

PROSPECTUS SUMMARY

SALAFIN S.A.



CAPITAL INCREASE OF SALAFIN S.A. THROUGH THE MERGER ABSORPTION OF TASILF S.A.

Proposed to the Extraordinary General Meetings scheduled on December, 31st 2018 for SALAFIN and TASILF

Number of shares for sale	550 577 new SALAFIN shares
Par value	100 MAD
SALAFIN share price	936 MAD
Exchange ratio	1 SALAFIN share for 39 TASILF share
Transaction amount	515 340 000 MAD (including the merger premium)
Par value of the capital increase	55 057 700 MAD
Date of the share exchange transaction	7 TH OF JANUARY 2019

Transaction reserved for the shareholders of TASILF S.A.

<i>Advisory Entitiy</i>	<i>Entity in charge of registration</i>	<i>Centralizing Entitiy</i>
CAPITAL TRUST FINANCE	CAPITAL TRUST SECURITIES	BMCE BANK OF AFRICA البنك المغربي للتجارة الخارجية إفريقيا

APPROVAL OF THE MOROCCAN CAPITAL MARKETS AUTHORITY (AMMC)

In accordance with the provisions of circular of the Moroccan Capital Markets Authority (AMMC), based on article 14 of the Dahir providing law n° 1-93-212 of September 21st, 1993 as amended and supplemented, the original version of this prospectus was approved by the AMMC on December 17, 2018 under reference VI/EM/036/2018

Warning:

The Moroccan Capital Market Authority (AMMC) approved on December 17, 2018 under reference VI/EM/036/2018 a prospectus relating to the capital increase of Salafin S.A. through the merger-absorption of Taslif S.A.

The prospectus approved by the AMMC is available at any time at the headquarters of Salafin, Taslif and the advisory entity Capital Trust Finance.

The prospectus is available to the public on the AMMC website (www.ammc.ma) and on the Casablanca Stock Exchange website (www.casablanca-bourse.com).

PART 1. OVERVIEW OF THE TRANSACTION

I. Transactional framework

I.1. Context and legal framework of the Transaction

On January 26th, 2018, BMCE Bank of Africa, Salafin and Saham Assurance signed a memorandum of understanding setting the guiding principles for the strategic merger of Taslif and Salafin. An amendment to this protocol was signed on August 15th, 2018.

After each of their meetings on August 15th 2018, the Executive Board of SALAFIN (the Acquiring Company) and the Board of Directors of TASLIF (the Acquired Company) have agreed on the terms of the proposed merger through which SALAFIN will acquire TASLIF (the '**Merger**').

This proposed merger agreement was concluded between the Acquiring Company and the Acquired Company on 15 August, 2018 (the **Merger Agreement**).

The Executive Board of SALAFIN meeting on November 07th, 2018 and the Board of Directors of TASLIF, meeting on November 07, 2018, have decided on the terms of the reports they will submit to their respective Extraordinary General Meetings (EGMs) and the text of the draft resolutions to be submitted to the EGMs for vote.

The Management Board of SALAFIN and the Board of Directors of TASLIF also decided to convene Extraordinary General Meetings of Shareholders for 31 December 2018, at their respective companies' registered offices to approve the Merger. The notices convening the Extraordinary General Meetings of SALAFIN and TASLIF were published on 30/11/2018. These meetings are expected to deliberate on the merger by absorption of TASLIF by SALAFIN as well as the dissolution of TASLIF not followed by a liquidation.

The Statutory Auditors issued their report on the Merger Agreement pursuant to the provisions of Article 233 of the *Public Limited Companies Act 17-95* as amended and supplemented. The Statutory Auditors of SALAFIN and of TASLIF state in the reports dated 08/11/2018 that they have no comments to make on the relevance of the relative value ascribed to the shares of SALAFIN and TASLIF, or on the fairness of the exchange ratio and that they have verified that the amount of net assets transferred by the Acquired Company (TASLIF) is at least equal to the capital increase amount of the Acquiring Company (SALAFIN), plus the merger premium.

SALAFIN and TASLIF have made available to their respective shareholders, at their respective registered offices at least thirty (30) days before the date of their Extraordinary General Meetings called to decide on the Merger, the documents relating to the Merger as well as those required by Article 234 of Act 17-95 as amended and supplemented:

- The Merger Agreement signed on August 15th 2018;
- The report from SALAFIN's Management Board on the merger transaction;
- The report from TASLIF's Board of Directors on the merger transaction;
- The Statutory Auditor reports provided for in Article 233 of the *Public Limited Companies Act 17-95* as amended and supplemented;
- The approved financial statements and management reports for the last three financial years of Salafin and Taslif ;
- An accounting statement prepared as of June 30th 2018 of Salafin and Taslif.

Any shareholder may obtain, on simple request and free of charge, a full or partial copy of the aforementioned documents of each of the two companies.

I.2. Objectives of the Transaction

In view of their development strategies, the shareholders of SALAFIN and TASLIF, respectively BMCE BoA and Saham Assurance, wish to establish a partnership in the consumer credit sector through a merger-acquisition of TASLIF by SALAFIN.

The key objectives of the merger are:

- **For BMCE BoA:** consolidate its presence in the consumer credit market and elevate its subsidiary SALAFIN to third position in the market in terms of GNP;
- **For Saham Assurance :** draw on the expertise of the SALAFIN team, as evidenced by its financial performance and profitability, while remaining a minority shareholder but active in one of the main players in the consumer credit market in Morocco;
- **For the two companies:** gather their resources and skills and create strong operational synergies through the sharing of know-how and best practices, the development of new activities, particularly fee business with Saham Assurance Group as an active shareholder, as well as opening Saham Assurance's sales network to the merged entity's products.

I.3. Overview of the Merger Agreement¹

The major provisions of the Merger Agreement are as follows:

- The Merger will be completed under the terms and conditions provided for in Articles 222 *et seq.* of Act 17-95. TASLIF will transfer to SALAFIN, subject to the completion of the aforementioned conditions precedent, all of its assets, with legal effect on the completion date of the Merger;
- The terms and conditions of the proposed Merger were established based on the accounts of the Acquiring Company (SALAFIN) and the Acquired Company (TASLIF) on 31 December 2017, the closing date of the last financial year of each of the Companies, which were (i) adopted by their respective administrative or management bodies, (ii) certified by their respective statutory auditors and (iii) approved by their respective annual general meetings of shareholders;
- Pursuant to the provisions of Article 225 of the *Public Limited Companies Act* 17-95, as amended and supplemented, the Merger will take effect retroactively, from an accounting and tax perspective, on 1 January 2018, i.e. before the date on which the Merger will be submitted to the annual general meetings of SALAFIN and TASLIF, and legally, from the completion date of the aforementioned conditions precedent;
- The Merger will be completed based on the real values of the assets and liabilities of the Acquired Company (TASLIF) transferred as part of the Merger:
 - The following assets have been revalued, according to experts, in relation to their net book value in the balance sheet of the Acquired Company as of December 31st 2017, to determine their fair value :
 - the building located at 29, boulevard Moulay Youssef, Casablanca, subject of land titles n ° 6067/46, 6068/46, 6069/46, 6070/46 and 6071/46;
 - properties covered by the land titles number 4048/46, 4049/46 and 4050/46 relating to the Anfa agency and located at 12, rue Abou Hassan Al Achaari, Casablanca; and
 - Villa Ghizlane located at 3, rue Martil, Anfa, Casablanca, subject of the land title n ° 89536 / C.
 - For other assets and liabilities, the fair value is considered to be equal to their net book value in the balance sheet of the Acquired Company as of December 31st 2017.
- The final completion of the Merger as well as the dissolution of TASLIF arising therefrom which are subject to the completion of the following conditions precedent:
 - Obtaining Bank Al-Maghrib (the Moroccan Central Bank) approval of the Merger;
 - Obtaining the visa of the Moroccan Capital Market Authority on the Merger's prospectus;
 - Obtaining the Casablanca Stock Exchange notice of approval of the Merger;
 - Approval of the Merger by TASLIF's annual general meeting of shareholders; and

¹ Merger agreement included in the Prospectus appendices

- Approval of the Merger by SALAFIN's annual general meeting of shareholders.

From a tax perspective, the Merger will be subject to the special regime provided for in Article 162-II of the General Tax Code and will thus benefit from the measures provided for by such article.

I.4. Defining the contribution value of the two companies and the exchange ratio

The exchange ratio was set at 1 SALAFIN share for 39 TASILF shares.

In return for the transfer of assets, SALAFIN will increase its share capital, for the benefit of the TASILF shareholders, in the amount of MAD 55,057,700, by creating 550,577 new shares with the same nominal value as the existing shares (namely, MAD 100), increasing the total number of shares comprising the share capital of SALAFIN from 2,394,497 to 2,945,074 shares.

The new shares will be allocated to the TASILF shareholders, at the rate of 1 SALAFIN share for 39 TASILF shares.

Subject to the completion of the aforementioned conditions precedent, TASILF will transfer to SALAFIN on the completion date of the Merger all of its assets in the state in which they will be on such completion date. The assets transferred under the Merger will include all assets, property, rights and values belonging to TASILF on the completion date, without exception or qualification, as well as all liabilities and obligations of TASILF on that date (including those that would have been omitted, either in the merger Agreement or in TASILF accounts).

The assets and liabilities constituting the contributions of TASILF listed below are those appearing on the balance sheet of TASILF as at 31 December 2017, it being specified that the list below is for information purposes only and not exhaustive, since the Merger constitutes a universal transfer of the assets and liabilities comprising the assets and liabilities of TASILF in the state in which they will be on the completion date:

Contributed Asset (MAD)	Net Book Value as of 31/12/2017	Contribution Value
Cash, Central Bank, Public Treasury, Post Check Service	48,879.42	48,879.42
Receivables from credit institutions	7,649,519.75	7,649,519.75
- Short term	7,649,519.75	7,649,519.75
- Long term	0.00	0.00
Receivables from customers	1,264,530,508.89	1,264,530,508.89
- Cash and customers credits	1,225,912,997.54	1,225,912,997.54
- Credits for amenities	0.00	0.00
- Real Estate credits	0.00	0.00
- Other credits	38,617,511.35	38,617,511.35
Transaction and investment securities	857,790.00	857,790.00
- Treasury bonds and similar securities	0.00	0.00
- Other debt securities	0.00	0.00
- Investment securities	857,790.00	857,790.00
Other assets	34,349,021.59	34,349,021.59
Equity securities and similar assets	100,000.00	100,000.00
Assets held under leasing and rental assets	97,682,979.21	97,682,979.21
Intangible assets (including Goodwill)	59,136,537.79	238,939,965.15
Tangible assets	29,850,934.06	51,691,614.45
Total Assets	1,494,206,170.71	1,695,850,278.46

Source : Merger Agreement

Liabilities supported (MAD)	Net Book Value as of 31/12/2017	Contribution Value
Liabilities to credit institutions	409,291,226.90	409,291,226.90
- Short term	129,653,323.41	129,653,323.41
- Long Term	279,637,903.49	279,637,903.49
Deposits from customers	41,608,086.88	41,608,086.88
- Long term deposits	0.00	0.00
- Other payable accounts	41,608,086.88	41,608,086.88
Debt securities issued	609,420,595.12	609,420,595.12
- Negotiable debt securities	609,420,595.12	609,420,595.12
Other liabilities	71,675,923.50	71,675,923.50
Provisions for liabilities and charges	12,011,196.06	12,011,196.06
Dividends to be distributed in 2018		36,503,250.00
TOTAL LIABILITIES	1 144 007 028.46	1,180,510,278.46

Source: Merger Agreement

The amount of dividends to be distributed in 2018 corresponds to the dividends distributed on May 8th, 2018 for the fiscal year ended December 31, 2017. This amount is considered as a debt, it comes in increase of the liabilities assumed by Salafin, since the total assets brought by Taslif are related to 2017 fiscal year.

From the above descriptions and assessments, it follows that:

- The transferred assets of TASLIF is valued at MAD 1,695,850,278.46; and
- The liabilities assumed by SALAFIN is valued at MAD 1,180,510,278.46.

The net assets transferred by TASLIF under the Merger is valued at MAD 515,340,000.00.

Charges and general conditions

The assets transferred by TASLIF after the Merger are accepted at the following charges and conditions:

- Salafin will take the assets and liabilities brought in the state they will be on as of the Merger Completion Date. Salafin will purely and simply substitute Taslif in all rights and obligations, Taslif which does not intend to give any guarantee, other than those referred to in Article 9.1 of the Merger Agreement ;
- Salafin will bear all ordinary and extraordinary charges and all obligations subsequent to the Merger Completion Date (taxes, contributions, wages, etc.) to which the assets transferred may be subject ;
- Salafin will be required to continue until terminated, or terminate at its own expense, all contracts to which Taslif is a party ;
- Salafin will have from the merger completion date, all powers to, replacing Taslif, bring or pursue any judicial or extra-judicial actions and arbitration proceedings, to give all acquiescence to all decisions, to receive or pay all the sums due as a result of these actions, procedures, decisions and transactions ;
- Salafin will be held liable for Taslif liabilities which will be brought to it in the terms and conditions on which it is and will become due, for the payment of all interest, and more generally on the fulfillment of all loan conditions, and debt securities that may exist, as Taslif was required to do, and even with all anticipated accruals if any.
- Salafin will assume all of Taslif's debts and expenses, including those that may date back prior to the Merger Completion Date and that would have been omitted from Taslif's accounts.
- Salafin will be liable for any guarantees that may have been given in respect of the liabilities assumed by it.
- Salafin will also be liable, under the same conditions, to Taslif's guarantee obligations implementation, the endorsements and other guarantee commitments taken by Taslif and will benefit from all the counter-guarantees relating thereto.
- In the event that it turns out to be a difference in plus or minus, between the liabilities stated above and the amounts claimed by third parties and recognized due, Salafin will be required to pay or will benefit from

any surplus, without any claim, on the part of nor else. The same will be true in the event of insufficient provisions included in the liabilities assumed.

- Salafin will execute as from the Merger Completion Date, all agreements, contracts, orders and all commitments of any kind, treated with third parties relating to the property running, securities, rights and claims transferred. It will be subrogated to Taslif in all rights and obligations resulting therefrom.
- Salafin will be subrogated in the benefit of the intellectual property rights held by Taslif.
- Salafin will be subrogated in all the rights, shares, mortgages, liens and registrations attached to Taslif's claims.

In accordance with Article 19 of the Dahir of September 11th 2003 promulgating the Law N° 65-99 on the Labor Code, the Absorbing Company will, by the mere fact of carrying out the Merger, subrogated purely and simply in the profit and expense of the stipulations of any existing employment contract, on the Completion Date of the Merger, between the Absorbed Company and the members of its personnel.

As a result, the Absorbing Company will take over all the staff of the Absorbed Company on the Completion Date of the Merger.

Off-balance sheet commitments

SALAFIN will benefit, where applicable, from the commitments received by TASLIF, and will replace TASLIF, and will be solely responsible for all commitments made by the latter.

Off-balance sheet commitments	31/12/2017
<u>Commitments given</u>	
1. Financing commitments given to credit institutions and similar institutions	
2. Financing commitments made to customers	
3. Guarantee commitments given to credit institutions and similar institutions	
4. Guarantees given on behalf of customers	
5. Securities purchased with the option of resell	
6. Other securities to be delivered	None
<u>Commitments received</u>	
7. Financing commitments received from credit institutions and similar institutions	
8. Guarantee commitments received from credit institutions and similar institutions	
9. Guarantee commitments received from the State and various guarantee organizations	
10. Securities sold with the option of repurchase	
11. Other securities to be received	

Source: Taslif auditor's general report

I.5. Definition of the merger premium

The difference between:

- The net asset value transferred by TASLIF, i.e. MAD 515,340,000.00, of the one hand; and
- The sum corresponding to the nominal amount of the increase in the share capital of SALAFIN, i.e. MAD 55,057,700.00, of the other hand,

Will constitute the amount of the merger premium, ie MAD 460,282,300.00 which will be recorded in a 'merger premium' account on the liabilities side of the balance sheet of SALAFIN and to which the rights of old and new shareholders of SALAFIN will be attached.

I.6. Premium allocation

By express agreement between the Parties, it is stipulated that it will be proposed to Salafin Shareholders Extraordinary General Meeting to authorize the allocation of the merger premium as follows:

- imputation of all fees and duties incurred by the Merger, as well as any sums necessary for the successful completion of Salafin's resumption of Taslif's rights and obligations ;
- deduction of the sum necessary for full appropriation of the legal reserve and regulated provisions; and
- Levy of any omitted or undisclosed liability concerning the assets brought.

I.7. Procedures for handling fractional shares

Those shareholders who hold an insufficient number of TASLIF shares to obtain a whole number of SALLAFIN shares will have to make it their personal responsibility to sell or buy the required number of TASLIF shares.

In order to facilitate this process, fractional TASLIF shares will be held for trading on the Casablanca Stock Exchange for twenty (20) business days from the initial trading date of the new shares.

At the end of this period of twenty (20) business days from the initial trading date of the new shares, and in order to protect the interests of the shareholders of TASLIF, the fractional TASLIF shares which have not resulted in the acquisition of a whole number of SALAFIN shares will be consolidated with the centralizing agent of the transaction and converted into new SALAFIN shares. These new shares will then be sold on the stock exchange by this centralizing agent at market conditions within five (5) business days and the proceeds of the sale will, in proportion and net of any charges, be distributed among the account holders of fractional shares. Account holders will then have to credit their customers with the amount due to them.

I.8. Previous Operations

The Absorbing Company, Salafin, takes over the profit and / or the charge of any tax-related commitments that Taslif may have previously taken on previous transactions that benefited from a favorable tax regime, particularly in respect of registration fees, corporation tax, or value-added tax.

These include the net capital gains realized on Taslif's previous merger of the company Salaf, the taxation of which was transferred to Salaf by the company and which breaks down as follows:

Capital gains on investment securities	635.753,00 MAD
Other Assets	- 191.732,74 MAD
Intangible assets	- 525.389,47 MAD
Goodwill	53.879.129,75 MAD
Capital gains on the land	14.587.856,76 MAD
Capital gains on non-operating buildings	529.150,00 MAD

Capital gains on operating buildings

5.980.555,05 MAD²

Source : Merger Agreement

I.9. Extract of the resolutions proposed at the EGM of SALAFIN

FIRST RESOLUTION

The Extraordinary General Meeting:

- upon learning of the merger agreement dated 15 August 2018 between SALAFIN and TASILF (the **Merger Agreement**), setting out the terms and conditions of the universal transfer of the assets of TASILF to SALAFIN following the acquisition by SALAFIN of TASILF (the **Merger**),
- after having heard the reading of the Management Board's report and the statutory auditors' reports on the terms of the Merger and on the contributions in kind,
- Based on the Merger Prospectus approved by the AMMC,

approves in all its stipulations this Merger Agreement, pursuant to which TASILF contributes all of its assets and liabilities to SALAFIN in respect of the Merger.

The Extraordinary General Meeting notes that (i) the approval of the Merger was issued by Bank Al Maghrib (ii) the approval on the Merger Prospectus was issued by the AMMC (iii) the notice of approval of the Merger was issued by the Casablanca Stock Exchange, and (iv) the TASILF Extraordinary General Meeting held today approved the Merger; that consequently, at the end of this meeting and noting that the conditions precedent to which the Merger was subject are thus fulfilled, the Merger will become final.

In light of the foregoing, TASILF will be dissolved, without liquidation, at the end of this meeting.

SECOND RESOLUTION

The Extraordinary General Meeting, after having heard the reading of the Management Board's report and the statutory auditors' reports on the contributions in kind, approves the transfer carried out under the Merger and the valuation that was done, the net assets transferred by TASILF under the Merger which were valued at MAD 515,340,000 based on assets transferred by TASILF valued at MAD 1,695,850,278.46 and liabilities assumed by SALAFIN valued at MAD 1,180,510,278.46.

THIRD RESOLUTION

The Extraordinary General Meeting, in return for the transfer of all the assets of TASILF to SALAFIN, has decided to issue 550,577 new shares (the **New Shares**) with the same nominal value as the existing shares (ie MAD 100), which will be allocated to the shareholders of TASILF at the rate of 1 SALAFIN share for 39 TASILF shares.

The Extraordinary General Meeting has therefore decided to increase its share capital by MAD 55,057,700 from MAD 239,449,700 to MAD 294,507,400, and to increase the number of shares comprising the share capital of SALAFIN thus from MAD 2,394,497 to MAD 2,945,074.

The New Shares to be created by SALAFIN as a capital increase (i) will be fully integrated, in terms of rights and obligations, into the old shares, (ii) will be subject to all the provisions of the Articles of Association and (iii) will carry current dividend rights so as to be fully integrated into the existing SALAFIN shares on the final completion date of the Merger.

As such, the New Shares will entitle their holders to any distributions of profits or distributions of reserves that may be decided by SALAFIN from the final completion date of the Merger.

² The remaining amount to be transferred amounting to 2,395,367.71 dirhams is detailed as follows: 448,148.42 dirhams each fiscal year for the period from 2018 to 2021; 330,110.16 dirhams in 2022; 212,071.91 dirhams in 2023 and 60,591.97 dirhams in 2024.

Notwithstanding the foregoing, it is specified for all purposes that the New Shares to be created by SALAFIN will not entitle their holders to any dividends paid by SALAFIN for the financial year ended 31 December 2017.

[...]

The difference between:

- The net assets value transferred by TASLIF, i.e. MAD 515.340.000, of the one part; and
- The sum corresponding to the nominal amount of the increase in the share capital of SALAFIN, i.e. MAD 55.057.700, of the other part.

Will constitute the merger premium, ie MAD 460.282.300 which will be recorded in a ‘merger premium’ account on the liabilities side of the balance sheet of SALAFIN and to which the rights of old and new shareholders of SALAFIN will be attached.

The Extraordinary General Meeting authorizes the Management Board to allocate the merger premium as follows:

- Allocation of all expenses, costs, duties and fees incurred by the Merger, as well as all sums necessary for the successful completion of the transfer of TASLIF rights and commitments by SALAFIN.
- deduction of the amount necessary for the full allocation of the legal reserve and regulated provisions; and
- Deduction of any omitted or undisclosed liabilities relating to the transferred property.

FOURTH RESOLUTION

The Extraordinary General Meeting, in consideration of the above resolutions adopted and after having heard the reading of the Management Board's report, has decided to amend Article 6 (*Share capital*) of the Articles of Association of SALAFIN as follows:

‘Article 6: Share capital - Contributions in kind

The share capital is set at the sum of two hundred and ninety-four million five hundred and seven thousand and four hundred dirhams (MAD 294,507,400).

It is divided into two million nine hundred and forty-five thousand and seventy-four (2,945,074) shares with a nominal value of one hundred (100) dirhams each, entirely paid up, numbered from 1 to 2,945,074.

Pursuant to the decisions of the Extraordinary General Meeting of 31 December 2018, SALAFIN acquired TASLIF through a merger.

Under this merger, TASLIF transferred to SALAFIN all of its assets.

The assets transferred by TASLIF, valued at MAD 1,695,850,278,46 and the liabilities assumed by SALAFIN, valued at MAD 1,180,501,278.46, as a result, the net assets transferred by TASLIF to SALAFIN is MAD 515,340,000.

The difference between:

- *The net asset value transferred by TASLIF, i.e. MAD 515.340.000, of the one part; and*
- *the sum corresponding (i) to the nominal amount of the increase in the share capital of SALAFIN, i.e. MAD 55.057.700, of the other part.*

Constitutes the amount of the merger premium, ie MAD 460,282,300.

The aforementioned capital increase of SALAFIN in the amount of MAD 55,057,700 resulted in the allocation of 550,577 new shares in favour of the shareholders of TASLIF at the parity exchange rate of 1 SALAFIN share for 39 TASLIF shares.

FIFTH RESOLUTION

The Extraordinary General Meeting grants all powers to the holder of an original, copy or abstract of these minutes for the purposes of completing all the legally required formalities.

I.10. Extract of the resolutions proposed at the EGM of TASLIF

FIRST RESOLUTION

The Extraordinary General Meeting:

- upon learning of the merger agreement dated 15/08/2018 between SALAFIN and TASLIF (the **Merger Agreement**), setting out the terms and conditions of the universal transfer of the assets of TASLIF to SALAFIN following the acquisition by SALAFIN of TASLIF (the **Merger**),
- after having heard the reading of the Board of Director's report and the statutory auditors' reports on the terms of the Merger and on the contributions in kind,
- Based on the Merger Prospectus approved by the AMMC,

approves in all its stipulations this Merger Agreement, pursuant to which TASLIF contributes all of its assets and liabilities to SALAFIN in respect of the Merger.

The Extraordinary General Meeting notes that (i) the approval of the Merger was issued by Bank Al Maghrib (ii) the approval on the Merger Prospectus was issued by the AMMC and (iii) the notice of approval of the Merger was issued by the Casablanca Stock Exchange; that consequently, at the end of this meeting and upon the approval of the Merger by the Extraordinary General Meeting of SALAFIN which will be held this day, the Merger will become final.

In payment for the transfer of all the assets of TASLIF, SALAFIN has decided to issue 550,577 new shares (the **New Shares**) with the same nominal value as the existing shares (ie MAD 100), which will be allocated to the shareholders of TASLIF at the rate of 1 SALAFIN share for 39 TASLIF shares.

SALAFIN has therefore decided to increase its share capital by MAD 55,057,700 to bring it from MAD 239,449,700 to MAD 294,507,400, the total number of shares comprising the share capital of SALAFIN where it was brought from 2,394,497 to 2,945,074 shares.

The New Shares to be created by SALAFIN as a capital increase (i) will be fully integrated, in terms of rights and obligations, into the old shares, (ii) will be subject to all provisions of the Articles of Association and (iii) will carry current dividend rights so as to be fully integrated into the existing SALAFIN shares on the final completion date of the Merger.

As such, the New Shares will entitle their holders to any distributions of profits or distributions of reserves that may be decided by SALAFIN from the final completion date of the Merger.

Notwithstanding the foregoing, it is specified for all purposes that the New Shares to be created by SALAFIN will not entitle their holders to any dividends paid by SALAFIN for the financial year ended 31 December 2017.

[...]

The difference between:

- The net asset value transferred by TASFIF, i.e. MAD 515.340.000, of the one part; and
- the sum corresponding to the nominal amount of the increase in the share capital of SALAFIN, i.e. MAD 55.057.700, of the other part,

Will constitute the merger premium, ie MAD 460.282.300 which will be recorded in a ‘merger premium’ account on the liabilities side of the balance sheet of SALAFIN and to which the rights of old and new shareholders SALAFIN will be attached.

SECOND RESOLUTION

The Extraordinary General Meeting notes that TASFIF will be automatically dissolved which will be done after the Extraordinary General Meeting of SALAFIN which will record the final completion of the Merger, it being specified that no liquidation transaction will be carried out insofar as all of the assets of TASFIF will be transferred to SALAFIN under the Merger.

THIRD RESOLUTION

The Extraordinary General Meeting grants all powers to the holder of an original, copy or abstract of these minutes for the purposes of completing all the legally required formalities.

II. Impact of the Transaction on the shareholder structure

In return for the transfer of assets, SALAFIN will increase its share capital by creating 550,577 new shares, which will be allocated to the former shareholders of TASFIF based on the exchange ratio of 1 SALAFIN share for 39 TASFIF shares. After the Merger, the distribution of SALAFIN capital should be as follows:

Shareholders	Before the merger		After the merger		After the merger and the takeover bid	
	Number of shares	% of capital and voting rights	Number of shares	% of capital and voting rights	Number of shares	% of capital and voting rights
BMCE Bank	1 790 350	74,77%	1 790 350	60,79%	1 790 350	60,79%
SALAFIN other shareholders	419 736	17,53%	419 736	14,25%	419 736	14,25%
RCAR	122 359	5,11%	122 359	4,15%	122 359	4,15%
SALAFIN Staff	62 052	2,59%	62 052	2,11%	62 052	2,11%
SAHAM Assurance	0	0,00%	381 446	12,95%	421 367	14,31%
SANAM Holding	0	0,00%	128 945	4,38%	128 945	4,38%
Mr. Said ALJ	0	0,00%	265	0,01%	265	0,01%
TASFIF other shareholders	0	0,00%	39 921	1,36%	-	-
Total	2 394 497	100,00%	2 945 074	100,00%	2 945 074	100,00%

Source: Salafin

III. Governance of the company after the capital increase

III.1. Shareholder's agreement

Apart from the shareholders agreement presented below, no other shareholders agreement is concluded between Salafin shareholders.

On January 26th, 2018, Salafin's main shareholder, BMCE Bank, signed a shareholder agreement with Taslif's main shareholder, Saham Assurance. The objectives of the agreement are:

- Define the terms and conditions of the participation of the two shareholders in the management bodies of Salafin after the capital increase ;
- Govern the relationship of the two shareholders in Salafin after the capital increase ;
- And set the rights and obligations attached to their status as shareholders of Salafin after the capital increase.

The main terms of the Shareholder Agreement relating to organization and governance are as follows:

- The governance of Salafin after the capital increase will continue according to a model of Executive Board / Supervisory Board;
- The members of Salafin's Executive Board will be nominated by BMCE BOA ;
- The Executive Board is vested with the broadest powers to act in all circumstances in the name of the Company, subject to those expressly granted by Law 17-95 as amended and supplemented or the shareholder's agreement to the Supervisory Board and the Shareholders' Meetings ;
- Certain decisions require a prior favorable decision of the Supervisory Board, including:
 - Any capital increase and issuance of securities giving access to Salafin's capital or its subsidiaries except for operations with the purpose of financing the development of the business in accordance with the Business Plans adopted by the Supervisory Board as well as capital increases that would be prescribed by prudential and regulatory rules ;
 - Any transactions likely to significantly affect the profitability or Salafin or its subsidiaries activities ;
 - The modification of Salafin's governance model ;
 - Dividend payment proposal that does not comply with the dividend policy of the Pact ;
 - The creation, acquisition or sale of subsidiaries except those carried out for the ordinary needs of the activity.
- Salafin's Supervisory Board will include members appointed by the shareholders general meeting, of which one (1) member will be nominated on the proposal of Saham Assurance.
- The Supervisory Board elects from among its appointed members on the proposal of BMCE BOA who will be in charge of convening the Board and directing its discussions ;
- The Audit and Risks Committee will include one (1) member appointed on the proposal of Saham Assurance. The chairman of this committee will be proposed by BMCE BOA.
- The aforementioned stipulations are maintained as long as Saham Assurance holds more than 10% of the capital and voting rights of Salafin.
- Saham Assurance has a joint exit right in the event if BMCE BOA wishes to sell all or part of its securities to a third party resulting in a change of control of Salafin ;
- The Parties agree that Salafin after Capital Increase will distribute as dividends, unless otherwise agreed by the parties to the aforementioned agreement, at least 50% of its distributable profits taking into account prudential and regulatory rules, including the solvency ratio.

The Shareholders' Agreement remains valid for a period of 10 years starting from the date of the Extraordinary General Meetings of Salafin and Taslif approving the Merger. It will be renewed by tacit agreement for a period of 5 years unless denounced by the parties.

The shareholder's agreement will also terminate when BMCE BOA ceases to hold Salafin's shares or when Saham Assurance's shareholding falls below 5% of the company's share capital and voting rights.

III.2. Organization & governance

The mandates of the current members of the Executive Board are all maintained (for more details, refer to the organization and governance presented in the shareholders' agreement above).

In addition, the auditors of SALAFIN will continue their current mandate until expiry date (planned at the General Meeting approving 2018 financial statements) and no change is expected during the merger.

III.3. Framework Agreement on Commercial Cooperation

At the end of the aforementioned agreement and the framework agreement for commercial cooperation signed on 26/01/2018 by the main shareholder of Taslif, Saham Assurance and Salafin, whose main purpose is to set the guidelines for the commercial agreements implementation between the two companies as well as the overall terms of commercial cooperation (referred to as Synergies in this prospectus). The main objectives of this partnership are:

Contribution of BMCE BOA to Salafin after the capital increase:

- Maintaining commercial agreements between BMCE BOA and Salafin after Capital Increase, including:
 - Maintaining the credit distribution agreement about the distribution of Salafin products on BMCE BOA agency network ;
 - Maintaining of the credit recovery agreement ;
 - Maintaining of the agreement about the product platform management « Crédit Imédi@ Conventionné (CIC) » ;
- BMCE BOA commitment to develop the sale of RMA insurance products and related revenues accruing to Salafin after Capital Increase, for products marketed via the BMCE BOA network;
- BMCE BOA commitment to maintain for the benefit of Salafin after Capital increase, the financing historically granted to Salafin in the form of loans, securities lending, repurchase agreements or others, for the financing needs of Salafin after Capital increase activity, at market conditions.

Contribution of Saham Assurance to Salafin after the capital increase:

Establishment of commercial agreements between Saham Assurance (as well as Affiliates concerned) and Salafin after Capital Increase to manage the commercial cooperation between the two companies:

- Agreement on the marketing and distribution of financing and consumer credit solutions, including insurance financing, car financing, personal loans, study financing, rentals with option to buy (LOA), etc. ;
- The distribution of Salafin after Capital Increase financing solutions will be made through the opening of Saham Assurance distribution network.

The development of fee-business activities agreement:

- The development of fee-business activities including recovery services provided by Salafin after the Capital Increase, as well as operational management, IT solutions or any other activities that would generate revenue for Salafin After Capital Increase.

In addition, this framework agreement is concluded for a period of 5 years from the date of its signature, renewable by tacit agreement, for periods of 5 years.

IV. Amendments to the Articles of Association after the Transaction

After the acquisition transactions has been completed, the Articles of Association of SALAFIN will be amended as follows:

'Article 6: Share capital - Contributions in kind

The share capital is set at the sum of two hundred and ninety-four million five hundred and seven thousand and four hundred dirhams (MAD 294,507,400).

It is divided into two million nine hundred and forty-five thousand and seventy-four (2,945,074) shares with a nominal value of one hundred (100) dirhams each one, entirely paid up, numbered from 1 to 2,945,074.

Pursuant to the decisions of the Extraordinary General Meeting of 31 December 2018, SALAFIN acquired TASILF through a merger.

Under this merger, TASILF transferred to SALAFIN all of its assets.

The assets transferred by TASILF, valued at MAD 1,695,850,278,46 and the liabilities assumed by SALAFIN, valued at MAD 1,180,501,278.46, as a result, the net assets transferred by TASILF to SALAFIN is MAD 515,340,000.

The difference between:

- The net asset value transferred by TASILF, i.e. MAD 515.340.000, of the one hand; and
- the sum corresponding (i) to the nominal amount of the increase in the share capital of SALAFIN, i.e. MAD 55.057.700, of the other hand.

Constitutes the amount of the merger premium, ie MAD 460,282,300.

The aforementioned capital increase of SALAFIN in the amount of MAD 55,057,700 resulted in the allocation of 550,577 new shares in favour of the shareholders of TASILF at the parity exchange rate of 1 SALAFIN share for 39 TASILF shares.'

V. Amount of the Transaction

The overall amount of the Transaction is MAD 515,340,000, corresponding to the net asset value transferred by TASILF. In payment of this transfer, SALAFIN will increase its capital by the nominal amount of MAD 55,057,700.00 by issuing 550,577 new shares each with a nominal value of MAD 100.

The difference between:

- (i) The net asset value transferred by TASILF, i.e. MAD 515,340,000.00, of the one part; and
- (ii) The sum corresponding to the nominal amount of the increase in the share capital of SALAFIN, i.e. MAD 55,057,700.00, of the other part,

Will constitute the amount of the merger premium, ie MAD 460,282,300.00 which will be recorded in a 'merger premium' account on the liabilities side of the balance sheet of SALAFIN and to which the rights of old and new shareholders of SALAFIN will be attached.

VI. Information on the securities to be issued

Nature of the securities	SALAFIN's shares are all of the same category
Legal form of the securities	The new SALAFIN shares will be fully digitized and registered in an account at Maroclear
Number of securities to be issued	550,577
Issue price	MAD 936 per share
Nominal value	MAD 100 per share
Merger premium	MAD 836 per share
Effective date	1 st of January 2018

Trading of the securities	The issued shares are freely tradable on the Casablanca Stock Exchange
Listing of new securities	The shares resulting from this capital increase will be listed on the first line completely assimilated with old shares
Release of securities	The issued shares will be fully paid up and unencumbered
Attached rights	All new shares to be created by SALAFIN will entitle their holders to the profits and are fully integrated, in terms of rights and obligations, into the former shares. Notwithstanding the foregoing, it is specified for all purposes that the new shares to be created by SALAFIN will not entitle their holders to any distribution of profits or distribution of reserves or premiums, of any kind whatsoever that may be paid before the completion date of the Merger.

Source: Merger Agreement

VII. Elements for assessing the issue price

Warning

Following the change of Taslif indirect shareholders, a public tender offer for Taslif's securities is initiated by Sanlam Emerging Markets Ireland (SEMIL), Saham Finances, Saham SA, Saham Finances Participations, Saham Assurance, Sanam Holding and Mr. Said Alj. The number of securities concerned is 1 556 911 shares and 348 attribution rights. The Offer duration is between 11th of december to 17th of december 2018 included.

Note that the methods and the price used in the proposed merger are identical to the methods and price used in the public tender offer.

As part of the multi-criteria assessment of SALAFIN and TASLIF and defining the induced exchange rate parity, all the usual valuation methods were considered, in particular:

- The Weighted Average Share Price (WASP);
- Traded multiples of comparable companies;
- Transactional multiples of comparable companies;
- The method of discounted cash flows;
- The Net Asset Value (NAV).

I.11. Excluded evaluation methods and rationale

In view of the sector of activity in which the two companies operate, their specific characteristics and the market in which they operate, certain valuation methods have been excluded, in particular:

I.11.1. The Net Asset Value

The valuation by the Net Asset Value consists in adding to the company's net worth the unrealized gains net of tax and deducting unrealized losses. This method is mainly used in the case of diversified holding companies or companies holding many assets, in particular real estate assets, which may have their historical value recorded in the balance sheet far below their immediate economic realizable value. This method is also relevant in the context of a liquidation approach.

I.11.2. Transactional multiples of comparable companies

This method consists in valuing a company by analogy, using valuation multiples based on the prices of recent transactions on companies in the same sector of activity.

The difficulty with this method generally lies in the choice of transactions used as a reference base:

- The price paid on an acquisition may reflect a strategic interest specific to a purchaser or include a premium reflecting the presence of industrial synergies that vary from one transaction to another;
- This method depends heavily on the quality and reliability of the information available for the transactions selected in the sample (varying according to the status of the acquired companies - listed, private, subsidiaries of a group - and the level of confidentiality of the transaction);

This method assumes that the transaction targets selected in the sample are comparable to the company being evaluated (by positioning, growth prospects, profitability, geographical presence, size, different stages of development that are specific to the sector, etc.).

Given the absence of recent similar transactions on the Moroccan market, this method was not used.

I.11.3. Traded multiples of comparable companies

The traded comparables method is an analogous approach, based on different parameters of the company's profitability.

It consists of applying to the company's financial aggregates the multiples observed on a sample composed of comparable companies (same sector of activity, comparable margin structures, same geographical area, etc.).

At the national level, following the withdrawal of SOFAC and Axa Crédit, the available sample is not significant.

Furthermore, SALAFIN and TASLIF are not the same size and have different levels of return on equity and growth, which makes this method irrelevant for the valuation exercise and for defining the exchange ratio.

I.12. Valuation methods used

I.12.1. The Weighted Average Share Price (WASP)

Weighted Average Share Price Valuation is one of the most widely used methods for determining the price per share of a listed company.

This method consists of retaining as the value of a share the sum of the average prices of a share over a given period weighted by the volumes traded.

The table below summarizes the prices observed over significant periods of 1, 3, and 6 months for both companies as well as the spot prices recorded on 25/01/2018, the reference date³ used:

(MAD/Share)	SALAFIN	TASLIF	Implied exchange ratio
Spot price on January 25 th , 2018	995.0	24.3	21.9%
WASP 1 Month	896.2	24.2	24.2%
WASP 3 Month	888.0	25.4	25.6%
WASP 6 Month	891.7	25.3	25.4%
Average	917.7	24.8	24.2%

Sources : Casablanca stock Exchange, Capital Trust Finance

Thus, based on the stock market price method, the value per SALAFIN share is MAD 917.70 versus MAD 24.8 for TASLIF, implying an induced average exchange parity of 24.2%.

³ The price history used is limited to 25/01/2018, i.e. the date of announcement of the merger

Company stock price analysis (for indicative purpose only):

The table below summarizes the prices observed over the periods of 1, 3, and 6 months for both companies as well as the spot prices recorded on 30/11/2018 (for indicative purpose only):

(MAD/Action)	SALAFIN	Change compared to WASP retained	TASLIF	Change compared to WASP retained
Spot price as of 30-11-2018	988.0	7,7%	24.0	-3.1%
WASP 1 Month	949.9	3,5%	22.4 ⁴	-9.6%
WASP 3 Month	971.6	5,9%	23.5	-5.0%
WASP 6 Month	994.5	8,4%	23.8	-3.8%
Average	976.0	6,3%	23.4	-5.4%

Sources : Casablanca stock Exchange, Capital Trust Finance

The following table presents Salafin's stock market indicators:

Stock market indicators	2015	2016	2017	November 2018
Shares number	2 394 497	2 394 497	2 394 497	2 394 497
Highest closing price (MAD)	720	830	950	1 100
Lowest closing price (MAD)	600	665	808	895
Number of traded shares	37 401	104 862	63 341	112 877
Volumes traded in KMAD	24 750	77 438	55 133	112 144
Net income in KMAD	125 272	138 507	140 178	68 577 ⁵
Capitalization at the end of the period KMAD	1 640 230	1 987 432	2 143 075	2 365 763
PER at the end of the period	13.1x	14.3x	15.3x	16.9x ⁶

Sources : Casablanca Stock Exchange, Salafin

The following table presents Taslif's stock market indicators:

Stock market indicators	2015	2016	2017	November 2018
Shares number	21 472 500	21472500	21472500	21 472 500
Highest closing price (MAD)	49	49	30	30
Lowest closing price (MAD)	34	28	23	22
Number of traded shares	80 975	244 811	224 987	15 938
Volumes traded in KMAD	3 642	8 613	5 879	418
Net income in KMAD	24 238	37 113	33 318	15 105 ⁷
Capitalization at the end of the period KMAD	1 057 521	601 230	548 193	515 340
PER at the end of the period	43,6x	16,2x	16,5x	15,5x ⁸

Sources : Casablanca Stock Exchange, Taslif

Note that the listing of Taslif securities has been suspended from 11/10/2018 following the request of the AMMC. This suspension of the company's securities was renewed as from 16/10/2018, following the take-over bid. The listing was resumed as of 29/11/2018, the Casablanca Stock Exchange proceeded on that date to purge Taslif's order book, adjust the allocation rights and adjust the reference price by fixing it at the price of the public offer, ie 24 MAD per share and 200 MAD per attribution right.

⁴ Simple average over the month, given the lack of volumes however the price was adjusted as of 29/11/2018 by the Casablanca Stock Exchange at 24 MAD (the price proposed in the takeover bid)

⁵ Half-yearly net income as of 30/06/2018

⁶ Capitalization at the end of November divided by 2017 net income

⁷ Half Year Net Income as of 30/06/2018

⁸ Capitalization at the end of November divided by 2017 net income

I.12.2. Discounted cash flows:

Due to the nature of TASLIF's business, the Discounted Cash-Flow (DCF) method cannot be applied directly.

A financial institution is required to retain a certain amount of equity capital in respect of the risks associated with the repayment of loans granted. There is a regulatory solvency ratio constraint, which corresponds approximately to shareholders' equity in relation to weighted commitments (amount of loans granted weighted by the risk presented by each client). The minimum regulatory solvency ratio for financial institutions, set by Bank Al Maghrib, is 12%.

Consequently, the discounted cash flows method generally used is the discounted net income method after the establishment of solvency ratios, known as 'excess equity', which means that this method amounts to:

- Projecting the net income of the financing company;
- Estimating the commitments (*Outstanding receivables & leased assets*) assigned to weighted rate based on the degree of risk based on the historical coefficient recorded;
- Defining the minimum amount of equity that the financial institution must have at each year-end with respect to the regulatory solvency ratio;

The financing company will set aside what it needs to constitute its equity and distribute the rest. It is the discounting by the cost of equity of this theoretically distributable income that gives the equity value of the company.

Defining the value of equity:

The equity value (EqV) is equal to the sum of:

- Cash flows for the shareholder discounted at the cost of equity over an explicit period of time;
- The terminal value (TV), determined by discounting in perpetuity a standard flow at the end of the explicit period of time of the business plan, according to the Gordon Shapiro method, taking into account an assumption of perpetual growth rate (g)

Thus, EqV is defined according to the following formula:

EqV = Σ Discounted cash flows over the explicit period of time of the Business Plan + TV

$$EqV = \sum_{i=1}^n \frac{CF_i}{(1 + Ce)^i} + \frac{TV}{(1 + Ce)^n}$$

Where:

i: Business plan period

n: Explicit period of time of the business plan

CF_i: Theoretical cash-flows of the period *i*

Ce: Cost of equity

TV: Estimated terminal value based on the Gordon Shapiro method using the following formula:

$$TV = \frac{SF}{(Ce - g)}$$

Where:

g: perpetual growth rate

SF: Standard flow

Defining the cost of equity:

$$K_{cp} = R_f + \beta(R_m - R_f)$$

R_f : Risk – free Rate

β : Beta

R_m – R_f : Moroccan market risk premium

Risk-free rate	Yield on 10-year Treasury bills in Morocco (Secondary curve as of June 29 th 2018).	3.263%
Beta	Beta 5 years weekly from 15 companies operating in the consumer credit sector.	0.90
Moroccan market risk premium	Moroccan market average risk premium for the first half of 2018 as calculated by Bloomberg.	6.90%
Cost of equity:		9.5%

Sources: Bank Al Maghrib, Bloomberg

Valuation of SALAFIN using the excess of equity method:

Main forecasted indicators of SALAFIN

(KMAD)

SALAFIN	2018e	2019p	2020p	2021p	2022p
Net Production	1 300 000	1 451 667	1 625 000	1 787 468	1 949 949
Net Banking Income	375 923	404 560	438 432	467 934	496 553
Outstanding consumer loans	1 656 808	1 988 795	2 064 211	2 188 064	2 319 348
Outstanding leasing	1 564 181	1 734 810	1 970 459	2 167 505	2 384 255

Source: Salafin

Defining the excess of equity capital for SALAFIN

(KMAD)

SALAFIN	2018e	2019p	2020p	2021p	2022p	Normative flow
Incurred risks	2 716 033	3 087 561	3 274 118	3 475 542	3 686 470	3 760 200
Minimum required solvency ratio	12,0%	12,0%	12,0%	12,0%	12,0%	12,0%
Equity minimum level required	325 924	370 507	392 894	417 065	442 376	451 224
Equity minimum level required variation	-4 162	44 583	22 387	24 171	25 311	8 848

Sources: Salafin, Capital Trust Finance

Discounting SALAFIN's future cash flows

(KMAD)

SALAFIN	2018e	2019p	2020p	2021p	2022p	Normative flow
Net Income	134 433	145 426	159 647	172 238	187 132	190 875
Amortization and Depreciation	9 591	9 600	8 900	8 400	8 000	8 000
Capex	10 000	4 500	4 500	4 500	4 500	4 500
Equity minimum level required variation	-4 162	44 583	22 387	24 171	25 311	8 848
Free cash flows to Equity	138 186	105 943	141 660	151 967	165 321	185 527
Discounted free cash flows to Equity	126 212	88 378	107 933	105 753	105 077	117 920

Sources: Salafin, Capital Trust Finance

The main assumptions for estimating the normative flow are as follows:

- The net income of the normative flow is computed based on 2022 net income, plus a perpetual growth rate of 2% ;
- Depreciations and CAPEX are at the same level as 2022 ;

- The equity minimum level required of the normative flow is computed based on 2022 outstanding risks plus a growth rate of 2% multiplied by the regulatory minimum required solvency ratio.

	KMAD
(+) Salafin Excess of Equity Capital as of 31/12/2017 (statement from BAM)	176 713
(+) Sum of Discounted FCFs to Equity	533 352
(+) Terminal value	1 574 911
(=) Equity value	2 284 976
Value per share	954,3

Based on an initial equity surplus of 176,713 KMAD as at 31/12/2017, a discount rate of 9.5% and a perpetual growth rate of 2.0%, SALAFIN's equity value is established at 2,284.90 MMAD, implying a value per share of MAD 954.30.

Valuation of TASLIF using the excess of equity method:

Main forecasted indicators of Taslif

(KMAD)	2018e	2019p	2020p	2021p	2022p
Taslif					
Net Production	340 385	400 847	440 263	480 358	520 459
Net Banking Income	100 745	100 329	102 835	111 409	122 886
Outstanding consumer loans	1 136 800	1 098 560	1 148 365	1 263 039	1 386 639
Outstanding leasing	107 345	135 958	167 082	198 212	228 715

Source: Taslif

Defining the excess of equity capital for TASLIF⁹

(KMAD)	2018e	2019p	2020p	2021p	2022p	Normative flow
TASLIF						
Incurring risks	1 309 698	1 300 691	1 382 236	1 529 273	1 683 126	1 716 788
Minimum required solvency ratio	12,0%	12,0%	12,0%	12,0%	12,0%	12,0%
Equity minimum level required	157 164	156 083	165 868	183 513	201 975	206 015
Equity minimum level required variation	-19 824	-1 081	9 785	17 644	18 462	4 040

Sources: Taslif, Capital Trust Finance

Discounting TASLIF's future cash flows

(KMAD)	2018e	2019p	2020p	2021p	2022p	Normative flow
TASLIF						
Net Income	27 987	28 427	28 861	31 523	36 109	36 831
Amortization and Depreciation	3 363	3 121	3 120	3 154	3 182	3 182
Capex	2 079	1 868	2 139	3 589	3 519	3 519
Equity minimum level required variation	-19 824	-1 081	9 785	17 644	18 462	4 040
Free cash flows to Equity	49 095	30 762	20 057	13 444	17 311	32 456
Discounted free cash flows to Equity	44 841	25 661	15 282	9 356	11 003	20 629

Sources: Taslif, Capital Trust Finance

The main assumptions for estimating the normative flow are as follows:

- The net income of the normative flow is computed based on 2022 net income, plus a perpetual growth rate of 2% ;
- Depreciations and CAPEX are at the same level as 2022 ;

⁹ From 2018, Taslif's risk estimation method has been aligned with Salafins method given that the latter is the Absorbing Company

- The equity minimum level required of the normative flow is computed based on 2022 outstanding risks plus a growth rate of 2% multiplied by the regulatory minimum required solvency ratio.

	KMAD
(+) Taslif Excess of Equity Capital as of 31/12/2017 (statement from BAM)	121 780
(+) Sum of Discounted FCFs to Equity	106 143
(+) Terminal value	275 511
(=) Equity value	503 434
Value per share	23,4

Based on an initial equity surplus of 121,780 KMAD as at 31/12/2017, a discount rate of 9.5% and a perpetual growth rate of 2.0%, TASLIF's equity value is established at 503.4 MMAD, implying a value per share of MAD 23.40.

Summary and implied exchange rate parity:

The excess equity method shows a valuation of MAD 2,284.9 M for SALAFIN versus MAD 503.4 M for TASLIF, thus the resulting exchange parity is 22.0%.

I.12.3. Summary of the methods and implied exchange rate parity

The table below summarizes the values of SALAFIN and TASLIF obtained by the methods used as well as the implied exchange rate parity:

Price per share	SALAFIN	TASLIF	Exchange rate
Discounted cash flow	954.3	23.4	22.0%
Weighted Average Share Price	917.7	24.8	24.2%
Average (MAD) :	936.0	24.0	23.0%
ie, Equity value (MAD) :	2,241,249,192.0	515,340,000.0	

Source: Capital Trust Finance

The average parity of the used methods is 23.0%. The value per share is MAD 936 and MAD 24 respectively for SALAFIN and TASLIF corresponding to an exchange parity of 1 SALAFIN share for 39 TASLIF shares.

VIII. Financial intermediaries

Financial intermediaries	Corporate name	Address
Financial advisor	Capital Trust Finance	50, Boulevard Rachidi, Casablanca
Centralizing entity for the Transaction	BMCE Bank of Africa	140, Avenue Hassan II, Casablanca
Institution in charge of the registration of the transaction with the Casablanca Stock Exchange	Capital Trust Securities	50, Boulevard Rachidi, Casablanca

IX. The Operation Schedule

Order	Steps	Date
1	Receipt of the complete file of the Transaction by the Casablanca Stock Exchange	10/12/2018
2	Issuance of the notification of approval of the Transaction by the Casablanca Stock Exchange	17/12/2018
3	Receipt by the Casablanca Stock Exchange of the prospectus approved by the AMMC	17/12/2018
4	Publication of the notices relating to the Transaction in the market bulletin	18/12/2018
5	Publication of an extract from the prospectus in an official gazette	19/12/2018
6	<ul style="list-style-type: none"> ▪ Trading suspension of the securities of the absorbed company (TASLIF) ▪ Extraordinary general meetings to ratify the Operation 	31/12/2018
7	Receipt by the Casablanca Stock Exchange the EGM minutes that ratified the Operation	02/01/2019
8	<ul style="list-style-type: none"> ▪ Calculation by the account-keeping institutions of the positions of holders of the Absorbed Company (Taslif) shares ▪ Sending of the positions of holders of the Absorbed Company (Taslif) shares that must be converted by the account-keeping institutions to the centralizing body for the Operation 	04/01/2019
9	<ul style="list-style-type: none"> ▪ Calculation by the account-keeping institutions of the positions of holders of the Absorbed Company (Taslif) attribution rights ▪ Sending of the positions of holders of the Absorbed Company (Taslif) attribution rights by the account-keeping institutions to MSIN 	04/01/2019
10	Automatic conversion of the Absorbed Company (Taslif) shares not impacted by the fractional shares into the Absorbing Company (SALAFIN) shares	07/01/2019
11	<ul style="list-style-type: none"> ▪ Admission of the new Salafin shares ▪ Recording of the Operation in the stock exchange ▪ Announcement of the results of the Operation on the Market Bulletin ▪ Trade resumption of the Absorbed Company's (TASLIF) fractional shares and opening of the period for their negotiation and conversion 	08/01/2019
12	Sale by MSIN of the SALAFIN shares resulting from the automatic conversion of the TASLIF shares concerned by the allocation rights as well as the residual fractions of TASLIF to be converted into SALAFIN shares*	From 08/01/2019 to 05/02/2019
13	Closing of the period for negotiating the Absorbed Company (TASLIF) fractional shares	05/02/2019
14	Delisting of shares and attribution rights of the Absorbed Company (TASLIF)*	06/02/2019
15	Distribution by MSIN, to the account-keeping institutions holding Taslif's attribution rights, of the sale proceeds as well as the additional MAD 95.33 per right corresponding to the dividends accumulated on Taslif shares corresponding to the attribution rights non exercised since 2004*	07/02/2019
16	Distribution of the proceeds from the sale and the supplement mentioned in the previous step by account-keeping institutions holding Taslif's attribution rights to their customers*	08/02/2019
17	<ul style="list-style-type: none"> ▪ Sending by the account-keeping institutions to the centralizing body for the Operation of the positions of holders of residual fractional shares of Taslif which must be converted ▪ Automatic conversion of TASLIF shares (affected by the fractional shares) into SALAFIN shares 	08/02/2019
18	Sale of SALAFIN shares resulting from the automatic conversion of TASLIF shares affected by the fractional shares	From 11/02/2019 to 15/02/2019

19	Allocation by the centralizing body for the Operation of the proceeds from the sale between the account-keeping institutions that own fractional shares	18/02/2019
20	Allocation of the proceeds from the sale by the account-keeping institutions that own fractional shares to their clients	19/02/2019

Source: Casablanca Stock Exchange

(*) The attribution rights concern a capital increase operation by incorporation of reserves and allocation of free shares in 2004, through the issue of 102,250 shares for a parity of 1 new share for 3 attribution rights. As a result of this transaction, 306,402 rights were exercised over the 306,750 available, resulting in 348 unexercised rights. These rights currently entitle the holders to 2,900 Taslif shares (excluding the impact of the ongoing take-over Bid on Taslif's shares and attribution rights). M.S.IN was appointed as the centralizer of the aforementioned capital increase and dividend distributions.

Taslif's shares and attribution rights will be delisted after the merger transaction, M.S.IN will distribute the proceeds from the shares sale and the cumulative dividends attributable to holders of fractional rights.

X. Securities exchange

The exchange of securities is scheduled for the day of January 7th 2019.

XI. Beneficiaries of the Operation

The capital increase resulting from the Merger is reserved for TASLIF shareholders.

XII. Exchange ratio

The exchange ratio is set at 1 SALAFIN share for 39 TASLIF shares.

XIII. Salafin new listed shares characteristics

Sector	Investment Companies & Other Finance
Name	SALAFIN
Ticker	SLF
ISIN Code	MA0000011744
Compartment	Principal market
Trading method	Continuous
Date of listing of the new shares	08/01/2019
Body in charge of registering the Transaction in the Casablanca stock Exchange	Capital Trust Securities

XIV. Registration of the transaction on the Casablanca Stock Exchange

The transaction will be registered on January 8th, 2019 on the Casablanca Stock Exchange by Capital Trust Securities.

PART 2. SALAFIN PRESENTATION

I. General Information

Company name	SALAFIN.
Headquarters	Zenith Millenium, immeuble 8, Sidi Maarouf – Casablanca – Maroc.
Contact	Tel : 05 22 97 44 55 Fax : 05 22 97 44 77 e-mail : SALAFIN@SALAFIN.com Site web : www.SALAFIN.com
Legal form	Limited liability company with an executive and a supervisory boards.
Establishment date	April 1997
Trade register number	88 437 at Casablanca
Exercise duration	From January 1 st to December 31 st
Share capital on the eve of the merger	SALAFIN share capital is 239 449 700 MAD, divided into 2 394 497 shares with a nominal value of 100 MAD.
Business purpose	<p>The carrying out of all financing and consumer credit operations, with a view to enabling or facilitating the acquisition of all objects, articles or manufactured products, all motor vehicles and, more generally, all consumer goods for household, collective, commercial or industrial use;</p> <p>The lease with option to purchase (LOA) of passenger vehicles, and the performance of all intermediation, management or subcontracting operations in the fields of financial and credit services, insurance or distribution and any other related credit operation for which SALAFIN was approved;</p> <p>The completion of all financing and credit operations or real estate leasing as well as all operations or activities directly or indirectly related thereto, enabling or facilitating:</p> <ul style="list-style-type: none"> ▪ The acquisition of all buildings or parts of buildings and buildings of any kind whatsoever intended for industrial, commercial or residential use; as well as real estate development operations; ▪ The exploitation and development of land by means of subdivision, servicing, development, equipment and construction of all structures for residential, commercial, professional, industrial or other purposes; ▪ The acquisition, appropriation, operation, leasing of all built or unbuilt buildings, the enhancement of these buildings by the construction of housing as well as their outbuildings or annexes such as gardens, swimming pools, restaurants, car parks, sports complexes and all other constructions and developments for residential or commercial use. <p>The presentation to the public of insurance operations, insurance brokerage and the sale of bank insurance products and, in general, all operations related to the brokerage and sale of insurance products;</p> <p>Foreign exchange transactions and all operations or activities related directly or indirectly to them;</p> <p>Intermediation in the transfer of funds, both domestic and international, for the benefit of the public, as well as all operations or activities related directly or indirectly to it;</p> <p>All credit operations planned or to be created subsequently by Dahir under Act 1-93-147 of 15 Moharram 1414 (6 July 1993) relating to the exercise of the activity of credit institutions and their control and for which it has obtained prior approval in accordance with the provisions of this Dahir;</p> <p>The completion of public offerings, in particular through issuing negotiable debt securities such as finance company bills, issuing bonds or any other financial or other securities or instruments, existing or to be created by the Act or the regulations in force or to be created;</p> <p>The acquisition of any direct or indirect shareholdings in any operations, companies, unions, associations and companies, existing or in formation, having a similar or related purpose to its own;</p>

The acquisition, leasing and equipping of all buildings and premises necessary or simply useful for corporate operations;
And, more generally, the carrying out of all financial, commercial, industrial, movable and real estate transactions that may be directly or indirectly related to the above-mentioned activities, or that may promote the development of the company.

Court of competent jurisdiction Casablanca

II. SALAFIN'S SHAREHOLDING STRUCTURE

The table below shows Salafin's shareholding structure over the last 3 years:

Shareholders	December 2015			December 2016			December 2017		
	Number of shares	% of capital	% of voting rights	Number of shares	% of capital	% of voting rights	Number of shares	% of capital	% of voting rights
BMCE Bank	1 790 350	74,77%	74,77%	1 790 350	74,77%	74,77%	1 790 350	74,77%	74,77%
SALAFIN Staff	62 052	2,59%	2,59%	62 052	2,59%	2,59%	62 052	2,59%	2,59%
Supervisory board members	82	0,00%	0,00%	82	0,00%	0,00%	82	0,00%	0,00%
RCAR	122 359	5,11%	5,11%	122 359	5,11%	5,11%	122 359	5,11%	5,11%
Others	419 648	17,53%	17,53%	419 648	17,53%	17,53%	419 648	17,53%	17,53%
Self-held shares	6	0,00%	0,00%	6	0,00%	0,00%	6	0,00%	0,00%
Total	2 394 497	100,00%	100,00%	2 394 497	100,00%	100,00%	2 394 497	100,00%	100,00%

Source: SALAFIN

On the eve of the merger, Salafin Shareholding structure is as follows:

Shareholders	Number of shares	% of capital	% of voting rights
BMCE Bank	1 790 350	74,77%	74,77%
SALAFIN Staff	62 052	2,59%	2,59%
RCAR	122 359	5,11%	5,11%
Others ¹⁰	419 736	17,53%	17,53%
Total	2 394 497	100%	100%

Source: SALAFIN

¹⁰ Including Supervisory Boards members and Self-Held shares

III. SALAFIN ORGANISATION

By decision of the Extraordinary General Meeting of 29/06/2000, SALAFIN is managed by Supervisory and Executive boards.

Supervisory Board members

On the eve of the merger, Supervisory Board members are the following:

Members	Function	First nomination date	Last renewal date	Mandate Expiry
Brahim Benjelloun Touimi (BMCE Bank representative)	Chairman of the Supervisory Board	2000	AGM approving 2015 accounts	AGM approving 2020 accounts
Amine Bouabid (BMCE Bank representative)	Vice-Chairman of the Supervisory Board	2014	AGM approving 2014 accounts	AGM approving 2020 accounts
Mamoun Belghiti	Supervisory board permanent member	2000	AGM approving 2015 accounts	AGM approving 2020 accounts
Driss Benjelloun	Supervisory board member	2010	AGM approving 2015 accounts	AGM approving 2020 accounts
Hervé Dineur	Supervisory board member	2015	AGM approving 2014 accounts	AGM approving 2019 accounts
Omar Tazi	Supervisory board member	2012	AGM approving 2015 accounts	AGM approving 2020 accounts

Source: SALAFIN

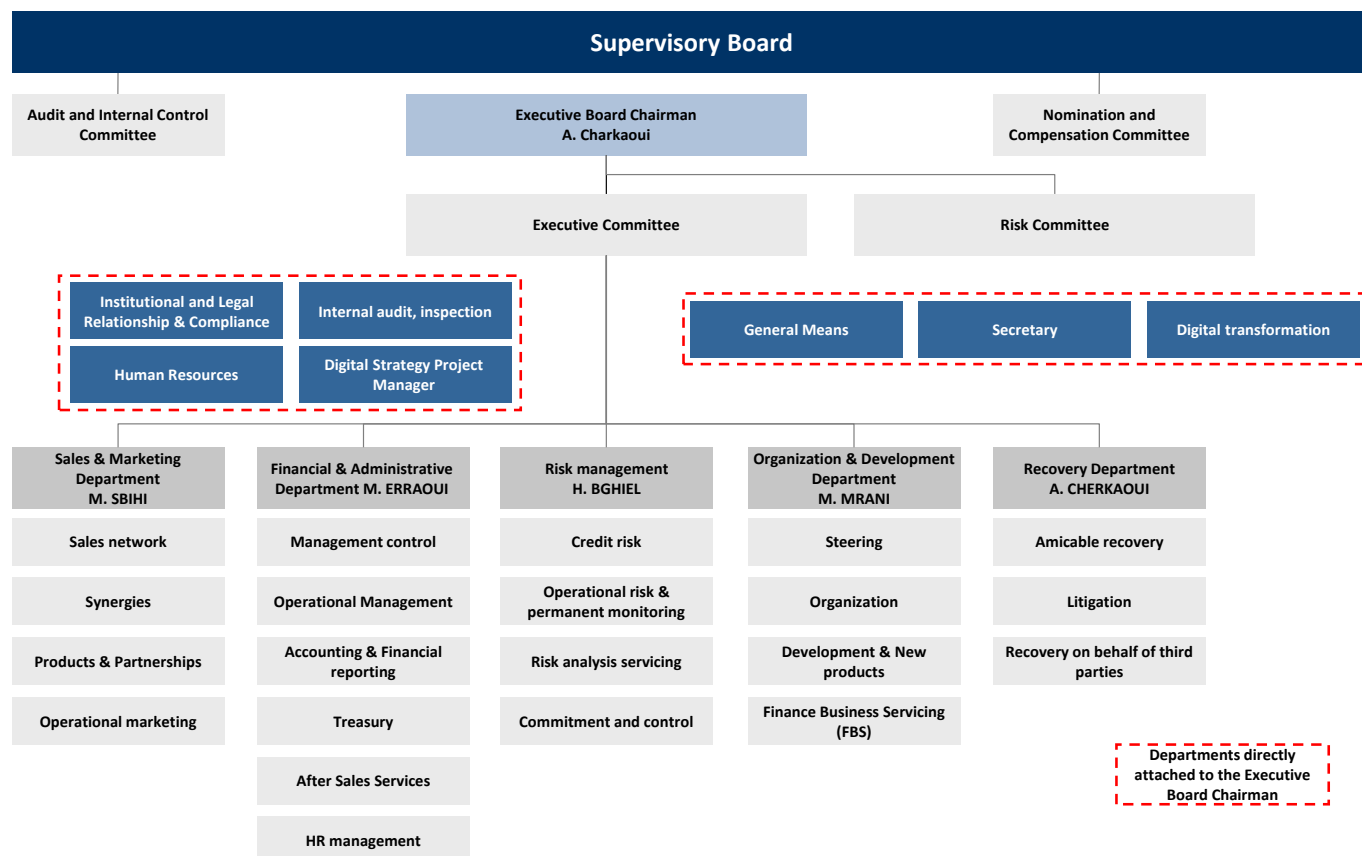
Executive Board members

On the eve of the merger, Executive Board members are the following:

Function	Function	First nomination date	Last renewal date	Mandate Expiry
Aziz Cherkaoui	Chairman of the Executive Board	2015	N.A	AGM approving 2020 accounts
Mohammed Erraioui	Deputy General Director, Member of the Executive Board In charge of the Financial and Administrative department	2000	2015	AGM approving 2020 accounts
Mohammed Sbihi	Member of the Executive board, Deputy General Director In charge of the Sales & Marketing Department	2000	2015	AGM approving 2020 accounts
Hatim Bghiel	Member of the Executive board, Director in charge of Risk Management	2009	2015	AGM approving 2020 accounts
Mehdi MRANI	Member of the Executive board, Director in charge of the Organization and Development Department	2015	N.A	AGM approving 2020 accounts

Source: SALAFIN

Organization chart of Salafin on the eve of the Operation



Source : SALAFIN

IV. SALAFIN ACTIVITY

SALAFIN's business includes both consumer credit and leasing.

The table below presents Salafin's production by product over the last three years:

	2015		2016		2017		Variations	
	MMAD	%	MMAD	%	MMAD	%	Var. 15/16	Var. 16/17
Car credits	534	45,3%	562	48,0%	643	51,6%	5,2%	14,4%
Salaf Auto	127	10,8%	143	12,2%	113	9,1%	12,6%	-21,0%
LocaSalaf	407	34,5%	419	35,8%	530	42,5%	2,9%	26,5%
Auto Mourabaha	0	0,0%	0	0,0%	0	0,0%	0,0%	0,0%
Revolving credits	20	1,7%	17	1,5%	16	1,3%	-15,0%	-5,9%
Personal credits	624	53,0%	592	50,6%	588	47,2%	-5,1%	-0,7%
Salafwadif	90	7,6%	84	7,2%	97	7,8%	-6,7%	15,5%
Salafdirect	226	19,2%	198	16,9%	200	16,0%	-12,8%	1,0%
CMR	72	6,1%	31	2,6%	0	0,0%	-54,2%	NS
CIM (Instant credit)	236	20,0%	277	23,7%	288	23,1%	17,4%	4,0%
CIMR	0	0,0%	2	0,2%	3	0,2%	0,0%	50,0%
Total	1 179	100,0%	1 171	100,0%	1 247	100,0%	-0,7%	6,5%
Market share	9,3%		8,0%		8,1%		-1,3 pt	0,1 pt

Source: SALAFIN

The table below presents Salafin's production geographical breakdown over the last three years:

MMAD	2015	2016	2017	Var. 15/16	Var. 16/17
Center	677	682	760	0,7%	11,4%
East	117	127	124	8,5%	-2,4%
North	313	289	286	-7,7%	-1,0%
South	73	73	76	0,0%	4,1%
Total net production	1 179	1 171	1 247	-0,7%	6,5%

Source: SALAFIN

PART 3. TASLIF PRESENTATION

I. GENERAL INFORMATION

Company name	TASLIF Consumer Credit Company
Headquarters	29. boulevard Moulay Youssef - 20.000. Casablanca
Website	www.taslif.com
Legal form	Limited company with board of directors
Establishment date	27.06.1986
Trade registry number	48 059 – Casablanca
Exercise duration	From January 1st to December 31st
Share capital as of 31/12/2017	MAD 214,725,000 divided into 21,472,500 shares of MAD 10 each, all of the same category and fully paid up.
Business purpose	<p>Article 2 of the Articles of Association stipulates that TASLIF has as its object both in Morocco and abroad:</p> <ul style="list-style-type: none"> • Within the framework of the provisions of the Dahir Law No. 1-93-147 of 15 Moharram 1414 (6 July 1993) on the exercise of the activity of credit institutions and their control, the purpose of the company is to realize all financing and credit operations for all goods and services intended for consumption or equipment for personal, household. Collective, commercial, industrial and professional use; • The purchase, resale or lease is in cash or in the long term of any property falling within the scope of its financing activity; • Within the framework of the legal provisions and in particular the ministerial decrees of May 16. 1996 and March 28. 1997, the company has the faculty to appeal, collect and manage funds from the public of a term greater than 2 years • And more generally, any commercial, industrial, securities, financial or real estate operations directly or indirectly related, in whole or in part, to the objects specified above or favoring the development of the company.
Court of competent jurisdiction	Casablanca Commercial Court

Source: TASLIF

II. TASLIF SHAREHOLDING STRUCTURE

The following table presents the history of TASLIF shareholding over the 2015-2017 period:

Shareholders	December 2015		December 2016		December 2017	
	Number of shares	% of capital and voting rights	Number of shares	% of capital and voting rights	Number of shares	% of capital and voting rights
SAHAM Assurance	14 648 946	68,22%	14 648 946	68,22%	14 876 148	69,28%
SANAM Holding	4 818 845	22,44%	4 818 845	22,44%	4 818 845	22,44%
Mr Said ALJ	10 350	0,05%	10 350	0,05%	10 350	0,05%
Others	1 994 359	9,29%	1 994 359	9,29%	1 767 157	8,23%
TOTAL	21 472 500	100,00%	21 472 500	100,00%	21 472 500	100,00%

Source: TASLIF

As of 31/12/2017, SAHAM Assurance held 69.28% of the shares of TASLIF and SANAM Holding holds 22.44% while the rest is held by various other shareholders.

On the eve of the merger and before the public offer, the shareholding structure of TASLIF is as follows:

Shareholders	Number of shares	% of capital	% of voting rights
SAHAM Assurance	14 876 394	69,28%	69,28%
SANAM Holding	5 028 845	23,42%	23,42%
Mr Said ALJ	10 350	0,05%	0,05%
Others	1 556 911	7,25%	7,25%
TOTAL	21 472 500	100,00%	100,00%

Source: TASLIF

Taslif is subject to a mandatory takeover bid initiated by Sanlam Emerging Markets Ireland Limited (SEMIL), Saham SA, Saham Finances, Saham Finances Participations, Saham Assurance, Sanam Holding and Mr. Said ALJ. The subscription period is between 11 and 17 December 2018.

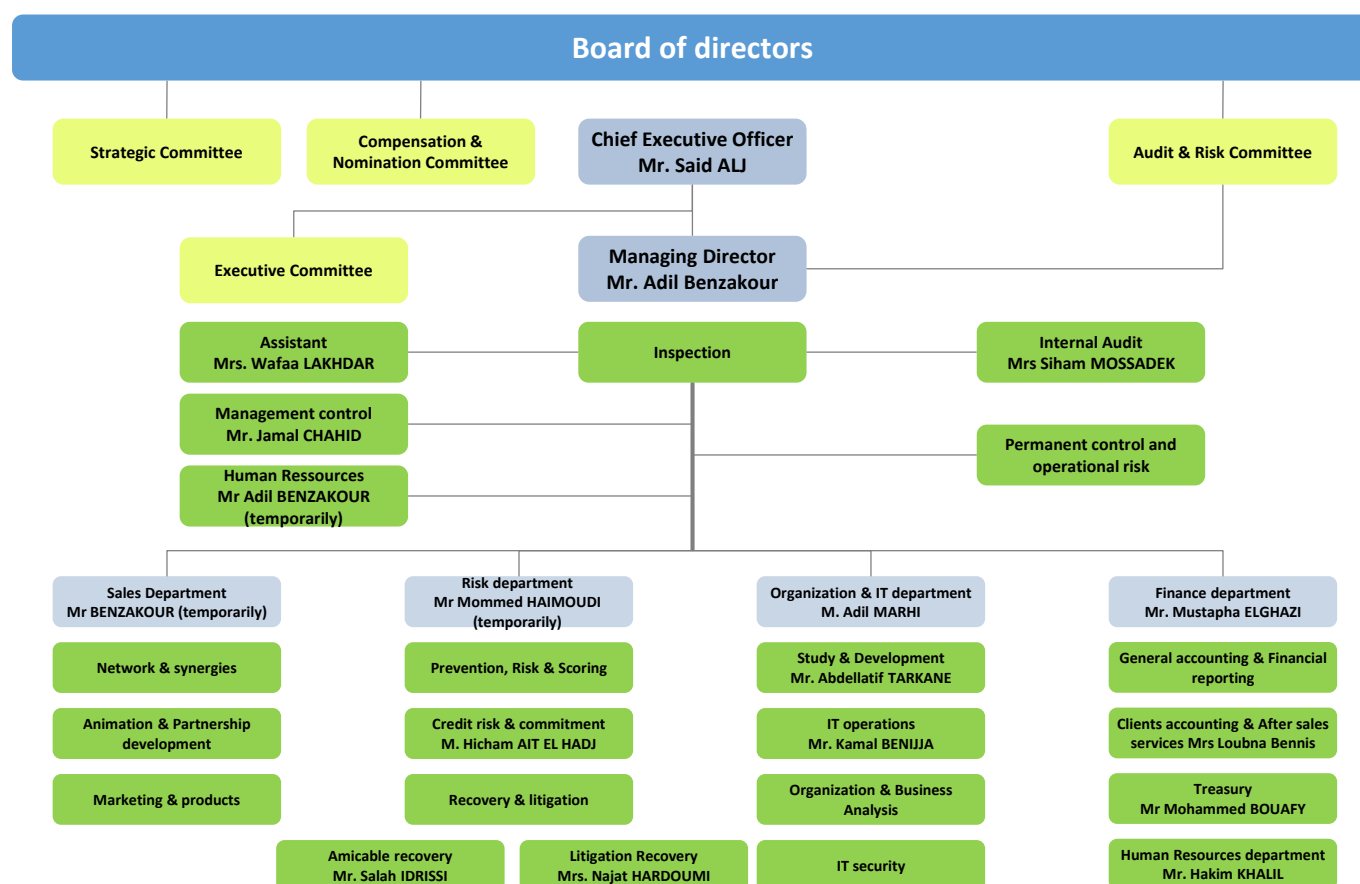
III. ADMINISTRATION BODIES

The following table presents the current composition of TASLIF's Board of Directors:

Board members	Function	Linked with TASLIF	Date of appointment	Term expires
Mr Said ALJ	Chief Executive Officer	Shareholder	AGM of 19.04.2013	AGM ruling on the accounts for the financial year 2018
SAHAM represented by Mr Moulay Mhamed ELALAMY	Administrator	Shareholder	AGM of 19.04.2013	AGM ruling on the accounts for the financial year 2018
SAHAM Assurance Maroc represented by Mrs Kawtar JOHRATI	Administrator	Shareholder	AGM of 19.04.2013	AGM ruling on the accounts for the financial year 2018

Source : TASLIF

Taslif's organization chart on the eve of the Operation:



Source: Taslif

IV. TASLIF's Activity

TASLIF offers affected credits (mainly truck loans) and unaffected credits (mainly loans to active and retired officials) loan segments.

Taslif net production by category of customers, over the period 2015-2017, is as follows:

KMAD	2015	2016	2017	Var. 15/16	Var. 16/17
Affiliated clients	34 129	112 609	69 068	>100,0%	-38,7%
<i>% total net production</i>	9,4%	25,3%	17,2%	15,9 pts	-8,1 pts
Active officials	140 446	128 200	119 808	-8,7%	-6,5%
<i>% total net production</i>	38,6%	28,9%	29,8%	-9,7 pts	0,9 pt
Retired officials (affiliated to CMR)	52 929	31 665	0	-40,2%	NS
<i>% total net production</i>	14,6%	7,1%	0,0%	-7,5 pts	NS
Direct clients	135 986	171 798	213 626	26,3%	24,3%
<i>% total net production</i>	37,4%	38,7%	53,1%	1,3 pt	14,4 pts
Net production	363 491	444 272	402 501	22,2%	-9,4%

Source : TASLIF

Taslif net production by category of products, over the period 2015-2017, is as follows:

KMAD	2015	2016	2017	Var. 15/16	Var. 16/17
Trucks	96 021	145 074	168 719	51,1%	16,3%
<i>% total net production</i>	26,4%	32,7%	41,9%	6,4 pts	9,2 pts
Vehicles (including leasing)	33 078	105 583	79 672	>100,0%	-24,5%
<i>% total net production</i>	9,1%	23,8%	19,8%	14,7 pts	-4,0 pts
Direct clients	8 714	11 547	12 191	32,5%	5,6%
<i>% total net production</i>	2,4%	2,6%	3,0%	0,2 pt	0,4 pt
Enterprises	32 302	22 203	22 110	-31,3%	-0,4%
<i>% total net production</i>	8,9%	5,0%	5,5%	-3,9 pts	0,5 pt
CNT	140 446	128 200	119 808	-8,7%	-6,5%
<i>% total net production</i>	38,6%	28,9%	29,8%	-9,7 pts	0,9 pt
CMR (Moroccan Pension Fund)	52 929	31 665	0	-40,2%	NS
<i>% total net production</i>	14,6%	7,1%	0,0%	-7,1 pts	NS
Net production	363 491	444 272	402 501	22,2%	-9,4%

Source : TASLIF

PART 4. SALAFIN FINANCIAL AGGREGATES

The income statement of Salafin over the period 2015 – June 2018, is as follows:

KMAD	2015	2016	2017	Var. 15/16	Var. 16/17	H1- 2017	H1- 2018	Var. H1- 17/H1-18
Banking revenues	954,448	936,509	944,079	-1.9%	0.8%	470,568	459,003	-2.5%
Interest and income on customer transactions	167,725	175,217	182,331	4.5%	4.1%	88,548	88,145	-0.5%
Income on equities	2,431	2,007	5,048	-17.4%	NS	2,500	2,500	0.0%
Income on fixed assets under finance leases and rental contracts	652,987	620,449	611,679	-5.0%	-1.4%	305,642	295,051	-3.5%
Commissions on services provided	130,371	138,403	143,828	6.2%	3.9%	73,495	71,876	-2.2%
Other banking revenues	934	434	1,193	-53.6%	NS	384	1,431	>100%
Banking expenses	599,895	565,260	562,133	-5.8%	-0.6%	285,245	271,315	-4.9%
Interest and similar expenses on transactions with credit institutions	18,152	13,384	7,031	-26.3%	-47.5%	4,062	2,084	-48.7%
Interest and similar charges on debt securities issued	45,894	46,039	45,990	0.3%	-0.1%	23,199	22,137	-4.6%
Expenses on fixed assets under finance leases and rental contracts	524,086	493,909	496,929	-5.8%	0.6%	251,981	241,332	-4.2%
Other banking expenses	11,764	11,926	12,183	1.4%	2.2%	6,003	5,762	-4.0%
Net Banking Income	354,553	371,249	381,946	4.7%	2.9%	185,323	187,687	1.3%
Non-Banking revenues	3,216	4,426	5,725	37.6%	29.4%	3,492	1,846	-47.1%
General Operating Expenses	103,695	106,429	100,999	2.6%	-5.1%	50,294	53,267	5.9%
Staff costs	50,600	50,519	43,003	-0.2%	-14.9%	20,228	21,110	4.4%
Taxes and duties	1,021	928	1,072	-9.0%	15.5%	502	684	36.3%
External expenses	46,973	49,284	50,374	4.9%	2.2%	26,447	28,115	6.3%
Other general operating expenses	27	47	204	70.4%	NS	0	2	>100%
Depreciations, amortization and provisions on assets	5,073	5,652	6,346	11.4%	12.3%	3,118	3,356	7.6%
Provisions and losses on bad debts	208,932	50,665	194,433	-75.8%	>100%	30,981	30,389	-1.9%
Allocation to provisions on non-performing loans and commitments by signature	53,109	49,235	72,649	-7.3%	47.6%	30,414	30,035	-1.2%
Losses on bad debts	154,311	0	120,407	-100.0%	NS	-	-	-
Other provisions charges	1,511	1,430	1,376	-5.4%	-3.8%	567	354	-37.6%
Reversals of provisions and recoveries on amortized receivables	154,972	2,908	127,049	-98.1%	>100%	3,576	1,496	-58.2%
Prov. Reversal for non-performing loans & commitments by signature	154,530	2,544	122,298	-98.4%	>100%	1,271	-	-100.0%
Recoveries on amortized receivables	0	0	4,341	NS	NS	2,066	1,204	-41.7%
Other provisions reversals	443	364	410	-17.8%	12.7%	239	292	22.3%
Operating income	200,114	221,488	219,289	10.7%	-1.0%	111,115	107,374	-3.4%
Non-operating income	-2,344	-852	338	NS	NS	174	66	-62.1%
Income before tax	197,770	220,636	219,627	11.6%	-0.5%	111,289	107,440	-3.5%
Corporate income tax	72,498	82,129	79,449	13.3%	-3.3%	40,252	38,863	-3.5%
Net income	125,272	138,507	140,178	10.6%	1.2%	71,037	68,577	-3.5%

Source : SALAFIN

Salafin's assets over the period 2015 - June 2018, are as follows:

KMAD	2015	2016	2017	Var. 15/16	Var. 16/17	H1 - 2018	Var. 17/H1-18
Cash, Central Bank, Public Treasury, Post Check Service	10	24	9	NS	-61.9%	31	NS
Receivables from credit institutions	0	0	0	0.0%	0.0%	0	0.0%
Receivables from customers	1,429,274	1,524,732	1,581,171	6.7%	3.7%	1,591,058	0.6%
Cash and customers credits	1,357,376	1,432,290	1,448,177	5.5%	1.1%	1,449,612	0.1%
Other credits	71,898	92,442	132,994	28.6%	43.9%	141,446	6.4%
Held-for-trading and investment securities	207	207	3	0.0%	-98.5%	3	0.0%
Other Assets	166,065	164,292	188,053	-1.1%	14.5%	177,459	-5.6%
Securities held	301	401	401	33.2%	0.0%	401	0.0%
Assets held under leasing and rental assets	1,714,203	1,758,331	1,483,506	2.6%	-15.6%	1,546,247	4.2%
Intangible assets	6,184	7,963	12,152	28.8%	52.6%	12,111	-0.3%
Tangible assets	48,099	45,948	46,068	-4.5%	0.3%	45,306	-1.7%
Total Assets	3,364,344	3,501,899	3,311,362	4.1%	-5.4%	3,372,616	1.8%

Source : SALAFIN

Salafin's liabilities over the period 2015 - June 2018, are as follows:

KMAD	2015	2016	2017	Var. 15/16	Var. 16/17	H1 - 2018	Var. 17/H1-18
Liabilities to credit institutions	320,331	206,610	248,517	-35.5%	20.3%	327,969	32.0%
Long term debt	100,770	-	-	-100%	NS	-	NS
Short term debt	219,561	206,610	248,517	-5.9%	20.3%	327,969	32.0%
Deposits from customers	547,956	636,068	363,534	16.1%	-42.8%	454,952	25.1%
Debt securities issued	1,148,535	1,307,707	1,430,036	13.9%	9.4%	1,422,607	-0.5%
Other liabilities	696,686	697,590	612,609	0.1%	-12.2%	581,861	-5.0%
Provisions for liabilities and charges	0	0	0	0.0%	0.0%	0	NS
Regulated provisions	10,176	11,243	12,209	10.5%	8.6%	12,271	0.5%
Reserves and premiums related to capital	275,938	264,724	264,829	-4.1%	0.0%	264,929	0.0%
Equity	239,450	239,450	239,450	0.0%	0.0%	239,450	0.0%
Retained earnings	0	0	0	0.0%	0.0%	0	0.0%
Net income of the year	125,272	138,507	140,178	10.6%	1.2%	68,577	-51.1%
Total Liabilities	3,364,344	3,501,899	3,311,362	4.1%	-5.4%	3,372,616	1.8%

Source : SALAFIN

Salafin's banking revenues amount to MAD 944.1 million in 2017 versus MAD 9545 million in 2015. Its Net Banking Income amounts to MAD 381.5 million in 2017 versus MAD 354.5 million in 2015.

Salafin's net income amounts to MAD 140.2 million in 2017 versus 125.3 MAD million in 2015.

Salafin's total assets & liabilities amount to MAD 3,311.4 million in 2017 versus MAD 3,364.3 million in 2015.

As of June 30th 2018, Salafin's banking revenues amount to MAD 470,6 million versus MAD 459,0 million at June 30th 2017. Its Net Banking Income is around MAD 187.7 million as of June 30th 2018 versus MAD 185.3 million at June 30th 2017.

As of June 30th 2018, Salafin's Net Income is around MAD 68.6 million versus MAD 71.0 million at June 30. 2017.

As of June 30th 2018, Salafin's total assets & liabilities are around MAD 3,372.6 million.

PART 5. TASLIF FINANCIAL AGGREGATES

The income statement of Taslif over the period 2015 – June 2018, is as follows:

KMAD	2015	2016	2017	Var. 15/16	Var. 16/17	H1- 2017	H1- 2018	Var. H1- 17/H1-18
Banking revenues	165,247	174,569	178,328	5.64%	2.2%	85,430	86,699	1.5%
Interest and income on customer transactions	147,545	148,116	149,693	0.4%	1.1%	72,856	66,918	-8.1%
Income on equities	36	413	41	>100%	-90.0%	-	-	-
Income on fixed assets under finance leases and rental contracts	11,383	20,841	25,516	83.1%	22.4%	11,535	17,828	54.6%
Commissions on services provided	6,282	5,199	3,078	-17.2%	-40.8%	1,039	1,954	88.0%
Banking expenses	63,133	64,445	66,128	2.08%	2.6%	31,947	32,270	1.0%
Interest and similar expenses on transactions with credit institutions	39,760	27,402	20,662	-31.1%	-24.6%	11,927	8,158	-31.6%
Interest and similar charges on debt securities issued	12,535	17,435	22,241	39.1%	27.6%	9,381	9,152	-2.4%
Expenses on fixed assets under finance leases and rental contracts	10,356	19,142	22,283	84.8%	16.4%	10,266	14,391	40.2%
Other banking expenses	482	466	942	-3.4%	102.3%	374	570	52.3%
Net Banking Income	102,114	110,124	112,200	7.8%	1.9%	53,482	54,429	1.8%
Non-Banking revenues	1,064	1,116	1,126	4.8%	0.9%	565	533	-5.7%
General Operating Expenses	50,519	47,752	42,932	-5.5%	-10.1%	22,947	18,851	-17.9%
Staff costs	20,762	20,238	19,298	-2.5%	-4.6%	9,976	9,331	-6.5%
Taxes and duties	338	370	368	9.4%	-0.4%	192	188	-2.4%
External expenses	22,858	20,383	17,814	-10.8%	-12.6%	9,429	7,421	-21.3%
Other general operating expenses	1,299	771	688	-40.6%	-10.8%	370	287	-22.6%
Depreciations, amortization and provisions on assets	5,263	5,990	4,764	13.8%	-20.5%	2,980	1,625	-45.5%
Provisions and losses on bad debts	356,816	30,451	50,150	-91.5%	64.7%	17,973	21,495	19.6%
Allocation to provisions on non-performing loans and commitments by signature	32,912	29,457	29,804	-10.5%	1.2%	17,267	21,198	22.8%
Losses on bad debts	312,825	-	19,429	-100.0%	NS	3	44	>100%
Other provisions charges	11,080	994	917	-91.0%	-7.8%	703	253	-64.1%
Reversals of provisions and recoveries on amortized receivables	339,704	19,969	28,080	-94.1%	40.6%	5,537	8,197	48.0%
Prov. Reversal for non-performing loans & commitments by signature	336,621	16,840	27,705	-95.0%	64.5%	5,162	7,884	52.7%
Other provisions reversals	3,083	3,129	375	1.5%	-88.0%	375	313	-16.6%
Operating income	35,547	53,006	48,324	49.1%	-8.8%	18,664	22,813	22.2%
Non-operating income	707	5,922	172	NS	-97.1%	6,343	773	-87.8%
Income before tax	36,253	58,928	48,496	62.5%	-17.7%	25,008	23,586	-5.7%
Corporate income tax	12,015	21,816	15,178	81.6%	-30.4%	9,289	8,481	-8.7%
Net income	24,238	37,113	33,318	53.1%	-10.2%	15,719	15,105	-3.9%

Source : TASLIF

Taslif's assets over the period 2015 - June 2018, are as follows:

KMAD	2015	2016	2017	Var. 15/16	Var. 16/17	H1 - 2018	Var. 17/H1-18
Cash, Central Bank, Public Treasury, Post Check Service	279	111	49	-60.4%	-55.8%	45	-8.7%
Receivables from credit institutions	2,564	4,484	7,650	74.9%	70.6%	20,498	168.0%
Receivables from customers	1,320,429	1,364,638	1,264,531	3.3%	-7.3%	1,172,864	-7.2%
Cash and customers credits	1,268,815	1,309,879	1,225,913	3.2%	-6.4%	1,137,978	-7.2%
Other credits	51,614	54,759	38,618	6.1%	-29.5%	34,886	-9.7%
Held-for-trading and investment securities	858	858	858	0.0%	0.0%	858	0.0%
Other Assets	40,919	33,827	34,349	-17.3%	1.5%	42,299	23.1%
Securities held	100	100	100	0.0%	0.0%	0	-100.0%
Assets held under leasing and rental assets	40,887	50,336	97,683	23.1%	94.1%	100,791	3.2%
Intangible assets	64,196	61,498	59,137	-4.2%	-3.8%	58,512	-1.1%
Tangible assets	33,121	31,983	29,851	-3.4%	-6.7%	29,448	-1.4%
Total Assets	1,503,353	1,547,834	1,494,206	3.0%	-3.5%	1,425,315	-4.6%

Source : TASLIF

Taslif's liabilities over the period 2015 - June 2018, are as follows:

KMAD	2015	2016	2017	Var. 15/16	Var. 16/17	H1 - 2018	Var. 17/H1-18
Liabilities to credit institutions	787,571	642,821	409,291	-18.4%	-36.3%	472 416	15.4%
Long term debt	757,338	618,407	279,638	-18.3%	-54.8%	225 978	74.3%
Short term debt	30,233	24,414	129,653	-19.2%	NS	246 438	-11.9%
Deposits from customers	21,452	21,914	41,608	2.2%	89.9%	46,245	11.1%
Debt securities issued	253,939	409,421	609,421	61.2%	48.8%	495,284	-18.7%
Other liabilities	80,636	108,824	71,676	35.0%	-34.1%	70,618	-1.5%
Provisions for liabilities and charges	22,010	11,469	12,011	-47.9%	4.7%	11,951	-0.5%
Regulated provisions	0	0	0	0.0%	0.0%		
Reserves and premiums related to capital	71,510	72,722	74,578	1.7%	2.6%	76,244	2.2%
Equity	214,725	214,725	214,725	0.0%	0.0%	214,725	0.0%
Retained earnings	27,271	28,824	27,578	5.7%	-4.3%	22,727	-17.6%
Net income of the year	24,238	37,113	33,318	53.1%	-10.2%	15,105	-54.7%
Total Liabilities	1,503,353	1,547,834	1,494,206	3.0%	-3.5%	1,425,315	-4.6%

Source : TASLIF

Taslif's Banking revenues amount 178,3 MMAD in 2017 versus 165,2 MMAD in 2015. Its Net Banking Income amounts to 112.2 MMAD in 2017 versus MAD 102.1 million in 2015.

Taslif's net income amounts to MAD 33.3 million in 2017 versus 24.2 MAD million in 2015.

Taslif's total assets & liabilities amount to MAD 1,494. 2 million in 2017 versus MAD 1,503.4 million in 2015.

As of June 30th 2018, Banking revenues amount 86.7 MMAD versus 85.4 MMAD at the end of June 2017. Its Net Banking income is around MAD 54.4 million versus MAD 53.5 million at June 30th 2017.

As of June 30th 2018, Taslif's net income is around MAD 15.1 million versus MAD 15.7 million at June 30. 2017.

As of June 30th 2018, Taslif's total assets & liabilities are around MAD 1,425.3 million.

I. SALAFIN RISK FACTORS

I.1. Client risk

I.1.1. Risk related to public servant clients

The risk lies mainly in the event of dismissal or early retirement of the public official who took out the loan. However, lay-offs in the public sector are marginal. To remedy this risk, SALAFIN has set up a direct debit procedure in the event of the public official's departure.

I.1.2. Risk related to a private individual clients

This category presents a higher risk insofar as the monthly payments are not deducted at source but by setting up an irrevocable automatic withdrawal from a bank account. This method of repayment therefore does not constitute a guarantee of payment of instalments, particularly in the event that the bank account is insufficiently provisioned or in the event of the customer's over-indebtedness.

However, this risk is reduced by the implementation of a very strict credit granting process, including verification of the applicant's presence on the negative SAAR file and his or her financial situation.

I.1.3. Risk related to professional customers (SMEs and managers)

Counterparty risk mainly resides in cash flow gaps or corporate bankruptcy, or in relationship issues between the managers of the SME-SMIs that took out the loan.

However, to minimize this risk, SALAFIN has implemented a procedure for the manual processing of business-related files by verifying, in particular, the company's solvency.

In general, regardless of the type of customer, SALAFIN's priority is to ensure better risk management, and in particular counterparty risks, through the implementation and deployment of associated tools and procedures within the Risk Management Department.

I.2. Customer risk analysis

As a credit institution, consumer credit companies are required, under BAM Circular 19/G/2002, which took effect on 1 January 2003, to downgrade their outstanding receivables and to make provisions for them in accordance with the applicable rules. Pre-doubtful, doubtful and compromised receivables are respectively provisioned for 20%, 50% or 100% of their amount, after deduction of guarantees, depending on their classification by risk level.

I.2.1. Classification method and provision rate

Credit transaction:

Classification	Provisioning basis ¹¹	Nb days following maturity	Provision rate
Pre-doubtful receivables	KRD + Unpaid debts	90 d <= unpaid debts < 180 j	20.0%
Doubtful receivables	KRD + Unpaid debts	181 d <= unpaid debts < 360 j	50.0%
Impaired receivables	KRD + Unpaid debts	unpaid debts >=360 d	100.0%

LOA Transactions:

¹¹ Rate applied on unpaid debts and outstanding principal, less any collateral held and premiums reserved.

Provisioning classification ¹²	Base	Nb days following maturity	Provision rate
Pre-doubtful receivables	Unpaid debts	90 d <= unpaid debts < 180 j	20.0%
Doubtful receivables	Unpaid debts	181 d <= unpaid debts < 360 j	50.0%
Impaired receivables	KRD + Unpaid debts	unpaid debts >=360 d	100.0%

I.2.2. Basis for calculating the provision

With reference always to the aforementioned Bank Al Maghrib circular, provisions for impairment of trade receivables are calculated individually, on a customer-by-customer basis, taking into account the entire receivable. This includes both the outstanding principal as well as outstanding and unpaid debts.

I.2.3. Risk Coverage

The following table shows Salafin's coverage rate and the rate of contentiousness over the last 3 years:

En KMAD	2015	2016	Var. 15-16	2017	Var. 17-16
Provisions (1)	362,748	410,506	13.2%	381,411	-7.1%
Outstanding gross bad debt net of guarantees (2)	413,128	481,986	16.7%	423,728	-12.1%
Outstanding net bad debt	71,898	92,443	28.6%	132,994	43.9%
<i>Pre-doubtful receivables</i>	46,511	58,932	26.7%	45,761	-22.3%
<i>Doubtful receivables</i>	8,438	9,327	10.5%	17,909	92.0%
Impaired receivables	16,949	24,184	42.7%	69,324	186.7%
Coverage rate = (1)/(2)	87.8%	85.2%	-2.6%	90.0%	4.8%
Litigation rate¹³	17.7%	20.2%	2,5pts	17.8%	-2,4pts

Source : SALAFIN

At the end of 2016, the coverage rate is around 85.2% decreasing by 2.6% compared to the last year. The litigation rate increased by 2.5 pts to reach 20.2%.

At the end of 2017, the coverage rate is around 90.0%, explained by a lower level of provisions due to the write-off of bad debts followed by the reversal of corresponding provisions. The level of outstanding bad debts rose by 43.9% to reach 132.9 MMAD due to a deterioration in customer behavior.

Thus, contentiousness rate is down by 2.4 points between 2016 and 2017 and stands at 17.8%.

I.3. Risk of regulatory change

The consumer credit sector is governed by various laws that govern the entire activity and determine the profitability of the sector.

In 2008, the new financial law changed the situation for leasing companies and LOA operators. Indeed, since 1 January 2008, the VAT charged to customers on LOA transactions has changed from 10% to 20%, thus eliminating the previous discrepancy between the VAT paid and the VAT charged.

Following the application of the 2008 Finance Act, LOA transactions have lost their attractiveness to customers, with their cost now being increased by 20% VAT instead of 10%. Indeed, the increase in VAT to 20% brings the cost of the LOA to almost the same level as that of a conventional car loan. The difference is that with a car loan, the borrower is the owner of the vehicle while he is only the lessee under a LOA.

¹² The basis for the provision is made up of (a) the unpaid rents due when the receivable is considered pre-doubtful or doubtful, (b) the total formed by the unpaid rents due and the outstanding principal, less the market value of the asset when the receivable is classified as an impaired receivable.

¹³ Litigation rate is defined as Outstanding net bad debt / Outstanding financing

Also, Bank Al-Maghrib Governor's Circular No. 15/G/13 of 13 August 2013 on the banks' liquidity ratio sets the liquidity ratio at 100%. It should also be noted that, as a transitional measure, credit institutions are required to comply with a minimum liquidity ratio of 60% as from 1 July 2015, 70% as from 1 July 2016, 80% as from 1 July 2017, 90% as from 1 July 2018 and 100% as from 1 July 2019.

I.4. Early repayment risk

The reduction in the TMIC encourages early repayment of pending loans, which allows civil servant and contract agency clients to benefit from a new loan at a more favorable interest rate. This practice remains minor, since early repayment involves fees that make the transaction unprofitable for the customer.

I.5. Interest rate risk

Interest rate risk is a risk inherent in the business of any credit institution. Indeed, since the introduction of the TMIC by the regulatory authorities, credit institutions have seen their margins eroded. As a result, to cope with the half-yearly decline in the TMIC, SALAFIN is trying to improve its refinancing rate by diversifying its financing sources.

I.6. Increased competition

In an increasingly competitive sector, SALAFIN protects itself by innovation and commercial aggressiveness, in all segments.

I.7. Operational Risk

Operational risk is defined as the risk of loss resulting from the inadequacy/failure attributable to procedures, human resources, internal systems or external events, likely to impact the activity progress.

Operational risks can be analyzed and categorized according to qualitative and quantitative criteria according to their typology (overall market risk, competitive intelligence, portfolio exposure, scoring, customer segmentation according to the risk profile, etc.).

Salafin's current organization, particularly through its Risk Management division, has put in place an operational risk management system based on the following approach:

- Identification and evaluation of operational risks;
- Organization and assessment of identified risks by degree of importance;
- Implementation of mitigation strategies and corrective actions.

I.8. Risk of fraud

Organized networks have been developing since 2008 and include counterfeiters and other dubious intermediaries, who offer credit for people who are apparently ineligible. Therefore, the credit institution's detection of fraud only takes place after the first unpaid debts have been identified.

SALAFIN put into place the following measures to reduce this risk:

- Reporting of suspected files to the internal audit and supervisory authority for investigation;
- In order to prevent this, all suspicious files are entered into a dedicated interface and can be consulted online in the history of SALAFIN's Internal Negative Files. It is understood that this is only a preventive filing that will allow the various parties involved to study the files in greater depth;
- Management rule formalizing the special treatment of credit files from clients whose national identity card is reported to the SAAR with the warning 'national identity card lost';

- Setting up a unit dedicated to the identification and follow-up of fraudulent files (credits released) in order to carry out the corresponding preventive and curative actions without delay;
- Setting up an employer and client blacklist;
- Establishment of a Fraud Identification Committee;
- Employer and banking investigations in case of doubt about the authenticity of documents;
- Legal proceedings against fraudsters;
- Meetings to raise awareness among the various internal stakeholders.
- Suspicious files in the context of the fight against the risk of fraud at the level of SALAFIN are identified through:
 - The history of fraudulent customers (national identity card, RC, surname, first name, Name) and suspicious employers (RC, name) can be consulted online, via negative files before any new credit is released;
 - The Record of suspicious employers at IS level, which induces the locking of the validation of any new credit request from an employee customer of a suspicious employer beforehand;
 - In case of doubt as to the authenticity of the supporting documents, employer and bank inquiries are carried out;
 - Setting up a unit dedicated to the identification and follow-up of fraudulent files (credits released) in order to carry out, forthwith, the corresponding preventive (client file, business contributor, employer as the case may be) and curative actions;
 - A management rule formalizing the special treatment of credit files from clients whose national identity card is reported to the SAAR with the warning 'national identity card lost';
 - Training and awareness-raising meetings for the various internal actors through the study of concrete fraudulent files and concordance checks to be carried out;
 - OMPIC, CNSS and SAAR research.

I.9. Risk of matching uses to resources

Financing companies are, by the nature of their business, bound by the backing of their uses to resources with substantially similar characteristics in terms of duration.

SALAFIN and TASLIF meet this requirement by diversifying their sources of financing (recourse to BSFs, bank loans, etc.) with variable maturities.

I.10. Liquidity risk

Liquidity risk is defined as the risk that the institution will not be able to meet its obligations as they fall due under normal conditions. In this sense, two major sources can generate liquidity risk:

- An institution's inability to raise the funds necessary to meet unexpected short-term obligations, including a massive withdrawal of deposits and a drawdown of off-balance sheet lines;
- The financing of medium- and long-term assets by short-term liabilities.

To this end, Bank Al-Maghrib has drafted a directive (31/G/2007) that sets out the principles that must be adopted by credit institutions when setting up a process for managing and monitoring liquidity risk.

On the other hand, Circular 14/G/13 sets forth the provisions relating to the equity of credit institutions. Indeed, credit institutions are required to establish at all times, on an individual and consolidated basis, a capital cushion known as a 'preservation buffer' composed of core capital and equivalent to 2.5% of weighted risks, after applying deductions and prudential treatments.

SALAFIN meets these requirements by having an internal process in place to manage and monitor liquidity risk.

II. TASLIF RISK FACTORS

I.1. CUSTOMERS RISK

TASLIF divides its clientele into 4 categories: contracted clients, active officials, retired officials (affiliated to the CMR) and direct clients. For the first 3 categories, these are customers withheld at source.

I.1.1. CUSTOMERS WITHHELD AT SOURCE:

This segment has a limited risk of non-recovery due to:

- Stable income of officials and employees ;
- Withholding the monthly payments due ;
- The setting of the debt ceiling for officials through the signing of an agreement between the CNT and financing companies ;
- The setting of a non-transferable quota ceiling that respects the debt ratio of officials;
- Death and disability insurance coverage.

Note that the monthly payments are collected at source by the payers (the CNT, CMR, approved organizations, CIMR).

The potential risks on this target are non-debits due to death, judicial seizure and for technical reasons such as non-filing between the TGR and CMR paying agencies in the framework of the tripartite agreement on continuity between the active life of the official and his retirement due to computer problems between them, early retirements before term not allowing to have a sufficient pension to be taken, people retired but recalled by their administrations to return to active life, etc.

Although the death risk is covered by insurance, since the operational risk exists for the information of the subscription forms by the clients, the company rejects reimbursement claims, which results in risk provisions pending the outcome of the proceedings against the right holders.

I.1 DIRECT CLIENTS :

Unlike contracted customers and retirees, monthly payments due by direct customers are not deducted at source. In fact, the repayment of the credit is made by means of automatic debits or standard bills of exchange and depends on the availability of funds at the time of the deduction.

This segment presents a risk of non-recovery. However, it is mitigated by the establishment of criteria of selection and file reviews.

I.2 RISK RELATED TO THE EVOLUTION OF THE MAXIMUM RATE OF INTERESTS ON CREDITS

The profitability of TASLIF is related to the evolution of the maximum rate of interests (TMIC) on credits which caps the maximum exit rate to be applied by the companies of the sector and consequently their margins.

Following the publication of the Bank Al-Maghrib circular No. 19 / G / 2006, the TMIC is impacted on 1 April of each year by the change in the rate of bank deposits at 6 months and 1 year recorded during the previous calendar year.

The continuous decline experienced by the maximum rate of interests on credits since 1997 had a negative impact on the profitability of the sector and more particularly the small structures which were forced to compress their margins in parallel with the increase of the refinancing cost and the decrease of the maximum rate of interest on credits.

I.2. RISK RELATED TO THE EVOLUTION OF RATES

Like all financial institutions, TASLIF is exposed to interest rate risk. A rise in interest rates on the market would imply an increase in the cost of refinancing. In this context, TASLIF was able to maintain its profitability by controlling its refinancing cost through the implementation of a refinancing policy based on the diversification of resources (issuance of Financing Company Bills (FCB), bonds, substitution of cash facilities by spot credits, etc.).

In addition, TASLIF is equipped with cash management software that allows daily monitoring of its cash flow and therefore better optimization of refinancing costs.

I.3. LIQUIDITY RISK

TASLIF defines its net liquidity needs when establishes its budgets and negotiates the revision of authorizations in order to ensure its liabilities at all times and honor its financing commitments to its customers. For this, it backs its resources.

In addition, TASLIF diversifies its refinancing resources through the use of the financial market through issuance of bonds, FCB and public offering (capital increase).

I.4. RISK OF ASSET-LIABILITY ADEQUACY

By the nature of their activity, the financing companies must estimate and manage the balance between their resources and their uses with regard to the risks taken, under constraint of a level of profitability. In order to maintain profitability and liquidity, these companies must back their uses with resources that have similarities in terms of duration.

TASLIF meets this requirement.

I.5. REGULATORY RISK

In a rapidly changing environment, the Central Bank has worked to strengthen the legal and regulatory framework applicable to credit institutions to bring it into line with international standards.

In this respect, Bank Al-Maghrib has revised the minimum level of capital required for consumer credit companies, bringing it to 50 million dirhams instead of 20 million under Circular No. 1 / G / 2011. Companies that do not have this minimum capital have one year from the publication date of the order of the Minister of Economy and Finance approving circular No. 1 / G / 11 in the Official Bulletin.

On the other hand, the minimum solvency ratio was set at 12%¹⁴. Credit institutions are required to comply at all times with this coefficient on a consolidated or sub-consolidated and / or individual basis.

In addition, the law enacting consumer protection measures was adopted and published in Official Bulletin No. 5932 of April 7, 2011.

The law aims to establish effective rules for the consumer, the protection of his economic interests and his information in a framework of transparency.

In case of non-compliance with Bank Al-Maghrib rules, the latter sends an audit mission to the concerned company in order to set in place recommendations to restore the situation.

¹⁴ Circular amending Circular No 26 / G / 2006 of December 5th 2006 on capital requirements for credit, market and operational risks of credit institutions, using the Standardized Approach

I.6. TAX RISK

The tax risk arises from a different interpretation of the recognition and accounting by the tax administration, particularly regarding to Bank Al-Maghrib provisioning rules.

I.7. OPERATIONAL RISK

The TASLIF scam affair forced the company to consider more thoroughly the operational risk to which it is exposed in light of the nature of its business.

Through its new organization and various projects launched, TASLIF has strengthened its control of operational risks. Indeed, the mapping of operational risks as well as the work of reviewing the business processes allowed a better visibility on the potential risks. From this work, TASLIF elaborates its manual of procedures as well as its reporting statements. Control entities have been set up: an accounting control entity as well as a Control and Management entity for the Recovery and Litigation.

TASLIF, after having managed the after-sales service within the sales department, plans in its new organization a dedicated after-sales service department whose mission will be to manage customer complaints and monitor their settlement.

I.8. IT Risk

In 2015, TASLIF made several investments in order to protect itself against the IT risks related to its activity, in particular:

- The migration to the latest version of Evolan Pack (V. 4), this version brings a lot of functional and performance innovations in line with the commercial development plan launched by Taslif;
- The modeling of new scorecards and the implementation of their calculation engine to maintain and improve the rigorous risk quality adopted by Taslif, and to secure and automate the credit validation and granting circuits on the basis of standard conditions and standards adapted to the market ;
- And, the redesign of the Business Intelligence platform by setting up a reputable and powerful tool integrating all the indicators and dashboards used in particular for performance appraisal and risk prevention.

COMPUTER RESCUE PLAN

In 2011, in line with Bank Al Maghrib's recommendations, Taslif relocated its back-up site to the Marrakesh agency as part of a computer backup plan implemented as it progressed through the successive integration of most sensitive applications and finalized for the entire information system in 2015.

In the event of a serious disaster, this back-up system enables the operational staff to provide a back-up platform to ensure business continuity.

IT SECURITY SYSTEM

As far as data and network security are concerned, since 2009 Taslif has had a secure network platform linking all of its points of sale to the heart of information systems and a highly secure extranet connection dedicated to the external network correspondent and provider of business based on physical authentication.

Taslif has a system of control of the computer procedures integrating activities of permanent control. Similarly, audits of IT security and operations are regularly conducted by the Internal Audit Department.

Systems development and administration procedures are formalized and their execution is subject to the controls and validation of the project management assistance function.

The entitlement management system manages the business data security policy defined by the management, it allows to manage the access authorizations and to trace all the interventions of the IT teams.

I.9. COMPETITIVE RISK

The consumer loans sector has (i) a very high concentration (it is dominated by two major operators) and (ii) a very strong integration because these credit companies are backed by banks.

As a result, TASLIF seeks to benefit from synergies with the network of its parent company SAHAM Assurance, in order to ensure better coverage of the national territory and to improve its market share accordingly.

Disclaimer

The aforementioned information is only part of the prospectus approved by the Moroccan Capital Markets Authority (AMMC) under reference VI/EM/036/2018 on December 17, 2018. The AMMC recommends reading the full prospectus available to the public in French.