



## PROSPECTUS SUMMARY

**ISSUE OF SUBORDINATED  
BOND LOAN LISTED AND UNLISTED  
RESERVED TO TWO QUALIFIED INVESTORS  
TOTAL AMOUNT OF THE ISSUE: 60,000,000 MAD  
MATURITY: 5 YEARS**

	Tranche A Listed	Tranche B Unlisted
Amount of issue	MAD 45 000 000	MAD 15 000 000
Number	450 subordinated bonds	150 subordinated bonds
Nominal value	MAD 100 000	MAD 100 000
Rate	Fixed, by reference to the 5-year Treasury Bonds secondary market rate curve as at 31/01/2014, i.e. 4.75%, increased by a risk premium	Fixed, by reference to the 5-year Treasury Bonds secondary market rate curve as at 31/01/2014, i.e. 4.75%, increased by a risk premium
Risk premium	120 pbs	120 pbs
Allocation method	Tranche reserved to AXA Assurance Maroc	Tranche reserved to CIMR IDDIKHAR
Repayment method	In fine	In fine
Tradability of securities	Tradable in the Casablanca Stock Exchange	Traded by mutual agreement (over-the-counter)

**Subscription period: from 19/03/2014 to 21/03/2014 included  
Issue reserved for two Moroccan qualified investors:  
AXA Assurance Maroc and CIMR Iddikhar**

Financial Advisor and Global Coordinator	
	
Agency in charge of the registration	Agency in charge of the Centralizing
	

### Approval of the Conseil Déontologique des Valeurs Mobilières (Moroccan Securities Commission)

In accordance with the provisions of the circular of the CDVM, delivered in application of Section 14 of the Decree n° 1-93-212 of September 21<sup>st</sup>, 1993 related to the Conseil Déontologique des Valeurs Mobilières (CDVM) and to the information required from legal entities issuing securities to the public, as amended and extended, the original copy of the present prospectus has been approved by the CDVM on 11/03/2014 under the reference n° VI/EM/004/2014.

## Warning

The CDVM approved on 11/03/2014 a prospectus summary related to the issue of a subordinated bond amounting to 60,000,000 MAD.

The prospectus summary, as approved by CDVM, is available at any time at the Head Quarter of AXA CREDIT: 79, Avenue Moulay Hassan 1<sup>er</sup>, Casablanca and at its Financial Advisor Financier Crédit du Maroc : 48-58 Boulevard Mohammed V, Casablanca.

The prospectus is made available to the public at the Head Office of the Casablanca Stock Exchange and on its website [www.casablanca-bourse.com](http://www.casablanca-bourse.com). It is furthermore available on the CDVM website [www.cdvm.gov.ma](http://www.cdvm.gov.ma).

- **Introduction of the operation**

- **Particulars of the issue**

- **Specific features of Tranche A (At fixed rate, listed on the Casablanca Exchange)**

***Caution: The subordinated bond differs from the classical bond on account of the rank of loans contractually defined by the subordination clause. The effect of the subordination clause is to condition, in case of liquidation of the issuer, the repayment of the funds borrowed after all secured or unsecured creditors have been paid first.***

<b>Nature of securities</b>	Subordinated bonds listed at the Casablanca Stock Exchange, dematerialized by entry into account at the central securities depository (Maroclear) and registered with the accounts of the chartered affiliates.
<b>Legal form</b>	To the holder
<b>Amount of the tranche</b>	45 000 000 Dirhams
<b>Number</b>	450 subordinated bonds
<b>Nominal value</b>	100 000 Dirhams
<b>Issue price</b>	100%, soit 100 000 Dirhams
<b>Loan maturity</b>	5 years
<b>Subscription period</b>	From 19/03/2014 to 21/03/2014 included
<b>Date of possession</b>	31/03/2014
<b>Maturity date</b>	31/03/2019
<b>Allocation method</b>	Tranche reserved to AXA Assurance Maroc
<b>Nominal interest rate</b>	5.95% Fixed interest rate set by reference to the 5-year Treasury Bonds secondary curve as published by Bank Al Maghrib as at 31 January 2014, i.e. 4.75% plus a 120 base points risk premium, i.e. 5.95%.
<b>Risk premium</b>	120 base points
<b>Interests</b>	Interests shall be served annually at the anniversary dates of the possession date of the loan, i.e. on 31/03 of each year. Their payment shall take place on the very same day or the first business day following the 31/03 if this day is not a business day. Interests on the subordinated bonds shall cease to accrue as of the day where the capital shall be proposed for repayment by AXA CREDIT. No postponement of the interest shall be possible under this operation. Interest shall be calculated according to the following formula : (Nominal x nominal rate).

<b>Repayment of principal</b>	<p>The subordinated loan bond, stated on the present prospectus, shall be subject of a repayment <i>in fine</i> of the principal amount.</p> <p>In the event of a merger, demerger or partial contribution of assets by/from AXA CREDIT In the event of a merger, demerger or partial contribution of assets from of AXA CREDIT occurring during the term of the loan and resulting in the universal transfer of the assets in favour of a distinct legal entity, the rights and obligations in connection with the subordinated bonds shall be automatically transferred to the legal entity substituted in the rights and obligations of AXA CREDIT.</p>
<b>Amortization/ Advance repayment</b>	<p>AXA CREDIT shall not, during the entire loan period, amortize/repay the subordinated bonds, subject of this issue.</p> <p>However, with the prior consent of Bank Al Maghrib, AXA CREDIT the bank reserves the right to buy-back the subordinated bonds on the secondary market, provided the legal and regulatory provisions so allows. This repurchase is any inconsequential to the subscriber wishing to keep their securities till due date and without any incident on the regular amortization schedule. The subordinated bonds thus redeemed will be cancelled.</p>
<b>Assimilation clauses</b>	<p>There is no assimilation of the subordinated bonds, subject of the present prospectus, to the subordinated bonds from a previous issue of securities.</p> <p>In case AXA CREDIT would subsequently issue new securities enjoying, in all regards, the rights that are identical to those of this issue, it may, without requiring the bearers' consent, carry out the assimilation of all the securities of the successive issues, thus unifying all their management and trading operations.</p>
<b>Rank of the loan</b>	<p>The capital and the interest shall be the subject of a subordination clause, as defined below.</p> <p>The application of this clause shall not adversely affect and by any means whatsoever, the legal rules concerning the accounting principles of loss allocation, the obligations of the shareholders and the subscriber's rights, in accordance with the conditions set out in the contract, to the payment of his securities in capital and interest</p> <p>In case of liquidation of AXA CREDIT, the capital and interests of the subordinated securities of this issue shall be paid back only after the compensation of all the secured or unsecured creditors. The repayment of the subordinated securities shall take place on the same ranking basis as all the other subordinated loans that may be issued subsequently by AXA CREDIT both in Morocco and abroad, proportionally to their amount where applicable..</p>
<b>Maintaining the loan's rank</b>	<p>AXA CREDIT commits, until the effective repayment of all the securities of this loan, not to institute on behalf of other subordinated securities that it is likely to issue at a later stage, any priority as to their rank of repayment in case of liquidation, without granting the same rights to the subordinated securities of this loan.</p>
<b>Securities listing</b>	<p>The bonds, subject of tranche A, shall be listed at the Casablanca Stock Exchange and shall be subject to a request for listing in the bond compartment of the Casablanca Stock Exchange. Their listing date is planned on 26/03/ 2014 on the bond compartment n° 990166 and under Ticker n°OB166.</p> <p>In order to be listed at the Casablanca Stock Exchange, the aggregate amounts allocated to instalment A must be equal to or greater than 20 Million Moroccan Dirhams. If at the close of the subscription period the aggregate amounts allocated to instalment A is lower than 20 million Moroccan Dirhams, the subscriptions relating to that instalment shall be cancelled</p>
<b>Procedure of first listing</b>	<p>The listing of instalment A shall be made by direct listing in accordance with Sections 1.2.6 and 1.2.22 of the General Regulation of the Stock Exchange.</p>
<b>Tradability of securities</b>	<p>The subordinated bonds, subject of this instalment, are freely tradable on the Casablanca Stock Exchange.</p> <p>There is no restriction imposed by the conditions of the issue to the free tradability of the subordinated bonds.</p>
<b>Entry of the operation in the Casablanca Stock Exchange</b>	<p>The body in charge of entering the operation at the Casablanca Stock Exchange is the investment company of Crédit du Maroc Capital.</p>
<b>Guarantee</b>	<p>This issue is not covered by any special guarantee.</p>
<b>Rating</b>	<p>This issue has not been subject to any rating request.</p>
<b>Release of funds</b>	<p>The bonds to be issued shall be paid-up at their subscription.</p>
<b>Representation of the bondholders' group</b>	<p>Until the holding of the General Meeting of bondholders, the Board of Directors, convened on 28/02/2014 appointed Mr. Jacques HUMBLE in his capacity as temporary agent of the group of bondholders.</p>

Applicable law	Moroccan legislation;
Court of Competent Jurisdiction	Casablanca Trade Court.

- [Specifications of Tranche B \(with fixed rate, not listed on the Casablanca Stock Exchange\)](#)

<b>Nature of securities</b>	Subordinated bonds not listed at the Casablanca Stock Exchange, dematerialized by entry into account at the central securities depository (Maroclear) and registered with the accounts of the chartered affiliates
<b>Legal form</b>	To the holder
<b>Amount of the tranche</b>	15,000,000 Dirhams
<b>Number</b>	150 subordinated bonds
<b>Nominal value</b>	100 000 Dirhams
<b>Issue price</b>	100%, i.e. 100 000 Dirhams
<b>Loan Maturity</b>	5 years
<b>Subscription period</b>	From 19/03/2014 to 21/03/2014 included
<b>Date of possession</b>	31/03/2014
<b>Maturity date</b>	31/03/2019
<b>Allocation method</b>	Tranche reserved for CIMR Iddikhar
<b>Nominal interest rate</b>	<b>5.95%</b> Fixed interest rate set by reference to the 5-year Treasury Bonds secondary curve as published by Bank Al Maghrib as at 31 January 2014, i.e. 4.75% plus a 120 base points risk premium, i.e. <b>5.95%</b> .
<b>Risk premium</b>	120 base points
<b>Interests</b>	Interests shall be served annually at the anniversary dates of the possession date of the loan, i.e.. on 31/03 of each year. Their payment shall take place on the very same day or the first business day following the 31/03 if this day is not a business day. Interests on the subordinated bonds shall cease to accrue as of the day where the capital shall be proposed for repayment by AXA CREDIT. No postponement of the interest shall be possible under this operation Interest shall be calculated as per the following formula : (Nominal x nominal rate).
<b>Repayment of the principal</b>	The subordinated loan bond, stated on the present prospectus, shall be subject of a repayment <i>in fine</i> of the principal amount. In the event of a merger, demerger or partial contribution of assets by/from AXA CREDIT occurring during the term of the loan and resulting in the universal transfer of the assets in favour of a distinct legal entity, the rights and obligations in connection with the subordinated bonds shall be automatically transferred to the legal entity substituted in the rights and obligations of AXA CREDIT.
<b>Amortization/Advance repayment</b>	AXA CREDIT shall not, during the entire loan period, amortize/repay the subordinated bonds, subject of this issue. However, with the prior consent of Bank Al Maghrib, AXA CREDIT the bank reserves the right to buy-back the subordinated bonds on the secondary market, provided the legal and regulatory provisions so allows. This repurchase is any inconsequential to the subscriber wishing to keep their securities till due date and without any incident on the regular amortization schedule. The subordinated bonds thus redeemed will be cancelled.
<b>Assimilation clauses</b>	There is no assimilation of the subordinated bonds, subject of the present prospectus, to the subordinated bonds from a previous issue of securities. In case AXA CREDIT would subsequently issue new securities enjoying, in all regards, the rights that are identical to those of this issue, it may, without requiring the bearers' consent, carry out the assimilation of all the securities of the successive issues, thus unifying all their management and trading operations.

<b>Rank of the loan</b>	The capital and interests shall be the subject of subordination clause, as defined hereafter. The application of this clause shall not adversely affect and by any means whatsoever, the legal rules concerning the accounting principles of loss allocation, the obligations of the shareholders and the vested rights of the subscribers to be paid for their securities, both capital and interests.  In case of liquidation of AXA CREDIT, the capital and interests of the subordinated securities of this issue shall be paid back only after the compensation of all secured or unsecured creditors. The repayment of these subordinated securities shall take place on the same ranking basis as all the other subordinated loans that have been and that may be issued subsequently by AXA CREDIT both in Morocco and abroad, proportionally to their amount where applicable..
<b>Maintaining the loan's rank</b>	AXA CREDIT is committed, until the effective repayment of all the securities of this loan, not to institute to the benefit of other subordinated loans that it is likely to issue later, any priority as to their rank of repayment in case of liquidation, without granting the same rights to the subordinated securities of this loan.
<b>Tradability of securities</b>	By mutual consent. There is no restriction imposed by the conditions of the issue to the free tradability of the subordinated bonds.
<b>Guarantee</b>	This issue has not been subject to any special guarantee.
<b>Rating</b>	This issue has not been subject to any rating request.
<b>Release of funds</b>	The bonds to be issued shall be paid-up at subscription.
<b>Representation of the bondholders' group</b>	Until the holding of the General Meeting of bondholders, the Board of Directors, convened on 28/02/2014 appointed Mr. Jacques HUMBLE in his capacity as temporary agent of the group of bondholders.
<b>Applicable law Court of Competent Jurisdiction</b>	Maroccan law ; Casablanca Court of Trade.

- **Objective of the operation**

The main objective of subordinated bond loan of AXA CREDIT is to reinforce the equity in order to support the expansion of its activities, especially by building its capacity to grant credits while respecting the solvency ratio as defined by Bank AL Maghrib.

- **Operation schedule**

<b>Orders</b>	<b>Steps</b>	<b>Deadline No later than</b>
<b>1</b>	Reception by the Casablanca Stock Exchange of the complete operation file	<b>10/03/2014</b>
<b>2</b>	Issue by the Casablanca Stock Exchange of the operation approval notice for Tranche A and of the operation schedule	<b>11/03/2014</b>
<b>3</b>	Reception of the prospectus approved by the CDVM by the Casablanca Stock Exchange	<b>11/03/2014</b>
<b>4</b>	Publication of the notice of the introduction of tranche A in the official list	<b>12/03/2014</b>
<b>5</b>	Publication by the issuer of the extract of the prospectus in a legal notice newspaper	<b>13/03/2014</b>
<b>6</b>	Beginning of the subscription period	<b>19/03/2014</b>
<b>7</b>	End of the subscription period	<b>21/03/2014</b>
<b>8</b>	Reception by the Casablanca Stock Exchange of the results of the operation	<b>24/03/2014</b>
<b>9</b>	<ul style="list-style-type: none"> <li>• Admission of bonds Tranche A bonds</li> <li>• Announcement of the results of the operation in the official list for tranche A</li> <li>• Registration of the transaction with the Stock Exchange</li> </ul>	<b>26/03/2014</b>
<b>10</b>	- Payment - Delivery	<b>31/03/2014</b>

- **Information on the issuer**

- **Activity**

AXA CREDIT operates on two distinct segments of financing loans: personal loans and automobile loans.

The gross production for FY 2012 amounted to 932.1 MDH, up by 10.1% versus the earlier fiscal year. For the 1<sup>st</sup> half-year of 2013, the gross production adds up to 484.3 MDH, up by 10.74%.

Furthermore, according to the statistics provided by APSF, the market share of AXA CREDIT is 3.1% of the net total production of the industry as at end of 2012 and of 3.02% as at end of June 2013. For the uncommitted credit, which is equal to 100% of all the credits granted by the Company, its market share stood at 5.5% in 2012 and 5.45% as at end of June 2013 versus 5.57% as at the 1<sup>st</sup> half year of 2012.

In terms of gross outstandings, the market share of AXA CREDIT in 2012 stood at 4.4% and 4.48% as at end of June 2013 versus 4.35% as at 30/06/2012. For the uncommitted credit tranche, accounting for 97.7% of its outstandings as at end of June 2013, its share in the sectoral outstanding is 6.7% in 2012 and 7.28% as at end of June 2013 (6.46% as at 30/06/2012).

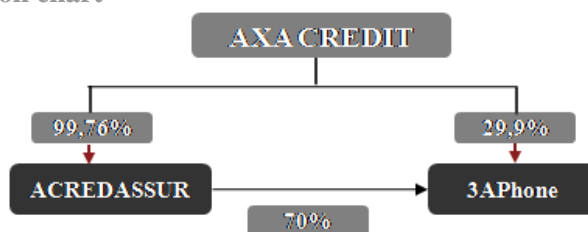
- **Stock ownership**

The changes in the capital of AXA CREDIT were along the following lines:

Share ownership	2010		2011		2012		2013	
	% of capital held	% of voting rights held	% of capital held	% of voting rights held	% of capital held	% of voting rights held	% of capital held	% of voting rights held
AXA Assurance Maroc	87.16%	87.16%	87.16%	87.16%	87.16%	87.16%	62.16%	62.16%
CIMR	-	-	-	-	-	-	25.00%	25.00%
Float	11.41%	11.41%	11.41%	11.41%	11.41%	11.41%	11.41%	11.41%
Savings growth	1.43%	1.43%	1.43%	1.43%	1.43%	1.43%	1.43%	1.43%

Source : AXA CREDIT

- **Legal organization chart**



Source : AXA CREDIT

- **Financial Statement**

- **Balance-sheet**

En KDH	2010	2011	2012	June-13
Cash values, central banks, public Treasury, postal cheque services	646	24 029	25 012	17 380
Receivables from credit and related institutions	187 696	50 241	16 637	31 157
Current	186 370	49 524	15 522	29 948
On the long term	1 326	717	1 115	1 209
Customers debts	1 464 044	1 597 337	1 723 216	1 746 090
Transaction and investment securities	-	-	-	-
Other assets	43 127	40 921	43 562	72 621
Equity securities and similar assets	1 786	1 786	1 786	1 786
Plant & Equipment	54 387	70 926	72 908	78 993
<b>Total Assets</b>	<b>1 751 686</b>	<b>1 785 239</b>	<b>1 883 121</b>	<b>1 948 026</b>

En KDH	2010	2011	2012	June-13
Amounts owed to credit and related institutions	1 084 478	1 061 628	1 302 121	1 354 401
Customer deposits	40 047	37 704	54 244	51 033
Debt securities issued	453 131	482 760	303 027	309 552
<i>Incl. marketable debt instruments</i>	-	-	-	-
<i>Incl. other debt securities issued</i>	453 131	482 760	303 027	309 552
Other liabilities	8 262	9 812	17 140	40 523
Provisions for risks and charges	7 906	12 006	27 420	12 926
Revaluation surplus	-	16 957	16 957	16 957
Capital-related reserves and premiums	76 422	84 000	84 000	84 000
Capital	60 000	60 000	60 000	60 000
Retained earnings	-	62	10 172	10 414
Net profit for the year	21 440	20 310	8 042	8 221
<b>Total Liabilities</b>	<b>1 751 686</b>	<b>1 785 239</b>	<b>1 883 121</b>	<b>1 948 026</b>

- **P&L (Profit and Loss)**

Revenue and expense account in Kdh	2010	2011	2012	June-12	June-13
Income from banking operations	168 765	179 744	191 561	94 764	100 031
Banking operating expenses	65 773	70 509	75 218	36 339	39 636
<b>Net banking income</b>	<b>102 992</b>	<b>109 236</b>	<b>116 343</b>	<b>58 425</b>	<b>60 394</b>
<b>Non net banking income</b>	<b>1 235</b>	<b>157</b>	<b>70</b>	<b>-1 870</b>	<b>-18</b>
General operating expenses	-54 688	-58 557	-62 973	-29 766	-33 943
Gross operating income	49 540	50 836	53 440	26 789	26 433
Appropriations to provisions on debts and for losses on irrevocable loans	-17 863	-27 022	-30 914	-5 705	-16 571
Provision write-off and reversal of depreciated loans	2 775	10 371	106	485	12 031
<b>Operating income</b>	<b>34 452</b>	<b>34 185</b>	<b>22 632</b>	<b>21 569</b>	<b>21 892</b>
<b>Non operating income</b>	<b>-434</b>	<b>-1 947,2</b>	<b>-1 645,3</b>	<b>0</b>	<b>-13 170</b>
Income tax	-12 578	-11 928	-12 945	-7 981	-501
<b>Net profit</b>	<b>21 440</b>	<b>20 310</b>	<b>8 042</b>	<b>13 589</b>	<b>8 221</b>
<i>Source : AXA CREDIT</i>					

- **Risks**

- **Client risk**

The portfolio of AXA CREDIT is comprised of three categories of customers: public officials, employees of contracted companies and direct customers.

The three categories involve a risk of fraud. In the face of fraud risks, AXA CREDIT joined the « anti-fraud Bureau», a tool created by APSF [Professional Association of Finance Companies] compiling relevant information on fraudulent credit applications and allowing, thanks to information sharing, the detection and prevention of cases of fraud. However, the risk of fraud still remains. As a matter of fact, in 2005 and 2006, 27 cases of fraud have been detected after financing whose production accounts for 0.2% of the total production of the two years. In 2012, two cases of fraud have caused net losses of 76 KDH. Fiscal year 2013 has seen one case of fraud, leading to a net loss of 30 KDH.

Nevertheless, each category involves specific risks, as follows:

#### **Risk on employees**

Compared to the private sector, the risk of redundancy or separation of the public officer remains limited.

Given this situation, AXA CREDIT decided, on the one hand to reduce the number of credits granted to public servants of 55 of age, and - on the other hand - AXA CREDIT entered into an agreement with CMR (Moroccan Retirement Fund) to meet the financing needs of its retired customers.

Furthermore, to limit its public servant customers' exposure to over indebtedness, AXA CREDIT decided to contain the production of this type of customers with the objective of the following distribution of outstanding loans:

- Contracted companies : 30%
- Public servants : 60%
- Direct : 10%

#### **Risk on contracted customers**

The contracted company undertakes to deduct every month from the salary of its employee the amount of the monthly tranche accruing to AXA CREDIT. The events likely to end in non-performing loans in this segment are:

- The company becoming insolvent: given the quality of contracted companies of AXA CREDIT, this risk remains limited.
- The salaried employee made redundant: In the same way as with public servants, the loss of job is a difficult risk to address.
- The nonpayment by the employer of the monthly tranches levied on salaries: in this case, pursuant to the agreement entered between the two parties, AXA CREDIT is entitled to take the employer to court.
- It should be underlined that in case of voluntary departure plan, the employer committed to deduct from the employee's account balance the capital outstanding to AXA CREDIT.
- AXA CREDIT Company has implemented a set of provision aimed at better anticipate and manage the risk inherent in this type of customers, especially:
  - A strict selection process of customers from contracted companies via the preparation of a legal analysis case file;
  - The implementation of monitoring tools for default rate of credit institutions clients
  - The holding of a weekly follow-up committee of outstanding loans.

#### **Exposure on direct customers**

The exposure inherent in this category is the greatest insofar as the monthly tranches are not withheld at source and that the credits are not guaranteed (with the exception of car loans). Nevertheless, the implementation of SAAR (Risk Appraisal Support) System has contributed to the reduction of this risk, now that defaulting customers have become known to all the members of APSF. The implementation of automated scoring tools has contributed to enhanced risk reduction.

- **Interest rate risk**

Like all other credit institutions, AXA CREDIT is exposed to interest rate-related variation risks. As a finance company, its profitability is directly related to the evolution of the Maximum Permissible Interest Rate [MPIR] (formerly APR), equal to the maximum usury rate applied by the industry. The maximum rate likely to be applied in April 2013 by the industry is 14.30% against 14.19% in April 2012. The steady decline of the MPIR had a significant impact on the industry's profitability and, more particularly, on small consumer finance companies with less control on the risks. Such companies are not often able to pass on their refinancing costs the drop in their operating margin. Given its financial structure and its belonging to a large financial group on the market place, AXA CREDIT has the means to adapt to the fall of the MPIR. In fact, the management of AXA CREDIT managed to limit the drop of its margin thanks to the diversification of its financing sources.

- **Risk of competition**

The industry is characterized by strong competition, hence triggering a declining trend in client rates, coupled to an increase in the durations, thus representing risks of over indebtedness for certain categories of customers.

In this context, AXA CREDIT is keen to grow without however engaging in a frantic market share race, but rather by continuously searching for the optimum mix between volume, margin and risk.

- **Operational risk**

Within the scope of the Basel II agreement, AXA CREDIT started a system for the management of operational risks and has, to this end, made a thorough inventory of risks, mapping the main risks to which the company is exposed.

These risks have been broken down in four main processes: credits, refinancing, accounting and IT, distributed in sub-processes.

Several types of systems are being currently used or developed to oversee the implementation of action plans intended to mitigate the impact of major operational risks inherent in these activities:

- Systematic entry of these updates in the agenda of work of each audit committee's work sessions.
- Establishment of a system for the collection of cases of incidents and losses
- Adoption of a regular reporting mechanism, intended for the management bodies, on the operational risks and on the follow-up of action plans
- Anti-fraud procedures and anti money laundering program
- Regular notices and prevention of certain types of operational risks
- Concerning ISD, a dedicated officer has been appointed as IT risk manager (ITRM)
- A business continuity plan

- **Liquidity risk**

To palliate the interest rate risk, AXA CREDIT diversifies its financing sources both in terms of rates and maturity. These sources are subscribed at a fixed interest rate. As for the applications, which are comprised mainly of advances to customers, they are also subscribed to at fixed rate.

AXA CREDIT has therefore a long-standing strategy and constant fixed rate management of sources, without exception.

These strategies are further supported by the ongoing search to back the durations of the sources with that of application.

Concerning the liquidity risk, the budgets necessary for the activity and the operation have been assessed and are the subject of ongoing negotiations and annual agreements with partner banks.

Thus, the cash flow needs are at all times provided for, therefore avoiding AXA CREDIT's exposure to liquidity risk.

These strategies are overseen and implemented by the Treasury Department, under the authority of the Financial Department. These strategies are further reviewed by a refinancing monthly operational committee, with the participation of the Senior Management.

- **Risk related to tax reassessment**

The Company was subject to an audit under the corporate income tax (CIT) and the Value-Added Tax (VAT) as well as Income Tax (IT) for fiscal years 2003 to 2006 and received a first notice for FY 2003 in December 2007, FY 2004 in December 2008 and for FYs 2005 and 2006 in December 2009.

Challenging most notified reassessments, the Company filed an appeal before the local taxation commission regarding the adjustments relating to the fiscal years 2003 to 2006.

A reserve of 6.5 million Dirhams was created to this end. In respect of FY 2011, an additional reserve relating to the tax risk has been created to the tune of 3.5 MDH and of 14 MDHS in respect of FY 2012. Therefore, to this end the cumulated provision stands at 24 MDH as at end of 2012.

It should be noted however that the tax audit which the Company was subjected to during earlier fiscal years, which involved Income Tax (IT), value-added tax (VAT) and Corporate Income Tax (CIT) for FYs 2003 to 2006, has been settled amicably during the first half of 2013 for a total amount of 32 MDH.

- **Regulatory risk**

AXA CREDIT must also face the regulatory risk, given the considerable number of regulations and the complex nature of the regulatory environment as well as their impact on the Company's profitability.

In order to ensure the management of the risks related to the regulatory compliance of the Company,

pursuant to directive n° DN 49/G/2007 of Bank Al Maghrib, AXA CREDIT created a «compliance» unit under the responsibility of the internal auditor, whose main missions are as follows:

- identifying the standards in force
- identifying and evaluating non compliance risks
- establishing and disseminating the procedures and internal controls relating to compliance
- ascertaining the respect of the compliance policy
- raising awareness among and training employees
- centralizing compliance-related issues and designing a reporting system for the Senior Management.
- Designing the report on compliance referred to in the circular G40

Furthermore, the operational risks management framework provides the integration of the legal sphere to palliate the risks of possible losses owing to inadequacy or failure of procedures, employees, internal systems or caused by external events.

## **Warning**

**The aforementioned information is only a part of the prospectus approved by CDVM, financial authority, under reference n° VI/EM/004/2014 on 11/03/2014. The CDVM recommends reading the full prospectus available to public in French.**