Annual Report 2022

aion bank

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Introduction

Letter from the CEO

Dear All,

2022 further established Aion Bank as a leading European Banking-as-a-Service (BaaS) player. Our offering of API-based banking products, ECB banking license and regulatory and compliance expertise proved a clear winner with brands looking to embed financial products into their ecosystems. Currently, Aion Bank operates more than 30 BaaS projects in daily banking, embedded lending, payments-as-a-service and cards-as-a-service.

Our combination of tech stack and banking license offers a unique positioning amongst the European BaaS landscape, as most competitors are sole IT providers or hold an EMI license with a limited product scope. We offer a comprehensive suite of BaaS services based on our ECB license, regulated by the National Bank of Belgium. We hold additional branch licenses in Poland, Germany and Sweden, and these countries - alongside Belgium - are our current focus markets. We also have the ability to support BaaS projects via our passporting services, existing in 15 EEA countries to date.

Our target clients are brands with large existing customer user bases who are seeking to leverage embedded banking to innovate their customer journey and drive increased engagement and loyalty. We know this client group wants full end-to-end BaaS solutions that can be easily integrated into their ecosystems and are fully compliant with existing banking regulations. As a regulated bank, we offer more safety, security and assurance alongside our tech stack and license, so clients can solely focus on their customers.

2022 highlights

- Finalised approval to launch services in Sweden via a branch licence; efforts in the market will initially focus on our BaaS partnership with a global financial institution to launch a new neobank brand in Sweden.
- Vodeno and NatWest Group announced a partnership to launch a new BaaS entity in the UK; as part of this, NatWest Group acquired (indirectly) a 9.99% shareholding also in Aion Bank, which will increase to 18%, subject to regulatory approvals.
- The Bank’s direct-to-consumer offering is focused on deposit gathering to support the BaaS strategy, and further growth of the Bank’s loan book was primarily driven through the BaaS channel.

2022 financial results

- 2022 ended with total assets of €910 million and total equity of €83.9 million (total regulatory solvency ratio of 20.5%).
- Given that the bank is still in its ‘investment-to-growth’ period, we have experienced an annual loss of €24 million.
- Our capital and liquidity levels remain safe, and we have the right ingredients to both grow our business and be resilient to current economic conditions.

Looking ahead

In the first half of 2023, we made the strategic decision to focus on implementation of the BaaS clients acquired in 2022. As commercial success of BaaS is largely tied to the client's ability to increase their number of users and volumes, our ability to enable successful market launches for our clients directly impacts our growth.

In order to ensure a smooth implementation phase, we created a new 'Account Manager' role designed to partner with the delivery team to ensure a successful commercial launch. Additionally, our new 'Growth team' will support clients with Go-To-Market execution and user acquisition strategies. We believe these new teams will give our BaaS clients the best runway to meet their business targets powered by embedded banking.

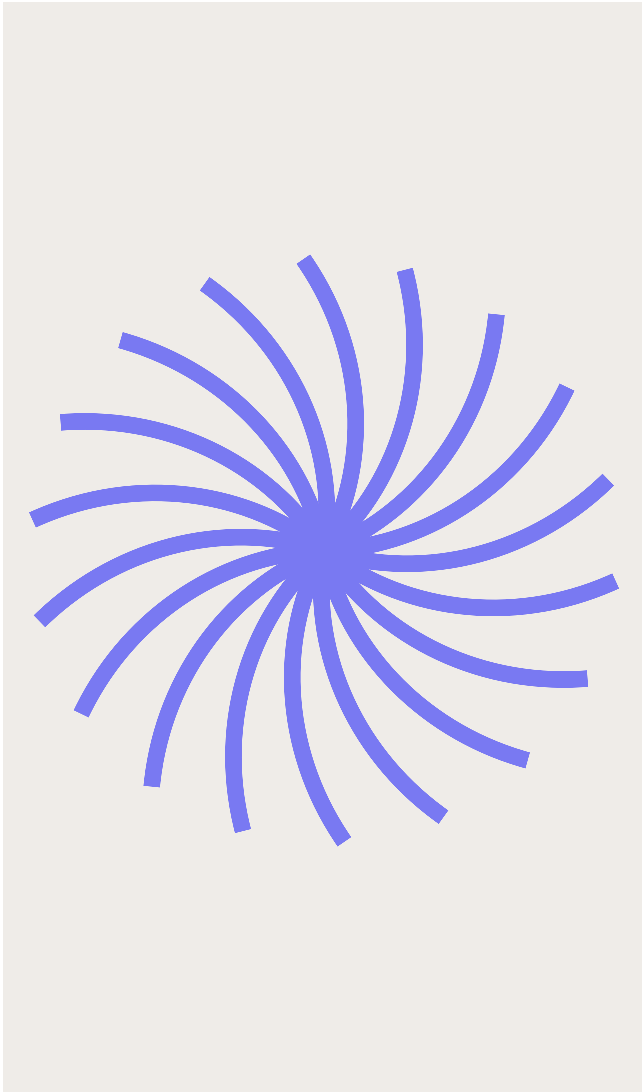
The combination of our focus on acquiring BaaS clients with large built-in user bases plus our efforts to make the implementation and market launch phase for clients more effective contributed to our first year of revenue growth - annual recurring revenues (ARR) in December 2022 (on MTD basis) was 5x ARR of January 2021. In addition to **End-User Base Growth**, we will expand our business by **Broadening Distribution Channels** (our partnership with NatWest Group is an example), **Product Innovation, Identifying Customer Journey Pain Points** solved by BaaS and **Expansion in new EU markets**.

We are also successfully executing our external capital raise strategy, beyond our original stakeholders. As mentioned earlier, NatWest Group joined our investment group, and in early 2023, we welcomed the European Bank for Reconstruction and Development (EBRD) as an investor. The capital will be used to further develop our technology and expand our operations into more European markets.

I would like to thank our Aion Bank employees, Board and shareholders for their efforts in helping to establish our BaaS strategy, and as we prove the value of embedded banking with new use cases across more sectors, we will continue to make strides to capture market share.

Yours Sincerely,

Wojciech Sass
CEO, Aion Bank



Letter from the Chairman of the Board

In 2022, we continued to make solid progress building our Banking-as-a-Service (BaaS) capabilities, strengthening our governance and organizational capabilities, and expanding our institutional ownership. Overall, the Board and I are continually impressed with, and appreciate, our team's commitment to the Bank.

Progress was made in 2022 for our key strategic initiatives: Growing our BaaS client base and reducing our non-core portfolio. We currently operate more than 30 BaaS projects, onboarding more than 200,000 end customers to market. Our BaaS success highlights our strong competitive positioning within the European BaaS landscape, in which we offer services based on our ECB license alongside the technical capabilities of Vodeno. Our full end-to-end BaaS offering also includes exceptional delivery, with a new account management team charged with owning the client journey through the entire Aion/Vodeno experience. 2022 also saw nice progress in our efforts to reduce our non-core portfolio, and we closed our physical bank branches in Belgium.

Financially, our results were broadly in line with plan, and we experienced an annual loss of €24 million. As I noted in my 2021 note, we remain on track to achieve break even operations in 2023.

The Board and RAC remained very active, meeting 6 times and 11 times, respectively. Both remain focused on delivering on our commitments to our key stakeholders by ensuring we run a safe and secure bank and retain a robust risk framework and control environment, alongside achieving our strategic and financial objectives.

In 2022, we continued to develop our governance framework and risk organization, which was strengthened with the addition of Christophe Denat as our Chief Compliance Officer. Our first NBB inspection was completed, and a comprehensive report was issued. The NBB recognized our team's constructive and responsive approach while pointing out key areas that we need to focus on to further develop our capabilities. Our team has put together a comprehensive plan to address and remedy the issues that were raised, and I am pleased to report that we are making good progress on this critical project. Additionally, we anticipate adding a CRO for the second line of defense to our Executive Committee in 2023 to further bolster our risk team.

I remain very optimistic about Aion Bank and our prospects for the future. Teaming with Vodeno, we have emerged as one of the top European companies in the fast-growing BaaS market. NatWest Group's investment in our holding company validates our strategy and provides a great partner that can help grow our business across the UK and Europe. In 2023, we also welcomed the European Bank for Reconstruction and Development (EBRD) as an investor.

Our strong, committed team combined with an experienced and engaged board, and our investor's support positions us for continued growth. Our best days lie ahead.

Sincerely,

Richard A. Laxer
Chairman

1. Evolution and results of the business and situation of the company - description of main risks and uncertainties

1.1. General overview

In 2022, Aion Bank continued to capture market share into the fast growing European Banking-as-a-Service (BaaS) market, leveraging its partnership with Vodeno.

As a BaaS provider, Aion/Vodeno combines a fully API-based, cloud-native platform with services based on an ECB banking licence to provide a full suite of digital banking products and services, embedded finance solutions and white-label products to both financial and non-financial companies across multiple sectors. By combining innovative technology with real banking expertise, Aion Bank is able to offer a comprehensive set of BaaS products that are fully compliant in the back-end, allowing clients to focus on servicing their end customers. This resulted in 31 partnerships closed in 2021 and 2022, in 7 countries.

In 2022, Aion Bank obtained the approval to launch its services in Sweden via a branch licence; Aion/Vodeno have since partnered with a global financial institution within the BaaS model to launch a new neobank brand in Sweden.

Aion Bank also continued to develop its BaaS business via branches in Germany and Poland. Aion's three branches combined with its ability to passport its home licence throughout the European Union alongside Vodeno's technological capabilities make Aion an attractive partner to support BaaS and embedded financial solutions throughout the EU.

As an early entrant into the European BaaS market, Aion Bank has proven to be well positioned to succeed through its unique, vertically integrated BaaS capabilities, and future growth will be further supported by the partnership between Vodeno and NatWest Group, announced in October 2022. Vodeno and NatWest Group will launch a new BaaS entity in the UK. As part of this, NatWest Group acquired (indirectly) a 9.99% shareholding in Aion Bank, which will increase to 18% subject to regulatory approvals.

The Bank's direct-to-consumer offering (i.e. services offered outside BaaS projects) in Belgium and Poland continued to be focused on deposit raising to support the BaaS strategy. Additionally, further growth of the Bank's loan book is foreseen to occur primarily through the BaaS channel. Accordingly, the Bank significantly reduced new direct (non-BaaS related) B2B (SME) or B2C (retail) lending ("DtC"), as well as legacy lending portfolios in order to fully support its BaaS strategy.

1.2. Corporate banking

The total amount of customers' deposits decreased from €1104 million in 2021 to €771 million in 2022. The bank aimed to achieve a lower cost of financing and to match the volume of deposits to the volume of loans and reduce excessive liquid funds.

In 2022, the Bank managed to further diversify its deposits base. Deposits from companies and public authorities totaled €229 million at the end of 2021 compared to €105 million at the end of 2022. The decrease by €124 million results mainly from the strategic decision to limit the Bank's direct exposure to large corporates and actions to decrease deposit concentration. This was accompanied by a significant increase of retail deposits from new markets.

The amount of loans to business customers and public entities decreased by €55 million (20%) to €213 million from €268 million at the end of 2021 as a result of reducing exposures to large corporates while expanding BaaS lending, mainly in the Retail segment.

Aion Bank had in its portfolio €31 million of corporate bonds at the end of 2022 as compared to €40 million at the end of 2021.

1.3. Retail banking

Loans to individuals increased net by €66 million (+30%) compared to 2021 and amounted to €287 million in December 2022. Aion Bank concentrates in this area on consumer loans, particularly acquired in the BaaS model.

The Bank also continued to further reduce its mortgage loans portfolio (decrease by €21 million, 17%). This was part of the Bank's strategic decision in 2020 to no longer offer mortgage lending.

Retail deposits decreased in 2022 to €666 million compared to €875 million at the end of 2021.

1.4. Securities portfolio

As part of balance sheet optimisation, the Bank reduced and shortened the duration of its treasury bonds portfolio. The size of the bond portfolio (excluding corporate bonds) decreased to €126 million in December 2022 from €200 million at the end of 2021.

The risk profile of the portfolio remained conservative and is well diversified between different sovereign issuers with investment grade rating and in most cases ECB refinancing eligibility. Most of the fixed income portfolio is concentrated in 1-3Y remaining maturity.

At the same time the Bank decreased its exposure to Polish corporate bonds from €40 million to €31 million.

1.5. Non-performing loans portfolio

The share of loans (net of provisions) held in the Deteriorated Past Due, Unlikely to Pay and Defaulted portfolios represented 19% of all customer loans at 31 December 2022, as compared to the same 19% on 31 December 2021.

The total NPL volume amounted to €104 million in December 2022, thereof 29% in the Retail segment and 71% in the SME and Corporate segment.

The gross exposure on Defaulted loans is €50.1 million, with a provision coverage of 77% (compared to €68.1 million in 2021 with 60% coverage). Non performing exposures are mostly covered by collateral or provisions.

The gross exposure on Unlikely to Pay and Deteriorated Past Due customer loans is €54.0 million, with a provision coverage of 17% (compared to €32.8 million in 2021, with a 29% provision coverage).

1.6. Financial and economic situation

1.6.1. Balance sheet

At the end of December 2022, the total balance sheet amounted to €910 million and decreased by 37% from €1438 million in December 2021.

The main reasons for the reduction in the balance sheet total are:

- the intended reduction of deposit balances (on the liability side) in line with the change in loan financing needs (reduction of legacy, non-BaaS lending portfolio to free up capital for BaaS lending) and the resulting reduction in interbank deposit balances and the securities portfolio (on the asset side)
- the early repayment of the remaining participation in ECB's T.L.T.R.O. programme.

As a result of the above L/D (Loans to Deposits) ratio increased to a healthy 65% from 44% in 2021.

The following developments were significant:

Assets:

- a net increase of €11 million in receivables from customers, of which net increase of €87 million from private individuals (excluding Mortgage loans), mainly as a result of new loans acquired via BaaS deals

- a decrease in receivables from credit institutions by €421 million (from €644 million to €223 million)

- a decrease in bonds and other fixed-income securities by €83 million (from €240 million to €158 million)

Liabilities:

- €333 million decrease in amounts owed to customers, thereof decrease by €209 million in the private individuals segment and decrease by €161 million in debts to public authorities. Debts to companies increased by €37 million (from €67 to €105 million)

- €187 million decrease (to 0) of amounts owed to credit institutions resulting from early repayment of the participation in ECB's T.L.T.R.O. programme (Targeted Long-Term Refinancing Operations)

- an increase in subscribed capital by €+18.1 million and a decrease in total Shareholders equity by €6.5 million

1.6.2. Evolution of loans and assets

Receivables from credit institutions amounted to €223 million (decrease vs. previous year by €421 million).

Receivables from customers amounted to €500 million (of which €287 million from individuals, €213 million from corporate customers or public authorities) compared to €489 million a year earlier.

The net increase of loans by €11 million was mainly related to:

- an increase in the BaaS deals in the amount of €114 million (€151 million in December 2022 vs. €37 million in 2021)

- a decrease in SME and corporate loans by €52 million, as part of the change to BaaS lending

- a decrease in consumer retail loans in the amount of €26 million, as part of the change to BaaS lending

- a decrease of mortgage loans by €21 million (mainly related to repayments), in line with the strategy to exit mortgage lending

- a reduction of loans to public authorities by €4 million

Besides loans, the corporate banking area decreased by €9 million its portfolio of commercial bonds.

The loan/deposit ratio, which was 44% at 31 December 2021, increased to a healthy 65% at 31 December 2022.

Bond receivables (excluding corporate bonds) totaled €126 million as compared to €215 million a year earlier.

1.6.3. Evolution of funding sources

In line with recent years, the Bank has continued to improve its liquidity and regulatory capital and liquidity ratios. The Bank continues to cover its net cash funding requirements exclusively through customer deposits.

The deposits from customers amounted to €771 million at the end of 2022 as compared to €1104 million a year earlier.

The outstanding amount of the deposits from credit institutions decreased to €0 due to repayment of the Bank's remaining participation in the so-called T.L.T.R.O. programme, as compared to €187 million on 31 December 2021.

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 339% at 31 December 2022, and the Net Stable Funding Ratio (NSFR) at 177%. The Excess Liquidity Buffer was €227 million at year end.

1.6.4. Changes in certain off-balance sheet items

Guarantees

Commitments granted in connection with the issue of bank guarantees decreased by €5 million and amounted to €8.6 million as at 31 December 2022.

Interest rate transactions

Aion Bank uses only Interest Rate Swaps (IRS). 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 2022, the outstanding IRS notional amount was €53 million compared to €97 million at the end of 2021.

1.7. Profit and loss

Aion Bank closed 2022 with an accounting loss of €24 million, compared to a net accounting loss of €48.5 million in 2021. By reducing the losses by over 50%, the Bank continued its path to break-even.

The significant reduction of the loss was primarily the result of higher revenues from the business and a significant reduction of expenses, especially personnel expenses.

The Bank changed its business model and strategy in mid 2021 from a direct-to-consumer model to a full BaaS (Bank-as-a-Service) model. To reserve capital as much as possible for BaaS lending, Aion Bank decided to stop B2C lending.

The interest margin almost doubled in 2022 as compared to 2021 and contributed €10.3 million to the 2022 economic account. The increase of net interest results from the decrease of the liquidity buffer and replacement of low margin, old portfolio (mortgage and SME loans mainly) by BaaS-related loans.

The increase in both interest income and interest expense results from the further expansion of the BaaS lending business with higher market interest rates.

Net overall commissions amounted to €0.5 million in 2022 vs. €3.0 million in 2021. The decrease of the commission result relates mainly to the change of business model from providing direct services to Retail and SME customers in a subscription-based model to BaaS related services.

Income from foreign exchange activities and financial transactions amounted to €4.9 million compared with €0.3 million previously. The increase of the result vs. the previous year is mainly related to the positive income from IRSes and related to the sale of a part of the securities portfolio.

General expenses (including depreciation and remunerations) decreased to €50.5 million in 2022 compared to €53.3 million in 2021 thereof:

- Remuneration expenses decreased by €12.0 million from €27.2 million in 2021 to €15.2 million in 2022, primarily due to one-off restructuring costs in 2021 following the change in strategy to focus more on Banking-as-a-Service
- Other administrative expenses increased by €7.0 million and amounted to €31.9 million as compared to €24.8 million in 2021

The Bank recognized net expense from write-downs on receivables and other provisions for liabilities of €3.2 million in 2022, which was €2.8 million higher than in 2021.

There was a one-off loss on the disposal on tangible fixed assets related to reduction of the number of rented properties by the bank in 2022 which amounted to €1.7 million

1.8. Equity

Book value of equity at the end 2022 was €83.9 million (compared to €90.4 million in 2021). Considering tier 2 capital instruments and regulatory deductions, the total regulatory capital amounted to 92.3 (compared to 98.6 million in 2021), resulting in a regulatory solvency ratio of 20.45%.

Regulatory Solvency ratios	31/12/2021	31/12/2022
RWA (amounts in million €)	475.7	451.5
Core Tier I ratio	17.78%	17.35%
Tier I ratio	17.78%	17.35%
Regulatory Solvency ratio (Tier I + Tier II)	20.72%	20.45%

The Bank's shareholders provided three capital injections in 2022, totaling €18.1 million.

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

2. Important events occurred after the balance sheet date

The bank actively monitored the developments and potential impact of the crisis involving Credit Suisse, Silicon Valley Bank and other US banks. The bank had no specific exposures to the institutions involved. The bank also did not observe significant changes in customer behaviour as a result of these events and actually recorded over 10% increase in customer deposits in the weeks following the restructuring of the Silicon Valley Bank.

3. Circumstances that can have a significant influence on the development of the company

The Company's growth and profitability are influenced by:

- expansion of the customer base, as part of the BaaS strategy, by providing banking products and services to those customers (ie activation of B2B2C);
- the development of commercial activity and the quality of customer service, especially in the context of the Bank's Banking-as-a-service strategy;
- changes in capital and financial markets, especially interest rate developments;
- investments made to provide the Bank with state-of-the-art technology;
- reputation risk;
- the macroeconomic environment;
- shareholder stability

4. 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 provider of Banking-as-a-Service solutions, able to offer 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 client, 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 (BaaS). This requires constant investments in advanced technology and systems to support this.

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

At the moment Aion has about 30 BaaS projects in 7 countries and is constantly developing software solutions for existing and new customers.

5. Information concerning branches and subsidiaries of the company

5.1. Branches

Based on the Bank's freedom of establishment, the Bank has established branches in Poland, Germany and Sweden.

The banking branch in Poland operates under the name Aion Bank S.A. Spółka Akcyjna Oddział w Polsce. Its registered office is established in 00-344 Warszawa, ul.Dobra 40. The person responsible for the management of the branch is Piotr Osiński.

The banking branch in Germany operates under the name Aion Bank Germany Branch NV/SA. Its registered office is established in Tribes Frankfurt Basler, Basler Strasse 10, 60329 Frankfurt, Germany. The person responsible for the management of the branch is Wojciech Sass.

The banking branch in Sweden operates under the name Aion Bank S.A. Swedish Filial. Its registered office is established in Kungstensgatan 21 A, 113 57 Stockholm. The person responsible for the management of the branch is Niels Lundorff.

5.2. Subsidiaries

As of 31 December 2022, following the acquisition of ETFmatic Group Ltd in 2021, the Company holds 100% of the shares of ETFmatic Group Ltd. ETFmatic Group Ltd, in turn, holds 100% of the shares of ETFmatic Ltd, a UK based and FCA authorised investment firm. As of 31 December 2022, ETFmatic Ltd had ceased offering investment services in the UK. All other activities (non UK related) have been transferred to Aion Bank as part of the integration of the activities of ETFmatic into Aion Bank. ETFmatic Ltd is in the process of being wound down. The FCA approved the cancellation of its permit on 31 May 2023. Following the liquidation of ETFmatic Ltd, ETFmatic Group Ltd will be liquidated as well. As part of the integration of ETFmatic Ltd into Aion Bank, Aion Bank also acquired 100% of the shares of ETFmatic Support Services S.L., a company incorporated under the laws of Spain, hosting certain support services in Spain.

6. Justification of the application of accounting rules on a going concern basis

In view of the business plan, the capitalisation and the liquidity position of the Company, additionally supported by:

- recently enhanced investors base (NatWest Group and European Bank for Reconstruction and Development);
- expressed by Aion's shareholder (Vodeno) intention to support the company; the application of the accounting rules on a going concern basis continues to be justified

7. 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 one occasion:

- Meeting of the Board of Directors held on 29 July 2022: Approval of intercompany pricing principles for BaaS projects between Aion and Vodeno.

Extract of the minutes.

“

Prior to discussing the above item on the agenda, Niels Lundorff declared that he had a conflicting financial interest (intérêt opposé de nature patrimoniale) in the sense of Article 7:96 of the Belgian Code of Companies and Associations in relation to point 9. of the agenda "Approval of intercompany pricing principles for BaaS projects between Aion and Vodeno"

The conflict of interest lies in the fact that the directors have to resolve on an agreement related to the pricing arrangements between the Company and Vodeno Sp.z.o.o. ("Vodeno") for services provided by Vodeno to the Company in relation to Banking-as-a-Service projects ("BaaS Projects") (the "Transaction"). Niels Lundorff was a former employee of Vodeno. He was awarded deferred remuneration by Vodeno which will vest if and when certain performance criteria are met in the future.

The entering into the Transaction with Vodeno could influence the financial performance of Vodeno and, hence, the level of deferred remuneration that he 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, Niels Lundorff, Peter Deming and Richard Laxer have decided that they will abstain from voting on point 9 of the agenda (Mr. Wojciech Sobieraj, who may have had a similar conflict of interest, was excused for the meeting).

The Company's external 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 pricing principles in the existing outsourcing agreement between Aion and Vodeno are not adapted to the specific nature of BaaS projects (...) Accordingly, Aion and Vodeno prepared a new pricing mechanism that is better adapted to the cost structure and collaboration model between Aion and Vodeno for BaaS projects. Given the potential conflict of interest, this model was prepared observing strict separation of roles between the respective experts of both companies.

In addition, the model was reviewed by an independent expert to validate the arm's length nature of the model.

The Board of Directors took note of conflicts of interest, the proposed pricing arrangements and the result allocation mechanism for BaaS projects. The Board of Directors also took note of the opinion of the independent expert in respect of the proposed pricing arrangements and of the opinion of the Risk and Audit Committee.

(...) The independent opinion concludes that the proposed allocation mechanism is reasonable and fair.

(...)

Based on the above, the Board of Directors was of the opinion that the proposed mechanism is compatible with the corporate interest of Alon and approved the proposed pricing mechanism and profit allocation. Delegation is given to Mrs. Doris Honold, Mr. Tom Boedts and Mrs. Sina Oeffinger, as non-conflicted directors, to prepare, negotiate and sign a Supplement to the Aion and Vodeno

Outsourcing Agreement in which the proposed pricing mechanism will be reflected based on the key terms presented to the Board of Directors.

Unanimous written resolution of the Board of Directors dated 23 December 2022: extension of the services agreement to be entered into between three directors and the Company

Extract of the resolution

In accordance with Article 7:95 of the Belgian Code of Companies and Associations Code and Article 15 of the articles of association of the Company, the resolutions of the Board of Directors may be adopted by unanimous written consent of the members of the Board of Directors (Wojciech Sass, Niels Lundorff, and Tom Boedts are being disregarded for the unanimity requirement as they are is conflicted and not allowed to participate in the decision making).

The Board of Directors takes note of the fact that Wojciech Sass, Niels Lundorff, and Tom Boedts declared that they have a conflicting patrimonial interest (intérêt opposé de nature patrimoniale) in the sense of Article 7:96 of the Belgian Companies and Associations Code in relation to the proposed decision.

The conflict of interest lies in the fact that the proposed decision relates to the extension of the services agreement to be entered into between Wojciech Sass, Niels Lundorff and the Company, including the extension of the notice period, revised remuneration and certain other changes to the services agreement.

The Board of Directors was informed of the key terms of the revised services agreements.

The Board of Directors is of the opinion that proposed terms are in line with the terms offered to executive committee members in the banking sector with similar profiles and responsibilities. Accordingly, the Board of Directors is of the opinion that the proposed terms for the service agreements are in the best interest of the Company.

Given the above, the Board of Directors decides to approve the key terms of the services agreement and gives a mandate to Peter Deming and Sina Oefinger to further implement this decision and sign a revised service agreement with Wojciech Sass, Niels Lundorff and Tom Boedts based on the key terms. The approval is subject to any required approvals by the supervisory authorities.

The statutory auditor will be informed of the conflict of interest in accordance with the provisions of the Code of Companies and Associations. (...)

8. 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’ 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 three lines of defence 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 and FX transactions. It should be noted that, in order to hedge the interest rate risk on the fixed rate loan portfolio, Aion Bank mainly uses amortising IRS.

The front-office activities are governed by a system of limits defined in the Market, Interest Rate, Liquidity and Counterparty Risk Policy 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.

9. 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.

10. Pillar III disclosures

10.1. 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 of 31 December 2022.

Name	Type of director	Number of other mandates
Wojciech Sass	executive director, Chief Executive Officer	0
Tom Boedts	executive director, Chief Operations Officer	0
Niels Lundorff	executive director, Chief Financial Officer	5*
Doris Honold	independent director, Chair of the Risk and Audit Committee	7*
Guido Ravoet	independent director	2
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	1
Wojciech Sobieraj**	non-executive director	2

* Doris Honold, Niels Lundorff and Peter Deming have more than 3 external mandates but benefit from exemption for non significant institutions (art. 62 §5 and 6 Banking Law)

** Wojciech Sobieraj resigned as non-executive director with effect on 30 April 2023.

The Executive Committee, at 31 December 2022, is composed as follows:

- Wojciech Sass, executive director, CEO, A Director
- Niels Lundorff, executive director, CFO, A Director
- Tom Boedts, executive director, COO, A Director

The Risk and Audit Committee, at 31 December 2022, is composed as follows:

- Doris Honold, independent director, B Director (chairwoman)
- Richard Laxer, non executive director, C Director
- Guido Ravoet, 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 Board of Directors met six times in 2022.

The Risk and Audit Committee met eleven times during 2022.

10.2. 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 their suitability 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;
- Circular NBB_2018_25 / Suitability of directors, members of the management committee, responsible persons of independent control functions and senior managers of financial institutions;
- 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.

10.3. 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 optimise 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 behavioural 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 organisation 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 the report, the female gender is the underrepresented gender in the Board of Directors of Aion Bank. As per 31 December 2022, following the resignation of Mrs. Danielle Crook as director in the course of 2022, two out of ten members of the Board of Directors (20%) were female. This is below the minimum representation of the underrepresented gender required by law (one third). The Board of Directors intends to bring the number of female directors back to above the legal minimum of one third as soon as practicable and will take this into account as selection criteria for future appointments of directors.

Two out of seven (28%) of the non-executive members of the Board of Directors were female. One out of two (50%) of the independent board members were female. The Board of Directors continues to be well diversified in terms of geographical background (6 different nationalities), age of directors, professional and educational background.

10.4. 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/ILAAP[1] policy, including comprehensive stress testing and capital and liquidity 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 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.

[1] Internal Capital Adequacy Assessment Process / Internal Liquidity Adequacy Assessment Process

10.5. Own Funds

The available level of total regulatory capital is €92.3 million. Its composition and reconciliation with book value of equity is the following:

Regulatory Own Funds	
Capital	54.5
Share Premium	10.1
Reserves	43.8
Results carried forward	-0.5
Net Profit	-24.0
Book value of Equity	83.9
CET1 Instruments	0.0
intangible assets	-5.5
CET1 Capital	78.3
Other Tier 1 elements	0.0
Tier 1 Capital	78.3
Tier 2 Subordinated notes[2]	14.0
Total Regulatory Capital	92.3

[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%.

10.6. 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 standardised 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 organisation, 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 (SREP decision 2021 with Pillar 2 Requirement of 3.18% and Pillar 2 Guidance of 0%) and the combined buffer requirements (capital conservation buffer 2.50% and average countercyclical buffer 0.0871%):

Overall Capital Requirement (OCR) + Pillar 2 Guidance (P2G)	
CET1 Ratio	8.80%
T1 Ratio	10.97%
Total Capital Ratio	13.77%

Capital Adequacy Pillar 1 (€ million)	
Credit RWAs	430.9
Credit Value Adjustment	4.3
Operational risk	16.3
Market risk	0.0
Total Pillar 1 RWA	451.5
Available CET 1 Capital	78.3
Available Tier 1 Capital	78.3
Available Total Capital	92.3
CET1 Ratio	17.35%
T1 Ratio	17.35%
Total Capital Ratio	20.45%

Credit Risk Risk Weighted Exposures by Exposure types (€ million)	
Central governments or central banks	7.3
Institutions	8.3
Corporates	85.6
Retail	178.5
Secured by mortgages on immovable property	74.2
Non Performing Exposures	57.8
Other items	19.2
Total Risk Weighted Exposures	**430.9**

10.7. 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), Forward Rate Agreements (FRA), currency swaps and Cross-Currency Interest Rate Swaps ("CIRS"). 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 2022, the outstanding IRS notional amount was €53 million compared to €96 million at the end of 2021.

Exposures on derivative contracts are determined by the Standardised Approach for Counterparty Credit Risk (SA-CCR) defined in CRR article 274 and following. The exposures under that method are composed of 2 elements: a) the current replacement cost and b) the potential future exposure, both multiplied by a factor of 1.4.

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

Counterparty Credit Risk Exposures (€ million)	
Current replacement cost	1.7
Potential future exposure	1.1
Total exposure to CCR[3]	**2.8**

[3] Included in Credit Risk Exposures

Counterparty Credit Risk RWA (€ million)	
Risk weighted exposure to CCR[4]	1.1
Credit Valuation Adjustment Exposure	2.8

[4] Included in Credit Risk RWA's

10.8. Capital buffers

Countercyclical Buffer (CCB) Exposures (€ million)		
Country	Countercyclical buffer rate	RWA on CCB Exposures
PL	0.00%	284.75
BE	0.00%	257.27
DK	2.00%	22.74
LU	0.50%	3.74
Other	0.02%	30.81
Total	**0,09%**	**599.31**

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)	599.3
Institution specific countercyclical buffer rate	0.09%
Institution specific countercyclical buffer requirement (€ million)	0.4

10.9. 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:

10.9.1. 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 realisation of collateral, the debtor could fulfil 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

10.9.2. 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 2022 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	277.96	50.53	6.19	**334.67**
Regional governments or local authorities	1.53	0.00	0.00	**1.53**
Institutions	5.93	12.25	0.66	**18.84**
Corporates	54.78	51.44	3.45	**109.67**
Retail	0.00	292.03	54.32	**346.35**
Secured by mortgages on immovable property	106.30	84.60	3.48	**194.38**
Other items	18.90	0.00	0.99	**19.89**
Non Performing Exposures	47.92	3.22	2.31	**53.46**
Total	**409.72**	**491.56**	**177.52**	**1,078.81**

Credit Risk Adjustments (€ million)	
Gross Performing Exposures	1,032.5
Gross Non Performing Exposures	95.2
Specific Provisions	-48.9
Total Net Exposures (before GLLP)	1,078.8
General Loan Loss Provision	0
Total Net Exposures (after GLLP)	1,078.8

10.10. Unencumbered assets

As of 31 December 2022 none of the Bank's assets were encumbered for TLTRO purpose. The Bank pledged only euro denominated variation margin deposits as collaterals used in the settlement of derivative transactions.

Encumbrance of the Bank's assets is as follows:

Unencumbered assets (€ million)	
Assets encumbered for TLTRO[5]	-
Assets encumbered for other reasons	1.6

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

10.11. Use of external credit assessment institutions (ECAI's)

The Bank uses the ratings of the following three rating agencies in determining the risk weights: Standard & Poor's, Moody's and Fitch. The regulatory "second best" principle is applied by the Bank in case these agencies 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

10.12. 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 is 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, 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 need to hold capital for market risk, since it does not have any 'trading book', nor holds any significant foreign currency position.

10.13. 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.

The 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, 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.

10.14. Remuneration policy

10.14.1. 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 with 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.

10.14.2. 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.

10.14.3. 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 Executive 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 2021/923;

e. the staff members whose total remuneration exceeds the thresholds determined in accordance with the quantitative criteria set out in the Delegated Regulation 2021/923, 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.

10.14.4. Specific rules (risk alignment, deferral, instruments)

Where remuneration is performance related, and is therefore considered as Variable Remuneration, the total amount of remuneration will be 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 organisational 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.

Due to fact that AION is an institution that is not a large institution as defined in point 146 of Article 4(1) of Regulation (EU) No 575/2013, and (ii) the value of its assets is on average and on an individual basis in accordance with this Directive and Regulation (EU) No 575/2013 equal to or less than EUR 5 billion over the four-year period immediately preceding the current financial year, AION benefits from the derogation introduced by CRD V and implemented in the Banking Act in Article 9/1 of Annex II and the National Bank of Belgium's Circular n°2021_30 ("the Derogation").

In accordance with the Derogation, the Variable Remuneration of an Identified Staff shall not be subject to the requirements set out in the following Articles of Annex II of the Banking Act:

- Article 6, according to which at least 50 % of any variable remuneration for an Identified Staff shall consist of shares or share-linked instruments;
- Article 7, according to which at least 40 %, of the variable remuneration component for an Identified Staff is deferred over a period which is not less than four to five years; and
- Article 9, §2, according to which, if an Identified Staff leaves the Bank before retirement, discretionary pension benefits shall be held by the Bank for a period of five years in the form of shares or share-linked instruments; and Article 9, §3, according to which, where an Identified Staff reaches retirement, discretionary pension benefits shall be paid to the employee in the form of shares or share-linked instruments subject to a five-year retention period.

10.15. 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 2022, the leverage remains at a conservative level of 8.26% (5.66% in 2021).

Table LRSum: Summary reconciliation of accounting assets and leverage ratio exposures (€ million)		
1	Total assets as per published financial statements	907.9
2	Adjustments for derivative financial instruments	2.8
3	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	43.7
4	Other adjustments	-5.5
5	**Leverage ratio total exposure measure**	**948.9**

Table LRCom: Leverage ratio common disclosure (€ million)		
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items	907.9
2	(Asset amounts deducted in determining Tier 1 capital)	-5.5
3	**Total on-balance sheet exposures (sum of lines 1 and 2)**	**902.4**
Derivative exposures		
4	Replacement cost associated with all derivatives transactions	1.7
5	Add-on amounts for PFE associated with all derivatives transactions	1.1
11	**Total derivatives exposures (sum of lines 4 to 10)**	**2.8**
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	168.3
18	(Adjustments for conversion to credit equivalent amounts)	-124.4
19	**Other off-balance sheet exposures (sum of lines 17 and 18)**	**43.9**
Capital and total exposure measure		
20	**Tier 1 capital**	**78.3**
21	**Leverage ratio total exposure measure (sum of lines 3, 11 and 19)**	**948.8**
Leverage ratio		
22	**Leverage ratio**	**8.26%**

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:**	**907.9**
EU-2	Trading book exposures	-
EU-3	Banking book exposures, of which:	907.9
EU-4	Covered bonds	-
EU-5	Exposures treated as sovereigns	334.7
EU-6	Exposures to regional gov., MDB, intern. org. and PSE not treated as sovereigns	1.5
EU-7	Institutions	16.0
EU-8	Secured by mortgages of immovable properties	192.5
EU-9	Retail exposures	204.0
EU-10	Corporate	87.9
EU-11	Exposures in default	46.3
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	24.9

11. Historical Prepayments of mortgage loans

Below we present disclosures as defined in circular NBB_2021_20, for 2022-12-31. All numbers are in EUR.

TABLE 1.1 - MICRO FAIR VALUE HEDGES							
Financial instruments	Notional amounts		Market value (A)	Balance sheet value (B)	Of which pro-rata interest		(A-B)
	To be delivere	To be received			Assets	Liabilities	
IRS	-4,456,136.69	4,456,136.69	281,345.12	-9,825.19	0.00	-9,825.19	291,170.31

Amount of ineffectiveness not recognised in the income statement at the financial statements closing date: -2,204.81€

The ineffectiveness is calculated as the sum of the yearly change in the clean price of the hedging portfolio and the yearly change in the clean price of the bottom layer of the hedged portfolio which is proxied as equal to the payable fixed leg of the hedging swaps portfolio. Both clean prices are expressed net of the notional amount to eliminate the effect of contractual amortisation.

TABLE 1.2 - MICRO CASH FLOW HEDGES							
Financial instruments	Notional amounts		Market value (A)	Balance sheet value (B)	Of which pro-rata interest		(A-B)
	To be delivere	To be received			Assets	Liabilities	
-	-	-	-	-	-	-	-

We do not have such positions.

TABLE 2.1 - MACRO FAIR VALUE HEDGES							
Financial instruments	Notional amounts		Market value (A)	Balance sheet value (B)	Of which pro-rata interest		(A-B)
	To be delivere	To be received			Assets	Liabilities	
IRS	- 48,280,759.18	48,280,759.18	-1,162,699.56	-413,665.66	0.00	-413,665.66	-749,033.90

Amount of ineffectiveness not recognised in the income statement at the financial statements closing date: -43,248.93€

The ineffectiveness is calculated as the sum of the yearly change in the clean price of the hedging portfolio and the yearly change in the clean price of the bottom layer of the hedged portfolio which is proxied as equal to the payable fixed leg of the hedging swaps portfolio. Both clean prices are expressed net of the notional amount to eliminate the effect of contractual amortisation.

TABLE 2.2 - MACRO CASH FLOW HEDGES							
Financial instruments	Notional amounts		Market value (A)	Balance sheet value (B)	Of which pro-rata interest		(A-B)
	To be delivere	To be received			Assets	Liabilities	
-	-	-	-	-	-	-	-

The Bank does not have such positions.

TABLE 3.1 - TRANSACTIONS REFERRED TO IN § 4, 3° - INSTRUMENTS THAT REMAIN PART OF THE INSTITUTION'S ASSETS						
Suspense account		**<= 3 months**	**> 3 months <= 1 year**	**> 1 year <= 5 year**	**>= 5 years**	**Total**
Assets	Micro	-	-	-	-	-
	Macro	-	-	-	-	-
Liabilities	Micro	-	-	-	-	-
	Macro	-	-	-	-	-

The Bank does not have such positions.

TABLE 3.2. - TRANSACTIONS REFERRED TO IN § 4, 4° - INSTRUMENTS THAT ARE NO LONGER PART OF THE INSTITUTION'S ASSETS						
Suspense account		**<= 3 months**	**> 3 months <= 1 year**	**> 1 year <= 5 year**	**>= 5 years**	**Total**
Assets	Micro					
	Macro					
Liabilities	Micro					
	Macro					

The Bank does not have such positions.

TABLE 4 - TRANSACTIONS INTENDED TO MANAGE INTEREST RATE RISK WITHOUT TAKING ON ADDITIONAL RISK, CONCLUDED WITH A SPECIAL PURPOSE VEHICLE CONSOLIDATED BY THE CREDIT INSTITUTION							
Financial instruments	**Notional amounts**		**Market value (A)**	**Balance sheet value (B)**	**Of which pro-rata interest**		**(A-B)**
	To be delivere	**To be received**			**Assets**	**Liabilities**	
-	-	-	-	-	-	-	-

The Bank does not have such positions.

12. Financial Statements (Schema B)

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

Legal form: Société Anonyme (Limited Company)
Address: Avenue du Boulevard N° :21
Postal code: 1210 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		
19/11/2021	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	29/09/2023		
and relating to the financial year covering the period of	01/01/2022	to	31/12/2022
Previous fiscal year of	01/01/2021	to	31/12/2021

Amounts relating to the previous financial year **are/ ~~are not~~** 1** identical to those previously published.

COMPLETE LIST OF DIRECTORS, MANAGERS AND COMMISSIONERS

M. Wojciech SOBIERAJ, Administrateur – Mariiludwiki Gonzagi 8 – 01-985 Warsaw - du 14.06.2022 au 11.06.2025
M. Wojciech SASS, Administrateur/adm délégué dp 01/08/2021 – Victor Van Espenlaan 6 - 3080 TERVUREN - du 14.06.2022 au 11.06.2025
M. Niels LUNDORFF, Administrateur - Rue de la Montagne 52d - 1000 BRUXELLES - du 14.06.2022 au 11.06.2025
M. Richard LAXER, Administrateur et Président du Conseil d'Administration – 48 Marlborough Place – NW8 0PL LONDON - du 14.06.2022 au 11.06.2025
M. Peter DEMING, Administrateur – 2 Abbey Gardens – NW8 9AT LONDON - du 14.06.2022 au 11.06.2025
Mme Sina OEFINGER, Administratrice – 17A Walton Street – SW3 2HX LONDON - du 14.06.2022 au 11.06.2025
M. Michael THOMPSON, Administrateur – 55 Calabria Road – N5 1HZ LONDON - du 14.06.2022 au 11.06.2025
Mme. Doris HONOLD, Administratrice indépendante – 1701 Satin House 15 Piazza Walk – E1 8PW LONDON – du 14.06.2022 au 11.06.2025
M. Guido RAVOET, Administrateur Indépendant – De Stolberglaan 1 - 3080 TERVUREN - du 14.06.2022 au 11.06.2025
M. Tom BOEDTS, Administrateur – Notelaarstraat 330 – 1030 Brussel – du 14.06.2022 au 11.06.2025

Certified Statutory Auditor

PriceWaterhouseCoopers Belgium BV – Culliganlaan 5 - 1831 Diegem – Belgium
Date of mandate: 14/06/2022 – 10/06/2025
Represented directly or indirectly by Gregory Joos – Identification number : A02025
Culliganlaan 5 - 1831 Diegem – Belgium
Enterprise number: 0429.501.944
Register number: B00009

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

Signature
(name and quality)

SOBIERAJ Wojciech
Chief Executive Officer - Director

Signature
(name and quality)

LUNDORFF Niels
Chief Financial Officer - Director

1** Delete as appropriate.

LIST OF DIRECTORS, MANAGERS AND COMMISSIONERS (continued from previous page)

BALANCE SHEET AFTER DISTRIBUTION

	Ann.	Codes	Accounting year	Previous accounting year
ASSETS				
I. Cash, balances with central banks and post office cheque offices		10100	840	10.476
II. Government securities eligible for central bank refinancing		10200		15.003
III. Receivables to credit institutions	5.1	10300	222.916	643.540
A. At sight		10310	217.404	26.464
B. Other receivables (term or notice)		10320	5.511	617.076
IV. Receivables from customers	5.2	10400	499.764	488.792
V. Bonds and other fixed-income securities	5.3	10500	157.717	240.257
A. From public issuers		10510	126.463	200.440
B. From other issuers		10520	31.254	39.818
VI. Shares, shares in companies and other variable-income securities	5.4	10600		
	5.5	10700	262	162
VII. Financial fixed assets	5.6.1	10710	100	
A. Investments in associates				
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	5.498	5.874
IX. Tangible assets	5.8	10900	8	1.781
X. Treasury shares		11000		
XI. Other assets	5.9	11100	18.975	28.107
XII. Accruals and deferred income	5.10	11200	4.171	4.489
TOTAL ASSETS		**19900**	**910.153**	**1.438.481**

	Ann.	Codes	Accounting year	Previous accounting year
LIABILITIES				
THIRD-PARTY FUNDS		201/208	826.220	1.348.039
I. Amounts owed to credit institutions	5.11	20100		187.242
A. At sight		20110		
B. Debts resulting from the rediscounting of bills of exchange		20120		
C. Other debts with agreed terms or periods of notice		20130		187.242
II. Amounts owed to customers	5.12	20200	771.196	1.104.306
A. Savings deposits		20210	209.030	304.438
B. Other debts		20220	562.166	799.868
1. At sight		20221	477.758	473.104
2. At term or with notice		20222	84.408	326.764
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	30.385	26.951
V. Accruals and deferred income	5.15	20500	6.266	8.643
VI. Provisions and deferred taxes		20600	4.375	6.897
A. Provisions for liabilities and charges		20610	4.375	6.838
1. Pensions and similar obligations		20611	344	474
2. Taxes		20612		
3. Other liabilities and charges	5.16	20613	4.030	6.364
B. Deferred Taxes		20620		60
VII. Fund for general banking risks		20700		
VIII. Subordinated debts	5.17	20800	14.000	14.000
SHAREHOLDER EQUITY		209/213	83.932	90.442
IX. Capital	5.18	20900	54.541	131.960
A. Subscribed capital		20910	54.541	131.960
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	(24.610)	(95.519)
TOTAL LIABILITIES		**29900**	**910.153**	**1.438.481**

	Ann.	Codes	Accounting year	Previous accounting year
OFF-BALANCE-SHEET ITEMS				
I. Contingent liabilities	5.22	30100	8.629	13.747
A. Non-negotiated acceptances		30110		
B. Guarantees of a credit substitute nature		30120		
C. Other guarantees		30130	8.629	13.646
D. Documentary credits		30140		
E. Assets subject to third-party security rights		30150		102
II. Commitments that may give rise to credit risk	5.22/ 5.24	30200	103.302	103.302
A. Firm commitments to make funds available		30210		
B. Commitments arising from cash purchases of securities or other securities		30220		
C. Available line of credit on confirmed lines of credit		30230	103.302	103.302
D. Underwriting and securities underwriting commitments		30240		
E. Repurchase commitments resulting from imperfect retrocession sales		30250		
III. Securities entrusted to the credit institution		30300	68.440	73.318
A. Securities held under organized trust status		30310		
B. Overdrafts and similar deposits		30320	68.440	73.318
IV. To be paid up on shares and shares in companies		30400		

INCOME STATEMENT (account presentation)

	Ann.	Codes	Accounting year	Previous accounting year
CHARGES				
II. Interest and similar charges		40200	20.353	15.341
V. Commissions paid		40500	10.232	4.099
VI. Loss from financial operations (-)		40600	1.810	14.710
A. From foreign exchange and trading in securities and other financial instruments (-)		40610	1.810	14.710
B. From the realization of marketable securities (-)		40620		
VII. Administrative overhead charges		40700	28.698	47.250
A. Remuneration, social security charges and pensions		40710	15.152	27.186
B. Other administrative expenses		40720	13.546	20.064
VIII. Depreciation and write-downs on formation expenses, intangible and tangible fixed assets		40800	3.498	1.230
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	16.532	14.292
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	9.983	584
XIII. Allocation to the fund for general banking risks (+)/(-)		41300		
XV. Other operating expenses	5.23	41500	6.473	4.781
XVIII. Extraordinary expenses		41800	143	2
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		
E. Other exceptional expenses	5.25	41850	143	2
XIXbis.A. Transfer to deferred taxes		41921		
XX.A. Taxes(-)	5.26	42010		295
XXI. Profit for the accounting year		42100		
XXII. Transfer to untaxed reserves (-)		42200		
XXIII. Profit for the accounting year available for appropriation		42300		

	Ann.	Codes	Accounting year	Previous accounting year
PRODUCTS				
I. Interest and similar income	5.23	40100	30.685	19.915
A. Of which: fixed-income securities		40110	6.455	5.067
III. Income from variable-income securities	5.23	40300		
A. Of shares, corporate units and other variable-income securities		40310		
B. Of investments in accociates		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		
IV. Commissions received	5.23	40400	10.733	4.150
A. Brokerage and related commissions		40410		24
B. Remuneration for management, advisory and custodial services		40420	5.466	3.751
C. Other commissions received		40430	5.268	376
VI. Profit from financial operations	5.23	40600	5.325	15.761
A. From foreign exchange and trading in securities and other financial instruments		40610	5.305	15.055
B. From the realization of investment securities		40620	20	706
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	19.465	14.491
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	3.880	

XIII. Withdrawal from the fund for general banking risks		41300		
XIV. Other operating income	5.23	41400	3.567	1.026
XVII. Extraordinary income		41700		343
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		343
XIXbis.B. Deductions on deferred taxes		41922		
XX.B. Tax adjustments and reversals of tax provisions	5.26	42020	41	430
XXI. Loss for the accounting year		42100	24.026	48.502
XXII. Withdrawals from untaxed reserves		42200		
XXIII. Loss for the accounting year to be allocated		42300	24.026	48.502

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ALLOCATIONS AND WITHDRAWALS

	Codes	Accounting year	Previous accounting year
A. Profit (Loss) to be allocated (+)/(-)	49100	(24.026)	(48.502)
1. Profit (Loss) for the accounting year available for allocation (+)/(-)	(42300)	(24.026)	(48.502)
2. Profit (Loss) brought forward from the previous accounting year (+)/(-)	(21300P)	(96.102)	(47.013)
B. Drawings from shareholder's equity	49200		
1. On capital and share premiums	49210	(95.519)	
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	(24.610)	(96.102)
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		

13. Accounting Policies & Evaluation Rules

Introduction

In order to clearly and fairly present the property and financial situation, the Bank, undertakes to keep its books of accounts on the basis of the following accounting principles:

- **The principle of continuity** - economic operations in successive years are grouped on accounts in the same way. Valuation of assets and liabilities, including depreciation write-offs, determination of the financial result are made in subsequent financial years according to the same principles. The balances of assets and liabilities shown in the closing balance sheet are recognized in the same amount in the opening balance sheet of the next fiscal year.

- **Materiality principle** - the purpose of the materiality principle is to ensure proper separation and grouping in the Bank's Balance Sheet of accounts of all events relevant to the assessment of the Bank's financial position and financial result.

- **Business continuity principle** - in valuing assets and liabilities and determining the financial result, it is assumed that the Bank will continue its business activities in the foreseeable future in a not materially reduced scope, without going into liquidation or bankruptcy.

- **The principle of prudent valuation** - individual assets and liabilities are valued using the prices (costs) actually incurred for their acquisition, while observing the principle of prudence. In particular, for this purpose, the financial result, regardless of its amount, should take into account:

    - decreases in the value in use of assets, including those made in the form of write-downs and depreciation (amortisation),

    - only unquestionable other operating income and extraordinary profits,

    - all incurred other operating expenses and extraordinary losses,

    - provisions for known risks, impending losses and effects of other events.

- The principle of accrual and commensurability of revenues and costs - the Bank's financial result includes all revenues earned /received/ and attributable to the period, as well as costs related to these revenues, regardless of the date of payment. In order to ensure commensurability of revenues and related costs, assets or liabilities of a given reporting period include costs or revenues pertaining to future periods and costs attributable to a given reporting period that have not yet been incurred.

- The no-offset principle - the principle consists in separate determination of the value of individual assets and liabilities, revenues and related costs, as well as extraordinary gains and losses. It is not allowed to offset with each other the values of assets and liabilities of different types, revenues and related costs, as well as profits and extraordinary losses.

The valuation rules are set by the Board of Directors in compliance with what is prescribed by the Royal Decree of 23.09.1992 relating to the annual accounts of credit institutions.

13.2 Valuation rules relating to the main balance sheet and income statement items

13.2.1. Receivables

Receivables from credit institutions and customers are entered in the balance sheet for the amount of funds made available to debtors after deduction of any repayments. and write-downs made as indicated below.

When the amount made available to the debtor differs from the nominal amount of the receivable, the difference is treated pro rata temporis as interest income or charge.

Each credit file is assessed with the utmost prudence, taking into consideration the debtor's situation and the value of the real and personal guarantees received.

Receivables which are irrecoverable or in default are transferred to a specific heading of schedule A (Item 150: non-recoverable or doubtful debts).

If the receivable is presumed definitively irrecoverable, a full reduction in value is made. On the other hand, if there is a chance of partial recovery, reductions in value up to the part of the debt considered as lost are recorded.

When the Management Committee judges that for a debt there is no possibility of recovery, mainly following a certificate made by the curator, the transaction is fully amortised.

Interest for which collection is uncertain, as well as irrecoverable interest, are not recorded in income.

13.2.2. Securities portfolio

Securities which do not constitute financial fixed assets are valued on the basis of the distinction according to whether they belong to the commercial portfolio (Trading) or to the investment / investment portfolio (Hedging) in accordance with article 35 ter annual accounts.

Commercial portfolio

Securities belonging to the commercial portfolio are understood to mean fixed-income and variable-income securities acquired within the framework of an issue with a view to their placement with third parties as well as securities otherwise acquired with a view to their resale on the basis of short-term return considerations which normally does not exceed a period of six months and which, in the context of fixed-term securities, covers a period shorter than the remaining term of the securities in question. Any investment transfer must be made at the stock market price on the day of the transfer. The latter is automatic when the holding period in the commercial portfolio exceeds six months.

Rules for valuation of the commercial portfolio

Securities belonging to the commercial portfolio as well as securities subject to cash purchases in the process of liquidation concluded within the framework of the commercial portfolio are valued at their market value at the end of each month. as long as there is a liquid market. Otherwise, they will be valued at their acquisition value or at their market value on the closing date of the accounts if the latter is lower.

Without prejudice to the allocation of accrued interest relating to the past period injected on the basis of the nominal rate, the valuation differences noted monthly are charged to the income statement as constituent elements of item VI.A. "Profit (Loss) from financial transactions, exchange and trading of securities and other financial instruments" (Art. 35 ter 2).

Investment portfolio

By securities belonging to the investment portfolio, we mean securities that do not belong to the commercial portfolio and do not constitute financial fixed assets. Securities acquired under Asset Swaps also belong to the investment portfolio.

Rules for valuation of the investment / investment portfolio

The variable-income securities belonging to the investment portfolio are valued at their acquisition value or at their realisation value on the closing date of the accounts, if the latter is lower (Art. 35 ter 3). Currently, redemption capital gains or losses are spread over the residual maturity of the securities in the same way as fixed income securities.

Fixed income securities belonging to the investment portfolio are valued on the basis of their actuarial return calculated on purchase, taking into account their redemption value at maturity; the difference between the acquisition value and the redemption value is taken in profit or loss on a pro rata basis over the remaining term of the securities as a component of the interest produced by these securities. This difference is recognized in profit or loss on a discounted basis, taking into account the real rate of return on purchase. These securities are entered in the balance sheet at their acquisition value increased or reduced by the (monthly) portion taken in income from said difference (Art. 35 ter 4).

Although belonging to the investment portfolio, certain structured securities will be subject to a revaluation in accordance with Article 35 Ter § 6 of the Royal Decree of 23 September 1992 relating to the annual accounts of credit institutions provided that the conditions as defined below are met.

"Long-lasting capital loss or depreciation" should be understood to mean those which would remain beyond a period of 12 months from the date of their occurrence and which would represent at the time of the monthly closing of the accounts, i.e. a discount of more than 10 % in relation to the acquisition price, ie a negative latency greater than EUR 175,000.- ".

By application of the said paragraph, each of the structured securities with a negative latency which would be equivalent either to more than 10% of the purchase price, or to an amount greater than EUR 175,000.- and which would be maintained beyond a period of 12 months will be subject to a reduction in value which will be recorded in item 517.21 of plan A. In the event of a subsequent improvement or deterioration in the inventory value of the securities concerned by the application of this rule, the level of the reduction in value will be adapted.

In addition, it goes without saying that in the event of a loss in value on these securities which would occur following an unfavorable change in credit risk, an ad hoc reduction in value will also be applied to take account of said credit risk.

In addition, for positions which, although individually would not reach either of the two aforementioned limits, nevertheless overall have a negative latency greater than EUR 500,000-, a reduction in value will be made for the portion exceeding the said amount.

As regards the interest income received, they are recorded in the economic account during the year in which they are recorded.

Investment portfolio acquired with a view to medium-term profitability

As part of prudential management of interest rate risk, an investment portfolio made up of securities acquired with a view to medium-term profitability will be established.

In addition to applying the valuation rules specific to the investment portfolio (see above), any unrealized losses resulting from its valuation at market price will be recorded and included in a specific provision entitled:

"*Provision for risks from securities positions*".

As with the securities acquired within the framework of the commercial portfolio, it is the destination taken on the occasion of the acquisition which will serve as the basis for the application of the appropriate revaluation method.

13.2.3. Arbitrage operations on the investment securities / investment portfolio

Arbitrage operations consist of any combined purchase and sale operation of fixed income investment securities carried out over a relatively short period and which leads to a real improvement in the performance of fixed income securities.

Valuation method

Gains and losses resulting from the sale of fixed-income investment securities within the framework of an arbitrage transaction are taken into income on a spread basis with the future income from the securities acquired within the framework of the arbitrage.

In this case, the capital gains or losses are subject to a reversal entry in the income statement. These are, pending their allocation, added to the account where the securities purchased are recorded.

The capital gains and losses concerned are, on the basis of a constant real annual yield, charged to interest income from fixed income securities, over the period extending until the nearest maturity of the securities sold. or purchased. In the event of a subsequent sale of the securities purchased, the residual amount of the amending account will be recorded in its entirety in the results of the financial year during which this sale took place, unless the latter is part of a new arbitration (Art. 35 ter 5).

13.2.4. Financial assets

Financial assets are recorded and maintained at their acquisition value. In the event of lasting losses and depreciation, reductions in value are made. Reductions in value are reversed when they become surplus.

13.2.5. Tangible and intangible assets

Tangible and intangible assets, the use of which is limited in time, are subject to depreciation calculated according to a plan drawn up in accordance with the rules adopted by the Administrative Body of the credit institution (art. 15).

The depreciation rates to be applied to our depreciation are as follows:

Tangible fixed assets

Equipment, furniture (only equipment):
15% straight-line

IT equipment:
25% straight-line

Intangible assets

Computer software:
20% linear

Notes :

1. Investments are recorded at the time of purchase at their acquisition value plus non-recoverable VAT.

2. Depreciation on new investments is only accepted as professional charges in accordance with the principle of pro rata temporis.

13.2.6. FRA - IRS derivative products

The Bank categorises these derivatives as hedging and trading. Hedging operations are undertaken within the framework of the interest rate risk management policy which specifies the risks to be hedged, the hedging strategy, the instruments used and the monitoring and control methods. The framework is compliant with the requirements set forth in the Royal Decree of 29th August 2021 and in the practical rules defined by the NBB in circular NBB_2021_20.

FRA / IRS Hedging are transactions intended to reduce the interest rate risk of single financial transactions or groups of homogeneous transactions that do not require fair value accounting. This is for example the case of an IRS covering a set of securities or loans. The term “Micro Hedge” is used when a hedging instrument is entered into in order to hedge a single financial transaction and the term “Macro Hedge” describes cases in which one or more hedging instruments cover a set of positions.

Hedging instruments are valued by recognition of the related results pro rata temporis over the duration of the operations.

The effectiveness of the hedging strategy is monitored quarterly by the Management of the Bank.

FRA / IRS Trading are transactions that cannot qualify as hedging trades and therefore require fair value accounting. Taking positions in trading derivatives is not part of the Bank’s strategy and therefore this category is only used for intermediation operations, e.g. in case of de-designation, a hedging instrument could remain in the trading book portfolio for the time needed to unwind the transaction.

13.2.7. Foreign exchange transactions

Foreign exchange transactions are conducted only for the purpose of hedging the bank’s foreign exchange risk, mainly the bank’s currency position. Apart from currency and interest rate swaps (“CIRS”) transactions, they are valued at their market value. CIRS transactions are valued pro rata temporis.

13.2.8. Debts to credit institutions and to customers

Debts to credit institutions and to customers are entered in the balance sheet for the amount of funds made available to the bank, less any repayments already made in the meantime.

13.2.9. Debts represented by a security (cash voucher)

Debts represented by a security with compulsory capitalization are recorded for the initial amount plus interest already capitalised.

13.2.10. Provisions for “risks and charges”

The necessary provisions are established on the basis of prudent assessments. Provisions for tax charges cover commitments deriving from the calculation of taxes due on the results of the financial year in question. Adequate provisions are made for ongoing legal disputes and litigation.

13.2.11. Provisions for pensions

According to Belgian law, the employer must guarantee a minimum return applicable to both employers' allowances and personal contributions. The amount recorded corresponds to the underfunding determined using the intrinsic value method. This method consists of comparing per individual on the one hand the reserves defined in the pension plan and available on the individual accounts / contracts at the closing date and on the other hand the minimum individual reserve (s) (s) calculated at the balance sheet date. The negative difference determines the individual underfunding at the closing date. The total under-financing is the sum of the individual under-financing.

13.2.12. Provision for general banking risks

The Board of Directors, on a proposal from the Executive Committee, determines the provision for general banking risk intended to protect the Bank's solvency against the latent risks inherent in its activities.

These funds may be constituted, in addition to reductions in value specific to identifiable risks, according to the level of receivables from customers.

When a significant risk of an exceptional nature materialises, the Executive Committee may suggest to the Board of Directors a withdrawal to be made from the provision for general banking risks.

Reason for reopening

Following the approval of the annual accounts of the Bank by the shareholders meeting in June, the Executive Committee was informed of the fact that the amount of statutory capital of the bank was not correctly reflected in the annual accounts.

The statutory capital in the annual accounts should be EUR 54,541,357.47 and not EUR 150,060,357.47. The reason is that, on 26 October 2022, AION did not only perform a capital increase, it also and immediately thereafter carried out a capital decrease to set off against accumulated losses of EUR 95,519,000. This capital decrease was correctly carried out and published in the Belgian State Gazette. However, due to an administrative error, this was not reflected in the annual accounts and the annual report and needs to be rectified.

These changes do not have any impact on the equity of the Company (the amount of losses is reduced by the same amount as the amount of the capital decrease) or any other impact on the financial statements.

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