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Singapore Branch: 7 Temasek Boulevard #07-04/05 Suntec Tower One Singapore 038987

Union de Banques Arabes et Françaises

CONSOLIDATED BALANCE SHEET

ASSETS	12/2019	12/2018
	<i>(in thousands of euros)</i>	
Interbank and equivalent transactions	1,043,428	1,242,053
Transactions with customers	688,894	583,793
Bonds, shares, and other fixed- or variable-income securities	91,782	139,964
Equity securities and shares in related companies	474	467
Tangible and intangible assets	4,023	4,641
Accruals and other assets	15,684	18,170
TOTAL ASSETS	1,844,285	1,989,088
LIABILITIES	12/2019	12/2018
	<i>(in thousands of euros)</i>	
Interbank and equivalent transactions	1,241,090	1,242,388
Transactions with customers	177,332	310,957
Accruals and other liabilities	46,138	44,984
Provisions for risks and charges	73,941	69,362
Subordinated debt	0	0
Funds for General Banking Risks (FGBR)	0	0
Minority interests	975	1,017
Reserves	1,029	981
Income	-54	36
Shareholders' equity, group share (excluding FGBR)	304,809	320,379
Subscribed capital	250,727	250,727
Consolidated and other reserves (+/-)	66,914	68,673
Income for the year (+/-)	-12,833	979
TOTAL LIABILITIES	1,844,285	1,989,088
OFF-BALANCE SHEET	12/2019	12/2018
	<i>(in thousands of euros)</i>	
COMMITMENTS GIVEN		
Banking activity commitments given	2,560,535	2,213,702
Financing commitments	569,506	581,421
Guarantees	1,991,029	1,632,281
COMMITMENTS RECEIVED		
Banking activity commitments received	191,123	290,001
Financing commitments	0	0
Guarantees	191,123	290,001
FOREIGN EXCHANGE TRANSACTIONS		
Currency to be received	325,362	330,220
Currency to be delivered	325,353	336,614

CONSOLIDATED INCOME STATEMENT

BANKING OPERATING INCOME AND EXPENDITURE	12/2019	12/2018
	<i>(in thousands of euros)</i>	
Interest and equivalent income	61,323	47,409
Interest and equivalent expenses	(42,562)	(31,810)
Income from variable-income securities		
Fees (income)	35,950	30,386
Fees (expenses)	(2,493)	(2,748)
Gains or losses on investment portfolio and equivalent transactions	(455)	(397)
Other net banking operating income	11	13
NET BANKING INCOME	51,773	42,852
General operating expenses	(42,457)	(39,555)
Amortisation/depreciation and provisions for intangible and tangible assets	(984)	(936)
GROSS OPERATING INCOME	8,331	2,361
Cost of risk	(20,672)	(736)
OPERATING INCOME	(12,341)	1,625
Gains or losses on fixed assets	(2)	(28)
INCOME BEFORE TAXES	(12,342)	1,597
Exceptional items	13	228
Corporate income tax	(558)	(810)
Allocations/reversals to/from FGBR and regulatory provisions	0	0
CONSOLIDATED NET INCOME	(12,887)	1,015
Minority interests	(54)	36
NET INCOME – GROUP SHARE	(12,833)	979
Earnings per share (in euros)	NA	0.60

STATEMENT OF CAPITAL RATIO

	12/2019	12/2018
	<i>(in thousands of euros)</i>	
Capital Tier 1	314,941	311,414
Capital Adequacy Ratio	12.62%	14.21%

Under French Banking Law, all unsecured creditors (local or foreign) of a French bank have the same priority in the claim of their debt in the event of receivership.

MANAGEMENT STRUCTURE

as at December 31, 2019

Farouk EL-OKDAH	Jean-Yves HOCHER
Chairman of the Board	Deputy Chairman of the Board
Jean-Claude GELHAAR	Khaled DESSOUKI
Chief Executive Officer	Deputy Chief Executive Officer

MEMBERS OF THE BOARD OF DIRECTORS

James WEBB	Rabie ABUSHAWASHI
Jean-François BALAY	Sherif ELWY
François KANOUI	Mohamed Karim MOUNIR
Lazhar LATRECHE	Abdellatif JOUAHRI
Lobna KHALIL	Ali Ibrahim MARAFI

Notes to the Accounts, which form an integral part of the audited financial statements can be obtained from the Singapore Branch.

STATUTORY AUDITORS' REPORT

on the Consolidated Financial Statements for the year ended December 31, 2019

To the General Meeting of Union de Banques Arabes et Françaises

Opinion

In the performance of the assignment entrusted to us by your General Meeting, we have audited the consolidated financial statements of Union de Banques Arabes et Françaises for the period ended 31 December 2019, as appended to this report. These financial statements were approved by the Board of Directors meeting of 11 May 2020 on the basis of the information available at that date in the context of the evolving Covid-19 health crisis.

We certify that, in accordance with French accounting rules and principles, the consolidated financial statements are consistent and truthful and present a true and fair picture of the operating profits and losses for the past period as well as the financial situation and assets and liabilities, at the end of the period, of the entities included in the consolidation scope.

The opinion given above is consistent with the content of our report to the Audit Committee.

Basis of our opinion

Audit terms of reference

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

CREDIT RISK AND ESTIMATION OF PROVISIONS AND IMPAIRMENTS ON PERFORMING OR DEFAULTED LOANS

Risk identified

As part of its activities, Union de Banques Arabes et Françaises is exposed to credit risk concerning counterparties in connection with the countries in which such counterparties are situated.

In a difficult economic context, there is a risk of deterioration in the quality of the credit portfolio and of an increase in commitments at risk or in default.

Impairments on loans and receivables are created to cover such risks, either on an individual or on a collective basis.

Collective impairments are determined from an estimate of expected losses resulting from the probabilities of default associated with counterparties' ratings.

Individual impairments are recorded by allocation to the income statement once a proven risk of partial or total non-recovery appears on doubtful receivables. Such risk and the impairments are assessed by a significant risks committee.

Identification of receivables subject to impairments and assessment of the level of impairment constitute an area of significant estimation. Insofar as an error of judgement or calculation might have a significant impact on the results of Union de Banques Arabes et Françaises, we have taken the view that such matter constituted a key point of the audit.

Amounts outstanding for which an individual impairment or a collective provision is recorded at 31 December 2019 are recorded under receivables from credit institutions and customer transactions. Impairments are recorded as a deduction from assets or as provisions for risks and charges, and charges/reversals are recorded under cost of risk. See notes Significant events, 1, 2, 10 and 16 of the notes to the consolidated financial statements.

Our response

We have examined the procedures for identifying loans and receivables at risk, as well as the mechanism for assessing and recording the corresponding provisions.

More precisely, we have:

- taken note of the process for identifying and monitoring outstanding payments and classifying them as doubtful;
- examined the reports of the governance decisions concerning the provisioning processes;
- examined by sampling the adequacy of the documentation of files in terms of the specific impairments created;
- examined the controls related to the data used to calculate collective impairments (calculation basis and statistical parameters in particular);

Specific checks

We have also carried out the specific checks set out in the laws and regulations in accordance with the professional standards applicable in France, of the information about the group, given in the management report of the Board of Directors of 11 May 2020. With regard to recent events and the elements known after the closing date of the financial statements relating to the effects of the Covid-19 crisis, management has informed us that they will be the subject of a communication to the general meeting called to approve the financial statements.

We have no comments to make on its fairness and consistency with the consolidated financial statements.

Information resulting from other legal and regulatory obligations

Appointment of the Statutory Auditors

We were appointed Statutory Auditors of Union de Banques Arabes et Françaises by your General Meetings of 30 May 2007 for PricewaterhouseCoopers Audit and of 30 May 2013 for Ernst & Young et Autres.

At 31 December 2019, PricewaterhouseCoopers Audit was in the thirteenth consecutive year of its assignment, and Ernst & Young et Autres in its seventh year.

Responsibilities of management and of the persons providing corporate governance related to the consolidated financial statements

Management is responsible for preparing the consolidated financial statements, giving a true and fair picture in accordance with French accounting rules and principles, and for putting in place the internal control procedures that it deems necessary to enable preparation of consolidated financial statements free of material misstatement, whether due to fraud or error.

When the consolidated financial statements are prepared, management must assess the company's ability to continue trading, present in such financial statements, where appropriate, the necessary information on the business as a going concern and apply the going concern principle, unless there is a plan to liquidate the company or for it to cease trading.

The Audit Committee must monitor the process for preparing the financial information and monitor the effectiveness of the internal control and risk management systems and, where appropriate, the internal audit system, as regards the procedures related to the preparation and processing of accounting and financial information.

The consolidated financial statements have been approved by the Board of Directors.

Responsibilities of the Statutory Auditors related to auditing the consolidated financial statements

Audit objective and approach

We are required to prepare a report on the consolidated financial statements. Our objective is to obtain reasonable assurance that the consolidated financial statements taken as a whole do not contain any material misstatements. Reasonable assurance corresponds to a high level of assurance without, however, guaranteeing that an audit conducted in accordance with professional standards makes it possible to systematically detect all material misstatements. Misstatements may be due to fraud or error and are regarded as material when it can reasonably be expected that they may, taken individual or cumulatively, influence the economic decisions that users of the financial statements make based on them.

As specified in Article L.823-10-1 of the French Commercial Code, our certification of the financial statements does not consist in guaranteeing the viability or quality of the management of your company.

In conducting an audit in accordance with the professional standards applicable in France, the Statutory Auditor exercises his/her professional judgement throughout such audit. Furthermore:

Our responsibilities pursuant to such standards are set out in the "Responsibilities of Statutory Auditors related to auditing the consolidated financial statements" section of this report.

Independence

We have carried out our audit assignment in accordance with the rules of independence applicable to us, over the time from 1 January 2019 to the date of issuance of our report, and we have not provided services prohibited by Article 5 (1) of Regulation (EU) No 537/2014 or the Code of Ethics for statutory auditors.

Justification of our assessments – Key points of the audit

In accordance with the provisions of Articles L.823 9 and R.823 7 of the French Commercial Code on the justification of our assessments, we draw your attention to the key points of the audit concerning the risks of material misstatements that, in our professional judgement, were greatest for the audit of the annual financial statements for the period, together with the responses made by us to such risks.

Such assessments thus form part of the overall approach to the audit of the consolidated financial statements, approved as mentioned above, and the formulation of our opinion expressed above. We do not express any opinion on the items of these consolidated financial statements taken in isolation.

- recalculated the collective provisions for a sample of credits;
- compared the amount of the collective provision calculated to the amount entered in the accounts.

RISK ON THE ASSESSMENT OF PROVISIONS FOR REGULATORY DISPUTES

Risk identified

The company is exposed to a certain number of legal disputes that could result in sanctions or convictions.

These disputes relate to legal proceedings with a third party (credit institutions or customers) and regulatory investigations.

As stated in the principles and accounting methods of the notes to the consolidated financial statements, the estimate of the risks at period end results from management's best assessment, given the items in its possession.

The decision whether or not to recognise a provision and its amount requires by its nature the use of judgement, on account of the difficulty in estimating the outcome of the disputes under way.

We have taken the view that the estimate of such provisions constituted a key point of the audit given the sensitivity of the assumptions made by management.

Disputes subject to a provision at 31 December 2019 are presented in the "Significant events" section and the corresponding provisions in note 10 to the consolidated financial statements.

Our response

The risk of a significant outflow of resources relates to a limited number of files whose development we regularly monitor.

We have taken note of the process for assessing the provisions concerning such files by engaging in regular exchanges with management and more particularly the Group's legal, risk and compliance departments.

Our work has consisted in:

- assessing the assumptions used to determine the provisions from the information available (files of the committee for monitoring provisions, files created by the legal department, the risk department or the Board of Union de Banques Arabes et Françaises);
- examining the analysis or conclusions of the bank's legal counsel supplied by the bank or obtained following our circularisation procedures;
- analysing the documents submitted to the governance bodies and the communications with the authorities.

- he/she identifies and assesses the risks that the consolidated financial statements contain material misstatements, whether due to fraud or error, defines and implements audit procedures in the face of such risks, and obtains items that he/she deems sufficient and appropriate for forming his/her opinion. The risk of non-detection of a material misstatement due to fraud is greater than that of a material misstatement due to error, since fraud may involve collusion, falsification, deliberate omissions, false declarations or bypassing of internal controls;

- he/she takes note of the internal controls relevant to the audit with a view to defining audit procedures appropriate in the circumstances, and not with the aim of expressing an opinion on the effectiveness of the internal control;

- he/she assesses the appropriateness of the accounting methods used and the reasonableness of the accounting estimates made by management, as well as the information concerning them provided in the consolidated financial statements;

- he/she assesses the appropriateness of the application by management of the going-concern principle and, depending on the items obtained, the existence or otherwise of any significant uncertainty linked to events or circumstances likely to call into question the company's ability to continue trading. Such assessment is based on the items obtained up to the date of his/her report, on the understanding, however, that subsequent circumstances or events might call into question whether it is a going concern. If he/she concludes that a significant uncertainty exists, he/she draws the attention of the readers of his/her report to the information provided in the consolidated financial statements concerning such uncertainty or, if such information is not provided or is not relevant, he/she formulates a qualified certification or a refusal to certify;

- he/she assesses the overall presentation of the consolidated financial statements and assesses whether they reflect the underlying operations and events so as to give a true and fair picture of them;

- concerning the financial information of the entities included in the consolidation scope, he/she obtains items that he/she regards as sufficient and appropriate to express an opinion on the consolidated financial statements. He/she is responsible for directing, supervising and conducting the audit of the consolidated financial statements and for the opinion expressed in such financial statements.

Report to the Audit Committee

We submit a report to the Audit Committee setting out the scope of our audit and the work plan implemented, along with the conclusions arising from our work. We also draw its attention to any significant weaknesses in internal control identified by us in the procedures related to the preparation and processing of accounting and financial information.

Among the items notified in the report to the Audit Committee are the risks of material misstatements that we assess to have been greatest for the audit of the consolidated financial statements for the period and which accordingly represent the key points of the audit, which we are required to set out in this report.

We also provide the Audit Committee with the declaration specified in Article 6 of Regulation (EU) No 537-2014 confirming our independence, within the meaning of the rules applicable in France as determined by Articles L.822-10 to L.822-14 of the French Commercial Code and in the Code of Ethics for statutory auditors. We will if necessary discuss with the Audit Committee any risks affecting our independence and the safeguarding measures applied.

The Statutory Auditors

PricewaterhouseCoopers Audit
63 rue de Villiers
92208 Neuilly-sur-Seine cedex

Simplified joint stock company
with share capital of €2,510,460
672 006 483 R.C.S. Nanterre

Statutory auditors
Member of the Compagnie régionale de Versailles

Laurent Tavernier

ERNST & YOUNG et Autres
Tour First
TSA 14444

92037 Paris-La Défense cedex
Simplified joint stock company with variable capital

438 476 913 R.C.S. Nanterre

Statutory auditors

Member of the Compagnie régionale de Versailles

Mathieu Préchoux