

## PROSPECTUS SUMMARY



### CAPITAL INCREASE RESERVED TO BANQUES POPULAIRES REGIONALES

<b>NUMBER OF SHARES TO ISSUE</b>	<b>10 000 000</b>
<b>SUBSCRIPTION PRICE PER SHARE</b>	<b>MAD 276</b>
<b>NOMINAL VALUE</b>	<b>MAD 10</b>
<b>NOMINAL AMOUNT OF THE CAPITAL INCREASE</b>	<b>MAD 100 000 000</b>
<b>RELEASE OF FUND PERIOD</b>	<b>June 4<sup>th</sup>, 2019</b>

**GLOBAL MAXIMUM AMOUNT OF THE OPERATION: MAD 2 760 000 000**

### Financial Counselor and Global Coordinator



### Investment Bodies

<b>Investment Bodies</b>		<b>Registration Body</b>
<b>Banque Centrale Populaire</b>	<b>Banques Populaires Régionales</b>	<b>Upline Securities</b>
		

### APPROVAL OF THE MOROCCAN CAPITAL MARKET AUTHORITY (AMMC)

In accordance with the provisions of AMMC circular taken in pursuance of Article 14 of the Dahir providing Law No. 1-93-212 of September 21, 1993, as amended and supplemented, the original version of this Prospectus has been approved by AMMC on May 27<sup>th</sup>, 2019 under reference No VI/EM/008/2019

## **DISCLAIMER**

The Moroccan Capital Market Authority (AMMC) approved on May 27<sup>th</sup>, 2019 a prospectus relating to the capital increase of Banque Centrale Populaire (BCP) reserved for Banques Populaires Régionales (BPRs).

The prospectus approved by the AMMC is available at any time at BCP headquarters and from its financial advisor. It is also available at the headquarters of the Casablanca Stock Exchange and on their website [www.casablanca-bourse.com](http://www.casablanca-bourse.com)

The prospectus is also available on AMMC website [www.ammc.ma](http://www.ammc.ma).

## I. PRESENTATION OF THE OPERATION

### I.1. OBJECTIVES OF THE OPERATION

The purpose of the capital increase operation reserved for the BPRs is to comply with the legal and regulatory requirements of CPM as stipulated in Article 17 of Law 12-96 to reach a minimum BCP's holding threshold of 51% by BPRs.

### I.2. GLOBAL AMOUNT OF THE OPERATION

BCP will proceed with a capital increase reserved for BPRs. This operation will involve 10,000,000 BCP shares reserved for BPRs with a nominal value of MAD 10 dirhams.

The maximum global amount of the capital increase operation is MAD 2,760,000,000, of which MAD 100,000,000 in respect of the nominal value and MAD 2,660,000,000 in respect of the issue premium.

BCP shares, subject of this increase, will be offered at a price of MAD 276 per share representing the weighted average price over a 6-month period, from September 18, 2018 to March 15, 2019.

### I.3. DISTRIBUTION OF SHARES TO BE ISSUED

The distribution of the operation by BPR is as follows:

Banque Populaire Center South	1 428 571 shares
Banque Populaire Fez-Meknes	0
Banque Populaire Laâyoune	1 428 574 shares
Banque Populaire Tangier-Tetouan	1 428 571 shares
Banque Populaire Marrakech-Beni Mellal	1 428 571 shares
Banque Populaire Rabat-Kenitra	1 428 571 shares
Banque Populaire Nador-Al Hoceima	1 428 571 shares
Banque Populaire Oujda	1 428 571 shares
<b>TOTAL</b>	<b>10 000 000 shares</b>

### I.4. CHARACTERISTICS OF THE OPERATION

<b>Nature of securities</b>	BCP shares.
<b>Number of securities</b>	10.000.000 shares.
<b>Nominal value</b>	MAD 10 per action.
<b>Form of securities</b>	Bearer share fully dematerialized and registered in an account at Maroclear Central Depository.
<b>Issue price</b>	The issue price of new BCP shares reserved to BPRs is set at MAD 276 per share.
<b>Issue premium</b>	The issue premium of new BCP shares issued is MAD 266 per share.
<b>Issue amount</b>	The issue amount is MAD 2,760,000,00.
<b>Payment of securities</b>	The shares issued will be fully paid upon subscription.
<b>Dividend eligibility date</b>	01/01/2019 (*)
<b>Preferential subscription right</b>	The Extraordinary General Meeting (EGM) held on May 21, 2019, ruling on the capital increase decided to cancel the preferential subscription right to reserve the entire capital increase reserved to BPRs
<b>Rights attached</b>	All shares have the same right:

- Voting rights at General Shareholders' Meetings: BPRs will have the right to vote at General Shareholders' Meetings without any restrictions.
- Profit distribution rights: BPRs will be entitled to dividends, provided that the distribution of dividends is subject to the sovereign decision of BCP Ordinary General Meeting.
- Right to the distribution of the liquidation bonus: All the shares will benefit from the same rights in the distribution of the liquidation bonus.

**Negotiability of shares** The securities reserved for BPRs are free of any alienation.

**Listing line** Shares arising from this capital increase will be admitted in the 2<sup>nd</sup> line

(\*) The new shares will be entitled to dividends for the 2019 financial year that can be distributed in 2020.

## I.1. APPRECIATION ELEMENTS OF OFFER PRICE

### Determination of subscription price

The price offered as part of this operation is MAD 276, representing the weighted average price over a 6-month period, from September 18, 2018 to March 15, 2019. This issue price is set, on the proposal of BCP's Board of Directors as of March 18, 2019, by BCP's Extraordinary General Meeting held on May 21, 2019.

<b>Reference price</b>	MAD 276
------------------------	---------

### Induced multiples

BCP's market valuation multiples, calculated on the basis of the financial and accounting data of the relative certified consolidated financial statements for the 2018 financial year and the estimated 2019 and based on a price of MAD 276 per share, are as follows:

	2018	2019e
Group share of net income (MAD million)	2 943	2 875
Group share of return on equity (MAD million)	28 393	32 745 (*)
Number of shares	182 254 656	202 254 656 (*)
Earnings per share (MAD)	16.1	14.2
Shareholders' equity per share (MAD)	155.8	161.9

(\*) Post-capital increase reserved to CPM staff and entities concerned as well as BPRs  
 Source: BCP and UCF

On the basis of a price per share of MAD 276, BCP share is valued at 19.4 times the estimated 2019 consolidated results and 1.7 times the estimated 2019 consolidated shareholders' equity.

	2018	2019e
Price Earning - P/E (Offered price/earnings per share)	17.1	19.4
Price to Book - P/B (Offered price /shareholders' equity per share)	1.8	1.7

Source: UCF

## I.2. SCHEDULE OF THE OPERATION

Order	Steps	Date
1	Reception of the entire operation file by Casablanca Stock Exchange	May 24, 2019
2	Emission by Casablanca Stock Exchange of the approval notice related the capital increase and operation schedule	May 27, 2019
3	Reception by Casablanca Stock Exchange of the prospectus approved by AMMC	May 27, 2019
4	Publication in the Official List the operation's notice	May 28, 2019
5	Publication of the prospectus summary by BCP	May 29, 2019
6	Release of funds	June 4, 2019
7	Ratification of the operation by the relevant authority	June 4, 2019
8	Reception by the Casablanca Stock Exchange of the minutes of the body having ratified the capital increase in cash	June 10, 2019
9	Delivery of the new shares	June 11, 2019
10	- Admission of the new shares - Recording of the operation in the Stock Exchange - Announcement of the operation's results in the Official List	June 12, 2019

## II. INFORMATION ABOUT THE ISSUER

### II.1. OVERALL PRESENTATION

Banque Centrale Populaire (BCP) is an agency affiliated to Crédit Populaire du Maroc - CPM. This latter, established by virtue of Dahir No 1-60-232 dated February 2, 1961, is governed by Law No 12-96 on CPM reform as amended and supplemented by Law No 42-07 dated October 20, 2008, Law No 44-08 dated August 24, 2010 and Law No 77-14.

CPM is defined as a consortium of banks, composed of the Banque Centrale Populaire on the one hand, and eight Banques Populaires Régionales on the other. Its mission consists of promoting the activity and development of any small or medium-sized enterprise, operating in the sectors of craft, industry and service by the distribution of credits. It contributes to the mobilization of savings, their usage in the regions where they are collected and the promotion of banking activities at the regional level.

<b>Corporate name</b>	Banque Centrale Populaire – BCP
<b>Registered office</b>	101, Boulevard Zerktouni- P.B: 20100, Casablanca
<b>Phone number</b>	(212) 522 20 25 33 / 522 22 41 11 / 522 22 25 89
<b>Fax number</b>	(212) 522 22 26 99 / 522 20 93 40
<b>Website</b>	<a href="http://www.gbp.ma">www.gbp.ma</a>
<b>Legal form</b>	BCP is a Limited Company (Ltd.) with a Board of Directors, governed by the provisions of Law No 17-95 as amended and supplemented <sup>1</sup> .
<b>Creation date</b>	Banque Centrale Populaire was created by virtue of Dahir No 1-60-232 dated February 2, 1961 as a Variable Capital Cooperative Company.
<b>Lifetime</b>	99 years
<b>Commercial Registry Number</b>	C.R. Casablanca No 28173
<b>Corporate financial year</b>	From January 1 to December 31
<b>Corporate objectives</b>	<p>Article 5 of the bylaws of the Banque Centrale Populaire stipulates the following:</p> <p><b>1- Bank operations</b></p> <ul style="list-style-type: none"> <li>▪ The company is intended to carry out, as a usual vocation, all operations that are likely to be practiced by banks under the provisions of Law No 103-12 governing credit institutions and similar bodies and by any text amending or supplementing this Law.</li> <li>▪ The company carries out its backing activities under the supervision as well as the financial and technical administrative control of the Steering Committee of Crédit Populaire du Maroc</li> </ul> <p><b>2- Central banking body of Banques Populaires Régionales</b></p> <ul style="list-style-type: none"> <li>▪ The company is the central baking body of Banques Populaires Régionales governed by the aforementioned Law No 12/96.</li> <li>▪ As such, the bank is in charge of the following:</li> </ul>

<sup>1</sup> BCP was converted from a variable capital cooperative company into a limited company (Ltd) pursuant to Article 16 of Law No 16-96 as amended and supplemented.

- setting off of mutual claims and debts of the bodies affiliated to Crédit Populaire du Maroc;
- refinancing of Banques Populaires Régionales, within the conditions established by the Steering Committee;
- centralization of subscriptions of public or private transferable securities collected by the bodies of Crédit Populaire du Maroc;
- consolidation of the accounts of Popular Credit of Morocco bodies and their subsidiaries. For the establishment of its consolidated financial statements, the consolidating entity is composed of the bodies affiliated to Crédit Populaire du Maroc;
- management, as set by the Steering Committee, of the following:
  - cash surplus of the Banques Populaires Régionales;
  - services of common interest to the bodies of Crédit Populaire du Maroc;
  - Support funds of Crédit Populaire du Maroc which the company establishes the regulations thereof and submits them to the Steering Committee for approval;
  - centralization of declarations of any kind with respect to Bank Al-Maghrib, the Administration and the Professional bodies;
- of any mission assigned to it by the Steering Committee, pursuant to the provisions of Article 11 of Law No 12-96.

Under the provisions of Article 55 of Law No 12- 96, Banque Centrale Populaire provides Regional Banques Populaires, on a transitional basis, with the executive staff necessary for their proper functioning.

### **3- Activities on behalf of the Steering committee**

- Banque Centrale Populaire serves as the secretariat for the Steering Committee of Crédit Populaire du Maroc pursuant to the provisions of Article 14 of Law No 12-96.
- The Steering Committee can, in accordance with Article 11 of the said Law, assign to the Banque Centrale Populaire the implementation of its decisions under the powers vested therein by law.
- The decisions of the said Committee are obligatory to Banque Centrale Populaire.

### **4- Functional, investments and share acquisition operations - subsidiaries**

	<ul style="list-style-type: none"> <li>▪ Subject to compliance with standards, procedures and financing conditions of the budgets set by the Steering Committee of Crédit Populaire du Maroc, the company can conduct the following operations:</li> </ul> <p><b>4.1- Functional activities:</b></p> <ul style="list-style-type: none"> <li>▪ The company can perform all functional expenses required for its activity.</li> </ul> <p><b>4.2- Investment:</b></p> <ul style="list-style-type: none"> <li>▪ The company can carry out all movable or immovable investments necessary for the exercise of its activity, the safeguard of its interests and the housing of its staff.</li> </ul> <p><b>4.3- Share acquisition in BPR's capital</b></p> <p>The Steering Committee determines the level of the participation of Banque Centrale Populaire in the capital of Banques Populaires Régionales, notwithstanding the provisions of Article 23 of Law No 12-96.</p> <p><b>4.4- Other share acquisitions and subsidiaries</b></p> <ul style="list-style-type: none"> <li>▪ Share acquisitions by Banque Centrale Populaire in one or more other bodies of the Crédit Populaire du Maroc are subject to the prior approval of the Steering Committee who shall determine the level and terms.</li> <li>▪ The company can, subject to compliance with the provisions of Law No 103-12 relating to credit institutions and similar bodies, the regulation in force, and subject to the Steering Committee authorization:       <ul style="list-style-type: none"> <li>- Take the existing or new shares of all companies or enterprises while giving priority to those enclosing a regional or local interest.</li> <li>- Create or delete any subsidiary, in Morocco or abroad, in charge of managing or exploiting common activities to the Group of Banques Populaires.</li> </ul> </li> <li>▪ However, the company cannot intervene directly in territorial constituencies where Banques Populaires Régionales operate only in agreement with the concerned Banque Populaire Régionale. In case of conflict, the Director shall decide.</li> <li>▪ And more generally, the company can conduct all banking, financial, commercial, industrial, movable or immovable operations, related directly or indirectly to its corporate objectives.</li> </ul>
<p><b>Current share capital</b></p>	<ul style="list-style-type: none"> <li>▪ As of March 31, MAD 1 822 546 560 divided into 182 254 656 shares.</li> </ul>

<b>Legal documents</b>	<ul style="list-style-type: none"> <li>▪ Legal documents, including the bylaws, minutes of shareholders' meetings, auditors' reports and management reports are available at Banque Centrale Populaire Headquarters.</li> </ul>
<b>Applicable laws and regulations</b>	<ul style="list-style-type: none"> <li>▪ Due to its legal form, BCP is governed by the Moroccan law and Law No 17-95 dated August 30, 1996 on Limited Companies, as amended and supplemented;</li> <li>▪ Due to its affiliation to Crédit Populaire du Maroc, BCP is governed by Law No 12-96, as amended and supplemented by Law No 42-07, Law No 44-08 and Law No 77-14, regarding CPM;</li> <li>▪ Due to its affiliation to Crédit Populaire du Maroc, BCP is governed by Law No 103-12 on the exercise of the activity of credit institutions and similar bodies;</li> <li>▪ Due to its listing in the stock exchange, BCP is governed by all statutory and regulatory provisions relating to the financial market including:           <ul style="list-style-type: none"> <li>▪ Dahir providing Law No 1-93-211 dated September 21<sup>st</sup>, on Stock Exchange, amended and supplemented by Laws 34-96, 29-00, 52-01 et 45-06;</li> <li>▪ General Regulations of the Stock Exchange approved by the Decree of the Minister of Economy and Finance No 1268-08 dated July 7, 2008, as amended and supplemented by the Decree of the Minister of Economy and Finance No 30 -14 dated January 6, 2014 and No 1955-16 dated July 4, 2016;</li> <li>▪ Dahir providing No 1-93-212 dated September 21, 1993 on the Stock Exchange Ethics Board and on the information required for a public offering, as amended and supplemented by Laws 23-01, 36-05, 44-06 et 43-09;</li> <li>▪ Dahir 1-96-246 dated January 9, 2011 providing Law No 35-96 on the creation of the Central Depository and the establishment of a general system of registration of certain securities, amended and supplemented by Law No 43-02;</li> <li>▪ General Regulation of the central depository approved by the decree of the Minister of Economy and Finances no 932-98 dated April 16, 1998 amended and supplemented by the decree 1961-01 published in OJ 4966 of January 3, 2002 and the Order 77-05 dated March 17, 2005;</li> <li>▪ Dahir No 1-04-21 dated April 21, 2004 promulgating Law No 26-03 on public offerings in the stock Exchange, as amended and supplemented by Law No 46-06;</li> <li>▪ General Regulation of the Moroccan Stock Market Authority as approved by the Order of the Minister of Economy and Finance No. 2169/16 dated July 14, 2016;</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>▪ Due to its deposit certificate issuance program, BCP is governed by Dahir 1-95-03 promulgating Law 35-94 relating to NDS.</li> <li>▪ AMMC circular.</li> </ul>
<b>Tax system</b>	<ul style="list-style-type: none"> <li>▪ Being a credit institution, BCP is subject to corporate taxation (37%) and to VTA (10%).</li> </ul>
<b>Competent court in case of litigation</b>	<ul style="list-style-type: none"> <li>▪ Commercial Court of Casablanca.</li> </ul>

## II.2. SHAREHOLDING

As of April 30, 2019, BCP shareholdings are listed as follows:

Shareholders	Number of shares and voting rights	Holding %
<b>BANQUES POPULAIRES REGIONALES</b>	<b>94 226 380</b>	<b>51.7%</b>
<i>BP AGADIR</i>	<i>11 503 641</i>	<i>6.3%</i>
<i>BP FEZ</i>	<i>20 964 575</i>	<i>11.5%</i>
<i>BP LAÏYOUNE</i>	<i>5 292 257</i>	<i>2.9%</i>
<i>BP TANGER</i>	<i>11 281 328</i>	<i>6.2%</i>
<i>BP MARRAKECH</i>	<i>11 103 915</i>	<i>6.1%</i>
<i>BP RABAT</i>	<i>11 491 711</i>	<i>6.3%</i>
<i>BP NADOR</i>	<i>11 357 553</i>	<i>6.2%</i>
<i>BP OUJDA</i>	<i>11 231 400</i>	<i>6.2%</i>
<b>Treasury</b>	<b>1</b>	<b>0.0%</b>
<b>STAFF</b>	<b>4 860 619</b>	<b>2.7%</b>
<b>VARIOUS</b>	<b>21 916 229</b>	<b>12.0%</b>
<b>CIMR</b>	<b>10 904 158</b>	<b>6.0%</b>
<b>MAMDA</b>	<b>7 804 802</b>	<b>4.3%</b>
<b>MCMA</b>	<b>9 198 589</b>	<b>5.0%</b>
<b>MAC (*)</b>	<b>4 917 985</b>	<b>2.7%</b>
<b>SAHAM-ASSURANCE</b>	<b>568 978</b>	<b>0.3%</b>
<b>CMR</b>	<b>4 853 273</b>	<b>2.7%</b>
<b>Wafa ASSURANCE</b>	<b>2 000 489</b>	<b>1.1%</b>
<b>BPCE</b>	<b>8 224 241</b>	<b>4.5%</b>
<b>ATLANTA</b>	<b>3 520</b>	<b>0.0%</b>
<b>RMA</b>	<b>1 682 882</b>	<b>0.9%</b>
<b>RCAR</b>	<b>11 092 510</b>	<b>6.1%</b>
<b>Total</b>	<b>182 254 656</b>	<b>100.0%</b>

\*Mutuelle Attamine Chaabi

Source: BCP

According to Article 17 of Law 77-14 amending and supplementing Law 12-96, reforming Crédit Populaire du Maroc, at least 51% of the share capital of Banque Centrale Populaire is held by Banques Populaires regional. Any other legal person may not hold, directly or indirectly, a share of more than 15% in the capital of Banque Centrale Populaire. Any other natural person may not hold more than 5% of the capital of Banque Centrale Populaire.

### II.3. BOARD OF DIRECTORS

As of May 21<sup>st</sup>, 2019, BCP's Board of Directors is composed of the following members:

Name	Title	Appointment or co-optation date	Reappointment date	Appointment expiry date
<b>Mr. Mohamed Karim Mounir</b>	Chairman of the Board of Directors	Co-optation by the Board of Directors dated 11/01/2018	-	General Meeting ruling on the accounts of the financial year ending 2022
<b>Ms. Zineb Abbad El Andaloussi</b>	Independent Director	General Meeting dated 06/29/2017	-	General Meeting ruling on the accounts of the financial year ending 2022
<b>Mr. Mostafa Terrab</b>	Director	Co-optation by the Board of Directors dated 07/27/2016	General Meeting dated June 29, 2017	General Meeting ruling on the accounts of the financial year ending 2022
<b>Mr. Alberto Rossetti</b>	Independent Director	General Meeting dated 06/29/2017	-	General Meeting ruling on the accounts of the financial year ending 2022
<b>Banque Populaire of Rabat-Kenitra Represented by its Board Chairman Ms. Bouchra Berrada</b>	Director	General Meeting dated 05/25/2005	General Meeting dated June 29, 2017	General Meeting ruling on the accounts of the financial year ending 2022
<b>Banque Populaire of Marrakech-Béni Mellal Represented by its Board Chairman Mr. Nouredine Belmahjoubi</b>	Director	General Meeting dated 05/25/2005	General Meeting dated June 29, 2017	General Meeting ruling on the accounts of the financial year ending 2022
<b>Banque Populaire of Tanger-Tétouan Represented by its Board Chairman Mr. Samir Klaoua</b>	Director	General Meeting dated 02/27/2001	General Meeting dated June 29, 2017	General Meeting ruling on the accounts of the financial year ending 2022
<b>Caisse Interprofessionnelle Marocaine de Retraite Represented by its CEO Mr. Khalid Cheddadi</b>	Director	Co-optation by the Board of Directors dated 06/02/2016	General Meeting dated June 29, 2017	General Meeting ruling on the accounts of the financial year ending 2022
<b>Banque Populaire Oujda Represented by its Board Chairman Mr. Ahmed Mahrous</b>	Director	Co-optation by the Board of Directors dated 02/15/2018	General Meeting dated May 16, 2018	General Meeting ruling on the accounts of the financial year ending 2022
<b>BPCE MAROC Represented by Ms. Christine Fabresse</b>	Director	General Meeting dated 05/24/2013	General Meeting dated June 29, 2017	General Meeting ruling on the accounts of the financial year ending 2022
<b>Mr. Adriano Arietti</b>	Independent Director	General Meeting dated 05/24/2013	General Meeting dated June 29, 2017	General Meeting ruling on the accounts of the financial year ending 2022
<b>Mutuelle Centrale Marocaine d'Assurances (MCMA) Represented by Mr. Hicham Belmrah MCMA's Board Chairman</b>	Director	General Meeting dated 05/24/2013	General Meeting dated June 29, 2017	General Meeting ruling on the accounts of the financial year ending 2022

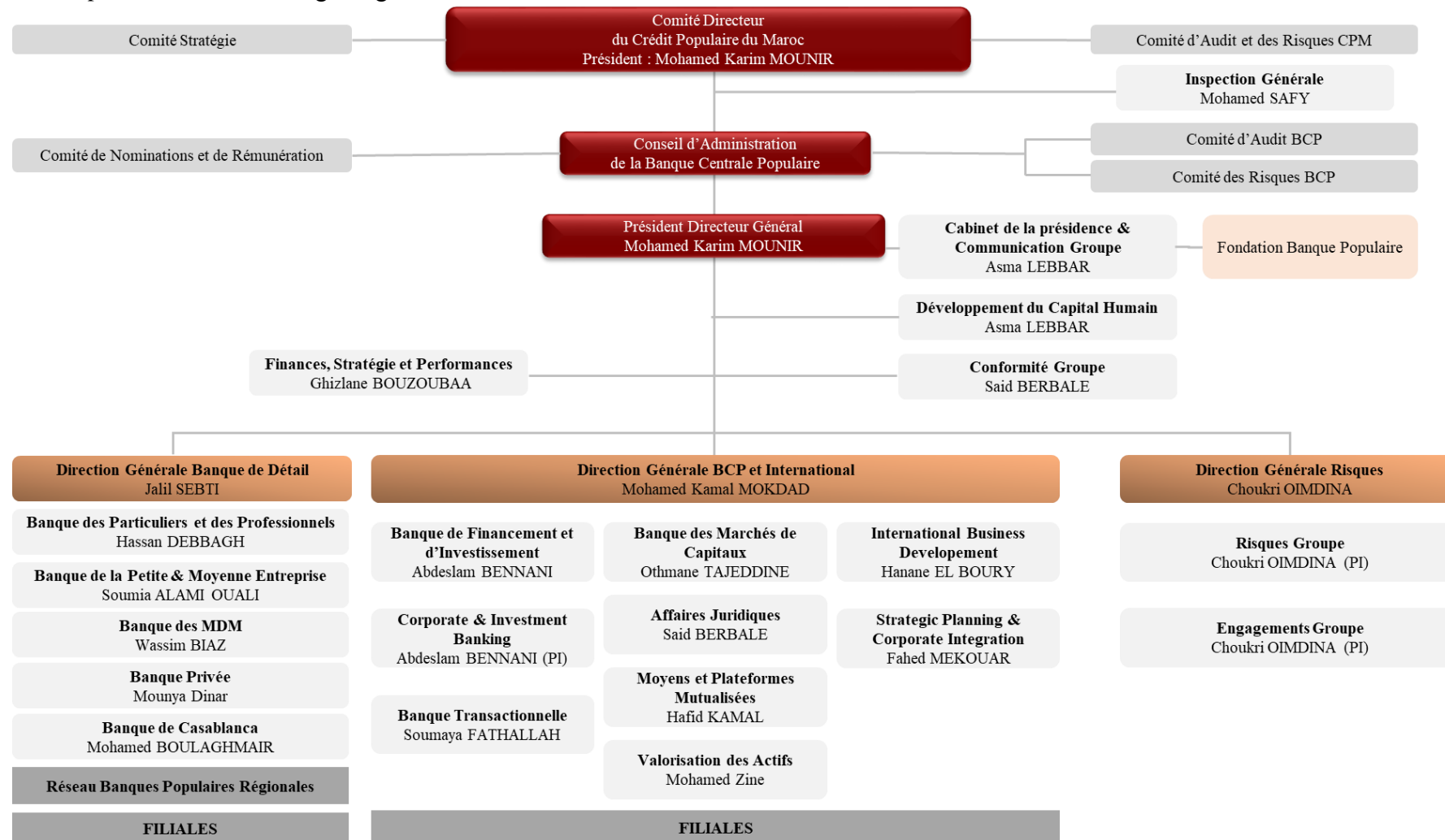
Source: BCP

The members of the Board of Directors are appointed by the Ordinary General Meeting for a maximum of 6 years, they are re-eligible but may be dismissed or replaced, at any time, by simple decision of the OGM and in accordance with the provisions of Law 17-95 on public limited companies as supplemented and amended by Law 20-05.

There is no relationship of alliance or kinship of the directors with the officers of the Banque Centrale Populaire.

## II.4. LEGAL ORGANIZATION STRUCTURE

As of April 30, 2019, BCP's legal organization is structured as follows:



Source: BCP

## II.5. STRUCTURE OF BCP SHAREHOLDING

Banque Centrale Populaire controls several subsidiaries. As of December 31, 2018, BCP's subsidiaries are listed as follows:

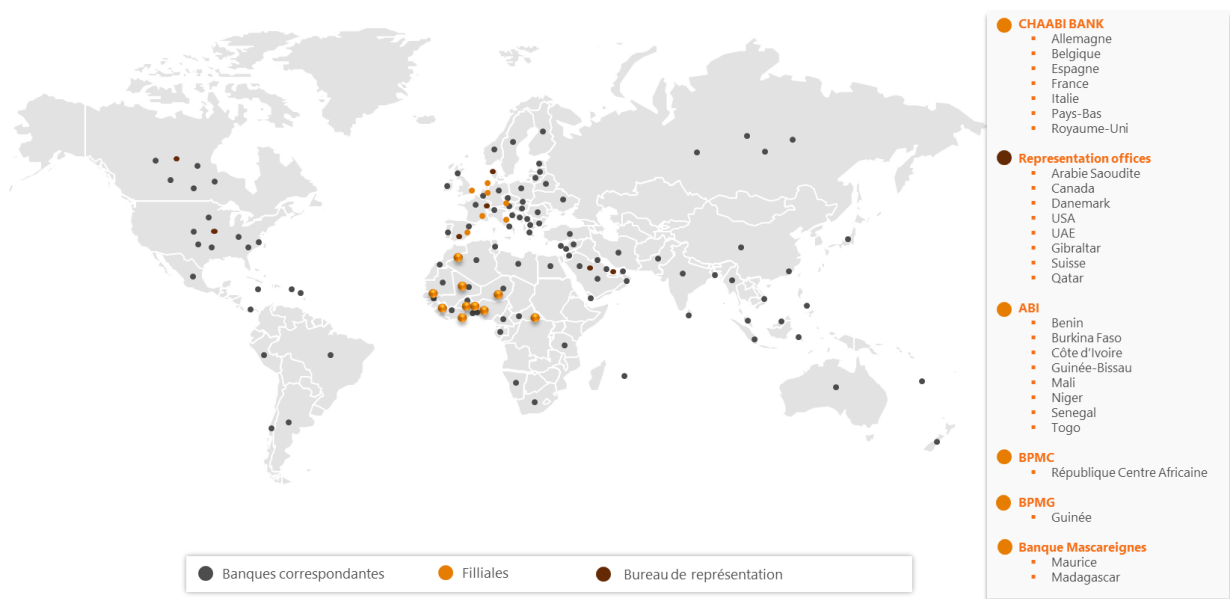
Main subsidiaries <sup>(*)</sup>	Field of activity	Holding %	Voting rights %	Interest %	Control %
BP Centre Sud	Banking	56.01%	55.64%	55.64%	55.64%
BP Fez Taza Meknes	Banking	57.05%	56.97%	56.97%	56.97%
BP Laayoune	Banking	56.19%	56.09%	56.09%	56.09%
BP Marrakech B Mellal	Banking	54.84%	54.71%	54.71%	54.71%
BP Nador Al Hoceima	Banking	59.56%	59.05%	59.05%	59.05%
BP Oujda	Banking	60.97%	60.92%	60.92%	60.92%
BP Tanger Tetouan	Banking	57.25%	56.27%	56.27%	56.27%
BP Rabat Kenitra	Banking	56.92%	55.28%	55.28%	55.28%
Chaabi Bank	Banking	100.00%	100.00%	100.00%	100.00%
BPMC	Banking	75.00%	75.00%	75.00%	75.00%
MAI	Assistance	77.43%	77.43%	77.43%	77.43%
CCI	Investment funds	54.10%	100.00%	80.21%	100.00%
IMC	Investment funds	43.50%	50.03%	48.74%	50.03%
VIVALIS	Consumer credit	87.28%	87.28%	87.28%	87.28%
Mediafinance	Capital market	60.00%	100.00%	96.10%	100.00%
SOCINVEST	Miscellaneous services	100.00%	100.00%	100.00%	100.00%
CHAABI LLD	Long term leasing	83.62%	83.62%	84.35%	83.62%
CIB	Offshore banking	70.00%	100.00%	87.10%	100.00%
Bank Al Amal	Banking	38.59%	38.59%	44.07%	38.59%
Upline Group	Investment banking	77.39%	100.00%	90.25%	100.00%
Maroc Leasing	Leasing	53.11%	53.11%	53.11%	53.11%
BP Shore Group	Holding	56.80%	100.00%	81.37%	100.00%
ABI	Holding	70.03%	70.03%	70.03%	70.03%
Maroc Traitement de Transactions (M2T)	Holding study office	83.74%	83.74%	83.74%	83.74%
BP REM	Real estate	43.13%	100.00%	80.31%	100.00%
Fonds Moussahama II	General-purpose investment funds	63.97%	64.00%	NC	64.00%
Atlantic Microfinance For Africa	Holding	100%	100.00%	NC	100.00%
Africa Transaction Processing & services Group (ATPS)	Securities Management	100%	100%	NC	100.00%
Al Akaria Invest	Investment funds	100.00%	100%	100%	100.00%
Banque Populaire Patrimoine	Banking	100.00%	99.87%	NC	99.87%
Banque des Mascareignes	Banking	100.00%	100.00%	100%	100.00%
Bank Al Youssr	Banking	80.00%	80.00%	80%	80.00%

(\*) BPRs are presented in Section II.2

Source: BCP

BCP increased its shareholding portfolio by holding 100% of the company "SOCINVEST SARL", holding company "BCP International" and the former Bank of Mascareignes LTTE BCP Bank (Mauritius). BCP has also increased its holding portfolio by increasing its stake in Vivalis Salaf from 20.88% to 87.22%, in M2T by 20.00% to 83.74% in ABI Holding by 1.75%, bringing it to 70.03%, and a stake in Société Nord for development and development (SNAD) representing 13.64% of its share capital. BCP also sold its stake in BP Maroc-Guinéenne (BPMG) to ABI Holding.

As of April 30, 2019, BCP is present in several countries through a developed network. Its presence is as follows:



The dividends received by BCP from its main subsidiaries (excluding BPRs) are as follows:

Dividends received in MAD million	2016(*)	2017(*)	2018(*)
Maroc Leasing	24	24	24
MAI	0	39	39
BPMG	0	7	18
BPMG	20	0	0
Vivalis Salaf	54	77	77
Chaabi International Bank off shore	110	175	108
BP REM	0	4	9
Upline Group	43	101	85
Mediafinance	0	27	19
BP Shore Group	0	34	17
Chaabi LLD	8	11	13
Fonds Moussahama II	0	52	0
IMC	12	14	25
ABI	134	167	176
<b>Total</b>	<b>426</b>	<b>732</b>	<b>610</b>

(\*) Dividends in respect of the year N received in N+1

Source: BCP

The dividends received by BCP from the BPRs are as follows:

In MAD thousand	2016	2017	2018
BPR Agadir	117 423	128 937	110 972
BPR Fez	36 025	93 790	112 018
BPR Laayoune	25 724	34 658	43 841
BPR Marrakech	39 687	21 238	70 496
BPR Meknes	26 635	3 264	0
BPR Nador	73 901	75 410	60 930
BPR Oujda	47 887	27 153	75 565
BPR Tanger	31 824	77 074	38 844
BPR Rabat	112 147	157 393	154 240
<b>TOTAL</b>	<b>511 263</b>	<b>618 915</b>	<b>666 906</b>

Source: BCP

## II.6. BCP ACTIVITIES

### Evolution of credits

The net outstanding receivables balance of customer credits by credit type is distributed as follows:

(In MAD million)	2016	2017	2018	Var17/16	Var 17/18
Cash and consumer credits	28 991	26 018	24 811	-10.26%	-4.64%
Equipment Credits	22 700	28 905	30 685	27.34%	6.16%
Real estate credits	26 109	27 924	26 734	6.95%	-4.26%
Other credits	15 280	16 514	19 022	8.08%	15.19%
<b>outstanding receivables balance of customer credits</b>	<b>93 079</b>	<b>99 360</b>	<b>101 251</b>	<b>6.75%</b>	<b>1.90%</b>

Source: BCP- Corporate account

The net outstanding customer loans as of end-2017 have changed compared to end-2016. This increase comes from the increase in equipment loans (+27.3% to MAD 28.9 billion) of real estate loans (+6.95% to MAD 27.9 billion) and other credits (+8.08% to MAD 16.5 billion).

As of end-2018, the net outstanding amount of customer loans rose by 1.9% to MAD 101.3 billion against MAD 99.4 billion as of end-2017. This evolution comes from the increase in equipment loans (+6.16% to MAD 30.7 billion) offset by a decrease of 4.64% of consumer loans going from MAD 26.0 billion in 2017 to MAD 24.8 billion in 2018 and a decrease of 4.26% in real estate credits from MAD 27.9 billion in 2017 to MAD 26.7 billion in 2018.

### Evolution of customer deposits

The outstanding customer deposits by product type are distributed as follows:

(in MAD million)	2016	Part	2017	Part	2018	Part
Accounts payable	37 516	59.15%	38 608	64.46%	36 930	59.17%
Saving accounts	6 907	10.89%	7 324	12.23%	7 530	12.06%
Term deposits	17 127	27.00%	11 441	19.10%	15 093	24.18%
Other accounts payable	1 878	2.96%	2 521	4.21%	2 862	4.58%
<b>Customer deposits</b>	<b>63 428</b>	<b>100.00%</b>	<b>59 894</b>	<b>100.00%</b>	<b>62 414</b>	<b>100.00%</b>
Growth %	6.22%		-5.57%		4%	

Source: BCP - Corporate accounts

As of end-2017, customer deposits decreased by -5.57% compared to end-2016 to reach MAD 60 billion. This is mainly due to the decline in term deposits (-33.2% to MAD 11.4 billion).

As of end-2018, customer deposits increased by 4% compared to end-2017 to reach MAD 62.4 billion, mainly from term deposits (+ MAD 15.1 billion).

---

### **III. RISK FACTORS**

The Bank has an online organization with the best international standards. Its integrated governance structure allows it to identify the risks it faces, implement an adequate and effective internal control system and establish a monitoring and readjustment system.

The responsibility for risk control, measurement and supervision is shared between:

- Governance and management bodies (Steering Committee, Board of Directors, Audit Committee, Risk Management Committees, Investment Committee, etc.);
- Group Risk function and other functions dedicated and/or involved in risk monitoring (credit risk, market risk, financial risk and operational risk);
- Internal control bodies.

#### **I. CREDIT RISKS**

A credit risk is the risk of loss stemming from a borrower's failure to repay its debts (bonds, bank loans, commercial loans, etc.). This risk is broken down into a default risk which arises in the case where the borrower fails to repay or delays the repayment of the principle and/or interest on their debt, a risk on recovery rate in the event of default, and a risk of deterioration of the credit portfolio's quality.

#### **General credit policy**

The general credit risk management policy, adopted by the Bank and approved by its administrative and management bodies, aims to define a global framework for activities generating credit risks.

Its principles are applied to ensure the Group a serene development of its activities. The credit policy is based on the following principles:

- Standardization of credit risk management across all CPM entities;
- Safety and profitability of operations;
- Diversification of risks;
- Standardization of credit risk management across all CPM organizations;
- Strict selection of files during the granting process;
- Establishment of a file for any credit operation and its review at least once a year for companies;
- Companies and Professionals rating and scoring on the granting of loans to individuals;
- Separation between credit sales functions and risk assessment and control functions;
- Collegiality of decisions resulting in the establishment of committees at all levels of the department;
- Early detection of counterparty default risks;
- Reactivity in the recovery process.

The implementation of the credit policy is based on an extensive internal regulatory body in line with the best practices in this area. It covers the entire credit risk management process, through circulars, circular letters and standards setting out the scope and conditions for taking, monitoring and controlling risk activities.

#### **Decision-making mechanism**

The bank's decision-making mechanism is based on the following principles:

- Analysis of the files by the commercial entities initiating the requests, and the second reading of risk made by the Counter-study entities at the level of the BPRs and BCP;
- Risk prevention through a key role of the counter-study function in file screening and decision-making;

- 
- Exercise of powers within the framework of committees reflecting the collegiality of the decision;
  - Multi-dimensional delegation scheme ensuring a balance between the level of risk and that required for the decision;
  - Skill limits established by a group of related beneficiaries;
  - Exclusion of the powers of the BPRs from credits for the benefit of related parties, regardless of their amounts. The latter are submitted to the internal credit committees held at the BCP level;
  - Separation of tasks between commercial entities and those responsible for the assessment, monitoring and management of credit risks, both at the level of BCP and BPRs.

### **Overview of the credit risk monitoring system**

The credit risk control and management system is based mainly on the following areas:

- Collegiality of the decision resulting in the establishment of credit committees at all levels (Regional Credit Committees, BCP Credit Committees: Internal Credit Committee, Collections and Major Risks Committee, etc.);
- Separation of duties between commercial entities and those responsible for credit risk assessment, monitoring and risk management;
- Definition of operation attributions and modalities of all the committees by means of circulars.

These areas are also confined to a general control framework that meets the regulatory requirements dictated by BAM. Within BCP, the risk management system and the internal control system follow, in the same way as the group, individualized monitoring of the activities generating risks. This monitoring, deployed at all levels of the Bank, revolves around an operational system with three components:

- Independent assessment and monitoring of the quality of the risks;
- Special monitoring of major risks and concentration risks;
- Permanent and close monitoring of sensitive receivables.

Our system, built on our strong risk governance structure and strong risk management culture, is being progressively complemented by a risk appetite framework. It provides regular feedback to the Bank's Management and Governance Instances enabling the establishment of:

- Adequate policies for controlled development;
- Corrective actions to safeguard the interests of the Bank.

### **Internal rating system**

The Bank has put in place a global rating system in line with the regulatory requirements for use, applicable to all counterparties whether they are sovereign states, banks or companies. Those operating in the real estate development sector are qualified through the rating of projects. Retail customers are currently subject to scorecards for consumer loans and mortgages, pending the roll-out of the new tool dedicated to the rating of individuals.

The rating system is the heart of the credit risk management system and is based on a series of models appropriate to each asset class. The rating consists of assigning a rating to each counterparty according to an internal scale, each level of which corresponds to a probability of default. It is one of the key criteria of the credit granting policy. The rating is assigned at the time of setting up the credit file and is reviewed at least once a year. In addition, attention is paid to the consistency between the decisions taken and the risk profile of each rating and its components, in this case, the different qualitative and quantitative information that the grid includes.

Rating is also an important factor in assessing the quality of the Bank's exposures, through the analysis of the portfolio noted and the evolution of its distribution. Special monitoring is also provided for

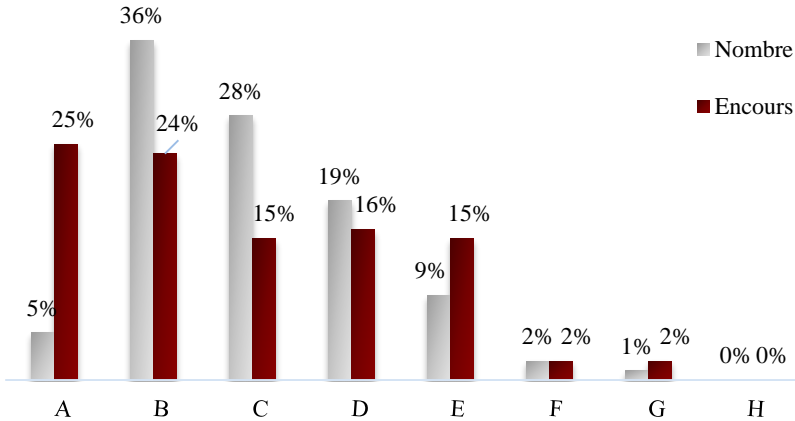
counterparties with a deterioration in the quality of risk (F, G and H ratings) which are examined by the Risk Committees.

In addition, the rating system is a fundamental part of the new IFRS9 provisioning process.

Finally, and as part of the ongoing maintenance of the business rating tool, the Group has defined a battery of tests to gauge the performance of the rating models in terms of discrimination, prediction of failure and stability. These tests, known as backtesting, are performed to ensure the viability of the rating models and to put in place corrective actions where appropriate.

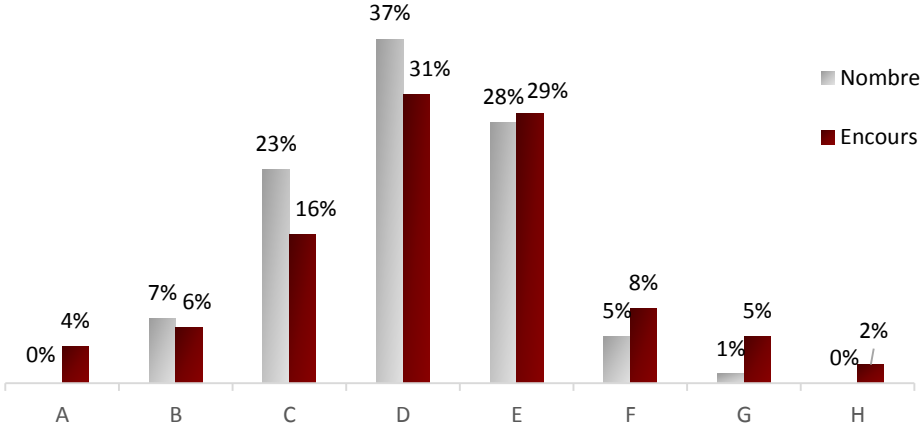
As of December 31, 2018, the distribution of the rated portfolio is as follows:

**Distribution de la GE\* en Nombre et en Encours**



\* Large enterprise (LE): Company with a turnover greater than or equal to MAD 50 million

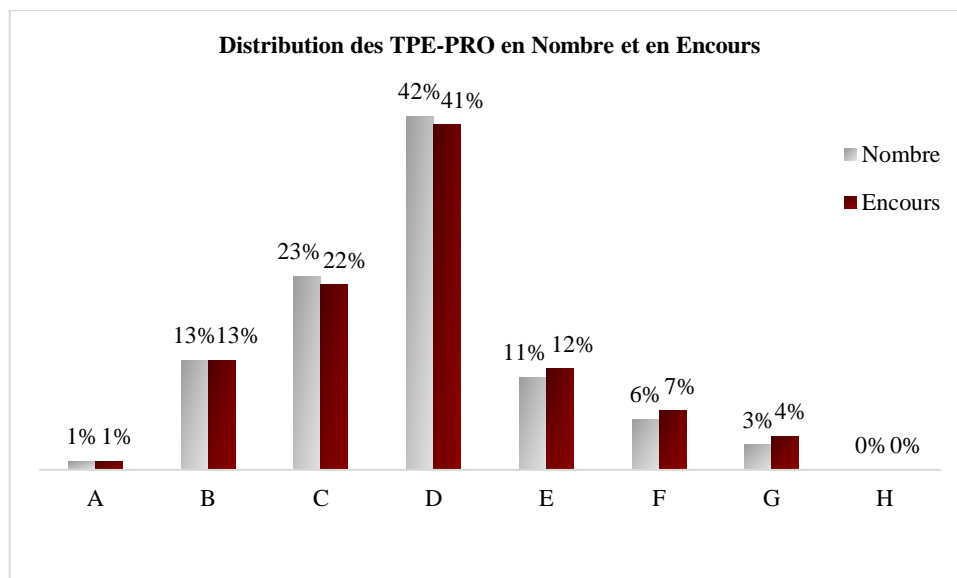
**Distribution de la PME\* en Nombre et en Encours**



\* Small and Medium-sized Enterprise (SME): Company with a turnover between MAD 3 and 50

The SME-LE segment portfolio analysis shows a reassuring distribution of risks. Indeed, the number and outstanding portfolio is concentrated on the rates between classes A and E.

A, B and C rates represent 69% of the number of LE companies, 64% of which were outstanding in December 2018. For SMEs, classes B, C and D represent 67% in number and 53% in outstanding amounts in December 2018.



The analysis of the distribution of VSE/PRO shows a concentration on the B-E rating classes, which reveals a controlled level of risk for these two segments.

B-E classes concentrate 89% of VSE/PRO with 88% of total outstanding in this segment.

### Concentration risk monitoring system

Concentration risk is carefully monitored by the Bank to, on the one hand, obey the prudential rules imposed by the risk division requirement and, on the other hand, to ensure the diversification necessary to risk dilution and risk management.

The management and monitoring system, put in place, is built around the following elements:

- A portfolio review process based on a risk database built and continuously enriched by the various applications, allowing the reporting of all the information necessary for the pooled examination of a given portfolio (groups and commitments basis, central balance sheets specific to the Bank, rating basis, etc.);
- Particular attention to commitments as soon as their level exceeds 5% of the Bank's own funds;
- A review process of the first 100 risks in the counterparty or group of related counterparties, for all the entities of the Bank;
- A system of sectoral and individual limits constituting the first bases of the risk appetite framework.

<b>Disbursement Credit</b>	<b>In % of productive employment CPM (*)</b>
CPM first 100 risks (*)	68%
Eligible counterparties under BAM Statement (*)	36%

(\*) *Excluding subsidiaries*

---

### **Portfolio review process**

Portfolio review is increasingly becoming an important tool in the monitoring and risk management system, especially for major and concentration risks. It complements the traditional process of annual review of cases and ongoing monitoring of commitments based on the usage parameters for credit risk assessment (sector-specific data, qualitative and quantitative elements related to the counterparty and the home group, etc.).

The concept of portfolio concerns a set of assets grouped by sector of activity, by risk class, by level of commitments, etc.

Through the global and simultaneous analysis of a given portfolio resulting in a homogeneous classification of counterparties, a definition of individual limits is made. The convergence sought between the opinions of the commercial line and the risks allows the higher instances to have the necessary elements for decision-making, in particular as regards the commercial policy to be adopted vis-à-vis a given portfolio (relationships development, maintenance, disengagement, increasing security, etc.).

### **Credit risk appetite system**

As part of the gradual construction of a risk appetite system required for the Bank's strategic management, the process of the sectoral limits was extensively reviewed in 2016 and that of the limits by group of counterparties was operationalized in 2017:

*Sectoral concentration limits:* The approach to setting sectoral limits is based on qualitative and quantitative standards, combining the measurement of the degree of loss experience of sectors with their development potential. Since 2017, this system has been an important component of the planning process in that it defines the strategic orientations in terms of overall market share for a given sector/sub-sector, with a view to ensuring targeted and more controlled development. The updating of the sectoral limits takes place once a year. Their monitoring is accompanied by measurements according to the level of the limit reached.

*Individual concentration limits:* Based on the portfolio review process, the Bank's major risks are subject to a pooled analysis that leads to classification by level of risk. On the basis of this classification and incorporating other parameters (nature and level of activity, counterparty and Bank capital, sectoral limit, etc.), limits for each group of counterparties are defined after approval by the appropriate committees.

### **Sensitive debts monitoring system**

The aim of the sensitive risks monitoring system is to identify as soon as possible the signs of potential deterioration of the healthy portfolio, so that it can be processed promptly, while actions to protect the Bank's interests can still be fairly effective and inexpensive. These receivables are identified and monitored jointly by the risk functions and the monthly business lines.

The mechanism put in place is to constantly exchange information with the contact managers on each situation with a view to initiating the necessary negotiations for the eventual adjustment of the receivables.

Cases not registering a favorable development of the situation are recorded in the "Watch List", after decision of the competent committees.

This "Watch List", which is the culmination of all surveillance actions, is itself subject to monitoring, to enable the Bank to preserve, over time, its recovery potential.

In terms of provisioning, the "Watch List" constitutes the core of the sizing mechanism for both provisions on a social basis (PRG) and on a consolidated basis (IFRS9). This makes it possible to perfectly converge the risk management system and the provisioning system.

It should be noted that the framework governing the treatment of sensitive receivables is the subject of a new circular defined by Bank Al Maghrib, currently being finalized, as part of the recast of Circular 19G.

---

## II. MARKET RISKS

Market risk is the risk of loss or exposure to the trading book. They result from unfavorable changes in market parameters (exchange rate, interest rates, property prices, commodity prices, volatility of derivative financial instruments).

The Bank, a leading financial institution and a major player in market activities, has a market risk management system that covers all activities related to trading book transactions or intended for its hedging or its financing. This system is based on clear guiding principles, internal policies and procedures in line with risk tolerance levels and performance objectives, and in line with the Bank's own funds.

Thus, the bank's level of tolerance in the face of market risks is declined through the limits and delegations of powers. This level of tolerance is set so that exposures to market risk cannot generate losses that could compromise the Bank's financial strength and expose it to undue or material risks.

Furthermore, in order to secure the development of market activities, the Bank has developed, as part of its overall risk management strategy, a culture of rigorous control and monitoring of market risks, based on guiding principles allowing to:

- Control risks on exposures;
- Secure the development of the Bank's market activities within the framework of its strategic orientations and in accordance with the regulatory provisions;
- Adopt best practices in risk management for all market activities.

### **Policies and procedures**

The market risk management policy defines the overall risk management framework for market activities. It integrates, within a coherent system, all risk management tools/processes and the principles and guidelines adopted by the Bank to guide its risk exposure on market activities. This policy is based on an internal regulatory body that includes a set of circulars, procedures and standards for taking risks in market activities.

The market risk management policy focuses on:

- The roles and responsibilities of the governance and management bodies as well as the missions of the operational entities involved in the management of market risks;
- The determination and review of market boundaries;
- The review of exposures and risks;
- The methodologies for measuring risks and validation of valuation models;
- The monitoring and Reporting tools.

This policy is broken down through circulars and mechanisms governing market activities, including:

- A system for the separation of portfolios from trading activities from those of a banking nature, reflecting the prerogatives of circulars 26/G/ 2007 and 8/G/2010 relating to the calculation of capital requirements for market risks.
- A system of delegation of powers governing the attributions delegated to those responsible for market activities with a view to:
  - Secure transactions and limit risks;
  - Comply with banking regulations regarding internal control and prudential management;
  - Optimize the decision-making circuits;
  - Improve profitability.

- 
- A derivatives management policy describing the process of launching, monitoring and managing derivatives. It thus frames the attributions delegated to the various functions involved in this process and the main limits to which this activity is subject.

### **Players and entities involved in market risk management**

Market risk management is ensured through ad-hoc governance bodies supported by the following players:

*"Markets Bank"*: is the first line of self-control. In terms of risk, its responsibilities include:

- The proposed risk limit for each of the portfolios under management based on performance objectives and risk tolerance. These risk limits are submitted, after analysis and calibration by the Risk Management, to the Committee.
- Group Global Risk Management for validation;
- The submission for approval following a delegation of powers mechanism governed by an internal circular, transactions that exceed their level of competence.
- *"The Middle Office"*: performs the first-level control and carries out daily follow-up actions in complete independence from the market operations managers. Its main responsibilities are:
- Monitoring and control of market operations (updating of data, monitoring of positions, compliance of operations, analysis and correction of discrepancies);
- An analysis of the results of the market activities: reconciliation and monitoring of profits and losses (P&L);
- Risk monitoring: limit monitoring, analysis and monitoring of hedging operations;
- Optimization and development of processing resources (participation and support in the development of information systems, new products, internal repositories and management procedures).

*"Market Risks"*: defines the risk measurement methodologies, examines the limits and monitors all of the Bank's market risks. This function is in charge of the second level control. Its main tasks are to:

- Design, develop and organize the Market Risk Management System;
- Define methodologies for measuring risks and determining limits;
- Monitor the positions, limits and risks generated by market activities;
- Ensure the development and optimization of risk measurement tools and systems;
- Produce regulatory and internal reports for the regulator and the various committees and governance bodies of the Group.

*"Counterparty Risks"*: deals with the methodological aspects relating to counterparty risk related to market activities, by designing and implementing the Group's standards in this area.

### **Market risk management and monitoring system**

With a view to supervising market risks and monitoring them, the market risk management system adopted by the Bank is organized around the following areas:

- A governance mechanism that includes a clear organization ensuring a well-defined division of responsibilities, and guaranteeing independence between the operational staff and the risk management and control bodies;
- A steering and arbitrage activity between the different market activities via the Investment Committee;
- A delegation of authority system defining the application process, validating limits and authorizing overruns;

- 
- A risk indicator monitoring and surveillance activity by entities and market risk control bodies;
  - A set of tools for managing and controlling market risks.

### **Applicable limits**

The framework of the limits governing market activities is reflected in a system of internal limits regulating the risks inherent in the trading portfolio, including market limits, transaction limits and counterparty limits.

The system of market limits consists of defining permissible market risk envelopes, which are allocated to each product line or asset class, according to the risk/return tradeoff, volatility considerations and market uncertainty, as well as the investment strategy implemented. Global VaR and VaR per portfolio limits are supplemented by appropriate sensitivity limits for each product type, taking into account portfolio sizes and historical shocks of market parameters observed during periods of high volatility.

The system of transaction limits represents the delegation of power in terms of the amounts of transactions to be processed, according to the nature of the authorized instruments and the hierarchical rank of the players in the market activities sector.

The counterparty limits concern the risk of exposure to banking counterparties. These limits are defined on the basis of ratings by rating agencies for rated counterparties and an internal model based on an analysis of qualitative and quantitative data, as appropriate.

In addition, the system of market and transaction limits is based on a delegation of authority grid setting the limits by instrument, by market and by stakeholder. The process of boundary renewal and waiver management is framed by an internal circular.

### **Risk indicator tracking system**

Market risk monitoring is carried out daily by the Middle Office and Risk Management functions. The Group Risk Management Committee ensures, through bimonthly reporting, levels of exposure, returns, risks backed by market activities, compliance with regulatory requirements and compliance with limits. This reporting also includes sensitivity analysis of portfolios and simulations in the case of extreme scenarios taking into account both portfolio structure and correlations between different risk factors.

The risk reporting system within the Bank takes two forms:

- An internal reporting system relating to the market risk monitoring and management process, including risk indicators per compartment;
- An internal reporting system relating to the market risk monitoring and management process for the Group Risk Management Committee, held on a bimonthly basis, and to Committees emanating from the governance bodies. This reporting, structured by asset class at a fairly fine level of granularity, is based on the VaR approach and on systematic measures of portfolio sensitivities to different market parameters. It traces the evolution of exposures and risk indicators over a past year with a daily zoom over the last three months. These risk indicators are compared in the same way as position measurements, with internal limits fixed beforehand.

### **Monitoring and risk management tools**

The assessment of market risks is based on a combination of two groups of measures to quantify potential risks: the calculation of the Value at Risk (VaR) on the one hand, and the use of sensitivity measures and stress on the other hand.

VaR is defined as the maximum theoretical loss that a portfolio may suffer in the event of adverse movements in market parameters, over a time horizon and for a given confidence interval. The Bank retains a 99% confidence level and a one-day time horizon, based on two years of historical data. This makes it possible to follow, on a daily basis, the market risks that the Bank has taken on Trading activities.

The method used to calculate the VaR is that of a historical model based on the historical scenarios of the risk factors inherent in the trading portfolio. This model implicitly takes into account the correlations between the different risk factors. A global VaR is calculated for all trading activities, by instrument type and by risk class.

Aware of the limitations of the VaR model, the Bank incorporates analysis and sensitivity limits into its monitoring system. Thus, impacts in terms of P&L from standard scenarios or stress scenarios are estimated for the entire trading portfolio.

These scenarios are chosen from three categories: historically proven scenarios, hypothetical scenarios and adverse scenarios.

Market risk monitoring is carried out daily by the Middle Office and by the market risk function. Management Committees (Global Managing Risk Committee and Investment Committee) monitor on a regular frequency exposure levels, the returns generated by market activity, risks backed to trading activities, compliance with regulatory requirements and compliance with limit devices.

The reporting presented to various committees includes in addition to the sensitivity analysis of portfolios, simulations in the case of extreme scenarios taking into account both the portfolio structure and correlations between different risk factors.

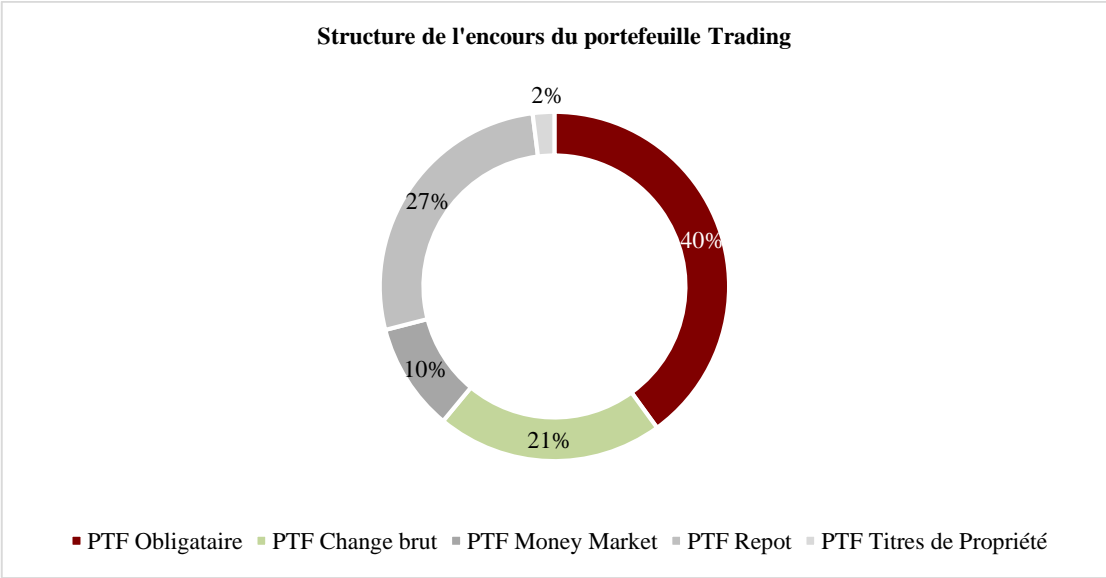
**Exposure evolution and risk profile**

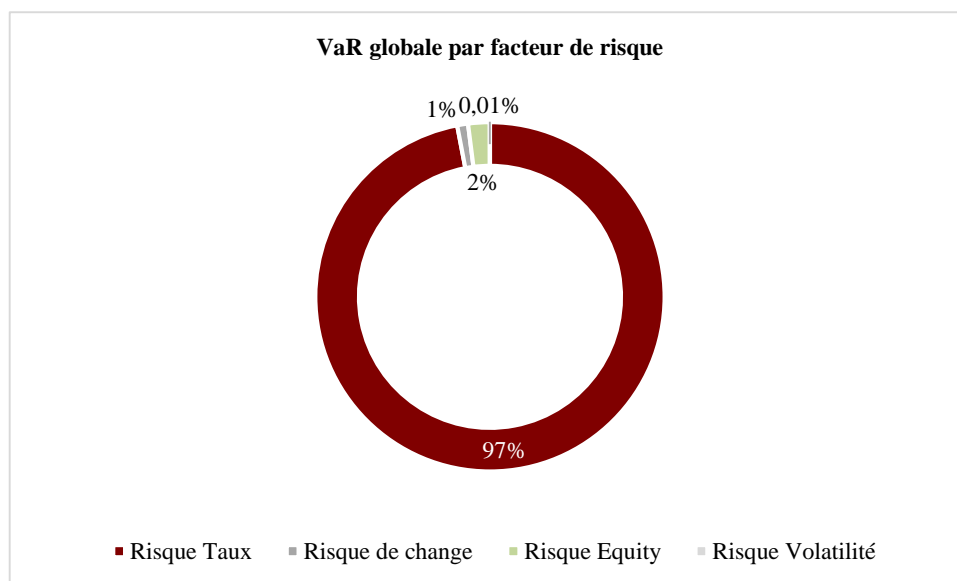
As of end-December 2018, the total gross outstanding amount of the trading portfolio was set at MAD 108.9 billion, 40% of which was invested in direct bond securities or via UCITS and 21% in the foreign exchange business. The overall VaR (1-Day at 99%) excluding the inter-portfolio diversification effect is estimated at MAD 82 million, or 0.14% of the mark-to-market of the trading portfolio, excluding hedging and financing transactions, which raises to MAD 58 billion at the end of the year 2018.

The estimated VaR is mainly concentrated on the bond portfolio and property titles, and secondarily on forward foreign exchange transactions, foreign currency transactions and foreign exchange derivatives. This is due to the size of these portfolios, the high volatility of the risk factors composing them and their weight relative to the other elements in the trading book.

The level of VaR followed a downward trend throughout 2018, mainly due to the lower volatility of market parameters, particularly MAD rates, and the decrease in the duration of the overall bond portfolio:

The following graphs show, as of end-December 2018, the structure of the Bank's trading portfolio and the contribution of each class of risk factors in overall VaR:





### **Exchange compartment**

The year 2018 was marked by an increase in outstanding foreign exchange forward to reach MAD 11 billion as of end-December 2018.

In terms of foreign exchange position, the Bank ended the year with a global long-term exchange position of MAD 456 million, including foreign exchange derivatives. Regulatory limits in relation to the level of equity, for the overall foreign exchange position and positions by currency are respected in 2018.

The VaR of the foreign exchange trading activity, excluding the diversification effect reached MAD 8.1 million as of the end of the year. The term exchange portfolio is the largest contributor of VaR on the Exchange business with MAD 6.8 million.

### **Bond compartment**

The VaR of the bond trading activity, including the UCITS bond portfolio, amounted to MAD 60.8 million as of end-December 2018 for a total outstanding of MAD 43.9 billion.

### **Equity compartment and Diversified UCITS**

The outstanding amount of the Equity and Diversified UCITS portfolio is set at MAD 2.4 billion as of December 31, 2018, and the VaR of the share pocket at MAD 15.2 million.

## **III. ALM RISKS**

The strategy of management of rate and liquidity global risk is in line with the risk control objective within the development process planned and adopted by the Group. This strategy is based on the following guiding principles:

- Directing development activities in the context of a medium-term plan taking account of the risks of rate and liquidity.
- Maintaining a stable and diversified structure of our deposits with a mastery of the growth potential of our commitments.
- Gradually improving the overall rate Gap to maintain a balance of different activities in terms of rate and liquidity profile.
- Developing variable-rate assets to immunize a portion of the balance sheet following an unfavorable evolution in interest rates.

---

## **Global rate risk**

The overall rate risk is the loss caused by unfavorable changes in interest rates across the bank's balance sheet with respect to its ability to transform savings and resources into productive uses.

The analysis of global risk of rate is complex because of the need to make hypotheses about the depositors' behavior regarding the maturity of refundable deposits contractually on demand and on the assets and liabilities directly insensitive to interest rates. When the behavioral characteristics of a product are different from its contractual characteristics, behavioral characteristics are assessed to determine the risk of the underlying real interest rate.

## **Global interest rate risk management system**

The assessment and control process of the general level of the global interest rate risk takes place:

- Quarterly at the end of the summary statements;
- In support of the planning process (phase of the strategic orientation note and the framing phase of the Medium-Term Financial Plan), as definitive validation mechanism of the MTP;
- During significant changes to the rate schedules to assess their impact.

This monitoring system is based on:

- An assessment methodology based on the gap approach. This results in a classification of assets and liabilities according to their maturity profile and rate (fixed or variable), taking into account factors of residual duration and future behavior.
- A quarterly reporting system for the ALM Committee on exposure levels, stress tests in terms of the impact on net banking income and equity, and the projected evolution of prudential ratios.
- A system of limits in terms of risk impacts, in relation to GNP and own funds, defined by the ALM Committee and validated by the Steering Committee.

Through this system, the management of global interest rate risk aims to optimize the impact of interest and capital rates on the basis of the calculation of static and dynamic Gaps.

## **Evolution of risk indicators**

The profile of short-term assets as of end-December 2018 is similar to that of December 2017. Nevertheless, short-term liabilities continued to grow due to higher use of money market financing (very short-term). The main changes impacting interest rate risk are:

- The increase in repos given of MAD 6.5 billion;
- The issuance of certificates of deposits amounting to MAD 3 billion and the issuance of a new subordinated debt of MAD 2 billion;
- The continued rise in forward foreign exchange transactions;
- The increase in the remaining duration of term deposits from 6.2 months in December 2017 to 6.5 months in December 2018;
- A recovery in market rates (BDT) on average and long maturities, after the decline recorded during the first quarter of 2018.

These operations, as well as the review of unscheduled resource flow agreements, increased the sensitivity of earnings to a change in market rates. Thus, in case of a rise of 100 basis points, the profit varies from MAD -198 Million against MAD -158 million in December 2017. Note that the sensitivity of the profits to a variation of the rates remains below the limits of Group risk objectives.

The following table presents the potential impact of a 100-basis-point increase over a 12-month period on the Bank's net interest income and economic value in 2017 and 2018. The impact such a variation represents less than 2% of net banking income and regulatory capital.

	31/12/2017	31/12/2018
Impact on profit ( <i>in MAD millions</i> )	-158	-198
Compared to net banking income	1.40%	1.69%
Impact on the economic value on the CT ( <i>in MAD millions</i> )	-307	-83
Compared to regulatory capital	0.95%	0.25%

### Liquidity risk

This risk may arise from the balance sheet structure due to lags between effective maturities of assets and liabilities' elements, funding requirements for future businesses, customer behavior or potential disruptions in markets or economic conditions.

The purpose of liquidity risk management is to provide BCP with access to the funds necessary to meet its financial commitments as they come due. The management of this risk results in the maintenance of a sufficient level of liquid securities and a supply of stable and diversified funds. The portfolio of securities consists mainly of Treasury bonds and, to a lesser extent, liquid securities and UCITS.

Liquidity management relies on the following:

- The monitoring of the balance sheet's liquidity ratios according to internal and regulatory requirements;
- The development of a liquidity schedule based on dynamic scenarios over the PMT period as well as the static liquidity schedule giving indications on the liquidity situation of the Group in the medium and long term;
- The monitoring of the investment portfolio and the projection of cash flows;
- The monitoring of the investment portfolio and the projection of cash flows, - the maintenance of a varied range of financing sources and the monitoring of the concentration of deposits by product and counterparty, with regular monitoring of the concentration of the 10 largest depositors;
- The maintaining of privileged relationships with institutional investors and major corporate customers.

Customer deposits (current and savings accounts) represent a significant portion of the Group's overall financing, which has been stable over the years. In addition, the agencies' opening program was extended in 2017 and plans to continue throughout the period of the MTP, helping to strengthen the pace of collecting customer deposits.

In addition, BCP is a major player in the money and bond markets, through its market activities. BCP's position allows it to use, in the short term, repurchase transactions with BAM, banks and other financial institutions.

### Evolution of risk indicators

Total CPM assets amounted to MAD 329 billion as of end-December 2018 against MAD 312 billion in December 2017, an increase of 5.4%.

In December 2018 and compared to December 2017, the uses to be refinanced in cash represent more than MAD 18.2 billion. These mainly consist of customer loans (+MAD 12.7 billion including MAD 7.5 billion of VAT credits), the investment portfolio (+MAD 3.1 billion), the securities portfolio (+MAD 0.8 billion), fixed and intangible assets (+MAD 1.6 billion). These amounts have been refinanced by:

- An increase in customer deposits (+MAD 6.2 billion);
- An increase in refinancing on money market (+MAD 6.5 billion);
- An issue of certificates of deposit (+MAD 3 billion);
- A subordinated debt issue (+MAD 2 billion).

---

The Bank's liquidity situation remains comfortable, as evidenced by the LCR level as of end-December 2018 (130%), well above the regulatory minimum.

CPM resources collected from customers increased by 2.6%, from MAD 237 billion in December 2017 to MAD 244 billion as of end-December 2018. This increase concerns retail deposits, as well as book accounts (+ 3.0%) than overnight deposits (+ 4.4%). The share of unpaid resources remained at just over 66% in December 2018.

The Group's transformation ratio stood at 87.7% in December 2018, compared to 84.5% in December 2017 (an increase of 3.2 points), due to higher loans than deposits.

#### **IV. OPERATIONAL RISKS**

##### **Operational risk management system**

In line with its regulation, Groupe Banque Populaire defines operational risk as the risk of potential harm from inadequate or failed procedures, people, systems or external events. This definition of operational risk includes legal and reputational risk, but excludes strategic risk.

Beyond the regulatory requirements of an equity allocation for operational risk, our device seeks to better meet BAM recommendations and the sound practices advocated by the Basel II agreements. Overall, it is part of a system of continuous improvement:

- Collecting data on (potential) risks and/or (proven) incidents;
- Analyzing (potential) risks and/or (proven) incidents and assessing their financial consequences;
- Communicating data on (potential) risks and/or (proven) incidents and assessing the exposure to operational risks;
- Initiating preventive and corrective actions that are necessary to reduce the impacts and the likelihood of occurrence of risk events.

##### **Operational risk segment organization**

The organization of the division within the Group revolves around:

- The central function at the level of BCP, whose mission is to design and pilot methodological and informatics tools while ensuring the awareness, training and assistance of the various stakeholders;
- Regional risk managers to act as relays for the central function at the Regional Banks level;
- Subsidiary counterparts who ensure the implementation of the methodology and IT tools in synergy with the mechanisms adopted within the Group;
- Operational risk correspondents designated by business line as part of the incident collection protocol. The role of these correspondents is to identify operational losses and to list them in the operational risk management tool available to them.

##### **Main tools for the operational risk management**

The four main methodological tools are: mapping of operational risks, incident collection process, monitoring of the risks related to outsourced activities and the business continuity plan.

##### **Risk mapping**

The operational risk mapping review process is based on the internal process reference system. Using workshops with business experts, operational risk events are identified and evaluated.

Prior to these evaluations, the internal repository of processes (business lines, processes) can be adapted to take into account the specificities of the entities and business lines.

The assessment of these operational risk events is carried out according to the parameter of the frequency and that of the average unit impact, and this, according to two grids established in this respect and which each provides 6 degrees of score. Risk management systems are assessed with respect to their relevance

---

and applicability according to the following three levels that are satisfactory, reinforcing or unsatisfactory.

The operational risk mapping review work provides a hierarchical view of risks and the implementation of action plans by business line.

### **Incident collection**

In line with the regulations, a system for collecting operational risk incidents based on a declarative mechanism is set up. This system is managed in real time thanks to the Front Risk tool. In addition, the operational risk correspondents designated at the level of the various business lines report directly to Front Risk. Then, a workflow is planned in order to offer managers a permanent watch of the occurrence of an operational risk.

The continuous animation of the players of the incident collection process allows to improve the quality of the declarations and to have better visibility on the risk profile of the Bank.

As of end-December 2018, the Bank's risk profile remained focused on the 4 usual Basel categories (execution error, internal fraud, external fraud and asset damage). By integrating the subsidiaries, the risk profile undergoes some changes by maintaining the seventh Basel category regarding execution errors as the primary source of operational risk in terms of the number of incidents.

### **Monitoring of externalized activities**

To assess the risk incurred by the bank, two evaluation grids are put in place:

- Criticality grid with 8 axes (service implementation, number of services in the region, service cost, regulatory requirement, etc.) on a scale of 1 to 4 to order benefits according to their risk exposure;
- Level of control grid including 5 axes (Financial health, PCA, provider's visit, etc.) on a scale of 1 to 4 highlighting the level of risk control between providers of the same activity.

### **Business continuity plan**

The general governance policy of the Group's Business Continuity Plan (BCP) is distributed to all Group employees. It defines the guiding principles, the reference framework and the organization aiming to ensure, in the event of a crisis, the continuity of the Bank's critical operations.

With the help of a formalized methodology, BIA (Business Impact Analysis) and MAID (Maximum Allowable Interruption Duration) have allowed to identify the processes to be restored in priority in case of crisis. For each critical process, there is a business contingency plan (BCP) that specifies the role of everyone at the time of a disaster, the means available and the immediate actions to take when arriving at the fallback site.

It is important to note that no major claims occurred during the first half of 2017, obliging the Bank to activate its business continuity plan

## **V. COUNTRY RISK**

### **Risk management policy**

The Group has a country risk management system built around an internal rating model. This model quantifies the risk to countries based on quantitative data (economic and financial indicators) and qualitative (political and regulatory environment). The list of indicators used are multiple (Inflation, Public Balance, Investment Dynamics, Rule of Law, Regulatory quality ...) and is based on publications and assessments of international organizations (IMF, World Bank, Doing Business ...).

The rating is based on four different types of risk: sovereign default risk, non-transfer risk, corporate risk compared to the risk of a generalized macroeconomic shock, and the risk of banking system. For

---

each of these types of risk, ratings distinguish short-term (less than 12 months) and medium-term (beyond 12 months) risk.

Under this system, since 2015, the BCP has implemented a provisioning process covering country risk on all of its exposures in sub-Saharan Africa under the ABI perimeter.

In terms of risk management, the Group places the alignment of the local system on the Group's standards as a priority. In terms of risk surveillance, the Group places the alignment of the local system on the Group's standards as a priority. The year 2017 witnessed the effective establishment of the process of management and monitoring of sensitive debts (Watch List). All clients identified in this context are monitored on a permanent basis within the framework of monthly alert committees at the level of all ABI subsidiaries, in order to monitor the consolidation of the accounts in question. The ultimate operational objective for the Group Risk Pole is to ensure effective supervision leading to control, anticipation and optimization of the risks borne by all the Banque Atlantique subsidiaries.

With respect to the monitoring and consolidation of risks at the central level, it is important to remember that a system of reassessment from all subsidiaries is already in place, allowing the holding company and the Group Risk Group, to assess risk areas through rigorous monitoring of sensitive receivables (overruns, past due, unpaid...), individual and sectoral concentration risks. The evolution of outstanding receivables and the rate of coverage by provisions are also monitored in order to identify the trend of the risk profile and implement mitigating strategies.

## IV. BCP CONSOLIDATED FINANCIAL STATEMENTS ACCORDING TO IFRS STANDARDS

### IV.1. BALANCE SHEET – IFRS

In MAD million	2016	2017	janv-18	2018
Cash values, Central Banks, Public Treasury, services of postal checks	14 702	11 157	11 056	15 195
Financial assets at fair value through result	37 244	41 666	56 115	57 091
Financial assets held for sale	35 993	41 712		
Loans and receivables to credit and similar institutions	11 877	19 279	19 179	14 699
Customer loans and receivables	213 853	228 709	224 644	244 228
Investments held to maturity	15 249	13 102	13 102	12 047
Due tax assets	1 131	1 092	1 092	1 209
Deferred tax assets	652	1 431	3 261	3 651
Accruals and other assets	7 521	10 136	10 136	7 591
Investments in equity-consolidated companies	38	40	40	23
Tangible assets	11 217	12 668	12 668	14 345
Intangible assets	907	1 014	1 014	1 114
Purchase goodwill	1 327	1 539	1 539	1 512
<b>TOTAL IFRS ASSETS</b>	<b>351 711</b>	<b>383 545</b>	<b>380 638</b>	<b>396 590</b>
Central banks, Public Treasury, services of postal checks	539	845	845	1 303
Financial liabilities at fair value through result	-	-		
Hedging derivatives	-	-		
Loans and receivables to credit and similar institutions	33 908	42 162	42 162	46 214
Debts to customers	259 738	273 475	273 475	283 348
Debts represented by a security	-	-		
Issued loan securities	133	706	706	3 678
Current tax liabilities	1 211	1 446	1 446	1 397
Deferred tax liabilities	503	532	532	734
Accruals and other liabilities	7 171	7 310	7 310	5 305
Technical provisions of insurance agreements	3 365	5 086	5 086	1 233
Provisions for risks and costs	2 652	3 200	4 039	4 742
Subsidies, restricted public funds and special funds of guarantee	3 215	3 656	3 656	3 229
Subordinated debts	1 120	5 299	5 299	7 217
Capital and associated reserves	20 498	21 361	21 361	22 330
Consolidated reserves	12 405	13 681	11 225	12 491
- Group share	4 134	4 445	2 465	3 180
- BPRs' share		0		
- Minority shareholding	8 271	9 236	8 760	9 311
Latent or deferred gains or losses, group share	2 215	1 374	84	-174
- Group share	1 504	927	175	-58
- BPRs' share	-	0		
- Minority shareholding	711	447	-92	-116
Net profit of the FY	3 038	3 412	3 412	3 543
- Group share	2 643	2 843	2 843	2 943
- BPRs' share	-	0		
- Minority shareholding	395	569	569	600
<b>TOTAL IFRS LIABILITIES</b>	<b>351 711</b>	<b>383 545</b>	<b>380 638</b>	<b>396 590</b>

## IV.2. INCOME AND EXPENSES ACCOUNT – IFRS

In MAD million	2016	2017	2018
Interests and similar income	14 971	15 457	15 933
Interests and similar costs	-4 564	-5 021	-4 892
<b>INTEREST MARGIN</b>	<b>10 407</b>	<b>10 436</b>	<b>11 040</b>
Commissions receivables	2 402	2 602	2 936
Commissions payments	-314	-275	-327
<b>COMMISSIONS MARGIN</b>	<b>2 088</b>	<b>2 327</b>	<b>2 609</b>
Net gains and losses on financial instruments at the fair value through result	1 786	1 842	2 301
Net gains or losses on financial assets held for sale	615	876	284
<b>RESULT OF TRADING ACTIVITIES</b>	<b>2 401</b>	<b>2 718</b>	<b>2 585</b>
Income from other activities	3 964	5 493	1 712
Costs of other activities	-3 206	-4 611	-926
<b>NET BANKING INCOME</b>	<b>15 655</b>	<b>16 363</b>	<b>17 020</b>
General operating costs	-7 014	-7 438	-7 857
Allocation to amortizations and depreciations of tangible and intangible assets	-869	-954	-1 026
<b>GROSS OPERATIONAL RESULT</b>	<b>7 771</b>	<b>7 971</b>	<b>8 137</b>
Risk cost	-3 323	-3 091	-3 154
<b>OPERATING RESULT</b>	<b>4 449</b>	<b>4 881</b>	<b>4 983</b>
Share of the result of equity-consolidated companies	5	4	-4
Net gains or losses on other assets	20	-13	188
Change of goodwill purchase values		0	
<b>PRE-TAX RESULT</b>	<b>4 474</b>	<b>4 872</b>	<b>5 167</b>
Benefit tax	-1 436	-1 460	-1 625
<b>NET RESULT</b>	<b>3 038</b>	<b>3 412</b>	<b>3 543</b>
Result – BPR share		-	
External result	395	569	600
<b>BCP GROUP NET SHARE</b>	<b>2 643</b>	<b>2 843</b>	<b>2 943</b>
<b>Earnings per share (in MAD)</b>	<b>14.5</b>	<b>15.6</b>	<b>16.1</b>
<b>Diluted earnings per share (in MAD)</b>	<b>14.5</b>	<b>15.6</b>	<b>16.1</b>

---

**DISCLAIMER**

**The aforementioned information is only a part of the prospectus approved by the Moroccan Capital Market Authority (AMMC) under reference N° VI/EM/008/2019 on May 27<sup>th</sup>, 2019. AMMC recommends reading the complete Prospectus made available to the public in French.**