

# Annual Report 2019

aion

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power of A.I.



# Content

**Introduction** p.5

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

- General overview p.11
- Corporate banking p.12
- Retail banking p.12
- Securities portfolio p.12
- Non-performing loans portfolio p.13
- Financial and economic situation p.13
  - Balance sheet p.13
  - Evolution of loans and assets p.13
  - Evolution of funding sources p.14
  - Changes in certain off-balance p.14
  - Sheet items p.14
- Profit and loss p.15
- Equity p.16

**Important events occurred after the balance sheet date** p.17

**Circumstances that can have a significant influence on the development of the company** p.19

**Research and development activities** p.21

**Information concerning branches of the Company** p.23

**Justification of the application of accounting rules on a going concern basis** p.25

**Application of conflicts of interest procedure (article 7:96 of the Code of Companies and Associations)** p.27

# Content

**Use of financial instruments by the Company, when this is relevant for the valuation of its assets, liabilities, financial situation losses or profits** p.35

**Justification of the independence and competence of at least one member of the Risk and Audit Committee** p.37

## **Pillar III disclosures**

- Governance p.40
- Recruitment policy for the selection of members of the management body and their actual knowledge, skills and expertise p.41
- 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 p.42
- Risk management objectives and policies p.43
- Own Funds p.44
- Capital requirements p.45
- Exposure to counterparty credit risk p.48
- Capital buffers p.49
- Credit risk adjustments p.50
- Unencumbered assets p.52
- Use of external credit assessment institutions (ECAI's) p.53
- Operational risk p.53
- Remuneration policy p.53
  - Governance p.53
  - Identified Staff p.54
  - Selection process p.54
  - Specific rules p.55
  - Leverage p.56

# Content

**Annual Accounts** p.59

**Audit report dated 25 June 2020 on the  
Annual Accounts of AION SA for  
the year ended 31 December 2019** p.69

# Introduction

# Letter from the CEO

*Brussels, 25 June 2020*

Dear All,

As we prepare the 2019 annual letter to stakeholders, Europe is slowly opening up after facing one of the greatest health threats in recent history, one that marks the economy and all of its citizens.

In these unprecedented circumstances, Aion proved to be very well-prepared for these challenging times. We have switched to remote working within a week. Thanks to our agility and our fully digital offering, our individual and business customers, their communities, including healthcare workers and first responders, can start to rebuild and recover from the profound impact this global crisis has had on their lives and businesses.

## 2019 highlights

Looking back on 2019, we are immensely proud of our achievements, which marked a special year for Aion's development, including:

- Change of control and completion of the bank's take-over by Warburg Pincus on 14 June 2019,
- Renewal of the bank's Board of Directors and Executive Committee with seasoned managers experienced in growing banking institutions worldwide,
- Successful improvement of the bank's operations, including transfer to a new, safe, and efficient, cloud-based banking system, Digitisation and automation of back-office processes based on the most modern technology,
- Implementation of new, digital mobile-first strategy with fully online processes via the Aion app,
- Introduction of a new name, visual identification, products and services for our individual and business customers.

## 2019 financial results

Financially, 2019 was marked by the implementation of a new business model, digitisation of the bank's operations and the introduction of new products and processes based on modern IT technologies.

We have managed to create a brand new banking experience for the Belgian market and we are on a mission to help Belgian businesses and households recover economically and

## Letter from the CEO

ease their administrative burdens. We have strong shareholders, seasoned international leadership and management, and fully committed staff. We have safe levels of capital and liquidity. 2019 ended with total assets of € 1.1 billion and total equity of € 85.1 million (total regulatory solvency ratio of 19.7%). We had an annual loss of € 43.8 million, which is acceptable at the beginning of our new growth path.

### Business up and running

Together with all Aion employees, I am very much looking to the rest of 2020. It will be an exciting year for our bank despite the external challenges; focused on continuation of our growth across all business segments.

Our amazing app harnesses artificial intelligence to relentlessly fight for the best deals for our members. Belgian residents and companies can safely onboard and manage their finances easily and comfortably from homes. It takes just a few minutes to become a member, and you can enjoy a great customer experience. Even the online credit process has already proven to be more intuitive and faster for most customers than asking their existing main banking connection for a loan. Counting by the number of new customers and by the volume of new deposits and loans, Aion has an attractive value proposition.

Despite the pandemic, we managed to achieve some milestones already in 2020:

- In March, Aion launched new fully digital app-based banking and products to help individual customers maximise their money through tools powered by A.I. In addition to daily banking, Aion introduced premium services that generally cost additional fees at most other banks, such as Exchange-Traded Fund (ETF) Asset Management and Financial Assistance (AdviseME) services, all included as part of our Regular membership.
- In May, Aion launched its fully app-based business banking to allow members to easily manage their finances from the comfort of their homes. Our fully digital onboarding ensures a fast, safe and frictionless account registration process. Our daily business banking, bookkeeping and security tools allow members to maximise their business, saving them time and money. In addition, Aion also offers a fully digital credit process.

## Letter from the CEO

We will continue on our growth track in the following months, accelerate our digital offering and make our product range at Aion even more sustainable. Through high-performing technology, innovative products and inspiring marketing campaigns, Aion is ready to take on the challenges of 2020. We are ready for more!

Last but not least, I want to thank our members, shareholders, and employees for the continued trust and support!

Yours sincerely,

Wojciech Sobieraj  
*CEO of Aion*



# Letter from the Chairman of the Board of Directors

*Brussels, 25 June 2020*

The Board of Directors commends the new Executive Committee and the entire Aion team for successfully executing the initial strategic goals since the acquisition closed last June. We were pleased with the smooth transition to a new management team and ownership, complete restructuring and IT migration with no significant operational events, a strong customer focus and consistent change management. The newly rebranded Aion Bank is well positioned to provide outstanding products and services leveraging its digital service model and revitalized brand.

The Board of Directors would also like to thank the former members of the Board of Directors and Executive Committee that operated until 14 June 2019, when the bank changed ownership.

Many Board of Directors meetings and Risk and Audit Committee meetings in the second half of 2019 focused on deciding important milestones for the new strategy. New IT systems, new risk policies, new customer services, new operating model, staff restructuring, new name and a new brand. The bank has set up a new Risk Appetite Statement with fundamental risk principles: no proprietary trading and new lending funded only by customer deposits. Lending and investment concentration limits have been tightened and internal control systems have been improved. Significant improvements have been made in the compliance area with special mention of PSD2, MIFID2, AML and GDPR.

The COVID-19 crisis is a significant challenge for the world and for the Belgian economy. Negative GDP development in 2020 and expectations of high growth in bankruptcies and unemployment. Aion has a robust customer portfolio, strong balance sheet and a tight risk appetite that will keep the bank safe and strong. With the competitive advantages the bank has, we believe that Belgian customers will increasingly find it attractive to become a member of Aion, and that the employees and managers of Aion will successfully execute their business plan through this challenging environment.

Yours sincerely,

Richard A. Laxer  
*Chairman*

Evolution and results  
of the business and  
situation of the  
company – description  
of main risks and  
uncertainties

Evolution and results of the business and situation of the company – description of main risks and uncertainties

## General Overview

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

Warburg Pincus LLC is a leading global private equity firm focused on investing in growth companies. The firm has more than \$54 billion in private equity assets under management. The firm's active portfolio of more than 185 companies is highly diversified by stage, sector and geography. Warburg Pincus is an experienced partner to management teams seeking to build durable companies with sustainable value. Founded in 1966, Warburg Pincus has raised 19 private equity funds, which have invested more than \$83 billion in over 860 companies in more than 40 countries.

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

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

The Bank went live with a new logo, name (Aion) and website in December 2019. The financial year 2019 has thus been characterised by this transformation process, with a significant amount of exceptional transactions and corresponding results. This included a restructuring of the staff of the Bank, the migration to a new IT platform, the sale of the private banking activities, the sale of the syndicated loan portfolio and a comprehensive review of the Bank's organisation, procedures and policies.

During the second half of 2019, the commercial activities of the Bank have been reduced and focused on ensuring the continuity of services towards existing clients, in order to concentrate efforts on the deployment of a new services offer.

The Bank aims to be a truly client centric, digital bank with a modern and flexible IT operating platform that allows for effective hybrid online and branch distribution of a wide range of financial services based on state of the art digital solutions.

The bank offers its services to retail and SME customers.

Evolution and results of the business and situation of the company – description of main risks and uncertainties

## Corporate Banking

The overall amount of deposits decreased from €964 million in 2018 to €803 million in 2019.

Deposits from companies and public authorities amounted to €399 million at the end of 2019 compared to € 468 million at the end of the last year.

The amount of loans fell sharply by €205 million to €271 million from € 476 million at the end of 2018 as a result of a second (the first one in 2018) sale of the portfolio of syndicated loans, in line with the change of control agreement.

## Retail Banking

The reduction of total loan amounts to retail customers observed in the last two years, due to the very competitive conditions offered by other banks, continued in 2019, with an 8% decline over the year (to €203 million in 2019 from €221 million at the end of 2018). The decrease continued after the change of control due to the decision not to actively market new loan products following the change of control over the Bank, pending the development of the new business model.

Retail deposits decreased significantly by 19% and reached €403 million at the end of 2019 compared to €496 million in 2018. This was related to both a transformation of the business model of the Bank, as well as a decision to reduce the over-liquidity stemming from the sale of syndicated loans.

## Securities Portfolio

Throughout 2019, the Bank focused on optimizing the management of this component of its assets, particularly in terms of risk and the quality of counterparties.

Following the change of ownership, the Bank implemented a policy of diversifying away from Italian debt reducing its exposure significantly to €146.8m. The remaining part of the €299.8m portfolio remained firmly diversified between different sovereign issuers with investment grade rating and in most cases ECB refinancing eligibility. Most of the fixed income portfolio concentrated in 3-6Y remaining maturity. As a result of changes in deposit and loan volumes, the size of the bond portfolio decreased to €317 million from €350 million at the end of 2018.

Evolution and results of the business and situation of the company – description of main risks and uncertainties

## Non-performing loans portfolio

The share of loans (net of provisions) held in the Deteriorated Past Due, Unlikely to Pay and Defaulted portfolios represents 9.7% of all customer loans at 31 December 2019 (compared with 3.7% at 31 December 2018). The percentage increase is highly influenced by the reduction of total loan portfolio, after the sale of syndicated loans.

The gross exposure on Defaulted loans is €55.1 million, with a provision coverage of 79% (compared to €56 million in 2018, with a 77% provision coverage).

The gross exposure on Unlikely to Pay and Deteriorated Past Due customer loans is €38.3 million, with a provision coverage of 10% (compared to €16 million in 2018, with a 20% provision coverage).

## Financial and economic situation

### *Balance sheet*

As at the end of December 2019, the total balance sheet showed a net reduction of 14% to € 1.08 billion compared to € 1.25 billion twelve months earlier.

The following developments were significant:

Despite the pandemic, we managed to achieve some milestones already in 2020:

- **Assets:** a decrease of €223 million in receivables from customers, including €205 from Corporate customers as a result of the new policy to reduce the portfolio of syndicated loans.
- **Liabilities:** a €162 million decrease in amounts owed to customers, including €28 million in current accounts, €88 million in term deposits and €46 million in savings.

### *Evolution of loans and assets*

- Receivables from credit institutions amounted to €270 million (increase vs. previous year by €88 million) and mainly concerned an increase in monetary reserve assets and cash surpluses left in accounts with the National Bank of Belgium (NBB), in addition to natural levels at the accounts of our main correspondent banks.
- Receivables from customers amounted to €474 million (of which €203 million from individuals, €265 million from corporate customers and €6 million from public authorities) compared to € 697 million a year earlier. The reduction was mainly due to the sale of the €200 million syndicated loan portfolio. The loan/deposit ratio, which stood at 72% at 31 December 2018, improved to 59% at 31 December 2019
- Bond receivables totalled €317 million compared to €350 million a year earlier.

## Evolution and results of the business and situation of the company – description of main risks and uncertainties

### ***Evolution of funding sources***

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

- The deposits from customers amounted to €803 million at the end of 2019 as compared to €964 million a year earlier.
- The outstanding amount of the deposit from credit institutions remained on the same level i.e. €148 million on 31 December 2019 vs. €150 million a year earlier, entirely comprising the Bank's remaining participation in the so-called T.L.T.R.O. programme. The latter provides a low-cost source of financing for the Bank. Of the €367 million T.L.T.R.O. initially borrowed, €218 million matured and was repaid in September 2018. The last two tranches of €118 million and €30 million expire in June 2020 and September 2020 respectively.

In terms of liquidity risk, Aion comfortably complies with all regulatory and internal limits, such as the Liquidity Coverage Ratio (LCR), which stood at 849% at 31 December 2019, and the Net Stable Funding Ratio (NSFR) at 162%. The Excess Liquidity Buffer amounts to €284 million.

### ***Changes in certain off-balance sheet items***

#### *Guarantees*

Commitments granted in connection with the issue of bank guarantees fell by €5 million (-14%) and amounted to €30 million as at 31 December 2019.

#### *Interest rate transactions*

Aion uses only Interest Rate Swaps (IRS). Except for back-to-back operations, it uses them to hedge part of its fixed-rate and long-term loan portfolio, which consists mainly of mortgage loans and investment loans. As of 31 December 2019, the outstanding IRS notional amount was € 119.8 million compared to €131.3 million at the end of 2018. The share of macro-hedging transactions was 94%, while the remaining 6% is related to micro-hedging transactions.

#### *Third-party securities deposits*

As a consequence of the strategic repositioning, the Bank decided to discontinue its private banking and securities activities. These activities were successfully sold to a third party and, as a consequence, there were no longer securities under administration at the end of 2019 (€264 million as at 31 December 2018).

# Evolution and results of the business and situation of the company – description of main risks and uncertainties

## Profit and loss

Aion closed 2019 with an accounting loss of €43.75 million, compared to a net accounting loss of €3.74 million in 2018.

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

- The interest margin contributed €7.3 million (-54%) to the 2019 economic account, compared with €15.9 million in the previous year mainly due to sale of nearly € 200 million syndicated loans portfolio.
- Net overall commissions fell from €1.8 million in 2018 to €0.7 million in 2019.
- Income from financial transactions amounted to €0.7 compared with €2.9 million previously.
- General expenses increased significantly in 2019 to €35.5 million compared to €16.0 million in 2018. The increase is due to a series of one-offs related to restructuring of the Bank, thereof: € 13.0 million provision for HR restructuring.
- Other operating expenses amounted to €3.9 million. The main charge under this item relates to the new banking taxes (single annual bank tax) introduced in 2016.
- Disposal charges on intangible and tangible fixed assets amounted to €6.6 million mainly due to write-off of the old core banking system which was replaced by the new mobile banking oriented banking platform designed for Aion.
- As a result of the revision of the loan portfolio in the change of control process, the Bank recognized write-downs on receivables for a net amount of €14.8 million, versus €4.2 million in 2018. In 2019, the Bank recognized 3.1 provisions for litigations and other risks and charges.
- In view of the realised loss, the Bank did not bear any income tax. The Bank does not register deferred tax assets, at this stage of its development.

## Evolution and results of the business and situation of the company – description of main risks and uncertainties

### Equity

The available level of total regulatory capital at the end 2019 is € 96.8 million, resulting in a regulatory solvency ratio of 19.7%.

<b>Regulatory Solvency ratios</b>	<b>31.12.2018</b>	<b>31.12.2019</b>
RWA (amounts in million €)	720.1	490.8
Core Tier I ratio	15.0%	16.9%
Tier I ratio	15.0%	16.9%
Regulatory Solvency ratio (Tier I + Tier II)	16.9%	19.7%

The Bank was provided with two capital increases by its new shareholder in 2019, totaling €24m.

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



Important events  
occurred after the  
balance sheet date

## Important events occurred after the balance sheet date

The Company has increased its capital and changed the articles of association on 30 March 2020. The capital was increased by 15,000,000 euro without issuing new shares and amounted to 89,887,649 euro as at 31 March 2020.

Since March 2020, Belgium and in fact the whole world has been significantly affected by the health crisis of Covid-19. The disturbance of supply chains, the lock-downs and related reductions in investments and consumption will very likely lead to a heavy recession in 2020 in Belgium, and markets where our customers are operating.

It is too early to conclude the full impact for Aion. Till the beginning of June 2020, 35 retail clients and 19 SME customers have requested and been granted postponement of installments and interest on their loans in Aion. We are supporting our customers to get financially healthy through this crisis, while taking proper long term care for not increasing our expected loan losses.

Aion has converted all operations to full Work From Home mode, without any operational incidents. Also all meetings of governing bodies take place in WFH mode.

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

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

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

The Company's growth and profitability are influenced by:

- Continuous efforts to increase the customer base according to opportunities,
- The development of commercial activity and the quality of customer service,
- Changes in capital and financial markets,
- Investments made to provide the Bank with state-of-the-art technology,
- Reputation risk,
- The macroeconomic environment,
- Length of the COVID-19 pandemic and its impact on the economy and behavior of customers and competitors,
- Shareholder stability.

Research and  
development  
activities

## Research and development activities

As part of the transformation of the Bank, the Company invests significant resources in developing state-of-the-art digital banking tools. It is the Bank's ambition to be a digital first challenger Bank, that offers a comprehensive set of services to both retail and SME clients. To that effect, the Bank develops highly digitalised processes for all banking operations, using the latest technology for client, onboarding, authentication processes, and communications with clients. The Company is otherwise not involved in research and development activities.

# Information concerning branches of the Company

## Information concerning branches of the Company

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



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

## Justification of the application of accounting rules on a going concern basis

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

Application of conflicts  
of interest procedure  
(article 7:96 of the  
Code of Companies  
and Associations)

## Application of conflicts of interest procedure (article 7:96 of the Code of Companies and Associations)

The procedure set forth in article 7:96 of the Code of Companies and Associations was applied at the following occasions:

### *Board of Directors of 14 June 2019*

Prior to discussing the items on the agenda, the directors Wojciech Sobieraj, Wojciech Sass and Niels Lundorff declared that they have a conflicting patrimonial interest (intérêt opposé de nature patrimoniale) in the sense of Article 523 of the Belgian Companies Code in relation to points 2, 3 and 6 of the agenda set out above.

The conflict of interest in relation to points 2 and 3 lies the fact that the present board meeting will resolve on the approval of the service agreements between the Company and respectively Wojciech Sobieraj (as Chief Executive Officer), Wojciech Sass (as Chief Commercial Officer) and Niels Lundorff (as Chief Financial Officer). In light of this conflict, Wojciech Sobieraj, Wojciech Sass and Niels Lundorff have decided that they will abstain from voting on the second and third points of the agenda set out above.

The board of directors is of the opinion that the approval of the service agreements with the members of the Executive Committee is, notwithstanding the conflict of interest in respect thereof, in the interest of the Company for the following reasons:

1. The qualifications and relevant experience within the banking sector of each of the members of the Executive Committee have played a crucial role to determine their terms and conditions and their level of remuneration;
2. The remuneration as set out in their service agreements is in line with the remuneration paid to executive committee members in the banking sector;
3. And the whole compensation package that is set out in the service agreements is required to attract the right people to successfully carry out the ambitious future plans of the Company within the banking sector.

The conflict of interests in relation to point 6 lies in the fact that the present board meeting will resolve on the approval of a temporary consultancy agreement to be entered into by the Company with Polish IT company Vodeno sp z o.o ("Vodeno IT"). Wojciech Sobieraj, Wojciech Sass and Niels Lundorff are all three former employees of Vodeno IT where they were instrumental in the development of the business of Vodeno IT.

## Application of conflicts of interest procedure (article 7:96 of the Code of Companies and Associations)

They were awarded deferred remuneration by Vodeno IT as part of their remuneration package agreed with Vodeno IT and this deferred remuneration will vest if and when certain performance criteria are met in the future. The entering into the temporary consultancy agreement with Vodeno IT could influence the financial performance of Vodeno IT and, hence, the level of deferred remuneration that Wojciech Sobieraj, Wojciech Sass and Niels Lundorff may in the future receive from Vodeno IT. In light of this conflict, Wojciech Sobieraj, Wojciech Sass and Niels Lundorff have decided that they will abstain from voting on this point of the agenda.

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

The board of directors is of the opinion that the approval of the temporary consultancy agreement to be entered into with Vodeno IT is, notwithstanding the conflict of interest, in the interest of the Company for the following reasons:

- Vodeno IT will provide essential support to the Company to ensure a smooth transition to its new business model;
- The fees as set out in the temporary consultancy agreement are in line with market practice for this type of service; and
- The contract has an initial limited duration of 3 months.

The patrimonial consequences of entering into the temporary consultancy agreement with Vodeno IT will consist in the payment of a consultancy fee by the Company to Vodeno IT for the consulting services to be provided. The Company's auditor will be informed of the above conflict of interests, and the minutes of this meeting with respect to this conflict of interests will be included in the Company's annual report or in a document that is filed together with the annual accounts, as the case may be.

## Application of conflicts of interest procedure (article 7:96 of the Code of Companies and Associations)

### *Board of Directors of 2 July 2020*

The directors Wojciech Sobieraj, Wojciech Sass and Niels Lundorff informed the Company prior to the signing of the written resolutions that they have a conflicting patrimonial interest (*intérêt opposé de nature patrimoniale*) in the sense of Article 7:96 of the Code of Companies and Association in relation to the decision number 2 “Approval of the key terms of the outsourcing agreement for the testing phase to be entered into with Vodeno sp z.o.o.”

The conflict of interests lies in the fact that the directors have to resolve on the approval of a temporary outsourcing agreement for the tasting phase (the “Outsourcing Agreement for the testing phase”) to be entered into by the Company with Polish IT company Vodeno sp Z.o.o (“Vodeno IT”). Wojciech Sobieraj, Wojciech Sass and Niels Lundorff are all three former employees of Vodeno IT where they were instrumental in the development of the business of Vodeno IT. They were awarded deferred remuneration by Vodeno IT as part of their remuneration package agreed with Vodeno IT and this deferred remuneration will vest if and when certain performance criteria are met in the future. The entering into the Outsourcing Agreement for the testing phase with Vodeno IT could influence the financial performance of Vodeno IT and, hence, the level of deferred remuneration that Wojciech Sobieraj, Wojciech Sass and Niels Lundorff may in the future receive from Vodeno IT.

The other directors are however of the opinion that the approval of the Outsourcing Agreement for the testing phase to be entered into with Vodeno IT is, notwithstanding the conflict of interest, in the interest of the Company for the following reasons: (a) Vodeno IT will provide to the Company an innovative electronic platform with unique IT solutions to support the banking operations of the Company, including client onboarding solutions. (b) the services under the Outsourcing Agreement for the testing phase will be tested on a limited number of carefully selected clients; (c) the fees as set out in the Outsourcing Agreement for the testing phase are in line with market practice; and (d) the Outsourcing Agreement for the testing phase has an initial limited duration of 5 months but may be terminated earlier upon entry into force of a final cooperation and outsourcing agreement for the testing phase which will be entered into upon satisfactory results of the testing phase to be conducted under the Outsourcing Agreement for the testing phase.

The patrimonial consequences of the entering into the Outsourcing Agreement for the testing phase with Vodeno IT will consist in the payment of a fee by the Company to Vodeno IT. In light of this conflict, Wojciech Sobieraj, Wojciech Sass and Niels Lundorff have decided that they will not participate in the written resolutions relating to this point.

## Application of conflicts of interest procedure (article 7:96 of the Code of Companies and Associations)

The Company's auditor will be informed of the above conflict of interests, and these written resolutions will be included in the Company's annual report or in a document that is filed together with the annual accounts, as the case may be.

In addition, the directors Peter Deming and Richard Laxer also informed the Company that they have a functional conflict of interests in the sense of Article 109(e) of the EBA Guidelines on internal governance under Directive 2013/36/EU in relation to this decision, as they are directors of Vodeno IT. In light of this conflict, Peter Deming and Richard Laxer have decided that they will not participate in the written resolutions in respect of this point.

The board of directors of the Company taking into account that the Company intends to provide financial services in Belgium using a new, innovative electronic platform, reviewed the entering into a temporary outsourcing agreement for the testing phase with Vodeno IT for a limited period of time in order to conduct a testing phase with a selected number of clients and assess the effectiveness of the solution, before entering into a definitive outsourcing agreement. The directors have been provided with (i) a note presenting the key terms of the agreement, (ii) a note from the compliance team of the Company on the outsourcing regime and (iii) a draft of the Outsourcing Agreement for the testing phase. The board of directors resolved to approve the draft Outsourcing Agreement for the testing phase substantially in the form submitted to the board of directors.

## Application of conflicts of interest procedure (article 7:96 of the Code of Companies and Associations)

*Board of Directors of 15 September 2020*

Prior to discussing the the agenda, the directors Wojciech Sobieraj, Wojciech Sass and Niels Lundorff declared that they have a conflicting patrimonial interest (intérêt opposé de nature patrimoniale) in the sense of of Article 7:96 of the Code of Companies and Associations in relation to point 1 of the agenda “Approval of the framework and major terms of the outsourcing agreement with Vodeno Sp. z o.o.”

In light of this conflict, Wojciech Sobieraj, Wojciech Sass and Niels Lundorff have decided that they will abstain from voting in respect to this point of the agenda. The conflict of interest lies in the fact that the directors have to resolve on the approval of a term sheet of the outsourcing agreement (the “Outsourcing Agreement”) to be entered into by the Company with Polish IT company Vodeno sp z.o.o (“Vodeno IT”). Wojciech Sobieraj, Wojciech Sass and Niels Lundorff are all three former employees of Vodeno IT where they were instrumental in the development of the business of Vodeno IT. They were awarded deferred remuneration by Vodeno IT as part of their remuneration package agreed with Vodeno IT and this deferred remuneration will vest if and when certain performance criteria are met in the future. The entering into the Outsourcing Agreement with Vodeno IT could influence the financial performance of Vodeno IT and, hence, the level of deferred remuneration that Wojciech Sobieraj, Wojciech Sass and Niels Lundorff may in the future receive from Vodeno IT. In addition, the directors Peter Deming and Richard Laxer also declared that they have a functional conflict of interests in the sense of Article 109(e) of the EBA Guidelines on internal governance under Directive 2013/36/EU in relation to the point of the agenda set out above, as they are directors of Vodeno Sp. z o.o. (members of the Supervisory Board). In light of this conflict, Peter Deming and Richard Laxer have decided that they will abstain from voting in respect of this point of the agenda.

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

The directors are of the opinion that the approval of the framework and major terms of the Outsourcing Agreement to be entered into with Vodeno IT is, notwithstanding the conflict of interest, based on the information provided by the Company, is in the interest of the Company. The board of directors reviewed the entire presentation on the terms of the Outsourcing Agreement submitted to it and the information provided by Linklaters and Deloitte as external advisors. The board of directors assessed the suitability of Vodeno IT as outsourcing partner, the risks and charges during the system migration and the required recurring services. Management confirmed that the charges and recurring costs



## Application of conflicts of interest procedure (article 7:96 of the Code of Companies and Associations)

of the IT-systems are in line with information presented to the NBB during the change of control filing process. The board of directors asked the negotiating team of the company to ensure that all provisions indicated in the presentation are reflected in the final contract. Management agreed to engage Deloitte (or equivalent high profile IT consultancy) to progressively verify the quality of the test systems to be used during the “final system sign off process” and make these test system verifications available to the board of directors before the final systems implementation and data migration. It has been agreed that the final content of the contract will be approved by the Board of Directors.

The board of directors acknowledged that it has been provided with a presentation supplementing the presentation on outsourcing presented at the meeting of 11 September 2019 with an analysis on outsourcing regime and outsourcer. The board of directors resolved to approve the draft of the framework and the key terms of the outsourcing agreement as submitted to the board of directors as basis for the continued consultation with NBB, in order to develop and present a final version of the outsourcing agreement for approval of the board of directors.

### *Board of Directors of 15 November 2019*

Prior to discussing the above item on the agenda, the directors Wojciech Sobieraj, Wojciech Sass and Niels Lundorff declared that they have a conflicting patrimonial interest (intérêt opposé de nature patrimoniale) in the sense of Article 7:96 of the Code of Companies and Associations in relation to point 6 of the agenda “approval Outsourcing Agreement with Vodeno IT. In light of this conflict, Wojciech Sobieraj, Wojciech Sass and Niels Lundorff have decided that they will abstain from voting in respect of point 6 of the agenda. In addition, the directors Peter Deming and Richard Laxer also declared that they have a functional conflict of interests in the sense of Article 109(e) of the EBA Guidelines on internal governance under Directive 2013/36/EU in relation to the point of the agenda set out above, as they are directors of Vodeno Sp. z o.o. (members of the Supervisory Board). In light of this conflict, Peter Deming and Richard Laxer have decided that they will abstain from voting in point 6a of the agenda.

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

The conflict of interest lies in the fact that the directors have to resolve on the approval of the outsourcing agreement (the “Outsourcing Agreement”) to be entered into by the Company with Polish IT company Vodeno Sp z.o.o (“Vodeno IT”). Wojciech Sobieraj, Wojciech Sass and Niels Lundorff are all three former employees of Vodeno IT where they

## Application of conflicts of interest procedure (article 7:96 of the Code of Companies and Associations)

were instrumental in the development of the business of Vodeno IT. They were awarded deferred remuneration by Vodeno IT as part of their remuneration package agreed with Vodeno IT and this deferred remuneration will vest if and when certain performance criteria are met in the future. The entering into the Outsourcing Agreement with Vodeno IT could influence the financial performance of Vodeno IT and, hence, the level of deferred remuneration that Wojciech Sobieraj, Wojciech Sass and Niels Lunderoff may in the future receive from Vodeno IT.

The CFO presented the main assumptions and key terms of the Outsourcing Agreement with Vodeno Sp. z o.o. which contains all provisions from the agreed Term Sheet presented and approved in the BoD meetings on September 11th and 15th 2019 (presented in NBB meeting September 17th 2019). He informed the members of the Board of Directors that the NBB has no objection to the outsourcing agreement. The agreement has been concluded on the "Arm's length principles" for 7 years, including Service Credits (gradually penalizing Vodeno if Service Levels are not met). The head of the Risk and Audit Committee reported on its assessment of the outsourcing agreement. Based on advice of external legal counsel, amongst others on the compliance with relevant EBA Guidelines, the Risk and Audit Committee gave a positive recommendation to the Board of Directors to approve the outsourcing agreement. Taking into account that the Company intends to provide financial services in Belgium using a new, innovative electronic platform, the board of directors considered entering into an outsourcing agreement with Vodeno IT. The term sheet of the outsourcing agreement has been approved by the Board of Directors at the meeting held on 15th September. The National Bank of Belgium has been notified of the outsourcing agreement. The Board of Directors acknowledged that the directors have been provided with (i) a draft of the outsourcing agreement (ii) presentation (iii) confirmation letter from Linklaters and resolved to approve the Outsourcing Agreement with Vodeno Sp. z o.o.

Use of financial instruments by the Company, when this is relevant for the valuation of its assets, liabilities, financial situation losses or profits

Use of financial instruments by the Company, when this is relevant for the valuation of its assets, liabilities, financial situation losses or profits

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

The ALM Committee provides an important contribution to the Executive Committee in terms of financial risk management and support for managerial decisions. It also monitors decisions and compliance with the limits set by the Executive Committee and the Board of Directors.

The Bank's activities in derivatives are limited and for hedging purposes only. These are mainly interest rate swap transactions. It should be noted that, in order to hedge the interest rate risk on the fixed rate mortgage loan portfolio, Aion uses amortizing IRS.

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

Justification of the  
independence and  
competence of at least  
one member of the  
Risk and Audit  
Committee

## Justification of the independence and competence of at least one member of the Risk and Audit Committee

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

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

# Pillar III disclosures

## Governance

The table below sets for the composition of the Board of Directors and the total number of directorships held by members of the Board of Directors.

Name	Type of Director	Number of other mandates
Wojciech Sobieraj	Executive Director, Chief Executive Officer	1
Wojciech Sass	Executive Director, Chief Commercial Officer	0
Niels Lunderoff	Executive Director, Chief Financial Officer	4
Evert Derks Drok	Independent Director, Chairman of the Risk & Audit Committee	3
Guido Ravoet	Independent Director	2
Richard Laxer	Non-Executive Director, Chairman of the Board	3
Daniel Zilberman	Non-Executive Director	7
Peter Deming	Non-Executive Director	4
Sina Oefinger	Non-Executive Director	0

The Executive Committee, at the end of 2019, is composed as follows:

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

The Risk and Audit Committee, at the end of 2019, is composed as follows:

- Evert Derks Drok (chairman)
- Richard Laxer
- Guido Ravoet

Since it is not a credit institution of significant importance, the Bank decided in 2019, in accordance with article 33 of the Banking Law, to no longer have a Remuneration Committee or a Nomination Committee. The functions of the Remuneration and Nomination Committee are carried out by the Board of Directors.

The Risk and Audit Committee met eight times during 2019.



### **Recruitment policy for the selection of members of the management body and their actual knowledge, skills and expertise**

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

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

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

New directors will be assessed and selected taking into account:

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

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

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

### **Policy on diversity with regard to selection of members of the management body, its objectives and any relevant targets set out in that policy, and the extent to which these objectives and targets have been achieved**

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

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

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

### 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:

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

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

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

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

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

<sup>1</sup> Internal Capital Adequacy Assessment Process

## Own Funds

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

### Regulatory Own Funds

Capital	74.9
Share Premium	10.1
Reserves	43.9
Results carried forward	0.0
Net Profit	-43.8
Book Value of Equity	85.1
CET1 Instruments	0.0
Intangible Assets	-2.4
CET1 Capital	82.8
Other Tier 1 Elements	0.0
Tier 1 Capital	82.8
Tier 2 Subordinated notes <sup>2</sup>	14.0
Total Regulatory Capital	96.8

<sup>2</sup> This subordinated note amounts to €14 million, it has a final maturity in February 2031. The interest rate is indexed quarterly based on the 3-months Euribor + 2.20%.

## Capital requirements

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

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

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

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

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

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

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

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

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

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

## Pillar III disclosures

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

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

When aggregating Economic Capital requirements on the level of the organization, the Bank does not include diversification effects between risk types.

If the aggregation of Economic Capital requirements for all risks produces a result that is below regulatory capital requirements, then the Bank will keep the results of Regulatory Capital Requirements as Internal Capital Requirements.

Capital requirements are assessed taking into account the latest Bank Specific SREP decision (Pillar 2 Requirement of 2.25% and CET1 Pillar 2 Guidance of 1%) and the combined buffer requirements (capital conservation buffer 2.50% and average countercyclical buffer 0.02%)

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### Overall Capital Requirement (OCR) + Pillar 2 Guidance (P2G)

CET1 Ratio	10.27%
T1 Ratio	10.77
Total Capital Ratio	12.77

## Pillar III disclosures

### Capital Adequacy Pillar 1 (€ million)

Credit RWAs	451.6
Credit Value Adjustment	6.9
Operational risk	32.3
Market risk	0.0
Total Pillar 1 RWA	490.8
Available CET 1 Capital	82.8
Available Tier 1 Capital	82.8
Available Total Capital	96.8
CET1 Ratio	16.88%
T1 Ratio	16.88%
Total Capital Ratio	19.73%

### Credit Risk Risk Weighted Exposures by Exposure types (€ million)

Central governments or central banks	13.4
Regional governments or local authorities	5.9
Institutions	45.0
Corporates	256.8
Retail	38.6
Secured by mortgages on immovable property	53.8
Non Performing Exposures	34.7
Other items	3.3
Total Risk Weighted Exposures	451.6

### 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 mainly uses Interest Rate Swaps (IRS) and currency swaps. Except for back-to-back operations, IRS transactions are only used to hedge part of its fixed-rate and long-term loan portfolio, which consists mainly of mortgage loans and investment loans. As of 31 December 2019, the outstanding IRS notional amount was €119.8 million compared to €131.3 million at the end of 2018. The share of macro-hedging transactions was 94%, while the remaining 6% is related to micro-hedging transactions.

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

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

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#### Counterparty Credit Risk Exposures (€ million)

Current replacement cost	0.1
Potential future exposure	1.8
Total exposure to CCR <sup>3</sup>	1.9

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#### Counterparty Credit Risk RWA (€ million)

Risk weighted exposure to CCR <sup>4</sup>	1.7
Credit Valuation Adjustment Exposure	6.9

<sup>3</sup> Included in Credit Risk Exposures

<sup>4</sup> Included in Credit Risk RWA's



## Capital buffers

### Countercyclical Buffer (CCB) Exposures (€ million)

Country	Countercyclical buffer rate	Co RWA on CCB Exposures (€ million)
BE	0.00%	320.6
IT	0.00%	25.6
NL	0.00%	11.3
MC	0.00%	7.2
FR	0.25%	5.7
AE	0.00%	2.6
CY	0.00%	1.5
HK	2.50%	1.4
DE	0.00%	1.2
CD	0.00%	1.0
LB	0.00%	1.0
LU	0.00%	0.9
GB	1,00%	0.8
Other	0.00%	6.5
Total	0,02%	387.3

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)	490.8
Institution specific countercyclical buffer rate	0.02%
Institution specific countercyclical buffer requirement (€ million)	0.1

## Credit risk adjustments

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

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

## Pillar III disclosures

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:

- The status of the client in the Central Credit Register,
- Financial situation of the client,
- Business surveys,
- Potential new valuations,
- Collaterals,
- Any potential third-party buy-back offers,
- 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 2019 by geographical distribution broken down by exposure classes:

### Geographic Breakdown of Exposures (Net Exposures, EUR million)

	Belgium	Other EU	Rest of the World	Total
Central governments or central banks	228,6	294,5	22,0	545,1
Regional governments or local authorities	5,9	–	–	5,9
Institutions	58,8	12,5	2,6	73,9
Corporates	320,8	16,3	9,2	346,3
Retail	33,1	16,3	3,2	52,6
Secured by mortgages on immovable property	105,2	35,5	8,5	149,2
Other items	7,0	0,6	0,1	7,7
Non Performing Exposures	11,5	12,3	8,7	32,5
<b>Total</b>	<b>771,0</b>	<b>387,9</b>	<b>54,3</b>	<b>1.213,2</b>

## Pillar III disclosures

### Credit Risk Adjustments (€ million)

Gross Performing Exposures	1180.7
Gross Non Performing Exposures	79.8
Specific provisions	-47.3
Total Net Exposures (before GLLP)	1213.2
General Loan Loss Provision	-5.4
Total Net Exposures (after GLLP)	1207.8

### Unencumbered assets

Encumbrance of the Bank's assets is as follows:

### Unencumbered assets (€ million)

Assets encumbered for TLTRO <sup>5</sup>	184.5
Assets encumbered for SRLF <sup>6</sup>	180.6
Assets encumbered for other reasons	1.0
Unencumbered assets	712.7

<sup>5</sup> Targeted Long Term Refinancing Operations (TLTRO) programs from the European Central Bank.

<sup>6</sup> Secured Revolving Liquidity Facility (SRLF) is a contingency funding facility.

### Use of external credit assessment institutions (ECAI's)

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

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

- Central Governments
- Local Governments
- Banks

### Operational risk

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

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

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

### Remuneration policy

#### *Governance*

The purpose of the Remuneration Policy is to regulate the remuneration mechanisms within Aion 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, this while promoting the objectives and long-term interests of Aion and the absence of conflicts of interest.

## Pillar III disclosures

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

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

### ***Identified Staff***

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

### ***Selection process***

In the identification process, Aion applied the following criteria:

- The members of the Board of Directors of Aion
- The members of the Management Committee of Aion;
- The staff members who head an independent control function (independent risk management function, compliance function or internal audit function);
- 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 604/20147;
- The Staff members whose total remuneration exceeds the thresholds determined in accordance with the quantitative criteria set out in the Delegated Regulation 604/2014, unless the professional activities of the Staff member do not have a material impact on Aion's risk profile;
- 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.

## Pillar III disclosures

### ***Specific rules (risk alignment, deferral, instruments)***

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

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

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

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

The fixed remuneration represents a sufficiently high share of the total remuneration in order to guarantee a maximal flexibility relating to the variable remuneration, such as in particular the possibility not to grant any.

The variable remuneration for each member of the Identified Staff is limited to the highest of the two following amounts:

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

## Pillar III disclosures

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

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

### **Leverage**

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

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

At the end of the financial year 2019, the leverage remains at a high level of 7.4% (8.3% in 2018).

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

1	Total assets as per published financial statements	1078.9
2	Adjustments for derivative financial instruments	1.9
3	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	41.5
4	Other adjustments	-2.4
5	Leverage ratio total exposure measure	1120.0



## Pillar III disclosures

Table LRCom: Leverage ratio common disclosure  
(€ million)

On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items	1078.9
2	(Asset amounts deducted in determining Tier 1 capital)	-2.4
3	<b>Total on-balance sheet exposures (sum of lines 1 and 2)</b>	<b>1076.5</b>
Derivative exposures		
4	Replacement cost associated with all derivatives transactions	0.1
5	Add-on amounts for PFE associated with all derivatives transactions	1.8
6	<b>Total derivatives exposures (sum of lines 4 and 5)</b>	<b>1.9</b>
Other off-balance sheet exposures		
7	Off-balance sheet exposures at gross notional amount	129.3
8	(Adjustments for conversion to credit equivalent amounts)	-87.9
9	<b>Other off-balance sheet exposures (sum of lines 7 and 8)</b>	<b>41.5</b>
Capital and total exposure measure		
10	Tier 1 capital	82.8
11	<b>Leverage ratio total exposure measure (sum of lines 3, 6 and 9)</b>	<b>1120.0</b>
Leverage ratio		
12	<b>Leverage ratio (10/11)</b>	<b>7.4%</b>

## Pillar III disclosures

**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:	1078.9
EU-2	Trading book exposures	–
EU-3	Banking book exposures, of which:	1067.3
EU-4	Covered bonds	–
EU-5	Exposures treated as sovereigns	545
EU-6	Exposures to regional gov., MDB, intern. org. and PSE not treated as sovereigns	5.9
EU-7	Institutions	72
EU-8	Secured by mortgages of immovable properties	149.2
EU-9	Retail exposures	50.9
EU-10	Corporate	217.1
EU-11	Exposures in default	27.3
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	11.6

# Annual Accounts

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

**ANNUAL ACCOUNTS IN THOUSANDS OF EUROS**

NAME: AION S.A

Legal form: Société Anonyme (Limited Company)

Address: Rue de la Loi

N°: 34

Box:

Postal code: 1040

Commune : Bruxelles

Country: Belgium

Register of Legal Persons (RPM) - Tribunal de l'entreprise de Bruxelles (Brussels Enterprise Court)

Internet address<sup>1</sup>: <http://www.aion.be>

Company number

**0403.199.306**

DATE **30/03/2020**

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

**25/06/2020**

and relating to the financial year covering the period of

**01/01/2019**

to

**31/12/2019**

Previous fiscal year of

**01/01/2018**

to

**31/12/2108**

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

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

- M. Wojciech SOBIERAJ, Director - Rue de la Loi, 34 - 1040 BRUXELLES - from 14.06.2019 to 31.12.2021
- M. Wojciech SASS, Director - Rue de la Loi, 34 - 1040 BRUXELLES - from 14.06.2019 to 31.12.2021
- M. Niels LUNDORFF, Director - Rue de la Loi, 34 - 1040 BRUXELLES - from 14.06.2019 to 31.12.2021
- M. Daniel ZILBERMAN, Director - Rue de la Loi, 34 - 1040 BRUXELLES - from 14.06.2019 to 31.12.2024
- M. Richard LAXER, Director and Chairman of the Board of Directors - Rue de la Loi, 34 - 1040 BRUXELLES - from 14.06.2019 to 31.12.2024
- M. Peter DEMING, Director - Rue de la Loi, 34 - 1040 BRUXELLES - from 14.06.2019 to 31.12.2024
- Mme Sina OEFINGER, Director - Rue de la Loi, 34 - 1040 BRUXELLES - from 14.06.2019 to 31.12.2024
- M. Evert DERKS DROK, Independent Director - Rue de la Loi, 34 - 1040 BRUXELLES - from 14.06.2019 to 31.12.2021
- M. Guido RAVOET, Independent Director - De Stolberglaan, 1 - 3080 TERVUREN du 09.04.2019 au 31.12.2021

**Certified Statutory Auditor**

EY Réviseurs d'Entreprises SRL (B00160) - De Kleetlaan, 2. 1831 Diegem – Belgium

Mandate start date: 08/04/2019

Represented directly or indirectly by Joeri Klaykens (A02138)

De Kleetlaan, 2. 1831 Diegem - Belgium

Documents attached to these annual accounts:

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

Signature  
(name and quality)

Signature  
(name and quality)

SOBIERAJ Wojciech  
Chief Executive Officer - Director

LUNDORFF Niels  
Chief Financial Officer - Director

<sup>1\*\*</sup> Delete as appropriate.

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

M. Guido RAVOET, Président	De Stolberglaan, 1	3080 TERVUREN	until 09.04.2019
M. Dino ALBANESE, Director	Avenue Paul Hymans, 79 b13	1200 BRUXELLES	until 14.06.2019
Mme Anna ARMENTO, Director	Via Elpidio Bertoli, 1191	MODENA - ITALY	until 14.06.2019
M. Giampiero BERGAMI, Director	Viale Elvezia, 4	MILANO - ITALY	until 14.06.2019
M. Cristiano CIAPPEI, Director	Via F De Sanctis, 2	FIRENZE - ITALY	until 14.06.2019
M. Alain COOLS, Director	Avenue des Abeilles, 34	1410 WATERLOO	until 14.06.2019
M. Fabrizio SCHINTU, Director	Via Romeo Rodriguez Pereira, 243 In. 8	SABAUDIA - ITALY	until 14.06.2019

### STATEMENT REGARDING AN ADDITIONAL AUDIT OR ADJUSTMENT ENGAGEMENT

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

The annual accounts ~~have~~ / **have not**<sup>2</sup> 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<sup>3\*\*</sup>,
- 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)

<sup>2</sup> Delete as appropriate.

<sup>3\*\*</sup> Mention is optional.

**BALANCE SHEET AFTER DISTRIBUTION**

	Ann.	Codes	Accounting year	Previous accounting year
<b>ASSETS</b>				
<b>I. Cash, balances with central banks and post office cheque offices</b>		10100	3.893	4.917
<b>II. Government securities eligible for central bank refinancing</b>		10200		
<b>III. Receivables to credit institutions</b>	5.1	10300	270.295	182.235
A. At sight		10310	34.978	17.226
B. Other receivables (term or notice)		10320	235.317	165.010
<b>IV. Receivables from customers</b>	5.2	10400	473.946	697.362
<b>V. Bonds and other fixed-income securities</b>	5.3	10500	317.388	350.079
A. From public issuers		10510	315.174	347.790
B. From other issuers		10520	2.214	2.288
<b>VI. Shares, shares in companies and other variable-income securities</b>	5.4	10600		
<b>VII. Financial fixed assets</b>	5.5 / 5.6.1	10700	162	162
A. Investments in associates		10710		
B. Investments in other companies linked by virtue of a participating interest		10720		
C. Other shares and units constituting financial fixed assets		10730	162	162
D. Subordinated claims on affiliated companies and other companies linked by virtue of participating interests		10740		
<b>VIII. Formation expenses and intangible assets</b>	5.7	10800	2.358	6.440
<b>IX. Tangible assets</b>	5.8	10900	1.166	1.462
<b>X. Treasury shares</b>		11000		
<b>XI. Other assets</b>	5.9	11100	5.303	4.564
<b>XII. Accruals and deferred income</b>	5.10	11200	4.345	4.372
<b>TOTAL ASSETS</b>		19900	1.078.856	1.251.593

	Ann.	Codes	Accounting year	Previous accounting year
<b>LIABILITIES</b>				
<b>THIRD-PARTY FUNDS</b>				
		201/208	<u>993.719</u>	<u>1.146.705</u>
<b>I. Amounts owed to credit institutions</b>				
A. At sight	5.11	20100	148.085	149.536
B. Debts resulting from the rediscounting of bills of exchange		20110	1.372	2.220
C. Other debts with agreed terms or periods of notice		20120		
		20130	146.713	147.317
<b>II. Amounts owed to customers</b>				
A. Savings deposits	5.12	20200	802.738	964.441
B. Other debts		20210	155.468	201.258
1. At sight		20220	647.270	763.183
2. At term or with notice		20221	230.170	258.151
3. Result of mobilization by rediscount of commercial bills of exchange		20222	417.100	505.032
		20223		
<b>III. Debts evidenced by certificates</b>				
A. Bonds and notes outstanding	5.13	20300		
B. Others		20310		
		20320		
<b>IV. Other debts</b>				
	5.14	20400	19.755	2.090
<b>V. Accruals and deferred income</b>				
	5.15	20500	6.338	6.881
<b>VI. Provisions and deferred taxes</b>				
A. Provisions for liabilities and charges		20600	2.803	256
1. Pensions and similar obligations		20610	2.803	256
2. Taxes		20611		1
3. Other liabilities and charges		20612		
B. Deferred Taxes	5.16	20613	2.803	255
		20620		
<b>VII. Fund for general banking risks</b>				
		20700		9.500
<b>VIII. Subordinated debts</b>				
	5.17	20800	14.000	14.000
<b>SHAREHOLDER EQUITY</b>				
		209/213	<u>85.137</u>	<u>104.888</u>
<b>IX. Capital</b>				
A. Subscribed capital	5.18	20900	74.888	50.888
B. Uncalled capital		20910	74.888	50.888
		20920		
<b>X. Share premiums</b>				
		21000	10.142	10.142
<b>XI. Revaluation gains</b>				
		21100		
<b>XII. Reserves</b>				
A. Legal reserve		21200	43.859	43.859
B. Unavailable reserves		21210	5.026	5.026
1. For treasury shares		21220	745	745
2. Others		21221		
C. Immunized reserves		21222	745	745
D. Available reserves		21230		
		21240	38.088	38.088
<b>XIII. Retained Earnings (Loss)</b>				
	(+)/(-)	21300	-43.752	0
<b>TOTAL LIABILITIES</b>				
		29900	1.078.856	1.251.593



	Ann.	Codes	Accounting year	Previous accounting year
<b>OFF-BALANCE-SHEET ITEMS</b>				
<b>I. Contingent liabilities</b>	5.22	30100	31.367	40.614
A. Non-negotiated acceptances		30110		
B. Guarantees of a credit substitute nature		30120		
C. Other guarantees		30130	29.821	34.850
D. Documentary credits		30140	544	1.242
E. Assets subject to third-party security rights		30150	1.002	4.552
<b>II. Commitments that may give rise to credit risk</b>	5.22/ 5.24	30200	106.066	98.972
A. Firm commitments to make funds available		30210	1.444	1.980
B. Commitments arising from cash purchases of securities or other securities		30220		
C. Available line of credit on confirmed lines of credit		30230	104.622	96.992
D. Underwriting and securities underwriting commitments		30240		
E. Repurchase commitments resulting from imperfect retrocession sales		30250		
<b>III. Securities entrusted to the credit institution</b>		30300		263.711
A. Securities held under organized trust status		30310		
B. Overdrafts and similar deposits		30320		263.711
<b>IV. To be paid up on shares and shares in companies</b>		30400		

**INCOME STATEMENT (ACCOUNT PRESENTATION)**

	Ann.	Codes	Accounting year	Previous accounting year
<b>CHARGES</b>				
<b>II. Interest and similar charges</b>		40200	9.362	10.366
<b>V. Commissions paid</b>		40500	1.199	1.048
<b>VI. Loss from financial operations</b> (-)		40600		
A. From foreign exchange and trading in securities and other financial instruments (-)		40610		
B. From the realization of marketable securities		40620		
<b>VII. Administrative overhead charges</b>		40700	35.496	16.040
A. Remuneration, social security charges and pensions		40710	26.460	9.707
B. Other administrative expenses		40720	9.036	6.333
<b>VIII. Depreciation and write-downs on formation expenses, intangible and tangible fixed assets</b>		40800	281	1.498
<b>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</b>		40900	14.801	4.209
<b>X. Write-downs on the portfolio of investments in bonds, shares and other fixed or variable income securities</b>		41000		
<b>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</b>		41200	3.103	
<b>XIII. Allocation to the fund for general banking risks (+)/(-)</b>		41300		
<b>XV. Other operating expenses</b>	5.23	41500	3.862	3.750
<b>XVIII. Extraordinary expenses</b>		41800	6.651	97
A. Extraordinary depreciation and write-downs on formation expenses, intangible and tangible fixed assets		41810		
B. Write-downs on financial fixed assets		41820		
C. Provisions for extraordinary liabilities and charges: allocations (uses)		41830		
D. Losses on disposal of fixed assets		41840	6.651	90
E. Other exceptional expenses	5.25	41850	0	7
<b>XIXbis.A. Transfer to deferred taxes</b>		41921		
<b>XX.A. Taxes</b>	(-) 5.26	42010	15	3
<b>XXI. Profit for the accounting year</b>		42100		
<b>XXII. Transfer to untaxed reserves</b>	(-)	42200		
<b>XXIII. Profit for the accounting year available for appropriation</b>		42300		

	Ann.	Codes	Accounting year	Previous accounting year
<b>PRODUCTS</b>				
<b>I. Interest and similar income</b>	5.23	40100	16.641	26.307
A. Of which: fixed-income securities		40110	1.215	1.757
<b>III. Income from variable-income securities</b>	5.23	40300	265	
A. Of shares, corporate units and other variable-income securities		40310		
B. Of investments in associates		40320		
C. Of investments in other companies with which there is an equity interest		40330		
D. Of other shares and company units constituting financial fixed assets		40340	265	
<b>IV. Commissions received</b>	5.23	40400	1.942	2.847
A. Brokerage and related commissions		40410	447	633
B. Remuneration for management, advisory and custodial services		40420	186	564
C. Other commissions received		40430	1.309	1.651
<b>VI. Profit from financial operations</b>	5.23	40600	670	2.946
A. From foreign exchange and trading in securities and other financial instruments		40610	412	645
B. From the realization of investment securities		40620	258	2.301
<b>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</b>		40900		
<b>X. Reversals of write-downs on the portfolio of investments in bonds, shares and other fixed or variable-income securities</b>		41000		
<b>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</b>		41100	550	549
<b>XIII. Withdrawal from the fund for general banking risks</b>		41300	9.500	
<b>XIV. Other operating income</b>	5.23	41400	1.411	617
<b>XVII. Extraordinary income</b>		41700	6	1
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		1
E. Other extraordinary income	5.25	41750	6	0
<b>XIXbis.B. Deductions on deferred taxes</b>		41922		
<b>XX.B. Tax adjustments and reversals of tax provisions</b>	5.26	42020	33	
<b>XXI. Loss for the accounting year</b>		42100	43.752	3.743
<b>XXII. Withdrawals from untaxed reserves</b>		42200		
<b>XXIII. Loss for the accounting year to be allocated</b>		42300	43.752	3.743

**ALLOCATIONS AND WITHDRAWALS**

	Codes	Accounting year	Previous accounting year
<b>A. Profit (Loss) to be allocated (+)/(-)</b>	49100	(43.752)	(1.083)
1. Profit (Loss) for the accounting year available for allocation (+)/(-)	(42300)	(43.752)	(3.743)
2. Profit (Loss) brought forward from the previous accounting year (+)/(-)	(21300P)		2.660
<b>B. Drawings from shareholder's equity</b>	49200		1.083
1. On capital and share premiums	49210		
2. On the reserves	49220		1.083
<b>C. Allocations to shareholder's equity</b>	49300		
1. To capital and share premiums	49310		
2. To the legal reserve	49320		
3. To other reserves	49330		
<b>D. Profit (Loss) to be carried forward(+)/(-)</b>	49400	(43.752)	0
<b>E. Involvement of partners in the loss</b>	49500		
<b>F. Distributable profit</b>	49600		
1. Return on capital	49610		
2. Directors or managers	49620		
3. Other recipients	49630		

Audit report dated 25  
June 2020 on the  
Annual Accounts of  
AION SA for the year  
ended 31 December  
2019

Audit report dated 25 June 2020 on the Annual Accounts of AION SA for the year ended 31 December 2019

EY Bedrijfsrevisoren  
EY Réviseurs d'Entreprises  
De Kleetlaan 2  
B-1831 Diegem



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ey.com

*Free translation from the French original*

## **Independent auditor's report to the general meeting of AION SA for the year ended 31 December 2019**

As required by law and the Company's articles of association, we report to you as statutory auditor of AION SA (the "Company"). This report includes our opinion on the balance sheet as at 31 December 2019, the income statement for the year ended 31 December 2019 and the disclosures (all elements together the "Annual Accounts") as well as our report on other legal and regulatory requirements. These two reports are considered one report and are inseparable.

We have been appointed as statutory auditor by the shareholders' meeting of 9 April 2019, in accordance with the proposition by the Board of Directors following recommendation of the Audit Committee. Our mandate expires at the shareholders' meeting that will deliberate on the Annual Accounts for the year ending 31 December 2021. We performed the statutory audit of the Annual Accounts of the Company during 7 consecutive years.

### **Report on the audit of the Annual Accounts**

#### ***Unqualified opinion***

We have audited the Annual Accounts of AION SA, that comprise of the balance sheet on 31 December 2019, the income statement of the year and the disclosures, which show a balance sheet total of € 1.078.856 thousands and of which the income statement shows a loss for the year of € 43.752 thousands.

In our opinion, the Annual Accounts give a true and fair view of the Company's net equity and financial position as at 31 December 2019, and of its results for the year then ended, prepared in accordance with the financial reporting framework applicable in Belgium.

#### ***Basis for the unqualified opinion***

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the Annual Accounts" section of our report. We have complied with all ethical requirements that are relevant to our audit of the Annual Accounts in Belgium, including those with respect to independence.

# Audit report dated 25 June 2020 on the Annual Accounts of AION SA for the year ended 31 December 2019

We have obtained from the Board of Directors and the officials of the Company the explanations and information necessary for the performance of our audit and we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## ***Emphasis matter***

We draw your attention to the disclosure A-ét 5.28.2 of the Financial Statements with regard to the consequences of the measures taken relating to the Covid-19 virus on the Company. The situation changes on a daily basis and inherently gives rise to uncertainty. The impact of these developments on the Company is disclosed in the Board of Director's report in the section n°4 regarding to the events after the reporting period and in the note A-ét 5.28.2 to the Financial Statements. Our opinion is not modified in respect of this matter

## ***Key audit matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Annual Accounts of the current reporting period. These matters were addressed in the context of our audit of the Annual Accounts as a whole and in forming our opinion thereon, and consequently we do not provide a separate opinion on these matters.

## ***Impairments on receivables***

Description of the key audit matter

AION SA grants loans to individuals and professionals. Accounts receivable from customers amount to €473.946 thousands as of December 31, 2019 and represent 44% of the total assets of the Company.

The credit risk associated with the eventual default of a debtor is inherent to the business and requires a regular and precise assessment of the Company. The assessment of credit risk is primarily based on an individual assessment of each loan granted by the Company and on the customer's repayment capacity and the recoverable value of any guarantees. The identification of the problem risks, and within them, "unrecoverable or doubtful" receivables, and the determination of the amounts to be written down on them, involve a significant degree of judgment from the management.

# Audit report dated 25 June 2020 on the Annual Accounts of AION SA for the year ended 31 December 2019

## Summary of the procedures performed

In order to cover the risk that individualized write-downs are insufficient, we have performed the following specific procedures :

- Reconciliation of the loan inventories with the receivables recorded in the Annual Accounts.
- Analysis of the methodology, the process of monitoring and verification by the Company of the credit quality of the loans.
- Assessment of the design and effective application of internal controls, whether automatic or not, including the identification of credit files with uncertain evolution or non-recoverable or doubtful.
- Assessment of the management's analysis of the repayment capacity and the recoverable value of the possible guarantees, based on a sample of loans with uncertain evolution, non-recoverable or doubtful.
- Assessment of the reasonableness and sufficiency of the recorded write-downs.

## ***Responsibilities of the Board of Directors for the preparation of the Annual Accounts***

The Board of Directors is responsible for the preparation of the Annual Accounts that give a true and fair view in accordance with the financial reporting framework applicable in Belgium and for such internal controls relevant to the preparation of the Annual Accounts that are free from material misstatement, whether due to fraud or error.

As part of the preparation of Annual Accounts, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, and provide, if applicable, information on matters impacting going concern, The Board of Directors should prepare the financial statements using the going concern basis of accounting, unless the Board of Directors either intends to liquidate the Company or to cease business operations, or has no realistic alternative but to do so.



# Audit report dated 25 June 2020 on the Annual Accounts of AION SA for the year ended 31 December 2019

## ***Our responsibilities for the audit of the Annual Accounts***

Our objectives are to obtain reasonable assurance whether the Annual Accounts are free from material misstatement, whether due to fraud or error, and to express an opinion on these Annual Accounts based on our audit. Reasonable assurance is a high level of assurance, but not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Annual Accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and we maintain professional skepticism throughout the audit. We also perform the following tasks:

- Identification and assessment of the risks of material misstatement of the Annual Accounts, whether due to fraud or error, the planning and execution of audit procedures to respond to these risks and obtain audit evidence which is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatements resulting from fraud is higher than when such misstatements result from errors, since fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtaining insight in the system of internal controls that are relevant for the audit and with the objective to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluating the selected and applied accounting policies, and evaluating the reasonability of the accounting estimates and related disclosures made by the Board of Directors as well as the underlying information given by the Board of Directors;
- Conclude on the appropriateness of the Board of Directors' use of the going-concern basis of accounting, and based on the audit evidence obtained, whether or not 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. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Annual Accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Company to cease to continue as a going-concern;

## Audit report dated 25 June 2020 on the Annual Accounts of AION SA for the year ended 31 December 2019

We communicate with the Audit Committee within the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide the Audit Committee within the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee within the Board of Directors, we determine those matters that were of most significance in the audit of the Annual Accounts of the current period and are therefore the key audit matters. We describe these matters in our report, unless the law or regulations prohibit this.

### **Report on other legal and regulatory requirements**

#### ***Responsibilities of the Board of Directors***

The Board of Directors is responsible for the preparation and the content of the Board of Directors' report on the Annual Accounts, the compliance with the legal and regulatory requirements regarding bookkeeping, as well as compliance with the Belgian Company Code, as of 1 January 2020, the Code of companies and associations and with the Company's articles of association.

#### ***Responsibilities of the statutory auditor***

In the context of our mandate and in accordance with the additional standard to the ISAs applicable in Belgium, it is our responsibility to verify, in all material respects, the Board of Directors' report on the Annual Accounts, the compliance with the legal and regulatory requirements regarding bookkeeping, as well as compliance with the Belgian Company Code, as of 1 January 2020, the Code of companies and associations and with the Company's articles of association, as well as to report on these matters.

#### ***Aspects relating to Board of Directors' report***

In our opinion, after carrying out specific procedures on the Board of Directors' report, the Board of Directors' report is consistent with the Annual Accounts and has been prepared in accordance with articles 3:5 and 3:6 of the Code of companies and associations. (former articles 95 and 96 of the Belgian Company Code)

## Audit report dated 25 June 2020 on the Annual Accounts of AION SA for the year ended 31 December 2019

In the context of our audit of the Annual Accounts, we are also responsible to consider whether, based on the information that we became aware of during the performance of our audit, the Board of Directors' report contain any material inconsistencies or contains information that is inaccurate or otherwise misleading. In light of the work performed, there are no material inconsistencies to be reported. In addition, we do not provide any assurance regarding the Board of Directors' report.

### **Aspects relating to the social balance sheet**

The social balance sheet, to be published in accordance with article 3:12, § 1, 8° of the Code of companies and associations, includes both in form and in substance the required information as prescribed by the Code of companies and associations and does not contain any material inconsistencies compared to the information we have in our audit files.

#### ***Independence matters***

Our audit firm and our network have not performed any services that are not compatible with the statutory audit of the Annual Accounts and have remained independent of the Company during the course of our mandate.

The fees related to additional services which are compatible with the audit of the Annual Accounts as referred to in article 3:65 of the Code of companies and associations were duly itemized and valued in the notes to the Annual Accounts.

#### ***Other communications***

- Without prejudice to certain formal aspects of minor importance, the accounting records were maintained in accordance with the legal and regulatory requirements applicable in Belgium.
- The appropriation of the results proposed to the general meeting complies with the relevant requirements of the law and the Company's articles of association.
- There are no transactions undertaken or decisions taken in breach of the articles of association or of the Belgian Company Code, as of 1 January 2020, the Code of companies and associations that we have to report to you

Audit report dated 25 June 2020 on the  
Annual Accounts of AION SA for the year  
ended 31 December 2019

- Since the previous annual general meeting, decisions have been made or operations concluded in which one or more directors had an opposite interest of a financial nature.

We have assessed the property consequences of the decisions taken by the management as described in its reports drawn up on the following dates : June 14, 2019 and November 15, 2019. These decisions are included in the Board of Directors' report.

- This report is consistent with our supplementary declaration to the Audit Committee as specified in article 11 of the regulation (EU) nr. 537/2014.

*Brussels, 25 June 2020*

EY Réviseurs d'Entreprises SRL  
Statutory auditor  
Represented by

Joeri Klaykens \*  
Partner

\*Acting on behalf of a SRL

aion

bank  
with the  
power of A.I.

Aion SA/NV

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