Arab Banking Corporation SA

Annual Report

2023

Contents

ARAB BANKING CORPORATION SA
SA with capital of 169,511,160 Euros
Registered office: 8 rue Halévy 75009 PARIS
RCS Paris 844 604 538
APE Code: 6419Z
(the "Company")

MANAGEMENT REPORT OF THE BOARD OF DIRECTORS TO THE ORDINARY GENERAL MEETING ON 23 MAY 2024

PURSUANT TO ARTICLES L.225-100 AND L.225-37 OF THE FRENCH COMMERCIAL CODE, INCLUDING THE REPORT ON CORPORATE GOVERNANCE

Ladies and Gentlemen,

We have called this Ordinary General Meeting,

- on the one hand, in order to inform you of the situation of ARAB BANKING CORPORATION SA ("ABC SA" or the "bank" or the "company") and its activities during the past financial year, the bank's results, the progress made or difficulties encountered, the bank's research and development activities, the foreseeable evolution of the bank's situation, future prospects and important events occurring between the end of the financial year and the date on which this report is drawn up,
- to submit the financial statements for the year for your approval,

The prescribed notices of meeting were duly sent to you and all the documents and exhibits required by the regulations in force were made available to you within the legal deadlines.

PART ONE :
Management report of the Board of Directors in accordance with Article L.225-100 of the Commercial Code

I. Position and activity of the bank during the financial year ended 31 December 2023

ABC SA's financial statements for the year ended 31 December 2023 show a net profit of 5.4 million euros. This follows a net profit of 1.7 million euros for 2022.

The bank is ultimately owned by Bahrain-based Arab Banking Corporation B.S.C. ("ABC BSC" or "the Group") through London-based ABC International Bank Plc ("ABCIB"). The bank was created in 2018 following the Brexit and took over the assets of ABCIB's former Paris branch in October 2020, with the Frankfurt and Milan branches transforming at the same time into direct branches of the new Paris entity. This transformation has enabled the Group to maintain its presence in the European Union, one of its strategic markets.

The main thrust of ABC SA's strategy is, in alignment with the overarching Group strategy, to strengthen the Group's international reach to better serve its customers and increase trade and investment flows between Europe and the Middle East, North Africa and Turkey (MENAT). ABC SA's priority objective is to focus on its geographical expertise and specialised niche products. The bank aims to provide its customers with products and services and operational excellence in international trade finance. In this regard ABC SA benefits tangibly from its ever-closer alignment with the Group strategy which is striving to develop a digitally enabled bank of the future with innovative and state-of-the-art new digital banking platforms and digital client solutions. The Bank has been fully engaged with these digital initiatives, notably in relation to the Group's SCF offering, which has led to a broadening and deepening of its operational orbit. ABC SA's (and the Bank ABC Group's) client centric approach will continue to be fundamental to the updated strategy together with a selective expansion of the European corporate client base. This will go hand-in-hand with accelerated digitisation, both client facing and internal, which will allow the Bank to take on higher volume activities and widen its customer appeal.

The 2023 financial year enabled the bank to generate profits that will enable it to strengthen its equity capital and continue its development.

ABC SA's balance sheet total remains stable over one billion euros, while off-balance sheet commitments, which account for a large proportion of the bank's business, rose by 46% to 1.4 billion euros.

This result was underpinned by the maintenance of capital and liquidity ratios throughout 2023 and accompanied by the consolidation of risk management, control and compliance processes within ABC SA.

II. Analysis of business trends

ABC SA's main focus, in line with the Group's strategy, is on *wholesale* and transactional banking products, with a renewed focus on the needs of European customers.

Within this activity, the *Global Transactional Banking* department is ABC SA's main driver in Europe. Trade finance is the main contributor to the bank's revenues through a targeted range of products and services. This department markets or finances export and import documentary letters of credit, guarantees, bonds and payments - still very important for many MENAT countries and in particular for the main North African markets - but also offers pre-export and supply chain finance.

The bank proved operationally resilient and, supported by a strong balance sheet and a prudent and carefully calibrated risk appetite, was able to take advantage of the current environment, generating a level of Net Banking Income of €35.7 million for the year, up 48% on the previous year. Profitability also increased during the year, with pre-tax profits of €7.1 million compared with €2.6 million the previous year, and post-tax profits of €5.4 million compared with €1.7 million the previous year.

These results are the consequence of the revenues generated by ABC SA's three geographical units (Paris, Frankfurt and Milan), despite a constantly rising cost base (+14%) linked to the construction and consolidation of the bank and the inflationary context.

III. Progress made and difficulties encountered

The Bank's performance in 2023 was achieved against the backdrop of a still very unstable international environment. Global growth and trade struggled to maintain momentum in 2023, as the impact of the post-pandemic rebound faded and monetary conditions tightened in the face of inflationary pressures. Tensions in the banking sector also emerged earlier in the year, both in the US (Silicon Valley Bank) and in Switzerland (Credit Suisse), temporarily disrupting global financial markets and denting investor confidence. At the same time, geopolitical risk levels increased as the year progressed, reflecting the prolongation of the war in Ukraine and, more recently, the outbreak of hostilities in Gaza. Towards the end of the year, the risk of a potential regional widening of the Gaza crisis raised the possibility of future negative impacts on trade, shipping and supply chains.

The Bank demonstrated reassuring robustness and resilience, driven by its strategic objectives, as it continued to focus on its core markets in the MENAT region and to help its customers cope with cyclical disruptions. Certain key markets, such as Libya and Algeria, continue to benefit from oil prices that remain buoyant. And the strong growth in business in Turkey has been accompanied by an increase in credit margins. In its European markets, the Bank focused on penetrating the corporate market, accelerating the introduction of new digital platforms and digital solutions for customers, and increasing cross-selling. Additional resources were required to cope with constant regulatory change, as part of building a sustainable European bank, and particular attention was paid to the support departments at the Paris head office, especially the risk department.
The successful expansion of the customer base in 2023 has led to an increase in the volume of transactions, requiring prudent management of capital and liquidity.

IV. Forecasts for 2024

To maintain the current commercial momentum over the long term and further improve financial performance, the Bank must continue to leverage the competitive advantages of its geographical expertise and niche products. The Bank must remain constantly vigilant in the face of an unstable geopolitical and macroeconomic outlook for 2024. Potentially destabilising geopolitical trends in the MENAT region could impact the global economy, most likely raising new challenges as well as opportunities. All these factors will need to be closely monitored on an ongoing basis, but the bank is sufficiently robust, and its strategic vision will enable it to meet the challenges of the next twelve months.

In 2024, work will begin on new regulatory reporting standards at both bank and Group level. In particular, the new ESG requirements will require us to draw up new reports for the French and European regulators, as well as for our shareholders and the information communicated to the public (Pillar 3).

V. Main business risks and uncertainties

As part of its internal risk management, ABC SA has updated its mapping of banking and non-banking risks for 2023 and has identified the main risks which the Bank believes may have a negative impact on its business or results. These risks are grouped into the following categories: risks impacting the Bank's ability to generate income and maintain shareholder confidence (and thus have a negative influence on its solvency and liquidity), credit risks inherent in its business, emerging risks linked to ESG factors and operational risks.

Macroeconomic, geopolitical and regulatory risks

The Bank operates in a potentially challenging macroeconomic, geopolitical and regulatory environment. ABC SA's activities are sensitive to macroeconomic risks due to the presence of its customers in various European countries in the MENAT region. The current economic and financial environment is exposed to intensifying geopolitical risks. The war in Ukraine, which began in February 2022, is causing considerable tension between Russia and Western countries, with significant impacts on global growth as well as energy and commodity prices. The economic and financial sanctions imposed on Russia by many countries, particularly in Europe and the United States, may have a significant impact on operators with direct or indirect links with this country, with a material impact on the Bank's risks (credit, reputation, compliance, legal, operational, etc.). ABC SA is continually analysing the potential impact of this crisis and is putting in place all the measures that may prove necessary in order to comply with the regulations in force. In Asia, disagreements between China and the United States are causing trade tensions and the risk of technological fractures. The war between Israel and Hamas poses the risk of escalating conflict in the Middle East.

Given the uncertainty created by this complex geopolitical situation, both in terms of duration and amplitude, these disruptions could have a negative impact on the business and profitability of some of the Bank's counterparties, thereby affecting its results and capital.

Despite its size and relatively simple business model, the Bank is subject to a strict French and European regulatory framework that also applies to its branches. The Bank operates in an extremely evolving regulatory environment to which she needs to comply and deal with the unfavourable impacts not only on its business, financial position and costs, but also on the economic and financial environment in which it operates.

Among the regulations likely to have a significant impact on the bank are the following:

- New requirements or adjustments to existing requirements under the CRR (Regulation (EU) 575/2013).
- Tougher requirements in terms of data quality and protection, and more stringent requirements in terms of cyber-resilience, in connection with the adoption of the package of European directives and regulations on the digital operational resilience of the financial sector, known as "DORA", which is due to come into force on 17 January 2025.
- The implementation of the European regulatory framework for sustainable finance, with increased non-financial reporting requirements, greater inclusion of environmental, social and governance risks as part of risk management, and the inclusion of these risks as part of the Supervisory Review and Evaluation Process (SREP).
- The introduction of new regulations on interest rate risk in the banking book and credit risk in the banking book, which came into force in June and December 2023 respectively.

Credit and counterparty risks

Credit and counterparty risk is the most significant inherent risk for the bank. It has therefore put in place detailed credit risk management procedures and mechanisms that use limit systems and strict monitoring to control exposures through multiple levels of regulatory thresholds, risk appetite and early warnings. This monitoring is broken down by counterparty, country of risk and business sector. Counterparty credit risk is supervised by the bank's Credit Committee. A supplementary report on monitoring the quality of the credit portfolio is submitted to the Bank's Risk Management Committee (RMC) in accordance with the delegations of authority established by the ABC SA Management Committee (Mancom) and the Board Risk Committee (BRC).

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

A system of limits provides a framework for decision-making on the approval of new commitments and for monitoring the risks associated with outstanding loans. Limits are defined for each country, sector and counterparty. These limits are reviewed annually. Any breach of limits must be justified and authorised by the appropriate decision-making body.

An internal rating system common to the whole group is implemented within the bank. The use of a rating system harmonised across the Group provides a uniform view of common counterparties and enables a universal approach for the individual customers of each Group entity.

The analysis of counterparties and the proposed limits are reviewed by the Credit Committee. The rating assigned covers both the risk generated by a customer and the risk inherent in the transaction (including the risk of the various counterparties involved in the transaction). In addition to the counterparty rating, the Risk Department expresses its opinion on the transaction risk and suggests a set of preconditions and subsequent conditions where appropriate.

The analysis of the portfolio of doubtful loans (stage 3) and stage 2 loans, as well as the related provisioning, are presented to and discussed by the non-performing exposure (NPE) and provisioning sub-committee. It is important to note that on 31 December 2023, the amount of doubtful loans was only EUR 2.1 million, or 0.10% of the loan portfolio. The provisioning rate is 41%.

The Bank has opted for the standard approach to credit risk for calculating the regulatory solvency ratio. The calculation is carried out daily by the department responsible for regulatory monitoring. On 31 December 2023, the Bank's solvency ratio was 18.86% compared with 17.72% the previous year, i.e., well above the regulatory level.

Operational risks

On 31 December 2023, weighted assets for operational risk amounted to €40 million, or 4% of the Bank's total RWA. Although the impact of losses linked to operational risk is not significant and not a single significant operational risk incident was recorded in 2023, this risk remains important for the Bank due to its internal organisation:

(i) Risks relating to the governance of outsourced activities and exit plans;
(ii) the risk of not being able to retain or attract qualified employees;
(iii) the risk of not being able to put in place a two-man team for all the key activities and to ensure succession plans;
(iv) data quality risk and the bank's ability to provide high-quality internal and regulatory reporting, and
(v) external risks such as cybercrime.

If these risks were to materialise, they could affect the Bank's performance and/or result in financial losses.

The Bank has set up an operational risk management system, the aim of which is to monitor and control operational risk at all levels of its business.

During 2023, several improvements were made to the operational risk management system:

- The RCSA (Risk and Control Self-Assessment) exercise was carried out in the 4th quarter of 2023 for the second consecutive year, and the report accompanied by the action plan was presented to the Risk Committee for approval. The mapping of operational risks was updated based on this exercise and communicated to the Executive Management and the Risk Committee reporting to the Board of Directors. The Board Risk Committee is also informed of the results of the analysis of the data collected.
- Employee awareness-raising initiatives were carried out during 2023, particularly regarding IT risks (phishing, password security, etc.). Training sessions (e-training on dedicated platforms) on operational risks, including ICT-related risks and compliance risks, were also organised for all the bank's staff.
- Improvements to the recording and monitoring of operational risk incidents were initiated in 2022 with wider use of the dedicated operational risk management tool. This work continued in 2023 with the aim of making the business lines autonomous in recording incidents in the tool and thereby improving the management and monitoring of incidents.
- Reports on operational risk are presented quarterly to both the Internal Risk Committee and the Risk Committee of the Board of Directors.
- The process of reconciling losses and gains relating to operational risks recorded in the management tool and in the accounts has been improved and formalised in the relevant operating

procedure.

The Bank's teams were strengthened in 2023 with the recruitment of staff in both the sales and support departments to support the development of the business and ensure the implementation of pairings within the departments.

Given the importance to the Bank of its information system and the data it carries, and the ever-increasing threat of cybercrime, the risks associated with information, communication and security technologies (ICT) are major for both the Group and the Bank. These risks are managed as part of the Group's overall operational risk management system, with the Group's Information Systems Security Department acting as the first line of defence and the Risk Department acting as the second. Within the Bank, they are monitored by the management bodies through dedicated sessions in the Bank's governance structure (Operational Resilience Committee, Risk Committee, Executive Committee, Risk Committee reporting to the Board of Directors).

In the 4th quarter of 2023, the Bank initiated the DORA project to ensure its compliance with the regulations that will apply from 17 January 2025 and to be able to publish the planned regulatory report. The compliance work will be carried out in 2024.

Environmental, social and governance (ESG) risks

Environmental, social and governance (ESG) risks are defined as risks arising from the current or future impact of ESG factors on the bank's counterparties or on its investments. ESG risks are seen as aggravating factors for traditional risk categories (credit and counterparty risks, liquidity and funding risks, operational risks, reputational risks, compliance risks) and are likely to impact the Bank's activities, results and financial position in the short, medium and long term.

The Bank is exposed to environmental risks, and in particular risks related to climate change, through its financing and lending activities. There are two types of climate risk:

(i) physical risk, with the direct impact of climate change and the increase in extreme weather events on entities, people and property, or with the loss of biodiversity;

(ii) transition risk, which arises from the process of transition to a low-carbon economy, such as regulatory changes, technological disruptions or changes in consumer preferences.

As a result, the Bank may be exposed to physical risk of its counterparties whose activities may be affected by climate change (noting that in relation to physical risk, the potential impact will vary by virtue of both geography and industry); which might have a consequent deterioration in the credit quality of such counterparties or result in a deterioration in the quality of the assets used as collateral, risk factors to the Bank’s credit and counterparty risks.

The bank may also be exposed to the social or governance risks of its commercial counterparties or other stakeholders (suppliers, service providers, etc.), which may lead to credit or reputational risks for the bank.

In addition, there could be negative effects on its sources of funding and therefore on its liquidity, which come mainly from counterparties sensitive to environmental risks. For this reason, in 2023, the bank has undertaken the necessary efforts to diversify its sources of funding: the collection of new deposits from our customers and the finalisation of the Raisin project to attract retail deposits via a dedicated platform.

During 2023, the Group defined sustainability as one of its strategic objectives, set up a sustainability department and recruited a Group Sustainability Manager, as well as a person in Paris. Following extensive stakeholder engagement across all areas of the Group and reviews of industry best practice, a three-year sustainability programme has been initiated at Group level, with the following key objectives

i) reducing the bank's environmental footprint,

ii) increasing efficiency and resilience,
iii) building capacity and skills, and
iv) improving revenues.

The programme is based on 5 pillars covering governance, operations, human capital, risk management and business lines. The bank is fully committed to the Group's sustainable development programme, the implementation of which will enable the bank to provide its customers, employees and the communities in which it operates with the means to lead the transition to a low-carbon, inclusive and sustainable economy.

The Bank could also be exposed to ESG risks related to its own activities and impacts on the environment. Appropriate governance is needed to implement the multiple regulations and regulatory requirements and to adapt the Bank's strategy to take account of the economic and regulatory context in transition.

The ESG project was launched by the bank to identify, measure and manage ESG risk factor and to ensure compliance with new regulations. The project is scheduled to run for two years and should also lead to the introduction of dedicated regulatory reporting from 2026.

All these risks could have an impact on the Bank's business, results and reputation in the short, medium and long term. The Bank is aligned to the wider Group and ABCIB ESG objectives in this regard and realises the important role it must play in creating a more sustainable and inclusive future for its clients, staff, shareholders, and the broader communities within which it operates.

Liquidity risk management

The Bank's initial objective in managing liquidity is to ensure the refinancing of its activities at optimum cost by controlling liquidity while complying with regulatory requirements. Given the structure of its balance sheet, the Bank may be exposed to structural liquidity and/or funding risk. Given the relatively high concentration of funding, the withdrawal of a deposit may have a negative impact on the Bank's performance and its ability to maintain the level of its activities.

The liquidity risk management system makes it possible to manage the balance sheet to achieve a targeted structure of assets and liabilities in line with the Bank's level of risk, as defined by the Board of Directors and senior management. The Risk Division implements systems for analysing and measuring liquidity risk, monitors limits and is responsible for their annual review. It defines liquidity risk stress scenarios and identifies long-term liquidity risks. New indicators have been approved as part of the risk appetite framework to monitor funding concentration levels.

In accordance with the regulations in force, the Bank calculates the LCR and NSFR ratios. On 31 December 2023, the LCR ratio stood at 275%, compared with 331% at the end of 2022; while the NSFR ratio stood at 138% at the end of 2023, compared with 127% on 31 December 2022. Both ratios are well above the minimum regulatory requirement of 100%.

Measurement of overall interest rate risk

Interest rate risk is the risk of losses resulting from changes in interest rates. It is a factor of vulnerability of the financial situation of the bank confronted with an unfavourable evolution of interest rates.

The system for managing and calculating interest rate risk on the banking book was completely overhauled in 2023 in order to comply with the interest rate risk management guidelines updated by the EBA in October 2022. In its analysis of overall interest rate risk, the bank uses the stress scenarios proposed by the regulator and calculates two indicators in particular: the impact on economic value of sudden interest rate shocks and the indicator of a significant decline in net interest margin under a uniform shock of 200 basis points relative to the bank's own funds. The system was completed by the drafting and approval of the calculation procedure and operating method. The thresholds for the two risk appetite indicators approved by the Board of Directors have been respected.

VI. Disclosure of costs and expenses not deductible for corporation tax purposes

In accordance with the provisions of Articles 223 *quater* and *quinquies* of the General Tax Code, it should be noted that no sumptuary expenses or charges not deductible for tax purposes within the meaning of Article 39-4 of the General Tax Code, or excessive overheads within the meaning of Article 39-5 of the General Tax Code, were recorded in respect of the past financial year.

VII. Significant events since the end of the financial year

Since the end of the financial year, there have been no significant events with an impact on the Bank's business.
In accounting terms, all events originating in 2023 and confirmed at the beginning of the 2024 financial year were recognised after the balance sheet date.

VIII. The bank's research and development activities

The Bank did not undertake any research or development programmes during the year.

IX. Employee share ownership

Pursuant to Article L.225-102 of the French Commercial Code, it should be noted that on the last day of the financial year, i.e. 31 December 2023, no employee held an interest in the Company's share capital.

X. Method of valuation and presentation of the financial statements

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

XI. Allocation of profit

The financial year ended 31 December 2023 showed a profit of 5,415,294 euros.

We propose the following allocation of this amount:

- Allocation of 5% i.e. 270,765 euros to the legal reserve account
- Payment of a dividend of 30% i.e. 1,624,588 euros to ABCIB
- Booking in the other reserves of 65% 3,519,941

As a reminder, we are bound by the following rules pursuant to Articles L.232-10 and L232-12 of the French Commercial Code:

- Past losses must be offset against future profits;
- A legal reserve of 10% of the share capital must be set up;
- A minimum of 5% of distributable profits must be allocated to the legal reserve each year until it is fully constituted.

XII. Agreements governed by Articles L. 225-38 et seq. of the French Commercial Code

ABC SA has not entered into any agreements covered by articles L. 225-38 et seq of the French Commercial Code.

XIII. Normal and customary agreements

Several normal and ongoing agreements are in place to cover the various services provided to ABC SA by ABCIB and ABC BSC.

XIV. Shareholding

Of the 16,951,116 shares making up the bank's share capital, ABCIB held an unchanged 16,951,115 shares on 31 December 2023.

XV. Dividends distributed in respect of the last three financial years

No dividend has been paid during the company's last three financial years.

Exercise	2022	2021	2020
Dividends distributed	0	0	0

XVI. Appendix table

Pursuant to Article R.225-102 of the French Commercial Code, a table showing the Bank's results for the first four financial years is attached to this report (**Appendix 1**).

XVII. Payment terms

The Company undertakes to pay its suppliers' invoices at the latest within thirty days of the date of receipt of the invoice, so that the outstanding debt to suppliers on 31 December 2023 does not include any invoices that have fallen due.

Furthermore, regarding article D. 441-4 I-2nd, it has been agreed that the scope of the information communicated relating to the payment periods mentioned in article D. 441-4 of the French Commercial Code does not include banking and related transactions.

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

	Article D.441 I.-1° : factures *reçues* non réglées à la date de clôture de l'exercice dont le terme est échu					Article D.441 I.-1° : factures *émises* non réglées à la date de clôture de l'exercice dont le terme est échu				
	0 jour (indicatif)	1 à 30 jours	31 à 60 jours	91 jours et plus	Total	0 jour (indicatif)	1 à 30 jours	31 à 60 jours	91 jours et plus	Total
(A) Tranches de retard de paiement										
Nombre de factures concernées										
Montant total des factures concernées (TTC)										
Pourcentage du montant total des achats de l'exercice (TTC)										
Pourcentage du chiffre d'affaires de l'exercice (TTC)										
(B) Factures exclues de (A) relatives à des dettes et créances litigieuses ou non comptabilisées										
Nombre de factures exclues										
Montant total des factures exclues (TTC)										
(C) délais de paiement de référence utilisés (contractuel ou délai légal - article L.441-6 du code de commerce)										
Délais de paiement utilisés pour le calcul des retards de paiement	Délais légaux					Délais légaux				

XVIII. Subsidiaries and investments, controlled companies (article L. 233-6 of the French Commercial Code)

Not applicable.

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

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

XX. Statutory Auditors' terms of office

ERNST & YOUNG et Autres was appointed when the bank was created in December 2018 for a period of

6 financial years.

The size of the balance sheet following the transfer of assets, in excess of the €450 million required by law, led the company to appoint KPMG SA as joint statutory auditor in 2020, also for a period of 6 years.

XXI. Information on remuneration policy and practices

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

Article L. 511-102 of the Monetary and Financial Code stipulates that reporting companies that are part of a group may apply the remuneration policy of the company that controls them.
Article 241-1 of the Order of 3 November 2014 set the threshold above which a specialised remuneration committee must be set up at €5 billion in balance sheet size.

The bank's remuneration policy is therefore in line with that of ABCIB and the Group as a whole.

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

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

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

The bank complies with all applicable local remuneration regulations in France, Germany and Italy.

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

- All discretionary variable pay is subject to a set of principles set out in the remuneration policy,
- the annual discretionary bonus programme document is mentioned in the remuneration policy and describes how discretionary bonuses will be calculated,
- no executive director is involved in setting his or her own remuneration,
- No single manager or line manager can approve the remuneration of a direct subordinate. HR oversees

all remuneration offers and adjustments,

- ABC SA's Board of Directors is responsible for agreeing individual remuneration packages (including discretionary bonuses) for the bank's executive directors.

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

Lastly, the bank has identified staff whose professional activities have a material impact on the company's risk profile "material risk takers" in application of the criteria mentioned in Delegated Regulation 604/2014 of the European Commission and EBA/RTS/2020/05.

XXII. Information on regulatory ratios

ABC SA complies with all local regulations applicable to its three European units (the French head office and the Italian and German branches), in particular those of the Banque de France and the ACPR, as well as European regulations.

The ratios are monitored daily, and warning thresholds have been defined as part of the various plans: *Risk* Appetite Statement, Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP).

	Amounts in Euros / Ratios in % (in euros)	31/12/2023	31/12/2022
PRC	Shareholders' equity	184,927,590	183,502,305
	Tier 1 capital	184,927,590	183,502,305
	Total capital ratio (%)	18.86%	17.72%
	Equity ratio t1 (%)	18.86%	17.72%
	Tier 1 capital ratio (%)	18.86%	17.72%
	Total risk exposure	980,372,133	1,035,318,856
	Weighted exposure amounts for credit risk, counterparty credit risk, dilution risk and unsettled trading positions	937,432,191	990,276,236
	Total exposure to position risk, currency risk and commodity risk	889,815	2,196,391
	Total exposure to operational risk	39,855,164	40,397,567
CSF	Liquidity coverage ratio (%)	275.43%	330.73%
NSFR	NSFR ratio (%)	138.05%	127.42%
LR	Leverage ratio (%)	10.58%	13.11%

It should be noted that these ratios were declared before the final adjustments linked to the closing of the accounts. It is customary to make a new declaration once the accounts have been approved, so that the regulator has the final figures in its databases.

Furthermore, the shareholders' equity for these two years does not consider the profit for the year, which is only added after approval by the General Meeting (Chapter 2 section 1 article 26.2 of the CRR).

XXIII. <u>Information on corporate responsibility issues</u>

The Bank's day-to-day operations and activities will always and inevitably have some degree of impact - albeit limited - on the environment and the wider social community and, as a result, the Group continues to invest resources in developing and accelerating progress on its approach to environmental, social and governance (ESG) factors.

Within the framework of the Group's policies and in compliance with local regulations, the bank is striving to minimise its carbon footprint and to develop its approach to corporate social responsibility (CSR) issues.
In 2023, ABC SA will exceed 2 of the 3 thresholds defined in article L225-102-1 of the French Commercial Code and will therefore be required to produce a non-financial report, complying with the European CSRD (Corporate Sustainability Reporting Directive), which will cover the company's ESG (Environmental, Social and Governance) data from 2026 onward.
The information provided by the company will have to be certified by our statutory auditors or by an accredited independent third-party organization.
These points have been developed in the paragraph on environmental, social and governance (ESG) risks in section V.

SECOND PART :
Report on corporate governance pursuant to Article L.225-37 of the Commercial Code

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

Not applicable

II. Information concerning corporate officers

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

In accordance with article L.225-17 of the French Commercial Code, the Board of Directors comprises a total of 6 directors, including 4 internal directors and 2 external directors, to ensure the independence and good governance of the bank.

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

- a balanced composition of the Board of Directors in terms of the skills and diversity of its members (professional and international qualifications and experience, balanced representation of men and women),
- the search for complementary profiles, considering the existing composition of the Board of Directors.

III. Status of directors' mandates

In accordance with the Bank's Articles of Association, the term of office of directors is three years. The Board of Directors, headed by the same Chairman as the ABCIB Board of Directors, is also made up of two directors from ABC BSC, one director from ABCIB and two independent directors.

The positions of the 6 directors are as follows:

- Pierre Debray was reappointed as a director on 25 May 2023.
- Ms Bayone Sisombat was appointed a director on 09 December 2021.
- Dr Khaled Kawan, Rajeev Adrian and Nicolas Hurtrez were re-elected as directors at the Annual General Meeting on 24 May 2022.
- Mr Fouad Salame was appointed Director at the same AGM on 24 May 2022.

It should also be noted that the two independent directors chair the two committees attached to the Board of Directors. Mr Debray chairs the Board Risk Committee (BRC) and Ms Sisombat chairs the Board Audit Committee (BAC).

IV. Information on delegations

Not applicable.

We will now give you a detailed presentation of the annual accounts that we will be submitting for your approval.

In their report on the annual financial statements, the Statutory Auditors report on the performance of their duties.
We therefore ask you to approve the resolutions submitted for your vote.

Chairman of the Board of Directors

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

NATURE OF THE INDICATIONS	2023	2022	2021	2020	2019
I. - Financial position at year-end :					
a) Share capital	169,511	169,511	169,511	169,511	5,000
b) Number of shares issued	16,951,116	16,951,116	16,951,116	16,951,116	500,000
c) Number of bonds convertible into shares	-	-	-	-	-
II. - Overall result of actual operations :					
a) Sales excluding VAT	35,739	24,118	24,083	3,523	-
b) Profit before tax, depreciation, amortisation and provisions	7,841	-390	2,194	-266	-
c) Income tax	-1,872	-535	-1,059	55	-
d) Profit after tax, depreciation, amortisation and provisions	5,415	1,738	2,736	-2,040	-
e) Distributed profits	-	-	-	-	-
III. - Result of operations reduced to a single share:					
a) Profit after tax but before depreciation, amortisation and provisions	0.35	0.01	0.19	-0.02	-
b) Profit after tax, depreciation, amortisation and provisions	0.32	0.10	0.16	-0.12	-
c) Dividend per share	-	-	-	-	-
IV. - Personnel :					
a) Number of employees	99	85	78	74	-
b) Total payroll	12,400	8,602	6,810	1,312	-
c) Amounts paid in respect of social benefits (social security, works, etc.)	3,646	2,893	2,246	466	-

APPENDIX 2: <u>LIST OF OFFICES AND POSITIONS HELD BY COMPANY OFFICERS (ARTICLE 225-37-4, 1° OF THE FRENCH COMMERCIAL CODE)</u>

- In 2023, Mr Rajeev ADRIAN held the following positions in the following companies:
  - ABC International Bank Plc. - Chief Executive Officer and Director
  - Arab Banking Corporation SA, Director
  - The Libyan British Business Counsel Secretariat, Director
  - Arab Bankers Association, Director

- In 2023, Mr Pierre DEBRAY held the following positions in the following companies:
  - Chairman of Inboard Partners
  - Senior advisor to Nemrod Finance SA
  - Senior advisor to Sustainable Revolution SAS
  - Arab Banking Corporation SA, Director and chairman of the Board Risk Committee

- In 2023, Mr Nicolas HURTREZ held the following positions in the following companies:
  - Head of Group Strategy, Arab Banking Corporation B.S.C.
  - Arab Banking Corporation SA, Director

- In 2023, Dr Khaled KAWAN held the following positions in the following companies:
  - Arab Banking Corporation (B.S.C.), Director
  - ABC International Bank Plc, Chairman of the Board of Directors
  - Banco ABC Brasil, Chairman of the Board of Directors
  - Arab Banking Corporation SA, Chairman of the Board of Directors

- In 2023, Mr Fouad SALAME held the following positions in the companies listed below:
  - Group Head of Financial Institutions, Arab Banking Corporation (B.S.C.)
  - Arab Banking Corporation SA, Director

- In 2023, Mrs Bayone SISOMBAT held the following positions in the following companies
  - Chairman of BS Partner SAS
  - Member of the Finance, Audit and Risk Committee of Apivia Macif Mutuelle
  - Member of the RSE (ESG) Committee of Apivia Macif Mutuelle
  - Independent chartered accountant
  - Arab Banking Corporation SA, Director and chairman of the Board Audit Committee

This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English-speaking users.
This statutory auditors' report includes information required by European regulations and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to the shareholders.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Arab Banking Corporation S.A.

Year ended 31 December 2023

Statutory auditors' report on the financial statements

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

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

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

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

Arab Banking Corporation S.A.

Year ended 31 December 2023

Statutory auditors' report on the financial statements

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

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting and the Articles of Association, we have audited the accompanying financial statements of Arab Banking Corporation S.A. for the year ended 31 December 2023.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 31 December 2023 and of the results of its operations for the year then ended in accordance with French accounting principles.

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

Basis for Opinion

- **Audit Framework**

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

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

Independence

We conducted our audit engagement in compliance with the independence requirements of the French Commercial Code *(Code de commerce)* and the French Code of Ethics for Statutory Auditors *(Code de déontologie de la profession de commissaire aux comptes)* for the period from 1st January 2023 to the date of our report, and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014.

Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L. 821-53 and R. 821-180 of the French Commercial Code *(Code de commerce)* relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

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

Credit risk impairments

Risk identified	Audit procedures implemented to answer this risk
Your company is exposed to credit risks which are inherent to its activities and which are borne by loans and commitments to banks and customers. As indicated in Note 3 "Accounting principles and valuation methods“ of the notes to the statutory financial statements, your company classifies these loans as non-performing when they bear an incurred credit risk and books impairments against that risk. Provision on performing exposures are also calculated using a statistical model based on a number of assumptions as defined in the note 3.2.3 “Impairment and credit risk provisions”. These provisions are booked under “Provisions for risks and charges” as liabilities. As of 31 December 2023, non-performing loans amount to € 2 111 thousand and associated impairment to € 902 thousand. Provisions for performing exposures amount to € 1 984 thousand. We considered the evaluation of such impairments and provisions to be a key audit matter because of the judgment in assessing credit risk.	Our work consisted in: • Gaining an understanding of the processes relating to the identification of non-performing exposures as well as the procedures for evaluating and booking the corresponding impairment; • Reviewing, on a sample basis, the classification of exposures between performing and non-performing and the documentation of the risk of non-recovery; • Testing a sample of non-performing exposures to assess the impairment booked; • Performing a critical review of the conclusions of the work carried out by the auditors of your majority shareholder on the process of assessing the provisions on performing exposures and assessing the correct application of these methods by your company; • Reading the credit risk disclosures in the notes to the statutory financial statements.

Specific Verifications

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

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

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

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

- **Information relating to Corporate Governance**

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

Report on Other Legal and Regulatory Requirements

- **Appointment of the Statutory Auditors**

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

As at 31 December 2023, KPMG S.A. and ERNST & YOUNG et Autres were in their fourth and fifth year of total uninterrupted engagement, respectively (including four years since the Company became a public interest entity due to its status as a credit establishment).

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

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

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

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

The financial statements were approved by the Board of Directors.

Statutory Auditors’ Responsibilities for the Audit of the Financial Statements

Objectives and audit approach

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

As specified in Article L. 821-55 of the French Commercial Code *(Code de commerce)*, our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

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

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management in the financial statements.

- Assesses the appropriateness of Management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.

- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit Committee

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

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

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France as set out in particular in Articles L. 821-27 to L. 821-34 of the French Commercial Code *(Code de commerce)* and in the French Code of Ethics for Statutory Auditors *(Code de déontologie de la profession de commissaire aux comptes)*. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris La Défense, 7 May 2024

The Statutory Auditors
French original signed by

KPMG S.A.	ERNST & YOUNG et Autres
Valéry Foussé	Matthieu Préchoux

Financial Statements as of 31 december 2023
(in thousands of Euros)

ASSETS		**31/12/2023**	31/12/2022
Cash, Post Office accounts	4.1	161,311	119,321
Loans and advances to credit institutions	4.1	240,981	289,135
Operations with customers	5.1	569,639	639,618
Shares, bonds and other securities	6	36,168	11
Intangible assets	7	123	115
Tangible Fixed assets	7	694	576
Other assets	8	4,749	2,822
Prepayments, accrued income and other debtors	10.1	2,148	626
Total Assets		**1,015,813**	1,052,224

Financial Statements as of 31 december 2023
(in thousands of Euros)

LIABILITIES		**31/12/2023**	31/12/2022
Deposits from banks and other financial institutions	4.2	567,980	617,183
Operations with customers	5.2	235,273	232,258
Other liabilities, accruals and deferred income	9	11,821	8,199
Prepayments	10.2	6,348	5,236
Provisions for risks and charges	11	3,892	4,108
Funds for General Banking Risk	12	500	656
Equity (excluding FGBR)	20.1	**189,999**	184,585
- Share capital		169,511	169,511
- Retained earnings		12,639	12,639
- Legal retained earnings		2,434	697
- Previous year profit & loss		-	-
- Financial year profit & loss		5,415	1,738
Total equity and liabilities		**1,015,813**	**1,052,224**

Financial Statements as of 31 december 2023
(in thousands of Euros)

Off-Balance Sheet		31/12/2023	31/12/2022
Commitments given	13		
of which financing commitments		809,957	413,039
of which guarantees		455,381	437,066
Guarantees received from insurance companies			
of which guarantees received		179,685	137,061
Total Off Balance-Sheet		**1,445,023**	987,167

Financial Statements as of 31 december 2023
(in thousands of Euros)

		31/12/2023	31/12/2022
- Net interest income		13,052	8,707
- Gains or losses on trading portfolio transactions (fx)		4,661	818
- Commission and fee income (Net)		18,266	14,672
- Other banking operating incomes		43	182
- Other banking operating expenses		(282)	(262)
Net banking income	14	**35,739**	24,118
- General operating expenses	15	(27,899)	(24,507)
- Depreciation and amortisation and provisions on fixed assets	7	(245)	(216)
Gross operating P&L		7,596	(605)
- Provision for credit loss (cost of risk)	16	(465)	3,229
Operating P&L		**7,131**	2,624
- Gain or losses on fixed assets		-	-
Earnings before tax and interest		**7,131**	2,624
- Exceptional income			
- Allocations / reversals Fund for General Banking Risks		156	(352)
- Corporate income tax		(1,872)	(535)
Net profit for the year		**5,415**	1,738

NOTES TO THE FINANCIAL STATEMENTS

1. HIGHLIGHTS OF THE YEAR

The financial statements for the year ended 31 December 2023 are the third for Arab Banking Corporation SA (ABC SA) following a complete exercise.

For ABC SA, 2023 was a year of consolidation of the structure for the new entity, following the first two years of implementation of this structure.

The year ended with a profit of 5,415 thousand euros, following a profit of 1,738 thousand euros in 2022.

Globally, 2023 was a year marked by various geopolitical crises: the second year of the Russian-Ukrainian conflict and the Gaza crisis.

2. SIGNIFICANT EVENTS SINCE THE BALANCE SHEET DATE

No significant accounting events have occurred since the balance sheet date.

3. ACCOUNTING PRINCIPLES AND VALUATION METHODS

The annual financial statements have been prepared in accordance with ANC regulation no. 2014-07.

3.1. Accounting principles

The accounting policies have been applied fairly, in accordance with the principle of prudence and the underlying assumptions:

- going concern,
- consistency of accounting methods from one financial year to the next,
- independence of exercises.

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

The basic method used to value items recorded in the accounts is the historical cost method.

3.2. Loans and advances to credit institutions and customers

3.2.1. Receivables and payables:

Receivables and payables are recognised in the balance sheet at the transaction date and at their nominal value.

However, in the case of firm commitments to carry out a transaction at a later date, these are recorded off-balance sheet at the date of the commitment (see paragraph on off-balance sheet items).

Accrued interest on receivables is recorded in the related receivables account and offset against the income statement.

ABC SA's balance sheet does not contain any moratoria or state-guaranteed loans (PGE).

3.2.2. Doubtful loans to credit institutions and customers

Loans are classified as doubtful if they have at least one of the following three characteristics:

- there is a probable or certain risk of total or partial non-recovery,
- claims for principal or interest have been outstanding for more than three months,
- receivables are disputed.

If a proven credit risk is identified, the loan will be reclassified as doubtful.

Interests on doubtful debts are determined on the date of the recognition of the stage 3 event and provisioned based on the amount determined.

3.2.3. Impairments and provisions for credit risk:

Impairment losses relating to credit risk on doubtful debts are deducted from assets.

Provisions for performing loans, calculated using the statistical model defined below, are recognised under risks and charges.

The measurement of credit risk allowances for valued financial assets requires the use of models and significant assumptions about future economic conditions, credit behaviour (e.g. the probability of customer default and resulting losses), estimates of the amount and timing of future cash flows and collateral values. These estimates are driven by several factors, changes in which may result in different levels of allowances.

The Bank's calculations are the results of a model with several underlying assumptions affecting the choice of variables and their interdependencies. This model includes in particular:

- An internal credit rating model, which assigns a probability of default (PD) to individual ratings;
- Determining criteria for significant increases in credit risk;
- The choice of appropriate models and assumptions for measuring the provision ;
- Determining associations between macroeconomic scenarios, economic data such as unemployment levels, guarantee values and the effect on PD, exposure at default (EAD) and loss given default (LGD);

- The selection and relative weighting of forward-looking scenarios to derive economic data for provisioning models; and
- The determination of relevant exposure periods in respect of revolving credit facilities and facilities under restructuring at the reporting date.

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

If a probable loss is identified on an off-balance sheet commitment, a provision for signature commitments is recognised. This provision will be included in the cost of risk.

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

Impairment charges and reversals for the risk of non-recovery of doubtful debts are recorded under cost of risk.

The model used for credit risk impairment and provisions is a model commonly used within the ABC Group.

3.3. Intangible and tangible fixed assets

They are recorded at acquisition cost (purchase price plus incidental expenses).

Fixed assets are depreciated on a straight-line basis over the useful life of the asset:

- Fixtures and furniture — 5 to 10 years
- Office and IT equipment3 — to 5 years
- Intangible fixed assets — 1 to 3 years

3.4. Commissions

ABC SA earns commission on a diverse range of services it provides to its customers. Fees are recognised when ABC SA fulfils a service obligation.

These costs include commission income and other management and advisory fees.

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

3.5. Provisions for liabilities and charges

3.5.1. Provisions for employee benefits:

ABC SA makes provision in its accounts for all pension and seniority commitments granted to its employees in accordance with applicable local regulations.

The amount of commitments relating to retirement gratuities and long-service awards calculated by the French and Italian actuaries is €1,705k at end-2023, compared with €1,445k at end-2022.

Post-employment benefits in France:

- long-service awards have been calculated and provisioned on the assumption that they will be paid in accordance with the collective bargaining agreement for credit institutions.

- end-of-career indemnities have been calculated and provisioned on the assumption that they will be paid in accordance with the collective bargaining agreement for credit institutions, based on voluntary departure of employees at the legal retirement age. This calculation includes employer's contributions.
- defined contribution pension plans, where the company's commitment is limited to the payment of contributions, are expensed in the period.

Post-employment benefits in Italy have also been calculated and provisioned in accordance with local legislation.

No post-employment benefits are recognised in Germany.

In-service benefits, such as medical insurance contributions, are expensed as incurred.

As specified in ANC recommendation no. 2013-02 of November 7, 2013, relating to the rules for measuring and recognizing retirement commitments and similar benefits in the annual financial statements and consolidated financial statements prepared in accordance with French accounting standards, by way of exception, companies or groups with fewer than 250 employees may define their own methods for measuring retirement commitments and similar benefits. The bank has therefore adopted this simplified method.

3.5.2. Other provisions for liabilities and charges:

Any tax disputes give rise to a provision as from the date of notification of the reassessment, depending on the estimated risk.

Other provisions for legal disputes are established based on the net risk measured, and may be calibrated by an external legal consultancy, or on a flat-rate basis at 100%.

3.6. Exceptional income and expenses

Exceptional items include all items which, due to their nature or amount, cannot be allocated to the company's ordinary activities.

3.7. Conversion of foreign currency transactions

Balance sheet transactions in foreign currencies are translated at the year-end exchange rate, based on rates communicated by the Group.

3.8. Consolidation principles

As ABC SA is part of the ABC Group, the annual accounts of our company are included in the consolidated accounts of Arab Banking Corporation B.S.C. using the full consolidation method.

The Group's registered office is in Manama, in the Kingdom of Bahrain, at the following address: Bank ABC Tower, Diplomatic Area, PO Box 5698. Arab Banking Corporation B.S.C. is registered in the Commercial Register of the Kingdom of Bahrain under number 10299.

3.9. Net interest income

Investment securities are recorded on the date of their acquisition for their acquisition price.

Acquisition costs are recognized directly as expenses.

When the acquisition price of fixed-income securities is higher than their redemption price, the difference is amortized over the remaining life of the securities. When the acquisition price of fixed-income securities is lower than their redemption price, the difference is recognized as income over the remaining life of the securities. The spread of these differences is carried out using the actuarial method.

At each accounting close, the unrealized capital losses arising from the difference between the book value, corrected for depreciation and reversals of difference mentioned in the previous paragraph, and the market price of the securities "as defined in these regulations" are subject to depreciation which can be assessed for homogeneous groups of securities, without compensation with the capital gains observed on other categories of securities. Gains from hedging, within the meaning of article 2514-1 of these regulations, taking the form of purchase or sale of forward financial instruments, are taken into account for the calculation of depreciation. Unrealized capital gains are not recognized.

At each accounting close, attached accounts are used to record the interest accrued since the acquisition of the fixed-income securities.

4. CASH, CENTRAL BANKS, CCP AND CREDITS ON CREDIT INSTITUTIONS (in thousands of euros)

4.1. Assets

ASSETS	**31/12/2023**	31/12/2022
Cash, Post Office accounts	6	7
Central banks	161,214	119,264
Accrued interest receivable	91	49
TOTAL	**161,311**	**119,321**
Current accounts	15,450	36,103
Term loans and advances	222,769	251,298
Accrued interest receivable	2,762	1,734
Provisions for non-performing receivables		
TOTAL	**240,981**	**289,135**

There are no compromised or restructured doubtful loans on the balance sheet.

Loans and advances to credit institutions break down as follows:

	31/12/2023		31/12/2022	
	Related companies	Other	Related companies	Other
Current accounts	330	15,120	10,964	25,139
Term loans and advances	1,726	221,042	9,337	241,961
Accrued interest receivable		2,762	-	1,735
TOTAL	**2,056**	**238,925**	**20,300**	**268,836**

Maturities break down as follows:

31/12/2023				
	Less than 3 months	3 months to one year	1 to 5 years	More than 5 years
Comptes ordinaires	15,450	-	-	-
Comptes et prêts à terme	183,033	27,973	11,763	-
Créances rattachées	534	2,071	157	-
TOTAL	**199,017**	**30,044**	**11,919**	-

Loans and advances to credit institutions break down geographically as follows:

31/12/2023		31/12/2022	
Belgium	90,499	Belgium	93,708
Egypt	68,069	Turkey	65,169
Algeria	28,961	Egypt	54,669
Turkey	28,693	United States	22,925
Qatar	11,919	Jordan	12,767
Rest of the world	12,840	Rest of the world	39,898
TOTAL	**240,981**	**TOTAL**	**289,135**

4.2. Liabilities

	31/12/2023	31/12/2022
Current accounts	248,517	111,168
Term loans and advances	319,395	505,069
Accrued interest receivable	68	946
TOTAL	**567,980**	**617,183**

Amounts owed to credit institutions break down as follows:

	31/12/2023		31/12/2022	
	Related companies	Other	Related companies	Other
Current accounts	245,249	3,268	107,377	3,791
Term loans and advances	308,578	10,817	495,138	9,931
Accrued interest receivable	-	68		946
TOTAL	**553,827**	**14,153**	**602,515**	**14,668**

Maturities break down as follows:

	31/12/2023		31/12/2022	
	Less than 3 months	More than 3 months	Less than 3 months	More than 3 months
Ordinary accounts	248,517	-	111,168	-
Term loans and advances	25,481	293,914	17,478	468,428
Accrued interest receivable	68	-	946	-
TOTAL	**274,066**	**293,914**	**129,505**	**468,428**

5. OPERATIONS WITH CUSTOMERS (in thousands of euros)

5.1. Assets

	31/12/2023	31/12/2022
Discounts and similar items	114,416	127,100
Loans and advances	449,017	507,391
Accrued interest receivable	4,997	4,972
Non-performing receivables	2,111	204
Impairment of non-performing receivables	(902)	(49)
TOTAL	**569,639**	**639,618**

The geographical breakdown of operations is as follows:

31/12/2023		31/12/2022	
Germany	140,977	Italy	161,773
Italy	133,200	Germany	137,134
France	94,215	Switzerland	68,335
Singapore	48,506	France	43,722
Switzerland	29,820	Singapore	35,834
Denmark	20,182	United Arab Emirates	27,113
United Arab Emirates	16,248	Turkey	26,600
Rest of the world	86,491	Rest of the world	139,107
TOTAL	**569,639**	**TOTAL**	**639,618**

Maturities break down as follows:

	31/12/2023			
	Less than 3 months	3 months to one year	1 to 5 years	More than 5 years
Discounts and similar transactions	85,148	29,268	-	-
Permanent and other loans	208,804	62,092	178,122	-
Related receivables	2,357	990	1,649	-
Doubtful debts	-	2,074	37	-
Impairment of doubtful debts	-	-902	-	-
TOTAL	**296,309**	**93,522**	**179,808**	-

5.2. Liabilities

	31/12/2023	**31/12/2022**
Current accounts	51,291	39,548
Term deposits	180,500	187,107
Security deposits	2,932	4,889
Accrued interest payable	550	714
TOTAL	**235,273**	**232,258**

6. SHARES, BONDS AND OTHER SECURITIES

	31/12/2022	Acquisitions	Disposals	31/12/2023
Shares	11	1	-	**12**
Bonds	-	36,156	-	**36,156**
Other variable-income securities	-	-	-	**-**
TOTAL	**11**	**36,157**	**-**	**36,168**

In 2023, the bank acquired USD 40 million in US Treasury T-bills to cover its liquidity risk in this currency. These T-bills are counter valued for €36m in the balance sheet.

7. INTANGIBLE ASSETS AND GOODWILL (in thousands of euros)

	31/12/2022	Acquisitions	Disposals	31/12/2023
Gross values				
Intangible fixed assets	1,622	87	-	1,709
Tangible fixed assets	1,872	285	23	2,134
TOTAL	**3,494**	**372**	**23**	**3,843**

	31/12/2022	Endowments	Trade-ins	31/12/2023
Depreciation and amortisation	-	-	-	-
Intangible fixed assets	1,507	80	-	1,587
Tangible fixed assets	1,296	166	22	1,440
TOTAL	**2,803**	**246**	**22**	**3,027**

8. OTHER ASSETS (in thousands of euros)

	31/12/2023	31/12/2022
VAT and other taxes	3,365	2,686
Operational suspense	893	67
Other miscellaneous debtors	491	69
TOTAL	**4,749**	**2,822**

9. OTHER LIABILITIES (in thousands of euros)

	31/12/2023	31/12/2022
Accrued taxes (VAT, corporation tax and others)	5,637	1,946
Accrual bonus & other HR	5,013	3,513
Other miscellaneous creditors	1,172	2,740
TOTAL	**11,821**	**8,199**

10. REGULARISATION ACCOUNTS (in thousands of euros)

10.1. Assets

	31/12/2023	31/12/2022
Currency adjustment account	44	(9)
Forward financial instruments adjustment account	1,068	38
Prepaid expenses	626	404
Accrued income	456	224
Other adjustments	(46)	(31)
TOTAL	**2,148**	**626**

10.2. Liabilities

	31/12/2023	31/12/2022
Deferred income	4,155	4,652
Accrued expenses	1,125	584
Forward financial instruments adjustment account	1,068	-
Other adjustments	-	-
TOTAL	**6,348**	**5,236**

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

	31/12/2023	31/12/202
Provisions for pensions and long-service awards	1,705	1,445
Other provisions for liabilities and charges	1,984	2,377
Provision for regulatory litigation	203	286
TOTAL	**3,892**	**4,108**

Other provisions for risks and charges correspond to provision calculations based on performing loans. They are calculated by the risk department based on statistical models (see paragraph 3.5.1.).

Movements in provisions for liabilities and charges during the year were as follows:

Provisions at 31/12/2022	4,108
Accrual	741
Release	956
Provisions at 31/12/2023	**3,892**

None of the amounts shown correspond to the use of this provision.

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

FGBR at 31/12/2022	656
Accrual	500
Release	656
FGBR at 31/12/2023	**500**

In line with Group policy, in 2022 ABC SA booked an additional provision in the general banking risks reserve to cover inflation-related risks. This provision was written back in full in 2023.

In addition, in 2023 ABC SA booked a provision for geopolitical risks.

13. OFF-BALANCE SHEET (in thousands of euros)

Off-balance sheet items comprise commitments given in connection with the Trade Finance business and guarantees received to cover related commitments or loans.

Off-balance sheet items break down as follows:

	31/12/2023	31/12/2022
Commitments given to credit institutions	**574,763**	**218,566**
- of which financing commitments	525,157	33
- of which Guarantees	49,606	218,533
Commitments given to customers	**690,574**	**631,540**
- of which financing commitments	284,800	413,006
- of which Guarantees	405,774	218,534
Guarantees received from insurance companies	**179,685**	**137,061**
- of which Guarantees received	179,685	137,061
TOTAL	**1,445,023**	**987,167**

14. INCOME (in thousands of euros)

Net banking income will rise by 48% between 2022 and 2023. The rise in interest income and expenses is largely a reflection of the rise in interest rates.

	31/12/2023	31/12/2022
Interest and similar income	**50,927**	**18,726**
- Of which financial institutions	11,566	1,115
- Of which corporate customers	39,361	17,611
Interest and similar expenses	(37,876)	(10,019)
Gains or losses on trading portfolio transactions (fx)	4,661	818
Fee and commission income	20,543	17,589
Fee and commission expenses	(2,277)	(2,916)
Other banking income and expenses	(239)	(80)
Net Banking Income	**35,739**	**24,118**

Net Banking Income is divided geographically as follows:

	31/12/2023	31/12/2022
TOI Paris	15,935	8,049
TOI Milan branch	7,864	7,314
TOI Frankfurt branch	11,940	8,755
Total net banking income	**35,739**	**24,118**

15. GENERAL OPERATING EXPENSES (in thousands of euros)

General operating expenses break down as follows:

	31/12/2023	31/12/2022
Payroll costs	**16,046**	**14,053**
- Wages and salaries	12,400	11,578
- Social security contributions	2,796	2,025

-	Other taxes	27	16
-	Change in retirement benefits provision	823	434
Other operating expenses		**11,853**	**10,454**
-	Other external services	5,201	4,505
-	Expenses recharged by the Group	4,899	4,452
-	Rent	1,435	1,389
-	Transport	494	293
-	Other taxes* and miscellaneous	(177)	(185)
Total general operating expenses		**27,899**	**24,507**

* the credit to "Other taxes" is due to the recovery of VAT in Germany.

16. COST OF RISK

The change for the year is due to:

- an accrual of €857k due to a new stage 3 doubtful debt
- a net reversal explained by the change over the year in provisions for credit risk based on performing loans. This calculation is based on the group statistical models as described in paragraph 3.2.3.

No loss on doubtful debt was recorded during the year.

	31/12/2023	31/12/2022
Accrual	(857)	482
Release	392	3,711
Amounts written off		
Annual variation	**(465)**	**3,229**

17. GAINS OR LOSSES ON FIXED ASSETS

No fixed assets were disposed of during the year.

18. INCOME AND EXPENSES FOR PREVIOUS FINANCIAL YEARS

No prior year income or expense was recognised during the year.

19. GENERAL INFORMATION ABOUT THE COMPANY

20.1. Shareholders' equity

The company's share capital of EUR 169,511,160.00 is made up of 16,951,116 fully paid-up shares of EUR 10 each, of which 16,451,116 were issued at the time of the partial transfer of assets.

Shareholders' equity excluding GBRR at 31 December 2023 breaks down as follows:

In thousands of Euros	**31/12/2023**	31/12/2022
Share capital	169,511	169,511
Legal reserve	2,434	695
Other reserves	12,639	12,639
Profit (loss) for the year	5,415	1,738
Shareholders' equity	**189,999**	**184,583**

Movements in the year were as follows:

	Share capital	Legal reserve	Other reserves	Retained earnings	Net profit for the year	Shareholders' equity
31/12/2022	169,511	695	12,639	1,739	-	184,584
Allocation of 31/12/2022 Retained earnings	-	1,739	-	(1,739)	-	-
Profit (loss) for the year	-	-	-	-	5,415	5,415
31/12/2023	**169,511**	**2,434**	**12,639**	**-**	**5,415**	**189,999**

20.2. Related party transactions

Transactions between related parties are carried out under normal market conditions and are described in the Transfer Pricing documentation.

20.3. Earnings per share

Earnings per share were €0.32.

20.4. Full-time equivalent employees

ABC SA employs 99 full-time equivalent staff in 2023, including 30 in France and 69 in the branches (Germany and Italy).

The executive/non-executive breakdown is as follows:

	Officer	Non-officer	Total
Paris	27	3	**30**
Frankfurt	11	30	**41**
Milan	13	15	**28**
Total	**51**	**48**	**99**

*The Chief Executive Officer, who is not an employee, is not included in this breakdown, which only includes the bank's employees.

20.5. Directors' remuneration

The AGM of 25 May 2023 decided to grant all directors a remuneration consisting of basic fees and committee fees in accordance with Group policy. The total remuneration allocated over 2023 to the Board of Directors is 209,000 euros.

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

No loans or advances were granted to members of the management body in 2023.

20.7. Consolidation principles and methods

Not applicable.

20.8. Auditors' fees

The following amounts of fees have been booked as expense over 2023:

- EY : 84,580 euros
- KPMG : 89,602 euros