees commitments given | 207 597 | |
| Other commitments given | | |
| Commitments received | | |
| Financing commitments received | | |
| Guarantees commitments received | | |
| Other commitments received | | |

Income statement as at 31 December 2020
(in thousands of euros)

| | 31/12/2020 | 31/12/2019 |
|--|----------------|--------------|
| - Interest and similar incomes | 1 833 | - |
| - Interest and similar expenses | (451) | - |
| - Income from variable income securities | 179 | - |
| - Commission and fee income | 2 271 | - |
| - Commission and fee expenses | (327) | - |
| - Gain or losses on trading portfolio transactions | - | - |
| - Other banking operating incomes | 18 | - |
| - Other banking operating expenses | - | - |
| Net banking income | 14 | 3 523 |
| - General operating expenses | 15 | (3 789) |
| - Depreciation and amortisation and provisions on fixed assets | 7 | (66) |
| Gross operating expense | (332) | - |
| - Provision for credit loss (cost of risk) | 16 | (827) |
| Operating income | (1 159) | - |
| - Gain or losses on fixed assets | - | - |
| Earnings before tax and interest | (1 159) | - |
| - Exceptional income | - | - |
| - Allocations / reversals Fund for General Banking Risks | 12 | (826) |
| - Corporate income tax | (55) | - |
| Financial year profit/loss | (2 040) | - |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1. HIGHLIGHTS OF THE YEAR

The 31 December 2020 year-end closing was the second closing for Arab Banking Corporation SA (ABC SA), but the first following the asset transfer, which took place on 9 October 2020.

ABC SA was created by the Bank ABC Group as a solution to the issue of the United Kingdom's exit from the European Union (Brexit): its aim was to enable the ABC Group to retain its access to the European single market.

Following the successive postponements approved by the UK and European parliaments in 2019 and 2020, the asset transfer took place in October 2020.

ABC IB therefore spun off to ABC SA its wholesale banking and treasury activities which had previously been carried out through its French, German and Italian branches.

In accordance with ANC Regulation n° 2014-03, and insofar as the transaction is carried out between companies under common control, the assets and liabilities have been brought to ABC SA at the net book value on October 9, 2020. Said net book value on the date of completion of the contribution amounts to 177,150 thousand euros.

The overall value of the contribution serving as the basis for determining the compensation for the contribution, determined as part of an assessment carried out by an independent expert, was set at 164,511 thousand euros.

The difference between the net book value of the asset contributed and the total value of the contribution, i.e. a difference of 12,639 thousand euros, constitutes a negative valuation difference which has been recognized in the equity of ABC SA as a non-distributable reserve in a merger premium sub-account, in accordance with article 744-2 of the General Accounting Plan.

The crisis caused by the health measures taken to deal with the COVID-19 pandemic, which affected all our markets, has had a significant impact on the ABC Group's business and on the entire financial sector.

Moreover, from the beginning of the crisis, the ABC Group has taken all necessary measures to comply with the instructions of the Italian, German and French governments so as to guarantee the safety and well-being of its employees and ensure that it continued to provide a full range of services to its customers.

2. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

As regards governance, ABC SA appointed a new Chief Executive Officer on 1 February 2021.

As regards accounting, there have been no material events since the end of the reporting period.

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,
- the accruals concept.

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,
- the principal or interest receivable have been unpaid for more than three months,

- the 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 for signature commitments 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 €1,567,000 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.

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, 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 ECB pursuant to ANC Regulation 2014-07.

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.).

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

4.1. Assets

| | 31/12/2020 | 31/12/2019 |
|--|--------------|------------|
| Cash | 7 | - |
| Central banks | 231,622 | - |
| Accrued interest receivable | <u>39</u> | <u>-</u> |
| | 231,668 | - |
| | | |
| Current accounts | 8,713 | 5,000 |
| Term accounts and loans | 186,361 | - |
| Accrued interest receivable | 177 | - |
| Provisions for non-performing receivables* | <u>(343)</u> | <u>-</u> |
| | 194,908 | 5,000 |

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

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

Receivables from credit institutions are not deemed eligible by the ECB. A breakdown of them is provided below:

| | Affiliated undertakings | Other |
|---|-------------------------|---------|
| Current accounts | 8,386 | 328 |
| Term accounts and loans | 659 | 185,702 |
| Accrued interest receivable | - | 177 |
| Provisions for non-performing receivables | - | (343) |
| | 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 | 8,713 | - | - | - |
| Term accounts and loans | 35,491 | 65,365 | 85,404 | 101 |
| Accrued interest receivable | 177 | - | - | - |
| Provisions for non-performing receivables | - | - | (343) | - |
| | 44,381 | 65,365 | 85,061 | 101 |

A breakdown of loans by geographic region is provided below:

| | 31/12/2020 |
|----------------------|------------|
| Turkey | 61,737 |
| Egypt | 43,401 |
| Algeria | 24,505 |
| United Arab Emirates | 20,367 |
| UK | 16,481 |
| South Africa | 16,306 |
| Rest of the world | 12,112 |
| | 194,908 |

4.2. Liabilities

| | 31/12/2020 | 31/12/2019 |
|--------------------------|------------|------------|
| Current accounts | 14,798 | - |
| Term accounts and loans | 327,513 | - |
| Accrued interest payable | 6 | - |
| | 342,217 | - |

Payables due to credit institutions are not deemed eligible by the ECB. A breakdown of them is provided below:

| | Affiliated undertakings | Other |
|------------------------------|----------------------------|----------|
| Current accounts | 12,677 | 2,120 |
| Term accounts and borrowings | 318,778 | 8,635 |
| Accrued interest payable | <u>1</u> | <u>4</u> |
| | 331,456 | 10,759 |

A breakdown by maturity is provided below:

| | Less than 3 months | 3 months to 1 year | More than 1 year |
|------------------------------|-----------------------|-----------------------|---------------------|
| Current accounts | 14,798 | - | - |
| Term accounts and borrowings | 82,462 | 244,951 | - |
| Accrued interest payable | <u>6</u> | <u>-</u> | <u>-</u> |
| | 97,266 | 244,951 | - |

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

5.1. Assets

| | 31/12/2020 | 31/12/2019 |
|---|----------------|------------|
| Discounts and similar items | 32,328 | - |
| Loans and advances | 215,035 | - |
| Accrued interest receivable | 610 | - |
| Non-performing receivables* | 3,295 | - |
| Impairment of non-performing receivables * | <u>(2,611)</u> | <u>-</u> |
| | 248,657 | - |

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

The non-performing receivable relates mainly to an Italian counterparty Cirio Finanziaria SPA. A 100% provision has been recognised in respect of this dispute: the additional €338,000 provision being booked in the ABC Bahrain accounts. ABC Bahrain has a commitment - renewed annually - to cover that part in case of a final default.

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

A breakdown of loans by geographic region is provided below:

| | 31/12/2020 |
|----------------------|----------------|
| Germany | 69,122 |
| Italy | 39,109 |
| Singapore | 35,348 |
| Libya | 24,460 |
| Netherlands | 23,456 |
| United Arab Emirates | 17,652 |
| Saudi Arabia | 9,476 |
| Bahrain | 8,621 |
| France | 7,653 |
| Rest of the world | 13,759 |
| | <u>248,657</u> |

A breakdown by maturity is provided below:

| | Less than 3 months | 3 months to 1 year | 1 to 5 years | More than 5 years |
|--|-----------------------|-----------------------|-----------------|----------------------|
| Discounts and similar items | 12,138 | 13,037 | 7,153 | - |
| Loans and advances | 56,458 | 76,208 | 81,898 | 471 |
| Accrued interest receivable | 610 | - | - | - |
| Non-performing receivables | - | - | 3,295 | - |
| Impairment of non- performing receivables | - | - | (2,611) | - |
| | <u>69,205</u> | <u>86,245</u> | <u>89,735</u> | <u>471</u> |

5.2. Liabilities

| | 31/12/2020 | 31/12/2019 |
|--------------------------|----------------|------------|
| Current accounts | 17,991 | - |
| Term deposits | 116,293 | - |
| Security deposits | 6,614 | - |
| Accrued interest payable | 2 | - |
| | <u>140,901</u> | <u>-</u> |

6. EQUITY INVESTMENTS AND PORTFOLIO ACTIVITIES

ABC SA does not hold any equity investments or portfolios.

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

| | 31/12/2019 | ABC transfer | IB | Additions | Disposals | 31/12/2020 |
|-------------------------------|------------|-----------------|----|-----------|-----------|--------------|
| Gross amount | | | | | | |
| Intangible assets | - | 1,671 | | 2 | - | 1,673 |
| Property, plant and equipment | - | 1,763 | | 52 | - | 1,815 |
| | <u>-</u> | <u>3,435</u> | | <u>54</u> | <u>-</u> | <u>3,489</u> |

| | 31/12/2019 | ABC transfer | IB | Charges | Reversals | 31/12/2020 |
|--|------------|-----------------|----|-----------|-----------|--------------|
| Depreciation, amortisation and impairment | | | | | | |
| Intangible assets | - | 1,580 | | 23 | - | 1,603 |
| Property, plant and equipment | - | 1,194 | | 42 | - | 1,236 |
| | <u>-</u> | <u>2,774</u> | | <u>65</u> | <u>-</u> | <u>2,839</u> |

8. OTHER ASSETS (in thousands of euros)

| | 31/12/2020 | 31/12/2019 |
|-----------------------------|------------|------------|
| Other miscellaneous debtors | 64 | - |
| | <u>64</u> | <u>-</u> |

9. OTHER LIABILITIES (in thousands of euros)

| | 31/12/2020 | 31/12/2019 |
|--|------------|------------|
| Accrued taxes (corporation tax and others) | 283 | - |
| Other miscellaneous creditors | 154 | - |
| | <u>437</u> | <u>-</u> |

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

10.1. Assets

| | 31/12/2020 | 31/12/2019 |
|--|------------|------------|
| Currency adjustment account | 7 | - |
| Forward financial instruments adjustment account | 38 | - |
| Prepaid expenses | 551 | - |
| Accrued income | (702) | - |
| Other adjustments | 961 | - |
| | <u>855</u> | <u>-</u> |

10.2. Liabilities

| | 31/12/2020 | 31/12/2019 |
|-------------------|--------------|------------|
| Deferred income | 470 | - |
| Accrued expenses | 476 | - |
| Other adjustments | 2,854 | - |
| | <u>3,801</u> | <u>-</u> |

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

| | 31/12/2020 | 31/12/2019 |
|--|--------------|------------|
| Provisions for pension costs and long-service awards | 1,566 | - |
| Provision for signature commitment risk | 3,711 | - |
| Other provisions for liabilities and charges | 3,231 | - |
| | <u>8,509</u> | <u>-</u> |

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 3.5.1.

The change in provisions for liabilities and charges over the two and a half months of activity was as follows:

| | 2020 | 2019 |
|--|--------------|----------|
| Provisions for liabilities and charges transferred from ABC IB | 7,748 | - |
| Charges | 827 | - |
| Reversals | (66) | - |
| | <u>8,509</u> | <u>-</u> |

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

| | 31/12/2020 | 31/12/2019 |
|-----------|------------|------------|
| Charges | 826 | - |
| Reversals | - | - |
| | <u>826</u> | <u>-</u> |

ABC SA, on the Group's instructions, has recognised an additional provision under FGBR as part of the Covid Crisis context.

13. 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:

| | 31/12/2020 | 31/12/2019 |
|--|----------------|------------|
| Commitments given to credit institutions | 122,618 | - |
| • <i>Of which financing commitments</i> | 13,953 | - |
| • <i>Of which guarantees</i> | 108,665 | - |
| Commitments given to customers | 316,707 | - |
| • <i>Of which financing commitments</i> | 217,776 | - |
| • <i>Of which guarantees</i> | 98,932 | - |
| | <u>439,325</u> | <u>-</u> |

14. REVENUE (in thousands of euros)

Since the Company had only been operating for two and a half months at the reporting date, its revenue for that period is not very representative. However, it can be noted that it is split into interest (loans and discounts) and fees and commission (mainly on letters of credit).

| | 2020 | 2019 |
|--|--------------|----------|
| Interest and similar income | 1,833 | - |
| - <i>Of which from bank counterparties</i> | 699 | - |
| - <i>Of which from customers</i> | 1,134 | - |
| Interest and similar expenses | (451) | - |
| Gains or losses on foreign exchange transactions | 179 | - |
| Fee and commission income | 2,271 | - |
| Fee and commission expenses | (327) | - |
| Other banking operating income | 18 | - |
| Net banking income | 3,523 | - |

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

| | 2020 | 2019 |
|----------------------|--------------|----------|
| Paris NBI | 1,207 | - |
| Milan branch NBI | 813 | - |
| Frankfurt branch NBI | 1,503 | - |
| | <u>3,523</u> | <u>-</u> |

15. OPERATING EXPENSES (in thousands of euros)

A breakdown of general operating expenses is provided below:

| | 2020 | 2019 |
|---------------------------------|-------|------|
| Payroll costs | 1,885 | - |
| • Wages and salaries | 1,795 | - |
| • Social security contributions | 421 | - |

| | | |
|---|--------------|----------|
| • Other taxes | 4 | - |
| • Change in retirement benefits provision | (334) | - |
| Other operating expenses | 1,969 | - |
| • Other external services | 908 | - |
| • Expenses recharged by the Group | 728 | - |
| • Rent | 259 | - |
| • Transport | 17 | - |
| • Depreciation and amortisation | 66 | - |
| • Other taxes | (9) | - |
| Total operating expenses | <u>3,855</u> | <u>-</u> |

16. PROVISION FOR CREDIT LOSSES

Provision for credit losses represents the change over the quarter 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.

| | 2020 | 2019 |
|---------------------|------------|----------|
| Net charges | 827 | - |
| Amounts written off | - | - |
| | <u>827</u> | <u>-</u> |

17. GAINS OR LOSSES ON NON-CURRENT ASSETS

No non-current assets were sold during the year.

18. EXPENSES AND INCOME IN RESPECT OF PRIOR YEARS

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

19. GENERAL INFORMATION ABOUT THE COMPANY

19.1. Shareholders' equity (excluding FGBR)

The Company's share capital of €169,511,160.00 is composed of 16,951,116 shares of €10 each, fully paid up, out of which 16,451,116 were issued as part of the Assets contribution.

A breakdown of shareholders' equity excluding the FGBR at 31 December 2020 is provided below:

| In thousands of euros | 31/12/2020 | 31/12/2019 |
|-----------------------------|----------------|--------------|
| Share capital | 169,511 | 5,000 |
| Legal reserve | | - |
| Other reserves | 12,639 | - |
| Retained earnings | | - |
| Profit (loss) for the year | (2,040) | - |
| Shareholders' equity | 180,110 | 5,000 |

Movements recorded over the period were as follows:

| | Share capital | Legal reserve | Other reserves | Retained earnings | Profit (loss) for the year | Shareholders' equity |
|----------------------------|---------------|---------------|----------------|-------------------|----------------------------|----------------------|
| 31/12/2019 | 5,000 | | | | | 5,000 |
| Capital increase | 164,511 | | | | | 164,511 |
| Retained earnings | | | | | | |
| Allocation: other reserves | | | 12,639 | | | 12,639 |
| Profit (loss) for the year | | | | | (2,040) | (2,040) |
| 31/12/2020 | 169,511 | | 12,639 | | (2,040) | 180,110 |

19.2. Related party transactions

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

19.3. Earnings per share

Earnings per share was a loss of €0.12.

19.4. Full-time equivalent workforce

ABC SA's full-time equivalent workforce consisted of 74 employees in 2020, including 19 in France and 55 in the branches (Germany and Italy).

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

| | Managerial employees | Non-managerial employees | Total |
|-----------|----------------------|--------------------------|-------|
| Paris | 16 | 3 | 19 |
| Frankfurt | 10 | 21 | 31 |
| Milan | 12 | 12 | 24 |
| Total | 38 | 36 | 74 |

19.5. Remuneration of the members of the Board

No remuneration was paid to the members of the administrative bodies in 2020.

However, a provision of €9,000 was recognised to cover the remuneration for the duties performed by the independent director during the period.

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

No loans or advances were granted to members of the management body in 2020.

19.7. Consolidation principles and methods

Not applicable.

19.8. Statutory Auditors' fees

No audit fees were paid in 2020. However, a provision of €150,000 excluding VAT was recognised in the financial statements for the year ended 31 December 2020 to cover the fee for the audit of said financial statements.