



## Prospectus Summary

**MAXIMUM OVERALL AMOUNT OF THE OPERATION: MAD 300,000,000**

	Tranche A, revisable annually	Tranche B at fixed rate, revisable every 5 years
<b>Issue ceiling</b>	MAD 300,000,000	
<b>Maximum number of securities</b>	3,000 perpetual subordinated bonds	
<b>Nominal value</b>	MAD 100,000	
<b>Maturity</b>	Perpetual	
<b>Interest rate</b>	<u>Revisable annually</u> , with reference to the 52-week rate determined from the reference rate curve of the secondary market for Treasury bills as it will be published by Bank Al-Maghrib on December 15, 2023, i.e. 3.07%. This rate will be increased by a risk premium of between 200 and 210 basis points, i.e. between 5.07% and 5.17%.	<u>Revisable every 5 years</u> , with reference to the 5-year sovereign rate determined from the reference rate curve of the secondary market for treasury bonds as published by Bank Al-Maghrib on December 15, 2023, i.e. 3.56%. This rate will be increased by a risk premium of between 220 and 230 basis points, i.e. between 5.76% and 5.86%.
<b>Risk premium</b>	200 and 210 bps	220 and 230 bps
<b>Tradability of securities</b>	Over the counter (off stock market)	
<b>Repayment guarantee</b>	<i>None</i>	
<b>Allocation method</b>	French-style auction with priority to tranche A (at an annually-revisable rate) then B (at a rate revisable every 5 years)	
<b>Subscription period</b>	From December 25 to December 27, 2023, inclusive	

**Subscription to these bonds as well as their trading on the secondary market are strictly reserved for investors qualified under Moroccan law listed in the securities note.**

Advisor and Global Coordinator	Placement Agent
	

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

In accordance with the provisions of the AMMC circular, issued pursuant to Article 5 of Law No. 44-12 on public offerings and information required of legal entities and savings organizations, this prospectus was approved by the AMMC on 18/12/2023 under reference no. VI/EM/040/2023. the securities note constitutes only a part of the AMMC-approved prospectus. The latter consists of the following documents:

- The Securities Note
- The reference document of Banque Centrale Populaire relating to the 2022 financial year and the first half of 2023 registered by the AMMC on December 18, 2023, under the reference EN/EM/036/2023.

## **Disclaimer**

On December 18, 2023, the Moroccan Capital Market Authority (AMMC) approved a prospectus relating to the perpetual subordinated bond issue by Banque Centrale Populaire.

The prospectus approved by the AMMC is available at any time from the head office of Banque Centrale Populaire, on its website [www.groupebcp.com](http://www.groupebcp.com), and from its financial advisor. It is also available within 48 hours from order-collecting institutions.

The prospectus is available to the public at the headquarters of the Casablanca Stock Exchange and on its website [www.casablanca-bourse.com](http://www.casablanca-bourse.com). It is also available on the AMMC website [www.ammc.ma](http://www.ammc.ma)

This summary has been translated by Lissaniat under the joint responsibility of the said translator and Banque Centrale Populaire. In the event of any discrepancy between the content of this summary and that of the prospectus approved by the AMMC, only the prospectus approved shall prevail.

**PART I**

**PRESENTATION OF THE OPERATION**

## I. OVERALL CHARACTERISTICS OF THE OPERATION

BCP plans to issue 3,000 perpetual subordinated bonds with a unit nominal value of MAD 100,000. The total amount of the operation amounts to MAD 300,000,000 (three hundred million dirhams) distributed as follows:

- **Tranche “A”**: with perpetual maturity, at an annually-revisable rate, not listed on the Casablanca Stock Exchange, with a ceiling of MAD 300,000,000 and a nominal unit value of MAD 100,000.
- **Tranche “B”**: with perpetual maturity, at a rate revisable every 5 years, not listed on the Casablanca Stock Exchange, with a ceiling of MAD 300,000,000 and a nominal unit value of MAD 100,000.

The total amount auctioned for the two tranches must in no case exceed the sum of MAD 300,000,000.

In accordance with the resolutions of the Ordinary General Meeting dated June 24, 2021 having authorized the Board of Directors to issue one or more subordinated bond loans, including AT1 type, (capped at MAD 10,000,000,000) if the issue is not fully subscribed, the amount of the issue may be limited to the amount of subscriptions actually received.

## II. OBJECTIVES OF THE OPERATION

As part of a sustained growth dynamic, Banque Centrale Populaire is continuing to implement its development strategy, with the aim of consolidating its position in the banking landscape.

The main purpose of this issue is to:

- Finance the Banque Centrale Populaire's development projects without altering its current regulatory capital;
- Strengthen current regulatory capital and, consequently, reinforce the Group's solvency ratio.

In accordance with circular 14/G/2013 of Bank Al-Maghrib relating to the calculation of the regulatory capital of credit institutions as amended and supplemented, the funds collected through this operation will be classified among Tier 1 capital additional category.

## III. CONDUCT OF THE OPERATION

### III.1 Timetable of the operation

Order	Steps	Date
1	Receipt of the AMMC approval	18/12/2023
2	Publication of the prospectus extract on BCP's website	18/12/2023
3	Publication by BCP of a press release in a Legal Gazette	20/12/2023
4	Opening of the subscription period	25/12/2023
5	Closing of the subscription period	27/12/2023
6	Allocation of securities	27/12/2023
7	Payment / Delivery	29/12/2023
8	Publication of the results of the operation and the interest rates retained in a Legal Gazette and on BCP's website	30/12/2023

### III.2 Investment syndicate and financial intermediaries

Type of financial intermediary	Name
Financial advisor and overall coordinator of the operation	<b>Upline Corporate Finance</b> 162, Angle Bvd d'Anfa et rue Molière – 20050 – Casablanca – Morocco Phone: 05 22 99 71 71
Placement agent	<b>Banque Centrale Populaire</b> 101, Bd Zerktouni, Casablanca Phone: 05 22 20 25 33
Centralizing body	<b>BCP2S</b> 27, Bd Mly Youssef – Casablanca Phone: 05 22 20 97 31

## IV. CHARACTERISTICS OF THE SECURITIES TO BE ISSUED

### Disclaimer

The perpetual subordinated bond is distinguished from the traditional bond due, on the one hand, to the rank of claims contractually defined by the subordination clause and, on the other hand, by its indefinite duration. The effect of the subordination clause is to condition, in the event of liquidation of the issuer, the repayment of the loan on the satisfaction of all other debts including subordinated bond loans with a specific maturity which have been issued and which could be issued later. The principal and interest relating to these securities constitute a commitment of last rank and rank and will rank higher only than the capital securities of Banque Centrale Populaire.

In addition, the attention of potential investors is drawn to the fact that:

- This perpetual bond issue does not have a specific maturity date but may be repaid at the option of the issuer and after agreement from Bank Al-Maghrib, which may have an impact on the planned maturity and the conditions of reinvestment;
- Investment in perpetual subordinated bonds includes clauses for depreciation of the nominal value of the securities and cancellation of interest payments.

Characteristics of the bonds are as follows:

### **Characteristics of tranche A (at an annually-revisable rate, with a perpetual maturity and not listed on the Casablanca Stock Exchange)**

Nature of securities	Perpetual subordinated bonds not listed on the Casablanca Stock Exchange, dematerialized by account registration with authorized financial intermediaries and admitted to operations of the central depository (Maroclear).
Legal form	Bearer bonds
Tranche ceiling	MAD 300,000,000
Maximum number of securities to be issued	3,000 subordinated bonds
Unit nominal value	MAD 100,000
Maturity	Perpetual, with the possibility of early repayment, beyond the 5 <sup>th</sup> year of the vesting date, which can only be carried out at the initiative of the issuer and after agreement from Bank Al-Maghrib with minimum notice of five years.

Subscription period	From December 25 to 27, 2023, inclusive
Vesting date	December 29, 2023
Risk premium	Between 200 and 210 bps
Issue price	At par, i.e., MAD 100,000 on the vesting date
Allocation method	French-style auction with priority to tranche A (at an annually-revisable rate) then B (at a rate revisable every 5 years)
Tradability of the bond	<p>Over the counter (off stock market)</p> <p>The perpetual subordinated bonds, subject of this issue, can only be negotiated between qualified investors listed in the securities note. Each qualified investor holding the perpetual subordinated bonds subject to the securities note undertakes to transfer said bonds only to the qualified investors listed in the securities note. Also, account holders must under no circumstances accept settlement and delivery instructions for the perpetual subordinated bonds subject to the securities note formulated by investors other than the qualified investors listed in the securities note.</p>
Facial interest rate	<p>Revisable annually</p> <p>For the first year, the facial interest rate is the full 52-week rate (monetary rate) determined from the reference rate curve of the secondary market for treasury bills as published by Bank Al-Maghrib on December 15, 2023, or 3.07%. This rate will be increased by a risk premium of between 200 and 210 basis points, or between 5.07% and 5.17%. The reference rate and the facial interest rates will be published by the Banque Centrale Populaire on its website on 30/12/2023 and in a legal notice journal on 30/12/2023.</p> <p>If the full 52-week rate is not directly observable on the curve, the reference rate is determined by linear interpolation using the two points surrounding the full 52-week maturity (monetary basis). This linear interpolation is performed after converting the rate immediately above the 52-week maturity (actuarial basis) into the equivalent monetary rate.</p> <p>The calculation formula is: <math>((\text{Actuarial rate} + 1)^{k/\text{exact number of days}} - 1) \times 360/k</math>; where  k: maturity of the actuarial rate to be converted  Exact number of days: 365 or 366 days (if leap year).</p> <p>The reference rate thus obtained will be increased by the risk premium set at the end of the auction (a risk premium of between 200 and 210 basis points) and will be communicated by Banque Centrale Populaire, via its website, to bondholders 5 business days before the anniversary date of each rate revision date and on the same day as the reference rate observation date.</p>
Interests	<p>Interests will be paid annually on the anniversary dates of the loan benefit date, i.e., December 29 of each year. Their payment will take place the same day or the first working day following December 29 if this is not a working day. Interest on perpetual subordinated bonds will cease to accrue from the day the capital is repaid by BCP. BCP may decide, at its discretion and after prior agreement from Bank Al-Maghrib, to cancel (in whole or in part) the payment of the amount of interest for an indefinite period and on a non-cumulative basis, with a view to meet its obligations (in particular following a request from Bank Al-Maghrib). Following this decision, any amount of canceled interest is no longer payable by the issuer or considered as accrued or due to all holders of perpetual bonds issued by BCP. Each cancellation decision will relate to the amount of the coupon for which payment was initially planned on the next anniversary date.</p> <p>BCP is required to apply the provisions of circular No. 14/G/2013 of Bank Al-Maghrib of August 13, 2013 relating to the calculation of the regulatory capital of credit institutions, including article 10 of</p>

the said circular. defining the basic capital instruments as being shares and any other element making up the share capital as well as the endowment respecting a certain number of criteria (listed below), including mainly the provision stipulating that distributions in the form of dividends or Others are only made once all legal and contractual obligations have been honored and payments on senior equity instruments have been made, including the perpetual subordinated obligations covered by this transaction note. All of the criteria mentioned above are as follows:

- The instruments are directly issued by the establishment after the prior agreement of its administrative body;
- The instruments are perpetual;
- The principal of the instruments cannot give rise to reduction or reimbursement, except in cases of liquidation of the establishment or after prior agreement from Bank Al-Maghrib;
- The instruments rank lower than all other claims in the event of insolvency or liquidation of the establishment;
- The instruments do not benefit from any security or guarantees from any of the related entities having the effect of enhancing the ranking of the claims;
- The instruments are not the subject of any arrangement, contractual or otherwise, enhancing the ranking of claims under these instruments in the event of insolvency or liquidation;
- The instruments make it possible to absorb the first part and proportionally the largest part of losses as soon as they occur;
- The instruments give their owner a claim on the residual assets of the establishment, which claim, in the event of liquidation and after payment of all higher-ranking claims, is proportional to the amount of the instruments issued. The amount of said debt is neither fixed nor subject to a ceiling, except in the case of company shares;
- The purchase of instruments is not financed directly or indirectly by the establishment;
- Distributions in the form of dividends or otherwise are only made once all legal and contractual obligations have been honored and payments on senior equity instruments have been made. These distributions can only come from distributable items. The level of distributions is not linked to the price at which the instruments were acquired upon issue, except in the case of shares;
- The provisions to which basic capital instruments are subject do not provide for (i) preferential rights for the payment of dividends, (ii) caps or other restrictions on the maximum amount of distributions, unless they are This concerns social shares, (iii) an obligation, for the establishment, to make distributions for the benefit of its holders;
- Non-payment of dividends does not constitute an event of default for the establishment;
- The cancellation of distributions does not impose any constraints on the establishment.

	<p>In the event of cancellation of the payment of the amount of interest, the issuer is required to inform, within a period of at least sixty calendar days before the payment date, the holders of perpetual bonds and the AMMC, of this cancellation decision. Holders of perpetual bonds are informed by a notice published by the BCP on its website and in a legal gazette specifying the amount of interest canceled, the reasons for this decision to cancel payment of the amount of interest as well as the corrective measures that have been implemented.</p> <p>The distribution of interest can only come from distributable items and is not linked to the credit quality of BCP.</p> <p>BCP may decide, at its discretion and after prior agreement from Bank Al-Maghrib, to increase the amount of a coupon to be paid which will, consequently, become greater than the amount of the coupon determined on the basis of the formula below. In the event of a decision to increase the amount of the coupon, the issuer is required to inform, within a period of at least sixty calendar days before the payment date, all holders of perpetual bonds issued by BCP and the AMMC, of this decision. Holders of perpetual bonds are informed by a notice published by the BCP on its website and in a legal notice journal.</p> <p>In the event of the existence of other instruments with a coupon payment cancellation mechanism, the decision to cancel / assess the amount of the coupon to be paid will be made in proportion to the amount of the coupon between all these instruments.</p> <p>Interest will be calculated according to the following formula: [Nominal x Facial interest rate].</p> <p>Interest will be calculated based on the last nominal value as defined in the “Loss absorption” clause or based on the remaining capital as defined in the “Capital repayment” clause.</p>
Capital repayment	<p>The capital repayment is subject to the agreement of Bank Al-Maghrib and is done linearly over a minimum period of 5 years (see “early repayment” clause).</p>
Early repayment	<p>Banque Centrale Populaire is prohibited from carrying out the early repayment of the perpetual subordinated bonds, subject of this issue, before a period of 5 years from the vesting date. Beyond 5 years, early repayment of all or part of the capital can only be made at the initiative of the issuer, subject to a minimum notice of five years and after agreement from Bank Al-Maghrib.</p> <p>Any early repayment (total or partial) will be made proportionally to all tranches of the perpetual subordinated bonds subject to this issue on a linear basis over a minimum period of 5 years. Holders of perpetual bonds will be informed of the early redemption through notices, as soon as the decision for early redemption is made with a reminder at least sixty calendar days before the start date of this redemption. These notices will be published in a legal notice newspaper and on the issuer's website and specify the amount and duration and start date of repayment.</p> <p>The issuer cannot proceed to total or partial early repayment of the perpetual subordinated bonds, subject of this issue, as long as their nominal value is depreciated in accordance with the “Loss absorption” clause. In the event that the Common Equity Tier1 (CET 1) ratio, as defined by Bank Al Maghrib, becomes less than 6.0% of the weighted risks, on an individual or consolidated basis, during the repayment period, the latter will be carried out on the basis of the initial nominal value of the securities.</p>

	<p>Any early repayment (total or partial), occurring before the anniversary date, will be made on the basis of the amount of capital remaining due and interest accrued on the repayment date.</p> <p>Banque Centrale Populaire is prohibited from repurchasing the perpetual subordinated bonds, the subject of this issue, as long as their nominal value is depreciated in accordance with the “Loss absorption” clause. The issuer is required to inform the AMMC as well as all holders of perpetual subordinated bonds having subscribed to this issue, of any possible redemption procedure, which must be subject to prior agreement from Bank Al- Maghrib, by a notice published on its website and in a legal notice newspaper specifying the number of bonds to be repurchased, the deadline and the price of the repurchase. BCP will repurchase in proportion to the sale orders presented (in the event that the number of securities presented is greater than the number of securities to be repurchased). Bonds repurchased will be canceled.</p> <p>In the event of a merger, split or partial contribution of BCP assets occurring during the term of the loan and resulting in the universal transfer of assets to the benefit of a separate legal entity, the rights and obligations under the perpetual subordinated bonds will be automatically transmitted to the legal entity substituted in the rights and obligations of the BCP.</p> <p>The repayment of capital is, in the event of liquidation of the Banque Centrale Populaire, subordinate to all other debts (see “Loan rank”).</p>
Loss absorption	<p>The securities are depreciated when the Common Equity Tier1 (CET 1) <sup>1</sup> ratio, as defined by Bank Al Maghrib, becomes less than 6.0% of the weighted risks, on an individual or consolidated basis. The securities are depreciated by the amount corresponding to the differential between theoretical Common Equity Tier 1 (CET1) capital making it possible to reach 6.0% of the risk-weighted CET 1 ratio and the effective CET 1 capital (after taking into account the effect linked to taxation). <sup>2</sup></p> <p>Said depreciation is carried out, within a period not exceeding one calendar month from the date of observation of non-compliance with the minimum ratio of 6.0%, on an individual or consolidated basis, by reducing the nominal value of the securities by the corresponding amount and this, within the limit of a minimum nominal value of 50 dirhams (in accordance with article 292 of law 17-95 relating to public limited companies as amended and supplemented).</p> <p>In the 30 days following each end of the half-year period (dates of half-yearly publication of solvency ratios) and an extraordinary or intermediate calculation date requested by the regulator, the issuer must verify that the Common Equity ratio (CET 1), as defined by Bank Al Maghrib, respects the minimum level of 6.0% of weighted risks, on an individual and consolidated basis. Banque Centrale Populaire will publish its CET1 ratio on an individual and consolidated basis as well as the forecast levels for each half-yearly reporting period of said ratio over 18 months, after prior agreement from its Board of Directors. The publication of the CET1 ratio as defined by Bank Al-Maghrib relating to the financial year closed as well as the forecast levels, on an individual and consolidated basis, will take place before the end of April for each closing of the annual</p>

<sup>1</sup> The historical evolution of the CET1 ratio and the solvency ratio are presented in the BCP reference document relating to the 2022 financial year and the first half of 2023 in section I.8 (for the ratios on a consolidated social basis) of part III and section II (for the social and consolidated ratios established on a forecast basis) of the issuer's risk factors part.

<sup>2</sup> A possible depreciation of the nominal value of the securities would allow the Banque Centrale Populaire to recognize an exceptional income allowing an increase in its net income and therefore in its equity.

accounts and before the end of October for each closing of the accounts. half-yearly and will be carried out through the Pillar III publications of the Banque Centrale Populaire (available on its website), these publications will be transmitted concomitantly to the AMMC. This publication will also take place, through a journal of legal announcements, within thirty days following the possible occurrence of a significant event affecting the regulatory ratios. These publications will be sent to the representative of the body of bondholders bringing together the holders of the perpetual subordinated bonds subject to this issue, at the same time as Bank Al-Maghrib and the AMMC, and must contain the details of the prudential ratios (equity ratio or Tier 1 Ratio (CET1) and solvency ratio), composition of regulatory capital as well as the distribution of weighted risks.

In the event of non-compliance with the minimum ratio of 6.0%, on an individual or consolidated basis, the issuer is required to immediately inform Bank Al-Maghrib and the AMMC and to send to the holders of perpetual bonds, within 5 working days from the date of observation of non-compliance with the minimum ratio of 6.0%, on an individual or consolidated basis, a notice published on its website and in a legal notice journal specifying the occurrence of an event triggering the loss absorption mechanism, the amount of depreciation of the nominal value of the securities, the method of calculating this amount, the corrective measures that have been implemented as well as the date on which this depreciation will take effect.

After a possible depreciation of the nominal value of the securities, and if the financial situation of the issuer which required this depreciation improves, the Banque Centrale Populaire may immediately trigger, after prior agreement from Bank Al-Maghrib, the appreciation mechanism. in whole or in part of the nominal value which has been subject to depreciation. The issuer must inform the holders of perpetual subordinated bonds, within one month, by notice published on its website and in a legal notice journal, of the decision to assess the nominal value, the amount, the method of calculation and the effective date of said assessment.

In the event of the existence of other instruments with a loss absorption mechanism, the depreciation/appreciation of the nominal value will be carried out pro rata between all the instruments whose trigger threshold has been crossed, on the basis of the last nominal value preceding the triggering date of the loss absorption mechanism.

Interest will be calculated over the interest period considered, on the basis of the last nominal value preceding the coupon payment date (taking into account the depreciation/appreciation of the nominal value).

In the event of depreciation or appreciation of the nominal value of the securities, the issuer must immediately inform the AMMC.

Assimilation clause

There is no assimilation of the perpetual subordinated bonds, the subject of the securities note, to the securities of a previous issue.

In the event that BCP subsequently issues new securities enjoying in all respects rights identical to those of the present issue, it may, without requiring the consent of the holders, provided that the issue contracts so provide, proceed with the assimilation of all the titles of successive issues, thus unifying all the operations relating to their management and trading.

Rank / Subordination	<p>The capital is subject to a subordination clause.</p> <p>The application of this clause does not in any way affect the rules of law concerning the accounting principles for allocation of losses, the obligations of shareholders and the rights of the subscriber to obtain, according to the conditions set out in the contract, payment for his securities. in capital and interest.</p> <p>In the event of liquidation of the Banque Centrale Populaire, the perpetual subordinated securities of this issue will only be repaid after payment of all traditional, privileged or unsecured creditors.</p> <p>These perpetual subordinated securities will be repaid after all other fixed-term subordinated loans that have been issued and which could be subsequently issued by BCP both in Morocco and internationally.</p> <p>This repayment will be made based on the smaller of the following two amounts:</p> <ul style="list-style-type: none"> <li>- The initial nominal value reduced by the amount of any repayments made previously;</li> <li>- The amount available after payment of all privileged or unsecured creditors and holders of fixed-term subordinated bonds which have been issued and which could be issued subsequently by the BCP both in Morocco and internationally;</li> </ul> <p>These perpetual subordinated bonds will rank equally with perpetual subordinated bonds of the same nature.</p>
Repayment guarantee	Bonds issued by BCP are not subject to any special guarantee.
Rating	This issue has not been the subject of a rating request.
Applicable Law / Competent Court	Moroccan law with the Commercial Court of Casablanca as a competent court.
Representation of Bondholders' body	<p>Pending the holding of the General Meeting of Bondholders, BCP Board of Directors held on November 8, 2017 appointed Mr. Hdid, chartered accountant, as provisional representative. This decision will take effect as soon as subscription opens. BCP board of directors undertakes to transmit to the AMMC the minutes of the General Meeting of Bondholders as soon as it is held.</p> <p>It being specified that the provisional representative appointed is identical for tranches A and B which are grouped into a single group;</p> <p>The provisional representative proceeds, within 6 months from the closing date of subscriptions, to the convening of the ordinary general meeting of bondholders for the purpose of electing the representative of the mass of bondholders in accordance with the provisions of the articles 301 and 301 bis of law 17-95 relating to public limited companies, as amended and supplemented.</p> <p>In accordance with article 301 bis of Law 17-95, it was decided to set the remuneration of the provisional representative and the representative of the bondholders' body at MAD 30,000 (excluding tax) per year in respect of the group.</p> <p>Mr. Mohamed Hdid has no capital or business relationship with BCP.</p> <p>Furthermore, he is representative of the bondholders' body for the bond issues carried out by BCP in 2014, 2017, 2018, 2019, 2020, 2021 and 2022.</p>
	In accordance with article 302 of the aforementioned law, the bondholders' representative, unless restricted by the general meeting of bondholders, the power to carry out in the name of the body all management acts necessary to safeguard common bondholders' interests.

**Characteristics of tranche B (at a rate revisable every 5 years, with a perpetual maturity and not listed on the Casablanca Stock Exchange)**

Nature of securities	Perpetual subordinated bonds not listed on the Casablanca Stock Exchange, dematerialized by account registration with authorized financial intermediaries and admitted to operations of the central depository (Maroclear).
Legal form	Bearer bonds
Tranche ceiling	MAD 300,000,000
Maximum number of securities to be issued	3,000 subordinated bonds
Unit nominal value	MAD 100,000
Maturity	Perpetual, with the possibility of early repayment, beyond the 5 <sup>th</sup> year of the vesting date, which can only be carried out at the initiative of the issuer and after agreement from Bank Al-Maghrib with minimum notice of five years.
Subscription period	From December 25 to 27, 2023, inclusive
Vesting date	December 29, 2023
Risk premium	Between 220 and 230 bps
Issue price	At par, i.e., MAD 100,000 on the vesting date
Allocation method	French-style auction with priority to tranche A (at an annually-revisable rate) then B (at a rate revisable every 5 years)
Tradability of the bond	Over the counter (off stock market)  The perpetual subordinated bonds, subject of this issue, can only be negotiated between qualified investors listed in the securities note. Each qualified investor holding the perpetual subordinated bonds subject to the securities note undertakes to transfer said bonds only to the qualified investors listed in the securities note. Also, account holders must under no circumstances accept settlement and delivery instructions for the perpetual subordinated bonds subject to the securities note formulated by investors other than the qualified investors listed in the securities note.
Facial interest rate	Revisable every 5 years
	For the first 5 years, the facial interest rate is the full 5-year rate determined with reference to the 5-year sovereign rate from the reference rate curve of the secondary market for treasury bonds as published by Bank Al-Maghrib on December 15, 2023, or 3.56%. This rate will be increased by a risk premium of between 220 and 230 basis points, or 5.76% and 5.86%. The reference rate and the facial interest rates will be published by the Banque Centrale Populaire on its website on 30/12/2023 and in a legal notice journal on 30/12/2023.
	every 5 years, the reference rate is the 5-year sovereign rate fixed and amortized annually with a grace period of 5 years determined with reference to the secondary curve of Treasury bills published by Bank Al-Maghrib, preceding the date by 5 working days coupon anniversary.
	The reference rate thus obtained will be increased by the risk premium set at the end of the auction (risk premium of between 220 and 230 basis points) and will be communicated by the Banque Centrale Populaire, via its website, to the bondholders 5 business days before the anniversary date of each rate revision date and the same day as the reference rate observation date.
Reference rate calculation method	The reference rate is determined by the linear interpolation method using the two points surrounding the equivalent maturity (fixed and amortized annually with a grace period of 5 years)

	<p>This linear interpolation will be done after converting the rate immediately above the 10-year maturity (actuarial basis) into an equivalent monetary 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: maturity of the actuarial rate that we wish to transform</p> <p>*Exact number of days: 365 or 366 days</p>
Interest rate determination date	<p>The coupon will be revised annually on the anniversary dates of the loan benefit date, i.e., December 29 of each year.</p> <p>The new rate will be communicated by the issuer to bondholders, via its website, 5 working days before the anniversary date.</p>
Interests	<p>Interest will be paid annually on the anniversary dates of the loan benefit date, i.e., December 29 of each year. Their payment will take place the same day or the first working day following December 29 if this is not a working day. Interest on perpetual subordinated bonds will cease to accrue from the day the capital is repaid by BCP. BCP may decide, at its discretion and after prior agreement from Bank Al-Maghrib, to cancel (in whole or in part) the payment of the amount of interest for an indefinite period and on a non-cumulative basis, with a view to meet its obligations (in particular following a request from Bank Al-Maghrib). Following this decision, any amount of canceled interest is no longer payable by the issuer or considered as accrued or due to all holders of perpetual bonds issued by BCP. Each cancellation decision will relate to the amount of the coupon for which payment was initially planned on the next anniversary date.</p> <p>BCP is required to apply the provisions of circular No. 14/G/2013 of Bank Al-Maghrib of August 13, 2013 relating to the calculation of the regulatory capital of credit institutions, including article 10 of the said circular. defining the basic capital instruments as being shares and any other element making up the share capital as well as the endowment respecting a certain number of criteria (listed below), including mainly the provision stipulating that distributions in the form of dividends or Others are only made once all legal and contractual obligations have been honored and payments on senior equity instruments have been made, including the perpetual subordinated obligations covered by this transaction note. All of the criteria mentioned above are as follows:</p> <ul style="list-style-type: none"> <li>- The instruments are directly issued by the establishment after the prior agreement of its administrative body;</li> <li>- The instruments are perpetual;</li> <li>- The principal of the instruments cannot give rise to reduction or reimbursement, except in cases of liquidation of the establishment or after prior agreement from Bank Al-Maghrib;</li> <li>- The instruments rank lower than all other claims in the event of insolvency or liquidation of the establishment;</li> <li>- The instruments do not benefit from any security or guarantees from any of the related entities having the effect of enhancing the ranking of the claims;</li> <li>- The instruments are not the subject of any arrangement, contractual or otherwise, enhancing the ranking of claims under these instruments in the event of insolvency or liquidation;</li> </ul>

- The instruments make it possible to absorb the first part and proportionally the largest part of losses as soon as they occur;
- The instruments give their owner a claim on the residual assets of the establishment, which claim, in the event of liquidation and after payment of all higher-ranking claims, is proportional to the amount of the instruments issued. The amount of said debt is neither fixed nor subject to a ceiling, except in the case of company shares;
- The purchase of instruments is not financed directly or indirectly by the establishment;
- Distributions in the form of dividends or otherwise are only made once all legal and contractual obligations have been honored and payments on senior equity instruments have been made. These distributions can only come from distributable items. The level of distributions is not linked to the price at which the instruments were acquired upon issue, except in the case of shares;
- The provisions to which basic capital instruments are subject do not provide for (i) preferential rights for the payment of dividends, (ii) caps or other restrictions on the maximum amount of distributions, unless they are This concerns social shares, (iii) an obligation, for the establishment, to make distributions for the benefit of its holders;
- Non-payment of dividends does not constitute an event of default for the establishment;
- The cancellation of distributions does not impose any constraints on the establishment.

In the event of cancellation of the payment of the amount of interest, the issuer is required to inform, within a period of at least sixty calendar days before the payment date, the holders of perpetual bonds and the AMMC, of this cancellation decision. Holders of perpetual bonds are informed by a notice published by the BCP on its website and in a legal gazette specifying the amount of interest canceled, the reasons for this decision to cancel payment of the amount of interest as well as the corrective measures that have been implemented.

The distribution of interest can only come from distributable items and is not linked to the credit quality of BCP.

BCP may decide, at its discretion and after prior agreement from Bank Al-Maghrib, to increase the amount of a coupon to be paid which will, consequently, become greater than the amount of the coupon determined on the basis of the formula below. In the event of a decision to increase the amount of the coupon, the issuer is required to inform, within a period of at least sixty calendar days before the payment date, all holders of perpetual bonds issued by BCP and the AMMC, of this decision. Holders of perpetual bonds are informed by a notice published by the BCP on its website and in a legal notice journal.

In the event of the existence of other instruments with a coupon payment cancellation mechanism, the decision to cancel / assess the amount of the coupon to be paid will be made in proportion to the amount of the coupon between all these instruments.

Interest will be calculated according to the following formula:  
[Nominal x Facial interest rate].

	Interest will be calculated based on the last nominal value as defined in the “Loss absorption” clause or based on the remaining capital as defined in the “Capital repayment” clause.
Capital repayment	The capital repayment is subject to the agreement of Bank Al-Maghrib and is done linearly over a minimum period of 5 years (see “early repayment” clause).
Early repayment	<p>Banque Centrale Populaire is prohibited from carrying out the early repayment of the perpetual subordinated bonds, subject of this issue, before a period of 5 years from the vesting date. Beyond 5 years, early repayment of all or part of the capital can only be made at the initiative of the issuer, subject to a minimum notice of five years and after agreement from Bank Al-Maghrib.</p> <p>Any early repayment (total or partial) will be made proportionally to all tranches of the perpetual subordinated bonds subject to this issue on a linear basis over a minimum period of 5 years. Holders of perpetual bonds will be informed of the early redemption through notices, as soon as the decision for early redemption is made with a reminder at least sixty calendar days before the start date of this redemption. These notices will be published in a legal notice newspaper and on the issuer's website and specify the amount and duration and start date of repayment.</p> <p>The issuer cannot proceed to total or partial early repayment of the perpetual subordinated bonds, subject of this issue, as long as their nominal value is depreciated in accordance with the “Loss absorption” clause. In the event that the Common Equity Tier1 (CET 1) ratio, as defined by Bank Al Maghrib, becomes less than 6.0% of the weighted risks, on an individual or consolidated basis, during the repayment period, the latter will be carried out on the basis of the initial nominal value of the securities.</p> <p>Any early repayment (total or partial), occurring before the anniversary date, will be made on the basis of the amount of capital remaining due and interest accrued on the repayment date.</p> <p>Banque Centrale Populaire is prohibited from repurchasing the perpetual subordinated bonds, the subject of this issue, as long as their nominal value is depreciated in accordance with the “Loss absorption” clause. The issuer is required to inform the AMMC as well as all holders of perpetual subordinated bonds having subscribed to this issue, of any possible redemption procedure, which must be subject to prior agreement from Bank Al- Maghrib, by a notice published on its website and in a legal notice newspaper specifying the number of bonds to be repurchased, the deadline and the price of the repurchase. BCP will repurchase in proportion to the sale orders presented (in the event that the number of securities presented is greater than the number of securities to be repurchased). Bonds repurchased will be canceled.</p> <p>In the event of a merger, split or partial contribution of BCP assets occurring during the term of the loan and resulting in the universal transfer of assets to the benefit of a separate legal entity, the rights and obligations under the perpetual subordinated bonds will be automatically transmitted to the legal entity substituted in the rights and obligations of the BCP.</p> <p>The repayment of capital is, in the event of liquidation of the Banque Centrale Populaire, subordinate to all other debts (see “Loan rank”).</p>

Loss absorption

The securities are depreciated when the Common Equity Tier1 (CET 1)<sup>1</sup> ratio, as defined by Bank Al Maghrib, becomes less than 6.0% of the weighted risks, on an individual or consolidated basis. The securities are depreciated by the amount corresponding to the differential between theoretical Common Equity Tier 1 (CET1) capital making it possible to reach 6.0% of the risk-weighted CET 1 ratio and the effective CET 1 capital (after taking into account the effect linked to taxation).<sup>2</sup>

Said depreciation is carried out, within a period not exceeding one calendar month from the date of observation of non-compliance with the minimum ratio of 6.0%, on an individual or consolidated basis, by reducing the nominal value of the securities by the corresponding amount and this, within the limit of a minimum nominal value of 50 dirhams (in accordance with article 292 of law 17-95 relating to public limited companies as amended and supplemented).

In the 30 days following each end of the half-year period (dates of half-yearly publication of solvency ratios) and an extraordinary or intermediate calculation date requested by the regulator, the issuer must verify that the Common Equity ratio (CET 1), as defined by Bank Al Maghrib, respects the minimum level of 6.0% of weighted risks, on an individual and consolidated basis. Banque Centrale Populaire will publish its CET1 ratio on an individual and consolidated basis as well as the forecast levels for each half-yearly reporting period of said ratio over 18 months, after prior agreement from its Board of Directors. The publication of the CET1 ratio as defined by Bank Al-Maghrib relating to the financial year closed as well as the forecast levels, on an individual and consolidated basis, will take place before the end of April for each closing of the annual accounts and before the end of October for each closing of the accounts. half-yearly and will be carried out through the Pillar III publications of the Banque Centrale Populaire (available on its website), these publications will be transmitted concomitantly to the AMMC. This publication will also take place, through a journal of legal announcements, within thirty days following the possible occurrence of a significant event affecting the regulatory ratios. These publications will be sent to the representative of the body of bondholders bringing together the holders of the perpetual subordinated bonds subject to this issue, at the same time as Bank Al-Maghrib and the AMMC, and must contain the details of the prudential ratios (equity ratio or Tier 1 Ratio (CET1) and solvency ratio), composition of regulatory capital as well as the distribution of weighted risks.

In the event of non-compliance with the minimum ratio of 6.0%, on an individual or consolidated basis, the issuer is required to immediately inform Bank Al-Maghrib and the AMMC and to send to the holders of perpetual bonds, within 5 working days from the date of observation of non-compliance with the minimum ratio of 6.0%, on an individual or consolidated basis, a notice published on its website and in a legal notice journal specifying the occurrence of an event triggering the loss absorption mechanism, the amount of depreciation of the nominal value of the securities, the method of calculating this amount, the corrective measures that have been

<sup>1</sup> The historical evolution of the CET1 ratio and the solvency ratio are presented in the BCP reference document relating to the 2022 financial year and the first half of 2023 in section I.8 (for the ratios on a consolidated social basis) of part III and section II (for the social and consolidated ratios established on a forecast basis) of the issuer's risk factors part.

<sup>2</sup> A possible depreciation of the nominal value of the securities would allow the Banque Centrale Populaire to recognize an exceptional income allowing an increase in its net income and therefore in its equity.

	<p>implemented as well as the date on which this depreciation will take effect.</p> <p>After a possible depreciation of the nominal value of the securities, and if the financial situation of the issuer which required this depreciation improves, the Banque Centrale Populaire may immediately trigger, after prior agreement from Bank Al-Maghrib, the appreciation mechanism. in whole or in part of the nominal value which has been subject to depreciation. The issuer must inform the holders of perpetual subordinated bonds, within one month, by notice published on its website and in a legal notice journal, of the decision to assess the nominal value, the amount, the method of calculation and the effective date of said assessment.</p> <p>In the event of the existence of other instruments with a loss absorption mechanism, the depreciation/appreciation of the nominal value will be carried out pro rata between all the instruments whose trigger threshold has been crossed, on the basis of the last nominal value preceding the triggering date of the loss absorption mechanism.</p> <p>Interest will be calculated over the interest period considered, on the basis of the last nominal value preceding the coupon payment date (taking into account the depreciation/appreciation of the nominal value).</p> <p>In the event of depreciation or appreciation of the nominal value of the securities, the issuer must immediately inform the AMMC.</p>
Assimilation clause	<p>There is no assimilation of the perpetual subordinated bonds, the subject of the securities note, to the securities of a previous issue.</p> <p>In the event that BCP subsequently issues new securities enjoying in all respects rights identical to those of the present issue, it may, without requiring the consent of the holders, provided that the issue contracts so provide, proceed with the assimilation of all the titles of successive issues, thus unifying all the operations relating to their management and trading.</p>
Rank/Subordination	<p>The capital is subject to a subordination clause.</p> <p>The application of this clause does not in any way affect the rules of law concerning the accounting principles for allocation of losses, the obligations of shareholders and the rights of the subscriber to obtain, according to the conditions set out in the contract, payment for his securities. in capital and interest.</p> <p>In the event of liquidation of the Banque Centrale Populaire, the perpetual subordinated securities of this issue will only be repaid after payment of all traditional, privileged or unsecured creditors.</p> <p>These perpetual subordinated securities will be repaid after all other fixed-term subordinated loans that have been issued and which could be subsequently issued by BCP both in Morocco and internationally.</p> <p>This repayment will be made based on the smaller of the following two amounts:</p> <ul style="list-style-type: none"> <li>- The initial nominal value reduced by the amount of any repayments made previously;</li> <li>- The amount available after payment of all privileged or unsecured creditors and holders of fixed-term subordinated bonds which have been issued and which could be issued subsequently by the BCP both in Morocco and internationally;</li> </ul>

	These perpetual subordinated bonds will rank equally with perpetual subordinated bonds of the same nature.
Repayment guarantee	Bonds issued by BCP are not subject to any special guarantee.
Rating	This issue has not been the subject of a rating request.
Applicable Law / Competent Court	Moroccan law with the Commercial Court of Casablanca as a competent court.
Representation of Bondholders' body	<p>Pending the holding of the General Meeting of Bondholders, BCP Board of Directors held on November 8, 2017 appointed Mr. Hdid, chartered accountant, as provisional representative. This decision will take effect as soon as subscription opens. BCP board of directors undertakes to transmit to the AMMC the minutes of the General Meeting of Bondholders as soon as it is held.</p> <p>It being specified that the provisional representative appointed is identical for tranches A and B which are grouped into a single group;</p> <p>The provisional representative proceeds, within 6 months from the closing date of subscriptions, to the convening of the ordinary general meeting of bondholders for the purpose of electing the representative of the mass of bondholders in accordance with the provisions of the articles 301 and 301 bis of law 17-95 relating to public limited companies, as amended and supplemented.</p> <p>In accordance with article 301 bis of Law 17-95, it was decided to set the remuneration of the provisional representative and the representative of the bondholders' body at MAD 30,000 (excluding tax) per year in respect of the group.</p> <p>Mr. Mohamed Hdid has no capital or business relationship with BCP.</p> <p>Furthermore, he is representative of the bondholders' body for the bond issues carried out by BCP in 2014, 2017, 2018, 2019, 2020, 2021 and 2022.</p> <p>In accordance with article 302 of the aforementioned law, the bondholders' representative, unless restricted by the general meeting of bondholders, the power to carry out in the name of the body all management acts necessary to safeguard common bondholders' interests.</p>

## Event of Default

An event of default ("Event of Default") is the failure to pay all or part of the interest and/or principal amount due by the Issuer in respect of any Bond unless payment is made within 14 business days of its due date and unless the Issuer has decided, with the consent of Bank Al-Maghrib, to cancel (in whole or in part) the payment of interest in accordance with the provisions set out in the characteristics of the perpetual subordinated bonds set out above.

In the event of an Event of Default, the Mandataire de la Masse des Obligataires must immediately send a formal notice to the Issuer to remedy the Event of Default with an order to pay any amount due by the Issuer within 14 business days of the formal notice.

The representative of the mass of holders of Perpetual Subordinated Bonds shall, by written notice to the Issuer, declare immediately due and payable (i) in the absence of early redemption, the initial principal amount and (ii) in the event of early redemption, the principal amount outstanding, together with interest accrued or accrued and any amounts due under the Bond, including any late payment interest, subject to a decision to the contrary by the general meeting of Perpetual Subordinated Bondholders to be held prior to the expiry of the aforementioned fourteen (14) day period.



## I. GENERAL INFORMATION

Banque Centrale Populaire (BCP) is an agency affiliated to Crédit Populaire du Maroc - CPM. This latter, established by virtue of Dahir No 1-60-232 dated February 2nd, 1961, is governed by Law No 12-96 on CPM reform as amended and supplemented.

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

<b>Corporate name</b>	Banque Centrale Populaire – BCP
<b>Registered office</b>	101, Boulevard Zerktouni- B.P : 20100, Casablanca
<b>Phone number</b>	(212) 522 20 25 33 / 522 22 41 11 / 522 22 25 89
<b>Fax number</b>	(212) 522 22 26 99 / 522 20 93 40
<b>Website</b>	<a href="http://www.gbp.ma">www.gbp.ma</a>
<b>Legal form</b>	BCP is a Limited Company (Ltd.) with a Board of Directors, governed by the provisions of Law No 17-95 as amended and supplemented <sup>1</sup> .
<b>Date of establishment</b>	Banque Centrale Populaire was created by virtue of Dahir No 1-60-232 dated February 2nd, 1961 as a Variable Capital Cooperative Company.
<b>Life span</b>	99 years
<b>Registry of Commerce</b>	R.C. Casablanca No 28173
<b>Fiscal year</b>	From January 1st to December 31st
<b>Corporate objectives</b>	Article 5 of Banque Centrale Populaire bylaws stipulates the following: <b>1- Bank's operations</b> <ul style="list-style-type: none"><li>▪ The company is intended to carry out, as a usual vocation, all operations that are likely to be practiced by banks under the provisions of Law No 103-12 governing credit institutions and similar bodies and by any text amending or supplementing this Law.</li></ul>

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

- The company carries out its banking activities under the supervision as well as the financial and technical administrative control of the Steering Committee of Crédit Populaire du Maroc.

## **2- Central banking body of Banques Populaires Régionales**

- The company is the central banking body of Banques Populaires Régionales governed by the aforementioned Law No 12/96.
- As such, the bank is in charge of the following:
  - Compensation of reciprocal receivables and payables of the bodies of Crédit Populaire du Maroc;
  - Refunding of Banques Populaires Régionales, within the conditions established by the Steering Committee;
  - Centralization of subscriptions of public or private transferable securities collected by the bodies of Crédit Populaire du Maroc;
  - Consolidation of the accounts of CPM bodies and their subsidiaries. For the establishment of its consolidated financial statements, the consolidating entity is composed of the bodies affiliated to Crédit Populaire du Maroc;
  - Management, according to the terms set by the Steering Committee:
    - Cash surplus of Banques Populaires Régionales;
    - Common interest services to agencies of Credit Populaire du Maroc;
    - Support fund of Crédit Populaire du Maroc, which develops its internal rules and submits them for approval by the Steering Committee;
    - The centralization of declarations of any kind with respect to Bank Al-Maghrib, the Board of Directors and Professional Bodies;
  - Any mission entrusted to it by the Steering Committee, pursuant to Article 11 of Law no. 12-96.

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

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

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

**4- Functional, investments and share acquisition operations - Subsidiaries**

- Subject to compliance with standards, procedures and financing conditions of the budgets set by the Steering Committee of Crédit Populaire du Maroc, the company can conduct the following operations:

**4.1- Functional activities:**

- The company can perform all functional expenses required for its activity.

**4.2- Investment:**

- The company can carry out all movable or immovable investments necessary for the exercise of its activity, the safeguard of its interests and the housing of its staff.

**4.3- Share acquisition in BPR's capital**

The Steering Committee determines the level of the participation of Banque Centrale Populaire in the capital of Banques Populaires Régionales, notwithstanding the provisions of Article 23 of Law No 12-96.

**4.4- Other share acquisitions and subsidiaries**

- Share acquisitions by Banque Centrale Populaire in one or more other bodies of the Crédit Populaire du Maroc are subject to the prior approval of the Steering Committee who shall determine the level and terms.
- The company can, subject to compliance with the provisions of Law No 103-12 relating to credit institutions and similar bodies, the regulation in force, and subject to the Steering Committee authorization:
  - Take the existing or new shares of all companies or enterprises while giving priority to those enclosing a regional or local interest.

	<ul style="list-style-type: none"> <li>- Create or delete any subsidiary, in Morocco or abroad, in charge of managing or exploiting common activities to Banque Populaire Group.</li> <li>▪ However, the company cannot intervene directly in territorial constituencies where Banques Populaires Régionales operate only in agreement with the concerned Banque Populaire Régionale. In case of conflict, the Director shall decide.</li> <li>▪ And more generally, the company can conduct all banking, financial, commercial, industrial, movable or immovable operations, related directly or indirectly to its corporate objectives.</li> </ul>
<b>Share capital</b>	<ul style="list-style-type: none"> <li>▪ As of September 30, 2023, MAD 2,033,124,730 divided into 203,312,473 shares with a nominal value of MAD 10.</li> </ul>
<b>Legal documents</b>	<ul style="list-style-type: none"> <li>▪ Legal documents, including the statutes, minutes of shareholders' meetings, auditors' reports and management reports are available at Banque Centrale Populaire Headquarters.</li> </ul>
<b>Applicable laws and regulations</b>	<ul style="list-style-type: none"> <li>▪ Due to its legal form, BCP is governed by the Moroccan law and Law No 17-95 dated August 30<sup>th</sup>, 1996 on Limited Companies, as amended and supplemented;</li> <li>▪ BCP is one of the companies listed in Organic Law No. 02-12 on appointments to senior positions;</li> <li>▪ Due to its affiliation to Crédit Populaire du Maroc, BCP is governed by Law No 12-96, as amended and supplemented by Law No 42-07, Law No 44-08 and Law No 77-14, regarding CPM;</li> <li>▪ Due to its business activity, BCP is governed by No 103-12 relating to credit institutions and similar bodies;</li> <li>▪ Due to its listing in the stock exchange, BCP is governed by all statutory and regulatory provisions relating to the financial market including: <ul style="list-style-type: none"> <li>▪ General Regulations of the Stock Exchange approved by Ministerial Order no. 2208-19 of July 3, 2019;</li> <li>▪ Law no. 19-14 relating to the Stock Exchange, brokerage firms and financial investment advisors;</li> <li>▪ Dahir 1-96-246, dated 9 January, 2011, providing Law No. 35-96 on the creation of the Central Depository and the establishment of a general system of registration of certain securities, amended and supplemented by Law No. 43-02;</li> <li>▪ General Regulation of the Central Depository approved by the Decree of the Minister of Economy and Finance No 932-98 dated April 16<sup>th</sup>, 1998, amended and supplemented by the Decree 1961-01 published in OB 4966 of January 3<sup>rd</sup>, 2002 and the decree 77-05 of March 17<sup>th</sup>, 2005;</li> </ul> </li> </ul>

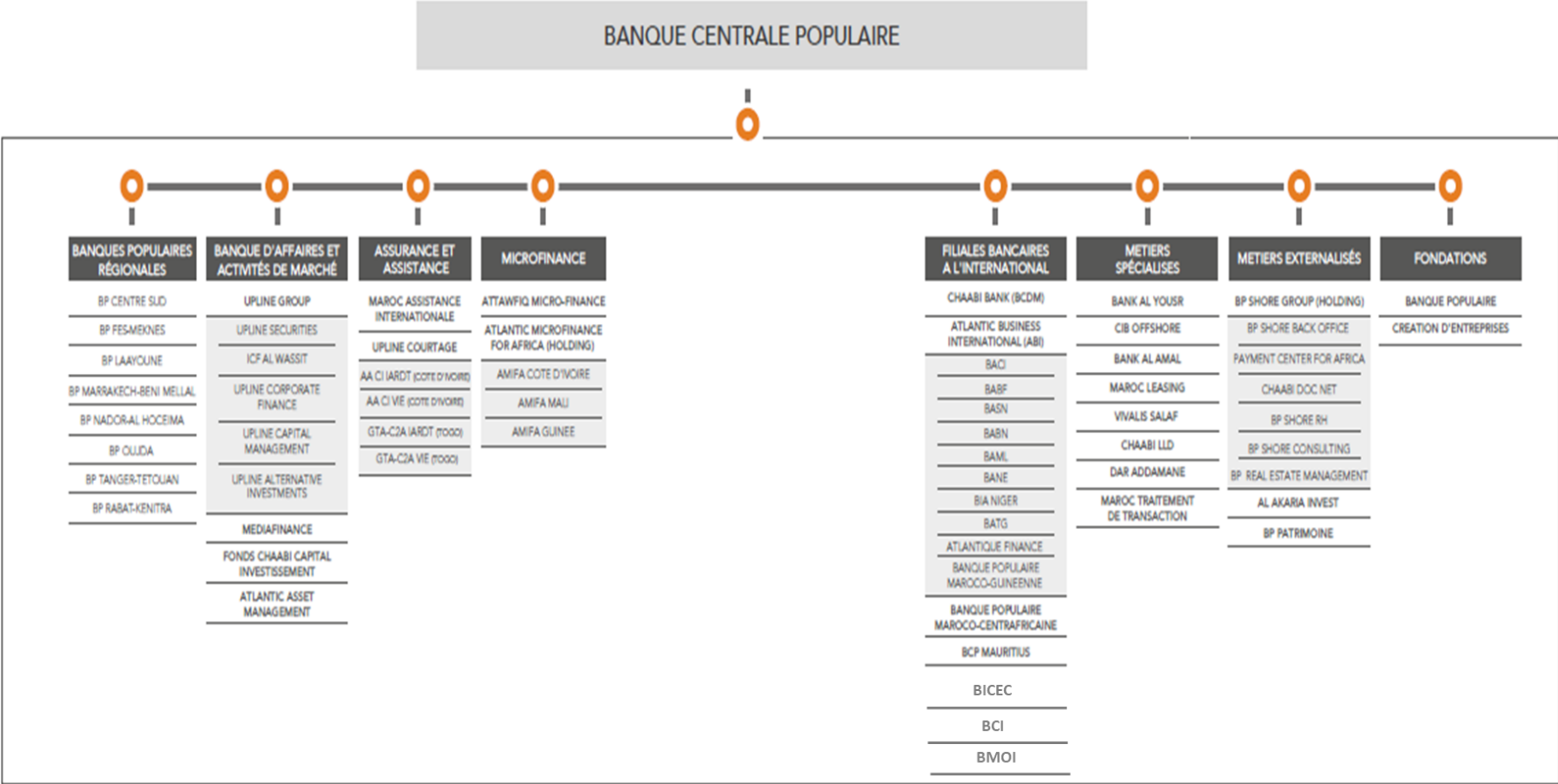
	<ul style="list-style-type: none"> <li>▪ Law no. 26-03 on public offerings on the stock market, as amended and supplemented by law no. 46-06;</li> <li>▪ Law no. 44-12 on public offerings and information required from legal entities and organizations making public offerings;</li> <li>▪ General regulations of the Moroccan Capital Market Authority (AMMC) as approved by Order of the Minister of the Economy and Finance No. 2169/16 of July 14<sup>th</sup> 2016;</li> <li>▪ Law 43-12 relating to the Moroccan Capital Market Authority;</li> <li>▪ AMMC circulars.</li> <li>▪ Due to its issue program for certificates of deposit, BCP is governed by law 35-94 relating to negotiable debt securities (NDS), as amended and supplemented, and Ministerial Order No. 2560-95 relating to NDS, as amended and supplemented, as well as BAM circular No. 2/G/96 of January 30<sup>th</sup>, 1996 relating to certificates of deposit and its amendment.</li> </ul>
<b>Tax system</b>	<ul style="list-style-type: none"> <li>▪ As part of the 2023 Tax Act, a comprehensive reform of the corporate income tax has been implemented, with the gradual aim of achieving a corporate income tax rate of 40% by 2026. The current rate is 37.75%. As a credit institution, BCP is subject to 10% VAT.</li> </ul>
<b>Competent court in case of litigation</b>	<ul style="list-style-type: none"> <li>▪ Commercial Court of Casablanca.</li> </ul>

## II. ACTIVITY OF BANQUE CENTRALE POPULAIRE

### II.1. ABOUT CRÉDIT POPULAIRE DU MAROC

Crédit Populaire du Maroc is a group of banks made up of the Banque Centrale Populaire and the Banques Populaires Régionales and placed under the supervision of the Management Committee. It participates in the financing of SMEs and handicrafts and ensures MRA transfers. In addition, it plays an active role in the collection and mobilization of savings and contributes to its use in the various regions of the country.

The BCP Group is also present in several business lines as shown in the organization chart below:



Source: BCP

### III. SHAREHOLDING OF BANQUE CENTRALE POPULAIRE

As of September 30, 2023, the capital of the Banque Centrale Populaire is distributed as follows:

Shareholders	30-Sept-23	
	Number of securities held	% of capital and voting rights
BPR	71 896 454	35.36%
Treasury	1	0.00%
Staff	9 523 773	4.68%
BPCE Morocco	8 821 043	4.34%
Selected institutions of which:	91 950 414	45.23%
MCMA	18 036 196	8.87%
CIMR	30 300 960	14.90%
RCAR	11 462 803	5.64%
Various shareholders	20 970 288	10.31%
Treasury shares	150 500	0.07%
<b>TOTAL</b>	<b>203 312 473</b>	<b>100.00%</b>

### IV. COMPOSITION OF THE BOARD OF DIRECTORS AND EXECUTIVE COMMITTEE

The Board of Directors of the Banque Centrale Populaire is as follows:

Name	Board position	Appointment or cooptation date	Date of last reappointment	Appointment expiry date
<b>Mr. Mohamed Karim Mounir</b>	Chairman of the Board of Directors	Cooptation by the Board of Directors on 01/11/2018	23/02/2023	Annual General Meeting to approve the 2028 financial statements
<b>Mrs. Naziha Belkeziz</b>	Independent Director	Annual General Meeting of June 27, 2023	-	Annual General Meeting to approve the 2028 financial statements
<b>Mrs. Nathalie Akon Gabala</b>	Director	Cooptation by the Board of Directors on 25-02-2021	Annual General Meeting of June 27, 2023	Annual General Meeting to approve the 2028 financial statements
<b>Mr. Omar Faraj</b>	Independent Director	Annual General Meeting of 27/06/2023	-	Annual General Meeting to approve the 2028 financial statements
<b>Banque Populaire of Rabat-Kenitra</b> Represented by the Chairman of the Management Board Mrs. Bouchra Berrada	Director	Annual General Meeting of 25/05/2005	Annual General Meeting of June 27, 2023	Annual General Meeting to approve the 2028 financial statements
<b>Banque Populaire Nador- Al Hoceima</b> Represented by the Chairman of the Management Board, Mr. Mounir Zorkani	Director	Cooptation of Board of Directors on 28/02/2020	Annual General Meeting of June 27, 2023	Annual General Meeting to approve the 2028 financial statements
<b>Banque Populaire of Tangier-Tetouan</b> Represented by the Chairman of the Management Board, Mr. Mohamed Affane	Director	Annual General Meeting of 27/02/2001	Annual General Meeting of June 27, 2023	Annual General Meeting to approve the 2028 financial statements
<b>Caisse Interprofessionnelle Marocaine de Retraite</b>	Director	Cooptation by the Board of Directors on 02/06/2016	Annual General Meeting of June 27, 2023	Annual General Meeting to approve the 2028 financial statements

Represented by the CEO Mr. Khalid Cheddadi

<b>BPCE MAROC</b> Represented by Mrs. Christine Fabresse	Director	Annual General Meeting of 24/05/2013	Annual General Meeting of June 27, 2023	Annual General Meeting to approve the 2028 financial statements
<b>Mr. Adriano Arietti</b>	Independent Director	Annual General Meeting of 24/05/2013	Annual General Meeting of June 27, 2023	Annual General Meeting to approve the 2028 financial statements
<b>Mutuelle Centrale Marocaine d'Assurances (MCMA)</b> Represented by Mr. Hicham Belmrah Chairman of the Management Board of MCMA	Director	Annual General Meeting of 24/05/2013	Annual General Meeting of June 27, 2023	Annual General Meeting to approve the 2028 financial statements
<b>Mutuelle Agricole Marocaine d'Assurances (MAMDA)</b> Represented by Mr. Larbi Lahlou	Director	Annual General Meeting of June 27, 2023	-	Annual General Meeting to approve the 2028 financial statements

Source: BCP

The Board of Directors of the Banque Centrale Populaire is as follows:

Name	Title	Date of appointment/reappointment	Date of appointment expiry
<b>Mr. Mohamed Karim Mounir</b>	Chairman of the Management Board	23-02-23	2029
<b>Mrs. Bouchra Berrada</b>	Chairman of the Management Board, Banque Populaire de Rabat-Kénitra (representative of the Board of Directors)	29-09-23	2029
<b>Mrs. Christine Fabresse</b>	Permanent representative of BPCE MAROC (representative of the Board of Directors)	29-09-23	2029
<b>Mr. Hicham Belmrah</b>	Chairman of the Management Board of Mutuelle Centrale Marocaine d'Assurances (MCMA) (representative of the Board of Directors)	29-09-23	2029
<b>Mr. Khalid Cheddadi</b>	CEO of Caisse Interprofessionnelle Marocaine de Retraite (representative of the Board of Directors)	29-09-23	2029
<b>Mrs. Lalla El Hajja El Joumani</b>	Chairman of the Supervisory Board, Banque Populaire of Laayoune	15-09-23	2029
<b>Mr. Abdallah El Bourkadi</b>	Chairman of the Supervisory Board, Banque Populaire of Fez-Meknès	15-09-23	2029
<b>Mr. Abdallah Harguil</b>	Chairman of the Supervisory Board, Banque Populaire of Centre Sud	15-09-23	2029
<b>Mr. Fouad EL Bernoussi</b>	Chairman of the Supervisory Board, Banque Populaire of Rabat-Kénitra	15-09-23	2029
<b>Mrs. Massandjé Toure-Litse</b>	Independent member	25-02-21	2027
<b>Mr. Abdellatif Guerraoui</b>	Independent member	25-02-21	2027

## V. LEGAL ORGANIZATION CHART

The organization chart of the Banque Centrale Populaire is as follows:



**PART II**

**FINANCIAL DATA**

## I. BCP BALANCE SHEET

BCP's balance sheet is as follows:

### Assets

In MMAD	2020(*)	2021	2022	Δ 20/21	Δ 21/22
Cash values, central banks. Public Treasury, services of postal checks	17 918	21 757	18 854	21%	-13%
Financial assets at fair value through result	72 351	80 535	80 313	11%	0%
<i>Financial assets held for sale</i>	59 857	65 134	57 035	9%	-12%
<i>Other financial assets at fair value through result</i>	12 494	15 401	23 278	23%	51%
Financial assets at fair value through equity	36 712	41 593	50 740	13%	22%
<i>Debt instruments recorded at fair value through recyclable equity</i>	31 782	35 868	44 526	13%	24%
<i>Debt instruments recorded at fair value through non- recyclable equity</i>	4 930	5 725	6 214	16%	9%
<i>Financial assets available at the sale</i>				NA	NA
Securities at amortized cost	8 108	6 590	15 041	-19%	128%
Loans and receivables to credit and similar institutions	19 032	17 181	24 018	-10%	40%
Client loans and receivables	255 602	259 517	277 667	2%	7%
Due tax assets	1 754	1 913	1 775	9%	-7%
Deferred tax assets	4 397	4 212	4 727	-4%	12%
Accruals and other assets	6 489	11 070	7 531	71%	-32%
Investments in equity- consolidated companies	22	21	23	-5%	8%
Investment property	8 155	7 142	7 390	-12%	3%
Tangible assets	10 131	10 006	9 009	-1%	-10%
Intangible assets	1 166	1 095	1 061	-6%	-3%
Purchase goodwill	2 437	2 382	2 479	-2%	4%
<b>TOTAL IFRS ASSETS</b>	<b>444 274</b>	<b>465 014</b>	<b>500 630</b>	<b>5%</b>	<b>8%</b>

(1) Reclassification in 2020 of investment properties previously classified under "Property, plant and equipment" and "Other assets" for MAD 5,781,524 thousand and MAD 2,373,143 thousand respectively.

Source: BCP IFRS consolidated financial statements

### Liabilities

In MMAD	2020	2021	2022	Δ 20/21	Δ 21/22
Central banks. Public Treasury, services of postal checks	1 210	2	0	-100%	-89%
Financial liabilities at fair value through result	-	-	-	NA	NA
Hedging derivatives	-	-	-	NA	NA
Loans and receivables to credit and similar institutions	33 389	36 558	42 288	9%	16%
Debts to clients	331 639	341 890	367 966	3%	8%
Debts represented by a security	-	-	-	NA	NA
Issued loan securities	551	509	645	-8%	27%
Current tax liabilities	2 032	2 980	2 032	47%	-32%
Deferred tax liabilities	843	903	958	7%	6%
Accruals and other liabilities	9 727	12 866	12 465	32%	-3%
Technical provisions of insurance agreements	1 592	1 855	2 043	16%	10%
Provisions for risks and costs	5 129	5 863	5 898	14%	1%

Subsidies, restricted public funds and special funds of guarantee	4 251	4 217	3 766	-1%	-11%
Subordinated debts	10 690	9 775	10 275	-9%	5%
Capital and associated reserves	28 194	28 910	29 437	3%	2%
Consolidated reserves	13 935	16 498	20 124	18%	22%
- Group share	3 179	2 321	1 472	-27%	-37%
- BPRs' share	-	-	-	NA	NA
- Minority shareholding	10 757	14 177	18 652	32%	32%
Latent or deferred gains or losses. group share	-190	-536	-778	<-100%	-45%
- Group share	-13	-341	-701	<-100%	<-100%
- BPRs' share	-	-	-	NA	NA
- Minority shareholding	-177	-196	-77	-11%	61%
Net profit of the FY	1 283	2 725	3 512	>100%	29%
- Group share	1 229	1 765	2 750	44%	56%
- BPRs' share	-	-	-	NA	NA
- Minority shareholding	54	961	762	>100%	-21%
<b>IFRS TOTAL LIABILITIES</b>	<b>444 274</b>	<b>465 014</b>	<b>500 630</b>	<b>5%</b>	<b>8%</b>

Source: BCP consolidated IFRS accounts

## II. BCP CONSOLIDATED IFRS ACCOUNTS

### Assets at June 30, 2023

In MMAD	2022	juin-23	Δ 22/juin-23
Cash values, central banks. Public Treasury, services of postal checks	18 854	19 321	2%
Financial assets at fair value through result	80 313	87 038	8%
<i>Financial assets held for sale</i>	<i>57 035</i>	<i>63 000</i>	<i>10%</i>
<i>Other financial assets at fair value through result</i>	<i>23 278</i>	<i>24 037</i>	<i>3%</i>
Financial assets at fair value through equity	50 740	32 448	-36%
<i>Debt instruments recorded at fair value through recyclable equity</i>	<i>44 526</i>	<i>25 083</i>	<i>-44%</i>
<i>Debt instruments recorded at fair value through non-recyclable equity</i>	<i>6 214</i>	<i>7 365</i>	<i>19%</i>
<i>Financial assets available at the sale</i>	<i>-</i>	<i>-</i>	<i>NA</i>
Securities at amortized cost	15 041	31 707	>100%
Loans and receivables to credit and similar institutions	24 018	28 177	17%
Client loans and receivables	277 667	272 535	-2%
Due tax assets	1 775	1 792	1%
Deferred tax assets	4 727	4 412	-7%
Accruals and other assets	7 531	9 267	23%
Investments in equity-consolidated companies	23	25	10%
Investment property	7 390	7 155	-3%
Tangible assets	9 009	10 072	12%
Intangible assets	1 061	1 011	-5%
Purchase goodwill	2 479	2 396	-3%
<b>TOTAL IFRS ASSETS</b>	<b>500 630</b>	<b>507 357</b>	<b>1%</b>

Source: BCP consolidated IFRS accounts

## Liabilities at June 30, 2023

In MMAD	2022	juin-23	Δ 22/juin-23
Central banks. Public Treasury, services of postal checks	0	3	>100%
Financial liabilities at fair value through result	-	-	NA
Hedging derivatives	-	-	NA
Loans and receivables to credit and similar institutions	42 288	41 797	-1%
Debts to clients	367 966	370 235	1%
Debts represented by a security	-	-	NA
Issued loan securities	645	479	-26%
Current tax liabilities	2 032	2 403	18%
Deferred tax liabilities	958	1 013	6%
Comptes de régularisation et autres passifs	12 465	15 300	23%
Provisions techniques des contrats d'assurance	2 043	2 298	12%
Provisions for risks and costs	5 898	6 275	6%
Subsidies, restricted public funds and special funds of guarantee	3 766	3 774	0%
Subordinated debts	10 275	10 379	1%
<b>Capital</b>	<b>52 295</b>	<b>53 401</b>	<b>2%</b>
Capital and associated reserves	29 437	29 931	2%
<b>Consolidated reserves</b>	<b>20 124</b>	<b>21 622</b>	<b>7%</b>
- Group share	1 472	1 912	30%
- Minority shareholding	18 652	19 710	6%
<b>Latent or deferred gains or losses. group share</b>	<b>-778</b>	<b>-939</b>	<b>-21%</b>
- Group share	-701	-797	-14%
- Minority shareholding	-77	-142	-84%
<b>Net profit of the FY</b>	<b>3 512</b>	<b>2 787</b>	<b>-21%</b>
- Group share	2 750	2 346	-15%
- Minority shareholding	762	441	-42%
<b>IFRS TOTAL LIABILITIES</b>	<b>500 630</b>	<b>507 357</b>	<b>1%</b>

Source: BCP consolidated IFRS accounts

## BANQUE CENTRALE POPULAIRE INCOME STATEMENT

Income statement of BCP is as follows:

### Annual income statement :

In MMAD	2020	2021	2022	Δ 20/21	Δ 21/22
Interests and similar income	16 846	17 302	19 495	3%	13%
Interests and similar costs	-4 900	-4 538	-5 748	-7%	27%
<b>INTEREST MARGIN</b>	<b>11 946</b>	<b>12 764</b>	<b>13 747</b>	<b>7%</b>	<b>8%</b>
Commissions receivables	3 741	4 147	4 304	11%	4%
Commissions payments	-345	-580	-604	68%	4%
<b>COMMISSIONS MARGIN</b>	<b>3 396</b>	<b>3 567</b>	<b>3 700</b>	<b>5%</b>	<b>4%</b>
Net gains and losses on financial instruments at the fair value through result	2 718	2 477	1 302	-9%	-47%
Net gains or losses on financial assets held for sale	365	521	1 060	43%	103%
<b>RESULT OF TRADING ACTIVITIES</b>	<b>3 083</b>	<b>2 998</b>	<b>2 362</b>	<b>-3%</b>	<b>-21%</b>
Income from other activities	2 310	2 089	2 068	-10%	-1%
Costs of other activities	-1 449	-1 331	-1 268	-8%	-5%
<b>NET BANKING INCOME</b>	<b>19 287</b>	<b>20 087</b>	<b>20 609</b>	<b>4%</b>	<b>3%</b>
General operating costs	-9 570	-8 687	-9 398	-9%	8%

Allocation to amortizations and depreciations of tangible and intangible assets	-1 460	-1 337	-1 335	-8%	0%
<b>GROSS OPERATIONAL RESULT</b>	<b>8 257</b>	<b>10 063</b>	<b>9 875</b>	<b>22%</b>	<b>-2%</b>
Risk cost	-6 129	-5 537	-4 294	-10%	-22%
<b>OPERATING RESULT</b>	<b>2 128</b>	<b>4 526</b>	<b>5 582</b>	<b>&gt;100%</b>	<b>23%</b>
Share of the result of equity-consolidated companies	-3	-1	-0,47	-67%	-53%
Net gains or losses on other assets	-4	-73	45	>100%	<-100%
Change of goodwill purchase values	-	-	-	NA	NA
<b>PRE-TAX RESULT</b>	<b>2 121</b>	<b>4 452</b>	<b>5 627</b>	<b>&gt;100%</b>	<b>26%</b>
Benefit tax	-838	-1 726	-2 115	>100%	23%
<b>NET RESULT</b>	<b>1 283</b>	<b>2 725</b>	<b>3 512</b>	<b>&gt;100%</b>	<b>29%</b>
Résultat - part BPR	54	961	762	>100%	-21%
<b>BCP GROUP NET SHARE</b>	<b>1 229</b>	<b>1 765</b>	<b>2 750</b>	<b>44%</b>	<b>56%</b>

Source: BCP consolidated IFRS accounts

### Semi-annual income statement :

In MMAD	juin-22	juin-23	Δ 06/22-06/23
Interests and similar income	9 485	9 791	3%
Interests and similar costs	-2 820	-2 614	-7%
<b>INTEREST MARGIN</b>	<b>6 665</b>	<b>7 178</b>	<b>8%</b>
Commissions receivables	2 083	2 142	3%
Commissions payments	-251	-259	4%
<b>COMMISSIONS MARGIN</b>	<b>1 832</b>	<b>1 882</b>	<b>3%</b>
Net gains and losses on financial instruments at the fair value through result	952	1 412	48%
Net gains or losses on financial assets held for sale	558	853	53%
<b>RESULT OF TRADING ACTIVITIES</b>	<b>1 511</b>	<b>2 265</b>	<b>50%</b>
Income from other activities	1 036	1 022	-1%
Costs of other activities	-583	-605	4%
<b>NET BANKING INCOME</b>	<b>10 462</b>	<b>11 742</b>	<b>12%</b>
General operating costs	-4 447	-4 627	4%
Allocation to amortizations and depreciations of tangible and intangible assets	-645	-634	-2%
<b>GROSS OPERATIONAL RESULT</b>	<b>5 370</b>	<b>6 481</b>	<b>21%</b>
Risk cost	-1 765	-2 312	31%
<b>OPERATING RESULT</b>	<b>3 605</b>	<b>4 169</b>	<b>16%</b>
Share of the result of equity-consolidated companies	-0	1,051	-342%
Net gains or losses on other assets	7	0	-106%
Change of goodwill purchase values	-	-	NA
<b>PRE-TAX RESULT</b>	<b>3 611</b>	<b>4 170</b>	<b>15%</b>
Benefit tax	-1 194	-1 383	16%
<b>NET RESULT</b>	<b>2 417</b>	<b>2 787</b>	<b>15%</b>
Résultat - part BPR	612	441	-28%
<b>BCP GROUP NET SHARE</b>	<b>1 805</b>	<b>2 346</b>	<b>30%</b>

Source: BCP consolidated IFRS accounts

**PART IV**

**RISKS**

## **I. RISKS RELATED TO THE ISSUER**

The Bank's organization is in line with the best international standards. Its integrated governance structure enables it to identify the risks it faces, implement an adequate and effective internal control system, and establish a monitoring and readjustment system.

Responsibility for risk control, measurement and supervision is shared between:

- governance and steering bodies (Executive Committee, Board of Directors, Audit Committee, Risk Management Committees, Investment Committee, etc.);
- Group Risk Management and other entities dedicated to and/or involved in risk monitoring (credit, market, financial and operational);
- internal control bodies.

### **I. CREDIT RISK**

Credit risk is the risk of loss inherent in a borrower's failure to repay its debts (bonds, bank loans, trade receivables, etc.). This risk can be broken down into default risk, which arises in the event of a borrower defaulting on or delaying payment of principal and/or interest on its debt, recovery rate risk in the event of default, and the risk of deterioration in the quality of the credit portfolio.

#### **General credit policy**

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

Its principles are applied to ensure the smooth development of the Group's activities. The credit policy is based on the following principles:

- standardization of credit risk management across all CPM organizations;
- security and profitability of operations;
- risk diversification;
- strict selection of loan applications;
- preparation of a file for all credit operations and review of this file at least once a year for companies;
- rating of businesses and professionals, and scoring when granting loans to individuals;
- separation between credit sales and risk assessment and control functions;
- collegiality in decision-making, reflected in the establishment of committees at all levels of the industry;
- early detection of counterparty default risks;
- responsiveness in collection.

The implementation of our credit policy is based on an extensive body of internal regulations in line with best practice. This covers the entire credit risk management process, through circulars, circular letters and standards setting out the scope and conditions of risk-taking, monitoring and control activities.

#### **Decision-making system**

The Bank's decision-making system is based on the following principles:

- analysis of files by the commercial entities initiating the applications, and second reading of risk by the Counter-Study entities at the BPR and BCP levels;

- risk prevention, with the Counter-Study function playing a decisive role in filtering files and making decisions;
- the exercise of powers within the framework of committees, reflecting the collegiate nature of decision-making;
- a multi-dimensional delegate scheme ensuring that the level of risk matches that required for the decision;
- limits of authority established by group of related beneficiaries;
- the exclusion from the powers of the OPI of loans to related parties, whatever their amount. The latter are subject to internal credit committees held at BCP level;
- segregation of duties between commercial entities and those responsible for assessing, monitoring and managing credit-related risks, at both BCP and BPR levels.

### **Credit risk management system**

The credit risk management and control system is based primarily on the following principles:

- Collegial decision-making, reflected in the establishment of credit committees at all levels (Regional Credit Committee, BCP Credit Committee: Internal Credit Committee, Recovery and Major Risks Committee, Group Major Risks Committee, etc.);
- Segregation of duties between commercial entities and those responsible for assessing, monitoring and managing credit-related risks;
- Circulars defining the remit and operating procedures of all committees.

These areas are, moreover, confined within a general control framework that meets the regulatory requirements dictated by BAM. Within BCP, the risk management and internal control systems are subject to the same individualized monitoring of risk-generating activities as within the Group. This monitoring, deployed at all levels of the Bank, is based on a three-pronged operational system:

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

Based on our risk governance structure and a well-established risk management culture, our system is gradually being supplemented by a risk appetite framework. This ensures regular feedback to the Bank's Management and Governance bodies, enabling the implementation of:

- Appropriate policies for controlled development;
- Corrective action to safeguard the Bank's interests.

### **Internal rating system**

The Bank has set up a global rating system in line with regulatory requirements in terms of use and usage, applicable to all counterparties, whether sovereigns, banks or companies. Those operating in the real estate development sector are qualified through project ratings. Individual clients are currently subject to a credit scoring system applicable to both consumer and real estate loans. This rating system will be enhanced in 2019 with the launch of the new Retail rating system.

The rating system forms the core of the credit risk management system, and is based on a series of models appropriate to each asset category. Each counterparty is assigned a rating on an internal scale, with each level corresponding to a probability of default. It is one of the key criteria in our lending policy. For corporate clients, ratings are assigned at the time the credit application is put together, and

are reviewed at least once a year. In addition, attention is paid to the consistency between decisions taken and the risk profile revealed by each rating and its components, in this case the various qualitative and quantitative information included in the grid.

The CPM risk classes and their meanings are shown in the table below:

Rating	Short description	Detailed description
<b>A</b>	<b>Excellent</b>	Excellent development, and/or excellent positioning in its sector, and/or very high debt capacity, and/or management with a long-standing reputation for excellence.
<b>B</b>	<b>Very good</b>	Very good trend in revenue and profitability indicators, and/or good commercial positioning, and/or strong debt capacity, and/or management enjoys a good reputation.
<b>C</b>	<b>Good</b>	Good development of revenue and/or profitability, and/or modest debt, and/or reputable management.
<b>D</b>	<b>Fairly good</b>	Normal development of revenue and/or profitability, and/or moderate debt, and/or reputable management.
<b>E</b>	<b>Average</b>	Assets of satisfactory quality, and/or moderate debt, and/or reputable management, and/or the borrower enjoys an average position in its sector.
<b>F</b>	<b>Fair</b>	Assets of acceptable quality, and/or little or no debt capacity, and/or average management.
<b>G</b>	<b>Poor</b>	High level of debt, and/or weak management, and/or poor positioning in its sector.
<b>H</b>	<b>Very Poor</b>	Financial situation too fragile, and/or heavy indebtedness, and/or anarchic management, and/or poor position in the sector...etc.

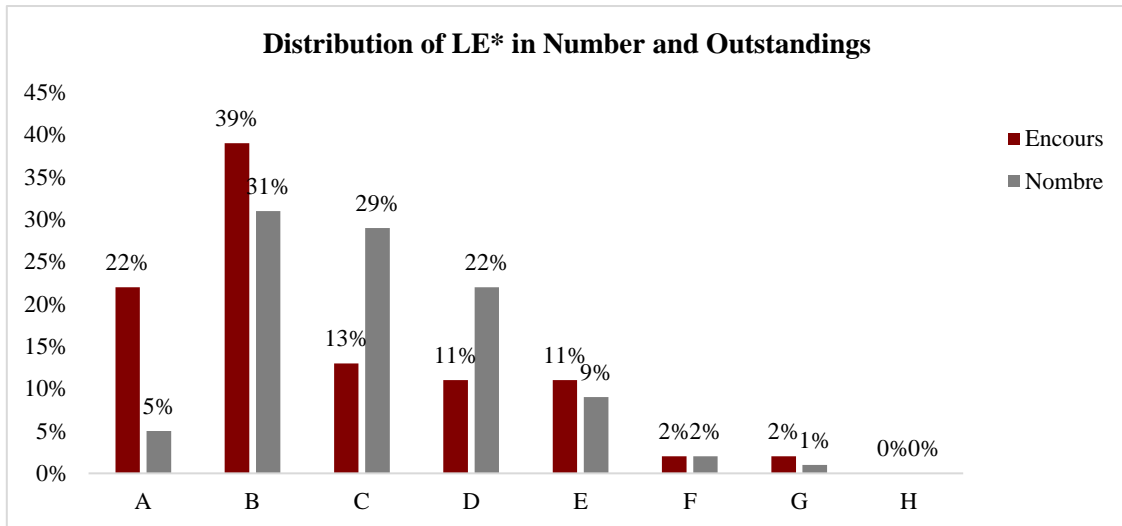
Source: BCP

Ratings also play an important role in assessing the quality of the Bank's exposures, through analysis of the rated portfolio and changes in its distribution. Particular attention is paid to counterparties showing a deterioration in risk quality.

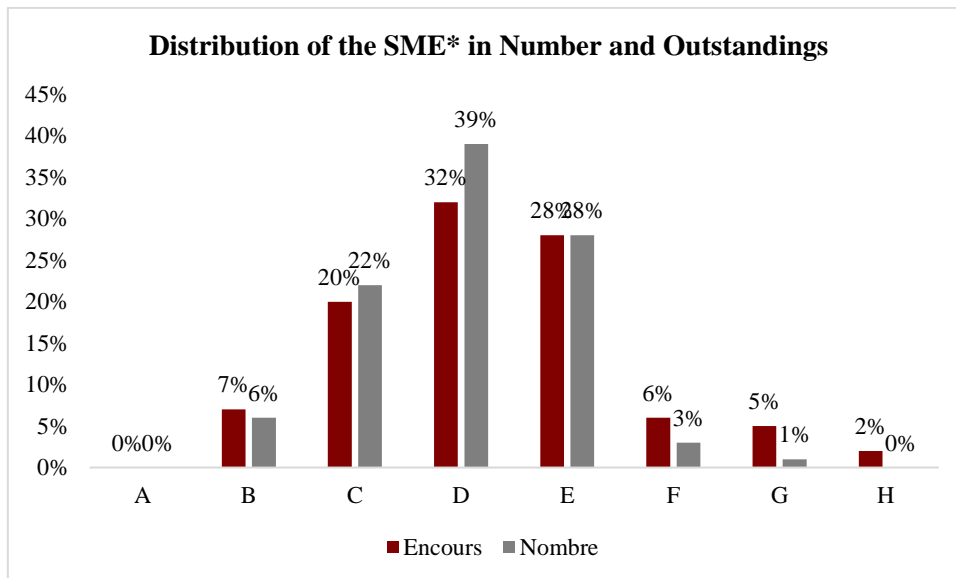
In addition, the rating system is a fundamental component of the new IFRS9 provisioning process.

Lastly, as part of the ongoing maintenance of the corporate rating tool, the Group has defined a battery of tests to assess the performance of rating models in terms of discrimination, default prediction and stability. These tests, known as back testing, are carried out to ensure the viability of rating models, and to implement corrective action where necessary.

At December 31, 2022, the distribution of the sound rated portfolio was as follows:



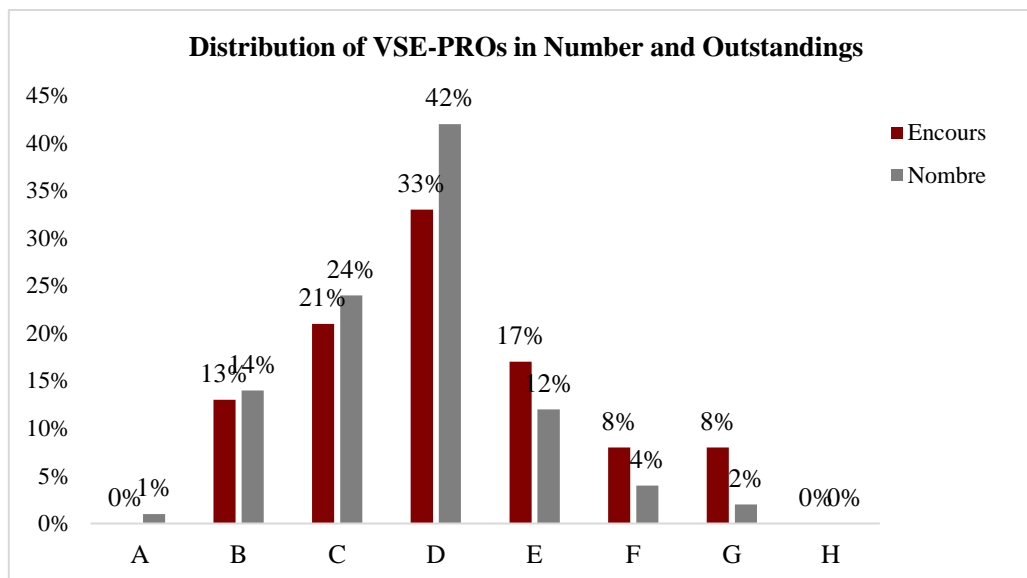
\*LE: Enterprise with a turnover equal to or greater than MAD 50 million



\*SME: Enterprise with a turnover between MAD 3 and MAD 50 million

The analysis of the portfolio of the SME-LE segment shows a reassuring distribution of risks. In fact, the portfolio, in terms of number and outstandings, is concentrated on ratings that fall between classes A and E.

For LEs, ratings A, B and C account for 74% of rated LEs in terms of outstandings, corresponding to 66% in terms of number as of the end of December 2022 (versus 67% in terms of outstandings and 62% in terms of number in December 2021, respectively). For SMEs, ratings B, C, D and E represent 87% in outstandings and 95% in number as of end December 2022 (compared with 84% in outstandings and 95% in number respectively in December 2021).



Analysis of the distribution of VSEs/PROs reveals a concentration in the B-E rating classes, revealing a controlled level of risk for these two segments. Classes B-E account for 92% of VSEs/PROs by number, with 84% of total outstandings in this segment.

### **Concentration risk monitoring system**

Concentration risk is meticulously monitored by the bank in order to comply with the prudential rules imposed by the requirement to divide risks, and to ensure the diversification needed to dilute and control risks.

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

- A portfolio review process based on a risk database built up and constantly enriched by the various applications, enabling all the information required for a grouped examination of a given portfolio to be fed back (group and commitment database, central balance sheets specific to the bank, rating database, etc.);
- A system of sector and individual limits, forming the initial basis of the risk appetite framework.
- Particular attention is paid to commitments as soon as their level exceeds 5% of the bank's equity capital;
- A process for examining the top 100 risks in the sense of counterparty or group of related counterparties, for all the bank's entities.

### **Portfolio review process**

The portfolio review is increasingly becoming an important tool in the monitoring and management of risks, particularly major and concentration risks. It complements the traditional process of annual file review and ongoing monitoring of commitments, by drawing on the usual parameters for assessing credit risk (sector-specific data, qualitative and quantitative elements relating to the counterparty and the group to which it belongs, etc.).

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

Through a global and simultaneous analysis of a given portfolio, leading to a homogeneous classification of counterparties, individual limits are defined. The convergence sought between the opinions of the sales and risk departments provides senior management with the information they need to make

decisions, particularly with regard to the sales policy to be adopted for a given portfolio (development of relations, maintenance, withdrawal, reinforcement of collateral, etc.).

### **Credit risk appetite system**

The Group continues to build up its global risk appetite system. To date, the system is broken down into:

**Sector concentration limits:** The approach to setting sector limits is based on qualitative and quantitative standards, consisting of combining the measurement of the degree of claims experience of sectors with their development potential. Since 2017, this mechanism has been an important component of the planning process insofar as it enables us to define strategic orientations in terms of overall market share in a given sector/sub-sector, with a view to ensuring targeted and more controlled development. Sector limits are updated once a year. Their monitoring is accompanied by measures depending on the level of the limit reached.

**Individual concentration limits:** Based on the portfolio review process, the Bank's major risks are analyzed as a group, leading to a classification by risk level. Based on this classification, and taking into account other parameters (nature and level of activity, counterparty and Bank capital, sector limits, etc.), limits for groups of counterparties are defined after approval by the appropriate committees.

It should be emphasized that the definition of limits includes a process of negotiation with the business lines. The results of the limit models are thus examined in advance with the business lines to incorporate any components not modelled by the calculations. Proposals resulting from these discussions are submitted to the appropriate committees for decision and arbitration.

Limits are reviewed annually. They may be re-evaluated from time to time in the event of a significant change in market conditions that could affect the perception or assessment of risk. Compliance with limits is monitored by the functions concerned, using appropriate monitoring and reporting tools.

It should be noted that the Group has launched the Risk Appetite Framework project, aimed at modeling economic capital, risk-adjusted profitability and defining the Group's risk appetite.

### **Monitoring system for sensitive receivables**

The aim of the sensitive risk monitoring system is to identify signals of potential deterioration in the sound portfolio as early as possible, so as to be able to deal with them promptly, at a time when action to protect the Bank's interests may still be fairly effective and inexpensive. The identification and monitoring of these receivables is carried out jointly by the risk functions and the business lines on a monthly basis.

The mechanism in place consists of a constant exchange of information on each situation with the relationship managers, with a view to initiating the necessary negotiations for the possible regularization of the receivable; cases which do not show a favorable evolution of their situation are included in the "Watch List", following a decision by the relevant committees. This "Watch List", which represents the culmination of all monitoring actions, is itself the subject of a follow-up mechanism, to enable the Bank to maintain its collection potential over time.

In terms of provisioning, the "Watch List" is an important component in the sizing of provisions on both a corporate basis (PRG) and a consolidated basis (IFRS9). This enables the risk management and provisioning systems to converge perfectly.

Bank Al Marghrib's circular 19/G on the classification and provisioning of receivables is currently being revised to include the treatment of sensitive receivables. This reform project, the text of which has not yet been circulated by Bank Al Maghrib, aims to:

- Ensure consistent application of the identification, classification and provisioning of sensitive receivables within the banking sector;
- Incorporate new default criteria (overruns, restructuring, etc.).

## **II. COUNTRY RISKS**

### **Country risk monitoring and management process**

To support the Group's controlled international expansion, risk management has benefited from an overall strengthening of tools and processes. The Group has continued to focus its efforts on the convergence project, which aims to harmonize and roll out Group standards for risk management and control. To this end, the various projects have been set up as a global program, with appropriate governance to ensure their proper execution.

### **Country risk management process**

Country risk is the risk that a country's economic, financial, political, legal or social conditions will affect the Bank's financial interests. It does not constitute a different type of risk from the "elementary" risks (credit, market, operational), but rather an aggregation of risks resulting from vulnerability to a specific political, social, macroeconomic and financial environment.

As a result of its acquisitions and geographic expansion strategy, BCP's exposure to sub-Saharan Africa presents risks in terms of asset quality, combined with limited Buffer capital.

The country risk measurement and monitoring system in place is based on the following principles:

- A dedicated organization capable of making important choices and arbitrations (BCP International Banking Monitoring Committee, Holding Company Committees);
- An architecture for decision-making and delegation of powers (subsidiary, holding company, BCP) in terms of both lending and investment;
- Portfolio committees dedicated to monitoring sensitive counterparties and sectors for each subsidiary, with centralized monitoring at ABI and BCP level;
- Finally, a review of country risks is carried out by the Group's various Boards of Directors and Audit and Risk Committees.

In terms of methodology, the bank has set up a country risk management system based on an internal rating model that quantifies country risk on the basis of economic, financial, political and regulatory data and indicators. This rating is broken down into four different types of risk: sovereign default risk, non-transfer risk, corporate risk assimilated to the risk of a generalized macroeconomic shock, and banking system risk. For each type of risk, ratings distinguish between short-term risk (less than 12 months) and medium-term risk (more than 12 months). These internal country ratings are a key component of the Group's provisioning system.

To perfect the country risk management system, in Q4 2019 the Group launched a structuring project aimed at defining limits by country of exposure and by major type of borrower. These limits will be defined on the basis of country risk levels (derived from the internal country rating system), the Group's risk appetite and profitability.

### **Monitoring process for foreign subsidiaries**

The Group has a system for reporting and consolidating risks at local and central level, which enables risk areas to be assessed with a view to implementing mitigating strategies. This system, strengthened in 2017-2018 by the introduction of the "Watch List" process, enables rigorous monitoring of:

- The risk profile and quality of the portfolio for each subsidiary;
- Sensitive or overdue receivables;

- Individual and sector concentration risks.

### **III. MARKET RISKS**

Market risks represent the risk of loss or exposure on the trading portfolio. They result from unfavorable changes in market parameters (exchange rates, interest rates, equity prices, commodity prices, volatility of derivative financial instruments).

As a leading financial institution and a major player in market activities, the Bank has set up a market risk management system that covers all activities relating to the trading portfolio or intended to hedge or finance it. This system is based on clear guiding principles, internal policies and procedures in line with the Bank's risk tolerance levels and return objectives, and in line with the Bank's capital resources.

The Bank's tolerance level with regard to market risks is defined by means of limits and delegations of authority. This level of tolerance is set to ensure that exposures to market risks do not generate losses that could compromise the Bank's financial solidity and expose it to ill-considered or significant risks.

In addition, with a view to securing the development of market activities, the Bank has developed, as part of its overall risk management strategy, a culture of rigorous control and monitoring of market risks, based on guiding principles that make it possible to:

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

#### **Policies and procedures**

The market risk management policy defines the overall framework for managing the risks associated with market activities. It integrates, within a coherent framework, all risk management tools/processes, as well as the principles and guidelines adopted by the Bank to guide its exposure to market risks. This policy is based on an internal regulatory corpus comprising a set of circulars, procedures and standards governing risk-taking in market activities.

The market risk management policy focuses on:

- The roles and responsibilities of the governance and management bodies, and the missions of the operating entities involved in market risk management;
- Setting and reviewing market limits;
- Review of exposures and risks;
- Risk measurement methodologies and validation of valuation models;
- Monitoring and reporting tools.

This policy is set out in circulars and regulations governing market activities, in particular:

- A system for separating trading portfolios from banking portfolios, reflecting the prerogatives of circulars 26/G/2007 and 8/G/2010 concerning the calculation of capital requirements for market risks.
- A system for delegating powers to market activity managers in order to:
  - secure operations and limit risks;
  - comply with banking regulations in terms of internal control and prudential management;
  - optimize decision-making processes;
  - improve profitability.

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

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

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

*The "Market Bank"*: constitutes the first line of self-control. In terms of risk, its responsibilities include:

- Proposing risk limits for each of the portfolios under management, based on return and risk tolerance objectives. After analysis and calibration by Risk Management, these risk limits are submitted to the Group Global Risk Management Committee for approval;
- Submitting for approval transactions that exceed their level of authority, in accordance with a system of delegated powers governed by an internal circular.

*"The Middle Office"*: performs first-level controls and carries out daily monitoring activities, completely independently of market operations. Its main responsibilities include:

- Monitoring and control of market operations (data updates, position monitoring, compliance of operations, analysis and correction of discrepancies);
- Analysis of market activity results: reconciliation and monitoring of profits and losses (P&L);
- Risk monitoring: monitoring of limits, analysis and follow-up of hedging operations;
- Optimization and development of processing resources (participation and support in the development of information systems, new products, internal reference systems and management procedures).

*"Market Risks"*: defines risk measurement methodologies, sets limits and monitors all the Bank's market risks. This function is responsible for second-level control. Its main missions are to:

- Design, develop and organize the Market Risk Management System;
- Define risk-measurement and limit-setting methodologies;
- Monitor positions, limits and risks generated by market activities;
- Develop and optimize risk measurement tools and systems;
- Produce regulatory and internal reports for the regulator and the Group's various committees and governance bodies.

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

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

With the aim of controlling and monitoring market risks, the market risk management system adopted by the Bank is organized along the following lines:

- A governance structure with a clear division of responsibilities, guaranteeing independence between operational staff and risk management and control bodies;
- Steering and arbitration between the various market activities via the Investment Committee;
- A system of delegated authority defining the process for requesting and validating limits and authorizing overruns;
- A system for tracking and monitoring risk indicators by market risk control bodies and entities;
- A set of market risk management and control tools.

## **Limits device**

The limits governing market activities are reflected in a system of internal limits governing the risks inherent in the trading portfolio, notably market limits, transaction limits and counterparty limits.

The system of market limits consists of defining an appetite for market risks based on risk-taking capacity, taking into account available capital and a solvency objective. This maximum tolerance is broken down into authorized market risk envelopes, which are allocated to each product line or asset class, according to a loss envelope allocation scale based on risk-adjusted performance measures.

The defined loss envelopes are translated into global VaR and portfolio VaR limits, which are complemented by stop-loss limits and sensitivity limits appropriate to each product type. The definition of these limits takes into account portfolio sizes and historical shocks to market parameters observed during periods of high volatility.

The system of transaction limits represents delegations of authority with regard to the amounts of transactions to be processed, depending on the nature of the authorized instruments and the hierarchical rank of the market activity participants.

Counterparty limits concern the risk of exposure to bank counterparties. These limits are defined either on the basis of an expert model using qualitative and quantitative counterparty data or rating agency ratings, or on the basis of a statistical model with quantitative variables combined with a country risk component.

In addition, the system of market and transaction limits is based on a grid of delegated powers setting limits by instrument, by market and by participant. The process for renewing limits and managing waivers is governed by an internal circular.

## **Risk indicator monitoring system**

Market risks are monitored on a daily basis by the Middle Office and Risk Management functions. The Group Risk Management Committee issues bimonthly reports on exposure levels, yields, risks associated with market activities, regulatory requirements and compliance with limits. This reporting also includes portfolio sensitivity analysis and simulations in the case of extreme scenarios, taking into account both the structure of the portfolios and the correlations between the various risk factors.

In addition to regulatory reporting, the Bank's risk reporting system is based on the following two main reports:

- Internal reporting on market risk monitoring and management, including risk indicators by sub-fund and portfolio;
- Internal reporting on market risk monitoring and management, intended for the Group Risk Management Committee, which meets every two months, and for committees set up by the Group's governing bodies. This reporting, structured by asset class at a fairly fine level of granularity, is based on the VaR approach and on systematic measures of portfolio sensitivity to different market parameters. It traces the evolution of exposures and risk indicators over the past year, with a daily zoom on the last three months. These risk indicators are compared with previously set internal limits, as are position measurements.

## **Risk monitoring and management tools**

Market risk assessment is based on a combination of two groups of measures for quantifying potential risks: The calculation of value at risk (VaR) on the one hand, and the use of sensitivity measures and stress scenarios on the other.

The Bank has adopted a market risk management and monitoring structure that includes the use of a VaR approach for the entire trading portfolio.

VaR is defined as the maximum theoretical loss that a portfolio could incur in the event of adverse movements in market parameters, over a given time horizon and for a given confidence interval. The Bank uses a confidence interval of 99% and a time horizon of one day, based on two years of historical data. This makes it possible to monitor, on a day-to-day basis, the market risks taken by the Bank on trading activities under normal market conditions.

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

In addition to the VaR indicator, the Bank incorporates sensitivity analyses and limits into its monitoring system. P&L impacts are estimated for the entire trading portfolio, based on standard or stress scenarios. These scenarios are chosen from three categories: historically proven scenarios, hypothetical scenarios and adverse scenarios.

The main scenarios selected are:

- A variation in interest rates of +/-1 bp, +/-10 bps, +/- 25 bps, +/-50 bps and +/- 100 bps (global shocks and by maturity band);
- An extreme change in interest rates of 200 bps;
- An exchange rate variation of +/- 1% and 5%, taking into account the correlation between the EUR and USD in the composition of the MAD basket;
- Extreme variations calculated on the basis of historical interest rates, exchange rates and the MASI index.

### **Evolution of exposures and risk profile**

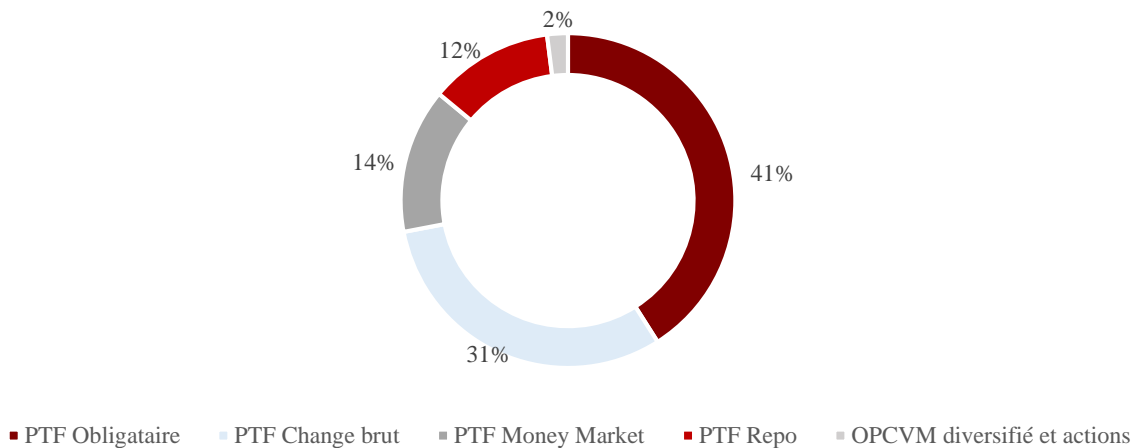
As of end December 2022, the total gross trading portfolio amounted to MAD 126 million, of which 41% was invested in bonds, either directly or via mutual funds, and 31% in foreign exchange. Overall VaR (1-Day at 99%) excluding the effect of inter-portfolio diversification is estimated at MAD 128 million.

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

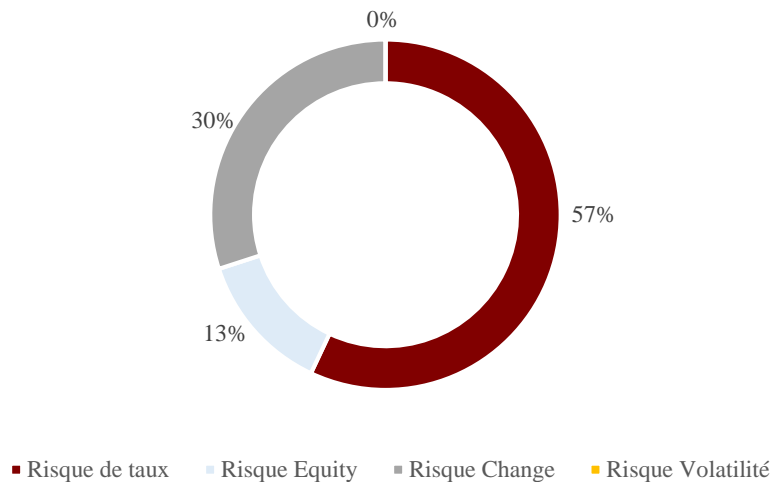
The level of risk is on an upward trend in 2022, following the surge in interest rates resulting from the increase in the key rate in September. This trend was reversed at the end of the year after a readjustment of bond exposure.

The following graphs show the structure of the Bank's trading portfolio as of end December 2022 and the contribution of each class of risk factors to overall VaR

### Structure of the Trading portfolio outstanding



### Overall VaR by risk factor



## IV. ALM RISKS

The Group's overall interest-rate and liquidity-risk management strategy is in line with the risk-control objective set out in the Group's planned development process. This strategy is based on the following guiding principles to:

- Focus development activities within the framework of a medium-term plan, taking into account interest-rate and liquidity risks;
- Maintain a stable and varied deposit structure, while controlling the growth potential of our commitments.
- Gradually improve the overall interest-rate gap, with a view to maintaining a balanced interest-rate and liquidity profile for our various activities;
- Develop variable-rate assets to immunize part of the balance sheet against unfavorable interest-rate trends.

## **Overall interest rate risk**

Overall interest-rate risk represents the loss caused by unfavorable interest-rate trends on the bank's balance sheet as a whole, with respect to its ability to transform savings and resources into productive uses.

The analysis of overall interest-rate risk is complex, due to the need to formulate assumptions concerning depositors' behavior with regard to the maturity of deposits that are contractually repayable on demand, and concerning assets and liabilities that are not directly sensitive to interest rates. When the behavioral characteristics of a product differ from its contractual characteristics, they are assessed to determine the underlying effective interest rate risk.

The process of assessing and controlling the overall level of interest-rate risk is as follows:

- Quarterly closing of financial statements;
- In support of the planning process (strategic guidelines and medium-term financial plan), as a final validation of the MTP;
- When major changes are made to fare structures, to assess their impact.

This monitoring system is based on:

- A valuation methodology based on the gap approach. This results in a classification of assets and liabilities according to their maturity and interest rate profile (fixed or variable), taking into account factors such as residual maturity and future behavior (forecast approach over a four-year horizon and according to MTP assumptions).
- A system of quarterly reporting to the ALM Committee on exposure levels, stress tests in terms of impact on net banking income and shareholders' equity, and forecast changes in prudential ratios.
- A system of limits in terms of risk impact, in relation to NBI and shareholders' equity.

Through this system, overall interest-rate risk management aims to optimize the impact of interest rates on earnings and shareholders' equity, based on a Gap calculation.

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

The process of assessing and controlling the overall level of interest-rate risk is carried out:

- once a quarter, when closing the financial statements;
- in conjunction with the planning process (strategic guidelines and medium-term financial plan), as a final validation of the MTP;
- when major changes are made to the tariff grids, to assess their impact.

This monitoring system is based on:

- a valuation methodology based on the gap approach. This results in a classification of assets and liabilities according to their maturity and interest rate profile (fixed or variable), taking into account factors such as residual maturity and future behavior.
- a quarterly reporting system for the ALM Committee on exposure levels, stress tests in terms of impact on NBI and shareholders' equity, and forecast changes in prudential ratios.
- a system of risk impact limits, in relation to NBI and shareholders' equity, defined by the ALM Committee and validated by the Board of Directors.

Through this system, overall interest-rate risk management aims to optimize the impact of interest rates on earnings and shareholders' equity, based on the calculation of static and dynamic Gaps.

### **Trends in risk indicators**

The bank determines interest-rate risk management indicators in accordance with the IRRBB (Interest Rate Risk in the Banking Book). Several interest rate shock scenarios are run to determine the impact on the net interest margin and on the economic value of shareholders' equity.

Applying the regulatory scenarios, the most severe impacts are as follows:

For the change in economic value: MAD -2,370 million, or 7.4% of Tier 1 capital, which is below the regulatory limit of 15%;

For the change in net interest margin: MAD -410 million, or 5.2% of forecast NIM, which remains below the limits of the Group's risk objectives.

The bank determines its interest-rate risk management indicators in accordance with the IRRBB (Interest Rate Risk in the Banking Book). Several interest rate shock scenarios are run to determine the impact on the net interest margin and on the economic value of shareholders' equity.

Applying the regulatory scenarios, the most severe impacts are as follows:

- - For the change in economic value: MAD -2,370 million, or 7.4% of Tier 1 capital, which is below the regulatory limit of 15%.
- - For the variation in net interest margin: MAD -410 million, or 5.2% of forecast NIM, which remains below the limits of the Group's risk objectives.

### **Liquidity risk**

This risk may arise from the structure of the balance sheet, due to mismatches between the actual maturities of assets and liabilities, the financing requirements of future activities, client behavior, market disruptions or economic conditions.

The aim of liquidity risk management is to ensure that the Group has access to the funds it needs to meet its financial commitments as they fall due. This risk is managed by maintaining a sufficient level of liquid securities and a stable, diversified supply of funds. The securities portfolio mainly comprises Treasury bills and mutual funds, and to a lesser extent liquid equity positions.

The liquidity management is based on:

- Monitoring balance sheet liquidity ratios in accordance with internal and regulatory requirements;
- Drawing up a liquidity schedule based on various dynamic scenarios and over the MTP horizon, as well as a static liquidity schedule providing indications of the bank's liquidity situation over the medium and long term;
- Monitoring the investment portfolio and projecting cash flows;
- Maintaining a varied range of financing sources and monitoring the concentration of deposits by type of product and counterparty, with regular monitoring of the concentration of the 10 largest depositors;
- Maintaining privileged relationships with institutional investors and major corporations.

The Group has a refinancing risk management policy applicable both under normal market conditions and in the event of a liquidity crisis. This policy defines monitoring mechanisms and alternatives for mitigating refinancing risks in the event of a prolonged liquidity crisis. Client demand deposits (current and savings accounts) make up a significant proportion of the Group's overall financing, and have proved stable over the years.

BCP is also a major player on the money and bond markets, through its market activities. Its position enables it to enter into short-term repurchase agreements with BAM, banks and other financial institutions.

### **Trends in risk indicators**

CPM's total assets stood at MAD 391 billion at the end of December 2022, compared with MAD 365 billion in December 2021, an increase of 7.0%.

Over 2022, client loans increased by MAD 6.7 billion. Financial loans increased by MAD 2.9 million.

At the same time, the securities portfolio increased by MAD 15.3 million and equity investments rose by MAD 1.1 million. These amounts were refinanced by:

An increase in client deposits (MAD +18.5 million)

- Increase in shareholders' equity (MAD +3 million)

- Subscription of perpetual subordinated debt (MAD +0.5 million)

- A decrease in the BAM account (MAD -5.7 million)

The regulatory liquidity ratio (LCR) reached 179%, well above the regulatory minimum.

CPM resources collected from clients increased by 6.9%, from MAD 269 billion in December 2021 to MAD 287 billion in December 2022. This increase concerns demand accounts in credit (+11.5%) as well as passbook accounts (+2.3%). The proportion of non-interest-bearing resources rose to 74.5% in December 2022, compared with 71.6% in December 2021.

The transformation coefficient stood at 80.3% in December 2022 versus 82.4% in December 2021.

## **V. OPERATIONAL RISKS AND BUSINESS CONTINUITY PLAN**

### **Operational risk management system**

The operational risk management policy, adopted by the Group and approved by its governance bodies, defines the guidelines for the various components of the operational risk management system. Details of these components are set out in circulars, procedures and dedicated user manuals.

Through this policy, the Group emphasizes the importance of classifying operational risk according to a common frame of reference, enabling aggregation, analysis and reporting. To this end, the Group has opted for the following seven major Balaise categories:

- Internal Fraud: Losses due to actions aimed at fraud, misappropriation of assets or circumvention of regulations, legislation or company policy involving at least one party internal to the Bank;
- External Fraud: Losses due to actions aimed at fraud, misappropriation of assets or circumvention of legislation, on the part of a party external to the Bank;

- Employment and safety practices in the workplace: Losses resulting from actions not in compliance with legislation or agreements relating to employment, health or safety, claims for compensation under personal injury or equal rights violations/acts of discrimination;
- Clients, products and commercial practices: Losses arising from a breach (unintentional or negligent) of a professional duty (including fiduciary and compliance requirements) owed to a particular client or clients or arising from the nature or design of a product;
- Damage to tangible assets: Destruction or damage resulting from a natural disaster or other disasters;
- Commercial interruptions and system malfunctions: Losses resulting from commercial interruptions or system malfunctions;
- Execution, delivery and process management: Losses resulting from a transaction error or a problem in process management or losses incurred in the context of relationships with commercial counterparties and suppliers.

### **Organization of the operational risks sector**

The organization of the operational risk sector within the Group is structured around:

- The central function at the BCP level whose mission is to design and manage methodological and IT tools while ensuring awareness, training and assistance for the various stakeholders;
- Regional risk managers ensuring relays from the central function at the level of the Regional Banks;
- Operational risk correspondents designated by profession as part of the incident collection protocol. These correspondents have the role of identifying operational losses and listing them in the operational risk management tool made available to them;
- Counterparts at subsidiary level who ensure the implementation of the operational risk methodology and tools in synergy with the system adopted within the Group;
- Good management of operational risk goes beyond this sector and requires the collective involvement of all the Group's stakeholders, both in terms of the implementation of the regulatory system and in terms of the daily management of operational risk.

### **Operational risk mapping**

The review of operational risk mapping is part of the continuity of the efforts made by the Bank to implement the operational risk management system, and to guarantee its control and compliance with sector regulations. In this context, the process of reviewing operational risk maps is based on the internal process repository. Using workshops with business experts, operational risk events are identified and evaluated. The evaluation of these events is carried out according to the parameter of frequency and that of the average unit impact, following two grids established in this regard and which each provides 5 degrees of score. The risk management systems are, for their part, assessed in relation to their relevance and their applicability according to the following three levels: satisfactory, satisfactory with reservations or unsatisfactory.

The 2022 financial year was characterized by:

- The replacement of the Front GRC operational risk management tool by eFront ERM in order to take into account developments in the business and technological advances.

- The completion by September 30, 2022 of the first decree of proven operational risks at the level of the new eFront ERM solution while integrating the BPRs and the subsidiaries.

As of June 30, 2023, operational risk maps extend to almost all of the Bank's processes, providing a prioritized view of potential operational risks. Mitigation plans are also defined in order to improve existing risk management systems, thus covering major to high risks.

### **Incident collection**

In accordance with regulatory requirements, a system for collecting incidents linked to operational risk, based on a reporting mechanism, is deployed. This system is managed, in real time, using a dedicated tool. In fact, the operational risk correspondents designated at the level of the various businesses and subsidiaries report directly to this tool. Then, a workflow is planned to provide managers with constant monitoring of the occurrence of an operational risk.

The continuous animation of those involved in the incident collection process makes it possible to improve the quality of declarations and to have better visibility on the Bank's risk profile.

### **Monitoring of outsourced activities**

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

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

### **Business continuity plan management system**

The Group defines the business continuity plan (BCP) as a written action plan that sets out the procedures and determines the processes and systems necessary to continue or restore the operations of an organization in the event of a major operational disruption.

The business continuity strategy provides for the identification of critical processes. These processes constitute the scope of business continuity in the event of the occurrence of a disaster as listed in the mapping of threats that could bring the Bank to a standstill.

This strategy covers threat mapping scenarios whose consequences are:

- Unavailability of staff;
- Unavailability of the information system;
- Unavailability of premises;
- Unavailability of essential service providers.

### **Activation of the business continuity plan**

It is important to point out that no major disaster occurred during the first half of 2023 forcing the Bank to activate its business continuity plan. In addition, training exercises as well as awareness and preparation sessions with the various stakeholders were organized.

## **Information system intrusion risk management system**

Faced with risks in cyberspace, the Strategic Committee for Information Systems Security approved on December 5, 2012 the creation of the General Directorate for Information Systems Security (DGSSI).

Thus, in order to meet the security requirements of Information Systems, and in particular Decree No. 2-15-712 of the DGSSI dated Joumada 12, 1437 (March 22, 2016), the bank has implemented a system composed organizational, human and technical resources:

- The appointment of an IS security manager, whose role is to propose a cyber security strategy to General Management based on the risks weighing on the bank's IS and to monitor its application.
- The development of a general security policy which reflects the bank's approach to guaranteeing IT security. This policy has been broken down into a number of thematic policies constituting the guidelines to be applied at the operational level, thus constituting the security documentary repository.
- The establishment of a governance system consisting of a periodic steering committee which examines the bank's security indicators, monitors the structuring security projects and arbitrates on the bank's priorities in terms of security. Also, and in application of the directives of the central bank, restitutions of security work and related risks are presented to the bank's control committees (risk and audit committee).

In this context, the bank initiated a series of projects including a cyber-security strategy study over a 3-year horizon, the certification of the bank's Datacenter in accordance with the ISO27001 standard and the partitioning of the bank's IS to strengthen the IT security and controlling cyber risk.

The 2022 financial year was notably marked by:

- The simulation of a large-scale cyber-attack on a payment system, in this case the SRBM “Moroccan gross settlement system”
- Supporting subsidiaries in the production of the BCP management dashboard (MDB). This MDB is set up to raise the level of deployment of the BCP of each subsidiary and its alignment with the Group's approach.
- Preparing the information system unavailability test. This particularly involves stabilizing and updating the checklists to be carried out on the day of the test by involving the professions, organizing training and awareness sessions around the business continuity plan and disseminating the schedule of the test.

## **VI. SYSTEM FOR ASSESSING THE OVERALL EQUITY ADEQUACY**

Equity capital highlights the level of solvency and the group's ability to cover unproven risks, while offering depositors and creditors the necessary protection. The group has sufficient equity capital, which provides it with the flexibility to expand, both through internal growth and strategic acquisitions. He also ensures the mobilization of the necessary funds

Since 2007, the Bank has calculated solvency ratios according to Basel II standards. From 2014, the new Basel III standards concerning Equity have been adopted by Bank Al-Maghrib. This new regulation, in addition to maintaining high minimums for the Tier1 and Tier2 ratios (9% and 12% respectively), establishes stricter eligibility criteria, in particular for capital increases financed by the Bank, cross-shareholdings with credit institutions, minority interests, etc.

In full compliance with these standards, the Bank permanently holds a comfortable capital cushion allowing it to cover risks and pass regulatory stress tests while remaining above the regulatory

minimum. Its high equity ratios are mainly attributable to the almost systematic reporting of the results obtained.

Furthermore, the process of evaluating the adequacy of Own Funds is an integral part of the consistency analyzes of our strategic plans which take place at least once a year when examining the impacts of the Medium-Term Plan on Own Funds and prudential ratios.

At the end of December 2022, the Group's Tier 1 ratio stood at 10.81%, well above the regulatory minimum (compared to 10.71% in December 2021). The overall solvency ratio (Tier 2) stands at 13.46% (compared to 13.54% in December 2021).

## II. RISKS RELATED TO THE SECURITIES OFFERED

### **Interest rate risk**

The risk linked to changes in interest rates can impact the yield of bonds whose rate is revisable every 5 years. Indeed, an increase in interest rates would have the impact of reducing the value of the bonds held.

### **Risk of repayment default**

The bonds covered by the securities note may present the risk that BCP will not be able to honor its contractual commitments to bondholders.

This risk results in non-payment of coupons and non-repayment of principal.

## III. GENERAL RISKS RELATED TO PERPETUAL SUBORDINATED BONDS

The risk factors listed below cannot be considered exhaustive and may not cover all of the risks that an investment in perpetual subordinated bonds would entail.

The attention of potential investors likely to subscribe to perpetual subordinated bonds covered by the securities note, is drawn to the fact that an investment in this type of bond is subject to the following main risks:

- **Risk related to the introduction into the Moroccan financial market of a new instrument:** Perpetual subordinated bonds are considered, in accordance with the international standards of the Basel committee and Circular No. 14/G/2013 of Bank AL-Maghrib, as additional equity instruments. These instruments are regularly issued by international banks, but remain new for certain Moroccan investors. Each potential investor should determine the suitability of such investment in light of its own circumstances and should have sufficient financial resources and liquidity to bear the risks of such investment, including the possibility of depreciation in the nominal value of the investment. these securities (see risk related to the depreciation of the nominal value of the securities below) as well as the possibility of cancellation of the payment of the amount of interest (see risk related to the possibility of payment cancellation of the interest amount below);
- **Risk related to the complexity of the instrument:** the bonds subject to this issue are complex instruments to the extent that the “pay-offs” associated with them are not completely predictable. Indeed, the issuer has complete discretion to cancel the payment of interest for an indefinite period and on a non-cumulative basis. Also, the nominal value of the bonds may be depreciated if the trigger threshold is reached. Furthermore, an appreciation of the nominal value is planned but it remains subject to the agreement of Bank Al-Maghrib. Finally, an increase in the coupon is possible but it remains at the entire discretion of the issuer and there is no deterministic mechanism for its activation. These aspects mean that future cash flows from bonds are difficult to predict, their forecasts requiring several hypotheses and parameters

(financial health of the issuer, forecast level of prudential ratios, other commitments and obligations of the issuer, etc.). The nature of bonds therefore means that their management, particularly their valuation, is complex;

- Risk related to the perpetual nature of these securities: Perpetual subordinated bonds are issued for an indefinite maturity and, consequently, the repayment of capital can only be made at the initiative of the issuer and after prior agreement from Bank Al -Maghrib. This repayment cannot be made before a period of 5 years from the date of issue, subject to a minimum notice of five years;
- Risk related to the subordination clause: The capital and interest are subject to a subordination clause, according to which, in the event of liquidation of the issuer, repayment will only take place after all secured, privileged and unsecured creditors and after all other fixed-term subordinated loans which have been issued and which could be issued subsequently by the issuer in Morocco or abroad;
- Risk related to the depreciation of the nominal value of the securities (loss absorption mechanism): As soon as the Common Equity Tier 1 (CET 1) ratio, as defined by Bank Al Maghrib, becomes lower than the trigger set by the issuer (set at 6.0% within the framework of the securities note, in accordance with the provisions of the Bank Al-Maghrib technical notice setting out the terms of application of circular no. 14/G/2013 relating to the own funds of credit institutions), on an individual or consolidated basis, the securities are depreciated by the amount corresponding to the differential between the theoretical basic tier 1 capital (CET1) making it possible to reach 6.0% CET 1 ratio and effective CET 1 own funds.

Interests will therefore be calculated on the basis of the nominal value which is subject to modification as defined in the loss absorption mechanism.

However, after a possible depreciation of the nominal value of the securities, and if the financial situation of the issuer that required this depreciation improves, Banque Centrale Populaire may immediately trigger, after prior agreement from Bank Al-Maghrib, the mechanism of appreciation in whole or in part of the nominal value which has been subject to depreciation.

Banque Centrale Populaire constantly ensures compliance with the international standards of the Basel committee and the regulatory directives of Bank AL-Maghrib. To this end, the group has a regulatory risk management policy enabling it to:

- ✓ Have a solid financial base enabling it to meet all of its commitments;
- ✓ Comply with all regulatory ratios required by Bank Al-Maghrib;
- ✓ Create an additional cushion of capital to absorb the shocks of regulatory and internal stress tests and to guarantee compliance with post stress test thresholds, namely:
  - A CET 1 ratio at least equal to 8.0% (vs. a ratio of 11.74% on a corporate basis and 11.03% on a consolidated basis for BCP as of December 31, 2022)
  - A Tier 1 capital ratio at least equal to 9.0% (vs. a ratio of 11.92% on a corporate basis and 11.15% on a consolidated basis for BCP as of December 31, 2022); A ratio on total Tier 1 and Tier 2 capital at least equal to 12.0% (vs. a ratio of 15.48% on a corporate basis and 13.37% on a consolidated basis for BCP as of December 31, 2022).
- ✓ Meet the regulator's requirements in terms of reporting solvency ratios (half-yearly publications of Pillar III intended to guarantee transparency of financial information: detail of prudential ratios, composition of regulatory capital, distribution of weighted risks).
- Risk related to the possibility of payment cancellation of the interest amount: The investor is subject to the risk of cancellation of the payment of the amount of interest (in whole or in part)

for an indefinite period and on a non-cumulative basis. The decision to cancel remains at the discretion of the issuer, after prior agreement from Bank Al-Maghrib, in order to meet its obligations.

- **Risk factors impacting the CET 1 ratio:** the deterioration of the Common Equity Tier 1 (CET 1) ratio, as defined by Bank Al Maghrib, to a level below 6.0%, thus triggering the depreciation of the nominal value of the securities, could be caused by several factors, mainly:
  - The realization of substantial losses following a possible increase in claims or an adverse and material change in the rate environment;
  - The introduction of new accounting standards;
  - The entry into force of new regulatory requirements.

In the event of the occurrence of one or more of these risk factors, the deterioration of the level of the CET 1 ratio can only occur in the event that the Banque Centrale Populaire and its shareholders do not implement all the corrective measures it takes. allowing compliance with all the regulatory ratios required by Bank Al-Maghrib, namely: a minimum CET 1 ratio of 8.0%, a minimum Tier 1 ratio of 9.0% and a minimum solvency ratio of 12.0 %.

- **Risk related to the securities' liquidity and negotiability:** The bonds covered by the securities note, due to their complexity, are not suitable for non-qualified investors. Also, trading of said bonds is strictly reserved for qualified investors listed in the securities note, even on the secondary market. This limitation could reduce the liquidity of the bonds subject to this issue compared to other bonds whose negotiability is not restricted.
- **Risk related to the presence of several options in favor of the issuer:** The bonds covered by the securities note contain several options in favor of the issuer, namely:
  - Early repayment option;
  - Option to depreciate/appreciate the nominal value of the securities;
  - Option to cancel payment of the interest amount.

Any potential investor must take these options into account when making an investment decision according to their own objectives and constraints. The investor must also include these options in their submission proposal for auction as well as in determining the fair value of the securities.

- **Risk related to additional debt:** The issuer could subsequently issue other debts having a rank equal to or higher than the bonds covered by the securities note. Such issues would reduce the amount recoverable by the bondholders in the event of liquidation of the issuer.

#### **LIST OF DOCUMENTS COMPOSING THE PROSPECTUS AND THEIR DOWNLOAD LINKS**

##### **Reference document relating to the 2022 financial year and the first half of 2023**

[https://www.ammc.ma/sites/default/files/DR\\_BCP\\_036\\_2023\\_2.pdf](https://www.ammc.ma/sites/default/files/DR_BCP_036_2023_2.pdf)

##### **Securities note relating to the perpetual Subordinated Bond Issue**

[https://www.ammc.ma/sites/default/files/NO\\_BCP\\_AT1\\_040\\_2023.PDF](https://www.ammc.ma/sites/default/files/NO_BCP_AT1_040_2023.PDF)

**DISCLAIMER**

**The aforementioned information is only a part of the prospectus approved by the Moroccan Capital Market Authority (AMMC) under reference no. VI/EM/040/2023 on 18/12/2023  
The AMMC recommends reading the complete Prospectus made available to the public in French.**