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BANQUE BIA

Conception- Réalisation l'autreagence

2018 ANNUAL REPORT

Join together the two shores of Mediterranean sea in the heart of Paris

BANQUE BIA

2018

SUMMARY

PRESENTATION

FINANCIAL REPORT

MANAGEMENT REPORT

CHAIRMAN'S STATEMENT

Despite a marked reduction in operational scope reflecting major risks, Banque BIA once again demonstrated its capacity for resilience.

It generated a profit for the year despite a low level of business at odds with the potential of its markets, its liquidity and the core business in which it excels.

This was thanks to the commitment and motivation of the Bank's teams, which continued unabated throughout 2018, with ever increasing effort devoted to regulatory compliance.

The successful completion of the restructuring plan carried out since 2011 paved the way for a new project focusing on governance.

As regards outlook, the objectives of the 2019-2021 strategy plan provide a sustainable base for an operational model adapted to current economic risks and the major challenges posed by new regulations.

Brahim SEMID

2018

PRESENTATION

ECONOMIC OVERVIEW
ECONOMIC OUTLOOK 2019

SLOWDOWN IN GLOBAL EXPANSION
The global economy is no longer at the top of the cycle. Global growth, estimated at 3.3% in 2019 and 2020, is expected to be slow due to protectionist and populist threats, tensions in international trade, and an intensification of the power struggle between the United States and China. Other uncertainties are also affecting the economic outlook: the opacity surrounding Brexit and the outcome of the Chinese-US trade negotiations, and weak economic reform in the eurozone.

According to the dominant macroeconomic and financial scenario:
- the Fed and the ECB are likely to return to more accommodative monetary policies;
- the US economy will remain solid, bolstered by fiscal stimulus and credit;
- the eurozone will experience moderate growth due to a fall in exports;
- the Chinese economy is expected to stabilise at a growth rate of around 6%, underpinned by monetary and fiscal easing;
- in Africa, average regional growth is expected at around 4% in 2019 and 2020;
- the consensus expects an average Brent barrel price of between USD 60 and USD 70. Nevertheless, several key factors pertaining to the oil market suggest volatility may be high.

RISKS IN 2019
- The risk of a significant correction in the financial markets and especially in the form of a bursting of a bond bubble does not seem likely.
- The contours of Brexit and its economic impact continue to raise questions.
- The unpredictable nature of US diplomacy will maintain strong pressure on global trade, oil prices and growth in the Middle East, Latin America and Asia.
- With worsening social inequalities, the rise of populism in Europe and of social protest movements is undermining the stability of the institutional environment.
- Emerging economies, for their part, are feeling the effects of the slowdown in global growth, while the post-rentier transition of oil economies is bringing challenges linked to a change of the political paradigm and economic model.

BANQUE BIA IN A FEW WORDS

HISTORY
Created in Paris in 1975, Banque BIA changed its name in 2006. From the outset, the Bank's goal has been to strengthen and develop economic and financial relations between France and Arab countries, specialising during the 1980s in the financing of trade flows between France, Algeria and Libya. During the 2000s it embarked on a new business strategy that extended to the entire Mediterranean area as well as Sub-Saharan Africa.

Today, the Bank is a benchmark player in France and Europe in the development of commercial relations between the two shores of the Mediterranean. The new strategy implemented by the Bank is based on three pillars: "customer - efficiency - Mediterranean":

- As a company, Banque BIA's mission is to gain new customers, foster their loyalty, forge partnerships, and galvanise its teams around the objectives of its customer-oriented strategy;

- As a bank and a regulated space for the creation of value, it works to guarantee quality, responsiveness, security and efficiency of operations in compliance with the regulations;

- As the reference bank for Libya and Algeria in France and Europe, Banque BIA constantly strives to ensure quality of service that compares favourably with that of the competition. It offers its customers expertise in the markets and environment of the southern shore of the Mediterranean.

SHARE OWNERSHIP
The Bank's share capital of EUR 158,100,000 is owned equally by two state banks, one Algerian (Banque Extérieure d'Algérie) and one Libyan (Libyan Foreign Bank). Both players are the lead banks of their country with significant financial resources, responsible in particular for hydrocarbon transactions with importing countries (North America, Europe and Asia). They oversee financial relations with OECD countries for large Algerian and Libyan companies. As such, they are particularly attentive to their reputation and the brand image of their subsidiaries, especially their French subsidiary, Banque BIA.

BUSINESS LINES

DOCUMENTARY CREDIT
Documentary credit is Banque BIA's core international financing activity. The growth in its documentary credit operations reflects the continued natural support from parent companies as well as the expansion and strengthening of our relationships with many banking institutions, both in the founding countries and worldwide. Banque BIA is able to pursue its primary role of facilitating foreign trade operations and advising customers on its specialty markets thanks to its recognised specialisation and expertise in documentary credit.

PAYMENT METHODS
With the development of commercial transactions between France and Algeria on the one hand, and Libya on the other, the bank's retail activity around cheque transfers and collection has tripled. Its personalised service offering helps to boost its transaction activity.

FINANCING AND GUARANTEES
Thanks to its size, Banque BIA can respond swiftly to a selected customer base. It proposes different types of loans to help customers develop their business:

- commercial credits;
- receivables discounting;
- short-term cash loans;
- financial loans;
- mortgage loans;
- performance guarantees, bid bonds, advance payment guarantees,…

TREASURY-FOREX DEPARTMENT
Within Banque BIA the Treasury-Forex Department is in charge of the optimization of the management of funds as well as of the assessment and management of market risks resulting from the bank's activities. Apart from interbank transactions the Front Office also deals on the foreign exchange market in order to advise the bank's customers and accomodate their needs to cover their exposure.

MARKETS

CLIENT BASE
Banque BIA is a major player in the development of trade between France and the main southern Mediterranean countries. Its activity is organised around two customer divisions.

- **Banks**

Banque BIA is the preferred point of contact for the main Algerian and Libyan banks for all their foreign trade banking transactions. It also operates in the main countries of Africa and the Middle East, particularly in documentary transactions, syndications, financing and the issuance of guarantees. Banque BIA confirms documentary credits issued by banks located in a large number of countries, particulary from emerging countries. It is also a major player in the interbank market, primarily in short-term transactions.

- **Businesses**

Banque BIA finances companies that export to or plan to develop turnover on its preferred markets. The development of activity for this customer category intensified since 2003.

SUPERVISORY AND MANAGEMENT BODIES

Shareholders

Banque Extérieure d'Algérie	*50%*
Libyan Foreign Bank	*50%*

Board of Directors

Brahim Semid	*Chairman*
Bachir Samalous	*Vice-Chairman*
Mustafa Ben Khalifa	*Director*
Hocine Tarhaoui	*Director*
Banque Extérieure d'Algérie	*Represented by Zine Eddine Bouzit, Director*
Libyan Foreign Bank	*Represented by Naji Mohamed Issa Belgasem, Director*

Executive Committee

Brahim Semid	*Chairman*
Bachir Samalous	*Vice-Chairman*
Amer Mohamed Amish	*Deputy General Manager Delegate*
Mohamed Younsi	*Deputy General Manager Delegate*

Senior Management

Amer Mohamed Amish	*Deputy General Manager Delegate*
Mohamed Younsi	*Deputy General Manager Delegate*

Statutory auditors

Artex Audit Associés

Baker Tilly Sofideec

Audit Committee

Mustapha Ben Khalifa	*Chairman*

Accounts Committee

Brahim Semid	*Chairman*

General Inspection

Najib Tabti

2018 FINANCIAL REPORT

Balance Sheet (in thousands of euros)

ASSETS	31.12.2018	31.12.2017	Change
Cash, central banks and post office accounts	2,100	2,213	-5.10%
Government securities and similar instruments			
Loans and advances to credit institutions	136,160	133,203	2.22%
Customer transactions	41,082	60,266	-31.83%
Bonds and other fixed-income securities	40,724	34,828	16.93%
Equities and other variable-income securities	90,229	117,055	-22.92%
Equity interests and other long-term securities	3,041	3,314	-8.22%
Investments in subsidiaries and associates			
Finance leases and leases with a purchase option			
Operating leases			
Intangible assets	139	140	-0.03%
Property and equipment	1,630	1,509	8.02%
Capital subscribed but unpaid			
Treasury shares			
Trading and settlement accounts			
Other assets	19,839	19,730	-0.56%
Prepayments and accrued income	898	1,156	-22.34%
TOTAL ASSETS	335,845	373,414	-10.06%

LIABILITIES AND SHAREHOLDERS' EQUITY	31.12.2018	31.12.2017	Change
Central banks and post office accounts			
Amounts due to credit institutions	29,765	79,031	-62.34%
Customer transactions	130,088	124,781	4.25%
Debt securities			
Other liabilities	1,037	915	13.31%
Accruals and deferred income	1,907	2,974	-35.87%
Trading and settlement accounts			
Provisions for liabilities and charges	32,603	26,100	24.92%
Subordinated debt			
Fund for general banking risks			
Shareholders' equity excluding fund for general banking risks			
Subscribed capital	158,100	158,100	
Additional paid-in capital			
Reserves	1,816	1,816	
Revaluation reserve			
Regulated provisions and investment grants			
Retained earnings (+/-)	-20,303	-20,829	-2.52%
Net income for the year (+/-) 831	831	526	58.14%
Income to be allocated			
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	335,845	373,414	-10.06%

Off-balance sheet (in thousands of euros)

COMMITMENTS GIVEN	31.12.2018	31.12.2017	Change
Financing commitments	8,198	5,180	58.26%
Guarantee commitments	101,988	94,014	8.48%
Commitments on securities			

COMMITMENTS RECEIVED	31.12.2018	31.12.2017	Change
Financing commitments			
Guarantee commitments	15,890	72,655	-78.13%
Commitments on securities			

Income statement (in thousands of euros)

INCOME STATEMENT (in thousands of euros)	31.12.2018	31.12.2017	Change
+ Interest and similar income	5,788	5,382	7.55%
- Interest and similar expense	-410	-346	18.43%
+ Income from finance leases and similar transactions			
- Expenses on finance leases and similar transactions			
+ Income from operating leases			
- Expenses on operating leases			
+ Income from variable-income securities	114	381	
+ Commissions (income)	1,426	1,401	1.81%
- Commissions (expenses)	-215	-263	-17.99%
+/- Gains or losses on trading portfolio transactions	146	244	-40.04%
+/- Gains or losses on investment portfolio and similar transactions	-1,820	3,637	-150.05%
+ Other banking income	8	7	25.86%
- Other banking expenses	-1	-1	
NET BANKING INCOME	5,036	10,441	-51.77%
- General operating expenses	-11,909	-12,362	-3.66%
- Depreciation, amortisation and provisions on intangible assets and property and equipment	-373	-370	0.77%
GROSS OPERATING INCOME	-7,246	-2,291	216.27%
Cost of risk	8,083	2,868	
OPERATING INCOME	837	577	44.98%
+/- Gains or losses on the disposal of fixed assets	0	4,635	
INCOME FROM ORDINARY ACTIVITIES BEFORE TAX	837	596	40.36%
+/- Non-recurring items	-6	17	
- Income tax (+/-)	0	-88	
+/- Additions to/reversals of fund for general banking risks and regulated provisions	0	0	
NET INCOME	831	525	58.14%

Notes to the annual financial statements for the financial year ended 31 December 2018

1. ACCOUNTING POLICIES AND PRESENTATION OF THE FINANCIAL STATEMENTS

The financial statements of Banque BIA have been prepared and presented in accordance with the provisions of Regulation ANC 2014-07 of the French accounting standards authority (*Autorité des normes comptables*). Interest income and related commissions are recognised on an accrual and time-apportioned basis. Fees for services (not interest-related) are recorded when the services are rendered.

2. FOREIGN CURRENCY TRANSLATIONS

Foreign currency denominated loans, receivables, debts and off-balance sheet commitments (outside the eurozone) have been translated into euros at the exchange rate determined by the French central bank at the reporting date. Currency gains and losses relating to loans, borrowings and similar, securities and off-balance sheet commitments have been translated into euros at the prevailing spot rate when recognised monthly in income and expense.

3. FOREIGN CURRENCY TRANSACTIONS

Currency gains and losses arising from the remeasurement of balance sheet accounts are recognised in income and expenses at each reporting date. Foreign currency forward contracts not settled at the reporting date and hedged by spot currency transactions are remeasured at the prevailing spot rate at the year-end. The premiums and discounts calculated when concluding the contracts are reported in income and expenses prorated over the term of the contracts.

4. NON-CURRENT ASSETS

Non-current assets are recognised in the balance sheet at cost, broken down in accordance with Regulation CRC 2014-03, less depreciation and amortisation calculated on a straight-line basis based on their estimated useful life, in accordance with Regulation CRC 2014-03. Intangible assets relate to computer software.

5. SECURITIES

The item "Bonds and other fixed-income securities" relates to bonds. The premiums and discounts are amortised on a straight-line basis over the life of the instruments.
"Equities and other variable-income securities" relate to UCITS and listed securities valued at their market value.
The item "Equity securities held for investment" comprises shares and related instruments that the bank intends to hold on a long-term basis, which are recognised at the lower of their cost or their value determined on the basis of net assets.

6. DOUBTFUL DEBTS

In accordance with the requirements of Article 2221 of regulation ANC 2014-07, a distinction is made, for all credit risk, between performing debt, doubtful debt and non-performing doubtful debt. Doubtful debt is reclassified as non-performing doubtful debt when there is a very low likelihood of recovering the debt and where writing off the debt in the long run is considered. Interest income is no longer recognised after the debt has been reclassified as non-performing doubtful debt.

In accordance with Article 2221-5 of regulation ANC 2014-07, restructured loans and receivables are reclassified as performing loans and receivables. A valuation haircut is also recognised on these debts, which is calculated based on the debts' recorded market price or that of debts of the same type and with the same features that have recently been traded. The income and expenses related to the management of haircuts on restructured loans and receivables are recognised under the cost of risk.

7. PROVISIONS

In accordance with the applicable regulations, each non-performing debt is valued according to its risk of non-recovery at the balance sheet date. The assessment criteria of risks we have defined are based on the economic and political situation on the one hand, and on the intrinsic nature of the debt on the other, as well as the debt's price quoted on a regulated market where applicable.

Unpaid interest and accrued interest on doubtful non-performing debt is fully provisioned.

8. EMPLOYEE BENEFITS

Regulatory provisions on mandatory supplementary pension plans are applied through contributions, included in the year's expenses, paid to pension organisations as provided for by the collective agreement.
Provisions are made for retirement benefit obligations in accordance with the option provided for in Article L 123.13 of the French Commercial Code.
In accordance with CNC Recommendation No. 03 – R – 01, obligations relating to long-service awards are recognised in expenses for the year.
In accordance with the applicable legislation on employee benefits, social security contributions are also provisioned.

9. CHANGE IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year.
The financial statements for the year are presented as defined under ANC Regulation 2014-07.

Additional information on the annual financial statements for the year ended 31 December 2018

1. TOTAL ASSETS

Total assets at the year-end show a decrease of 10% to EUR 335,845k compared to EUR 373,414k at year-end 2017.

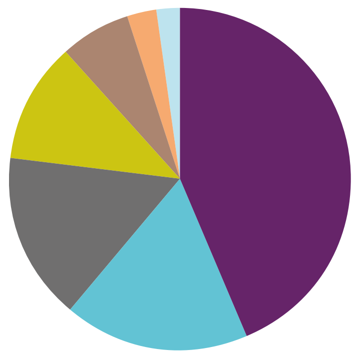
2. GEOGRAPHICAL DISTRIBUTION OF LOANS AND RECEIVABLES

There was very little change in the geographical distribution of loans and receivables between 2017 and 2018. Loans and receivables due from the European Union still accounted for the bulk of total loans and receivables at 44%, while loans and receivables due from Algeria represented 16%, similar to 2017.

3. CASH AND INTERBANK TRANSACTIONS

Overdrafts on current accounts mainly comprise our sight deposits with correspondent banks. Deposit accounts and term loans mainly comprise short-term interbank cash and investment transactions with the central bank.
Bank debt concerning non-OECD countries amounted to EUR 65,538k and provisions for impairment of the assets in question totalled EUR 48,592k.
As at 31 December 2018, no receivable due from our shareholders was recognised in assets in the balance sheet.

GEOGRAPHICAL DISTRIBUTION OF RECEIVABLES as at 31.12.2018



- 43.66% *European Union and associated countries*
- 17.66% *Middle East*
- 15.80% *Algeria*
- 11.38% *Other countries*
- 6.73% *Other African countries*
- 2.61% *Libya*
- 2.15% *Other European countries*

Cash and interbank transactions break down as follows:

ASSETS (in thousands)	2018	2017
Cash	426	481
Sight deposits with central banks	1,674	1,732
Current accounts	32,853	34,146
Deposit accounts and term loans	102,559	98,422
Accrued interest on bank loans	272	171
Securities received under repurchase agreements	0	0
Doubtful debts	477	465
TOTAL	132,261	135,417

Breakdown of interbank transactions
(remaining term)

(in thousands of euros)	Overnight transactions	< 3 months	3 months 1 year	1 year 5 years	> 5 years	Total
Interbank term loans and financial loans	0	98,717	1,869	1,974		102,559

4. LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers comprise corporate loans, other customer lending and overdrafts on current accounts.

Accrued interest is aggregated with the main headings in the balance sheet.

Loans and advances to non-OECD customers totalled EUR 43,269k. Discounts and provisions relating to these assets totalled EUR 6,476k and EUR 7,123k respectively.

(in thousands of euros)	2018	2017
Loans and advances to customers	26,464	44,603
Ordinary accounts	4,849	4,737
Net doubtful debts and outstanding payments	9,756	10,829
Accrued interest	13	96
TOTAL	41,083	60,267

Breakdown of loans and advances to customers (remaining term)

(in thousands of euros)	Overnight Liabilities	<3 months	3 months 1 year	1 year 5 years	> 5 years	Total
Customer loans and receivables	2,491		2,068	12,834	9,072	26,464

5. SECURITIES

SUMMARY AS AT 31.12.2018 (in thousands of euros)											
	Provisionable base			Provisions							
Type	Receivables at 31/12/2018 in €k	Receivables at 31.12.2017 in €k	Change 18/17 in €k	Stock 31/12/2018 in €k	Stock 31.12.17 in €k	Change 18/17 in €k	Premium and discount	Risk in €k (Dec. (2018)	% prov.	Value at 31.12.2018	Unrealised capital gain
Investment securities	135,285	154,991	-19,706	(5,902)	(4,723)	-1,179	1,571	130,954	4.36%	130,954	351
Equity interests	4,279	4,086,	194	(1,238)	(772)	-466		3,041	28.93%	-	
TOTAL	**139,564**	**159,076**	**-19,512**	**(7,140)**	**(5,495)**	**-1,645**	**1,571**	**133,995**	**5.12%**	**130,954**	**351**

The securities portfolio is classified as investment securities and equity interests and mainly comprises:

- Bonds primarily invested in eurozone sovereign and large corporate debt, to the tune of EUR 26.4 million, and in instruments issued by financial institutions, to the tune of EUR 13.2 million. These instruments accounted for almost a quarter of the total investment securities.
- Shares or units of money market UCITS in the amount of EUR 21.2 million and bond UCITS in the amount of EUR 68.5 million.
- Foreign equity investments denominated in US dollars.

SUMMARY AS AT 31.12.2018 (excluding accrued interest and settlement accounts) (in thousands of euros)							
Type	Gross outstanding	Provisions	Premium / Discount	Net risk at 31.12.18 in eK	Coverage %	Market value at 31.12.18	Unrealised capital gain
Fixed income investment securities	**39,616**	**-798**	1,598	40,415	2.02%	40,772	307
Variable income investment securities	95,330	-5,104		90,226	5.35%	90,314	44
TOTAL	**134,946**	**-5,902**	**1,598**	**130,641**	**3.19%**	**131,037**	**351**

Equity interests as at 31.12.2018

ARAB INTERNATIONAL COMPANY FOR HOTELS AND TOURISM / "AICHT" (CAIRO)
This company, with share capital of USD 150,463,700 (Banque BIA holds a 3.94% stake for a book value of USD 4,434,000), owns several hotels in Egypt.

BIA did not record a dividend on this investment in 2018. In view of the decline in business and profitability observed since 2011, and based on the company's net asset situation, it decided to set aside an additional USD 492k provision on this investment.

ARAB FINANCIAL SERVICES/MANAMA (BAHRAIN)
This company has share capital of USD 30,000,000 and has investment bank status. Banque BIA holds a 1.63% stake in the company, worth USD 463,700. In 2018, Banque BIA received a dividend of USD 40,553, i.e. a yield of 8.7%.

Equity interests as at 31.12.2018

SUMMARY OF EQUITY INVESTMENTS (in thousands of euros)						
Description of transactions	BIA stake	Gross value	Provisions	Net carrying amount	Net assets	Unrealised capital gains or losses
AICHT	3.94%	3,872	-1,238	3,064	3,064	
AFS	1.63%	405		405	986	581
TOTAL		**4,277**	**-1,238**	**3,469**	**4,050**	**581**

6. TYPES OF DOUBTFUL DEBTS

The breakdown by asset class is as follows:

SUMMARY OF DOUBTFUL DEBTS AND PROVISIONS (including doubtful securities) at 31.12.2018 (in thousands of euros)								
	Debts			Provisions				
Type	Receivables at 31.12.2018 in €k	Receivables at 31.12.2017 in €k	Change 17/18 in €k	Stock 31/12/2018 in €k	Stock 31/12/2017 in €k	Change 18/17 in €k	Net risk in EURk	Coverage ratio %
Credit institutions	26,095	49,042	-22,947	-25,634	-48,592	22,958	461	98.2%
Customers	34,352	36,984	-2,632	-24,715	-25,990	1,275	9,637	71.9%
Investment securities								
TOTAL	60,448	86,026	-25,578	-50,349	-74,582	24,233	10,098	83.3%

In accordance with regulation CRC 2014-07, gross doubtful debts are broken down as follows:

GEOGRAPHICAL AREAS

NON-PERFORMING DOUBTFUL DEBTS (in thousands of euros)

Area	Net outstanding debt in €k 2018	31.12.18	Net outstanding debt in €k 2017	31.12.17
Europe	85	6%	84	6%
Middle East	1,180	84%	1,128	83%
African countries	147	10%	145	11%
TOTAL	1,412	100%	1,358	100%

DOUBTFUL DEBTS NOT CLASSIFIED AS NON-PERFORMING (in thousands of euros)

ArArea	Net outstanding debt in €k 2018	31.12.18	Net outstanding debt in €k 2017	31.12.17
Europe	8,687	100%	10,086	100%
Algeria				
Middle East				
African countries				
TOTAL	8,687	100%	10,086	100%

ECONOMIC AGENTS

NON-PERFORMING DOUBTFUL DEBTS (in thousands of euros)

Economic agents	Net outstanding debt in €k 2018	31.12.18	Net outstanding debt in €k 2017	31.12.17
Banks	441	31%	450	33%
Companies	945	67%	883	65%
Individuals	26	2%	25	2%
TOTAL	1,412	100%	1,358	100%

DOUBTFUL DEBTS NOT CLASSIFIED AS NON-PERFORMING (in thousands of euros)

Economic agents	Net outstanding debt in €k 2018	31.12.18	Net outstanding debt in €k 2017	31.12.17
Companies	8,687	100%	10,086	100%
Individuals				
Bank				
TOTAL	8,687	100%	10,086	100%

7. OTHER ASSETS, PREPAYMENTS AND ACCRUED INCOME

As at 31 December 2018, other assets, prepayments and accrued income break down as follows:

The "Government (corporate tax and VAT)" item almost entirely relates to payments made to the tax authorities to settle disputes. These amounts are fully provisioned.

ASSETS (in thousands of euros)	2018	2017
Other assets	19,840	19,730
Sundry debtors	22	52
Government (corporate tax and VAT)	19,815	19,645
Security deposits and guarantees	3	33
Prepayments and accrued income	898	1,156
Deposits in transit	0	0
Foreign exchange adjustment	85	10
Prepaid expenses	80	56
Accrued income	705	560
Premiums/discounts to be received		
Entries to be adjusted	28	530

8. FIXED ASSETS AND DEPRECIATION AND AMORTISATION

The gross value (before depreciation and amortisation) of intangible assets, comprised mainly of computer software, was EUR 2,387k, and that of property and equipment was EUR 7,023k, showing a year-on-year increase. It should be noted that a property asset is recognised on the balance sheet that is not relevant to business operations. It was acquired under a tender procedure as part of the settlement of a customer debt in litigation.

FIXED ASSETS (in thousands of euros)	Amount at end-2017	Acquisitions	Disposals/retirements	Amount at end-2018
Intangible assets	2,321	66		2,387
Property and equipment	6,595	428	0	7,023
Non-operating property	350			350
TOTAL	9,266	494	0	9,760

In accordance with regulation CRC 2014-03, depreciation and amortisation are calculated on the basis of the useful life of the assets and exclusively on a straight-line basis.

DEPRECIATION/AMORTISATION/ PROVISIONS (in thousands of euros)	Amount at end-2017	Additions	Reversals from disposals	Amount at end-2018
Amortisation of intangible assets	2,181	66		2,247
Depreciation of property and equipment	5,286	267	0	5,553
Provision/non-operating property	150	40		190
TOTAL	7,617	373	0	7,990

9. AMOUNTS OWED TO CREDIT INSTITUTIONS

At the end of 2018, funds from interbank items showed a further decrease to EUR 30 million, down from EUR 79 million at the end of 2017, amid a further fall in deposit volumes from our shareholder and affiliate banks.

Banks' sight deposits mainly consist of foreign bank current accounts, for the most part in the countries where our shareholder banks are located.

Deposits from banks in non-OECD countries mirrored the general trend, amounting to EUR 23,822k and accounting for 80% of the total.

Amounts due from credit institutions break down as follows:

LIABILITY (in thousands of euros)	2018	2017
Current accounts	14,440	37,352
Term accounts and loans	14,825	41,228
Accrued interest	500	451
TOTAL	29,765	79,031

BREAKDOWN OF INTERBANK TRANSACTIONS (remaining term) (in thousands of euros)						
	Overnight liabilities	< 3 months	3 months 1 year	1 year 5 years	> 5 years	Total
Interbank term loans		10,141	4,683			14,825

10. CUSTOMER DEPOSITS

Customer funds show a year-on-year increase to EUR 130,089k at 31 December 2018.

Sight and term deposits from customers in non-OECD countries amount to EUR 127,586, accounting for 98% of total customer deposits.

(in thousands of euros)	2018	2017
Customer current accounts	34,919	33,242
Security deposits	1,981	2,007
Term deposits	93,171	89,516
Accrued interest	17	14
Other amounts due	0	2
TOTAL	130,089	124,781

TERM DEPOSITS (remaining term) (in thousands of euros)						
	Overnight transactions	< 3 months	3 months 1 year	1 year 5 years	> 5 years	Total
Term deposits		92,918	254			93,171

11. OTHER LIABILITIES, ACCRUALS AND DEFERRED INCOME

The breakdown of other liabilities, accruals and deferred income at the year-end is as follows:

LIABILITIES (in thousands of euros)	2018	2017
Other assets	1,037	915
Other creditors	224	3
Government (VAT-LD)	85	94
Social security expenses	728	819
Accruals and deferred income	1,907	2,974
Accounts payable after receipt	149	132
Foreign exchange adjustment	0	0
Deferred income	4	47
Accrued expenses	1,149	2,005
Premiums/discounts to be paid	0	0
Adjustment journal	606	790

12. PROVISIONS FOR LIABILITIES AND CHARGES

Provisions for liabilities and charges consist of country risk provisions, tax and social security provisions and other provisions, particularly of a legal nature.

SUMMARY OF PROVISIONS FOR LIABILITIES AND CHARGES AT 31.12.2018 (in thousands of euros)			
Type	Provisions		
	Inventory 31.12.2018 in EURk	Inventory 31.12.2017 in EURk	Change 2018/2017 in EURk
Country risk	6,923	3,001	3,921
Tax provisions *	19,486	19,486	0
Social security provisions **	3,745	3,462	283
Other provisions for liabilities and charges	2,450	151	2,299
TOTAL	32,604	26,101	6,503

* The company was subject to tax adjustments in respect of the 2000 and 2001 financial years and to a lesser extent for 1996 and 1997. It challenged the grounds of these adjustments and, with the assistance of its advisers, undertook a number of administrative, legal and diplomatic means of recourse, which will be ongoing for several years.

All tax disputes are fully provisioned.

** In accordance with ANC recommendation no. 2013-02 of 7 November 2013 concerning the accounting treatment of retirement and similar benefits, a provision reversal of EUR 58k was recognised on retirement benefit obligations. This provision was calculated using the methods commonly used in similar situations based on the probability of retirement of staff, at the age of 67, discounted at a rate of 1.57%.

13. SUBORDINATED DEBT

None.

14. EQUITY AND PROFIT (LOSS) FOR THE YEAR

The fully paid-up share capital amounts to EUR 158,100k,
i.e. 10,540,000 shares with a par value of EUR 15 each.

Other equity amounts to a negative EUR 19,013k, broken down as follows:
- Retained loss: EUR 20,304k
- Statutory reserve: EUR 1,816k

Banque BIA posted a net profit for the year after corporate income tax of EUR 831k.

The proposed appropriation of these earnings is as follows:
EUR 831k to retained earnings, after which retained earnings will show a debit balance of EUR 19,473k.

15. OFF-BALANCE SHEET COMMITMENTS

Financing commitments break down as follows:

FINANCING COMMITMENTS (in thousands of euros)	2018	2017
Confirmed letters of credit	0	0
Other confirmed credit lines	8,198	5,180
Acceptances to be paid or undertakings to pay	0	0
TOTAL	8,198	5,180

Financing commitment outstandings were very low at 31 December 2018, but were higher than at end-2017.
There were no financing commitments in favour of our shareholders.

Guarantee commitments break down as follows:

GUARANTEE COMMITMENTS (in thousands of euros)	2018	2017
Confirmed letters of credit	83,085	76,707
Other guarantees to credit institutions	5,744	5,905
Other irrevocable commitments to credit institutions	11,327	9,484
Other guarantees to customers	1,832	1,919
TOTAL	101,988	94,014

Guarantee commitments show a recovery of 8.4% at 31 December 2018.

Commitments with shareholder banks increased to EUR 62,863k at the end of 2018 versus EUR 48,454k at the end of 2017; commitments with shareholders made up 62% of the total.

Commitments received as security break down as follows:

COMMITMENTS RECEIVED AS A SECURITY (in thousands of euros)	2018	2017
Guarantees received from credit institutions	9,864	66,902
Guarantees received from insurance companies and government agencies	6,026	5,753
TOTAL	15,890	72,655

Guarantee commitments received from shareholders amounted to EUR 4,367k at the year-end, i.e. 27% of the total.

16. ENCUMBERED / UNENCUMBERED ASSETS

Banque BIA had encumbered assets in the amount of EUR 29,467k at the end of 2018. They consisted of demand loans and debt securities issued by financial companies.
At the end of 2018, the ratio of encumbered assets relative to total assets of EUR 335,525k was 8.8%. In view of this percentage, these encumbered assets represent an insignificant risk for Banque BIA.

17. NET BANKING INCOME

BREAKDOWN OF NET BANKING INCOME (in thousands of euros)		Expenses (-)	Income (+)	Total (+ or -)
+/- interest and similar income		**-799**	**6,176**	**5,378**
of which	*Bank*	*-226*	*2,159*	*1,933*
	Customers	*-185*	*1,140*	*1,256*
	Securities	*-389*	*1,140*	*752*
	Treated as commissions		*1,437*	*1,437*
+ Income from variable-income securities		**0**	**114**	**114**
of which Securities			*114*	*114*
+/- Commissions		**-216**	**1,427**	**1,211**
of which	*Bank*	*-208*		*-208*
	Customers		*425*	*425*
	Securities			*0*
	Signed commitments			
	Sundry	*-8*	*1,002*	*994*
+/- Operating gains/losses from trading portfolios		**-8**	**155**	**146**
+/- Operating gains/losses from investment portfolios and similar		**-3,482**	**1,661**	**-1,821**
+ Other banking income and expenses		**-1**	**9**	**7**
TOTAL		-4,506	9,542	5,036

At the end of 2018, NBI showed a decrease of 52% to EUR 5 million versus EUR 10.4 million at the end of 2017. The main reasons for this decrease were as follows:

- A 1.4% increase in net interest income and net commission income
- A 6.4% increase in commission income
- A decrease in net gains on the investment portfolio and similar, which came out at a net loss of EUR -1.7 million versus a net gain of EUR 3.9 million at the end of 2017. Income from investment securities (EUR 1.1 million) and amortisation of premiums and discounts on securities (EUR -0.4 million) are recognised under "Revenue, interest and similar income".

SUMMARY OF GAINS OR LOSSES ON INVESTMENT PORTFOLIOS AND SIMILAR at 31.12.2018 (in thousands of euros)			
Item	Expenses	Income	Net amount
Capital gains or losses on sales of investment securities	-916	74	-842
Allocations to and reversals of provisions for investment securities	-2,565	1,587	-978
Allocations to and reversals of provisions for equity investments	0	0	0
TOTAL	-3,482	1,661	-1,821

18. GENERAL OPERATING EXPENSES

General operating expenses break down as follows:

GENERAL OPERATING EXPENSES (in thousands of euros)	2018	2017
Wages and salaries	4,449	4,559
Social security contributions	2,407	2,453
Incentive bonuses and employee profit sharing	67	57
Net provisions for social security payments	283	158
Taxes, duties and similar payments on remuneration	598	587
Personnel costs, subtotal	**7,804**	**7,816**
Other taxes and duties	-34	183
Rentals	33	40
Transport and travel	684	642
Other external services	3,423	3,682
Rebilled expenses	0	0
Other operating expenses, subtotal	**4,106**	**4,547**
TOTAL	11,910	12,362

- To deal with changes in NBI and business volumes, general operating expenses were adjusted, controlled and contained as far as possible, decreasing by 3.7% year-on-year from EUR 12.4 million to EUR 11.9 million.
- Personnel expenses came out stable year-on-year.
- Other operating expenses decreased by 10% from EUR 4.5 million in 2017 to EUR 4.1 million.
- No expense rebilled to shareholders was recognised in 2018. The balance of the account relating to the recognition of expenses rebilled since 2012 amounted to EUR 218k, with settlement pending.
- Auditors' fees for the statutory audit of the financial statements for the year ended 31 December 2018 amounted to two hundred and fifty seven thousand euros inclusive of VAT, stable in relation to 2017.

19. FIXED ASSET DEPRECIATION, AMORTISATION AND PROVISIONS

The annual charge for depreciation, amortisation and provisions for fixed assets shows no change at EUR 373k. An additional exceptional provision for impairment of EUR 40k was made for financial year 2018 on a property asset located in the French department of Loiret, which was acquired as part of a tender procedure.

20. COST OF RISK

Movements related to changes in the cost of risk are presented below:

COST OF RISK (in thousands of euros)	Provisions	Reversals	Net amount
Doubtful debts - Banks	0	23,748	23,747
Doubtful debts - Customers		1,580	1,580
Doubtful investments			
Signed commitments			
Country risks	(4,763)	872	(3,892)
Other liabilities and charges	(2,293)		(2,293)
Discount recognised on restructured loans and receivables		1,865	1,865
Allocations to provisions for equity investments	(429)		(429)
Losses on irrecoverable receivables	(12,495)		(12,495)
TOTAL COST OF RISK	(19,980)	28,064	8,084

A net reversal of the provision for cost of risk of EUR 8,084k was recorded in 2018 versus a net reversal of EUR 2,869k in 2017.
Income of EUR 1,865k was recognised in respect of the amortisation of valuation haircuts recognised on restructured loans and receivables.

In accordance with Article 6 of regulation CRC 2002-03, restructured loans and receivables are reclassified as performing loans and receivables. Valuation haircuts were applied to all these loans and receivables based on their market values. The income and expenses related to the management of haircuts on restructured loans and receivables are recognised under the cost of risk.
The losses on irrecoverable loans and receivables incorporated into the cost of risk corresponded to the clearing of old loans and receivables, all almost entirely provisioned.

21. NON-RECURRING ITEMS

Non-recurring income was not material, at EUR 6k.

22. FORWARD FOREIGN EXCHANGE TRANSACTIONS

There were no unsettled forward transactions at the year-end.

23. LIQUIDITY RATIOS

At the end of December 2018, the new LCR (Liquidity Coverage Ratio) stood at 192% versus an authorised minimum of 90%. The NSFR (Net Stable Funding Ratio) was 220%.

24. STATEMENT OF MAJOR RISKS

At 31 December 2018, regulatory capital stood at EUR 139 million.
At 31 December 2018, 11 counterparties with gross outstandings representing more than 10% of equity were included in the new "GR1" ratio, with the net outstandings of 9 of these counterparties representing more than 10% of equity.

25. REGULATORY CAPITAL

In accordance with European Commission Implementing Regulation 1423/2013 of 20 December 2013 which sets out the technical standards concerning the capital reporting requirements applicable to institutions, this section covers:

- Reconciliation of reported equity with prudential capital
- Detailed information on regulatory capital and risk-weighted assets, including capital ratios

25.1 - Reconciliation of reported equity with prudential capital

AMOUNTS (in thousands of euros)	2018	2017	Change
Common Equity Tier 1 (CET1) capital	**139,487**	**130,404**	**+9,083**
Reported equity*	**139,612**	**139,087**	**+975**
Capital instruments paid up	*158,100*	*158,100*	*-*
Retained earnings	*-20,304*	*-20,829*	*+525*
Other reserves	*1,816*	*1,816*	*-*
Adjustments arising from prudential filters	*-*	*-*	*-*
Other adjustments	**-126**	**-8,682**	**+8,556**
Intangible assets	*-126*	*-139*	*+13*
Other deductions	*-*	*-8,543*	*+8,453*
Additional Tier 1 (AT1) capital	**-**	**-**	**-**
Tier 2 (T2) capital	**-**	**-**	**-**
TOTAL CAPITAL (CE1 + AT1 + T2)	139,487	130,404	+9,083

*Reported equity at the end of 2018 does not include the net income for the year ended 31 December 2018 because it had not yet been approved by the General Meeting of Banque BIA scheduled for May 2019.

Banque BIA's regulatory capital stood at EUR 139,487k at 31 December 2018. The main change observed between end-2017 and end-2018 concerns the end of the transitional adjustment, which occurred on 1 January 2018, relating to the deduction of loans and commitments granted by a subsidiary to its managers and main shareholders under Article 6 *ter* of Regulation 90-02.

The end of this transitional adjustment led to an increase in the Common Equity Tier 1 (CET1) capital of EUR 8,453k between the end of 2017 and the end of 2018.

25.2- Information on prudential capital and risk-weighted assets

Details of the prudential capital and capital ratios are presented in the table below, based on the format set out in Annex IV of European Commission Implementing Regulation no. 1423/2013 of 20 December 2013.

AMOUNTS (in thousands of euros)	2018	Information
CET1 capital: instruments and reserves	**139,612**	
Capital instruments and related share premium accounts	158,100	Capital subscribed
Retained earnings	-20,304	2018 retained earnings, including net income for the year ended 31/12/17
Accumulated other comprehensive income (and other reserves)	1,816	Legal reserve
CET1 capital: regulatory adjustments	**-126**	
Intangible assets	-126	Software
CET1 capital	**139,487**	
AT1 capital	**-**	
T2 capital	**-**	
Total capital	**139,487**	
Total risk-weighted assets 234,465		See details below
Capital ratios		
CET1 capital	**59.49%**	
T1 capital	**59.49%**	
TOTAL CAPITAL	59.49%	

Focus on risk-weighted assets

AMOUNTS (in thousands of euros)	2018	2017	Change
Credit risk	212,857	239,337	-26,480
Market risk	1,611	1,283	+ 328
Operational risk	19,997	20,292	-295
TOTAL RISK-WEIGHTED ASSETS	234,465	260,912	-26,447

Banque BIA's business is mainly focused on documentary credit and proprietary trading.
Risk-weighted assets are therefore largely concentrated on credit risk, calculated based on the standardised approach defined in Title II / Chapter 2 of the CRR, i.e. EUR 212,857k as at end-2018.

At the end of 2018, risk-weighted assets in respect of credit risk related mainly to the following matched asset classes:
- EUR 92,274k in bond or UCITS investments;
- EUR 51,038k in receivables from institutions;
- EUR 31,032k in receivables from corporates.

The decrease of EUR 26,480k observed between the end of 2017 and the end of 2018 is mainly attributable to a decrease in credit activity.

Risk-weighted assets in respect of market risk amounted to EUR 1,611k at the end of 2018 and corresponded exclusively to currency risk, calculated based on the approach described in Articles 351 to 354 of the CRR.

Risk-weighted assets in respect of operational risk amounted to EUR 19,997k at the end of 2018, calculated using the basic indicator approach defined in Articles 315 and 316 of the CRR.

Banque BIA's regulatory capital ratio therefore stood at 59.49% at the end of 2018.

The capital ratio is well above the required regulatory level of 9.875%. This high level of capital is the result of regulatory limitations on Banque BIA's commitments to its shareholders (the main commitments to shareholders are off-balance sheet transactions (documentary credits)).

26. LEVERAGE RATIO

Banque BIA complies with the disclosure procedures set out in European Commission Implementing Regulation 2016/200 of 15 February 2016 (Annex I) concerning the publication of the leverage ratio.

Given the size and the lack of complexity of Banque BIA's business model, the two tables presented below have been simplified so that they show only the information relevant to its business.

Although the leverage ratio is still a compliance ratio (Pillar 2) and not a binding requirement included in the minimum requirements mentioned in Article 92(1) of Regulation (EU) No. 575/2013 of 26 June 2013 (known as the CRR), Banque BIA calculates its leverage ratio on a quarterly basis by referring to the calculation methods set out in Commission Delegated Regulation (EU) 2015/62 of 10 October 2014. **At the end of 2018, Banque BIA had a leverage ratio of 31.31%,** which is well above the 3% reference value (see point on regulatory capital).

26.1 - Summary reconciliation between assets recognised in the accounts and exposures for purposes of calculating the leverage ratio

AMOUNTS (in thousands of euros)	2018
1 - Total assets according to the published financial statements	335,525
2 - Adjustment for the consolidated entities from an accounting point of view but which is not included in the scope of regulatory consolidation	
3 - (Adjustment for fiduciary assetsrecognised on the balance sheet in accordance with the applicable financial reporting framework but excluded from the total exposures for purposes of calculating the leverage ratio pursuant to Article 429(13) of Regulation (EU) No 575/2013)	
4 - Adjustments for derivative financial instruments	
5 - Adjustment for securities financing transactions (SFT)	
6 - Adjustment for off-balance sheet items (resulting from the conversion of off-balance sheet exposures into equivalent credit amounts)	110,186
EU-6a - (Adjustment for intra-group exposures that are exempt from the total measurement of exposures for purposes of calculating the leverage ratio pursuant to Article 429(7) of Regulation (EU) No 575/2013)	
EU-6b - (Adjustment for exposures that are exempt from the total measurement of exposures for purposes of calculating the leverage ratio pursuant to Article 429(14) of Regulation (EU) No 575/2013)	
7. Other adjustments	-250
8 - TOTAL MEASUREMENT OF EXPOSURES FOR PURPOSES OF CALCULATING THE LEVERAGE RATIO	445,461

26.2 - Leverage ratio - general statement

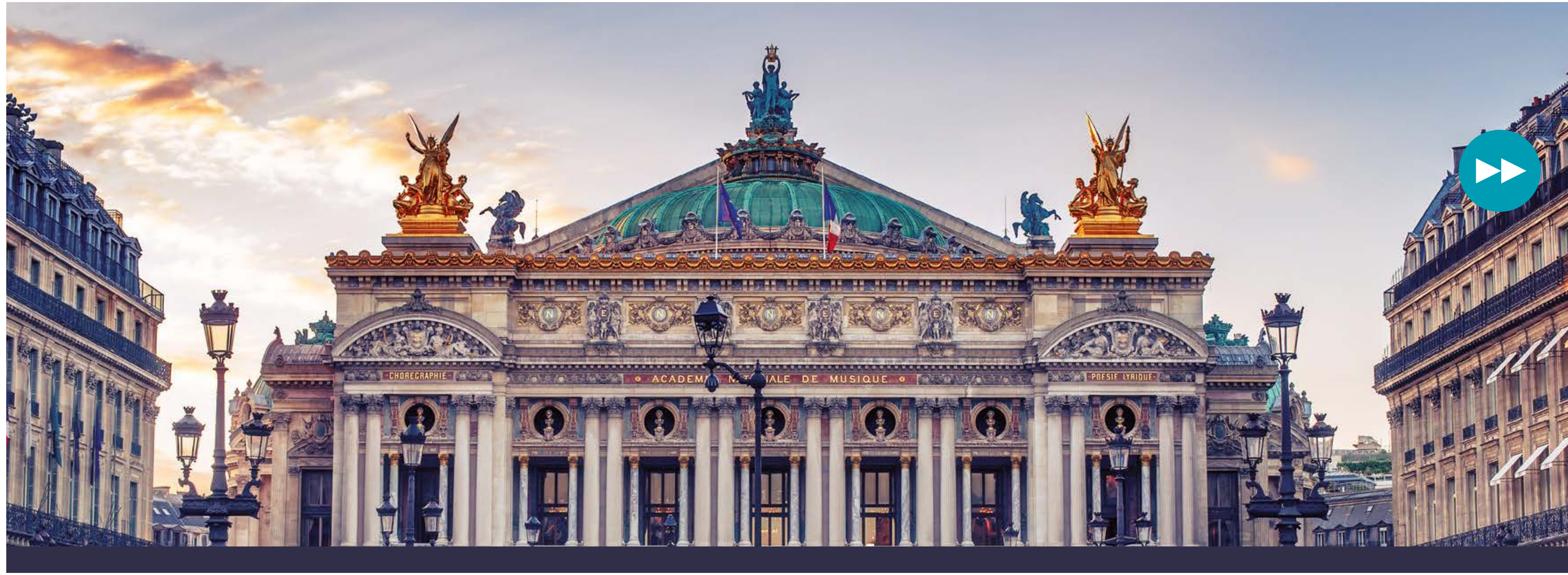
AMOUNT (in thousands of euros)	2018
BALANCE SHEET EXPOSURES (EXCLUDING DERIVATIVES AND SFTS)	
1 - Balance sheet items (excluding derivatives, SFTs and fiduciary assets but including collateral)	335,275
2 - (Assets deducted when calculating tier 1 capital)	-126
3 - Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	**335,149**
OTHER OFF-BALANCE SHEET EXPOSURES	
17 - Off-balance sheet exposures at gross notional value	110,186
18 - (Adjustments for conversion to equivalent credit amounts)	
19 - Other off-balance sheet exposures	**110,186**
CAPITAL AND MEASUREMENT OF TOTAL EXPOSURE	
20 - Tier 1 capital	139,487
21 - Total measurement of exposure for purposes of calculating the leverage ratio	445,461
LEVERAGE RATIO	
22 - Leverage ratio	**31.31%**

27. BANQUE BIA EMPLOYEES

The average breakdown of the Bank's employees in 2018 was as follows:

2018 AVERAGE	Number	Percentage
Managerial	34	69%
Non-managerial	15	31%
TOTAL	49	100%
Men	22	46%
Women	27	54%
TOTAL	49	100%

2018 MANAGEMENT REPORT



MANAGEMENT REPORT PRESENTED BY THE BOARD OF DIRECTORS TO THE ANNUAL ORDINARY GENERAL MEETING

(Financial year ended 31 December 2018)

In light of the ongoing geopolitical context in Libya, the planned recapitalisation and change of governance have yet to go ahead.

The existing business model and prudent risk policy therefore continue to apply:
- restriction, within viable limits, of the volume of transactions to the bank's core business, documentary credit;
- stabilisation of the proprietary securities investment activity with the aim of diversifying and maintaining revenues, and discontinuation of the equities activity due to the rise in volatility.

I. BALANCE SHEET AS AT 31 DECEMBER 2018

At the financial year-end, total assets showed a decrease of 10% to EUR 335,845k from EUR 373,414k at the end of 2017.

Interbank transactions account for more than one third of total assets in the balance sheet. Liabilities comprise deposits from shareholders and other Libyan and Algerian correspondent banks, part of which are frozen funds.

These funds are mainly invested in the interbank market or in short-term UCITS or eurozone government bonds.

ASSETS

At the financial year-end, and against a persistent backdrop of negative short-term interest rates, the main variations were as follows:
- Cash placed with the French central bank was stable at EUR 1.7 million.
- Interbank loans came to EUR 136 million, the same level as in 2017.
- Customer outstandings continued to fall, reaching EUR 41 million at the year-end versus EUR 60 million at the end of 2017, a decrease of nearly 32% year on year.
- Total outstandings attributable to investment securities were down 14% to EUR 131 million versus EUR 152 million in 2017. However, trends within the portfolio contrasted more significantly, with variable-rate securities transactions falling by 23% to EUR 90 million due to the discontinuation of the equity activity, while fixed-rate transactions increased by 17% to EUR 41 million.
- The "other assets" item mainly relates to payments made to the tax authorities in connection with disputes that are currently before the courts. These cases are fully provisioned.
- The "Equity interests and other long-term securities" item shows a decrease to EUR 3 million compared with EUR 3.3 million in 2017 due to the impairment provision in respect of our investment in AICHT.

LIABILITIES

The main changes at the year-end are as follows:
- Interbank deposits, mainly comprising funds deposited by Algerian and Libyan banks, show a sharp fall of 62% from EUR 79 million at the end of 2017 to EUR 29 million.
- Customer funds show a slight increase of 4.25% to EUR 130 million versus EUR 125 million at the end of 2017.
- Provisions for liabilities and charges show a year-on-year increase to EUR 32.6 million compared with EUR 26.1 million in 2017.

OFF-BALANCE SHEET ITEMS

At year-end:

- Signed commitments given show a year-on-year increase, amid particularly low volumes:
- Financing commitments increased by 58% versus end-2017, with outstandings totalling EUR 8.2 million compared with EUR 5.2 million at the end of 2017.
- Guarantee commitments came to EUR 102 million, an increase of 8% versus end-2017.

- Signed commitments received fell sharply to EUR 16 million versus EUR 73 million in 2017.

II. INCOME STATEMENT FOR THE 2018 FINANCIAL YEAR

The main changes in the income statement were as follows:

MAIN CHANGES (in thousands of euros)	31.12.2018	31.12.2017	Change 2018 / 17
TOTAL ASSETS	335,375	373,414	11.3%
Revenue, interest, and similar income	5,492	5,416	1.4%
Commissions	1,211	1,138	6.4%
Gains or losses on portfolio transactions	(1,674)	3,881	-143.1%
Other banking income and expenses	7	6	23.5%
Net banking income	**5,036**	**10,441**	**-51.8%**
Payroll costs	(7,804)	(7,816)	-0.2%
Other general operating expenses	(4,106)	(4,547)	-9.7%
Depreciation and amortisation	(373)	(370)	0.8%
Total general operating expenses	**(12,282)**	**(12,733)**	**-3.5%**
Gross operating income	**(7,247)**	**(2,291)**	**216.3%**
Cost of risk	8,084	2,869	181.8%
Operating income	**837**	**577**	**45.0%**
Gains or losses on the disposal of fixed assets	0	19	
Income from ordinary activities before tax	**837**	**596**	**40.4%**
Non-recurring items	(6)	17	-134.7%
Income tax	0	(88)	
Allocations to/reversals of fund for general banking risks and regulated provisions	0	0	
NET INCOME	**831**	**526**	**58.1%**

The main changes in the income statement were as follows:

Net banking income reflects the stability of the activity recorded on and off the balance sheet, but was strongly impacted by the securities business, which resulted in a net year-on-year decrease of 52%, i.e. a total decrease in net banking income of EUR 5.4 million. The main reasons for this are as follows:
- A stabilisation of net interest income linked to the persistently low level of euro interest rates.
- A 6% increase in net commissions.
- A significant decrease in net gains or losses on the investment portfolio, which came to a net loss of EUR -1.7 million versus a gain of EUR 3.9 million at end-2017, representing a difference of EUR 5.5 million.

GENERAL OPERATING EXPENSES:

- In response to the trend in NBI and business volumes, general operating expenses, including depreciation and amortisation expense, were adjusted, controlled and contained as far as possible, decreasing by 3.5% year-on-year from EUR 12.7 million to EUR 12.3 million.
- Payroll costs were stable at EUR 7.8 million.
- Other operating expenses decreased by 9.7% to EUR 4.1 million versus EUR 4.5 million at the end of 2017.
- No expense rebilled to shareholders was recognised in 2018. The balance of the account relating to the recognition of expenses rebilled since 2012 amounted to EUR 218k, with settlement pending.

- The annual allowance for depreciation, amortisation and provisions for fixed assets was stable at EUR 373k. For 2018, a non-recurring additional provision for impairment of EUR 40k was recorded on a property located in the French department of Loiret which was acquired as part of a tender process in 2016.
- At the end of 2018, the bank recorded a gross operating loss of EUR 7.2 million, against a loss of EUR 2.3 million in 2017.

A net reversal of EUR 8 million was recorded in respect of the cost of risk provision in 2018 compared with a net reversal of EUR 2.9 million in 2017. The amortisation of discounts on restructured loans resulted in income of EUR 1.9 million.

COST OF RISK (in millions of euros)	Provisions	Reversals	Net amount
Doubtful debts - Banks	(0.0)	23.7	23.7
Doubtful debts - Customers	- 1.5	1.5	
Doubtful investments	-	-	-
Signed commitments	-	-	-
Country risks	(4.7)	0.8	(3.9)
Other liabilities and charges	(2.3)	-	(2,293)
Discount recognised on restructured loans and receivables	-	-	-
Allocations to provisions for equity investments	(4.3)	-	(4.3)
Losses on non-recoverable loans and receivables	(12.5)	-	(12.5)
TOTAL COST OF RISK	(19.9)	28	8

The agreement signed with the National Bank of Cuba at the end of 2018 resulted in the reclassification of the loan as a performing debt, leading to the reversal of provisions of EUR 23.7 million and a debt waiver of EUR 12.5 million.

The new receivable amount of EUR 9.1 million was the subject of a provision of EUR 3.2 million for country risk and an additional provision for liabilities and charges of EUR 2.3 million. The net risk on this contract is limited to 40%.

As a result of these items, the bank recorded income from ordinary activities before tax of EUR 0.837 million compared with a profit of EUR 0.577 million at the end of 2017.

In accordance with CNC Regulation No. 03 – R – 01 of the French national accounting authority relating to the accounting treatment of retirement benefit and similar obligations, and due to the departures observed in 2018, the bank recorded a reversal of provisions for retirement benefit obligations of EUR 60k.

The company was subject to tax reassessments in respect of the 2000 and 2001 financial years and to a lesser extent for 1996 and 1997. It challenged the grounds for these reassessments and, with the assistance of its advisers, undertook a number of administrative and legal means of recourse, which will be ongoing for several years. These tax disputes are fully provisioned.

Factoring in tax deductions and add-backs, the company posted a net profit after exceptional items and tax of EUR 0.831 million at the year-end.

III. FORESEEABLE DEVELOPMENTS AND OUTLOOK

The 2019 budget incorporates strong growth in the documentary credit activity in respect of Algeria thanks to a commitment by our Libyan shareholder to pledge deposits in favour of the commitments of Algerian public banks.

This suggests a notable development in the bank's activity.

IV. BUSINESS ACTIVITY IN 2018

Documentary credit

The profitability of the documentary credit business fell slightly in 2018.

Under current regulations, Banque BIA is obliged to limit its commitments with shareholders. The availability of pledged deposits by the Libyan shareholder will help to extend the documentary credit business.

Other international operations

As an extension of its documentary credit business, the bank nonetheless maintained minimal activities in the following areas:
- Refinancing of documentary credit operations.
- Issuing of market guarantees.
- Advances on sales of documentary credit products.
- Correspondent banking business.
- Syndication transactions as part of documentary credit transactions.

Lending activity

Pending a capital increase, the bank is limiting its short-term loan commitments. The restructuring of financial loans undertaken in 2013 helped to generate net banking income of EUR 1.9 million in 2018, in the form of discount amortisation.

Proprietary trading activity

As part of its policy of optimising free cash flow, the bank decided to invest some of these funds in government bonds and investment grade corporate bonds. Activity in the equity portfolio has been discontinued.

Cash-foreign exchange activity

Financial year 2018 was marked by:
- A decrease in the free cash flow invested on the interbank market, due to negative rates. This cash is now invested in money market or quasi-money market UCITS.
- Ongoing negative interbank rates impacting the euro.
- An increase in net banking income thanks to an increase in US dollar interest rates.
- A high level of volatility on the foreign exchange market.

V. RISK MANAGEMENT

Credit risk

Credit risk selection is based on a systematic examination of applications, alongside the use of an in-house evaluation tool; decisions to grant or renew loans are analysed independently of the operational entities.

The risk monitoring procedures applied as part of the decision process on loans are structured around the following actions:
- permanent control of limits and examination of overruns;
- analysis and periodic stratification of amounts outstanding;
- quarterly review of guarantees and provisions;
- regular examination of watch-listed loans;
- monitoring of the profitability of credit transactions.

Other financial risks

Due to the restricted scope of the cash-foreign exchange activity (proprietary trading), the bank's main objective is to systematically neutralise interest rate and foreign exchange risks.

With regard to managing risks on securities, Banque BIA has a portfolio comprising two distinct groups of instruments.

Firstly, securities issued by sovereign states following the restructuring of the debts of banks based in the relevant countries.

An investment-portfolio-type management is adopted for these securities.

Secondly, the bank has medium- and long-term interest rate assets which it uses to optimise its high liquidity levels, stemming from its equity, under more attractive terms than those offered by the standard interbank activity. This portfolio is valued regularly in accordance with the applicable prudential standards.

The bank's exposure to overall interest rate risk remains low, as confirmed by ALM (asset/liability management) tools.

VI. SUBSIDIARIES AND INVESTMENTS

1- ARAB INTERNATIONAL COMPANY FOR HOTELS AND TOURISM / "AICHT" (CAIRO)

This company, with share capital of USD 169,713,700 (Banque BIA holds a 3.94% stake for a book value of USD 4,434,000), owns several hotels in Egypt.

Banque BIA did not record a dividend in 2018 and, in view of the decline in business and profitability observed since 2011 and based on the company's net asset situation, it decided to set aside an additional provision of USD 482k on this investment.

ARAB FINANCIAL SERVICES / Manama (BAHRAIN)

This company has share capital of USD 30,000,000 and has investment bank status. Banque BIA holds a 1.63% stake in the company, worth USD 463,700.

In 2018, Banque BIA recorded a dividend of USD 40k.

VII. EMPLOYEE SHAREHOLDING

In accordance with Article L 225-102 of the French Commercial Code, we hereby inform you that no employee held shares in the company on the last day of the financial year, i.e. 31 December 2018.

VIII. NON TAX-DEDUCTIBLE EXPENSES AS PER ARTICLE 39.4 OF THE FRENCH TAX CODE

None.

IX. PAYMENT TERMS

Invoices received from suppliers and service providers are, as a general rule, processed on receipt and paid within one month.

Accounts payable presented a debit balance of EUR 223k at the end of 2018 compared with a debit balance of EUR 39k at the end of 2017.

X. DIVIDENDS DISTRIBUTED DURING THE LAST THREE FINANCIAL YEARS

The Board of Directors declares that no dividends have been distributed in the past three financial years.

XI. RESEARCH AND DEVELOPMENT

None.

XII. EVENTS ARISING AFTER THE REPORTING PERIOD AND BEFORE THE FINANCIAL STATEMENTS WERE AUTHORISED FOR ISSUE

No particular events not reflected in the financial statements need to be mentioned.

XIII. CHANGE IN ACCOUNTING METHODS

None.

XIV. PROPOSED APPROPRIATION OF EARNINGS

The financial statements for the year ended 31 December 2018 were approved by the Board of Directors on 29 March 2019.

They show a net profit after tax of EUR 831,225.

The proposed appropriation of these earnings is as follows:
EUR 831,225 to be taken to retained earnings, after which retained earnings will show a debit balance of EUR -19,472,465.

XV. STATEMENT OF FINANCIAL RESULTS

As stipulated in Article R 225-102 of the French Commercial Code, the table showing the financial results of the company over the last five financial years is presented below.

FIVE-YEAR FINANCIAL SUMMARY (in euros)

Heading	2014	2015	2016	2017	2018
CAPITAL AT YEAR-END					
Called up share capital	158,100,000	158,100,000	158,100,000	158,100,000	158,100,000
Number of shares issued	10,540,000	10,540,000	10,540,000	10,540,000	10,540,000
Number of convertible bonds					
OPERATIONS AND RESULTS FOR THE YEAR					
Revenue excluding taxes	18,874,352	18,353,204	16,478,477	13,614,976	9,765,745
Income before tax, profit-sharing, depreciation, amortisation and provisions	(7,336,779)	(7,780,121)	1,123,655	2,583,752	5,470,370
Corporate income tax	(36,334)	0	0	-90,553	0
Employee profit-sharing for the year	-	-	-	-	-
Income after tax, depreciation, amortisation and provisions	(2,793,474)	(2,569,804)	2,445,546	525,614	831,225
Distributed profits					
EARNINGS PER SHARE					
Earnings after tax but before depreciation, amortisation and provisions	(0.69)	(0.74)	0.11	0.25	0.52
Earnings after tax, depreciation, amortisation and provisions	(0.27)	(0.24)	0.23	0.05	0.08
Dividend paid on each share					
PERSONNEL					
Number of employees	59	59	55	54	47
Total payroll	4,526,140	4,770,329	4,874,751	4,559,386	4,448,717
Total amounts paid in respect of social benefits (social security, welfare, etc.)	2,265,807	2,357,871	2,495,227	2,453,300	2,407,210

XVI. DIRECTORS' FEES

The Board of Directors will ask the shareholders present at the general meeting to set the amount of directors' fees for the 2018 financial year.

XVII. INFORMATION ON COMPANY OFFICERS

List of company officers
In accordance with Article L 225-102-1, paragraph 3, of the French Commercial Code, the following is a list of all the appointments and duties held by the officers of the company in any other company (cf. section XVIII of the report of the Board of Directors on corporate governance).

In accordance with the law, the statutory auditors have audited the company's financial statements on an on-going basis.

They will deliver their reports and are at the disposal of the shareholders to provide any information associated with the audits they conduct.

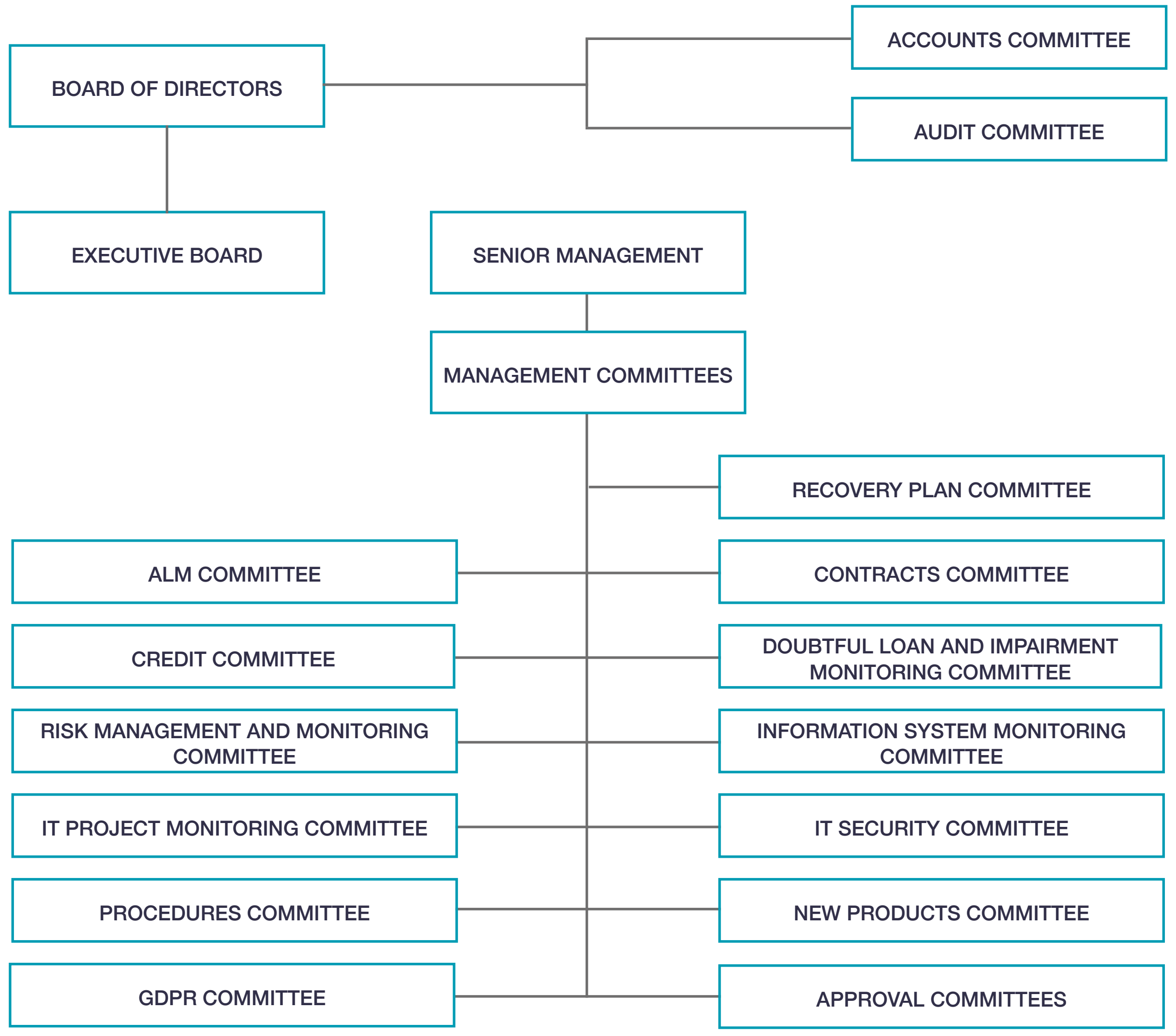
The Board of Directors asks the shareholders to approve the resolutions submitted to them and is at their disposal should they require any further information.

XVIII. REPORT OF THE BOARD OF DIRECTORS ON CORPORATE GOVERNANCE

Report presented to the 2019 General Meeting of Shareholders in accordance with Articles L.225-37 and L.225-68 of the French Commercial Code.

1. GOVERNANCE

1.1. Organisation of business management and risk control functions



1.2. Governance method

The Board of Directors adopted a resolution on 23 May 2002 regarding the organisation of the Bank's Senior Management, in which it opted to combine the functions of Chairman and Chief Executive Officer.

1.3. Conditions under which the work of the Board of Directors is prepared and organised

Banque BIA's corporate governance rules draw on two frames of reference:
- the Bank's memorandum and articles of association,
- and the charters setting out the running of the special committees set up by the Board of Directors to prepare for its deliberations and decisions.

Banque BIA is governed by the following bodies:

a) The Board of Directors

Composition
The Board of Directors is composed of six members **all of whom** are shareholders. The directors are appointed for a maximum term of three years and may be re-elected.

Operating procedures
In accordance with the Bank's articles of association, the Board of Directors is convened by any means by the Chairman or at the request of one half of the directors.

The Board of Directors determines the business guidelines and ensures that they are followed. It examines any issue relating to the proper running of the company and deliberates on matters that concern it.

It meets as often as required in the best interests of the company and at least twice a year.

The articles of association lay down the rules relating to the chairmanship and deliberations of the Board of Directors.

Six Board meetings were called in 2018.

During these meetings, the Board of Directors notably examined the annual, interim and quarterly financial statements, the budget, matters relating to strategy and the reports of the Executive Board, the Accounts Committee and the Audit Committee.

b) The Executive Board

The Executive Board is composed of the Chairman and the Vice-Chairman of the Board of Directors as well as the Deputy Chief Executive Officers.

Three Executive Board meetings were called in 2018 to examine the bank's affairs and to decide on loan applications, depending on the powers conferred upon the Executive Board.

The Executive Board reports to the Board of Directors.

In addition to these governing bodies, the Board of Directors has formed two special committees.

c) The Special Committees

The Board of Directors decided on 19 December 2002 to form two special committees to prepare its deliberations on the company's financial statements and internal control.

These committees are composed of directors appointed by the Board and examine matters that fall within their specific areas of responsibility, which are set forth in charters.

- The Audit Committee

Following the creation in April 2010 of a risk management and monitoring committee to assist Senior Management in overseeing and managing the risks inherent in the bank's activities and in monitoring the effectiveness of permanent control procedures, the internal control and risk committee became the "Audit Committee".

The main role of this committee, which is composed of two directors, is to examine:
- the work programme of the internal audit department;
- the periodic internal control reports;
- the follow-up of the implementation of internal and external audit recommendations;
- the consistency of internal controls on risk measurement systems;
- periodic reporting on significant risks and plans and measures to mitigate such risks;
- the provisional annual report on internal control and risk measurement and monitoring;
- the results of the permanent control procedures;
- the results of the compliance procedures.

The following people report to the Audit Committee:
- the head of Internal Audit;
- the head of the Risk Department;
- the head of the Compliance and Legal Department;
- the head of the Finance Department.

The Deputy Chief Executive Officers attend the meetings of the Audit Committee as observers.

The Audit Committee meets with the four aforementioned department heads at least once a year. No member of Senior Management attends these meetings.

The Audit Committee reports to the Board of Directors.

It met four times in 2018.

- The Accounts Committee

The main role of the Accounts Committee, composed of two directors, is to examine:
- the accounts, financial statements and financial results;
- aspects relating to accounting methodologies and frameworks;
- the provisional annual financial statements and period-end options;
- the Statutory Auditors' work programme.

The following people report to the Accounts Committee:
- the head of the Finance Department;
- the head of the Risk Department;
- the head of the General Inspection Department.

The Deputy Chief Executive Officers and the Statutory Auditors attend the meetings of the Accounts Committee.

The Accounts Committee reports to the Audit Committee and to the Board of Directors.

It met twice in 2018. It notably reviewed the provisional annual accounts submitted to the Board of Directors.

d) Assessment of the operation of the governance bodies

In 2018, the attendance rate at the meetings of the Board of Directors and of the various committees was exemplary.

It should be noted that the articles of association do not provide for specific limitations of the powers conferred upon the Chief Executive Officer other than those provided by law pursuant to Article 21 of the articles of association.

e) Management committees

Senior Management has put the following management committees in place to implement Banque BIA's strategy:
1. the Recovery Plan Committee
2. the ALM Committee
3. the Contracts Committee
4. the Credit Committee
5. the Doubtful Loan and Impairment Monitoring Committee
6. the Risk Management and Monitoring Committee
7. the Information System Monitoring Committee
8. the IT Project Monitoring Committee
9. the IT Security Committee
10. the Procedures Committee
11. the New Products Committee
12. the GDPR Committee
13. the Approval Committee

In 2018, a total of 91 meetings were held to address the various topics on the agenda.

2. REMUNERATION POLICY

Pursuant to Article 74 of Directive 2013/36/EU of 26 June 2013 (the so-called CRD IV Directive), the governance system introduced by Banque BIA encourages sound and effective risk management, in particular through its remuneration policy and practices.

Banque BIA's remuneration policy is designed to control costs (level of payroll in relation to adjusted cost/income ratio).

It includes two components, namely fixed remuneration and variable remuneration:

- **The fixed remuneration** is determined individually and evolves according to each employee's skills development.
- **The variable remuneration** is calculated according to two components, one with an individual scope and the other with a collective scope.
  - The individual variable remuneration depends on the performance appraisal by the supervisor and is allocated in the form of one-time bonuses or performance-based bonuses.
  - The variable remuneration aims to involve employees in the collective performance of Banque BIA and can take various forms.

The bonuses and salary increases are proposed by the line managers based on pre-established criteria and budgets approved by Senior Management.

With regard specifically to Banque BIA's two Deputy Chief Executive Officers, their respective remuneration, bonuses and salary changes are determined by the Board of Directors in accordance with the statutory provisions.

Lastly, the remuneration policy is sent annually to the supervisory body, in particular to the Audit Committee.

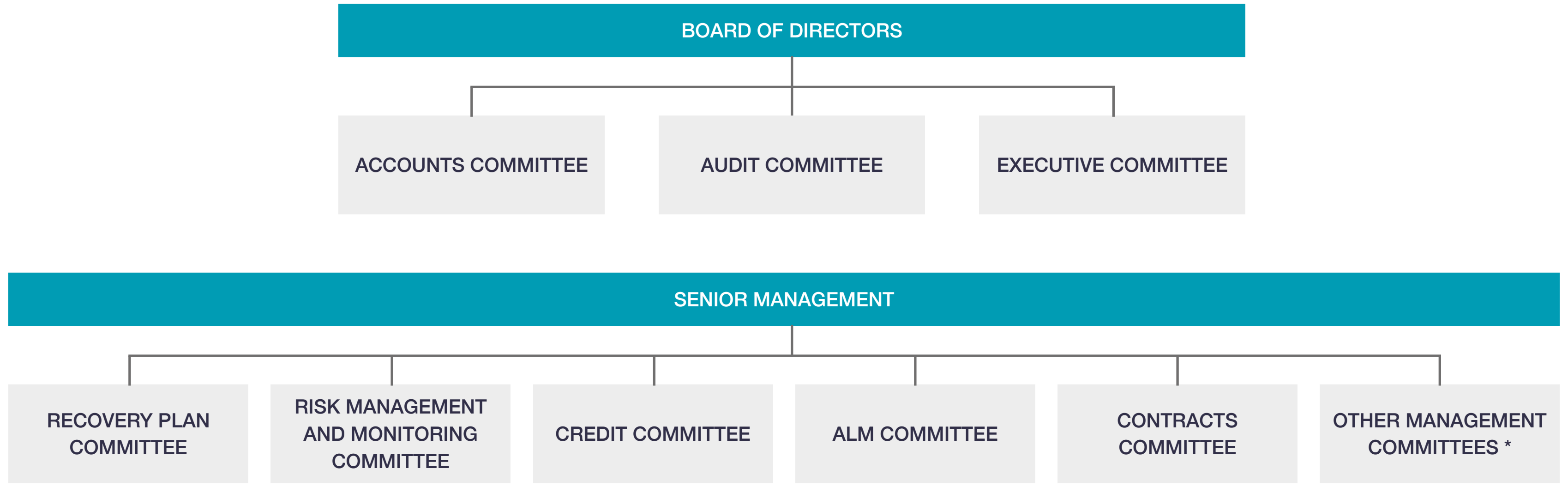
3. RISK MANAGEMENT OBJECTIVES AND POLICIES

Banque BIA's risk management policy sets out the general framework defined by the Senior Management for implementing risk control. It sets out the objectives and guiding principles underpinning the Bank's risk management system.

This applies to all of Banque BIA's activities and functions.

The Risk Department is responsible for developing the risk management policy under the supervision of the Senior Management, which formally approves it. There are six risks managed by the Risk Department, which are reflected in the risk management policy:
- Credit risk
- Market risk
- Operational risk
- Overall interest rate risk
- Liquidity risk
- Settlement Risk

The governance of Banque BIA's risk management system is based on a solid committee structure, the responsibilities of which are divided between the Board of Directors and Senior Management, as presented below:



* The other Management Committees are not represented individually in the governance structure. Only committees that report directly to the supervisory body or any related body are presented in detail.

Specifically, the Audit Committee, which is equivalent to the Risk Committee, meets at least three times a year.

4. CORPORATE OFFICES AND DUTIES OF THE COMPANY OFFICERS

CORPORATE OFFICES AS AT 31 DECEMBER 2018

Mr Brahim SEMID	
Chairman and Chief Executive Officer	Banque Extérieure d'Algérie / Algiers
Chairman and Chief Executive Officer	Banque BIA / Paris
Member of the Board of Directors	UBAF Paris
Member of the Board of Directors	British Arab Commercial Bank (BACB) / London
Chairman of the Board of Directors	ILA IJAR/Leasing Algérie
Vice Chairman	Association Professionnelle des Banques et des Etablissements Financiers / Algeria
Mr Bashir SAMALOUS	
Vice Chairman	Banque BIA / Paris
Mr Zine Eddine BOUZIT	
Member of the Board of Directors	Banque BIA / Paris
Mr Hocine TAHRAOUI	
Member of the Board of Directors	Banque BIA / Paris
Mr Mustafa BEN KHALIFA	
Chairman	First Gulf Bank / Tripoli
Member of the Board of Directors	Banque BIA / Paris
Member of the Board of Directors	LAP Company / Tripoli
Mr Naji Mohamed Issa BELGASEM	
Director of the Research and Statistics Department	Central Bank of Libya / Libya
Member of the Board of Directors	Banque BIA / Paris
Member of the Board of Directors	National Commercial Bank / Libya
Member of the Monetary Policy Committee,	Central Bank of Libya / Libya
Member of the Investment Committee	Central Bank of Libya / Libya
Chairman of the Budget Committee	Central Bank of Libya / Libya
Mr Amer AMISH	
Deputy General Manager Delegate	Banque BIA / Paris
Member of the Board of Directors	Arab International Company for Hotels and Tourism / Cairo
Mr Mohamed YOUNSI	
Deputy General Manager Delegate	Banque BIA / Paris

5. RELATED PARTY AGREEMENTS AND COMMITMENTS

An agreement subject to the provisions of Article L. 225-38 of the French Commercial Code (*Code de commerce*) was brought to the attention of the Board of Directors in 2012.

No other such agreement either entered into or approved in previous years was pursued in the last financial year.

6. POWERS CONFERRED IN RESPECT OF CAPITAL INCREASES

Pursuant to Article 8 of the Bank's articles of association, the Board of Directors may propose a resolution to increase the share capital. In order to be passed, said resolution must be put to the vote at an extraordinary meeting of the shareholders under the conditions set forth in Article 40.

Report of the Statutory Auditors on the financial statements

Year ended 31 December 2018

To the Shareholders,

Opinion

In accordance with the terms of our appointment by your General Meeting, we have audited the financial statements of Banque BIA S.A. for the year ended 31 December 2018, as appended to this report.

We certify that the financial statements are, in accordance with French accounting rules and principles, regular and sincere and give a true and fair view of the results of the operations for the past financial year as well as the financial position and assets and liabilities of the company at the end of this financial year.

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

Basis of our opinion
Audit standards

We conducted our audit in accordance with the professional standards applicable in France. We believe that our audit has provided us with sufficient relevant information on which to base our opinion.
Our responsibilities under these standards are set out in the section of this report entitled "Responsibilities of the Statutory Auditors relating to the Audit of the Financial Statements".

Independence

We conducted our audit in accordance with the rules of independence applicable to us, during the period from 1 January 2018 to the date of issue of our report, and in particular we have not provided any services prohibited by Article 5(1) of Regulation (EU) No 537/2014 or by the professional code of ethics for statutory auditors.

Justification of our assessments - Key audit points

In accordance with the provisions of Articles L. 823-9 and R.823-7 of the French Commercial Code relating to the justification of our assessments, we bring to your attention the key points of the audit relating to the risks of material misstatement which, in our professional judgement, were the most important for the audit of the financial statements, as well as the responses we have provided to these risks.

These assessments were made in the context of our audit of the annual financial statements taken as a whole and of forming our opinion expressed above. We express no opinion on the elements of the annual financial statements taken in isolation.

Credit risk – Individual impairment
Risk identified

In the course of its lending activities, Banque BIA is exposed to credit risk arising from the inability of its customers to meet their financial commitments. It sets aside impairments and provisions to cover proven risks of loss. These are determined on an individual basis. They are based on regulatory or specific parameters as well as on parameters that take account of macroeconomic situations likely to affect sensitive credit portfolios. These provisions constitute a significant estimate for the preparation of the financial statements and require the management's judgement. For these reasons, they are a key point of the audit.

Audit procedures implemented in response to this risk

As part of our audit procedures, we examined the control system and tested the design and effectiveness of the key controls relating to the identification of exposures (and in particular to the identification of those receivables involving proven risk), the monitoring of credit and counterparty risks, the assessment of risks of non-recovery and the calculation of impairments and related provisions on an individual basis.

In particular, our work consisted in testing the system for identifying and monitoring sensitive, doubtful and contentious counterparties, the credit review process and the system for valuing guarantees. Furthermore, based on a sample of files selected with a focus on materiality and risk criteria, we carried out comparative analyses of provision amounts.

Going concern
Risk identified

When preparing the financial statements, the management is responsible for assessing the company's ability to continue operating, presenting in its financial statements, if necessary, the relevant information on business continuity and applying the going concern accounting principle, unless it is planned to liquidate the company or cease its activity.

Banque BIA operates in a geopolitical context that has been difficult for several years, and this has had a negative impact on the bank's overall level of activity. In such a context, business continuity could present a risk and is therefore a key audit point.

Audit procedures implemented in response to this risk

Our work consisted in assessing the elements used by the Board of Directors to justify the application of the going concern accounting principle and in reviewing the documentation underlying these elements.

Verification of the management report and other documents sent to shareholders

In accordance with professional standards applicable in France, we also performed the specific checks required by law.

Information provided in the management report and in other documents sent to members on the financial position and the annual financial statements

We have no comments to make on the fairness and consistency with the financial statements of the information provided in the Board of Directors' management report and in the other documents sent to members on the financial position and the annual financial statements.

Report on corporate governance

We certify that the Board of Directors' report on corporate governance contains the information required by Article L.225-37-4 of the French Commercial Code.

Information pursuant to other legal and regulatory obligations
Appointment of statutory auditors

We were appointed statutory auditors of Banque BIA SA by the general meeting of 20 April 1993 for Baker Tilly Sofideec and of 6 May 2011 for Artex Audit Associés.

At 31 December 2018, Baker Tilly Sofideec was in its 26th consecutive year of appointment and Artex Audit Associés was in its 8th year of appointment.

Responsibilities of the management and persons charged with corporate governance relating to the annual financial statements

It is the responsibility of management to prepare annual financial statements that present a true and fair view in accordance with French accounting rules and principles and to put in place such internal control as it deems necessary for the preparation of financial statements free from material misstatement, whether due to fraud or error.

When preparing the financial statements, the management is responsible for assessing the company's ability to continue operating, presenting in its financial statements, if necessary, the relevant information on business continuity and applying the going concern accounting convention, unless it is planned to liquidate the company or cease its activity.

The Audit Committee is responsible for monitoring the financial reporting process and for monitoring the effectiveness of the internal control and risk management systems, as well as internal audit, where applicable, with regard to procedures relating to the preparation and processing of accounting and financial information.

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

Responsibilities of the Statutory Auditors relating to the audit of the financial statements
Audit objective and approach

It is our responsibility to prepare a report on the financial statements. Our objective is to obtain reasonable assurance that the financial statements taken as a whole are free of material misstatement. Reasonable assurance means a high level of assurance, without however guaranteeing that an audit conducted in accordance with professional standards systematically detects every material misstatement. Misstatements may result from fraud or error and are considered material when it is reasonably expected that they, taken individually or in aggregate, may influence the economic decisions that users of the accounts make based on them.

As stated in Article L.823-10-1 of the French Commercial Code, our responsibility in certifying the financial statements is not to guarantee the viability or quality of the management of your company.

In the context of an audit carried out in accordance with professional standards applicable in France, the statutory auditor must exercise its professional judgement throughout the audit. In addition:

- it identifies and assesses the risks that the annual financial statements contain material misstatements, whether due to fraud or error, defines and implements audit procedures in relation to these risks, and gathers information that it considers sufficient and appropriate in order to give its opinion. The risk of non-detection of a material misstatement due to fraud is higher than that of a material misstatement due to error, as fraud may involve collusion, falsification, intentional omissions, misrepresentation or circumvention of internal control;
- it obtains an understanding of the internal control processes relevant to the audit in order to define appropriate audit procedures for the circumstances, and not for the purpose of expressing an opinion on the effectiveness of the internal control processes;
- it assesses the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by management, as well as the information concerning them provided in the annual financial statements;
- it assesses the appropriateness of management's application of the going concern accounting convention and, depending on the information collected, whether or not there is material uncertainty associated with events or circumstances that may call into question the company's ability to continue operating. This assessment is based on the information collected up to the date of its report, bearing in mind, however, that subsequent circumstances or events could call into question the continuity of operations. If it concludes that there is material uncertainty, it draws the attention of readers of its report to the information provided in the annual financial statements on this uncertainty or, if this information is not provided or is not relevant, it issues a qualified opinion or declines to certify;
- it assesses the overall presentation of the annual financial statements and whether they provide a true picture of the underlying operations and events.

Report to the Audit Committee

We submit a report to the Audit Committee, presenting in particular the scope of the audit work and the work programme implemented, as well as the conclusions resulting from our work. We also bring to its attention, where applicable, the significant weaknesses in internal control that we have identified with regard to procedures relating to the preparation and processing of accounting and financial information.

Among the elements communicated in the report to the Audit Committee are the risks of material misstatement that we consider to be the most important for the audit of the financial statements for the financial year and which therefore constitute the key points of the audit, which we are required to describe 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 laid down in particular by Articles L.822-10 to L.822-14 of the French Commercial Code and the code of ethics applicable to the profession of statutory auditor. If necessary, we discuss with the Audit Committee the risks to our independence and the safeguard measures applied.

Signed in Paris on 3 May 2019
The Statutory Auditors

Baker Tilly Sofideec
Moez CHARFI

Artex Audit Associés
Franck MEDIONI

Special report of the Statutory Auditors on regulated agreements

Financial year ended 31 December 2018

To the General Meeting of Shareholders of Banque BIA,

Ladies and gentlemen,

In our capacity as statutory auditors of your company, we hereby present our report on regulated agreements.

It is our responsibility to report to you, based on the information provided to us, on the essential characteristics and terms and conditions, as well as the reasons justifying the benefit to the company, of the agreements disclosed to us or that we may have discovered during the course of our work, without having to express an opinion on their usefulness and appropriateness or to identify any other agreements. It is your role, in accordance with Article R. 225-31 of the French Commercial Code, to assess the benefit of entering into these agreements prior to approving them.

Moreover, it is our responsibility, where necessary, to provide you with the information referred to in Article R. 225-31 of the French Commercial Code relating to the performance during the past financial year of agreements previously approved by the General Meeting of Shareholders.

We conducted those checks that we considered necessary in light of the professional guidelines of the French National Institute of Statutory Auditors *(Compagnie Nationale des Commissaires aux Comptes)* relating to this engagement. These procedures consisted in verifying that the information provided to us was consistent with the data in the documents from which it was drawn.

AGREEMENTS SUBMITTED FOR APPROVAL BY THE GENERAL MEETING OF SHAREHOLDERS
We inform you that we have not been advised of any agreement authorised and entered into during the past financial year to be submitted for approval to the General Meeting of Shareholders pursuant to the provisions of Article L.225-38 of the French Commercial Code.

AGREEMENTS ALREADY APPROVED BY THE GENERAL MEETING OF SHAREHOLDERS
We have been informed that the following agreement, already approved by the General Meeting of Shareholders during previous financial years, continued to be effective but no services were performed thereunder during the past financial year.

SERVICES AGREEMENT
Purpose
Banque BIA may be called upon to provide services or carry out procedures in the interests of its shareholders, the cost of which it will rebill to the relevant shareholders.

Relevant persons
- Banque Extérieure d'Algérie, represented by Mr Brahim SEMID
- Libyan Foreign Bank, represented by Mr Naji Mohamed Issa BELGASEM

} directors of your company

Date of authorisation
Board of Directors meeting of 31 October 2012

No costs rebilled to shareholders were recognised in 2018.

Signed in Paris on 3 May 2019
The Statutory Auditors

Baker Tilly Sofideec
Moez CHARFI

Artex Audit Associés
Franck MEDIONI

Publication relating to dormant bank accounts at 31 December 2018

Pursuant to Articles L.312-19, L.312-20 and R.312-21 of the French Monetary and Financial code *(Code Monétaire et Financier)*, resulting from the law of 13 June 2014 (No. 2014-617) on dormant bank accounts and unclaimed life insurance benefits *("Loi Eckert")*, which came into force on 1 January 2016, financial institutions are required to disclose information on dormant bank accounts every year.

- Number of dormant accounts on our books: **16**
- Total amount of deposits and assets contained in these accounts: **111 257 €**
- Number of accounts in respect of which the deposits and assets have been transferred to the Caisse des Dépôts et Consignations: **0 €**
- Total amount of deposits and assets transferred to the Caisse des Dépôts et Consignations: **0 €**