aion bank

Annual Report

2023

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Introduction

Letter from the CEO

Dear All,

The embedded finance and Banking-as-a-Service (BaaS) market continues to see exponential growth.

McKinsey estimates that the total addressable market for the European BaaS market is expected to reach a value between

€90 billion
and **€105 billion**
by the **year 2030.**

Companies see embedded finance as a path to a better customer experience, and appetite to use these products is strong amongst end consumers.

As the market opportunity remains positive, the BaaS landscape and the way embedded banking is delivered is evolving. Greater focus on the BaaS model from regulators has left some competitors exposed, and this has put more emphasis on regulatory and compliance expertise alongside technology. Our combination of tech stack and banking licence is proving a differentiator in this changing landscape, as most competitors are sole IT providers or hold an EMI licence with a limited product scope.

Our ability to offer risk and compliance expertise, as well as our balance sheet, coupled with the advanced platform of Vodeno has unlocked new opportunities for clients to expand their BaaS offering and helped drive our BaaS volumes. In 2023, we focused our efforts on top line growth through delivering the portfolio of BaaS projects we acquired in daily banking, embedded lending, payments-as-a-service and cards-as-a-service. The objective for the year was 'solidification' of our BaaS business by going live with multiple BaaS projects and raising the level of quality for clients.

2023 highlights

- We went live with the largest BaaS projects in our pipeline, resulting in exponential growth in the end customer base serviced through BaaS partnerships - Aion's BaaS customer base now represents more than 90% of the Bank's customer base.
- We continued to strengthen our governance model and adapt the risk management function to support our BaaS business with the addition of Cassy Ramsey as Chief Risk Officer, responsible for 2nd line functions: Risk, Compliance and IT Security.
- We welcomed a new investor, European Bank for Reconstruction and Development (EBRD), alongside our existing investors Warburg Pincus LLC and NatWest Group.

2023 financial results

- 2023 ended with total assets of €1284 million (vs. €910 million in 2022) and total equity of € 100.5 million (vs. €83.9 million in 2022). Total regulatory solvency ratio of 18.1%.
- Given that the bank is still in its 'investment-to-growth' period, we have experienced an annual loss of €8.2 million in 2023 (€24.0 million in 2022, which corresponds to 66% reduction of the loss).
- 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 forward

At the start of 2024, we set out the
three key pillars
for our business:
Profitability, Clients
and Colleagues.

On the Profitability front, we conducted a profitability review on our client portfolio to understand the current value of our relationships and to prioritise the most profitable types of BaaS projects for our business. We also set out to be more focused on the needs of our Clients, as well as their end users in order to become a more customer-centric business. Finally, we are focusing on the development of our Colleagues in an effort to make Aion Bank a more client-focused and collaborative place.

BaaS is now the core of Aion's strategy, and we are starting to see fruit -
annual recurring revenues (ARR)
in **December 2023** **(on MTD basis)**
was 6X **(ARR)**
of **January 2021.**

I feel very confident about the future of our business. Our ability to offer essentially a 'bank-in-a-box' to any business enables them to service their customers better and develop deeper, more loyal relationships.

I would like to thank our Aion Bank employees, Board and shareholders for their efforts in continuing to accelerate our BaaS strategy -

the combination of Vodeno's platform and our banking licence and balance sheet puts us in a very strong position in the European market.

Yours Sincerely,

Neil Chandler
CEO of Aion Bank

Letter from the Chairman of the Board of Directors

2023 was an important year for Aion Bank, as we successfully managed through several transitions while continuing to expand our unique capabilities as a Banking-as-a-Service (BaaS) provider. The Board and I remain grateful for all the hard work our team put in last year and remain convinced of the exciting future for the Bank!

Aion strengthened its executive leadership with the appointment of Neil Chandler as CEO, and the addition of Cassy Rasmey as Chief Risk Officer. Neil brings a strong background in European financial services, having previously led Vanquis Bank and Shop Direct, and he has in-depth knowledge of banking, eCommerce and technology. Neil has made an immediate impact with his initial focus and assessment of the business providing a great roadmap for the future. The Board and I would like to acknowledge former CEO, Wojciech Sass, one of the founders of Aion/Vodeno, for his long-standing service and all his contributions to Aion Bank.
We wish him all the best for continued success in the future.

As noted last year, one of our key priorities was to add the Chief Risk Officer role to the Executive Team in order to substantially upgrade our governance framework and risk organisation.
I am pleased that we were able to do this with the addition of Cassy Ramsey, and the promotion of Carlo Accadia to Deputy CRO & Head of Risk Control. This materially improves the risk function and has helped the team continue to make progress on our efforts to meet the National Bank of Belgium's recommendations. In addition, we have strengthened our working relationship and governance arrangements with Vodeno, our key IT provider.

We refined our strategic focus to prioritize our most profitable BaaS clients, while reducing BaaS projects that were non-core to our business. Additionally, Neil has led a key effort in reinvigorating our customer focus to ensure we are delivering what our BaaS customers need in an efficient and profitable manner. We also further reduced the Bank's non-core portfolio, freeing up capital and resources to focus on our BaaS growth.

We experienced an annual loss of €8.2 million, yet achieved monthly break-even in September 2023, and the 2024 budget puts Aion on a path to profitable operations by year end.

The Board and Risk and Audit Committee remained very active, meeting 10 times and 7 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. I'd like to thank our independent board members, Doris Honold (RAC chair) and Guido Ravoet, for their great work and continued support of Aion Bank.

Aion is at a critical juncture in our journey, and we are well positioned with a very strong team and unique banking and technology offering to realize our ambitions. The team demonstrated outstanding resilience in 2023 and managed well through a leadership transition and the expansion of our risk capabilities, so I remain confident in our future.

I'll close, as I did in last year's letter, that I am confident 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

Aion Bank continued to successfully deploy its Banking-as-a-Service (BaaS) and embedded finance strategy in 2023. BaaS now is the core of the Bank's strategy, and the focus for 2023 was on delivery of its existing BaaS projects and launching into production new services for customers, therefore significantly expanding volumes for its business. The Bank now has a portfolio of 22 live BaaS projects in daily banking, embedded lending, payments-as-a-service and cards-as-a-service, including the largest projects in the pipeline with leading platforms and brands in eCommerce. This resulted in an exponential growth in the end customer base serviced through BaaS partnerships. In terms of end-customers, the Bank's BaaS customer base now represents more than 90% of the Bank's customer base. Aion also welcomed the European Bank for Reconstruction and Development (EBRD) as a new investor in 2023, alongside existing investors Warburg Pincus LLC and NatWest Group. Additionally, the Bank strengthened the management team with the addition of Neil Chander as its new CEO and Kathleen Ramsey as Chief Risk Officer.

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.

Aion concentrated on delivering and expanding the existing business with current partners, implementing and launching new types of services in 2023, including current accounts, payment services, and lending products like Buy Now, Pay Later.

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

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. The Bank continued to reduce direct (non-BaaS related) SME and retail lending, as well as legacy lending portfolios in order to fully support its BaaS strategy.

This strategy allowed the Bank to grow its BaaS related loan volumes from €151 million in December 2022 to €403 million in December 2023 (**+167%**).

A similar strategy is followed on the deposits side, which saw a significant increase in BaaS deposit volumes from €43 million in 2022 to €450 million in 2023 (**+946%**). The total amount of customers' deposits increased from €771 million in 2022 to €1.125 million in 2023.

The successful pivot into BaaS and embedded finance resulted in an increase of the number of **Retail and SME** customers serviced through BaaS partnerships from **43K in 2022 to 235K in 2023**.

Additionally, the **Bank's loan portfolio represented 551K customers in 2022 and 1370K in 2023; primarily resulting from receivable purchase deals with BaaS partners**.

1.2. Corporate banking

The corporate deposit volumes decreased by €31 million in 2023 and reached €74 million in December 2023. This is part of the Bank's strategy to reduce the legacy portfolio of SME loans in Belgium.

The amount of loans to business customers and public entities decreased by €56 million (26%) to €157 million in 2023. This is again the result of the Bank's strategy to reduce exposures to large corporates and free up capital to expand BaaS lending, mainly in the Retail segment.

Aion Bank had in its portfolio €12 million of corporate bonds at the end of 2023, as compared to €31 million at the end of 2022.

1.3. Retail banking

Loans to retail customers increased net by €221 million (+77%) compared to 2022 and amounted to €508 million in December 2023. Aion Bank concentrates in this area on consumer loans, particularly originated through the BaaS partnerships.

The Bank also managed to further reduce its legacy mortgage loans portfolio (decrease by €14 million, 14%). This was part of the Bank's strategic decision in 2020 to no longer offer mortgage lending and allows freeing up capital to support the BaaS strategy.

Retail deposits increased to €1 037 million in 2023 compared to €666 million at the end of 2022. It is mainly related to launching of cooperation with a new BaaS partner and expansion of the existing cooperation with other BaaS agreements.

At the same time, there was a decrease in traditional deposits of Belgian SME customers; in line with the Bank's commercial strategy.

1.4. Securities portfolio

The Bank slightly increased its bonds portfolio (excluding the corporate bonds) to €153 million in December 2023 from €126 million at the end of 2022.

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

1.5. Non-performing loans portfolio

The total NPL volume amounted to €109 million in December 2023, of which 28% in the Retail segment and 72% in the SME and Corporate segment, as compared to €104 million in December 2022.

The gross exposure on defaulted loans is €49.0 million, with a provision coverage of 67% (compared to €50.1 million in 2022, with 77% coverage). Non-performing exposures are mostly covered by collateral or provisions.

1.6. Financial and economic situation

1.6.1. Balance sheet

At the end of December 2023, the total balance sheet amounted to €1.284 million, an increase of 41% from €910 million in December 2022.

The balance sheet growth exclusively results from the development of BaaS partners related loans and deposits volumes.

As a result of the faster growth of deposits as compared to loan volumes, the Loans to Deposits (L/D) ratio decreased to 59% in 2023 from 65% in 2022. However, the increase in loans sped up in Q4 2023, on the basis of a relatively stable volume of deposits from mid 2023. As a result, the loan-to-deposit ratio improved to 65% in Q1 2024.

The following developments were significant:

Assets:

- a net increase of €165 million in loans to customers, of which net increase of €236 million from private individuals (excluding the decrease of Mortgage loans by €15 million), mainly as a result of new loans acquired via BaaS deals

- a decrease in receivables from credit institutions by €200 million (from €223 million to €23 million)

- an increase in bonds and other fixed-income securities by €8 million (from €158 million to €166 million)

Liabilities:

- €354 million increase in amounts owed to customers, including an increase by €371 million in the private individuals segment and by €14 million in debts to public authorities. Debts to companies decreased by €31 million (from €105 to €74 million) mainly as a result of outflow of traditional (non-BaaS) SME customers in BE

- €3 million increase (from 0 in 2022) of amounts owed to credit institutions

- an increase of subscribed Capital by €25 million (from €55 million to €80 million)

- a net increase in the total Equity by €17 million

The above movements were required to enable the increase of the BaaS loan portfolio.

1.6.2. Evolution of loans and assets

Loans to customers amounted to €665 million (of which €508 million from individuals, €157 million from corporate customers) compared to €500 million a year earlier.

The net increase of loans by €165 million was mainly related to:

- an increase in the BaaS deals in the amount of €+252 million (€403 million in December 2023 vs. €151 million in 2022)

- a decrease in consumer retail loans in the amount of €11 million, as part of the focus on BaaS lending

- a decrease of SME legacy loans portfolio (non-BaaS BE loans) by €-61 million

- a decrease of mortgage loans by €-15 million (mainly related to repayments), in line with the strategy to exit mortgage lending.

Besides loans, the Bank decreased by €19 million its portfolio of commercial bonds.

The loan/deposit ratio, which was 65% at 31 December 2022, decreased to 59% at 31 December 2023.

Bond receivables (excluding corporate bonds) totaled €153 million as compared to €126 million a year earlier.

Receivables from credit institutions amounted to €23 million (decrease vs. previous year by €200 million).

1.6.3. Evolution of funding sources

In line with recent years, the Bank continued to improve its 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 €1.125 million at the end of 2023 as compared to €771 million a year earlier.

Aion does not use borrowings from the interbank market as a source of financing: the amount of the deposits from credit institutions was €3 million and €0 million in 2022.

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 802% (as 339% at 31 December 2022, and the Net Stable Funding Ratio (NSFR) at 215% in 2023 (177% a year before). The Excess Liquidity Buffer for LCR was €435 million (vs. €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 €3.5 million and amounted to €5.1 million as at 31 December 2023 (vs. €8.6 million in 2022).

Interest rate transactions

Aion Bank uses only Interest Rate Swaps (IRS). These are used to hedge part of the Bank's fixed-rate and long-term loan portfolio, which consists mainly of mortgage loans and investment loans. As of 31 December 2023, the outstanding IRS notional amount was €38 million compared to €53 million at the end of 2022.

1.7. Profit and loss

Aion Bank closed 2023 with an accounting loss of €8.2 million, compared to a net accounting loss of €24.0 million in 2022. By further reducing the losses by over 66% (and by 50% in 2021), the Bank accelerated its path to break-even.

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

The interest margin increased by 170% in 2023 as compared to 2023 and contributed €27.8 million to the 2023 economic account (€10.3 million in 2022). The increase of net interest results from the significant increase of BaaS related loan volumes and repayments of low margin, old portfolio: mortgage and SME loans mainly.

The increase in both interest income and interest expense results from the further expansion of the BaaS lending and deposits activity; also in Poland, which is a non-Euro country with higher interest rates as compared to the Euro market.

Net overall commissions amounted to €-1.3 million in 2023 vs. €+0.5 million in 2022. The decrease of the commission relates to the fact that many BaaS partnerships are still in early stages and growing . While the number of customers is growing, the number of transactions generating fee income often did not reach the planned level yet. IT maintenance costs increase rather with the number of customers and accounts (faster growth) than proportionally to rising transactionality (slower growth).

Income from foreign exchange activities and financial transactions amounted to €2.7 million compared with €3.5 million previously. This is mainly related to FX swaps - the bigger the excess of PLN deposits over PLN loans the bigger income from FX swaps. Aion significantly increased volumes of PLN loans in Q4 2023, which in general should result in growth interest income from loans but also (smaller) decrease in FX swaps income.

Administrative overheads decreased from €28.7 million in 2022 to €27.2 million in 2023.Remuneration expenses were slightly lower (by €+0.1 million) in 2023 than in 2022 and amounted to €15.0 million vs. €15.1 million in 2022.Other administrative expenses decreased by further 10% to €12.1 million in 2023.

Depreciation and write-downs, decreased from €3.5 million in 2022 to €2.0 million in 2023.

2022 contains €-1.7 million related to reduction of the number of rented properties by the Bank.2023 includes €-0.5 million a writedown related to the software from the abandoned activity, in 2023.

The Bank recognized net expense from the impairment write-downs, Provisions for liabilities and Other operating charges and Exceptional expenses amounted to €11.6 million in 2023, as compared to €10.1 million in 2022.

1.8. Equity

Book value of equity at the end 2023 was €100.5 million (compared to €83.9 million in 2022) Considering tier 2 capital instruments and regulatory deductions, the total regulatory capital amounted to 109.2 in 2023 (compared to 92.4 million in 2021), resulting in a regulatory solvency ratio (TCR) of 18.1%.

The significant increase of equity capital is related to the additional Pillar 2 Guidance requirements and guidance entering into force from 2023 and 2024 as well as a significant growth in loan volume (€165 million) and hence RWA (most of the new loans were with 75% Risk Weight).

Regulatory Solvency ratios	31/12/2023	31/12/2022
RWA (amounts in million €)	604.5	451.5
Core Tier I ratio	15.8%	17.4%
Tier I ratio	15.8%	17.4%
Regulatory Solvency ratio (Tier I + Tier II)	18.1%	20.5%

The Bank's shareholders made two capital injections in 2023, totaling €25.0 million.

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

2. Important events occurred after the balance sheet date

The subscribed capital was increased by €4.0 million in March 2024 in order to support further development of Aion's loans portfolio.

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;
- the macroeconomic environment;
- shareholder stability
- Changes in Capital requirements, especially related to the increased Countercyclical buffers and CCR3 requirements entering in force from 2025.

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 22 BaaS projects in 7 countries and is constantly developing applications 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 Tom Boedts.

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.

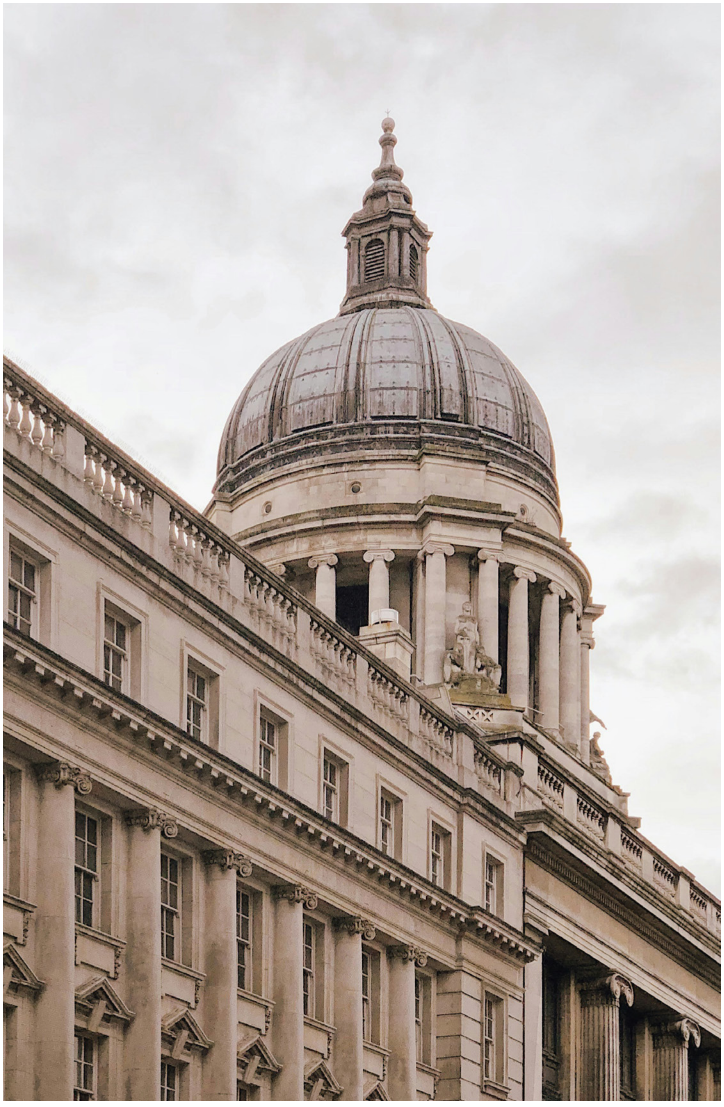
5.2. Subsidiaries

The Bank successfully wound down ETFmatic Group Ltd and its subsidiary ETFmatic Ltd, a UK based and FCA authorised investment firm. The FCA approved the cancellation of its permit on 31 May 2023. The Bank continues to hold 100% of the shares of ETFmatic Support Services S.L., a company incorporated under the laws of Spain, hosting certain support services in Spain. This is the Bank's only subsidiary.

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

The application of the accounting rules on a going concern basis continues to be justified based on the observed and planned business development, the capital and the liquidity planning of the Company as supported by Aion's Board of Directors as part of the ICAAP process.

In addition to that, the Bank has developed alternative scenarios to support the assumption of going concern with the existing capital level.



7. Conflicts of interest

In the course of the year the directors have encountered two conflicts of interest during the meetings of the board of directors. These conflicts however do not meet the definition of conflict of interest according to article 7:96 of the Code of Companies and Associations. More details on these conflicts can be found here below:

- **Meeting of the board of directors held on 20 July 2023:** CEO succession.

Extract of the minutes.

The Chairman asked the Board members whether they have any conflict of interest to declare on the basis of the items on the agenda of today's meeting.

Niels Lundorff (prior to the meeting) and Tom Boedts (during the meeting) declared that, in light of their role as executive director of the Company and their close professional relationships with the current CEO of the Company, they believe that they have a conflict of interest in participating to discussions and decisions on CEO succession. The Chairman acknowledged the declaration of Niels Lundorff and Tom Boedts. Tom Boedts attended the first part of the meeting and left the meeting before the discussion and the vote.

- **Meeting of the board of directors held on 18 September 2023:** Update on the CEO succession.

Extract of the minutes.

The Chairman asked the Board members whether they have any conflict of interest to declare on the basis of the items on the agenda of today's meeting.

Niels Lundorff and Tom Boedts declared that, in light of their role as executive directors of the Company and their close professional relationships with the current CEO of the Company, they believe that they have a conflict of interest in participating in discussions and decisions on CEO succession. Niels Lundorff and Tom Boedts wish to clarify that this is not a conflict of interest of financial nature within the meaning of Article 7:96 of the Belgian Companies and Associations Code. The Chairman acknowledged the declaration of Niels Lundorff and Tom Boedts and invited them to attend the first part of the meeting during which he will explain the context. Both will then be asked to leave the meeting before the discussion and the vote.

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 Assets and Liabilities Committee.

The Assets and Liabilities Committee provides advice to the Executive Committee on financial risk management. 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. In order to hedge the interest rate risk on the fixed rate loan portfolio, Aion Bank mainly uses amortising IRS.

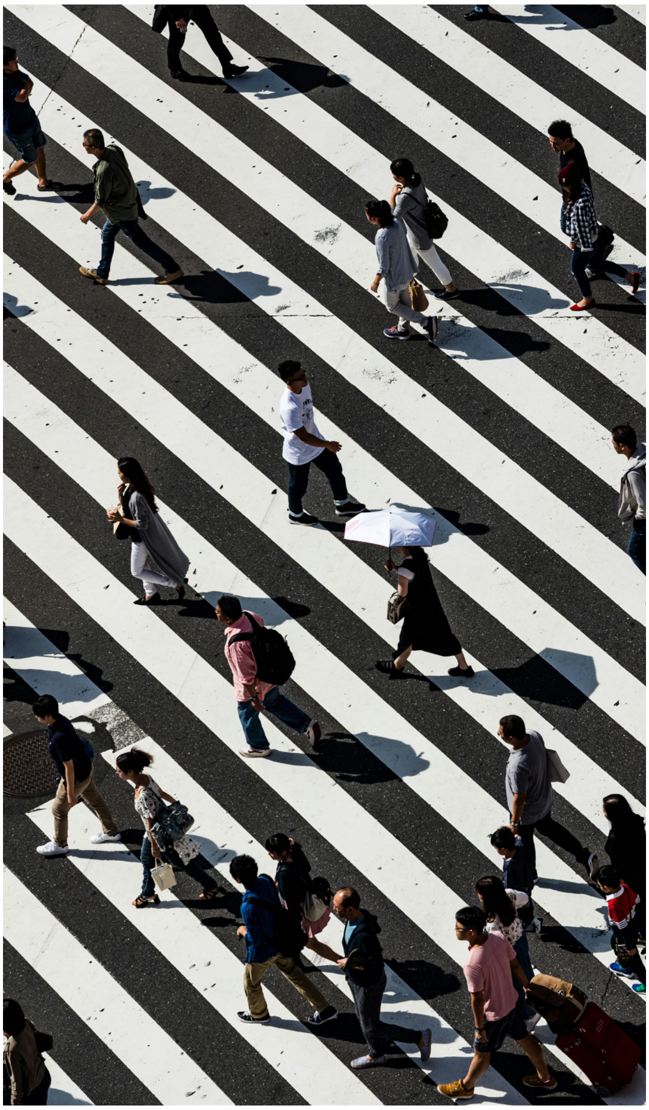
The front-office activities are governed by a system of limits defined in the Market, Interest Rate, Liquidity and Counterparty Risk Policy adopted by the Executive Committee in order to implement the Risk Management Framework defined by the Board of Directors. These limits relate to the type of transaction (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 the date of this report.

Name	Type of director	Number of other mandates
Neil Chandler	executive director, Chief Executive Officer	0
Tom Boedts	executive director, Chief Operations Officer	0
Niels Lundorff	executive director, Chief Financial Officer	5*
Kathleen Ramsey	executive director, Chief Risk Officer	2
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
Peter Deming*	non-executive director	4
Sina Oefinger	non-executive director	1
Amit Malik	non-executive director	0

* 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 Sass resigned as CEO with effect on 1 November 2023.

The Executive Committee, as of the date of this report, is composed as follows:

- Neil Chandler, executive director, CEO, A Director
- Niels Lundorff, executive director, CFO, A Director
- Tom Boedts, executive director, COO, A Director
- Kathleen Ramsey, executive director, CRO, A Director

The Risk and Audit Committee, as of the date of this report, 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 ten times in 2023.

The Risk and Audit Committee met seven times during 2023.

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 new Diversity and Inclusion policy in the course of 2023, 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 2023, following the addition of Mrs. Ramsey, as chief risk officer in November 2023, three out of ten members of the Board of Directors are of the underrepresented gender. The board of directors gets close to 1/3 of the board members being of the underrepresented gender. 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.

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. Since November 2023, the risk management function is exercised by a person who is a member of the Executive committee: the Chief Risk Officer. The CRO 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 €109.2 million. Its composition and reconciliation with book value of equity is the following:

Regulatory Own Funds	
Capital	79.5
Share Premium	10.1
Reserves	43.8
Results carried forward	-24.7
Net Loss	-8.2
Book value of Equity	100.5
CET1 Instruments	0.0
Intangible assets	-4.5
Insufficient coverage for non-performing exposures	-0.8
CET1 Capital	95.2
Other Tier 1 elements	0.0
Tier 1 Capital	95.2
Tier 2 Subordinated notes[2]	14.0
Total Regulatory Capital	109.2

[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 as of the end of 2023 are assessed taking into account the applicable 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 0.38%):

Overall Capital Requirement (OCR) + Pillar 2 Guidance (P2G)	
CET1 Ratio	9.18%
T1 Ratio	11.27%
Total Capital Ratio	14.07%

Capital Adequacy Pillar 1 (€ million)	
Credit RWAs	569.5
Credit Value Adjustment	2.2
Operational risk	32.7
Market risk	0.0
Total Pillar 1 RWA	604.4
Available CET 1 Capital	95.2
Available Tier 1 Capital	95.2
Available Total Capital	109.2
CET1 Ratio	15.75%
T1 Ratio	15.75%
Total Capital Ratio	18.07%

Credit Risk Risk Weighted Exposures by Exposure types (€ million)	
Central governments or central banks	6.4
Institutions	19.5
Corporates	37.0
Retail	359.0
Secured by mortgages on immovable property	49.9
Non Performing Exposures	74.5
Other items	23.2
Total Risk Weighted Exposures	**569.5**

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 2023, the outstanding IRS notional amount was €38 million compared to €53 million at the end of 2022.

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	2.0
Potential future exposure	2.5
Total exposure to CCR[3]	**4.5**

[3] Included in Credit Risk Exposures

Counterparty Credit Risk RWA (€ million)	
Risk weighted exposure to CCR[4]	1.1
Credit Valuation Adjustment Exposure	2.2

[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%	381.36
BE	0.00%	216.74
DK	2.50%	102.05
DE	0.75%	20.85
NL	1.00%	11.91
Other	various	19.50
Total	**0.38%**	**752.41**

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)	752.4
Institution specific countercyclical buffer rate	0.38%
Institution specific countercyclical buffer requirement (€ million)	2.3

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 ca 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 2023 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	453.49	60.60	6.17	**520.26**
Regional governments or local authorities	1.52	0.00	0.00	**1.52**
Institutions	4.85	43.21	1.44	**49.50**
Corporates	24.34	22.56	0.51	**47.40**
Retail	77.87	534.50	1.22	**613.59**
Secured by mortgages on immovable property	85.18	47.70	2.73	**135.61**
Other items	22.44	0.00	0.75	**23.19**
Non Performing Exposures	56.44	9.41	3.14	**68.99**
Total	**726.13**	**717.98**	**15.95**	**1,460.06**

Credit Risk Adjustments (€ million)	
Gross Performing Exposures	1,392.5
Gross Non Performing Exposures	111.0
Specific Provisions	-43.5
Total Net Exposures (before GLLP)	1,460.0
General Loan Loss Provision	0
Total Net Exposures (after GLLP)	1,460.0

10.10. Unencumbered assets

As of 31 December 2023 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	1.4

[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 923/2021

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;

b. the members of the Management Committee of AION;

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'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's risk profile;

f. the Staff members whose professional activities are considered by AION as having a material impact on its risk profile, based on potential additional specific criteria as determined by AION where appropriate.

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

Derogation from the requirements to defer the vesting and payment of 40% of the Variable Remuneration and to pay 50% of the Variable Remuneration in the form of shares or share-linked instruments, where variable remuneration is granted - which is not the case at the time of this Remuneration Policy.

Because 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.

In accordance with section 7 of the Policy, the Board of Directors of AION, with support of the Remuneration Committee and the Independent control functions shall regularly [and at least each quarter] assess whether AION still meets the criteria to benefit from the Derogation.

It is specified that the Derogation does not concern the principles applicable for all staff, nor the principles applicable to Identified Staff relating to the evaluation criteria for the Variable Remuneration, the ratio between Fixed Remuneration and Variable Remuneration , the ex-ante risk adjustments, nor the ex-post risk adjustments.

In addition, AION reserves the right, where circumstances justify it, to apply specific vesting periods to Variable Remuneration.

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 2023, the leverage remains at a conservative level of 7.22% (8.26% in 2022).

Table LRSum: Summary reconciliation of accounting assets and leverage ratio exposures (€ million)		
1	Total assets as per published financial statements	1,260.0
2	Adjustments for derivative financial instruments	4.5
3	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	59.0
4	Other adjustments	-4.5
5	**Leverage ratio total exposure measure**	**1,319.0**

Table LRCom: Leverage ratio common disclosure (€ million)		
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items	1,260.0
2	(Asset amounts deducted in determining Tier 1 capital)	-4.5
3	**Total on-balance sheet exposures (sum of lines 1 and 2)**	**1,255.5**
Derivative exposures		
4	Replacement cost associated with all derivatives transactions	2.0
5	Add-on amounts for PFE associated with all derivatives transactions	2.0
11	**Total derivatives exposures (sum of lines 4 to 10)**	**4.5**
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	195.5
18	(Adjustments for conversion to credit equivalent amounts)	-136.5
19	**Other off-balance sheet exposures (sum of lines 17 and 18)**	**59.0**
Capital and total exposure measure		
20	**Tier 1 capital**	**95.2**
21	**Leverage ratio total exposure measure (sum of lines 3, 11 and 19)**	**1,319.0**
Leverage ratio		
22	**Leverage ratio**	**7.22%**

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:**	**1,260.0**
EU-2	Trading book exposures	-
EU-3	Banking book exposures, of which:	1,260.0
EU-4	Covered bonds	-
EU-5	Exposures treated as sovereigns	522.1
EU-6	Exposures to regional gov., MDB, intern. org. and PSE not treated as sovereigns	1.5
EU-7	Institutions	43.0
EU-8	Secured by mortgages of immovable properties	135.0
EU-9	Retail exposures	429.7
EU-10	Corporate	39.3
EU-11	Exposures in default	60.6
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	28.8

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 delivered	To be received			Assets	Liabilities	
-	-	-	-	-	-	-	-

We do not have such positions.

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 delivered	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	-38.114.129,54	38.114.129,54	-1.576.781,49	1.116,63	447.927,15	-446.810,52	-1.577.898,12

Amount of ineffectiveness not recognised in the income statement at the financial statements closing date: 48,733.49€

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 delivered	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 delivered	**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

NAME: Aion Bank S.A
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		
DATE	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	27/06/2024		
and relating to the financial year covering the period of	01/01/2023	to	31/12/2023
Previous fiscal year of	01/01/2022	to	31/12/2022

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
Mandate start date: 14.06.2022 – 10.06.2025
Represented directly or indirectly by Gregory Joos
Culliganlaan 5, 1831 Diegem, Belgium
Documents attached to these annual accounts:

Total number of pages filed: ....18 Numbers of sections of the standard document not filed because not applicable:

Signature
(name and quality)

NEIL Chandler
Chief Executive Officer - Director

Signature
(name and quality)

LUNDORFF Niels
Chief Financial Officer - Director

1** Delete as appropriate.

N°		C-ét 1.1

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

N°		C-ét 1.2

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

STATEMENT REGARDING AN ADDITIONAL AUDIT OR ADJUSTMENT ENGAGEMENT

The management body declares that no audit or recovery mission has been entrusted to a person who is not authorised to do so by law, pursuant to article 5 of the law of 17 March 2019 relating to the accounting and tax professions.

The annual accounts **~~have~~ / have not**[2] been audited or corrected by an external accountant, by an auditor who is not the statutory auditor.

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

A. Keeping the company's accounts**,

B. Preparation of the annual accounts**,

C. Audit of the annual accounts and/or

D. Adjustment of the annual accounts.

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

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

2 Delete as appropriate.

3** Mention is optional.

BALANCE SHEET AFTER DISTRIBUTION

	Ann.	Codes	Accounting year	Previous accounting year
ASSETS				
I. Cash, balances with central banks and post office cheque offices		10100	388.648	840
II. Government securities eligible for central bank refinancing		10200	0	0
III. Receivables to credit institutions	5.1	10300	22.775	222.916
A. At sight		10310	15.033	217.405
B. Other receivables (term or notice)		10320	7.742	5.511
IV. Receivables from customers	5.2	10400	665.076	499.764
V. Bonds and other fixed-income securities	5.3	10500	165.979	157.717
A. From public issuers		10510	124.162	126.463
B. From other issuers		10520	41.817	31.254
VI. Shares, shares in companies and other variable-income securities	5.4	10600		
	5.5	10700	20	262
VII. Financial fixed assets	5.6.1	10710	4	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	16	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	4.491	5.498
IX. Tangible assets	5.8	10900	4	8
X. Treasury shares		11000		
XI. Other assets	5.9	11100	23.163	18.975
XII. Accruals and deferred income	5.10	11200	13.710	4.171
TOTAL ASSETS		**19900**	**1.283.866**	**910.153**

	Ann.	Codes	Accounting year	Previous accounting year
LIABILITIES				
THIRD-PARTY FUNDS		201/208	1.183.349	826.220
I. Amounts owed to credit institutions	5.11	20100	2.832	0
A. At sight		20110	2.832	0
B. Debts resulting from the rediscounting of bills of exchange		20120		
C. Other debts with agreed terms or periods of notice		20130	0	0
II. Amounts owed to customers	5.12	20200	1.124.842	771.196
A. Savings deposits		20210	166.434	209.030
B. Other debts		20220	958.409	562.166
1. At sight		20221	892.562	477.758
2. At term or with notice		20222	65.847	84.408
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	24.535	30.385
V. Accruals and deferred income	5.15	20500	12.293	6.266
VI. Provisions and deferred taxes		20600	4.847	4.374
A. Provisions for liabilities and charges		20610	4.847	4.374
1. Pensions and similar obligations		20611	446	344
2. Taxes		20612		
3. Other liabilities and charges	5.16	20613	4.401	4.030
B. Deferred Taxes		20620		0
VII. Fund for general banking risks		20700		
VIII. Subordinated debts	5.17	20800	14.000	14.000
SHAREHOLDER EQUITY		209/213	100.517	83.932
IX. Capital	5.18	20900	79.541	54.541
A. Subscribed capital		20910	79.541	54.541
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	(33.025)	(24.610)
TOTAL LIABILITIES		**29900**	**1.283.866**	**910.153**

	Ann.	Codes	Accounting year	Previous accounting year
OFF-BALANCE-SHEET ITEMS				
I. Contingent liabilities	5.22	30100	5.090	8.629
A. Non-negotiated acceptances		30110		
B. Guarantees of a credit substitute nature		30120		
C. Other guarantees		30130	5.090	8.629
D. Documentary credits		30140		544
E. Assets subject to third-party security rights		30150		
II. Commitments that may give rise to credit risk	5.22/ 5.24	30200	190.226	103.302
A. Firm commitments to make funds available		30210		1.444
B. Commitments arising from cash purchases of securities or other securities		30220		
C. Available line of credit on confirmed lines of credit		30230	190.226	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	92.946	68.440
A. Securities held under organized trust status		30310		
B. Overdrafts and similar deposits		30320	92.946	68.440
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	29.638	20.353
V. Commissions paid		40500	30.604	10.233
VI. Loss from financial operations (-)		40600	184	1.810
A. From foreign exchange and trading in securities and other financial instruments (-)		40610	184	1.810
B. From the realization of marketable securities (-)		40620		
VII. Administrative overhead charges		40700	27.200	28.698
A. Remuneration, social security charges and pensions		40710	15.014	15.152
B. Other administrative expenses		40720	12.186	13.546
VIII. Depreciation and write-downs on formation expenses, intangible and tangible fixed assets		40800	2.032	3.498
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	21.293	16.532
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	1.752	9.983
XIII. Allocation to the fund for general banking risks (+)/(-)		41300	0	0
XV. Other operating expenses	5.23	41500	7.322	4.781
XVIII. Extraordinary expenses		41800	598	143
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	598	143
XIXbis.A. Transfer to deferred taxes		41921		
XX.A. Taxes(-)	5.26	42010		
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	57.453	30.685
A. Of which: fixed-income securities		40110	5.770	6.455
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	29.315	10.733
A. Brokerage and related commissions		40410		
B. Remuneration for management, advisory and custodial services		40420	10.923	5.466
C. Other commissions received		40430	18.392	5.268
VI. Profit from financial operations	5.23	40600	2.900	5.325
A. From foreign exchange and trading in securities and other financial instruments		40610	2.799	5.305
B. From the realization of investment securities		40620	101	20
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	18.515	19.465
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	1.485	3.880

XIII. Withdrawal from the fund for general banking risks		41300		
XIV. Other operating income	5.23	41400	775	3.567
XVII. Extraordinary income		41700		
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		
XIXbis.B. Deductions on deferred taxes		41922		
XX.B. Tax adjustments and reversals of tax provisions	5.26	42020	1.951	41
XXI. Loss for the accounting year		42100	8.228	24.026
XXII. Withdrawals from untaxed reserves		42200		
XXIII. Loss for the accounting year to be allocated		42300	8.228	24.026

ALLOCATIONS AND WITHDRAWALS

	Codes	Accounting year	Previous accounting year
A. Profit (Loss) to be allocated (+)/(-)	49100	(8.228)	(24.026)
1. Profit (Loss) for the accounting year available for allocation (+)/(-)	(42300)	(8.228)	(24.026)
2. Profit (Loss) brought forward from the previous accounting year (+)/(-)	(21300P)	(24.797)	(96.102)
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	(33.025)	(24.610)
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 and evaluation rules

Introduction

1. The valuation rules are set by the Board of Directors in accordance with the provisions of the Royal Decree of 23.09.1992 concerning the annual accounts of credit institutions.

2. Accounting Policy and Valuation Rules apply to all branches of the Bank and are the basis for the statutory reports of Aion Bank as well as the reports prepared for the Belgian Central Bank.

3. The principles described in this document are intended to present a clear and fair economic picture of the products offered by the Bank.

4. Accounting Policy and Valuation Rules are prepared based on Belgian GAAP rules.

5. The Accounting Policies are also adapted to the handling of Banking As A Service products, which are the Bank's core strategy ensuring their balance sheet recognition and measurement in accordance with the BEGAAP standard.

13.1 General accounting principles

13.2.1. In order to present its assets and financial situation clearly and fairly, the Bank undertakes to keep its accounts on the basis of the following accounting general principles:

- **The principle of continuity** - economic operations in successive years are grouped in the accounts in a uniform manner. The valuation of assets and liabilities, including depreciation and amortisation, and the determination of the financial result are carried out in the subsequent financial years according to the same principles. Assets and liabilities shown in the closing balance sheet are recognised at the same amount in the opening balance sheet of the following financial year.

- **Materiality principle** - the purpose of the materiality principle is to ensure that all events relevant to the assessment of the Bank's assets and financial position and the financial result are properly identified and grouped in the Bank's books.

- **Going concern 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.

- **Prudent valuation principle** - individual assets and liabilities are valued using the prices (costs) actually incurred for their acquisition (production), while observing the prudence principle. 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 (only unquestionable other operating income and extraordinary gains,

  - only unquestionable other operating income and extraordinary gains,

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

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

- **The no-offset principle** - the principle is based on the separate determination of the value of individual assets and liabilities, revenues and related costs and extraordinary gains and losses. It is not permitted to offset the values of different types of assets and liabilities, revenues and related costs and extraordinary profits and losses.

13.2 Conversion of foreign currency transactions

1. The accounting records of operations carried out in foreign currencies are reflected in the balance sheet and/or profit and loss account in foreign currency and in EUR.

2. Foreign exchange accounting principles reflect the course of foreign exchange transactions, determine the impact of individual transactions on the Bank's financial result and control the risks arising from open positions in each currency.

3. Assets and liabilities and off-balance-sheet liabilities denominated in foreign currencies are shown in EUR after translation at the average exchange rate announced by the President of the National Bank of Belgium as at the balance-sheet date. Where a provision has been made for receivables or liabilities denominated in foreign currency, the provision is also translated, subject to the description above.

4. Technical accounts 174-5-01-01-000 - Foreign Exchange Position and account 174-5-01-02-000 - Equivalent of Foreign Exchange Position are dedicated to record the transactions made in foreign currency. An entry in the 174-5-01-01-000 currency account is made at the same time as the corresponding entry in the 174-5-01-02-000 account in the base currency for the branch. The result from the valuation of balance sheet items is recorded in account 440-1-01-01-000 - Income from fx- revaluation - foreign exchange transactions.

5. Each foreign currency transaction, converted to the branch's base currency for local mandatory reporting purposes, is separately valued to the Euro (the base currency of the Belgian branch). The valuation of the branches' currency position is described in a separate operating procedure.

6. The Bank keeps analytic records for the 174-5-01-01-000 - Foreign Exchange Position account by currency type. The 174-5-01-02-000 - Equivalent of Foreign Exchange Position account is used to record the base currency equivalent of foreign currency transactions and to record exchange rate differences arising from the translation of foreign currency account balances.

7. The Bank keeps foreign exchange records of off-balance sheet operations. The valuation of current (SPOT) and forward (FRWD, SWAP) off-balance sheet transactions is recorded by the Bank in the profit and loss account.

8. The revaluation off-balance sheet positions are done daily by the independent dedicated system (Opics) and booked automatically to GL.

9. At the end of the off-balance sheet transaction, the valuation is reversed.

13.3 Recognition and Valuation rules of the main balance sheet items

1. Bank uses of financial instruments when it is relevant to the valuation of its assets, liabilities, loss of financial position or profits.

2. The Bank's policy on the use of financial instruments is set out in the "Investment Policy" adopted by the Executive Committee to implement the overall strategy defined by the Board of Directors.

3. The implementation of this policy is controlled in accordance with the three lines of defense system and monitored by the ALM Committee.

4. The Bank's derivative activities are limited and are used exclusively for hedging purposes. These are mainly interest rate swaps and foreign exchange transactions. It should be noted that Aion Bank mainly uses IRS redemption transactions to hedge the interest rate risk of its fixed-rate loan portfolio.

5. Front-office activities are subject to a system of limits set out in the Market, Exchange Rate, Liquidity and Counterparty Risk Policy adopted by the Executive Committee to implement the Risk Management Framework defined by the Board of Directors. These limits relate to the type of transaction (interest rate product, foreign exchange product) and the type of product (IRS, foreign exchange forward contracts) and the volume of operations.

13.3.1. Cash and cash equivalents

1. Cash and cash equivalents from the point of view of the cash flow statement - cash and cash equivalents consist of cash (cash in hand and at the Central Bank) and cash equivalents, which include balances on current accounts and overnight deposit accounts with other banks.

2. Cash and cash equivalents are valued at nominal value, and if their value is expressed in a foreign currency, they are translated at the NBB exchange rate prevailing at the balance sheet date.

13.3.2. Receivables

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

2. When the amount made available to the debtor differs from the nominal amount of the claim, the difference is treated as interest income or expense.

3. Each credit file is assessed with due caution, taking into consideration the situation of the debtor and the value of the real and personal guarantees received.

4. Receivables that are irrecoverable or in default are transferred to a specific heading in Schedule A (Item 150: irrecoverable or doubtful receivables).

5. If the claim is presumed to be definitively irrecoverable, a full write-down is made. If, on the other hand, there is a chance of partial recovery, write-downs are recorded for the portion of the receivable estimated to be lost.

6. If the Management Board (EXCO) considers that there is no possibility of recovery for a claim, mainly as a result of a certificate from the trustee, the entire transaction is written off.

7. Interest whose collection is uncertain, as well as irrecoverable interest, is not recognized in the results.

13.3.3. Transferable securities portfolio

1. Securities which are not financial fixed assets should be valued on the basis of the distinction between the trading portfolio and the hedging portfolio in accordance with article 35 ter of the annual accounts. Bank doesn't have securities in its trading portfolio.

13.3.4. Investment portfolio / investment

1. Securities in the investment portfolio are defined

as securities that do not belong to the trading portfolio and are not financial assets. Securities acquired under Asset Swaps also belong to the investment portfolio.

2. Variable-income securities in the investment portfolio are valued at the lower of cost or realizable value at the balance sheet date (Art. 35 para. 3). Currently, capital gains or losses on redemption are spread over the residual term of the securities in the same way as fixed-income securities.

3. Fixed-income securities in the investment portfolio are valued on the basis of their actuarial yield calculated at the time of purchase, taking into account their redemption value at maturity; the difference between the acquisition value and the redemption value is taken into income pro rata temporis over the remaining term of the securities as a component of the interest produced by these securities.

4. The difference is recognized in the income statement on a discounted basis, taking into account the actual rate of return on purchase. These securities are recorded in the balance sheet at their acquisition value plus or minus the (monthly) portion of the difference taken into account (Art. 35 para. 4).

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

6. "*Lasting loss of value or impairment*" is understood to mean those which would remain beyond a period of 12 months from their occurrence and which would represent at the time of the monthly closing of the accounts either a discount of more than 10% compared with the acquisition price, or a negative latency of more than EUR 175,000.

7. In accordance with the said paragraph, each structured security with a negative latency equivalent either to more than 10% of the purchase price or to an amount in excess of EUR 175,000 and which remains in force for more than 12 months will be subject to a write-down, which will be recorded under item 517.21 of Schema A. In the event of a further improvement or deterioration in the inventory value of the securities concerned by the application of this rule, the level of the write-down will be adjusted.

8. In the event of a loss of value on these securities as a result of an unfavorable change in credit risk, an ad hoc write-down will also be applied to take account of the said credit risk.

9. In addition, for positions which, although individually not reaching either of the two above-mentioned limits, nevertheless total a negative latency of more than EUR 500,000, a write-down will be made for the amount exceeding the said amount.

10. As regards interest income received, it is recorded in the economic account in the year in which it is recognized.

13.3.5. Investment portfolio purchased with an eye to medium-term profitability

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

2. In addition to the application of the valuation rules specific to the investment portfolio (see above), any unrealized losses resulting from its valuation at market price will be recorded and placed in a specific provision entitled:" Risk provision from securities positions ".

3. As in the case of securities acquired as part of the trading portfolio, the purpose of the acquisition is used as the basis for applying the appropriate revaluation method.

13.4 Financial assets and liabilities

1. With regard to the recognition of changes in the classification of financial assets and liabilities, the Bank applies rules in accordance with the following rules:

    - On initial recognition of a financial asset or financial liability, the Bank measures it at cost (purchase price), i.e. at the fair value of the consideration paid or received.
    - For financial assets and liabilities not classified as at fair value through profit or loss, transaction costs that are directly attributable to the financial asset increase the cost, purchase price of the financial asset.
    - The basis for determining the fair value of a derivative financial instrument on initial recognition is, in principle, the transaction price, i.e. the fair value of the consideration paid or received.

2. Financial assets are recorded and maintained at their acquisition cost. Write-downs are made in the event of permanent losses and depreciation. Impairment losses are reversed when they become surplus to requirements.

3. The initial value of financial assets arising from the acquisition of shares in another entity in exchange for an in-kind contribution is measured at fair value. The effects of the initial measurement are recognised in the revaluation reserve.

13.5 Tangible and intangible assets

Tangible and intangible fixed assets, which have a limited period of use, are subject to depreciation calculated according to a plan established in accordance with the rules laid down by the Board of Directors of the credit institution (article 15).

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

Tangible assets

Leased premises fixtures: 11% linear

Ownership premises fixtures: 15% linear

Equipment, furniture: 15% linear

Set-up fees: 20% linear

Acquisition costs on buildings: 20% linear

Acquisition costs on land: 20% linear

Computer hardware: 25% linear

Rolling stock: 25% linear

Small equipment: 33% linear

Microcomputer hardware: 33% linear

Intangible assets

Key money: 11% linear

Computer software: 20% linear

Notes:

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

2. Depreciation on new investments is only allowed as a business expense on a pro rata basis.

13.6 FRA - IRS derivative products

1. Hedging transactions are undertaken within the framework of the interest rate risk management policy, which specifies the risks to be hedged, the hedging strategy, the tools used and the methods for monitoring and controlling hedging positions and hedged items.
2. This policy includes the new requirements resulting from the procedures for granting/maintaining the derogation from article 36 bis of the Royal Decree of September 23, 1992 on the annual accounts of companies, as amended by the Royal Decree of August 29, 2021 and specified by the NBB in its circular NBB_2021_20 and which are reflected in this policy.
3. The Bank has defined two main classifications for derivatives: Trading and Hedging.
    - Trading FRA/IRS: These are operations that cannot be qualified as hedging operations. Taking positions in trading derivatives is not part of the Bank's business strategy and this category is therefore only used for intermediation operations (IRS client, typically covered "back to back" by an IRS banker). Trading tools are recorded at their market value.
    - Hedging transactions are divided into two categories: Micro-Hedge and Macro-Hedge FRA/IRS.
4. Hedging FRAs/IRSs: Their purpose is to offset or reduce the interest rate risk of isolated financial transactions or transactions with homogeneous characteristics for which mark-to-market valuation is not required. For example, this is the case for IRS covering back-to-back securities acquired by the bank, possibly as part of an asset swap. IRS could also cover a set of items such as a set of securities or a set of mortgage loans or loans to SMEs.
5. A hedging instrument is referred to as a Micro Hedge when it is used for an isolated financial transaction with symmetrical characteristics. Macro hedging is used when one or more hedging instruments are used to hedge a set of financial positions.
6. Hedging instruments are valued by recognizing the related results pro rata temporis over the duration of the transactions.
7. The effectiveness of the hedging strategy is monitored quarterly by the Executive Committee according to strict criteria in line with the Royal Decree and the NBB circular. The result of this control may lead to the downgrading of hedging instruments, which are then reclassified as trading tools and valued at fair price.

13.7 Forex forward transactions

1. FX forward transactions (and second leg of FX swaps) are the subject of M2M valuation.

2. NBB regulations provide, among other things, that amounts to be received or paid in execution of forward exchange transactions which are accompanied by cash exchange transactions in the opposite direction and which are entered into with a view to covering the settlement of claims and debts are charged pro rata temporis over the term of the transactions as income and expenses similar to interest income and expenses. Otherwise, forward exchange transactions are valued at the forward exchange rate corresponding to the remaining term of these transactions.

3. The balance of the resulting positive and negative differences is charged to the income statement as income or expense to be taken into account in determining the profit or loss of the foreign exchange transaction.

13.8 Debts

1. Debts owed to the lending institutions and to customers are recorded in the balance sheet at the amount of the funds made available to the bank, after deduction of any repayments already made in the meantime.

2. Debts represented by a security with a mandatory capitalization are recorded at the original amount plus the interest already capitalized.

13.9 Provisions for “risks and expenses”

1. The necessary provisions are made on the basis of a prudent assessment. Provisions for taxes cover liabilities resulting from the calculation of taxes due on the results of the current year.

2. Adequate provisions are made for ongoing legal disputes and litigation.

13.10 Pension provisions

1. Under Belgian law, the employer must guarantee a minimum return on both employer and personal contributions. The amount recorded corresponds to the underfunding determined according to the embedded value method. This method consists of comparing per individual the reserves defined in the pension plan and available in the individual accounts/contracts on the closing date with the individual minimum reserve(s) calculated on the closing date.

2. The negative difference determines the individual underfunding at the closing date. The total underfunding is the sum of the individual underfunding.

13.11 Holiday provisions

1. The amount of short-term employee benefits for unused holidays accruing to the Bank's employees is calculated as the sum of unused holidays accruing to individual employees of the Bank.

2. Provision is value on the quarterly basis by the HR department.

13.12 Funds for general banking risks and internal security funds

1. The Board of Directors, upon the recommendation of the Executive Committee, determines the terms and conditions of allocations to the contingency funds intended to protect the Bank's creditworthiness against the latent risks involved in its activities.

2. In addition to the specific write-downs for identifiable risks, these funds may be set up according to the level of customer receivables.

3. When a major exceptional risk materializes, the Executive Committee may propose to the Board of Directors that a deduction be made from the Fund for general banking risks. Any withdrawals from the Internal Security Fund are decided by the Executive Committee.

Annual Report

2023

Aion Bank SA/NV
Avenue du Boulevard 21 - 1050 Brussels
RPM Brussels BE 403.199.306

www.aion.be