

# Summary offer document



## Perpetual subordinated debt issue of up to MAD 500,000,000 with a loss absorption and coupon payment cancellation provision

The prospectus approved by the AMMC comprises:

- The offer document
- BANK OF AFRICA's reference document for the 2021 financial year, registered by the AMMC 16 June 2022, reference number EN/EM/009/2022.
- BANK OF AFRICA's updated (v.1) reference document for the 2021 financial year, registered by the AMMC 9 December 2022, reference number EN/EM/033/2022.

|                              | Tranche A<br>(adjustable every 5 years – unlisted)   | Tranche B<br>(adjustable annually – unlisted)  |
|------------------------------|--|--|
| Maximum size                 | MAD 500,000,000  |  |
| Maximum number of securities | 5,000 perpetual subordinated notes   |  |
| Nominal value                | MAD 100,000  |  |
| Securities' tradability      | Over-the-counter (not traded on the Casablanca Stock Exchange)   |  |
| Nominal interest rate        | <b>Adjustable every 5 years</b><br>For an initial 5-year period, the nominal interest rate will be based on the 5-year rate, in turn based on the 5-year benchmark yield for Treasury bonds traded on the secondary market as published by Bank Al-Maghrib 15 December 2022, plus a risk premium | <b>Adjustable annually</b><br>For the first year, the nominal interest rate will be based on the full 52-week rate, in turn based on the benchmark yield for Treasury bonds traded on the secondary market as published by Bank Al-Maghrib 15 December 2022, plus a risk premium |
|                              |  |  |
| Risk premium                 | Between 220 and 230 basis points   | Between 210 and 220 basis points   |
| Repayment guarantee          | No specific guarantee is provided in respect of this issue   |  |
| Maturity                     | Perpetual, with the possibility of early repayment from the 5 <sup>th</sup> anniversary of the cum-coupon date, and only at the issuer's request, on condition that notice of at least five years is given and with Bank Al-Maghrib's prior approval   |  |
| Allotment method             | French auction method with priority given to Tranche A (floating rate adjustable every 5 years) and then Tranche B (rate adjustable annually)  |  |

### Subscription period: from 20 December to 22 December 2022 inclusive

Only those qualified Moroccan investors listed in this offer document may subscribe for these notes and trade them on the secondary market



#### MOROCCAN CAPITAL MARKETS AUTHORITY'S VISA

In accordance with the provisions of the AMMC circular published in application of Article 5 of *Dahir* No. 1-12-55 of 28 December 2012 promulgating Act No. 44-12 relating to public offerings and information required of legal entities and organisations making a public offering, this prospectus has been approved by the AMMC 13 December 2022, reference number VI/EM/041/2022.

This offer document forms only part of the prospectus approved by the AMMC. The latter comprises the following documents:

- This offer document
- BANK OF AFRICA's reference document for the 2021 financial year, registered by the AMMC 16 June 2022, reference number EN/EM/009/2022
- BANK OF AFRICA's updated (v.1) reference document for the 2021 financial year, registered by the AMMC 9 December 2022, reference number EN/EM/033/2022

*INTELLIGENT LINGUA LTD*  
Company No 10107882

**WARNING**

The Moroccan Capital Markets Authority (AMMC) has approved 13 December 2022 a prospectus, reference number VI/EM/041/2022, relating to the issue by BANK OF AFRICA of perpetual subordinated notes with a loss absorption and coupon payment cancellation provision of up to MAD 500,000,000 in principal.

The prospectus approved by the Moroccan Capital Markets Authority (AMMC) comprises the following documents.

- The offer document
- BANK OF AFRICA's reference document for the 2021 financial year, registered by the AMMC 16 June 2022, with reference number EN/EM/009/2022.
- BANK OF AFRICA's updated (v.1) reference document for the 2021 financial year, registered by the AMMC 9 December 2022, with reference number EN/EM/033/2022.

Potential investors are asked to read the information contained in each of the aforementioned documents prior to making their decision on whether to participate in the transaction referred to in this offer document.

The visa of the Moroccan Capital Markets Authority (AMMC) does not imply that it approves the opportunity presented by this transaction nor that it authenticates the information presented. The visa has been granted following a review to ensure that the information given to investors in respect of the proposed transaction is relevant and consistent.

The attention of potential investors is drawn to the fact that investment in financial instruments incurs certain risks.

The AMMC does not comment on whether the proposed transaction is appropriate or provide qualitative judgement of the issuer's position. Neither does the AMMC visa offer any safeguard against the risks associated with the issuer or the securities offered in the context of the transaction referred to in this prospectus.

Investors must therefore ensure, prior to subscribing, that they have a good understanding of the nature and characteristics of the securities offered and that they are able to manage their exposure to the risks inherent in the said securities.

Investors are therefore asked to:

- Carefully read each of the documents and the information provided, especially that provided in this offer document's Risk Factors section as well as in the aforementioned registration document.
- Consult, if necessary, any professional who is competent in matters of investment in financial instruments.

The aforementioned prospectus is not intended for persons who are not legally authorised to participate in the proposed transaction due to their place of residence.

Persons who may happen to have a copy of the said prospectus in their possession are invited to make the necessary enquiries to ensure that they comply with the regulations which govern their participating in this type of transaction.

The financial instruments referred to in the aforementioned prospectus will only be offered by the transaction's bookrunner in strict accordance with the current laws and regulations in those countries in which the latter will make such an offer.

Neither the Moroccan Capital Markets Authority (AMMC) nor BMCE Capital Conseil shall be liable in the event that the book-runner fails to comply with such laws or regulations.

A perpetual subordinated note differs from a classic bond in terms of the rank of claims contractually defined by the subordination clause as well as it not having any maturity date.

The effect of the subordination clause is, in the event of the issuer's liquidation, to subordinate the repayment of the note to that of all other obligations, including the fixed-maturity subordinated notes that have already

been issued and those which might subsequently be issued. The principal and interest relating to these securities constitute a subordinated obligation which ranks or will rank only above BANK OF AFRICA's equity securities.

The attention of potential investors is also drawn to the fact that:

- This perpetual note issue has no set maturity date but may be redeemed whenever the issuer chooses with Bank Al-Maghrib's prior approval, which might in turn have an impact on the expected maturity and the conditions for reinvesting.
- Investment in perpetual subordinated notes includes provisions for writing down the securities' nominal value and cancelling interest payments.

The AMMC-approved prospectus is available at any time at the following places:

- At BANK OF AFRICA's head office, 140, avenue Hassan II, Casablanca, Morocco.  
Tel: 00 212 520 53 07 01 and on its website: <https://www.bankofafrica.ma/> ;
- At BMCE CAPITAL CONSEIL's head office, 63 boulevard Moulay Youssef, Casablanca, Morocco.  
Tel: 00 212 522 42 91 00.

The prospectus is available to the general public on the AMMC's website at [www.ammc.ma](http://www.ammc.ma).

This summary offer document has been translated by Intelligent Lingua Limited for which the said translator and BANK OF AFRICA are jointly responsible. In the event of any discrepancy between the contents of this summary offer document and that of the AMMC-approved prospectus, only the latter, approved by the AMMC, shall be deemed authoritative.

## ▪ PART I: Overview of BANK OF AFRICA's perpetual subordinated debt issue

*The bond issue referred to in this offer document is governed by Dahir No. 1-14-193 of 1<sup>st</sup> Rabi I 1436 promulgating Act No. 103-12 relating to credit and similar institutions (Banking Act), Dahir No. 1-12-55 of 28 December 2012 promulgating Act No. 44-12 relating to public offerings and information required of legal entities and organisations making a public offering, Act No. 17-95 relating to public limited companies, as amended and completed, Bank Al-Maghrib's Circular No. 14/G/2013, as amended and completed, as to how credit institutions should calculate regulatory capital (particularly Article 20 relating to supplementary capital instruments) and the AMMC's Circular No. 03/19 of 20 February 2019 relating to financial transactions and financial information.*

### I. Offer structure

BANK OF AFRICA envisages issuing 5,000 perpetual subordinated notes, each with a nominal value of 100,000 dirhams. The overall amount issued will be 500,000,000 dirhams, broken down as follows:

- **Tranche A**, a perpetual note with no maturity date, 5-year adjustable rate, not listed on the Casablanca Stock Exchange, for up to 500,000,000 dirhams, the nominal value of each security being 100,000 dirhams
- **Tranche B**, a perpetual note with no maturity date, rate adjustable annually, not listed on the Casablanca Stock Exchange, for up to 500,000,000 dirhams, the nominal value of each security being 100,000 dirhams

The total amount allotted to both tranches must not under any circumstance exceed 500,000,000 dirhams. In the event that this debt issue is not fully subscribed, the amount issued will be limited to the amount actually subscribed.

### II. Transaction aims

The primary aim of this transaction is to:

- Support BANK OF AFRICA's Strategic Development Plan 2022-2024 and ensure that it complies with regulatory requirements by bolstering its current level of regulatory capital and, as a result, strengthen its capital adequacy ratio
- Finance the Bank's organic growth in Morocco and overseas
- Pre-empt changes to regulatory requirements in those countries in which it has operations.

In accordance with Bank Al-Maghrib's Circular No. 14/G/2013, as amended and completed, as to how credit institutions should calculate regulatory capital, the funds raised from this transaction will be classified as additional Tier 1 capital.

**III. Information about BANK OF AFRICA's perpetual subordinated notes****Warning**

*A perpetual subordinated note differs from a classic bond in terms of the rank of claims contractually defined by the subordination clause as well as it not having any maturity date. The effect of the subordination clause is, in the event of the issuer's liquidation, to subordinate the repayment of the note to that of all other obligations, including the fixed-maturity subordinated notes that have already been issued and those which might subsequently be issued.*

*The principal and interest relating to these securities constitute a subordinated obligation which ranks or will rank only above BANK OF AFRICA's equity securities. The attention of potential investors is also drawn to the fact that:*

- *This perpetual note issue has no set maturity date but may be redeemed whenever the issuer chooses with Bank Al-Maghrib's prior approval, which might in turn have an impact on the expected maturity and the conditions for reinvesting.*
- *Investment in perpetual subordinated notes includes provisions for writing down the securities' nominal value and cancelling interest payments, exposing investors to the risks outlined in Section IV of this part of the offer document.*

**1. Characteristics of Tranche A****Characteristics of Tranche A (Floating rate notes, rate adjustable every 5 years, not listed on the Casablanca Stock Exchange)**

|  |  |
|--|--|
| <b>Type of securities issued</b>           | Perpetual subordinated notes not listed on the Casablanca Stock Exchange, entirely in non-physical form and registered in a financial intermediary's account at Maroclear, the central securities depository   |
| <b>Legal form</b>                          | Notes in bearer form   |
| <b>Maximum tranche size</b>                | MAD 500,000,000  |
| <b>Maximum number of securities issued</b> | 5,000 subordinated notes   |
| <b>Nominal value</b>                       | MAD 100,000  |
| <b>Issue price</b>                         | 100% of the nominal value i.e. MAD 100,000   |
| <b>Maturity</b>                            | Perpetual, with the possibility of early repayment from the 5 <sup>th</sup> anniversary of the cum-coupon date, only at the request of the issuer, on condition that notice of at least five years is given and with Bank Al-Maghrib's prior approval.   |
| <b>Subscription period</b>                 | From 20 December to 22 December 2022 inclusive   |
| <b>Cum-coupon date</b>                     | 26 December 2022   |
| <b>Allotment method</b>                    | French auction method with priority given to Tranche A (floating rate adjustable every 5 years), then Tranche B (rate adjustable annually)   |
| <b>Nominal interest rate</b>               | <p><b><u>Floating rate adjustable every 5 years</u></b></p> <p>For the first 5 years, the nominal interest rate will be based on the benchmark yield for 5-year Treasury bonds traded on the secondary market as published by Bank Al-Maghrib 15 December 2022, plus a risk premium of between 220 and 230 basis points.</p> <p>This benchmark yield will be published 15 December 2022 by BANK OF AFRICA on its website and 16 December 2022 in a gazette containing legal notices.</p> <p>Beyond the initial 5 years and for each successive 5-year period, the benchmark rate shall be calculated on the basis of the secondary market benchmark rate</p> |

for 5-year Treasury bond yields as published by Bank Al-Maghrib, 5 business days prior to the coupon's latest anniversary for each 5-year period.

To the resulting benchmark rate will be added a risk premium of between 220 and 230 basis points which will be set at the end of the subscription period. Noteholders will be informed of the rate by BANK OF AFRICA via the latter's website 5 business days prior to the anniversary on which the coupon is adjusted and on the same day that the benchmark rate is calculated.

In the event that the benchmark yield for 5-year Treasury bonds is not directly observable on the curve, the benchmark yield will be determined by the linear interpolation method, using both the opening and the closing values of the note's entire 5-year maturity (actuarial basis).

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**Risk premium**

Between 220 and 230 basis points

Interest will be paid annually on the anniversary of the loan's cum-coupon date i.e. 26 December each year. Payment will be made on that day or the first business day after 26 December if the latter is not a business day. Interest on the perpetual subordinated notes will cease to accrue from the date that the capital is repaid by BANK OF AFRICA.

BANK OF AFRICA may decide, at its discretion and with Bank Al-Maghrib's prior approval, to cancel (entirely or partially) interest payments for an indefinite period of time and on a non-cumulative basis in order to fulfil its obligations (in particular following a request from Bank Al-Maghrib). In the wake of this decision, all amounts of cancelled interest are no longer payable by the issuer or considered as accumulating or owing to holders of the perpetual subordinated notes issued by BANK OF AFRICA. Each cancellation decision will relate to the coupon for which payment was initially scheduled for the next anniversary.

BANK OF AFRICA is required to apply the provisions of Bank Al-Maghrib's Circular No. 14/G/2013 as to how credit institutions should calculate regulatory capital, including Article 10 of the said circular which defines core capital instruments as being equity capital and any other item making up the share capital as well as a requirement to meet a certain number of criteria (listed below), primarily including the provision which stipulates that dividend or similar distributions should only be made after all legal and contractual obligations have been met and payment in respect of senior equity instruments made, including the perpetual subordinated bonds referred to in this offer document. The criteria mentioned above include the following:

**Interest**

- The instruments are issued directly by the institution with the prior approval of its administrative body
- The instruments are perpetual
- The instruments' principal may not be reduced or redeemed, except in the event of the institution's liquidation and only with Bank Al-Maghrib's prior approval
- The instruments are subordinate to all other claims in the event of the institution's insolvency or liquidation
- The instruments do not benefit from any collateral provision or guarantee from any related party which would see these instruments' claims ranking raised
- The instruments are not subject to any contractual or other arrangement which would see these instruments' claims ranking raised in the event of insolvency or liquidation
- The instruments make it possible to absorb the first and proportionally largest part of the losses as soon as they occur
- The instruments give their owner a claim on the institution's residual assets which, in the event of liquidation and after paying all higher-ranking claims,

is proportional to the instruments' issued amount. The said outstanding amount is neither set nor capped, except in the case of equity securities

- The purchase of the instruments is not directly or indirectly financed by the institution
- Dividend or similar distributions should only be made after all legal and contractual obligations have been met and payment made in respect of senior equity instruments. These distributions may only be made out of distributable sources. The level of distributions shall not be linked to the price at which the instruments were acquired on issue, except in the case of equity securities
- The provisions governing core capital instruments do not provide for (i) preferential rights for dividend payments (ii) a cap or other restrictions on the maximum amount distributed, except in the case of equity securities (iii) the institution being obliged to make distributions to its holders
- Non-payment of dividends does not constitute an event of default for the institution; and
- Cancellation of distributions does not impose any constraint on the institution.

In the event of ceasing to pay interest, the issuer shall be obliged to inform, within a period of no more than sixty calendar days prior to the payment date, the perpetual subordinated noteholders and the AMMC of this cancellation decision. The perpetual subordinated noteholders shall be informed by a notice published in a gazette containing legal notices specifying the amount of interest cancelled, the reasons for this decision to cancel an interest payment and the corrective measures that have been implemented.

The distribution of interest may only be made out of distributable sources and shall not be linked to BANK OF AFRICA's creditworthiness.

BANK OF AFRICA may decide, at its discretion and with Bank Al-Maghrib's prior approval, to increase the coupon payment which, as a result, will be higher than the coupon amount determined on the basis of the below formula.

Should it decide to increase the coupon payment, the issuer will be obliged to inform, within a period of no more than sixty calendar days prior to the payment date, all holders of perpetual subordinated notes issued by BANK OF AFRICA and the AMMC of this decision. The perpetual subordinated noteholders shall be informed by a notice published in a gazette containing legal notices.

In the event that there are other instruments with a coupon payment cancellation provision, the decision to cancel/increase the coupon payment will be made pro rata to the coupon amount across all these instruments.

Interest will be calculated as per the following formula:

$$[\text{Nominal} \times \text{nominal interest rate}]$$

Interest will be calculated on the basis of the most recent nominal amount as defined in the 'Loss absorption' provision or on the basis of the outstanding capital due, as defined in the 'Repayment of capital' provision.

#### Repayment of capital

Repayment of capital is subject to Bank Al-Maghrib's approval and will be carried out on a straight-line basis over a minimum 5-year period from the 5<sup>th</sup> year onwards (cf. 'Early repayment' provision).

#### Early repayment

BMCE Bank of Africa shall not be permitted to redeem the perpetual subordinated notes referred to in this offer document within the initial 5 years from the cum-coupon date. Beyond this initial 5-year period, the capital may be entirely or partially redeemed at the borrower's request on condition that notice of at least five years is given and with Bank Al-Maghrib's approval

Any early repayment (full or partial) will be made pro-rata to all tranches of the perpetual subordinated notes referred to in this offer document on a straight-line basis over a minimum 5-year period. The perpetual noteholders will be

informed of the early repayment via notices, as soon as the decision to redeem early has been taken, with a reminder at least sixty calendar days prior to the date on which the repayment is to start. These notices will be published in a gazette containing legal notices and on the issuer's website, specifying the amount, duration and date on which the repayment is to start.

The issuer may not redeem (fully or partially) the perpetual subordinated notes referred to in this offer document if their nominal value has been written down, in accordance with the 'Loss absorption' provision. In the event that the Common Equity Tier 1 (CET1) ratio, as defined by Bank Al-Maghrib, falls below 6.0% of risk-weighted assets on an individual or consolidated basis during the repayment period, then the repayment will be carried out on the basis of the securities' initial nominal value.

Any early repayment (fully or partially), arising prior to the anniversary, will be made on the basis of the outstanding capital due and the interest incurred at the repayment date.

BANK OF AFRICA shall not be permitted to repurchase the perpetual subordinated notes referred to in this offer document if their nominal value has been written down in accordance with the 'Loss absorption' provision. The issuer shall be obliged to inform the AMMC and all perpetual subordinated noteholders subscribing to this issue of any possible repurchase procedure, which itself should be approved by Bank Al-Maghrib, via a notice published in a gazette containing legal notices, specifying the number of notes to be repurchased, the period and the repurchase price. BANK OF AFRICA will carry out the repurchase pro-rata to the sell orders received (in the event that the number of securities offered is higher than the number of securities to be repurchased). The repurchased notes will be cancelled.

In the event that a merger, demerger or partial contribution of BANK OF AFRICA's assets occurs during the loan's duration, resulting in a universal transfer of the assets to a separate legal entity, the rights and obligations in respect of the subordinated notes shall be automatically transferred to the legal entity substituting for BANK OF AFRICA's rights and obligations.

The repayment of the capital is, in the event of BANK OF AFRICA's liquidation, subordinate to all other claims (cf. 'Loan's ranking').

#### Loss absorption

The securities shall be written down as soon as the Common Equity Tier 1 (CET1) ratio, as defined by Bank Al-Maghrib falls below 6.0% of risk-weighted assets on an individual or consolidated basis. The securities shall be written down<sup>1</sup> by an amount that is equivalent to the difference between the theoretical Tier 1 core capital (CET1<sup>2</sup>) required for a CET1 to risk-weighted assets ratio of 6% and actual Tier 1 core capital (after taking into account any tax-related effect).

The said write-down shall be carried out within a period of one calendar month from the date of realising that the 6% minimum ratio has not been complied with, on an individual or consolidated basis, by decreasing the nominal value of the securities by an equivalent amount by up to a nominal value of 50 dirhams (in accordance with Article 292 of Act No. 17-95 relating to public limited companies, as amended and completed).

Within 30 days following the end of each half-yearly period (date for drawing up the half-yearly financial statements and publishing capital adequacy ratios) or at an extraordinary or intermediary date set by the regulatory authority, the issuer must check to see that the Common Equity Tier 1 (CET1) ratio, as defined by Bank Al-Maghrib, complies with the minimum 6.0% level of risk-weighted assets on an individual and consolidated basis.

BANK OF AFRICA shall publish its CET1 ratio as well as its projections of the said ratio on an 18-month horizon with the prior approval of its Board of Directors. The ratio will be published prior to end-April in respect of the annual financial

<sup>1</sup> A potential write-down of the securities' nominal value would enable BANK OF AFRICA to record an exceptional gain, resulting in a higher level of net income and, in turn, increased shareholders' equity.

<sup>2</sup> It is worth noting that BANK OF AFRICA's historical and projected capital adequacy ratios (CET1, CET2) are presented in its aforementioned reference document and in its updated (v.1) reference document.

statements and end-October in respect of the half-yearly financial statements in the context of BANK OF AFRICA publishing its Pillar III publications (consultable on its website). The ratio will also be published in a gazette containing legal notices within thirty days following the occurrence of a material event which may impact the regulatory ratios. These publications will be conveyed to the noteholders' representative, acting on behalf of the holders of the perpetual subordinated notes referred to in this offer document as well as to Bank Al-Maghrib and the AMMC. They must contain details about the prudential ratios (core capital or CET1 ratio and capital adequacy ratio), the composition of regulatory capital as well as a breakdown of risk-weighted assets.

In the event of non-compliance with the 6.0% minimum ratio, on an individual or consolidated basis, the issuer shall be obliged to immediately inform Bank Al-Maghrib and the AMMC and send the perpetual subordinated noteholders, within 5 business days, a notice published on its website and in a gazette containing legal notices, specifying the occurrence of an event triggering the loss absorption provision, the amount by which the securities' nominal value will be written down, the method used to calculate this amount, the corrective measures implemented and the date on which the write-down will take effect.

After any potential write-down of the securities' nominal value, if the issuer's financial situation requiring this write-down were to improve, BANK OF AFRICA may immediately trigger, with Bank Al-Maghrib's prior approval, the mechanism for appreciating, entirely or partially, the nominal value which had been written down. The issuer must inform the perpetual subordinated noteholders within one month by notice published on its website and in a gazette containing legal notices of the decision to appreciate the nominal value, the calculation method and the effective date of the said appreciation.

In the event that there are other instruments containing a loss absorption provision, the write-down/appreciation of the nominal value will be carried out pro-rata to all the other instruments whose trigger limit has been breached, based on the most recent nominal value preceding the date that the loss absorption provision was triggered.

Interest will be calculated on the basis of the most recent nominal value preceding the coupon payment date (taking into account write-down/appreciation to the nominal value).

The issuer must immediately inform the AMMC of any write-down or appreciation in the securities' nominal value.

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**Securities' tradability**

Tradable over the counter.

The perpetual subordinated notes referred to in this offer document may only be traded by the qualified investors listed in this offer document. Each qualified investor owning the perpetual subordinated notes referred to in this offer document shall undertake to transfer the said notes only to other qualified investors listed in this offer document. Furthermore, custodians must not under any circumstance accept instructions for settlement and delivery of the perpetual subordinated notes referred to in this offer document from investors other than the qualified investors listed in this offer document.

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**Assimilation clauses**

The perpetual subordinated notes referred to in this offer document will not be assimilated into subordinated notes previously issued. In the event that BANK OF AFRICA were to subsequently issue new securities with identical rights in every aspect to those of this issue, it may, without requiring the bearers' consent, and providing that the issue contracts so allowed, assimilate all the securities of the subsequent issues, thereby unifying all transactions as far as their management and trading are concerned.

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**Loan's ranking/Subordination**

The capital shall be subject to a subordination provision.

Application of this provision shall not in any way breach the legal rules relating to the accounting principles for appropriating losses, shareholders' obligations and subscribers' rights to obtain, in accordance with the terms and conditions set out in the contract, payment for its securities in capital and interest. In the

event of BANK OF AFRICA's liquidation, this issue's perpetual subordinated securities will only be repaid after all preferred and common stockholders have been repaid. These perpetual subordinated securities will rank alongside all other subordinated loans that have already been or may subsequently be issued by BANK OF AFRICA both in Morocco and overseas. This repayment will be made on the basis of the lower of the following two amounts:

- The initial nominal value less any potential amounts previously repaid
- The amount available after reimbursement has been made to all preferred or common stockholders and holders of subordinated notes that have already been or may subsequently be issued by BANK OF AFRICA in Morocco or overseas.

These perpetual subordinated notes will rank *pari passu* with subordinated perpetual notes of the same type. It is worth recalling that BANK OF AFRICA carried out (i) in June 2017, a MAD 1,000,000,000 AT1 perpetual subordinated note issue and (ii) in August 2021, a MAD 1,000,000,000 AT1 perpetual subordinated note issue.

|                                    |   |
|------------------------------------|---|
| <b>Repayment guarantee</b>         | No specific guarantee is provided under the terms of this issue.  |
| <b>Credit rating</b>               | BANK OF AFRICA has not solicited a credit rating for the issued securities.   |
| <b>Noteholders' representative</b> | <p>A meeting of the Board of Directors 6 December 2022 appointed Mr Hamad JOUAHRI as the noteholders' interim representative. This decision shall take effect from the start of the subscription period. It is specifically stipulated that the aforementioned interim representative will be the same for Tranches A and B (perpetual subordinated notes), which are grouped together within the same and single entity.</p> <p>In addition, the interim representative will convene a general meeting of the noteholders, within 6 months of the subscription period's closing date, to appoint a permanent representative, in accordance with the terms by which they are able to access and exercise their rights as well as any incompatibility provided for in Articles of 301(i) and 301(ii) of Act No. 17-95 relating to public limited companies, as amended and completed.</p> <p>The Board of Directors, meeting 6 December 2022, set, as required, the interim representative's annual remuneration at 100,000 dirhams (inclusive of all taxes). The public will be informed of the representative's remuneration when the notice convening the general meeting of noteholders is published.</p> <p>In accordance with Article 302 of the aforementioned Act, the noteholders' representative is entrusted with powers to carry out any necessary management-related actions on the noteholders' behalf and to protect their shared interests.</p> <p>There are no shareholding or business ties between BANK OF AFRICA and Mr Hamad Jouahri.</p> <p>Furthermore, Mr Jouahri also represents noteholders in respect of notes previously issued by BANK OF AFRICA between 2012 and 2021.</p> <p>BANK OF AFRICA's Board of Directors shall undertake to convey to the AMMC the minutes of the said meeting as soon as it is held.</p> |
| <b>Governing law</b>               | Moroccan law  |
| <b>Competent jurisdiction</b>      | Casablanca Commercial Court   |

## 2. Characteristics of Tranche B

| Characteristics of Tranche B (Floating rate notes, rate adjustable annually, no maturity date, not listed on the Casablanca Stock Exchange) |  |
|---|--|
| <b>Type of securities issued</b>  | Perpetual subordinated notes not listed on the Casablanca Stock Exchange, entirely in non-physical form and registered in a financial intermediary's account at Maroclear, the central securities depository   |
| <b>Legal form</b>   | Notes in bearer form   |
| <b>Maximum tranche size</b>   | MAD 500,000,000  |
| <b>Maximum number of securities issued</b>  | 5,000 subordinated notes   |
| <b>Nominal value</b>  | MAD 100,000  |
| <b>Issue price</b>  | 100% of the nominal value i.e. MAD 100,000   |
| <b>Maturity</b>   | Perpetual, with the possibility of early repayment from the 5 <sup>th</sup> anniversary of the cum-coupon date, only at the request of the issuer, on condition that notice of at least five years is given and with Bank Al-Maghrib's prior approval.   |
| <b>Subscription period</b>  | From 20 December to 22 December 2022 inclusive   |
| <b>Cum-coupon date</b>  | 26 December 2022   |
| <b>Allotment method</b>   | French auction method with priority given to Tranche A (floating rate adjustable every 5 years), then Tranche B (rate adjustable annually)   |
| <b>Nominal interest rate</b>  | <p><b>Rate adjustable annually</b></p> <p>For the first year, the nominal interest rate will be the full 52-week money market rate based on the benchmark yield for Treasury bonds traded on the secondary market as published by Bank Al-Maghrib 15 December 2022, plus a risk premium of between 210 and 220 basis points.</p> <p>This benchmark yield will be published 15 December 2022 by BANK OF AFRICA on its website and 16 December 2022 in a gazette containing legal notices.</p> <p>At each anniversary, the benchmark yield will be the full 52-week money market rate based on the benchmark yield for Treasury bonds traded on the secondary market as published by Bank Al-Maghrib 5 business days prior to each anniversary.</p> <p>To the resulting benchmark rate will be added a risk premium of between 210 and 220 basis points which will be set at the end of the subscription period. Noteholders will be informed of the rate by BANK OF AFRICA via the latter's website 4 business days prior to the anniversary on which the coupon is adjusted and on the same day that the benchmark rate is calculated.</p> |
| <b>Calculation method</b>   | <p>In the event that the 52-week rate is not directly observable, BANK OF AFRICA will determine the benchmark yield by the linear interpolation method, using both the opening and the closing values of the note's entire 52-week maturity (monetary basis).</p> <p>This linear interpolation will be arrived at by converting the rate immediately above that of the 52-week maturity (actuarial basis) into the equivalent money market rate.</p> <p>The calculation formula is:</p> $(((\text{Actuarial rate} + 1) ^ {k/\text{exact number of days}^*}) - 1) \times 360/k,$ <p>where k is the maturity of the actuarial rate requiring conversion.</p> <p>*Exact number of days is 365 or 366 days</p>   |
| <b>Risk premium</b>   | Between 210 et 220 basis points  |
| <b>Date for determining the interest rate</b>   | The coupon will be revised annually on the anniversary of the loan's cum-coupon date i.e. 26 December each year.   |

BANK OF AFRICA will notify subordinated noteholders of the rate via its website 4 business days prior to each anniversary.

Interest will be paid annually on the anniversary of the loan's cum-coupon date i.e. 26 December each year. Payment will be made on that day or the first business day after 26 December if the latter is not a business day. Interest on the perpetual subordinated notes will cease to accrue from the date that the capital is repaid by BANK OF AFRICA.

BANK OF AFRICA may decide, at its discretion and with Bank Al-Maghrib's prior approval, to cancel (entirely or partially) interest payments for an indefinite period of time and on a non-cumulative basis in order to fulfil its obligations (in particular following a request from Bank Al-Maghrib). In the wake of this decision, all amounts of cancelled interest are no longer payable by the issuer or considered as accumulating or owing to holders of the perpetual subordinated notes issued by BANK OF AFRICA. Each cancellation decision will relate to the coupon for which payment was initially scheduled for the next anniversary.

BANK OF AFRICA is required to apply the provisions of Bank Al-Maghrib's Circular No. 14/G/2013 as to how credit institutions should calculate regulatory capital, including Article 10 of the said circular which defines core capital instruments as being equity capital and any other item making up the share capital as well as a requirement to meet a certain number of criteria (listed below), primarily including the provision which stipulates that dividend or similar distributions should only be made after all legal and contractual obligations have been met and payment in respect of senior equity instruments made, including the perpetual subordinated bonds referred to in this offer document. The criteria mentioned above include the following:

#### Interest

- The instruments are issued directly by the institution with the prior approval of its administrative body
- The instruments are perpetual
- The instruments' principal may not be reduced or redeemed, except in the event of the institution's liquidation and only with Bank Al-Maghrib's prior approval
- The instruments are subordinate to all other claims in the event of the institution's insolvency or liquidation
- The instruments do not benefit from any collateral provision or guarantee from any related party which would see these instruments' claims ranking raised
- The instruments are not subject to any contractual or other arrangement which would see these instruments' claims ranking raised in the event of insolvency or liquidation
- The instruments make it possible to absorb the first and proportionally largest part of the losses as soon as they occur
- The instruments give their owner a claim on the institution's residual assets which, in the event of liquidation and after paying all higher-ranking claims, is proportional to the instruments' issued amount. The said outstanding amount is neither set nor capped, except in the case of equity securities
- The purchase of the instruments is not directly or indirectly financed by the institution
- Dividend or similar distributions should only be made after all legal and contractual obligations have been met and payment made in respect of senior equity instruments. These distributions may only be made out of distributable sources. The level of distributions shall not be linked to the price at which the instruments were acquired on issue, except in the case of equity securities
- The provisions governing core capital instruments do not provide for (i) preferential rights for dividend payments (ii) a cap or other restrictions

on the maximum amount distributed, except in the case of equity securities (iii) the institution being obliged to make distributions to its holders

- Non-payment of dividends does not constitute an event of default for the institution; and
- Cancellation of distributions does not impose any constraint on the institution.

In the event of ceasing to pay interest, the issuer shall be obliged to inform, within a period of no more than sixty calendar days prior to the payment date, the perpetual subordinated noteholders and the AMMC of this cancellation decision. The perpetual subordinated noteholders shall be informed by a notice published in a gazette containing legal notices specifying the amount of interest cancelled, the reasons for this decision to cancel an interest payment and the corrective measures that have been implemented.

The distribution of interest may only be made out of distributable sources and shall not be linked to BANK OF AFRICA's creditworthiness.

BANK OF AFRICA may decide, at its discretion and with Bank Al-Maghrib's prior approval, to increase the coupon payment which, as a result, will be higher than the coupon amount determined on the basis of the below formula.

Should it decide to increase the coupon payment, the issuer will be obliged to inform, within a period of no more than sixty calendar days prior to the payment date, all holders of perpetual subordinated notes issued by BANK OF AFRICA and the AMMC of this decision. The perpetual subordinated noteholders shall be informed by a notice published in a gazette containing legal notices.

In the event that there are other instruments with a coupon payment cancellation provision, the decision to cancel/increase the coupon payment will be made pro rata to the coupon amount across all these instruments.

Interest will be calculated as per the following formula:

**[Nominal x nominal interest rate x (exact number of days/360 days)]**

Interest will be calculated on the basis of the most recent nominal amount as defined in the 'Loss absorption' provision or on the basis of the outstanding capital due, as defined in the 'Repayment of capital' provision.

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#### Repayment of capital

Repayment of capital is subject to Bank Al-Maghrib's approval and will be carried out on a straight-line basis over a minimum 5-year period from the 5<sup>th</sup> year onwards (cf. 'Early repayment' provision).

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#### Early repayment

BMCE Bank of Africa shall not be permitted to redeem the perpetual subordinated notes referred to in this offer document within the initial 5 years from the cum-coupon date. Beyond this initial 5-year period, the capital may be entirely or partially redeemed at the borrower's request on condition that notice of at least five years is given and with Bank Al-Maghrib's approval

Any early repayment (full or partial) will be made pro-rata to all tranches of the perpetual subordinated notes referred to in this offer document on a straight-line basis over a minimum 5-year period. The perpetual noteholders will be informed of the early repayment via notices, as soon as the decision to redeem early has been taken, with a reminder at least sixty calendar days prior to the date on which the repayment is to start. These notices will be published in a gazette containing legal notices and on the issuer's website, specifying the amount, duration and date on which the repayment is to start.

The issuer may not redeem (fully or partially) the perpetual subordinated notes referred to in this offer document if their nominal value has been written down, in accordance with the 'Loss absorption' provision. In the event that the Common Equity Tier 1 (CET1) ratio, as defined by Bank Al-Maghrib, falls below 6.0% of risk-weighted assets on an individual or consolidated basis during the

repayment period, then the repayment will be carried out on the basis of the securities' initial nominal value.

Any early repayment (fully or partially), arising prior to the anniversary, will be made on the basis of the outstanding capital due and the interest incurred at the repayment date.

BANK OF AFRICA shall not be permitted to repurchase the perpetual subordinated notes referred to in this offer document if their nominal value has been written down in accordance with the 'Loss absorption' provision. The issuer shall be obliged to inform the AMMC and all perpetual subordinated noteholders subscribing to this issue of any possible repurchase procedure, which itself should be approved by Bank Al-Maghrib, via a notice published in a gazette containing legal notices, specifying the number of notes to be repurchased, the period and the repurchase price. BANK OF AFRICA will carry out the repurchase pro-rata to the sell orders received (in the event that the number of securities offered is higher than the number of securities to be repurchased). The repurchased notes will be cancelled.

In the event that a merger, demerger or partial contribution of BANK OF AFRICA's assets occurs during the loan's duration, resulting in a universal transfer of the assets to a separate legal entity, the rights and obligations in respect of the subordinated notes shall be automatically transferred to the legal entity substituting for BANK OF AFRICA's rights and obligations.

The repayment of the capital is, in the event of BANK OF AFRICA's liquidation, subordinate to all other claims (cf. 'Loan's ranking').

#### Loss absorption

The securities shall be written down as soon as the Common Equity Tier 1 (CET1) ratio, as defined by Bank Al-Maghrib, falls below 6.0% of risk-weighted assets on an individual or consolidated basis. The securities shall be written down<sup>3</sup> by an amount that is equivalent to the difference between the theoretical Tier 1 core capital (CET1<sup>4</sup>) required for a CET1 to risk-weighted assets ratio of 6% and actual Tier 1 core capital (after taking into account any tax-related effect).

The said write-down shall be carried out within a period of one calendar month from the date of realising that the 6% minimum ratio has not been complied with, on an individual or consolidated basis, by decreasing the nominal value of the securities by an equivalent amount by up to a nominal value of 50 dirhams (in accordance with Article 292 of Act No. 17-95 relating to public limited companies, as amended and completed).

Within 30 days following the end of each half-yearly period (date for drawing up the half-yearly financial statements and publishing capital adequacy ratios) or at an extraordinary or intermediary date set by the regulatory authority, the issuer must check to see that the Common Equity Tier 1 (CET1) ratio, as defined by Bank Al-Maghrib, complies with the minimum 6.0% level of risk-weighted assets on an individual and consolidated basis.

BANK OF AFRICA shall publish its CET1 ratio as well as its projections of the said ratio on an 18-month horizon with the prior approval of its Board of Directors. The ratio will be published prior to end-April in respect of the annual financial statements and end-October in respect of the half-yearly financial statements in the context of BANK OF AFRICA publishing its Pillar III publications (consultable on its website). The ratio will also be published in a gazette containing legal notices within thirty days following the occurrence of a material event which may impact the regulatory ratios. These publications will be conveyed to the noteholders' representative, acting on behalf of the holders of the perpetual subordinated notes referred to in this offer document as well as to Bank Al-Maghrib and the AMMC. They must contain details about

<sup>3</sup> A potential write-down of the securities' nominal value would enable BANK OF AFRICA to record an exceptional gain, resulting in a higher level of net income and, in turn, increased shareholders' equity.

<sup>4</sup> It is worth noting that BANK OF AFRICA's historical and projected capital adequacy ratios (CET1, CET2) are presented in its aforementioned reference document and in its updated (v.1) reference document.

the prudential ratios (core capital or CET1 ratio and capital adequacy ratio), the composition of regulatory capital as well as a breakdown of risk-weighted assets.

In the event of non-compliance with the 6.0% minimum ratio, on an individual or consolidated basis, the issuer shall be obliged to immediately inform Bank Al-Maghrib and the AMMC and send the perpetual subordinated noteholders, within 5 business days, a notice published on its website and in a gazette containing legal notices, specifying the occurrence of an event triggering the loss absorption provision, the amount by which the securities' nominal value will be written down, the method used to calculate this amount, the corrective measures implemented and the date on which the write-down will take effect.

After any potential write-down of the securities' nominal value, if the issuer's financial situation requiring this write-down were to improve, BANK OF AFRICA may immediately trigger, with Bank Al-Maghrib's prior approval, the mechanism for appreciating, entirely or partially, the nominal value which had been written down. The issuer must inform the perpetual subordinated noteholders within one month by notice published on its website and in a gazette containing legal notices of the decision to appreciate the nominal value, the calculation method and the effective date of the said appreciation.

In the event that there are other instruments containing a loss absorption provision, the write-down/appreciation of the nominal value will be carried out pro-rata to all the other instruments whose trigger limit has been breached, based on the most recent nominal value preceding the date that the loss absorption provision was triggered.

Interest will be calculated on the basis of the most recent nominal value preceding the coupon payment date (taking into account write-down/appreciation to the nominal value).

The issuer must immediately inform the AMMC of any write-down or appreciation in the securities' nominal value.

#### Securities' tradability

Tradable over the counter.

The perpetual subordinated notes referred to in this offer document may only be traded by the qualified investors listed in this offer document. Each qualified investor owning the perpetual subordinated notes referred to in this offer document shall undertake to transfer the said notes only to other qualified investors listed in this offer document. Furthermore, custodians must not under any circumstance accept instructions for settlement and delivery of the perpetual subordinated notes referred to in this offer document from investors other than the qualified investors listed in this offer document.

#### Assimilation clauses

The perpetual subordinated notes referred to in this offer document will not be assimilated into subordinated notes previously issued. In the event that BANK OF AFRICA were to subsequently issue new securities with identical rights in every aspect to those of this issue, it may, without requiring the bearers' consent, and providing that the issue contracts so allowed, assimilate all the securities of the subsequent issues, thereby unifying all transactions as far as their management and trading are concerned.

#### Loan's ranking/Subordination

The capital shall be subject to a subordination provision.

Application of this provision shall not in any way breach the legal rules relating to the accounting principles for appropriating losses, shareholders' obligations and subscribers' rights to obtain, in accordance with the terms and conditions set out in the contract, payment for its securities in capital and interest. In the event of BANK OF AFRICA's liquidation, this issue's perpetual subordinated securities will only be repaid after all preferred and common stockholders have been repaid. These perpetual subordinated securities will rank alongside all other subordinated loans that have already been or may subsequently be issued by BANK OF AFRICA both in Morocco and overseas. This repayment will be made on the basis of the lower of the following two amounts:

- The initial nominal value less any potential amounts previously repaid

- The amount available after reimbursement has been made to all preferred or common stockholders and holders of subordinated notes that have already been or may subsequently be issued by BANK OF AFRICA in Morocco or overseas.

These perpetual subordinated notes will rank *pari passu* with subordinated perpetual notes of the same type. It is worth recalling that BANK OF AFRICA carried out (i) in June 2017, a MAD 1,000,000,000 AT1 perpetual subordinated note issue and (ii) in August 2021, a MAD 1,000,000,000 AT1 perpetual subordinated note issue.

|                                    |   |
|------------------------------------|---|
| <b>Repayment guarantee</b>         | No specific guarantee is provided under the terms of this issue.  |
| <b>Credit rating</b>               | BANK OF AFRICA has not solicited a credit rating for the issued securities.   |
| <b>Noteholders’ representative</b> | <p>A meeting of the Board of Directors 6 December 2022 appointed Mr Hamad JOUAHRI as the noteholders’ interim representative. This decision shall take effect from the start of the subscription period. It is specifically stipulated that the aforementioned interim representative will be the same for Tranches A and B (perpetual subordinated notes), which are grouped together within the same and single entity.</p> <p>In addition, the interim representative will convene a general meeting of the noteholders, within 6 months of the subscription period’s closing date, to appoint a permanent representative, in accordance with the terms by which they are able to access and exercise their rights as well as any incompatibility provided for in Articles of 301(i) and 301(ii) of Act No. 17-95 relating to public limited companies, as amended and completed.</p> <p>The Board of Directors, meeting 6 December 2022, set, as required, the interim representative’s annual remuneration at 100,000 dirhams (inclusive of all taxes). The public will be informed of the representative’s remuneration when the notice convening the general meeting of noteholders is published.</p> <p>In accordance with Article 302 of the aforementioned Act, the noteholders’ representative is entrusted with powers to carry out any necessary management-related actions on the noteholders’ behalf and to protect their shared interests.</p> <p>There are no shareholding or business ties between BANK OF AFRICA and Mr Hamad Jouahri.</p> <p>Furthermore, Mr Jouahri also represents noteholders in respect of notes previously issued by BANK OF AFRICA between 2012 and 2021.</p> <p>BANK OF AFRICA’s Board of Directors shall undertake to convey to the AMMC the minutes of the said meeting as soon as it is held.</p> |
| <b>Governing law</b>               | Moroccan law  |
| <b>Competent jurisdiction</b>      | Casablanca Commercial Court   |

#### IV. Event of Default

The term 'Event of Default' may be defined as the non-payment of some or all of the interest and/or principal owing by the Company with regard to any debt security unless payment is made within 14 business days of its due date and unless the Company has decided, with Bank Al-Maghrib's prior approval, to cancel payment of some or all of the interest in accordance with the provisions detailed above in the perpetual subordinated notes' characteristics in Part II – Section III – 'Information about BANK OF AFRICA's perpetual subordinated notes'.

If an Event of Default were to occur, the noteholders' representative must immediately file a formal request with the Company to resolve the Event of Default together with an order to pay any interest due by the Company within 14 business days following the formal request.

If the Company has not resolved the Event of Default within 14 business days following the date on which it received the formal request, the noteholders' representative may, after convening a general meeting of noteholders and, if the latter, fulfilling legal requirements regarding quorum validity and voting majorities and, notifying the Issuer in writing with copies sent to the depositary agent and to the AMMC, may request payment of the entire sum issued. This would automatically oblige the Company to repay the principal plus any interest accrued since the last interest payment date plus any accrued interest outstanding. The capital is the initial capital (initial nominal value x number of securities) or in the event of repayment, the capital remaining due.

## V. Risks in connection with perpetual subordinated notes

### 1. General risks in connection with perpetual subordinated notes

#### **→Interest rate risk:**

The risk of interest rate fluctuations may impact the yield of notes for which the rate is adjustable every 5 years. An increase in interest rates may therefore negatively impact the value of these notes.

#### **→Default risk:**

The subordinated notes to which this offer document relates may present a risk of BANK OF AFRICA being unable to fulfil its contractual obligations vis-à-vis noteholders, resulting in the non-repayment of interest and/or principal.

### 2. Risks specific to perpetual subordinated notes

The risk factors listed below should not be regarded as exhaustive and may not encompass every possible risk incurred when investing in perpetual subordinated bonds.

The attention of investors considering subscribing for the perpetual subordinated notes referred to in this offer document is drawn to the fact that an investment in this type of security is subject to the following main risks:

#### **→Risk associated with the introduction to the Moroccan financial market of a new financial instrument:**

Perpetual subordinated bonds are considered, in accordance with the international standards of the Basel Committee and Bank Al-Maghrib's Circular No. 14/G/2013, as additional equity instruments. These instruments are regularly issued by international banks but are novel to some Moroccan investors. Each potential investor should determine the suitability of such an investment in light of its own circumstances and should have sufficient financial resources and liquidity to incur the risks of such an investment, including the possibility of having to write-down the nominal value of these securities (see below "Risk associated with writing down the nominal value of the securities") as well as the possibility of interest payments being cancelled (see below "Risk associated with the possibility of interest payments being cancelled").

#### **→Risk associated with the instrument's complexity:**

The notes hereby offered are complex instruments insofar as the associated pay-offs are not entirely predictable. In fact, the issuer has full discretion to cancel interest payments for an indefinite period and on a non-cumulative basis. Furthermore, the nominal value of the notes may be written down if the trigger threshold is reached. In addition, whilst an increase in the nominal value is anticipated, it remains subject to Bank Al-Maghrib's approval. Lastly, an increase in the coupon is possible but remains at the issuer's sole discretion and there is no deterministic mechanism for it to be activated. These aspects make it difficult to predict the notes' future cash flows as forecasts require several assumptions and parameters (the issuer's financial health, projected capital adequacy ratios, other commitments and liabilities of the issuer, etc.). The very nature of the notes therefore makes their management, particularly their valuation, complex.

#### **→Risk associated with the perpetual nature of these securities:**

These perpetual subordinated notes are issued for an indefinite period and, as a result, the capital may only be redeemed on the issuer's initiative and with Bank Al-Maghrib's prior approval. Capital repayment is not permitted within a period of five (5) years from the issue date and, thereafter, on condition that notice of at least five years is given.

#### **→Risk associated with the subordination provision:**

The capital and interest are subject to a subordination provision, according to which, in the event of the issuer's liquidation, the perpetual subordinated notes hereby offered will only be repaid after all conventional, preferred and common stockholders have been repaid and after repayment has been made to holders of all other fixed-

maturity or perpetual subordinated notes without a loss absorption and coupon cancellation provision which have already been or may subsequently be issued by the issuer in Morocco or overseas.

**→Risk associated with writing down the nominal value of securities (loss absorption provision):**

As soon as the Common Equity Tier 1 (CET 1) ratio, as defined by Bank Al Maghrib, falls below the trigger set by the issuer (set at 6.0% in respect of this offer document, in accordance with the provisions of Bank Al-Maghrib's technical notice which stipulates the terms and conditions for applying Circular 14/G/2013 relating to credit institutions' regulatory capital), on an individual or consolidated basis, the securities shall be written down by an amount that is equivalent to the difference between the theoretical Tier 1 core capital (CET1) required for a CET1 to risk-weighted assets ratio of 6% and actual Tier 1 core capital.

Interest will therefore be calculated on the basis of the nominal amount, which is subject to change, as defined in the loss absorption provision.

However, after any potential write-down of the securities' nominal value, if the issuer's financial situation requiring this write-down were to improve, BANK OF AFRICA may immediately trigger, with Bank Al-Maghrib's prior approval, the mechanism for appreciating, entirely or partially, the nominal value which had been written down. BANK OF AFRICA continuously monitors its ratios to ensure that it complies with the international standards of the Basel Committee and Bank Al-Maghrib's regulatory guidelines. For this purpose, the Group's regulatory risk steering policy enables it to:

- Have a solid financial base, enabling it to meet all its commitments
- Comply with all the regulatory ratios required by Bank Al-Maghrib
- Build up an additional capital buffer, enabling it to absorb the shocks of regulatory and internal stress tests and ensure that it complies with post-stress test thresholds, such as:
  - A CET1 Common Equity Tier 1 (CET1) ratio at least equal to 8.0%, exceptionally lowered by Bank Al-Maghrib to 7.5% until June 2022
  - A Tier 1 capital ratio of at least 9%, exceptionally lowered to 8.5% by Bank Al-Maghrib until June 2022
  - A total capital ratio (Tier 1 and Tier 2) of at least 12%, exceptionally lowered by Bank Al-Maghrib to 11.5% until June 2022.
- Meet the regulatory authority's requirements for reporting capital adequacy ratios (half-yearly Pillar III publications to ensure financial information transparency: detailed capital adequacy ratios, composition of regulatory capital, breakdown of risk-weighted assets).

At June 30, 2022, BANK OF AFRICA's capital adequacy ratios<sup>[1]</sup> were as follows:

|   | Parent company | Consolidated |
|---|----------------|--------------|
| <b>CET1 ratio (minimum 8%)</b>              | <b>9.3%</b>    | <b>8.4%</b>  |
| <b>Tier 1 ratio (minimum 9%)</b>            | <b>10.7%</b>   | <b>9.20%</b> |
| <b>Capital adequacy ratio (minimum 12%)</b> | <b>15.1%</b>   | <b>11.9%</b> |

Source: Bank Of Africa

**→Risk associated with the possibility of interest payments being cancelled:**

Investors incur the risk of interest payments being cancelled (entirely or partially) for an indefinite period of time and on a non-cumulative basis. The decision to cancel, for the purpose of meeting its obligations, remains at the issuer's discretion and requires Bank Al-Maghrib's prior approval.

<sup>[1]</sup> BANK OF AFRICA's capital adequacy ratios are presented in its reference document for the 2021 financial year, registered by the AMMC 16 June 2022, reference number EN/EM/009/2022 and in its updated (v.1) reference document for the 2021 financial year, registered by the AMMC 9 December 2022, reference number EN/EM/033/2022.

**→ Risk factors impacting the CET 1 ratio:**

A deterioration in the Common Equity Tier 1 (CET 1) ratio, as defined by Bank Al Maghrib, to a level below 6.0%, thus triggering a write-down of the nominal value of the securities, could be caused by a number of factors, namely:

- ✓ Incurring substantial losses following a possible increase in non-performing loans or a materially adverse change in the interest rate environment
- ✓ The introduction of new accounting standards
- ✓ The introduction of new regulatory requirements.

If one or more of these risk factors were to arise, the CET 1 ratio would only deteriorate if BANK OF AFRICA and its shareholders were unable to implement all the corrective measures enabling the Bank to comply with all the regulatory ratios required by Bank Al-Maghrib, namely: a minimum CET 1 ratio of 9.0% and a minimum capital adequacy ratio of 12.0%.

**→ Risk associated with the securities' liquidity and tradability:**

Due to their complexity, the notes referred to in this offer document are not suitable for non-qualified investors. Furthermore, trading in the said notes is strictly reserved for the qualified investors listed in this offer document, even on the secondary market. This restriction might result in these notes' reduced liquidity compared to other notes for which tradability is not restricted.

**→ Risk associated with several options benefiting the issuer:**

The notes referred to in this offer document contain several options benefiting the issuer, namely:

- ✓ Early repayment option
- ✓ Option to write-down/appreciate the securities' nominal value
- ✓ Option to cancel interest payments.

Potential investors must take these options into account when making an investment decision based on their own goals and constraints. Investors must also factor these options when submitting their tender as well as in determining the securities' fair value.

**→ Risk associated with additional debt issuance:**

The issuer might subsequently issue other debt securities with an equal or higher ranking than the notes referred to in this offer document. Such issues would reduce the amount potentially recoverable by the holders of these notes in the event of the issuer's liquidation.

## VI. Transaction calendar

The following table outlines the transaction calendar:

| Order | Stage  | Date                          |
|-------|--|-------------------------------|
| 1     | AMMC visa obtained   | Tuesday 13<br>December 2022   |
| 2     | Prospectus excerpt published on BANK OF AFRICA's website   | Tuesday 13<br>December 2022   |
| 3     | BANK OF AFRICA publishes a press release in a gazette containing legal notices   | Wednesday 14<br>December 2022 |
| 4     | Benchmark yields monitored   | Thursday 15<br>December 2022  |
| 5     | Benchmark yields and nominal interest rates published on BANK OF AFRICA's website  | Thursday 15<br>December 2022  |
| 6     | Benchmark yields and nominal interest rates published in a gazette containing legal notices  | Friday 16 December<br>2022    |
| 7     | Subscription period opens  | Tuesday 20<br>December 2022   |
| 8     | Subscription period closes   | Thursday 22<br>December 2022  |
| 9     | Allotment of securities  | Thursday 22<br>December 2022  |
| 10    | Settlement and delivery  | Monday 26<br>December 2022    |
| 11    | BANK OF AFRICA publishes the transaction results and its decision on interest rates in a gazette containing legal notices and on its website | Tuesday 27<br>December 2022   |

## ▪ PART II: Information about the Issuer, BANK OF AFRICA

### I. General information

|   |   |
|---|---|
| <b>Company name:</b>  | BANK OF AFRICA, abbreviated to 'BOA'  |
| <b>Head office:</b>   | 140, avenue Hassan II, Casablanca   |
| <b>Telephone:</b>   | 05 22 49 80 04/03   |
| <b>Fax:</b>   | 05 22 26 49 65  |
| <b>Website:</b>   | <a href="http://www.bankofafrica.ma">www.bankofafrica.ma</a>  |
| <b>Legal form:</b>  | Public limited company with a Board of Directors  |
| <b>Date of incorporation:</b>   | 31 August 1959  |
| <b>Life:</b>  | 99 years  |
| <b>Trade Register registration number:</b>  | 27,129 Casablanca   |
| <b>Financial year:</b>  | From 1 January to 31 December   |
| <b>Purpose:</b><br><i>(Article 3 of the Memorandum and Articles of Association)</i> | <p>BANK OF AFRICA's purpose, under Act No. 103-12 relating to credit and similar institutions, is to:</p> <ul style="list-style-type: none"> <li>▪ Conduct any type of banking, foreign exchange, treasury, guarantee, acceptance, discount, rediscount, current account overdraft transactions and any form of short-, medium- and long-term lending; contract any loan and any commitment in any currency; buy, sell or dispose of any movable or immovable property; conduct any type of transit, fee-based or precious metals transaction</li> <li>▪ Make any investment, subscription, stock market or other purchase or sale in cash or using futures in any type of security or other financial instrument</li> <li>▪ Make, hold or manage investments in any banking, financial, real estate, industrial or commercial undertaking for its own account or on behalf of third parties</li> <li>▪ And, generally, conduct any banking, financial, commercial, industrial, movable and immovable transaction that may be directly or indirectly related to its purpose.</li> </ul> |
| <b>Share capital at 31 October 2022:</b>  | MAD 2,087,698,270 comprising 208,769,827 shares, each with a par value of 10 dirhams  |
| <b>Legal documents:</b>   | The Company's legal documents, including the Memorandum and Articles of Association, the minutes of shareholder meetings and the statutory auditors' reports, may be consulted at BANK OF AFRICA's head office  |
| <b>List of applicable legislation:</b>  | <p>By virtue of its legal form, BANK OF AFRICA is governed by Moroccan law and Act No. 17-95, amended and completed</p> <p>By virtue of its business activity, BANK OF AFRICA is governed by Act No. 103-12 relating to credit and similar institutions (Banking Act)</p> <p>By virtue of its shares being listed on the Casablanca Stock Exchange, its bond issues and its certificate of deposit issuance programme, BANK OF AFRICA is subject to all legal and regulatory provisions relating to financial markets including:</p>  |

- Act No. 19-14 relating to the stock exchange, securities brokerage firms and investment advisors
- General Rules of the Stock Exchange approved by Decree No. 2208-19 of 3 July 2019 of the Minister of the Economy and Finance
- Act No. 44-12 relating to public offerings and information required of legal entities and organisations making a public offering
- Act No. 43-12 relating to the AMMC
- The AMMC’s General Rules, approved by Decree No. 2169-16 of the Minister of the Economy and Finance
- AMMC circulars
- Act No. 35-94 relating to certain negotiable debt securities and the Ministry of Finance and Foreign Investment’s Decree No. 2560-95 of 9 October 1995 relating to negotiable debt securities
- Act No. 35-96 relating to establishing a Central Securities Depository and a system for registering certain types of securities in accounts, as amended and completed
- The General Rules of the Central Securities Depository, approved by Decree No. 932-98 of 16 April 1998 of the Minister of the Economy, Finance, Privatisation and Tourism, amended and completed by Decree No. 1961-01 of 30 October 2001
- Act No. 26-03 relating to public offerings on the Moroccan stock market, as amended and completed.

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**Tax regime:** BANK OF AFRICA, as a credit institution, is liable to payment of corporation tax (37%) and VAT (10%)

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**Competent court in the event of litigation:** Casablanca Commercial Court

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## II. BANK OF AFRICA's shareholders

### 1. Ownership structure

At 31 October 2022, BANK OF AFRICA's share capital stood at MAD 2,087,698,270, comprising 208,769,827 fully paid-up shares of the same class and with the same rights, each with a par value of 10 dirhams.

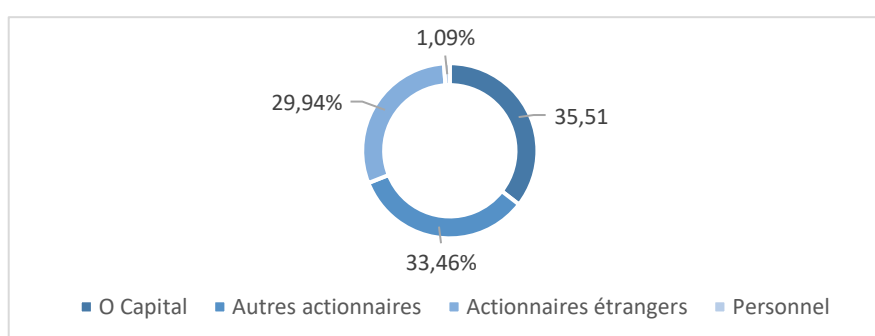
It is worth recalling that BANK OF AFRICA underwent a 10-for-1 stock split 22 September 2008 which resulted in each share having a par value of MAD 10 versus MAD 100 previously, in accordance with the provisions of Act No. 20-05, amending and completing Act No. 17-95 of 30 August 1996 relating to public limited companies.

Table 1: Ownership structure at 31 October 2022

| Shareholder                                | 30/06/2022         |                    | 31/10/2022         |                    |
|--|--------------------|--------------------|--------------------|--------------------|
|  | Number of shares   | % of share capital | Number of shares   | % of share capital |
| <b>Controlling interest</b>                | <b>72 999 128</b>  | <b>35.51%</b>      | <b>74 123 015</b>  | <b>35.51%</b>      |
| <i>RMA*</i>                                | 56 347 727         | 27.41%             | 57 214 824         | 27.41%             |
| <i>O CAPITAL GROUP</i>                     | 14 840 684         | 7.22%              | 15 069 002         | 7.22%              |
| <i>SFCM</i>                                | 1 810 717          | 0.88%              | 1 839 189          | 0.88%              |
| <b>Long-term shareholders</b>              | <b>97 035 926</b>  | <b>47.20%</b>      | <b>98 528 784</b>  | <b>47.19%</b>      |
| <i>Banque Fédérative du Crédit Mutuel</i>  | 50 492 025         | 24.56%             | 51 268 825         | 24.56%             |
| <i>Caisse de Dépôt et de Gestion</i>       | 17 088 305         | 8.31%              | 17 351 202         | 8.31%              |
| BRITISH INTERNATIONAL INVESTMENT Group plc | 11 056 220         | 5.38%              | 11 226 315         | 5.38%              |
| <i>MAMDA/MCMA Group</i>                    | 10 310 563         | 5.01%              | 10 469 186         | 5.01%              |
| <i>CIMR</i>                                | 8 088 813          | 3.93%              | 8 213 256          | 3.93%              |
| <b>Others</b>                              | <b>35 571 594</b>  | <b>17.29%</b>      | <b>36 118 028</b>  | <b>17.30%</b>      |
| <i>Bank Of Africa staff</i>                | 2 210 244          | 1.07%              | 2 275 847          | 1.09%              |
| <i>Free float</i>                          | 33 361 350         | 16.23%             | 33 842 181         | 16.21%             |
| <b>Total</b>                               | <b>205 606 648</b> | <b>100.00%</b>     | <b>208 769 827</b> | <b>100.00%</b>     |

Source: Bank Of Africa

\* including shares held in RMA's specialised mutual funds (2,930,019 at 30 June 2022 and 2,975,095 shares at 31 October 2022)



## 2. Board of Directors

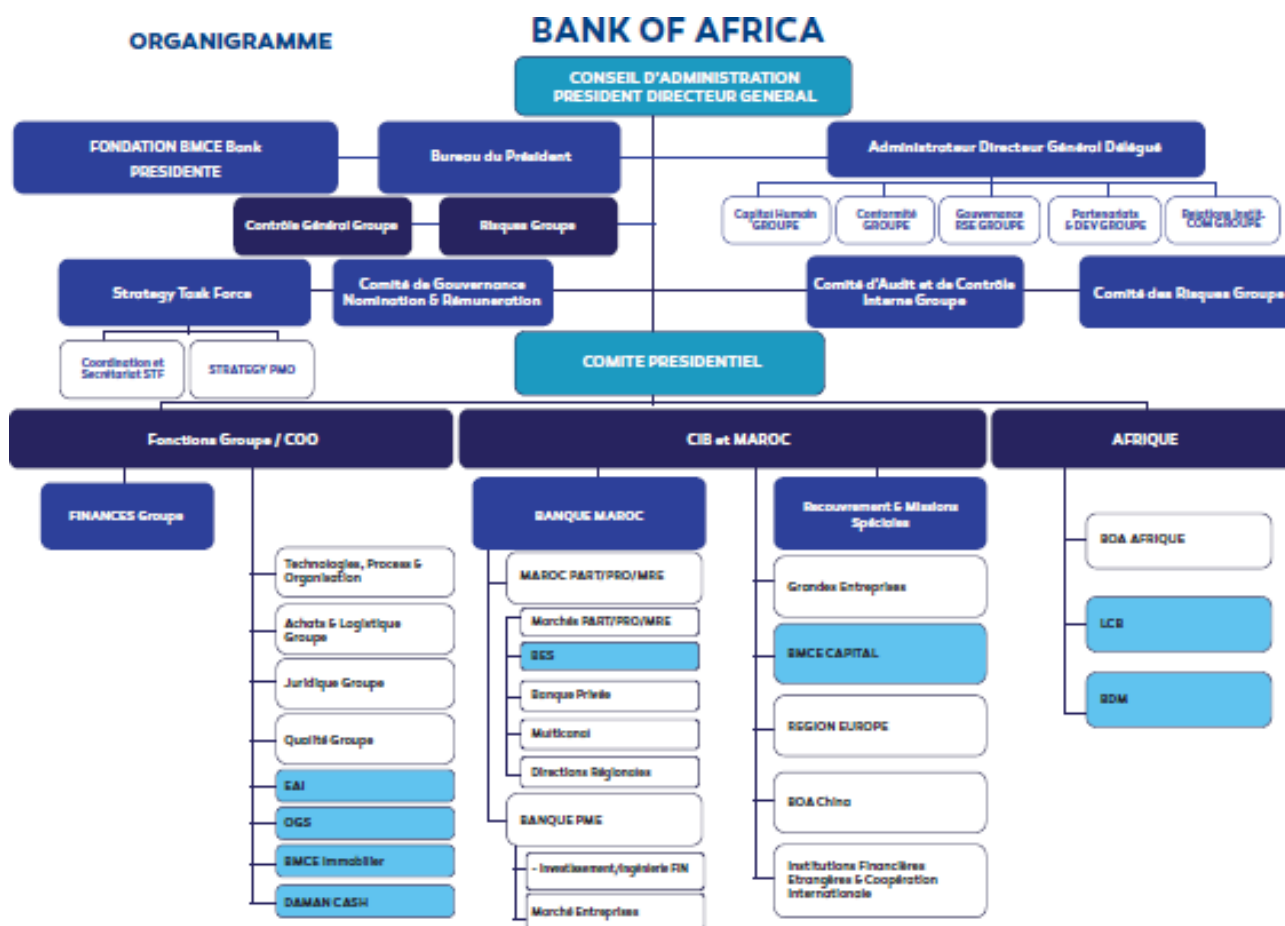
Table 2: Board members (September 2022)

| Director   | Date initially appointed | Description  | Term of office expiry                                 |
|--|--------------------------|--|---|
| <b>Mr Othman BENJELLOUN</b>  | 1995                     | Chairman & Chief Executive Officer   | AGM convened to approve the financial statements 2024 |
| <b>RMA represented by Mr Zouheir BENSAID</b>   | 1994                     | Mr Zouheir BENSAID is Chief Executive Officer of RMA, a BANK OF AFRICA shareholder   | AGM convened to approve the financial statements 2024 |
| <b>BANQUE FÉDÉRATIVE DU CRÉDIT MUTUEL (Crédit Mutuel/Alliance Fédérale Group holding company) represented by Mr Lucien MIARA</b> | 2005                     | Mr Lucien MIARA is an Advisory Board Member of Caisse Fédérale de Crédit Mutuel, which has a 93% stake in BFCM, a BANK OF AFRICA shareholder   | AGM convened to approve the financial statements 2025 |
| <b>CAISSE DE DÉPÔT ET DE GESTION represented by Mr Khalid SAFIR</b>  | 2010                     | CDG had a seat on BANK OF AFRICA's Board of Directors from 1966 to 1997 before being reappointed at the Annual General Meeting of 26 May 2010. Mr Khalid SAFIR is Chief Executive Officer of CDG, a BANK OF AFRICA shareholder   | AGM convened to approve the financial statements 2027 |
| <b>O CAPITAL GROUP represented by Mr Hicham EL AMRANI</b>  | 2021                     | Mr Hicham EL AMRANI is Deputy Chief Executive Officer of O CAPITAL GROUP, a BANK OF AFRICA shareholder   | AGM convened to approve the financial statements 2026 |
| <b>Mr Azeddine GUESSOUS</b>  | 2017                     | Mr Azeddine GUESSOUS sat on the Board as an <i>Intuitu Personae</i> Director from 2005 to 2008, then as RMA's permanent representative before being reappointed as an <i>Intuitu Personae</i> Director in 2017   | AGM convened to approve the financial statements 2022 |
| <b>British International Investment (CDC Ltd) Represented by Mr MARC BEAUJEAN</b>  | 2019                     | M. Marc BEAUJEAN is a Director of BANK OF AFRICA and British International Investment's representative. (CDC Ltd) He is the founder, in 2019, and principal partner of Beaujean & Partners, a strategic consulting firm specialising in banking and insurance. He is also Chief Executive Officer of Atlantic Financial Group S.A. | AGM convened to approve the financial statements 2023 |
| <b>Mr Mohamed KABBAJ</b>   | 2021                     | Independent Director<br>Chancellor of the Euromed University of Fez<br>Director of BMCE BANK 1997-2000   | AGM convened to approve the financial statements 2026 |

|                                    |      |   |   |
|------------------------------------|------|---|---|
| <b>Mrs Nezha LAHRICHI</b>          | 2021 | Independent Director  | AGM convened to approve the financial statements 2026 |
| <b>Mr Abdou BENSOUDA</b>           | 2018 | <i>Intuitu Personae</i> Director<br>Director of O Capital Group, one of BANK OF AFRICA's key shareholders | AGM convened to approve the financial statements 2023 |
| <b>Mr Brahim BENJELLOUN TOUIMI</b> | 2004 | Deputy Chief Executive Officer<br>Chairman of the Board of BOA GROUP (Luxembourg)                         | AGM convened to approve the financial statements 2027 |
| <b>Mrs Myriem BOUZZAOUI</b>        | 2021 | <i>Intuitu Personae</i> Director<br>Chief Executive Officer of BMCE Capital Gestion                       | AGM convened to approve the financial statements 2026 |

Source: Bank Of Africa

3. BANK OF AFRICA's organisational structure (31 December 2021):



### III. Business activity

#### 1. Loan growth

For the period under review, the following table shows loan growth by customer type:

Table 3: Net loans by customer type for the period 2021-H1 2022

| MAD M  | 2021           | H1 2022        | Change       |
|--|----------------|----------------|--------------|
| <b>Loans and advances to credit and similar institutions</b> | <b>27 491</b>  | <b>25 986</b>  | <b>-5.5%</b> |
| <b>Loans and advances to customers</b>                       | <b>129 800</b> | <b>130 401</b> | <b>0.5%</b>  |
| Operating loans  | 33 939         | 34 669         | 2.1%         |
| Consumer loans   | 7 636          | 7 793          | 2%           |
| Equipment loans  | 20 382         | 20 886         | 2.5%         |
| Property loans   | 41 131         | 40 939         | -0.5%        |
| Other loans  | 18 533         | 17 955         | -3.1%        |
| Accounts receivable acquired through factoring               | 2 954          | 2 714          | -8.1%        |
| Accrued interest receivable                                  | 668            | 631            | -5.5%        |
| Non-performing loans   | 4 556          | 4 814          | 5.7%         |
| <b>Total loans</b>   | <b>157 291</b> | <b>156 387</b> | <b>-0.6%</b> |

Source: BANK Of Africa – parent company<sup>5</sup>

At 30 June 2022, outstanding loans fell by 0.6% to MAD 156,387 million. This was primarily due to a 5.5% decline to MAD 25,986 million in loans and advances to credit and similar institutions. Loans and advances to customers rose by 0.5% to MAD 130,401 million, primarily due to a 2.1% increase to MAD 34,669 million in operating loans and a 2% rise to MAD 7,793 million in consumer loans.

#### 2. Customer deposit growth

The following table shows customer deposit growth by product type for the period 2021-H1 2022:

Table 4: Customer deposit growth by product type

| MAD M                          | 2021           | June-22        | Change      |
|--------------------------------|----------------|----------------|-------------|
| Sight deposits in credit       | 91 385         | 96 407         | 5.5%        |
| Savings accounts               | 25 883         | 26 386         | 1.9%        |
| Term deposits                  | 19 219         | 17 408         | -9.4%       |
| Other accounts in credit       | 4 761          | 4 321          | -9.3%       |
| Accrued interest payable       | 306            | 231            | -24.5%      |
| <b>Total customer deposits</b> | <b>141 554</b> | <b>144 752</b> | <b>2.3%</b> |

Source: BANK Of Africa – parent company<sup>6</sup>

At 30 June 2022, customer deposits grew by 2.3% to MAD 144,752 million, mainly due to a 5.5% increase to MAD 96,407 millions in sight accounts in credit and a 1.9% increase in savings accounts to MAD 26,386 millions.

<sup>5</sup> Includes the financial statements of head office entities, Morocco-based branches and a number of overseas branch offices and branches such as Paris, Shanghai and Tangier Offshore

## ▪ PART III: Financial information

### I. BANK OF AFRICA's consolidated financial position

#### 1. BANK OF AFRICA's consolidated income statement at 30 June 2022:

The following table shows the consolidated income statement at 30 June 2021 and at 30 June 2022:

Table 5: Consolidated income statement between 30/06/2021 and 30/06/2022

| MAD K   | 30/06/21         | 30/06/22         | Change       |
|---|------------------|------------------|--------------|
| Interest and similar income   | 7 406 634        | 7 943 002        | 7.2%         |
| Interest and similar expenses   | - 2 149 240      | - 2 221 144      | 3.3%         |
| <b>NET INTEREST INCOME</b>  | <b>5 257 394</b> | <b>5 721 858</b> | <b>8.8%</b>  |
| Fees received   | 1 525 216        | 1 833 571        | 20.2%        |
| Fees paid   | - 192 349        | - 338 041        | 75.7%        |
| <b>FEE INCOME</b>   | <b>1 332 867</b> | <b>1 495 530</b> | <b>12.2%</b> |
| Net gains or losses resulting from net hedging positions  | -                | -                |              |
| Net gains or losses on financial instruments at fair value through profit or loss   | 297 638          | 153 146          | -48.5%       |
| Net gains or losses on trading assets/liabilities   | 266 461          | 93 552           | -64.9%       |
| Net gains or losses on other assets/liabilities at fair value through profit or loss  | 31 177           | 59 594           | 91.1%        |
| Net gains or losses on financial instruments at fair value through other comprehensive income   | 189 438          | 183 878          | -2.9%        |
| Net gains or losses on debt instruments through other comprehensive income  |                  |                  |              |
| Remuneration of equity instruments (dividends) through other comprehensive income (non-recyclable)  | 189 438          | 183 878          | -2.9%        |
| Net gains or losses from available-for-sale financial assets  |                  |                  |              |
| Net gains or losses from the derecognition of financial assets at amortised cost  |                  |                  |              |
| Net gains or losses from reclassifying financial assets at amortised cost as financial assets at fair value through profit or loss                  |                  |                  |              |
| Net gains or losses from reclassifying financial assets through other comprehensive income as financial assets at fair value through profit or loss |                  |                  |              |
| Net income from insurance activities  |                  |                  |              |
| Net income from other activities  | 499 134          | 435 330          | -12.8%       |
| Expenses from other activities  | - 281 250        | - 235 487        | -16.3%       |
| <b>NET BANKING INCOME</b>   | <b>7 295 221</b> | <b>7 754 255</b> | <b>6.3%</b>  |
| General operating expenses  | - 3 404 139      | - 3 488 534      | 2.5%         |
| Depreciation, amortisation and impairment of intangible assets and property, plant and equipment  | - 492 876        | - 474 121        | -3.8%        |
| <b>GROSS OPERATING INCOME</b>   | <b>3 398 206</b> | <b>3 791 600</b> | <b>11.6%</b> |

|  |   |                  |   |                  |              |
|--|---|------------------|---|------------------|--------------|
| Cost of risk   | - | 1 285 807        | - | 1 383 786        | 7.6%         |
| <b>OPERATING INCOME</b>  |   | <b>2 112 399</b> |   | <b>2 407 814</b> | <b>14.0%</b> |
| Share of earnings of companies accounted for using the equity method |   | 72 102,00        |   | 76 845,00        | 6.6%         |
| Net gains or losses on other assets                                  |   | 9 558,00         |   | 4 465,00         | -53.3%       |
| Changes in value of goodwill   |   | -                |   | -                |              |
| <b>PRE-TAX INCOME</b>  |   | <b>2 194 059</b> |   | <b>2 489 124</b> | <b>13.4%</b> |
| Corporate income tax   | - | 519 910          | - | 672 113          | 29.3%        |
| <b>NET INCOME</b>  |   | <b>1 674 149</b> |   | <b>1 817 011</b> | <b>8.5%</b>  |
| Non-controlling interests  |   | 479 527          |   | 548 976          | 14.5%        |
| <b>NET INCOME</b> attributable to shareholders of the parent company |   | <b>1 194 622</b> |   | <b>1 268 035</b> | <b>6.1%</b>  |

Source: BANK OF AFRICA – consolidated financial statements under IFRS

## 2. BANK OF AFRICA's consolidated balance sheet at 30 June 2022

Table 6: The Group's consolidated balance sheet for the period 2021-H1 2022

| ASSETS - MAD K  | 2021        | H1 2022     | Change |
|---|-------------|-------------|--------|
| <b>Cash and balances at central banks, the Public treasury and postal cheque centre</b> | 19 737 051  | 18 454 884  | -6.5%  |
| <b>Financial assets at fair value through profit or loss</b>                            | 0           | -           |        |
| - Financial assets held for trading purposes  | 35 604 594  | 43 914 582  | 23.3%  |
| - Financial assets at fair value through profit or loss                                 | 807 037     | 1 106 823   | 37.1%  |
| <b>Derivative hedging instruments</b>   |             |             |        |
| <b>Available-for-sale financial assets</b>  |             |             |        |
| <b>Financial assets at fair value through other comprehensive income</b>                |             |             |        |
| - Debt instruments at fair value through other comprehensive income (recyclable)        | 1 708 897   | 560 060     | -67.2% |
| - Equity instruments at fair value through other comprehensive income (non-recyclable)  | 4 969 163   | 4 901 780   | -1.4%  |
| <b>Held-to-maturity investments</b>   |             |             |        |
| <b>Securities at amortised cost</b>   | 38 926 888  | 46 719 960  | 20.0%  |
| <b>Loans and advances to credit and similar institutions at amortised cost</b>          | 21 001 481  | 22 543 041  | 7.3%   |
| <b>Loans and advances to customers</b>  | 197 020 207 | 198 363 097 | 0.7%   |
| <b>Revaluation adjustment (assets) for portfolios hedged against interest rate risk</b> |             |             |        |
| <b>Financial investments from insurance operations</b>                                  |             |             |        |
| <b>Current tax assets</b>   | 981 203     | 1 066 367   | 8.7%   |
| <b>Deferred tax assets</b>  | 2 466 604   | 2 501 913   | 1.4%   |
| <b>Prepayments, accrued income and other assets</b>                                     | 6 497 978   | 8 863 358   | 36.4%  |
| <b>Non-current assets held for sale</b>   |             | -           |        |
| <b>Investments in companies accounted for using the equity method</b>                   | 1 003 557   | 1 062 310   | 5.9%   |
| <b>Investment property</b>  | 3 560 318   | 3 571 851   | 0.3%   |
| <b>Property, plant and equipment</b>  | 8 517 859   | 8 594 857   | 0.9%   |
| <b>Intangible assets</b>  | 1 222 904   | 764 809     | -37.5% |

|                     |                    |                    |             |
|---------------------|--------------------|--------------------|-------------|
| Goodwill            | 1 032 114          | 1 032 114          | 0.0%        |
| <b>Total Assets</b> | <b>345 057 854</b> | <b>364 021 806</b> | <b>5.5%</b> |

Source: BANK OF AFRICA – consolidated financial statements under IFRS

| LIABILITIES - MAD K   | 2021               | H1 2022            | Change      |
|---|--------------------|--------------------|-------------|
| <b>Amounts due to central banks, the Public treasury and postal cheque centre</b>           |                    |                    |             |
| <b>Financial liabilities measured using the fair value option through profit or loss</b>    |                    |                    |             |
| - Financial liabilities held for trading purposes   |                    |                    |             |
| - Financial liabilities at fair value through profit or loss                                |                    |                    |             |
| <b>Derivative hedging instruments</b>   |                    |                    |             |
| <b>Debt securities issued</b>   | 11 828 034         | 11 446 987         | -3.2%       |
| <b>Amounts due to credit and similar institutions</b>                                       | 60 283 987         | 65 277 176         | 8.3%        |
| <b>Amounts due to customers</b>   | 218 973 241        | 225 696 684        | 3.1%        |
| <b>Revaluation adjustment (liabilities) on portfolios hedged against interest rate risk</b> |                    |                    |             |
| <b>Current tax liabilities</b>  | 1 357 479          | 1 447 560          | 6.6%        |
| <b>Deferred tax liabilities</b>   | 1 187 570          | 1 171 643          | -1.3%       |
| <b>Accruals, deferred income and other liabilities</b>                                      | 9 717 696          | 15 984 885         | 64.5%       |
| <b>Liabilities related to non-current assets held for sale</b>                              |                    |                    |             |
| <b>Technical provisions for insurance contracts</b>   |                    |                    |             |
| <b>Provisions</b>   | 1 613 520          | 1 651 236          | 2.3%        |
| <b>Subsidies - public funds and special guarantee funds</b>                                 |                    |                    |             |
| <b>Subordinated debt</b>  | 10 597 210         | 11 515 798         | 8.7%        |
| <b>TOTAL LIABILITIES</b>  | <b>315 558 737</b> | <b>334 191 969</b> | <b>5.9%</b> |
| <b>Shareholders' equity</b>   |                    |                    |             |
| <b>Share capital and related reserves</b>   | 19 292 416         | 19 971 255         | 3.5%        |
| <b>Consolidated reserves</b>  |                    |                    |             |
| - Attributable to shareholders of the parent company  | 1 920 836          | 2 246 619          | 17.0%       |
| - Non-controlling interests   | 4 357 111          | 4 716 714          | 8.3%        |
| <b>Gains and losses recognised directly in equity</b>                                       |                    |                    |             |
| - Attributable to shareholders of the parent company  | 587 204            | 583 411            | -0.6%       |
| - Non-controlling interests   | 492 175            | 494 827            | 0.5%        |
| <b>Net income for the period</b>  |                    |                    |             |
| - Attributable to shareholders of the parent company  | 2 007 213          | 1 268 035          | -36.8%      |
| - Non-controlling interests   | 842 162            | 548 976            | -34.8%      |
| <b>TOTAL CONSOLIDATED SHAREHOLDERS' EQUITY</b>  | <b>29 499 117</b>  | <b>29 829 837</b>  | <b>1.1%</b> |
| <b>TOTAL LIABILITIES</b>  | <b>345 057 854</b> | <b>364 021 806</b> | <b>5.5%</b> |

Source: BANK OF AFRICA – consolidated financial statements under IFRS

## II. BANK OF AFRICA parent company's financial position

### 1. BANK OF AFRICA parent company's income statement at 30 September 2022 (unaudited)

Parent company financial statements:

|  | 30/09/2022        | 31/09/2021       | Change      |
|--|-------------------|------------------|-------------|
| <b>OPERATING INCOME FROM BANKING OPERATIONS</b>  | <b>10 450 856</b> | <b>8 404 328</b> | <b>24%</b>  |
| Interest, remuneration and similar income from transactions with credit institutions             | 357 852           | 184 483          | 94%         |
| Interest, remuneration and similar income from transactions with customers                       | 4 047 896         | 4 035 238        | 0%          |
| Interest and similar income from debt securities   | 530 464           | 458 765          | 16%         |
| Income from equity securities and Sukuk certificates   | 676 665           | 864 322          | -22%        |
| Income from <i>Mudarabah</i> and <i>Musharakah</i> securities                                    | -                 | -                |             |
| Income from lease-financed non-current assets  | 16 352            | 17 419           | -6%         |
| Income from <i>Ijarah</i> assets   | -                 | -                |             |
| Fee income   | 955 281           | 860 624          | 11%         |
| Other banking income   | 3 866 346         | 1 983 477        | 95%         |
| Transfer of expenses on investment deposits received   | -                 | -                |             |
| <b>OPERATING EXPENSES ON BANKING OPERATIONS</b>  | <b>5 435 445</b>  | <b>2 979 372</b> | <b>82%</b>  |
| Interest and expenses on transactions with credit and similar institutions                       | 561 465           | 444 106          | 26%         |
| Interest and expenses on transactions with customers   | 636 727           | 639 612          | 0%          |
| Interest and similar expenses on debt securities issued  | 407 612           | 430 520          | -5%         |
| Expenses on <i>Mudarabah</i> and <i>Musharakah</i> securities                                    | -                 | -                |             |
| Expenses on lease-financed non-current assets  | 14 715            | 15 048           | -2%         |
| Expenses on <i>Ijarah</i> assets   | -                 | -                |             |
| Other banking expenses   | 3 814 926         | 1 450 086        | 163%        |
| Transfer of income on investment deposits received   | -                 | -                |             |
| <b>NET BANKING INCOME</b>  | <b>5 015 411</b>  | <b>5 424 956</b> | <b>-8%</b>  |
| Non-banking operating income   | 353 327           | 89 559           | 295%        |
| Non-banking operating expenses   | 18 112            | 68 812           | -74%        |
| <b>GENERAL OPERATING EXPENSES</b>  | <b>2 720 772</b>  | <b>2 709 964</b> | <b>0%</b>   |
| Employee expenses  | 1 296 711         | 1 252 538        | 4%          |
| Taxes other than on income   | 72 477            | 71 032           | 2%          |
| External expenses  | 1 167 825         | 1 137 392        | 3%          |
| Other general operating expenses   | 6 000             | 6 806            | -12%        |
| Depreciation, amortisation and impairment of intangible assets and property, plant and equipment | 177 759           | 242 196          | -27%        |
| <b>PROVISIONS AND LOSSES ON IRRECOVERABLE LOANS</b>  | <b>1 275 322</b>  | <b>1 221 915</b> | <b>4%</b>   |
| Provisions for non-performing loans and signature loans  | 963 691           | 782 169          | 23%         |
| Losses on irrecoverable loans  | 247 664           | 240 113          | 3%          |
| Other provisions   | 63 967            | 199 633          | -68%        |
| <b>WRITE-BACKS AND AMOUNTS RECOVERED ON IMPAIRED LOANS</b>                                       | <b>375 435</b>    | <b>324 041</b>   | <b>16%</b>  |
| Write-backs for non-performing loans and signature loans   | 365 681           | 163 967          | 123%        |
| Amounts recovered on impaired loans  | 9 629             | 16 337           | -41%        |
| Other write-backs  | 125               | 143 737          | -100%       |
| <b>INCOME FROM ORDINARY OPERATIONS</b>   | <b>1 729 967</b>  | <b>1 837 865</b> | <b>-6%</b>  |
| Non-recurring income   | 98 515            | 96 507           | 2%          |
| Non-recurring expenses   | 210 848           | 183 384          | 15%         |
| <b>PRE-TAX INCOME</b>  | <b>1 617 634</b>  | <b>1 750 988</b> | <b>-8%</b>  |
| Corporate income tax   | 265 420           | 403 456          | -34%        |
| <b>NET INCOME FOR THE YEAR</b>   | <b>1 352 214</b>  | <b>1 347 532</b> | <b>0.3%</b> |

## 2. BANK OF AFRICA parent company's balance sheet at 30 September 2022 (unaudited)

Parent company financial statements:

| ASSETS – MAD K  | 30/09/2022         | 31/12/2021         | Change        |
|---|--------------------|--------------------|---------------|
| <b>Cash and balances at central banks, the Public treasury and postal cheque centre</b> | <b>4 087 340</b>   | <b>7 323 591</b>   | <b>-44.2%</b> |
| <b>Loans and advances to credit and similar institutions</b>                            | <b>26 410 175</b>  | <b>20 167 359</b>  | <b>31.0%</b>  |
| Sight   | 9 112 532          | 4 768 697          | 91.1%         |
| Fixed term  | 17 297 643         | 15 398 662         | 12.3%         |
| <b>Loans and advances to customers</b>  | <b>130 280 076</b> | <b>126 845 452</b> | <b>2.7%</b>   |
| Cash and consumer loans and participatory financing arrangements                        | 47 039 311         | 41 888 548         | 12.3%         |
| Equipment loans and participatory financing arrangements                                | 21 202 132         | 20 664 448         | 2.6%          |
| Mortgage loans and participatory financing arrangements                                 | 41 130 534         | 41 207 258         | -0.2%         |
| Other loans and participatory financing arrangements                                    | 20 908 099         | 23 085 198         | -9.4%         |
| <b>Factoring receivables</b>  | <b>2 651 399</b>   | <b>2 954 347</b>   | <b>-10.3%</b> |
| <b>Trading and available-for-sale securities</b>  | <b>45 711 236</b>  | <b>37 687 594</b>  | <b>21.3%</b>  |
| Treasury bonds and similar assets   | 22 080 786         | 14 923 138         | 48.0%         |
| Other debt securities   | 153 986            | 231 115            | -33.4%        |
| Equity securities   | 23 436 837         | 22 493 714         | 4.2%          |
| Sukuk certificates  | 39 627             | 39 627             | 0.0%          |
| <b>Other assets</b>   | <b>8 799 311</b>   | <b>7 831 620</b>   | <b>12.4%</b>  |
| <b>Investment securities</b>  | <b>11 760 321</b>  | <b>8 936 596</b>   | <b>31.6%</b>  |
| Treasury bonds and similar assets   | 7 318 143          | 4 812 092          | 52.1%         |
| Other debt securities   | 4 442 178          | 4 124 504          | 7.7%          |
| Sukuk certificates  | -                  | -                  |               |
| <b>Investments in associates and similar assets</b>                                     | <b>12 406 805</b>  | <b>11 639 853</b>  | <b>6.6%</b>   |
| Investments in related companies  | 9 347 085          | 9 199 560          | 1.6%          |
| Other equity securities and similar assets  | 3 059 720          | 2 440 293          | 25.4%         |
| <i>Mudarabah and Musharakah securities</i>  | -                  | -                  |               |
| <b>Subordinated loans</b>   | <b>191 247</b>     | <b>195 925</b>     | <b>-2.4%</b>  |
| <b>Investment deposits given</b>  | <b>-</b>           | <b>-</b>           |               |
| <b>Leased and rented assets</b>   | <b>154 781</b>     | <b>167 733</b>     | <b>-7.7%</b>  |
| <b>Ijara assets</b>   | <b>-</b>           | <b>-</b>           |               |
| <b>Intangible assets</b>  | <b>382 079</b>     | <b>714 004</b>     | <b>-46.5%</b> |
| <b>Property, plant and equipment</b>  | <b>2 726 439</b>   | <b>2 637 210</b>   | <b>3.4%</b>   |
| <b>Total Assets</b>   | <b>245 561 209</b> | <b>227 101 284</b> | <b>8.1%</b>   |

| LIABILITIES – MAD K   | 30/09/2022         | 31/12/2021         | Change        |
|---|--------------------|--------------------|---------------|
| <b>Amounts due to central banks, the Public treasury and postal cheque centre</b> | -                  | -                  |               |
| <b>Amounts due to credit and similar institutions</b>                             | <b>46 275 255</b>  | <b>40 581 191</b>  | <b>14.0%</b>  |
| Sight   | 7 039 944          | 3 010 935          | 133.8%        |
| Fixed term  | 39 235 311         | 37 570 256         | 4.4%          |
| <b>Customer deposits</b>  | <b>146 827 265</b> | <b>141 554 206</b> | <b>3.7%</b>   |
| Sight deposit accounts in credit  | 101 099 293        | 91 396 132         | 10.6%         |
| Savings accounts  | 26 808 823         | 25 927 402         | 3.4%          |
| Term deposits   | 14 774 068         | 19 469 487         | -24.1%        |
| Other accounts in credit  | 4 145 081          | 4 761 185          | -12.9%        |
| <b>Amounts due to customers on participatory products</b>                         | -                  | -                  |               |
| <b>Debt securities issued</b>   | <b>7 853 267</b>   | <b>8 117 463</b>   | <b>-3.3%</b>  |
| Negotiable debt securities  | 7 853 267          | 8 117 463          | -3.3%         |
| Bonds   | -                  | -                  |               |
| Other debt securities issued  | -                  | -                  | !             |
| <b>Other liabilities</b>  | <b>10 066 380</b>  | <b>3 766 247</b>   | <b>167.3%</b> |
| <b>Provisions, contingent liabilities</b>   | <b>1 359 641</b>   | <b>1 294 922</b>   | <b>5.0%</b>   |
| <b>Statutory provisions</b>   | <b>306 249</b>     | <b>396 735</b>     | <b>-22.8%</b> |
| <b>Subsidies, public funds and special guarantee funds</b>                        | -                  | -                  |               |
| <b>Subordinated debt</b>  | <b>11 543 723</b>  | <b>10 597 210</b>  | <b>8.9%</b>   |
| <b>Investment deposits received</b>   | -                  | -                  |               |
| <b>Revaluation reserve</b>  | -                  | -                  |               |
| <b>Reserves and premiums related to capital</b>                                   | <b>17 921 084</b>  | <b>17 236 350</b>  | <b>4.0%</b>   |
| <b>Share capital</b>  | <b>2 056 066</b>   | <b>2 056 067</b>   | <b>0.0%</b>   |
| <b>Shareholders, unpaid share capital (-)</b>                                     | -                  | -                  |               |
| <b>Retained earnings (+/-)</b>  | <b>65</b>          | <b>20</b>          | <b>225.0%</b> |
| <b>Net income to be appropriated (+/-)</b>  | -                  | -                  |               |
| <b>Net income for the year (+/-)</b>  | <b>1 352 214</b>   | <b>1 500 873</b>   | <b>-9.9%</b>  |
| <b>Total Liabilities</b>  | <b>245 561 209</b> | <b>227 101 284</b> | <b>8.1%</b>   |

## ▪ PART III: Risks

### I. Risks in connection with the Issuer, BANK OF AFRICA

#### 1. Counterparty risk management

Net loans distributed by the Bank (consolidated basis) to customers and to credit institutions totalled MAD 221 billion at 30 June 2022 versus MAD 218 billion at 31 December 2021.

Non-performing loans rose faster than loan growth, primarily due to the Group introducing its convergence policy and to the stricter regulatory environment. The Group's non-performing loan ratio increased from 10% at 31 December 2021 to 10.4% at 30 June 2022. The loan-loss coverage ratio stood at 65.1% at 30 June 2022, modestly down compared to 31 December 2022 (65.5%).

The Bank has made a considerable effort to clean up its customer loan portfolio and continues to do so as part of its risk management policy in compliance with Bank Al Maghrib's prudential rules as well as adopting healthy risk management practices.

The Bank's resulting risk management policy is underpinned by various governing bodies as well as an ongoing proactive management approach.

The following bodies are involved in managing and monitoring the risks of the Bank and of the Group:

- The Group Audit and Internal Control Committee (Group CACI).
- The General Management Committee (CDD), which is responsible for translating and monitoring the Group's corporate strategy into operational initiatives and measures.
- The Credit Committees, which approve all loan commitments.
- The Committee for supervising accounts showing anomalies and downgrading.
- The Group Risk Committee, which assists the Board of Directors in matters such as strategy and risk management. In particular, it ensures that overall risk policy is adapted to the risk profile of both the Bank and of the Group, the degree of risk aversion, its systemic importance, its size and its capital base.
- The Group Risk Steering and Management Committee and BANK OF AFRICA's Risk Management and Steering Committee, which are sub-committees of BANK OF AFRICA's General Management Committee. They ensure that risk steering policy is effective and consistent with risk management policy relating to credit, market and operational risks.

The Bank's credit division operates in accordance with the general credit policy approved by the Group's senior management bodies. The Group's requirements in terms of ethics, reporting lines, compliance with procedures and discipline in risk analysis are guiding principles. This general policy is further broken down into specific policies and procedures depending on the character of specific operations or counterparties, using an internal ratings system, a system for delegating authority and a system for managing limits so as to reduce concentration risk.

The system for delegating authority is one in which credit approval decisions are delegated to different levels of authority depending on the customer segment, the cumulative amount of credit offered to the customer and the type of exposure (public enterprises, semi-public enterprises, exposure to banks, etc.).

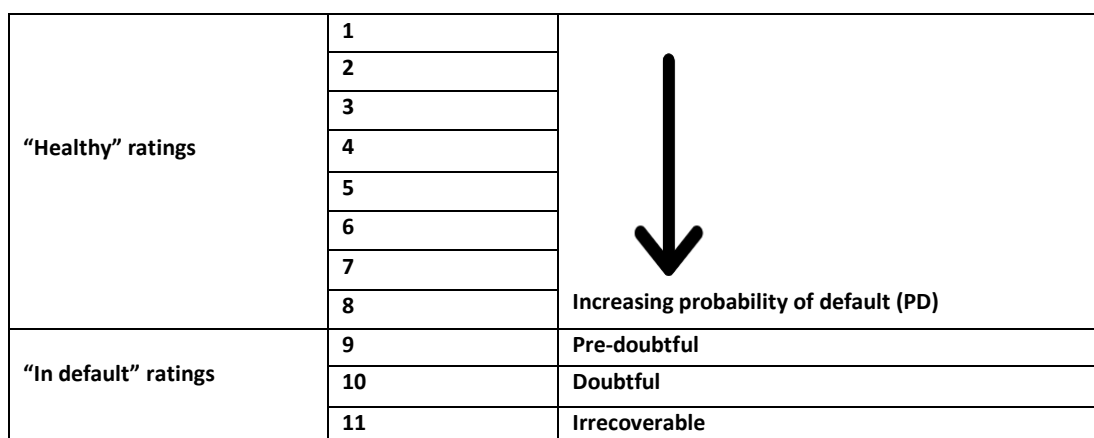
The Bank's ratings system is a two-dimensional system, combining a credit rating, enabling the Bank to assess the risk inherent in the transaction and a financial rating, based on the borrower's financial standing. In addition to these quantitative factors, other qualitative factors are taken into consideration when attributing a rating e.g. growth potential, business sector, parent company's rating, country risk as well as payment incidents.

In accordance with the Basel regulations, Bank Al-Maghrib has set a minimum number of classes that a ratings model should contain:

- 7 classes for healthy counterparties
- 1 class for defaulting counterparties

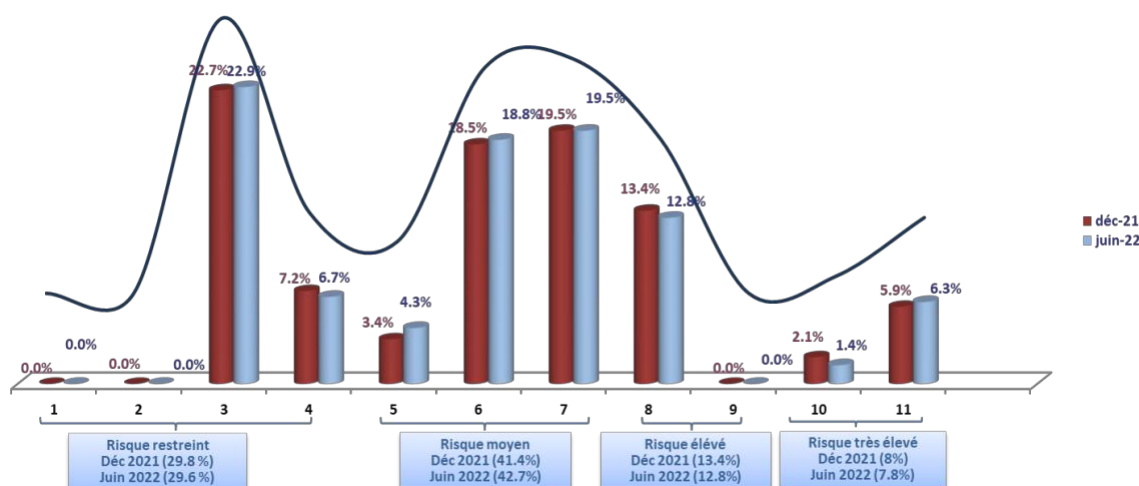
BANK OF AFRICA has adopted an 11-level ratings scale to attribute a final counterparty rating:

| Category             |              | Class          | Definition   |   |
|----------------------|--------------|----------------|--|---|
| Investment grade     | Limited risk | 1              | Extremely stable short- and medium-term; very stable long-term; solvent despite serious disruptions  |   |
|                      |              | 2              | Very stable short- and medium- term; stable long-term; sufficiently solvent despite persistently negative events   |   |
|                      |              | 3              | Solvent short- and medium-term despite significant difficulties; moderately negative developments can be withstood long-term   |   |
|                      |              | 4              | Very stable short-term; no expected change to threaten the loan in the coming year; sufficiently solid medium-term to be able to survive; long-term outlook still uncertain  |   |
| Sub-investment grade | Average risk | 5              | Stable short-term; no expected change to threaten the loan in the coming year; can only withstand small negative developments medium-term                                    |   |
|                      |              | 6              | Ability limited to withstand unexpected negative developments  |   |
|                      |              | 7              | Ability very limited to withstand unexpected negative developments   |   |
|                      | High risk    | 8              | Ability limited to repay interest and principal on time; any change in internal and external economic and commercial conditions will make it difficult to fulfil obligations |   |
|                      |              | 9              | Incapable of repaying interest and principal on time; fulfilling obligations dependent on favourable internal and external commercial and economic conditions                |   |
|                      |              | Very high risk | 10   | Very high risk of default; incapable of repaying interest and principal on time; partial default in repayment of interest and capital |
|                      |              |                | 11   | Total default in repayment of interest and capital  |



Source: BANK OF AFRICA

- The following chart shows the breakdown of loan commitments by risk category at 30 June 2022:



Source: BANK OF AFRICA

It is worth noting that customers placed on the watch list are specifically monitored and that their corresponding loan commitments are provisioned under General Risk Provisions, in accordance with regulatory requirements.

## 2. Interest rate risk and liquidity risk

### 1. Liquidity risk analysis

The Bank's strategy in terms of liquidity risk management aims to ensure that its funding mix is appropriate to enable it to successfully expand its operations in a stable manner.

Liquidity risk is the risk of the Bank being unable to fulfil its obligations in the event of unforeseen requirements by using its liquid assets.

Such an event may be due to reasons other than liquidity, for example, significant losses that result from defaulting counterparties or due to adverse changes in market conditions.

There are two major sources of liquidity risk:

- The institution's inability to raise the required funds to deal with unexpected situations in the short term, such as a massive deposit withdrawal or a maximum drawdown of off-balance sheet commitments
- A mismatch of assets and liabilities or the financing of medium- or long-term assets by short-term liabilities. An acceptable liquidity level is a level that enables the Bank to finance asset growth and to fulfil its commitments when they are due, thereby protecting the Bank from any eventual crisis.

Two indicators are used to evaluate the Bank's liquidity profile:

- The Liquidity Coverage Ratio (LCR), which stood at 168% on a consolidated basis at 30 June 2022.
- The profile of static periodic or cumulative gaps in dirhams and in foreign currencies, which enables the Bank to measure the level of liquidity risk incurred over the short, medium and long term.

This method is used to estimate asset-liability mismatches over different time periods and determine an appropriate hedging strategy.

Monetary liabilities stood at MAD 29,524 million with an equivalent duration of 42.7 days whilst liquid assets amounted to MAD 32,473.46 million.

It is also worth pointing out that Treasury bonds accounted for 98.6% of the Bank's fixed income assets, implying almost full liquidity. This asset category stood at MAD 10,348 million.

### 2. Interest rate risk analysis

Interest rate risk is the risk that future changes in interest rates have a negative impact on the Bank's profitability.

Changes in interest rates also impact the net present value of expected cash flows. The extent to which the economic value of assets and liabilities is impacted will depend on the sensitivity of the various components of the balance sheet to changes in interest rates.

Interest rate risk may be measured by conducting a series of simulation-based stress tests under a scenario in which interest rates are raised by 200 basis points as recommended by the Basel Committee.

The Bank's strategy in terms of interest rate risk management is aimed at ensuring earnings stability when interest rates change, thereby protecting net interest income and optimising the economic value of equity.

Changes in interest rates may negatively impact net interest income and result in the Bank significantly undershooting its initial projections.

In order to counter such risks, the ALM department regularly steers the Bank's strategy by establishing rules for matching assets and liabilities by maturity and by defining a maximum tolerance departure threshold for net interest income by comparison with projected net banking income.

The method of periodic or cumulative gaps in dirhams and in foreign currencies enables the Bank to measure the level of interest rate risk incurred by the Bank over the short, medium and long term.

This method is used to estimate asset-liability mismatches over different time periods and determine an appropriate hedging strategy.

The assets primarily consist of Treasury bonds, negotiable debt securities and other bonds.

These assets are mainly financed by short-term liabilities with a duration of 42.7 days.

Stress test simulations were carried out to measure the impact from a change in interest rates on net interest income and the economic value of shareholders' equity. At 30 June 2022, if the trading book portfolio were excluded, the impact from a +200-basis points change in interest rates on net interest income was estimated to be negative MAD 0.168 billion or -3.72% of projected net interest income whilst the impact from a -200-basis points change was estimated to be positive MAD 0.163 billion or +3.61% of projected net interest income. The change in the economic value of shareholders' equity, if the trading book portfolio were excluded, in the event of a 200-basis points shock, was estimated to be MAD 0.878 billion or 6.46% of regulatory capital.

### **Fixed income portfolio**

At 30 June 2022, the fixed income portfolio had an average duration of 1.50 years and an average sensitivity of 1.47 years. Its market value was MAD 10,759 million.

A parallel +50 bps move in interest rates would result in an average loss of MAD 79 million.

A parallel +100 bps move in interest rates would result in an average loss of MAD 158 million.

The following sensitivity spectrum shows the breakdown of overall sensitivity by different categories of paper and therefore the choice of interest rate projections on different maturities

## 1) Foreign exchange risk

Table 1 Foreign exchange risk by currency

|     | Net long position* | Net short position* | % shareholders' equity |
|-----|--------------------|---------------------|------------------------|
| EUR | -                  | 396.40              | 1.77%                  |
| LYD | 0.01               | -                   | 0.00004%               |
| QAR | 1.72               | -                   | 0.01%                  |
| BHD | 0.11               | -                   | 0.0005%                |
| SEK | 0.38               | -                   | 0.002%                 |
| CHF | -                  | 11.24               | 0.05%                  |
| TND | -                  | 2.52                | 0.01%                  |
| CAD | 2.66               | -                   | 0.01%                  |
| DZD | 0.27               | -                   | 0.001%                 |
| KWD | -                  | 0.56                | 0.003%                 |
| SAR | 6.28               | -                   | 0.03%                  |
| AED | 36.92              | -                   | 0.17%                  |
| JPY | 3.63               | -                   | 0.02%                  |
| DKK | 0.95               | -                   | 0.004%                 |
| NOK | -                  | 0.12                | 0.001%                 |
| USD | -                  | 291.00              | 1.30%                  |
| GBP | -                  | 2.05                | 0.01%                  |

Source: Bank Of Africa

(\* Assets-liabilities in the same currency +/- net forward commitments +/- options delta - Data at 30/06/2022

The net balance of positions was as follows:

- For long positions: MAD 53 million or 0.24% of net shareholders' equity
- For short positions: MAD 704 million or 3.15% of net shareholders' equity

The above table shows that BANK OF AFRICA remains within the prudential limits established by Bank Al-Maghrib which are set at 10% of shareholders' equity per foreign currency and 20% for foreign currencies as a whole.

The above table shows that BANK OF AFRICA remains within the prudential limits established by Bank Al-Maghrib which are set at 10% of shareholders' equity per foreign currency and 20% for foreign currencies as a whole.

## 2) Regulatory risk

Local subsidiaries as well as the Economic Intelligence Centre continuously monitor regulatory developments in those countries in which the Group has operations. The results are regularly shared with the Risk departments, as part of the Group risk community, to estimate the potential impact on subsidiaries' loan portfolios and on the Group as a whole. These factors are taken into consideration when setting exposure limits on a parent and consolidated basis.

Table 2 Capital adequacy ratio at 30 June 2022 (Basel III) on a consolidated basis

|                                   | Risk-weighted assets (MAD K) |
|-----------------------------------|------------------------------|
| Weighted credit risk              | 241 330 070                  |
| Weighted market risk              | 9 630 296                    |
| Weighted operational risk         | 26 502 663                   |
| <b>Total risk-weighted assets</b> | <b>277 463 029</b>           |

Source: BANK OF AFRICA

Table 3 Tier 1 capital ratio

|                             | Total (MAD K) |
|-----------------------------|---------------|
| Tier 1 capital              | 25 434 365    |
| Total risk-weighted assets  | 277 463 029   |
| <b>Tier 1 capital ratio</b> | <b>9.2%</b>   |

Source: BANK OF AFRICA

Table 4 Minimum capital adequacy ratio

|                                       | Total (MAD K) |
|---------------------------------------|---------------|
| Tier 1 capital                        | 23 434 365    |
| Eligible capital                      | 33 022 630    |
| Total risk-weighted assets            | 277 463 029   |
| <b>Minimum capital adequacy ratio</b> | <b>11.9%</b>  |

Source: BANK OF AFRICA

The Bank's capital adequacy ratio, which reflects its ability to meet its entire obligations from shareholders' equity, remains above the regulatory minimum of 11.5%. This level of prudential ratio had been set by the central bank until 30 June 2022.

This ratio was 11.9% on a consolidated basis at 30 June 2022.

It is also worth noting that an Internal Capital Adequacy Assessment Process (ICAAP) has been introduced in Morocco. Its aim is to ensure that the Bank has adequate capital to meet all material risks on a permanent basis. This process is underpinned by 3 main aspects:

- The risk appetite framework, which outlines the governance and organisational framework and the process for determining risk appetite within the Bank.
- The risk appetite statement which, consistent with the Group's strategic development plan, determines risk appetite guidelines that reflect the Bank's risk profile. These guidelines are broken down into quantitative indicators to which thresholds have been added.
- Identifying and quantifying the risks (capital buffer) to which the institution is exposed (excluding credit, market and operational risk).

The risks retained with regard to Pillar 2, for which capital requirements need to be potentially quantified, include interest rate, liquidity, customer concentration, geographical concentration, sector concentration, country, structural exchange rate, non-compliance, legal, strategic and reputational risk.

These risks have been identified on the basis of the regulatory authorities' regulatory recommendations and international banking practice.

The Bank's capital buffer is designed to mitigate the most prominent risks that might impact its profitability, solvency and liquidity as a function of its resilience to adverse market situations.

Bank Al-Maghrib does not insist on any specific model for calculating the capital buffer but, instead, has allowed banks to develop their own calculation methodology (internal model).

Since the methodology for calculating the risk buffer has already been determined, the current focus is on gauging capital requirements and determining and deciding on the capital buffer to be factored into BANK OF AFRICA S.A.'s capital adequacy ratio.

As part of the process of steering its ratios, BANK OF AFRICA has adopted a number of measures to optimise its use of capital. The Group may, among other things, decide to cut back on lending for a given period. This will enable the Bank to steer growth of its risk-weighted assets.

Bank Al-Maghrib, assuming a macro-prudential supervisory role, may request that credit institutions establish a capital buffer known as a 'counter-cyclical capital buffer' on an individual and/or consolidated basis. The said buffer, ranging from 0% to 2.5% of risk-weighted risks, will be constituted from Tier 1 core capital.

Table 5 Projected minimum capital adequacy ratio

| Parent company         | Jun-22  | Dec-22  | Jun-23  | Dec-23  |
|------------------------|---------|---------|---------|---------|
| Core capital           | 13 812  | 13 566  | 13 731  | 13 935  |
| Tier I capital         | 15 812  | 16 066  | 17 231  | 17 435  |
| Tier II capital        | 22 362  | 22 012  | 22 627  | 22 281  |
| Risk-weighted assets   | 148 367 | 146 173 | 148 454 | 150 953 |
| CET 1 ratio            | 9.3%    | 9.3%    | 9.2%    | 9.2%    |
| Tier 1 capital ratio   | 10.7%   | 11.0%   | 11.6%   | 11.5%   |
| Capital adequacy ratio | 15.1%   | 15.1%   | 15.2%   | 14.8%   |

| Consolidated           | Jun-22  | Dec-22  | Jun-23  | Dec-23  |
|------------------------|---------|---------|---------|---------|
| Core capital           | 23 434  | 24 483  | 26 450  | 27 268  |
| Tier I capital         | 25 434  | 26 983  | 29 950  | 30 768  |
| Tier II capital        | 33 023  | 34 033  | 36 450  | 36 718  |
| Risk-weighted assets   | 277 463 | 281 274 | 288 285 | 295 041 |
| CET 1 ratio            | 8.4%    | 8.7%    | 9.2%    | 9.2%    |
| Tier 1 capital ratio   | 9.2%    | 9.6%    | 10.4%   | 10.4%   |
| Capital adequacy ratio | 11.9%   | 12.1%   | 12.6%   | 12.4%   |

Source: BANK OF AFRICA

BANK OF AFRICA's projected capital ratios on an individual and consolidated basis remain above the current regulatory minimum requirements of 9.0% for the Common Equity Tier 1 ratio (CET1) and 12% for the capital adequacy ratio thanks to the Group's internal capital management policy.

### 3) Operational risk

Operational risk is defined as the risk of loss due to inadequate or failing internal procedures, systems failure or external events that are liable to impact the smooth running of the business.

The Bank's operational risk management policy has three aims:

- Identify, analyse and appraise operational risks
- Appraise internal control procedures
- Monitor operational risks using alert indicators.

Operational risk is managed by adopting preventive and/or corrective action to counter the major risks identified.

The risk management system is regularly reviewed and monitored to ensure its ongoing improvement.

Operational risks or losses may be analysed, classified and ranked on the basis of the following factors: cause, effect (financial impact or otherwise), score, qualification, level of control and event type under Basel.

The senior management of the entity in question, General Management and the Board of Directors are regularly notified of operational risk exposure and any losses incurred. The management system is properly documented, ensuring compliance with a formalised set of checks and internal procedures and corrective measures in the event of non-compliance. Internal and/or external auditors are invited to periodically review management processes and systems for measuring operational risk. These audits relate to units' activities and the independent operational risk management function. Operational risk management at BANK OF AFRICA Group has been entirely automated by means of specialised MEGA HOPEX software. This software, which has been rolled out across the Bank and at Moroccan and European subsidiaries, is now used to collect risk events and map operational risks and key risk indicators.

Information technology risk is included within the Operational Risk Mapping of the Group's business activities. Shortcomings have been identified as far as the Group's information systems integration is concerned. The IS-Convergence project endeavours to address this risk.

In response to the COVID-19 pandemic and under the aegis of the Group's governance bodies, Group Risk Management has endeavoured to bolster risk management systems so as to better absorb anticipated shocks and make the Group more resilient.

As with the Group's various projects which aim to restructure and integrate the risk function across the entire Group, such as the Convergence Programme, the Group has wanted to continue in a similar vein by extending the Internal Crisis Recovery Plan (PRCI) and ICAAP system to systemically important subsidiaries, particularly given that, for some, it has become a regulatory requirement.

#### **Credit risk management system**

The roll-out of the credit risk management system (Batches 1 and 2) has now been completed at all subsidiaries except BCB. It is worth noting that Batch 1 covers the following aspects – organisation, scheme of delegation, steering and reporting – whilst Batch 2 relates to stress test and concentration ratios.

The roll-out of market risk management system is complete at the BOA Benin pilot site.

In addition, the ICAAP and PPR (PRCI equivalent) systems have been implemented by a number of subsidiaries that are systemically important to BOA Group. These include BOA Benin, Burkina Faso, Togo, Niger and BOA West Africa.

As far as compliance with US FATCA regulations is concerned, it is worth noting that, since early 2018, BANK OF AFRICA has initiated a Group-wide project with the help of a world-renowned consulting firm with recognised expertise in this area. All subsidiaries which had to be certified by the end of 2018 are now certified. Since FATCA certification takes effect from the date that an institution is registered on the US tax authorities' website ('Effective Date'), the other Group entities that are liable have had to be certified on a gradual basis prior to 2021. In short, BANK OF AFRICA Group is fully compliant with FATCA requirements.

The Business Continuity Plan is a response to the growing demand to minimise the impact in the event of any interruption to the Bank's operations. This is due to a growing reliance on the resources underpinning those operations, including human, IT or logistical resources.

The Plan comprises a set of measures and procedures aimed at ensuring that the Bank, under different crisis scenarios such as a major shock, is able to maintain essential services in fail-soft mode on a temporary basis, prior to resuming normal operations as planned.

A targeted rescue organisation has been set up, along with alternative locations and backup systems. A specific project is underway at Group level, with disaster avoidance planning a priority.

The main strategic transversal principles underpinning the Business Continuity Plan are as follows:

- BANK OF AFRICA has a moral responsibility to enable its customers to access the funds that they have entrusted to it. Any breach of this obligation in times of crisis may have an impact on public order. This principle shall prevail above any other.
- BANK OF AFRICA must fulfil its obligations towards Morocco's interbank clearing system.
- BANK OF AFRICA intends, as a priority, to fulfil its existing legal and contractual obligations (relating to loans and other commitments) before assuming any other obligation.
- BANK OF AFRICA intends to maintain its international credibility by guaranteeing, as a priority, its commitments vis-à-vis foreign correspondents:
  - ✓ BANK OF AFRICA Group's existing customers take priority over all others using its services
  - ✓ Services are provided along the entire chain from front-office to back-office e.g. from branch level up until they are recognised in accounting terms.

#### IT risk

Incidents which are considered an operational risk are reported via the MEGA HOPEX solution. The latter is used by operational risk correspondents, coordinators and liaison officers at various levels of the Bank and at those subsidiaries in which the solution has been implemented to declare operational risk incidents on an ongoing basis.

#### 4) Non-operating asset risk

BANK OF AFRICA S.A possesses a stock of non-operating property assets, acquired as dation-in-payment and valued at MAD 4.9 billion at 30 June 2022. As a result, the Bank is exposed to the risk of not being able to sell these assets or having to dispose of them at a loss. In compliance with regulatory requirements, uncertainty exists over the realisable value of MAD 1.5 billion of assets.

#### 5) Country risk

By country risk is meant the possibility that a sovereign counterparty of a given country, or other counterparties of this country, may be unable or unwilling to fulfil its obligations to a foreign country due to socio-political, economic or financial reasons.

Country risk may also result from restrictions to the free movement of capital or other political or economic factors and is therefore referred to as transfer risk. It may also arise from other risks in connection with the occurrence of events impacting the value of the commitments to the country in question (natural disasters, external shocks).

The primary aim of the Group's country risk policy is to establish a system that enables the Group to appraise, restrict, mitigate and, if necessary, suspend, in both a prudent and synchronised manner, its exposure to high-risk countries.

The Group's country risk policy comprises, in addition to the country risk management strategy, the principles for identifying, managing and controlling these risks as well as the organisational bodies responsible. The system for delegating and reducing exposure is the core feature of this managerial approach to risk prevention. The system has been designed so as to be increasingly restrictive as country risk increases. The level of exposure is therefore calibrated to the level of country risk, reflected by the rating assigned to each country and the extent to which each Group entity is capitalised.

The majority of BANK OF AFRICA's loan commitments are to Morocco-based counterparties. The Bank's exposure to foreign counterparties primarily relates to foreign credit institutions. These loan commitments are:

- Authorised after a rating is assigned and fundamental analysis carried out for each counterparty
- Monitored on a monthly basis with a regulatory statement filed with the central bank.

These statements provide an overview of BANK OF AFRICA Group's overall exposure to foreign banking counterparties. They reflect risk exposure by country and include all balance sheet and off-balance sheet assets representing loans and advances to residents of foreign countries.

In addition to these statements, Group Risk Management prepares a monthly analytical report on BANK OF AFRICA Group's foreign exposure. This report enables the Group to assess its level of foreign exposure and provide a framework for monitoring risk trends for each country.

Monthly reporting by overseas subsidiaries and the parent company enables the Group Risk Management Department to assess each country's potential risk factors and helps to establish risk-mitigation strategies.

Stress tests are carried out every six months to assess the impact from such circumstances on the Group's capital adequacy and non-performing loan profile. These stress tests cover countries to which the Group has significant exposure as well as those which are politically unstable.

As part of its strategic development plan, BANK OF AFRICA is studying various scenarios including bolstering and/or maintaining its presence in some countries whilst withdrawing from others.



## 6) COVID-19 pandemic unpredictable in terms of its duration and impact

In the context of implementing the government-approved emergency plan for the tourism industry and in contributing to the nationwide effort to support households and those sectors impacted by the COVID-19 pandemic, BANK OF AFRICA continued to make every effort to implement new deferral measures for maturities falling between January 2022 and December 2022 for:

- Tourist Accommodation Establishments (EHT), as defined by current regulations
- Businesses with regulated activities (travel agencies and classified restaurants), supervised by the Ministry of Tourism
- Tourism Transport Operators (ETT), in accordance with the specific provisions relating to tourism transport activities.

## 7) Environmental-related financial risk

Appraising and managing environmental and social risks and impacts are an integral part of the overall risk management process for funded projects. It is essential for the sustainable and successful environmental performance of projects.

The due diligence process implemented by BANK AFRICA aims to:

- Identify the environmental, social and health and safety impacts/risks that may arise
- Assess whether a project complies with national regulations, IFC performance standards, the World Bank's general and business sector guidelines, the Equator Principles and best environmental and social practices
- Draw up an action plan to mitigate these risks and resolve any detected incidents of non-compliance.

During H1 2022 financial year, no financial risk related to environmental issues was recorded.

**WARNING**

The above information forms only part of the prospectus approved by the Moroccan Capital Markets Authority (AMMC 13/12/2022 with reference number EN/EM/041/2022).  
The AMMC recommends that interested parties read the entire prospectus which is available to the general public in French.