Annual Report 2020

aion bank

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INTRODUCTION

LETTER FROM THE CEO

Brussels, 7 June 2021

Dear All,

As we head into the second half of 2021, I want to take a moment to recognize everything we have achieved together. 2020 was a year we will likely never experience again in our lifetime. We faced one of the greatest health threats in the last century, which created many challenges, both personally and professionally, around the world. We also witnessed governments build up unprecedented levels of debt to keep their economies afloat. And, it was against this incredible backdrop that we launched Aion Bank.

The pandemic put a strain on established businesses and traditional ways of working. It was also a test of our vision for Aion Bank. We set out to build a mobile-first, digital bank where our members are able to do everything seamlessly within our app. If there was ever a time to test customers' appetite for this service, it was 2020. And, our assumption proved to be right.

Our technological set-up, allowing practically all transactions and services to be offered in a fully remote manner, has been appreciated by our members. With our focus on digital, we managed to grow the number of members and business relationships throughout the year. Additionally, our ability to quickly adapt and master work-from-home created business continuity, as well as provided a safe work environment for all of our staff.

2020 HIGHLIGHTS

With our risk averse approach due to the external challenges in 2020, we limited our growth of business volumes more than anticipated. Still, we achieved progress:

- 70% growth of number of customers, and we more than doubled the number and amounts of payment and FX transactions
- Further digitization and automation of back-office processes based on the most modern technology
- Significant shift in profile of loan customers from large companies to small and midsize companies, without compromising asset quality
- International expansion: successfully passported to 16 European countries. At the end of the year, we also launched the process to open fully fledged branches in Germany and Poland
- Successful acquisition of ETFmatic: this will allow us to offer fully integrated investment and deposit solutions, and in anticipation of post-COVID recovery, members will be given an opportunity to fully diversify their savings

2020 FINANCIAL RESULTS

Financially, 2020 was marked by the build-up of capacity and slow net growth of business volumes.

In Belgium, we marketed our offer for both individuals and SMEs digitally and via TV advertising, in addition to personal contacts and sales initiatives.

We also prepared for Aion Bank's entry into Banking-as-a-Service (BaaS). New EU regulation on Open Banking and the new technology from scalable cloud-based banking create new servicing platforms where Aion Bank can support big retailers and wholesale companies to optimize their payment offering to customers. Our quality of services is appreciated by international players, with partnerships including MasterCard and Bankable.

2020 ended with total assets of € 1.2 billion and total equity of € 86.7 million (total regulatory solvency ratio of 19.4%). We had experienced an annual loss of € 47.0 million.

We have safe levels of capital and liquidity. Additionally, we have strong shareholders, seasoned international leadership and management and a fully committed staff. This makes us resilient to current economic conditions and positions us well for future growth.

MOVING FORWARD

I would like to thank all Aion Bank employees, including our new colleagues from ETFmatic, for their strong efforts in 2020. We need their continued dedication because we have a lot to do in 2021. Further growth of business volume, entering the Polish and German markets, and BaaS banking will be key initiatives this year.

We have achieved good progress in 2021, so far:

- Aion Bank became the Fintech Express partner of MasterCard
- German and Polish branches have been approved, and we will be open for business in these countries as early as July 2021
- We expect high growth in 2021 in terms of number of clients served directly and via partnerships, in addition to deposit and credit volume growth from both SME and retail segments

Through innovative technology, conservative policies and high performing staff, Aion Bank is ready to take on the challenges of 2021.

I want to thank our members, shareholders and employees for their continued trust and support.

Yours sincerely,

Wojciech Sobieraj
CEO of Aion Bank

LETTER FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

Aion has a high level of digitalization in all processes, a strong balance sheet and a conservative risk policy that will keep the Bank safe and strong.

Brussels, 7 June 2021

COVID-19 has brought distress and tragedy for many families, and we send our thoughts to all who have suffered losses in 2020.

The Board of Directors commends the Executive Committee and the entire Aion Bank team for their strong efforts and flexibility with which they responded to the challenges in 2020.

The customer orientation of systems and culture of Aion Bank has served a growing number of private and SME customers well during the lockdowns.

The Board of Directors would also like to thank former members of the Board of Directors, Dan Zilberman and Eric Drok, who stepped down from the board in December 2020. We welcomed new members to the board - Doris Honold, Danielle Crooke-Davies and Mike Thompson - in 2020.

The Board of Directors and its Risk and Audit Committee were very active in 2020 with focus on several topics: Opening of Branches, Market Repositioning, COVID-19 Response, Dynamic Risk Policies and Banking-as-a-Service. The Bank maintains its fundamental risk principles: no proprietary trading, and new lending funded only by customer deposits. Stable safe levels of operations have been observed in the compliance area with special mention of PSD2, MIFID2, AML and GDPR.

All Board of Directors meetings planned were effortlessly conducted virtually, and communication between the members and the Executive Committee and senior management even intensified.

The Bank has come through the 2020 financial year with a loss of € 47.0 million. The initial costs to build up brand awareness, service levels and capacity have been significantly larger than the revenues; these are only gradually growing with the number of transactions, number of customers and volume of balance sheet.

Aion has a high level of digitalization in all processes, a strong balance sheet and a conservative risk policy that will keep the Bank safe and strong. Aion Bank has built strong capabilities to become a relevant player in the new Open Banking competitive landscape. We believe that European BaaS customers will increasingly find it attractive to be served by Aion, and that the employees and managers will lead Aion to success.

Yours sincerely,

Richard A. Laxer
Chairman

EVOLUTION AND RESULTS OF THE BUSINESS AND SITUATION OF THE COMPANY -

Description of main risks and uncertainties

GENERAL OVERVIEW

Aion Bank (formerly the Belgian subsidiary of Italy's Banca Monte dei Paschi) was acquired by Warburg Pincus on 14 June 2019.

Warburg Pincus LLC is a leading global private equity firm focused on investing in growth companies. The firm has more than $60 billion in private equity assets under management. The firm's active portfolio of more than 200 companies is highly diversified by stage, sector and geography. Warburg Pincus is an experienced partner to management teams seeking to build durable companies with sustainable value. Founded in 1966, Warburg Pincus has raised 19 private equity funds, which have invested more than $90 billion in over 930 companies in more than 40 countries.

Warburg Pincus received the required approvals from the National Bank of Belgium and the European Central Bank to complete the acquisition of Banca Monte Paschi Belgio (BMPB), the Belgian banking subsidiary of Banca Monte dei Paschi di Siena (MPS). The acquisition was first announced on 5 October 2018 and closed on 14 June 2019.

Since the change of the ownership, the Bank has been working on a deep transformation into a fully digital, mobile banking platform, with a completely new business model and services offered.

The Bank went live with a new logo, name (Aion Bank) and website in December 2019.

2020 was the first full year under the Aion Bank brand and in the new acquisition model. In spite of unfavorable conditions related to COVID, the Bank managed to increase the number of customers by 70%.

In 2020, Aion Bank started preparations for entering new European markets (Poland and Germany) and development of an offer for being a provider of BaaS (Bank-as-a-service) to external companies.

The Bank offers its services to retail and SME customers in Belgium and provides financing to companies in Poland.

CORPORATE BANKING

The overall amount of deposits increased from € 803 million in 2019 to € 855 million in 2020.

Deposits from companies and public authorities amounted to € 418 million at the end of 2020 compared to € 399 million at the end of the previous year.

The amount of loans fell by € 17 million (6%) to € 254 million from € 271 million at the end of 2019. It was a result of a new loan offer launched only from the 2nd half of 2020.

New loans granted in 2020 amounted to more than € 40 million, including € 38 million in the last 4 months of 2020.

Corporate banking provides financing to its clients by taking over their corporate bonds. Aion Bank had in its portfolio € 7 million of corporate bonds at the end of 2020.

RETAIL BANKING

Loans to private individuals decreased by € 25 million (12%), as compared to 2019 and amounted to € 178 million.

It results mainly from repayment of Mortgage loans (a decrease by € 40 million). Due to the change of profile of the Bank and low margins for Mortgage loans in Belgian market. Aion Bank does not offer new Mortgage loans to its customers.

Retail deposits increased by 8% and reached € 437 million at the end of 2020, as compared to € 403 million in 2019. It was achieved due to diversification of deposit acquisition channels. The Bank also managed to reduce the average interest rate on deposits due to limiting the volume of long-term step-up deposits.

SECURITIES PORTFOLIO

Throughout 2020, the Bank focused on optimizing the management of the component of its assets, particularly in terms of risk and the quality of counterparties.

Following the change of ownership, the Bank implemented a policy of diversifying away from Italian debt, reducing its exposure significantly to € 82 million. The remaining part of the portfolio remained firmly diversified between different sovereign issuers with investment grade rating, and in most cases, ECB refinancing eligibility. Most of the fixed income portfolio concentrated in 3-6Y remaining maturity.

As a result of changes in deposit and loan volumes, the size of the bond portfolio decreased to € 271 million from € 317 million at the end of 2019.

This amount contains € 7 million of corporate bonds mentioned in the Corporate Banking section.

NON-PERFORMING LOANS PORTFOLIO

The share of loans (net of provisions) held in the Deteriorated Past Due, Unlikely to Pay and Defaulted portfolios represents 8.4% of all customer loans at 31 December 2020 (compared with 9.7% at 31 December 2019).

The gross exposure on Defaulted loans is € 65.0 million, with a provision coverage of 75% (compared to € 55 million in 2019, with a 79% provision coverage).

The gross exposure on Unlikely to Pay and Deteriorated Past Due customer loans is € 24.7 million, with a provision coverage of 19% (compared to € 38.3 million in 2019, with a 10% provision coverage).

FINANCIAL AND ECONOMIC SITUATION

Balance sheet

As at the end of December 2020, the total balance sheet showed a net increase of 7% to € 1.16 billion compared to € 1.08 billion twelve months earlier.

The following developments were significant:

Assets:

- A decrease of € 42 million in receivables from customers, including € 25 from private individuals, mainly as a result of repayment of mortgage loans and the closure of the mortgage products.
- An increase in receivables from credit institutions of € 141 million thanks to the increase of the deposits.

Liabilities:

- An € 52 million increase in amounts owed to customers, including € 31 million in current accounts, € 20 million in term deposits and € 2 million in savings.

Evolution of loans and assets

- Receivables from credit institutions amounted to € 411 million (increase vs. previous year of € 141 million) and mainly concerned an increase in monetary reserve assets and cash surpluses left in accounts with the National Bank of Belgium (NBB), in addition to natural levels at the accounts of our main correspondent banks.

- Receivables from customers amounted to € 432 million (of which € 178 million from individuals, € 254 million from corporate customers or public authorities) compared to € 474 million a year earlier.

- The reduction of loans by € 42 million was mainly related to:
  - decrease of mortgage loans by € 40 million (mainly related to repayments)
  - a net reduction by € 17 million loans to companies and public authorities. The repayments concerned mainly low margin loans. At the same time, the Bank granted in 2020 more than € 40 million SME loans and took over € 7 million corporate bonds
  - increase by € 14 million of other loans to provide individuals (mainly new cash loans)

- The loan/deposit ratio, which stood at 59% at 31 December 2019, improved to 51% at 31 December 2020.

- Bond receivables totalled € 271 million compared to € 317 million a year earlier.

Evolution of funding sources

In line with recent years, the Bank has focused its attention on liquidity and, in general, on compliance with its related regulatory ratios. The Bank has always mainly covered its cash requirements through customer deposits.

- The deposits from customers amounted to € 855 million at the end of 2020 as compared to € 803 million a year earlier.

- The outstanding amount of the deposits from credit institutions amounted to € 172 million as compared to € 148 million on 31 December 2019 entirely comprising the Bank's remaining participation in the so-called T.L.T.R.O. programme. The latter provides a low-cost source of financing for the Bank.

In terms of liquidity risk, Aion Bank comfortably complies with all regulatory and internal limits, such as the Liquidity Coverage Ratio (LCR), which stood at 745% at 31 December 2020, and the Net Stable Funding Ratio (NSFR) at 154%. The Excess Liquidity Buffer amounts to €371 million.

Changes in certain off-balance sheet items

Guarantees

Commitments granted in connection with the issue of bank guarantees fell by € 13 million (-14%) and amounted to € 17 million as at 31 December 2020.

Interest rate transactions

Aion Bank uses only Interest Rate Swaps (IRS). Except for back-to-back operations, it uses them to hedge part of its fixed-rate and long-term loan portfolio, which consists mainly of mortgage loans and investment loans. As of 31 December 2020, the outstanding IRS notional amount was € 107 million compared to € 120 million at the end of 2019.

PROFIT AND LOSS

Aion Bank closed 2020 with an accounting loss of € 47.0 million, compared to a net accounting loss of € 43.8 million in 2019.

This negative result is mainly due to restructuring of the Bank after the change of control in 2019.

- The interest margin contributed € 5.3 million to the 2020 economic account, compared with € 7.3 million in the previous year (-27%). The drop in net interest resulted from the decrease of loan portfolio, and the new sales channels for corporate loans started only in the 2nd half of 2020, as well as increase of deposits volume vs. 2019.
- Net overall commissions fell from € 0.7 million in 2019 to negative -€ 1.2 million in 2020. It it a temporary decrease resulting from the fact that both existing clients migrated to the new mobile platform and new clients had were granted a free trial period (did not pay the subscription fee), however the Bank needed to cover members' package related expenses like free withdrawals from ATMs, access to ETFmatic and other services.
- Income from financial transactions amounted to € 1.2 million compared with € 0.7 million, previously. It is related to the sale of a part of the securities portfolio.
- General expenses increased to € 41.6 million in 2020 compared to € 35.5 million in 2019, there off:
  - Remuneration expenses decreased by € 8.4 million from € 26.5 million in 2019 to € 18.1 million
  - Other administrative expenses increased by € 14.5 million and amounted to € 23.5 million as compared to € 9.0 million in 2019. The increase is mainly related to marketing expenses focused both on client acquisition and building of the brand
- Bank recognized net cost from write-downs on receivables and other provisions for liabilities of € 5.1 million in 2020, which was € 8.9 million (-71%) less than in 2019.
- Other operating expenses amounted to € 4.8 million vs. € 3.9 million a year before. The main charge under this item relates to the new banking taxes (single annual bank tax) introduced in 2016.
- There was no significant disposal on intangible or tangible fixed assets in 2020 as compared to € 6.6 million in 2019, resulting from a write-off of the old core banking system.

EQUITY

The available level of total regulatory capital at the end **2020 is € 86.7 million**, resulting in a regulatory solvency ratio of **19.4%**.

Regulatory Solvency ratios	**31/12/2019**	**31/12/2020**
RWA (amounts in million €)	490.8	448.0
Core Tier I ratio	16.9%	16.2%
Tier I ratio	16.9%	16.2%
Regulatory Solvency ratio (Tier I + Tier II)	19.7%	19.4%

The Bank was provided with three capital increases by its new shareholder in 2020, totaling **€ 36.8m.**

More details about the capital composition and reconciliation with book value of equity in section 11.5.

IMPORTANT EVENTS OCCURRED AFTER THE BALANCE SHEET DATE

The Company moved its registered seat to avenue de la Toison d'Or 26/28, 1050 Brussels on 26 February 2021. Also, on 26 February 2021, the Company amended the articles of association to change the name of the Company from "Aion" to "Aion Bank".

The Company increased its capital and changed the articles of association on 29 April 2021. The capital was increased by 20,400,000€ without issuing new shares and amounted to 88,335,357.47€ as at 29 April 2021.

After the closing of the balance sheet date, Belgium, and in fact the whole world, has continued to be significantly affected by the health crisis of Covid-19. The disturbance of supply chains, the lock-downs and related reductions in investments and consumption led to a heavy recession in 2020 in Belgium, as well as markets where our customers are operating. The Belgian economy has been affected much less by the second lockdown and restrictions which were in place since November 2020. However, a full recovery is not expected before 2022.

The Bank is closely following up on the impact of COVID on its clients and activities, relying amongst other sources on the orientations and surveys of the Economic Risk Management Group, set up by the Belgian Government to monitor the impact of the Covid-19 crisis on the Belgian economy.

On 31st December 2020, 29 retail clients and 15 SME customers requested and were granted postponement of installments and interest on their loans in Aion Bank. We are supporting our customers to get financially healthy through this crisis, while taking proper long term care for not increasing our expected loan losses.

Aion Bank has successfully converted all operations to full Work-From-Home mode, without any operational incidents. Also, all meetings of governing bodies have taken place in WFH mode. As a result, Aion Bank has also managed to significantly reduce office space. The combination of a fully digital service offering, mobile sales forces and very low branch usage due to Covid-19 also allowed Aion Bank to close several physical branches. All activities involving physical client meetings are now concentrated at the flagship branch (avenue de la Toison d'Or) and the branch in the Brussels EU quarter (rue du Luxembourg).

We do not foresee any challenges keeping up the safe regulatory ratios on liquidity and capital.

On 26 January 2021, in accordance with article 86 of the Belgian Banking Law, the National Bank of Belgium approved the opening by the Company of a branch in Poland and in Germany, based on the Bank's freedom of establishment (see section 6 Information concerning branches of the Company, for more details).

On 8 March 2021, the company also acquired the shares of ETFmatic Group Ltd. ETFmatic Group Ltd controls ETFmatic Ltd. ETFmatic Ltd is an investment firm based in the United Kingdom and supervised by the FCA. ETFmatic Ltd provides investment services based on an automated portfolio management platform focused on exchange traded investment funds (ETF's). ETFmatic provides investment services throughout the EEA. ETFmatic was already Aion Bank's partner for its portfolio management service. The acquisition of ETFmatic will allow ETFmatic to continue to service its clients in the European Union following Brexit and allows Aion Bank to support its growth ambitions and improve its client offering in investment services. Following approval of the FCA, the transaction was closed on 8 March 2021. Aion Bank intends to have fully integrated the activities of ETFmatic by the end of the summer of 2021.

CIRCUMSTANCES THAT CAN HAVE A SIGNIFICANT INFLUENCE ON THE DEVELOPMENT OF THE COMPANY

THE COMPANY'S GROWTH AND PROFITABILITY ARE INFLUENCED BY:

- continuous efforts to increase the customer base according to opportunities;
- the development of commercial activity and the quality of customer service;
- changes in capital and financial markets;
- investments made to provide the Bank with state-of-the-art technology;
- reputation risk;
- the macroeconomic environment;
- length of the Covid-19 pandemic and its impact on the economy and behaviors of customers and competitors;
- shareholder stability

RESEARCH AND DEVELOPMENT ACTIVITIES

As part of the transformation of the Bank, the Company invests significant resources in developing state-of-the art digital banking tools. It is the Bank's ambition to be a digital first challenger bank that offers a comprehensive set of services to both retail and SME clients. To that effect, the Bank develops highly digitalised processes for all banking operations, using the latest technology for onboarding, authentication processes, and communications with clients. The Bank also invests in developing new business models for delivering banking and financial services in a highly digitalized environment, partnering with merchants, e-commerce and other financial service providers.

The Company is otherwise not involved in research and development activities.

INFORMATION CONCERNING BRANCHES OF THE COMPANY

The Company has set up a technical branch in Warsaw, Aion Bank Spółka Akcyjna Oddział w Polsce, established and organised under the laws of Poland, with its registered seat in Warsaw, KRS (Entrepreneurs Register of the National Court Register) No: 0000807333, NIP or tax identity no: 1080023480.

On 26 January 2021, in accordance with article 86 of the Belgian Banking Law, the National Bank of Belgium also approved the opening by the Company of a branch in Poland and in Germany, based on the Bank's freedom of establishment.

The activities of the banking branch in Poland will be integrated in Aion Bank Spółka Akcyjna Oddział w Polsce.

The banking branch in Germany will conduct its activities under the name of Aion Bank S.A. German Branch, has its register seat at p/o Tribes Frankfurt Baseler, Baseler Straße 10, 60329 Frankfurt, and is registered with the Commercial Register of Frankfurt-am-Main under commercial register number HRB 122742.

JUSTIFICATION OF THE APPLICATION OF ACCOUNTING RULES ON A GOING CONCERN BASIS

The Company has been involved in a number of significant investment projects in 2018 and 2019 prior to the change of control over the Bank. In June 2019, the Company was disposed of by the MPS Group and acquired by funds managed by Warburg Pincus LLC. As described above, the change of control was followed by a comprehensive reorganization and restructuring in order to implement a new strategy and business model. This involved significant capital increases by the new investors, investments in the digitisation of the Bank and the development of new products and services to better serve the needs of the clients. In view of the business plan, the capitalisation and the liquidity position of the Company, the application of the accounting rules on a going concern basis continues to be justified.

APPLICATION OF CONFLICTS OF INTEREST PROCEDURE

(ARTICLE 7.96 OF THE CODE OF COMPANIES AND ASSOCIATIONS)

The procedure set forth in article 7.96 of the Code of Companies and Associations was applied at the following occasions:

Board of Directors of 9 December 2020

1. **Approval of agreements between Aion Bank and Vodeno relating to additional consultancy services, lease of office space, rent of workstations**

   Prior to discussing item 4 and 5 on the agenda, the directors Wojciech Sobieraj, Wojciech Sass and Niels Lundorff declared that they have a conflicting financial interest (intérêt opposé de nature patrimoniale) in the sense of Article 7.96 of the Belgian Code of Companies and Association in relation to point 4 and 5 of the agenda set out above.

   The conflict of interest lies in the fact that the Board of Directors has to resolve on the approval of agreements and transactions that involve payments by Aion Bank to Vodeno for services not covered by the current Outsourcing Agreement between Aion Bank and Vodeno Sp.z.o.o (**"Vodeno"**). Wojciech Sobieraj, Wojciech Sass and Niels Lundorff are all three former employees of Vodeno where they were instrumental in the development of the business of Vodeno. They were awarded deferred remuneration by Vodeno as part of their remuneration package agreed with Vodeno and this deferred remuneration will vest if and when certain performance criteria are met in the future. The entering into the transactions mentioned under item 4 and 5 of the agenda with Vodeno could influence the financial performance of Vodeno and, hence, the level of deferred remuneration that Wojciech Sobieraj, Wojciech Sass and Niels Lundorff may in the future receive from Vodeno.

   In addition, the directors Peter Deming and Richard Laxer also declared that they have a functional conflict of interests in the sense of Article 109(e) of the EBA Guidelines on internal governance under Directive 2013/36/EU in relation to the point of the agenda set out above, as they are directors of Vodeno Sp. z o.o. (members of the Supervisory Board).

   In light of this conflict of interest, Wojciech Sobieraj, Wojciech Sass and Niels Lundorff, Peter Deming and Richard Laxer have decided that they will abstain from participating in the deliberation and voting on point 4 and 5 of the agenda.

   The Company's statutory auditor will be informed of the above conflict of interests, and the minutes of this meeting with respect to this conflict of interests will be included in the Company's annual report or in a document that is filed together with the annual accounts, as the case may be.

   The Board of Directors is also informed of the fact that transactions mentioned in item 4 and 5 of the agenda qualify as agreements in the meaning of article 72 of the Banking Law (since they will be entered into with a company which is controlled by a "parent company" ("entreprise-mère") of the Company.

   During its meeting of 20 November 2020, the Board of Directors had requested the Risk and Audit Committee to review these transactions and prepare an advice to the Board of Directors. The report of the Risk and Audit Committee was presented during the meeting.

   a. Description of nature of the transactions

   The Board of Directors needs to decide on the approval of three agreements (a Consultancy Agreement, a Lease Agreement and a Workstation Lease Agreement, together the "Agreements") to be entered into between Aion Bank and Vodeno. The

Consultancy Agreement provides for terms and conditions for the use by Aion Bank of the services of Vodeno for the administrative support of certain HR activities, payroll functions and procurement. The Lease Agreement provides for terms and conditions for the use by Aion Bank of certain office space in the building currently rented by Vodeno in Warsaw for the activities of Aion Bank's technical branch of Aion Bank in Warsaw. The Workstation Lease Agreement provides for the terms and conditions for the lease, use and maintenance of workstations made available by Vodeno to Aion Bank. The proposed Agreements are intended to document the terms and conditions of these services and to ensure that these are entered into at arm's length conditions.

b. Financial consequences for Aion Bank

The Consultancy Agreement will result in Aion Bank paying a consultancy fee of 49 €/hour for the services procured from Vodeno. Based on current estimations and requirements (3 FTE's per month), it is anticipated that such fees will amount to approximately 24.803€ per month. The fees will be charged on the basis of actual usage and time spent, as supported by a timesheet submitted by Vodeno to Aion Bank.
The Lease Agreement will result in Aion Bank paying a rent of 42.897€ per month to Vodeno. This amount is based on the rent currently paid by Vodeno, increased by fit out, set-up fee and including advance payments for maintenance costs. These are allocated proportionately between Aion Bank and Vodeno on the basis of actual usage of the offices. The actual usage is based on the number of employees of the Aion Bank technical branch using the offices compared to the total number of employees of Aion Bank and Vodeno using the offices, i.e. 60%, and results in a rent of approximately 35€ per square meter.
The Workstation Lease Agreement will result in Aion Bank paying a monthly lease of approximately 16.153,50€ to Vodeno for the purchase, license, use and maintenance of a total of 267 workstations (on average 726€/year).
The fees due by Aion Bank for Workstations and Office Lease under the Agreements will be owed as from 1 January 2020, which is the date as of which Vodeno has started to deliver the services.

c. Justification of the Transaction

The Board of Directors reviewed the terms of the Agreements. Based on the information provided by management, including benchmarks with market prices for similar services, the Board of Directors is of the opinion that these terms correspond to normal fee levels for similar services and to arm's length conditions. The charges due by Aion Bank in consideration for the services delivered by Vodeno are based on mere passing through of the actual costs incurred by Vodeno. The charges include a minimum margin to comply with the Transfer Pricing regulations that is calculated on the personnel expenses incurred by Vodeno under the Consultancy Agreement and the Workstation Lease Agreement. The calculation and arm's length nature of this margin is supported by an independent valuation by BTTP. The Board of Directors also found that the contractual terms and conditions of the proposed agreements reflect normal terms and conditions for similar transactions, and that the Consultancy Agreement and Workstation Lease Agreement can be terminated subject to a short termination notice.
Given the above, the Board of Directors is of the opinion that the proposed Agreements serve the Company's interest and decides to approve the Agreements.
Delegation is given to Sina Oeffinger and Michael Thompson to sign all documents related to the transactions set forth herein, and to the Executive Committee to further implement the decisions and transactions set forth herein.

2. Approval of additional charges by Vodeno to Aion Bank

a. Description of the nature of the Transaction

The Board of Directors needs to decide on the approval of additional charges which Vodeno proposes to invoice to Aion Bank (the "Transaction"). These charges relate to a series of services provided by Vodeno between July 2019 and September 2020. The services relate in particular to the set-up and preparation of the new business model and services offering of the Bank, the set-up of a technical branch in Poland hosting the Bank's support services, recruitment and interim costs related to hiring of staff employed by the Bank and other services that were paid by Vodeno but related to core activities of the Bank (a.o. Bloomberg, Reuters, asset management, credit card production).

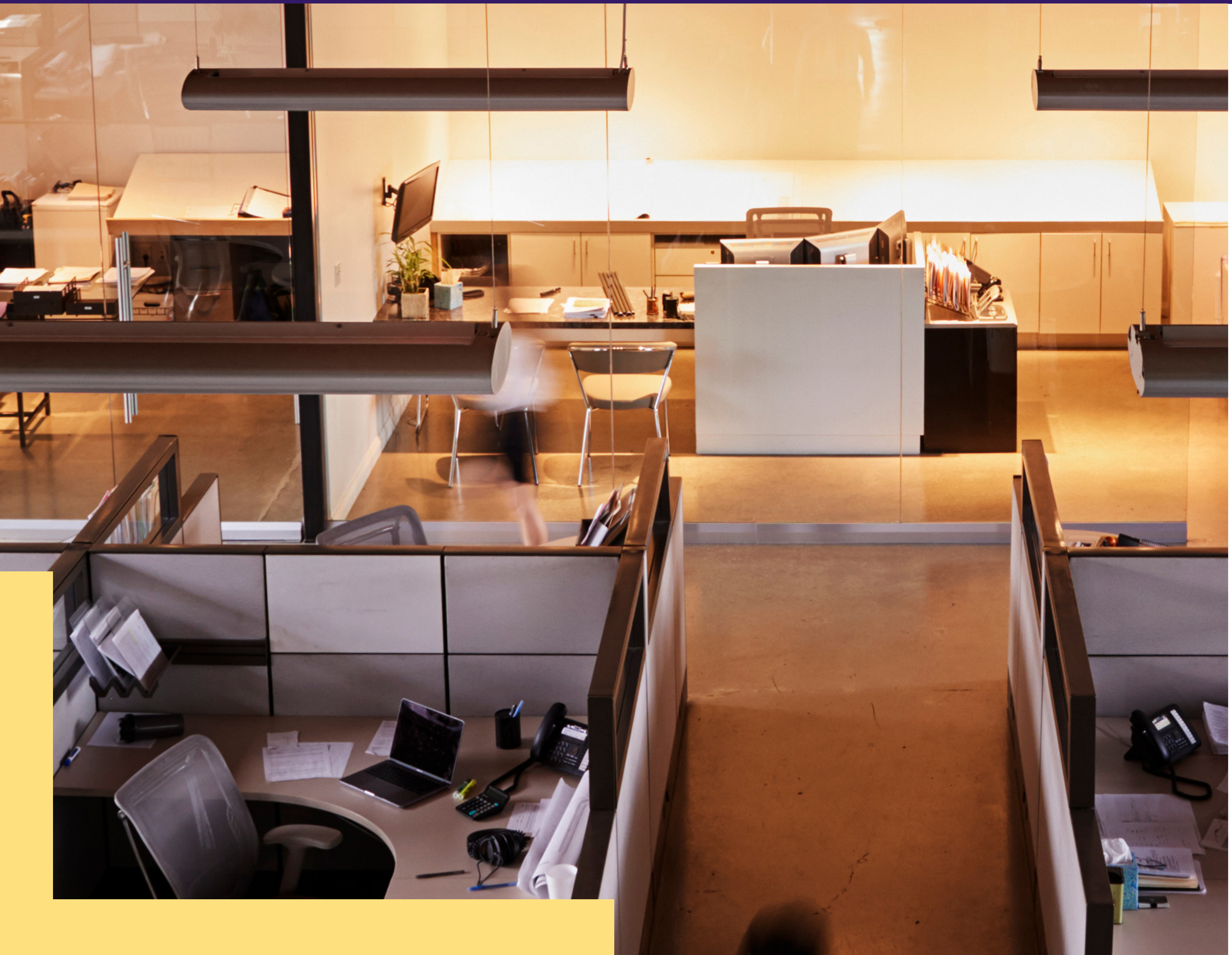
b. Financial consequences of the Transaction for Aion Bank

The total amount of the additional charges for services provided by Vodeno to Aion Bankl amounts to 3.137.550€ incl VAT. The value of these services is calculated based on the third party costs supported by Vodeno directly attributable to services performed for Aion Bank (without any margin) increased with a service fee in the amount of 96.350€ to cover the involvement of Vodeno employees delivering the services in order to comply with transfer pricing requirements.

c. Justification of the Transaction

The Board of Directors has reviewed the Transaction, including detailed explanations by the bank's management on the nature and background of the invoices and the services delivered by third parties. Based on management confirmation, the Board of Directors notes that all invoices are attributable to activities of Aion Bank and are not covered by the services and charges provided by Vodeno under the Outsourcing Agreement between Aion Bank and Vodeno. The Board of Directors further notes that Aion Bank management has properly reviewed whether the invoices paid by Vodeno are available and correct, effectively correspond to services that are attributable only to the banking activity of Aion Bank, have been actually paid by Vodeno, and do not include any charge any margin over amounts invoiced by third parties. The calculation and arm's length nature of this service fee is supported by an appraisal by two independent tax advisors.
The Transaction was also reviewed by the relevant internal control functions.
Given the above, the Board of Directors is of the opinion that the proposed Transaction serves the Company's interest and decides to approve the Transaction.
Delegation is given to Sina Oefinger and Michael Thompson to sign all documents (including a Settlement Agreement and an Employee Transfer Agreement) related to the Transaction mentioned above, and to the Executive Committee to further implement the decisions and transactions set forth herein.
The statutory auditor will be informed of the Transactions and receive a copy of these minutes. The relevant parts of these minutes will be reported upon in the annual report of the Company or filed together with the annual report, in accordance with the relevant provisions of the Code of Companies and associations.

USE OF FINANCIAL INSTRUMENTS BY THE COMPANY, WHEN THIS IS RELEVANT FOR THE VALUATION OF ITS ASSETS, LIABILITIES, FINANCIAL SITUATION LOSSES OR PROFITS - ACQUISITION OF OWN SHARES



The Bank's policy on the use of financial instruments is defined in the Investment Policy document that is adopted by the Executive Committee in order to implement the general strategy defined by the Board of Directors. The execution of this policy is controlled according to the 3 lines of defense system and is monitored by the ALM Committee.

The ALM Committee provides an important contribution to the Executive Committee in terms of financial risk management and support for managerial decisions. It also monitors decisions and compliance with the limits set by the Executive Committee and the Board of Directors. The Bank's activities in derivatives are limited and for hedging purposes only. These are mainly interest rate swap transactions. It should be noted that, in order to hedge the interest rate risk on the fixed rate mortgage loan portfolio, Aion Bank uses amortizing IRS.

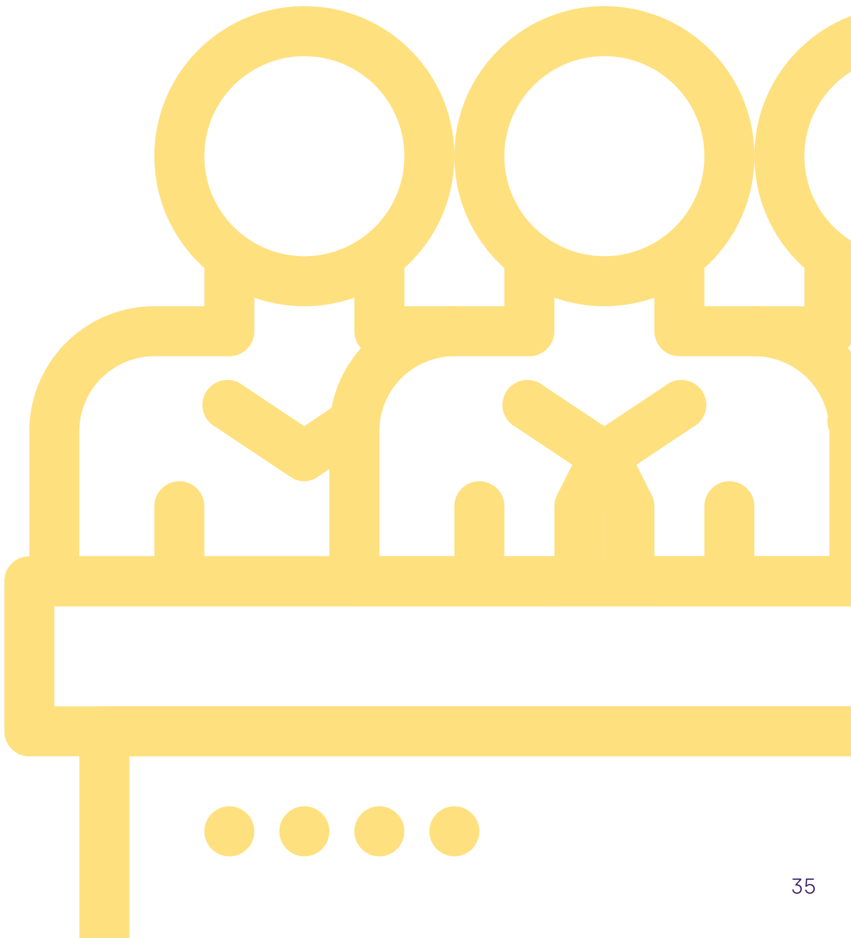
The front-office activities are governed by a system of limits defined in the Market, Interest Rate, Liquidity and Counterparty Risk Policy document adopted by the Executive Committee in order to implement the Risk Management Framework defined by the Board of Directors. These limits relate to the type of transaction (interest rate product, currency product,...) and the type of product (IRS, forward exchange contracts,...) and volumes of activities.

The Company did not acquire any own shares.

JUSTIFICATION OF THE INDEPENDENCE AND COMPETENCE OF AT LEAST ONE MEMBER OF THE RISK AND AUDIT COMMITTEE

In accordance with the Belgian Banking Law, the Bank has set up a Risk and Audit Committee. The Risk and Audit Committee is composed of three non-executive directors, including two directors that meet the independence requirements set forth in the Belgian Banking Law.

All members of the Risk and Audit Committee have been assessed on their independence and compliance with regulatory fit and proper requirements in accordance with the Belgian Banking Law. The Risk and Audit Committee has collectively the required specific accounting and audit skills. Moreover, the Risk and Audit Committee members individually have the knowledge, competence and experience allowing them to understand and assess the strategy in terms of risk appetite of the Bank, amongst other things through their experience in leading managerial positions and risk management roles in the financial services sector.



PILLAR III DISCLOSURES

GOVERNANCE

The table below sets for the composition of the Board of Directors and the total number of directorships held by members of the Board of Directors as at 31 December 2020.

Name	**Type of director**	**Number of other mandates**
Wojciech Sobieraj	executive director, Chief Executive Officer	1
Wojciech Sass	executive director, Chief Commercial Officer	0
Niels Lundorff	executive director, Chief Financial Officer	4
Evert Derks Drok	independent director, Chairman of the Risk and Audit Committee*	3
Guido Ravoet	independent director	2
Doris Honold	independent director*	4
Danielle Crook-Davis	independent director	0
Richard Laxer	non-executive director, Chairman of the Board	3
Michael Thompson	non-executive director	0
Peter Deming	non-executive director	4
Sina Oefinger	non-executive director	0

* Mr. Evert Derks Drok resigned as a director effective 31 January 2021. Mrs. Doris Honold was appointed as chair of the Risk and Audit Committee ad interim and formally approved by the National Bank of Belgium as chair of the Risk and Audit Committee on 16 March 2021.

The Executive Committee, at 31 December 2020, is composed as follows:

- Wojciech Sobieraj, executive director, CEO, A Director
- Niels Lundorff, executive director, CFO, A Director
- Wojciech Sass, executive director, CCO, A Director

The Risk and Audit Committee, at 31 December 2020, is composed as follows:

- Evert Derks Drok, independent director, B Director (chairman)
- Richard Laxer, non executive director, C Director
- Guido Ravoet, independent director, B Director
- Doris Honold, independent director, B Director

Since it is not a credit institution of significant importance, the Bank decided, in accordance with article 33 of the Banking Law, not to set up a Remuneration Committee or a Nomination Committee. The functions of the Remuneration and Nomination Committee are carried out by the Board of Directors.

The Risk and Audit Committee met eleven times during 2020.

RECRUITMENT POLICY FOR THE SELECTION OF MEMBERS OF THE MANAGEMENT BODY AND THEIR ACTUAL KNOWLEDGE, SKILLS AND EXPERTISE

The members of the Board of Directors must be natural persons. During the performance of their duties, directors must permanently maintain a good reputation, professional behaviour/ conduct and sufficient knowledge, skills and experience to fulfil their mandates as directors. No director may fall under one of the prohibitions set forth in article 20 of the Banking Law.

Members of the Board of Directors are appointed by the general meeting of shareholders based on their skills and the contribution that they can bring to the Bank.

The appointment of a director is subject to a separate assessment of the fitness and properness of a director by each of the Board of Directors and the National Bank of Belgium. The Bank will inform (inter alia) the supervisor of the outcome of its suitability assessment, including the assessment of suitability of the collective composition of the statutory governing body.

New directors will be assessed and selected taking into account:

- the National Bank of Belgium Manual on assessment of fitness and propriety,
- the EBA Guidelines on the assessment of the suitability of members of the management body and key function holders under Directive 2013/36/EU and Directive 2014/65/EU, including as to time commitment and collective suitability,
- the Fit and proper Policy as established by the Bank.

The Board of Directors is responsible for the appropriate recruitment, assessment and training policy designed, amongst other things, to support these assessments.

Compliance with fit and proper requirements will be verified by the Board of Directors before any appointment and monitored on an ongoing basis during the mandate in accordance with the Manual on assessment of fitness and propriety of the National Bank of Belgium. The Bank will inform the competent supervisory authority in advance in the event of non-renewal, resignation or revocation of the mandate of a director.

POLICY ON DIVERSITY WITH REGARD TO SELECTION OF MEMBERS OF THE MANAGEMENT BODY, ITS OBJECTIVES AND ANY RELEVANT TARGETS SET OUT IN THAT POLICY, AND THE EXTENT TO WHICH THESE OBJECTIVES AND TARGETS HAVE BEEN ACHIEVED

Aion Bank is a highly diverse international company in terms of its workforce and is committed to creating and supporting a collaborative workplace culture. A diverse environment allows the company to optimize interaction with its customers and stakeholders, and effectively respond to challenges in different ways. Aion Bank takes a broad view on diversity. Diversity encompasses, inter alia, differences in backgrounds, gender, age, language, ethnic origin, parental status, education, skills, abilities, religion, sexual orientation, socio-economic status, work and behavioral styles.

The Bank has adopted a formal diversity policy in the course of 2020, covering both Board of Directors and senior management. Aion Bank is convinced that diversity of competences and views of the Board of Directors facilitates a good understanding of the business organization and affairs. It enables the members to constructively challenge strategic decisions, ensure risk management awareness and to be more open to innovative ideas.

In the composition of the Board of Directors special attention is paid to diversity in terms of criteria such as age, professional background, gender and geographic diversity. The Company intends to review and assess this upon any changes to the composition of the Board of Directors.

As of the date of this report, the female gender is the underrepresented gender in the board of directors of Aion Bank. The Company improved the diversity in the management bodies and in senior management positions by adding two new members of the female gender to the board of directors (Mrs. Doris Honold and Mrs. Danielle Crook), and hiring a country manager for Belgium of the female gender (Mrs. Kim Van Esbroeck). As per 31 December 2020, three out of ten members of the Board of Directors (30%) were of the female gender, which meets the minimum representation of the underrepresented gender required by law. Three out of seven (44%) of the non-executive members of the Board of Directors were of the female gender. Two out of three (66%) of the independent board members were of the female gender. The board of directors continues to be well diversified in terms of geographical background (7 different nationalities), age of directors, professional and educational background.

RISK MANAGEMENT OBJECTIVES AND POLICIES

The Bank has implemented a Risk Management Framework (RAF) based on several important pillars which are set by the Board of Directors:

a. Risk Strategy, defining strategy and governance in terms of risk,
b. Risk Appetite Statement, defining risk appetite, setting limits and defining reporting procedures (including RAS monitoring dashboard),
c. ICAAP[1] policy, including comprehensive stress testing and capital planning, aimed at securing proper risk assessment and capital coverage,
d. Credit Competences, defining the credit decisioning process.

The Board of Directors role is crucial within risk management as it oversees the approach taken by the Bank toward risk management by approving the Risk Management Strategy, Risk Appetite Statement, Internal Control System, ICAAP and Remuneration Policy.

The Risk and Audit Committee is namely responsible for assisting the Board of Directors in fulfilling its obligations and oversight responsibilities in aspects related to risk strategy and risk tolerance. It assists the Board of Directors in supervising the implementation of this strategy by the Executive Committee.

The Executive Committee is responsible for the implementation of the Risk Management Strategy by taking adequate actions, among others: creating proper risk management structure, delegating responsibilities, creating internal control systems, maintaining limits and controls at adequate levels in line with the Risk Appetite Statement.

The Risk Management Function ("RMF") delivers a holistic view on all risks and ensures that the risk strategy is complied with by ensuring that all risks are identified, assessed, measured, monitored, managed and properly reported. In accordance with article 37 (3) of the Banking Law, as the Bank is not a significant credit institution, the NBB has agreed that the head of the risk management function is exercised by a person who is not a member of the Executive committee. The head of the RMF has direct access to the Risk and Audit Committee.

OWN FUNDS

The available level of total regulatory capital is € 96.8 million. Its composition and reconciliation with book value of equity is the following:

Regulatory Own Funds	
Capital	67.9
Share Premium	10.1
Reserves	43.9
Results carried forward	0.0
Net Profit	-47.0
Book value of Equity	74.9
CET1 Instruments	0.0
intangible assets	-2.2
CET1 Capital	72.7
Other Tier 1 elements	0.0
Tier 1 Capital	72.7
Tier 2 Subordinated notes[2]	14.0
Total Regulatory Capital	86.7

[1] Internal Capital Adequacy Assessment Process
[2] This subordinated note amounts to €14 million, it has a final maturity in February 2031. The interest rate is indexed quarterly based on the 3-months Euribor + 2.20%.

CAPITAL REQUIREMENTS

Pillar 1 Capital requirements are defined using the following regulatory methods:

- Credit Risk: Standardised Approach,
- Market Risk: Standardised Approach,
- Operational Risk: Basic Indicator Approach

When assessing Internal Capital Requirements (Pillar 2), the Bank takes into consideration:

- Regulatory Capital Requirements (for risks covered under Pillar 1),
- Economic Capital (if calculated differently than regulatory capital requirements, and for significant risks which are not covered under Pillar 1),
- Stress testing (if applicable)

Whenever possible, the Bank considers quantitative as well as qualitative approaches to measure risk.

For Credit Risk the Bank calculates Economic Capital requirements using the regulatory Internal Rating Based approach (IRB) formulas.

For Market Risk the Bank calculates regulatory capital requirements. The Economic Capital requirement is set at the level of regulatory capital requirement.

For Operational Risk the Bank defines the internal capital requirement as an expert based fixed amount determined considering:

- the level of regulatory capital requirements,
- last internal evaluation of capital requirements,
- the evolutions in business strategy, processes and controls.

For Liquidity Risk the Bank will evaluate Economic Capital consistently with the results of the Internal Liquidity Adequacy Assessment Process (ILAAP) stress testing procedures. The ILAAP ensures that the Bank could meet its obligations even in liquidity stress situations. The Economic Capital is then evaluated as the potential impact that the contingency funding plan would have on equity.

For Interest Rate Risk in the Banking Book (IRRBB), the Bank evaluates internal capital requirements based on the standardized set of scenarios defined by the EBA in its Guidelines on the management of interest rate risk arising from non-trading book activities.

For other significant risks, the Bank will allocate a fixed expert based amount of Economic Capital.

When aggregating Economic Capital requirements on the level of the organization, the Bank does not include diversification effects between risk types.
If the aggregation of Economic Capital requirements for all risks produces a result that is below regulatory capital requirements, then the Bank will keep the results of Regulatory Capital Requirements as Internal Capital Requirements.

Capital requirements are assessed taking into account the latest Bank Specific SREP decision (Pillar 2 Requirement of 2.25% and CET1 Pillar 2 Guidance of 1%) and the combined buffer requirements (capital conservation buffer 2.50% and average countercyclical buffer 0.01%):

Overall Capital Requirement (OCR) + Pillar 2 Guidance (P2G)	
CET1 Ratio	9.27%
T1 Ratio	11.20%
Total Capital Ratio	13.76%

Capital Adequacy Pillar 1 (€ million)	
Credit RWAs	423.5
Credit Value Adjustment	4.0
Operational risk	20.5
Market risk	0.0
Total Pillar 1 RWA	448.0
Available CET 1 Capital	72.7
Available Tier 1 Capital	72.7
Available Total Capital	86.7
CET1 Ratio	16.2%
T1 Ratio	16.2%
Total Capital Ratio	19.4%

Credit Risk Risk Weighted Exposures by Exposure types (€ million)	
Central governments or central banks	13.4
Regional governments or local authorities	5.9
Institutions	21.3
Corporates	195.0
Retail	55.4
Secured by mortgages on immovable property	50.1
Non Performing Exposures	52.9
Other items	29.7
Total Risk Weighted Exposures	423.5

EXPOSURE TO COUNTERPARTY CREDIT RISK

The derivatives portfolio is limited and used exclusively for ALM management. Most derivatives are covered by CSA's (Credit Support Annex). Aion Bank mainly uses Interest Rate Swaps (IRS) and currency swaps. Except for back-to-back operations, IRS transactions are only used to hedge part of its fixed-rate and long-term loan portfolio, which consists mainly of mortgage loans and investment loans. As of 31 December 2020, the outstanding IRS notional amount was € 107.5 million compared to € 119.8 million at the end of 2019. The share of macro-hedging transactions was 95%, while the remaining 5% is related to micro-hedging transactions.

Exposures on derivative contracts are determined by the mark-to-market method defined in CRR article 274. The exposures under that method are composed of 2 elements: a) the current replacement cost and b) the potential future exposure.

The Bank computes capital requirements for the CVA (Credit Valuation Adjustment) risk by application of the standardized method defined in CRR article 384.

Counterparty Credit Risk Exposures (€ million)

Current replacement cost	0.5
Potential future exposure	2.1
Total exposure to CCR[3]	2.6

Counterparty Credit Risk RWA (€ million)

Risk weighted exposure to CCR[4]	1.9
Credit Valuation Adjustment Exposure	4.0

[3] Included in Credit Risk Exposures
[4] Included in Credit Risk RWA's

CAPITAL BUFFERS

Countercyclical Buffer (CCB) Exposures (€ million)

Country (€ million)	Countercyclical buffer rate	RWA on CCB Exposures
BE	0.00%	304.7
PL	0.00%	27.0
IT	0.00%	18.2
NL	0.00%	11.0
MC	0.00%	6.9
FR	0.00%	4.1
LU	0.25%	3.1
DE	0.00%	0.9
AE	0.00%	0.9
US	0.00%	0.8
GB	0.00%	0.7
CH	0.00%	0.6
ES	0.00%	0.6
Other	0.05%	4.4
Total	0,00%	384.0

Based on the above exposure values, the following table identifies the Bank's countercyclical capital buffer requirement:

Countercyclical Buffer Requirements

Total risk exposure amount (€ million)	448.0
Institution specific countercyclical buffer rate	0.01%
Institution specific countercyclical buffer requirement (€ million)	0.0

CREDIT RISK ADJUSTMENTS

The classification system groups credit exposures into two general classes: Performing and Non Performing. These two classes are then divided into subclasses:

1. **Non Performing Exposures:**
   a. Defaulting ("Défaillant"): obligors with all balance sheet and off-balance sheet positions of a third party considered insolvent (even if not yet legally established) or is in a substantially similar situation,
   b. Unlikely to Pay ("Défaut probable"): obligors for which it is considered unlikely that, without recourse to actions such as realization of collateral, the debtor could fulfill its obligations in principal and / or interest,
   c. Deteriorated Past Due Exposure: obligors, other than those classified as Defaulting or in Unlikely to Pay, which at the reference date have past due obligation (beyond the materiality thresholds) for more than 90 days.

2. **Performing Exposures:**
   a. Non-deteriorated Past Due Exposure: obligors, other than those classified as Defaulting, Unlikely to Pay or Deteriorated PDE, which at the reference date have past due obligation under the materiality thresholds or for less than 90 days,
   b. Fully Performing: 0 past due days in payment and not covered by any of the categories above.

Those rules for classifications are considered as the minimum to be respected in order to have an efficient management of the non performing exposures. However, more restrictive rules can be applied.

Every non-performing category recognized on the obligor level is propagated on customers that constitute a grouped obligor (contagion effect).

The valuation process aims at determining the provisions for all clients with Non Performing credits. This evaluation can be carried out on the basis of two distinct methods, one statistical and the other analytic. The statistical approach is reserved for clients with exposures below a materiality threshold and without any tangible collateral. Other cases are treated based on the analytic approach.

The analytical evaluation is carried out by the credit department. This evaluation must be performed when entering a non Performing status and is then updated whenever appropriate, following any relevant developments, or in any case periodically, at least once per quarter.
In all cases, the evaluation should take into account all relevant information including:

a. the status of the client in the Central Credit Register,
b. financial situation of the client,
c. business surveys,
d. potential new valuations,
e. collaterals,
f. any potential third-party buy-back offers,
g. etc.

The following table shows the distribution of the exposures (net values of on-balance sheet and off-balance sheet items) as at 31 December 2020 by geographical distribution broken down by exposure classes:

Geographic Breakdown of Exposures (Net Exposures, € million)

	Belgium	Other EU	Rest of the world	Total
Central governments or central banks	407,85	194,90	11,16	613,91
Regional governments or local authorities	30,75	0,01	-	30,76
Institutions	12,74	38,09	10,68	61,51
Corporates	230,07	38,26	1,94	270,27
Retail	79,70	13,42	2,29	95,41
Secured by mortgages on immovable property	116,18	24,02	5,14	145,34
Other items	35,26	-	0,05	35,31
Non Performing Exposures	35,57	14,02	10,32	59,91
Total	948,12	322,72	41,58	1.312,42

Credit Risk Adjustments (€ million)

Gross Performing Exposures	1252.5
Gross Non Performing Exposures	114.6
Specific provisions	-54.7
Total Net Exposures (before GLLP)	1312.4
General Loan Loss Provision	0
Total Net Exposures (after GLLP)	1312.4

UNENCUMBERED ASSETS

Encumbrance of the Bank's assets is as follows:

Unencumbered assets (€ million)	
Assets encumbered for TLTRO[5]	186.5
Assets encumbered for other reasons	24.0
Unencumbered assets	962.6

USE OF EXTERNAL CREDIT ASSESSMENT INSTITUTIONS (ECAI'S)

The Bank uses the ratings of the following two rating agencies in determining the risk weights: Standard & Poor's, Moody's. The regulatory "second best" principle implies the Bank will retain the worse rating of these two ECAI's in case both would attribute rating implying different risk weights.

Given its customer base, most exposure types for which ECAI's assessments are used are:

- Central Governments
- Local Governments
- Banks

EXPOSURE TO MARKET RISK

In line with CRR for the purpose of capital adequacy calculation the Bank distinguishes separately:

- market risk for trading book,
- interest rate risk in banking book (IRRBB) and liquidity risk which are not treated as market risk in line with CRR definition

Risk management process for the above mentioned risks consists of: identification of risk, risk measurement, risk control, risk monitoring and risk reporting.
Risk management process is organized on three lines of defence system. The first line of defence consists of risk-taking units, responsible for the first level of control, which is the Treasury Department. The second line of defence consists of Risk Management units, responsible among others for monitoring adherence to quantitative limits in the Bank. The third line of defence consists of the Internal Audit Function.

From the perspective of capital needs, the Bank does not make capital calculations for market risk, since it does not have any 'trading book', nor holds any significant foreign currency position.

[5] Targeted Long Term Refinancing Operations (TLTRO) programs from the European Central Bank.

OPERATIONAL RISK

The operational risk management in the Bank is realized in line with the policy approved by the Board of Directors. The main goal of the operational risk management is to keep risk within the limits set in Operational Risk Appetite.

Operational Risk Management System in the Bank consists of identification of operational risk present in the Bank, operational risk assessment, operational risk measurement, operational risk monitoring process and operational risk reporting.

With respect to capital adequacy, the Bank calculates its capital requirement using the Basic Indicator Approach as defined in Article 315 of the CRR. The own funds requirement amounts to 15% of the average three years of the relevant indicator, as defined in Article 316 of the CRR.

REMUNERATION POLICY

GOVERNANCE

The purpose of the Remuneration Policy is to regulate the remuneration mechanisms within Aion Bank with a view to promoting sound and effective risk management while not encouraging any risk taking that would exceed the level of risk, tolerated by Aion Bank, this while promoting the objectives and long-term interests of Aion Bank and the absence of conflicts of interest.

The principles and terms and conditions of the Remuneration Policy apply to Aion Bank and its Belgian and foreign subsidiaries and branches (together Aion Bank), as well as to its Staff members, regardless of their employment status (including employees and self-employed persons).

Given its size and in accordance with article 30 of the Banking Law, the Bank has decided not to create a Remuneration Committee. The tasks conferred to the Remuneration Committee by the Banking Law and by any policies adopted by the Bank prior to the change of control over the Bank in 2019, are exercised by the Board of Directors.

IDENTIFIED STAFF

Aion Bank has taken into account the specific requirements for identified Aion Bank personnel: art. 67 of the Act of 25 April 2014 on the status of credit institutions and their supervision and Delegated Regulation 604/2014.

SELECTION PROCESS

In the identification process, Aion Bank applied the following criteria:

a. the members of the Board of Directors of Aion Bank;
b. the members of the Management Committee of Aion Bank;
c. the staff members who head an independent control function (independent risk management function, compliance function or internal audit function);
d. the Staff members whose functions (are deemed to) have a material impact on Aion Bank's risk profile as determined in accordance with the qualitative criteria set out in the Commission Delegated Regulation 604/20147,
e. the Staff members whose total remuneration exceeds the thresholds determined in accordance with the quantitative criteria set out in the Delegated Regulation 604/2014, unless the professional activities of the Staff member do not have a material impact on Aion Bank's risk profile;
f. the Staff members whose professional activities are considered by Aion Bank as having a material impact on its risk profile, based on potential additional specific criteria as determined by Aion Bank where appropriate.

SPECIFIC RULES (RISK ALIGNMENT, DEFERRAL, INSTRUMENTS)

Where remuneration is performance related, and is therefore considered as Variable Remuneration, the total amount of remuneration is based on a combination of the assessment of the performance of the individual and of the business unit concerned and of the overall results of Aion Bank. The evaluation takes into account all sorts of existing and future risks of Aion Bank.

When assessing individual performance, financial and non-financial criteria are taken into account.

The assessment of the performance is set in a multi-year framework in order to ensure that the assessment process is based on longer-term performance and that the actual payment of the variable remuneration is spread over a period which takes account of the underlying business cycle of Aion Bank and its business risks.

The amount of the fixed remuneration shall reflect the relevant professional experience and the organizational responsibilities linked to the function. The fixed Remuneration is determined by the job performed, its level of complexity and responsibility, and the remuneration paid in the market for that type of job.

The fixed remuneration represents a sufficiently high share of the total remuneration in order to guarantee a maximal flexibility relating to the variable remuneration, such as in particular the possibility not to grant any.
The variable remuneration for each member of the Identified Staff is limited to the highest of the two following amounts:

- 50% of the fixed remuneration; or
- 50,000€ (or every other maximum established by law at the moment the Remuneration is granted), subject to the limitation that this amount shall never be higher than the amount of the fixed remuneration.

The policy for the deferral of variable remuneration implies that the vesting and payment of 40% of said remuneration is postponed during a period of at least three (3) years, for the part in cash as well as for the part that is possibly granted in financial instruments according to the provisions of this policy.

When the amount of the variable remuneration is particularly high, i.e. above EUR 200,000, the acquisition and payment of 60% of the latter is deferred for said period of at least three (3) years, both for the cash part as for the part possibly granted in financial instruments according to the provisions of the remuneration policy.

LEVERAGE

The CRR requires financial institutions to calculate a non-risk based leverage ratio, to supplement risk based capital requirements. The leverage ratio is a non-risk based rule to limit leveraged financing and constrain the build-up of excessive leverage.

The Bank monitors the leverage ratio closely. As part of the Risk Appetite Framework, the leverage ratio is one of the indicators that are systematically included in the periodic reports to the management and to the Board (through the Risk and Audit Committee).

At the end of the financial year 2020, the leverage remains at a high level of 5.9% (7.4% in 2019).

Table LRSum:
Summary reconciliation of accounting assets and leverage ratio exposures (€ million)

1	Total assets as per published financial statements	1158.2
4	Adjustments for derivative financial instruments	1.7
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	67.3
7	Other adjustments	11
8	Leverage ratio total exposure measure	1238.2

Table LRSum:
Leverage ratio common disclosure (€ million)

On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items	1158.2
2	(Asset amounts deducted in determining Tier 1 capital)	-2.2
3	Total on-balance sheet exposures (sum of lines 1 and 2)	1156.0
Derivative exposures		
4	Replacement cost associated with all derivatives transactions	0.5
5	Add-on amounts for PFE associated with all derivatives transactions	2.1
11	Total derivatives exposures (sum of lines 4 to 10)	2.6
	Other off-balance sheet exposures	
17	Off-balance sheet exposures at gross notional amount	139.2
18	(Adjustments for conversion to credit equivalent amounts)	-72.0
19	Other off-balance sheet exposures (sum of lines 17 and 18)	67.3
Capital and total exposure measure		
20	Tier 1 capital	72.7
21	Leverage ratio total exposure measure (sum of lines 3, 11 and 19)	1238.2
Leverage ratio		
22	Leverage ratio	5.9%

Table LRSpl:
Split-up of on balance sheet exposures (excl. derivatives, SFTs and exempted exposures)

EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	1158.2
EU-2	Trading book exposures	-
EU-3	Banking book exposures, of which:	1158.2
EU-4	Covered bonds	-
EU-5	Exposures treated as sovereigns	638.8
EU-6	Exposures to regional gov., MDB, intern. org. and PSE not treated as sovereigns	5.5
EU-7	Institutions	59.1
EU-8	Secured by mortgages of immovable properties	145.3
EU-9	Retail exposures	85.6
EU-10	Corporate	181.1
EU-11	Exposures in default	41.5
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	1.3

FINANCIAL STATEMENTS (SCHEMA B)

10				9	EUR	
NAT.	Date of filing	N°	P.	E.	D.	C-ét 1.1

ANNUAL ACCOUNTS IN EUR THOUSANDS OF EUROS

NAME: AION BANK S.A

Legal form: Société Anonyme (Limited Company)
Address: Avenue de la Toison d'Or N° :26-28
Postal code: 1050 Commune : Bruxelles
Country: Belgium
Register of Legal Persons (RPM) - Tribunal de l'entreprise de Bruxelles (Brussels Enterprise Court)
Internet address[1.] : http://www.Aion Bank.be

Company number 0403.199.306

DATE 26/05/2021 of the filing of the constitutive act OR of the most recent document mentioning the date of publication of the constitutive acts and amendment(s) to the articles of association.

ANNUAL ACCOUNTS approved by the general assembly of the 08/06/2021

and relating to the financial year covering the period of 01/01/2020 to 31/12/2020

Previous fiscal year of 01/01/2019 to 31/12/2019

Amounts relating to the previous financial year **are/ ~~are not~~**[6**] identical to those previously published.

LISTE COMPLETE avec nom, prénoms, profession, domicile (adresse, numéro, code postal et commune) et fonction au sein de l'entreprise des ADMINISTRATEURS, GERANTS ET COMMISSAIRES

M. Wojciech SOBIERAJ, Director - Jezus Eiklaan 107 3080. Tervuren - from 14.06.2019 to 31.12.2021
M. Wojciech SASS, Director - Victor Van Espenlaan 6 3080 TERVUREN- from 14.06.2019 to 31.12.2021
M. Niels LUNDORFF, Director - Rue de la Montagne 52d 1000 BRUXELLES- from 14.06.2019 to 31.12.2021
Mme. Danielle CROOK Independent Director Ouborg 12 1083 AMSTERDAM from 14.06.2019 to 31.12.2024
M. Richard LAXER, Director and Chairman of Board 48 Marlborough Place NW8 0PL LONDON from 14.06.2019 to 31.12.2024
M. Peter DEMING, Director 2 Abbey Gardens NW8 9AT LONDON from 14.06.2019 to 31.12.2024
Mme Sina OEFINGER, Director 17A Walton Street SW3 2HX LONDON from 14.06.2019 to 31.12.2024
M. Michael Thompson, Director 55 Calabria Road N5 1HZ LONDON from 01.12.2020 to 31.12.2021
Mme. Doris Honold, Independent Director 1701 Satin House 15 Piazza WalkE1 8PW LONDON from 01.12.2020 to 31.12.2021
M.Guido RAVOET, Independent Director De Stolberglaan 1 3080 TERVUREN from 09.04.2019 to 31.12.2021

Certified Statutory Auditor
EY Réviseurs d'Entreprises SRL (B00160) - De Kleetlaan, 2. 1831 Diegem – Belgium
Mandate start date: 09/04/2019
Represented directly or indirectly by Joeri Klaykens (A02138)
De Kleetlaan, 2. 1831 Diegem - Belgium

Documents attached to these annual accounts:

Total number of pages filed: .... Numbers of sections of the standard document not filed because not applicable:

Signature (name and quality) — Signature (name and quality)

SOBIERAJ Wojciech
Chief Executive Officer - Director

LUNDORFF Niels
Chief Financial Officer - Director

[6**] Delete as appropriate.

N°		C-ét 1.1

LIST OF DIRECTORS, MANAGERS AND COMMISSIONERS (CONTINUED FROM PREVIOUS PAGE)

N°		C-ét 1.2

STATEMENT REGARDING AN ADDITIONAL AUDIT OR ADJUSTMENT ENGAGEMENT

The management body declares that no audit or recovery mission has been entrusted to a person who is not authorised to do so by law, pursuant to articles 34 and 37 of the law of 22 April 1999 relating to the accounting and tax professions.

The annual accounts **~~have~~ / have not**[7] been audited or corrected by an external accountant, by an auditor who is not the statutory auditor.

If so, the following information is given in the table below: surname, first names, profession and domicile; the membership number of his institute and the nature of the mission:

A. Keeping the company's accounts[8**],
B. Preparation of the annual accounts**,
C. Audit of the annual accounts and/or
D. Adjustment of the annual accounts.

If assignments referred to under A. or B. have been carried out by chartered accountants or chartered tax accountants, the following may be mentioned: the surname, first names, profession and domicile of each chartered accountant or chartered tax accountant and his membership number with the Institut Professionnel des Comptables et Fiscalistes agréés as well as the nature of his assignment.

Surname, first names, profession, residency	Member number	Nature of the mission (A, B, C and/or D)

N°		C-ét 2.1

BALANCE SHEET AFTER DISTRIBUTION

	Ann.	Codes	Accounting year	Previous accounting year
ASSETS				
I. Cash, balances with central banks and post office cheque offices		10100	5.622	3.893
II. Government securities eligible for central bank refinancing		10200	20.020	
III. Receivables to credit institutions	5.1	10300	410.809	270.295
A. At sight		10310	49.309	34.978
B. Other receivables (term or notice)		10320	361.500	235.317
IV. Receivables from customers	5.2	10400	431.635	473.946
V. Bonds and other fixed-income securities	5.3	10500	271.426	317.388
A. From public issuers		10510	264.408	315.174
B. From other issuers		10520	7.018	2.214
VI. Shares, shares in companies and other variable-income securities	5.4	10600		
VII. Financial fixed assets	5.5 / 5.6.1	10700	162	162
A. Investments in associates		10710		
B. Investments in other companies linked by virtue of a participating interest		10720		
C. Other shares and units constituting financial fixed assets		10730	162	162
D. Subordinated claims on affiliated companies and other companies linked by virtue of participating interests		10740		
VIII. Formation expenses and intangible assets	5.7	10800	2.224	2.358
IX. Tangible assets	5.8	10900	1.657	1.166
X. Treasury shares		11000		
XI. Other assets	5.9	11100	10.937	5.303
XII. Accruals and deferred income	5.10	11200	3.734	4.345
TOTAL ASSETS		19900	1.158.227	1.078.856

N°		C-ét 2.2

LIABILITIES	Ann.	Codes	Accounting year	Previous accounting year
THIRD-PARTY FUNDS		201/208	1.083.303	993.719
I. Amounts owed to credit institutions	5.11	20100	171.734	148.085
A. At sight		20110		1.372
B. Debts resulting from the rediscounting of bills of exchange		20120		
C. Other debts with agreed terms or periods of notice		20130	171.734	146.713
II. Amounts owed to customers	5.12	20200	855.092	802.738
A. Savings deposits		20210	157.040	155.468
B. Other debts		20220	698.052	647.270
1. At sight		20221	261.364	230.170
2. At term or with notice		20222	436.688	417.100
3. Result of mobilization by rediscount of commercial bills of exchange		20223		
III. Debts evidenced by certificates	5.13	20300		
A.Bonds and notes outstanding		20310		
B. Others		20320		
IV. Other debts	5.14	20400	30.628	19.755
V. Accruals and deferred income	5.15	20500	7.445	6.338
VI. Provisions and deferred taxes		20600	4.405	2.803
A. Provisions for liabilities and charges		20610	4.405	2.803
1. Pensions and similar obligations		20611		
2. Taxes		20612		
3. Other liabilities and charges	5.16	20613	4.405	2.803
B. Deferred Taxes		20620		
VII. Fund for general banking risks		20700		
VIII. Subordinated debts	5.17	20800	14.000	14.000
SHAREHOLDER EQUITY		209/213	74.923	85.137
IX. Capital	5.18	20900	67.935	74.888
A. Subscribed capital		20910	67.935	74.888
B. Uncalled capital		20920		
X. Share premiums		21000	10.142	10.142
XI. Revaluation gains		21100		
XII. Reserves		21200	43.859	43.859
A. Legal reserve		21210	5.026	5.026
B. Unavailable reserves		21220	745	745
1. For treasury shares		21221		
2. Others		21222	745	745
C. Immunized reserves		21230		
D. Available reserves		21240	38.088	38.088
XIII. Retained Earnings (Loss) (+)/(-)		21300	-47.013	-43.752
TOTAL LIABILITIES		29900	1.158.227	1.078.856

N°		C-ét 2.3

OFF-BALANCE-SHEET ITEMS	Ann.	Codes	Accounting year	Previous accounting year
I. Contingent liabilities	5.22	30100	17.384	31.367
A. Non-negotiated acceptances		30110		
B. Guarantees of a credit substitute nature		30120		
C. Other guarantees		30130	17.281	29.821 29.821
D. Documentary credits		30140		544 544
E. Assets subject to third-party security rights		30150	103	1.002 1.002
II. Commitments that may give rise to credit risk	5.22/ 5.24	30200	103.444	106.066
A. Firm commitments to make funds available		30210		1.444 1.444
B. Commitments arising from cash purchases of securities or other securities		30220		
C. Available line of credit on confirmed lines of credit		30230	103.444	104.622
D. Underwriting and securities underwriting commitments		30240		
E. Repurchase commitments resulting from imperfect retrocession sales		30250		
III. Securities entrusted to the credit institution		30300		
A. Securities held under organized trust status		30310		
B. Overdrafts and similar deposits		30320		
IV. To be paid up on shares and shares in companies		30400		

N°		C-ét 3bis

INCOME STATEMENT (ACCOUNT PRESENTATION)

	Ann.	Codes	Accounting year	Previous accounting year
CHARGES				
II. Interest and similar charges		40200	7.692	9.362
V. Commissions paid		40500	1.796	1.199
VI. Loss from financial operations (-)		40600	1.420	
A. From foreign exchange and trading in securities and other financial instruments (-)		40610	1.420	
B. From the realization of marketable securities (-)		40620		
VII. Administrative overhead charges		40700	41.646	35.496
A. Remuneration, social security charges and pensions		40710	18.106	26.460
B. Other administrative expenses		40720	23.539	9.036
VIII. Depreciation and write-downs on formation expenses, intangible and tangible fixed assets		40800	706	281
IX. Write-downs on receivables and provisions for items "I. Contingent liabilities" and "II. Commitments that may give rise to a credit risk" of the off-balance sheet items (-)		40900	14.396	14.801
X. Write-downs on the portfolio of investments in bonds, shares and other fixed or variable income securities (-)		41000		
XII. Provisions for liabilities and charges other than those covered by items "I. Contingent liabilities" and "II. Commitments that may give rise to a credit risk" of the off-balance sheet items		41200		3.103
XIII. Allocation to the fund for general banking risks (+)/(-)		41300		
XV. Other operating expenses	5.23	41500	4.799	3.862
XVIII. Extraordinary expenses		41800	16	6.651
A. Extraordinary depreciation and write-downs on formation expenses, intangible and tangible fixed assets		41810		
B. Write-downs on financial fixed assets		41820		
C. Provisions for extraordinary liabilities and charges: Allocations (uses) (+)/(-)		41830		
D. Losses on disposal of fixed assets		41840		6.651
E. Other exceptional expenses	5.25	41850	16	
XIXbis.A. Transfer to deferred taxes		41921		
XX.A. Taxes (-)	5.26	42010		15
XXI. Profit for the accounting year		42100		
XXII. Transfer to untaxed reserves (-)		42200		
XXIII. Profit for the accounting year available for appropriation		42300		

N°		C-ét 3bis

	Ann.	Codes	Accounting year	Previous accounting year
PRODUCTS				
I. Interest and similar income	5.23	40100	12.992	16.641
A. Of which: fixed-income securities		40110	780	1.215
III. Income from variable-income securities	5.23	40300		265
A. Of shares, corporate units and other variable-income securities		40310		
B. Of investments in associates		40320		
C. Of investments in other companies with which there is an equity interest		40330		
D. Of other shares and company units constituting financial fixed assets		40340		265
IV. Commissions received	5.23	40400	582	1.942
A. Brokerage and related commissions		40410		447
B. Remuneration for management, advisory and custodial services		40420		186
C. Other commissions received		40430	582	1.309
VI. Profit from financial operations	5.23	40600	2.637	670
A. From foreign exchange and trading in securities and other financial instruments		40610	1.155	412
B. From the realization of investment securities		40620	1.482. 1.482	258
IX. Reversals of write-downs on receivables and write-backs of provisions for items "I. Contingent liabilities" and "II. Commitments that may give rise to a credit risk" of the off-balance sheet items		40900	9.242	
X. Reversals of write-downs on the portfolio of investments in bonds, shares and other fixed or variable-income securities		41000		
XI. Utilizations and reversals of provisions for liabilities and charges other than those covered by items "I. Contingent liabilities" and "II. Commitments that may give rise to a credit risk" of the off-balance sheet items		41100		550
XIII. Withdrawal from the fund for general banking risks		41300		9.500
XIV. Other operating income	5.23	41400	5	1.411
XVII. Extraordinary income		41700		6
A. Reversals of depreciation and write-downs on intangible and tangible fixed assets		41710		
B. Reversal of impairment losses on financial fixed assets		41720		
C. Reversals of provisions for exceptional liabilities and charges		41730		
D. Capital gains on disposal of fixed assets		41740		
E. Other extraordinary income	5.25	41750		6
XIXbis.B. Deductions on deferred taxes		41922		
XX.B. Tax adjustments and reversals of tax provisions	5.26	42020		33
XXI. Loss for the accounting year		42100	47.013	43.752
XXII. Withdrawals from untaxed reserves		42200		
XXIII. Loss for the accounting year to be allocated		42300	47.013	43.752

N°		C-ét 4

ALLOCATIONS AND WITHDRAWALS

	Codes	Accounting year	Previous accounting year
A. Profit (Loss) to be allocated (+)/(-)	49100	(47.013)	(43.752)
1. Profit (Loss) for the accounting year available for allocation (+)/(-)	(42300)	(47.013)	(43.752)
2. Profit (Loss) brought forward from the previous accounting year (+)/(-)	(21300P)		
B. Drawings from shareholder's equity	49200		
1. On capital and share premiums	49210		
2. On the reserves	49220		
C. Allocations to shareholder's equity	49300		
1. To capital and share premiums	49310		
2. To the legal reserve	49320		
3. To other reserves	49330		
D. Profit (Loss) to be carried forward(+)/(-)	49400	(47.013)	(43.752)
E. Involvement of partners in the loss	49500		
F. Distributable profit	49600		
1. Return on capital	49610		
2. Directors or managers	49620		
3. Other recipients	49630		