CFG BANK S.A

PROSPECTUS SUMMARY RELATING TO PERPETUAL SUBORDINATED BOND ISSUE WITH LOSS ABSORPTION AND COUPON PAYMENT CANCELLATION MECHANISM FOR A MAXIMUM TOTAL AMOUNT OF MAD 80,000,000

AMMC's visa concerns the prospectus made up of the following documents:

- The Securities Note relating to the perpetual subordinated bond issue;
- The Reference Document relating to the 2020 financial year registered by the AMMC on July 29, 2021, under reference EN/EM/014/2021;
- The updated Reference Document no. 1, registered by the AMMC on November 26, 2021, under reference EN/EM/030/2021.

	Tranche A (Revisable every 5 years - listed)	Tranche B (Revisable every 5 years - unlisted)	Tranche C (Revisable annually - listed)	Tranche D (Revisable annually - unlisted)
Tranche ceiling	MAD 80,000,000	MAD 80,000,000	MAD 80,000,000	MAD 80,000,000
Maximum number of securities to be issued	800	800	800	800
Nominal value per unit	MAD 100,000	MAD 100,000	MAD 100,000	MAD 100,000
Tradability of securities	Casablanca Stock Exchange	Over-the-counter (off-market)	Casablanca Stock Exchange	Over-the-counter (off-market)
Face interest rate	**Revisable every 5 years** For the first 5 years, the face interest rate will be determined by reference to the 5-year rate determined from the reference rate curve of the secondary market of the Treasury bills as it will be published published by Bank Al-Maghrib on December 2, 2021. This rate will be increased by a risk premium.		**Revisable annually** For the first year, the face interest rate will be the full 52-week rate (money market rate) determined from the reference yield curve of the secondary market of Treasury bills as it will be published by Bank Al Maghrib on December 2, 2021. This rate will be increased by a risk premium.	
Risk premium	Between 260 and 270 bps		Between 250 and 260 bps	
Repayment guarantee	This issue is not subject to any particular guarantee			
Maturity	Perpetual (with the possibility of early repayment, beyond the 5th year from the dividend date, which can only be made at the initiative of the Issuer and upon agreement of Bank Al-Maghrib with a minimum notice period of five years)			
Allocation method	French auction with priority given to tranches A and B (revisable every 5 years), then to tranches C and D (revisable annually)			

SUBSCRIPTION PERIOD: FROM 12/08/2021 TO 12/15/2021 INCLUSIVE

Subscription to these bonds as well as their trading on the secondary market are strictly reserved to qualified investors of Moroccan Law listed in the securities note.

Advisory Body	Placement Body
CFG BANK CORPORATE FINANCE	CFG BANK

Approval of the Moroccan Capital Market Authority (AMMC)

In accordance with the provisions of the AMMC circular, issued pursuant to Article 5 of the Dahir Law No. 1 -12-55 dated December 28, 2012, promulgating Law No. 44-12 on public offerings and information required of legal entities and savings organizations, this prospectus was approved by the AMMC on November 30, 2021, under reference no. VI/EM/032/2021. The AMMC-approved prospectus consists of the following documents:

- The Securities Note relating to the perpetual subordinated bond issue;
- The Reference Document relating to the 2020 financial year registered by the AMMC on July 29, 2021, under reference EN/EM/014/2021;
- The updated Reference Document no. 1, registered by the AMMC on November 26, 2021, under reference EN/EM/030/2021.

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Disclaimer

The Moroccan Capital Market Authority (AMMC) approved on November 30, 2021, under reference no. VI/EM/032/2021, a prospectus relating to the perpetual subordinated bond issue of a maximum amount of MAD 80,000,000 by CFG Bank.

The AMMC-approved prospectus is available at any time at CFG Bank registered office, on its website www.cfgbank.com and from its financial advisor.

The prospectus is made available to the public at the Casablanca Stock Exchange headquarters and on its website www.casablanca-bourse.com. It is also available on the AMMC website www.ammc.ma.

This summary has been translated by Lissaniat SARL, under the joint responsibility of the said translator and CFG Bank. In the event of any discrepancy between the contents of this summary and the AMMC-approved prospectus, only the approved prospectus will prevail.

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PART I: PRESENTATION OF THE OPERATION

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I. STRUCTURE OF THE OFFER

CFG Bank intends to issue 800 perpetual subordinated bonds with a nominal value of MAD 100,000. The global amount of the Operation is MAD 80,000,000, distributed as follows:

- A Tranche "A" with a perpetual maturity and a revisable rate every 5 years, listed on the Casablanca Stock Exchange, with a MAD 80,000,000 ceiling and a MAD 100,000 nominal value;
- A Tranche "B" with a perpetual maturity and a revisable rate every 5 years, unlisted on the Casablanca Stock Exchange, with a MAD 80,000,000 ceiling and a MAD 100,000 nominal value;
- A Tranche "C" with a perpetual maturity and an annually revisable rate, listed on the Casablanca Stock Exchange, with a MAD 80,000,000 ceiling and a MAD 100,000 nominal value;
- A Tranche "D" with a perpetual maturity and an annually revisable rate, unlisted on the Casablanca Stock Exchange, with a MAD 80,000,000 ceiling and a MAD 100,000 nominal value.

The total amount assigned to the four tranches may in no case exceed the sum of MAD 80,000,000. In case the bond issue is not totally subscribed for, the amount of the issue will be limited to the amount actually subscribed for.

II. OBJECTIVES OF THE OPERATION

This issue has the main objective to:

- Reinforce the current regulatory capital and, consequently, strengthen CFG Bank's solvency ratio;
- Finance the development of its activity.

In accordance with Circular 14/G/2013 of Bank Al-Maghrib relating to the calculation of regulatory capital of credit institutions, as amended and supplemented, the funds raised by means of this Operation will be classified as additional Tier 1 capital.

III. OPERATION SCHEDULE

No.	Steps	Date
1	Issue by the Casablanca Stock Exchange of the issue approval notice	11/30/2021
2	Approval of the prospectus by the AMMC	11/30/2021
3	Receipt by the Casablanca Stock Exchange of the AMMC-approved prospectus	11/30/2021
4	Publication of the prospectus extract on the Issuer's website	11/30/2021
5	Publication by the Casablanca Stock Exchange of the notice relating to the Operation	12/01/2021
6	Publication of the press release by the Issuer in a newspaper of legal announcements	12/02/2021
7	Observation of reference rates	12/02/2021
8	Publication of the reference rates and the face interest rates on the Issuer's website	12/02/2021
9	Publication of the reference and coupon rates in a newspaper of legal announcements	12/03/2021

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10	Opening of the subscription period	12/08/2021
11	Closing of the subscription period	12/15/2021
12	Receipt by the Casablanca Stock Exchange of the issue results and of the rates retained per tranche before 10 a.m.	12/16/2021
13	Listing of the Bonds Registration of the Operation on the Stock Exchange Publication by the Casablanca Stock Exchange of the operation results	12/20/2021
14	Publication by the Issuer of the issue results and the retained interest rates in a newspaper of legal announcements and on its website	12/23/2021
15	Payment / Delivery	12/23/2021

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IV. INFORMATION RELATING TO CFG BANK'S PERPETUAL SUBORDINATED BONDS

Perpetual subordinated bonds differ from traditional bonds, on the one hand by virtue of the order of creditor ranking contractually defined by the subordination clause, and on the other hand by its indefinite term. The effect of the subordination clause is to determine, in the event of winding-up of the issuer, the repayment of the loan that will be subject to the repayment of all other claims, including subordinated bonds with a fixed maturity, which have been issued and which may subsequently be issued.

The principal and interest relating to these securities constitute a last-rank commitment and will rank and rank higher only in relation to the equity securities of CFG Bank. Furthermore, the attention of potential investors is drawn to the fact that:

- This perpetual bond issue has no fixed maturity date but may be repaid at the issuer's discretion and with the agreement of Bank Al-Maghrib, which may have an impact on the expected maturity and reinvestment conditions;
- Investment in perpetual subordinated bonds includes clauses for the depreciation of the nominal value of the securities and the cancellation of interest payments exposing investors to the risk presented in the heading "Risks linked to perpetual subordinated bonds" of the securities note.

Characteristics of Tranche A (with a revisable rate every 5 years, a perpetual maturity and listed on the Casablanca Stock Exchange)

Nature of securities	Perpetual subordinated bonds listed on the Casablanca Stock Exchange, dematerialized by registration in an account with the financial intermediaries authorized and approved for the operations of the central custodian (Maroclear).
Legal form	Bearer bond
Tranche ceiling	MAD 80,000,000
Maximum number of securities to be issued	800 subordinated bonds
Nominal value per unit	MAD 100,000
Issue price	At par, 100% of the nominal value, i.e. MAD 100,000
Loan maturity	Perpetual with the possibility of early repayment beyond the 5th year of the dividend date, which can only be made at the initiative of CFG Bank and after agreement of Bank Al-Maghrib with a minimum notice of five years.
Subscription period	From 12/08/2021 to 12/15/2021 inclusive
Dividend date	12/23/2021
Allocation method	French auction with priority given to tranches A and B (with a revisable rate every 5 years) then to tranches C and D (with an annually revisable rate)
Face interest rate	**Rate revisable every 5 years**

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	For the first 5 years, the face interest rate will be determined in reference to the 5-year rate determined from the reference rate curve of the secondary market of Treasury Bills as it will be published by Bank Al-Maghrib on December 2, 2021. This rate will be increased by a risk premium comprised between 260 and 270 basis points. The reference rate and the face interest rates will be published by CFG Bank on its website on December 2, 2021, in a newspaper of legal announcements on December 3, 2021, and will be notified to the Casablanca Stock Exchange. Beyond the first 5 years and for each period of 5 years, the reference rate is the 5-year rate observed or calculated from the reference rate curve of the secondary market of Treasury bills as published by Bank Al-Maghrib, preceding by 5 trading days the last anniversary date of the coupon of each elapsed 5-year period. The reference rate thus obtained will be increased by the risk premium fixed at the end of the auction (risk premium included between 260 and 270 basis points) and will be communicated to the bondholders by CFG Bank on its website and on the Casablanca Stock Exchange, 5 trading days before the anniversary date of each date of revision of the rate and on the same day as the date of observation of the reference rate. The revised face interest rate will be published via a notice by the Casablanca Stock Exchange. In case the 5-year rate of the Treasury bills is not directly observable on the curve, the determination of the reference rate by CFG Bank will be done by linear interpolation method using the two points framing the full 5-year maturity (actuarial basis).
Risk premium	Between 260 and 270 basis points
Interests	Interest will be paid annually on the anniversary of the date of the loan, i.e., on December 23 of each year. Payment of interest shall be made on the same day or on the first business day following December 23 if that day is not a business day. Interest on the perpetual subordinated bonds will cease to accrue as of the date on which the principal is put up for repayment by CFG Bank. CFG Bank may decide, at its discretion and after prior approval of Bank Al-Maghrib, to cancel (in whole or in part) the payment of the interest amount for an indefinite period and on a non-cumulative basis in order to meet its obligations (in particular following a request from Bank Al-Maghrib). Following this decision, any cancelled interest amount is no longer payable by the issuer or considered as accrued or due to all holders of perpetual bonds issued by CFG Bank. Each cancellation decision will be for the coupon amount originally scheduled to be paid on the next anniversary date. CFG Bank is required to apply the provisions of the circular no. 14/G/2013 of Bank Al-Maghrib dated August 13, 2013 relating to the calculation of the regulatory capital of the credit institutions, including the article 10 of the said circular defining the core capital

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instruments as the shares and any other element composing the share capital as well as the endowment respecting a number of criteria (listed below), including mainly the provision that distributions in the form of dividends or otherwise are made only after all legal and contractual obligations have been met and payments on senior equity instruments have been made, including the perpetual subordinated notes which are the subject of the transaction note. All of the above criteria are as follows:

- the instruments are issued directly by the institution after prior approval by its administrative body;
- the instruments are perpetual;
- the principal of the instruments cannot be reduced or repaid, except in the event of liquidation of the institution or after prior approval of Bank Al-Maghrib;
- the instruments rank lower than all other claims in case of insolvency or liquidation of the institution;
- the instruments do not benefit from securities or guarantees from any of the related entities which have the effect of enhancing the rank of the claims;
- the instruments are not subject to any contractual or other arrangement that ranks the claims under the instruments in the event of insolvency or liquidation;
- the instruments absorb the first and proportionately largest share of losses as they occur;
- the instruments give the owner a claim on the residual assets of the institution, which claim, in the event of liquidation and after payment of all higher ranking claims, is proportional to the amount of the instruments issued. The amount of the claim is neither fixed nor subject to a ceiling, except in the case of shares;
- the purchase of the instruments is not financed directly or indirectly by the institution;
- distributions in the form of dividends or otherwise are made only after all legal and contractual obligations have been met and payments on the senior equity instruments have been made. Such distributions may only be made from distributable items. The level of distributions is not related to the price at which the instruments were acquired at issuance, except in the case of membership interests;
- the provisions to which core capital instruments are subject do not provide for (i) preferential rights to pay dividends, (ii) a ceiling or other restrictions on the maximum amount of distributions, except in the case of members' shares, or (iii) an obligation on the part of the institution to make distributions to its holders;
- non-payment of dividends is not an event of default for the institution; and
- the cancellation of distributions does not impose any obligation on the institution.

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	In case of cancellation of the payment of the interest amount, the Issuer is bound to inform, within a period of at least sixty calendar days before the payment date, the holders of perpetual bonds, the AMMC and the Casablanca Stock Exchange, of this cancellation decision. The holders of perpetual bonds are informed by a notice published by CFG Bank on its website and in a newspaper of legal announcements specifying the amount of the cancelled interests, the motivations of this decision of cancellation of the payment of the interest amount as well as the corrective measures which were implemented. The decision of cancellation of the interest payment will also be the subject of a notice published by the Casablanca Stock Exchange. The distribution of interest can only come from distributable items and is not linked to the credit quality of CFG Bank. CFG Bank may decide, at its discretion and after prior approval of Bank Al-Maghrib, to increase the amount of a coupon to be paid which will consequently become higher than the amount of the coupon determined on the basis of the formula below. In case of decision to increase the amount of the coupon, the Issuer is bound to inform, at least sixty calendar days before the payment date, all holders of perpetual bonds issued by CFG Bank, AMMC and the Casablanca Stock Exchange, of this decision. The holders of perpetual bonds are informed via a notice published on the website of CFG Bank, the Casablanca Stock Exchange and in a newspaper of legal announcements. In case of existence of other instruments having a coupon payment cancellation mechanism, the decision of cancellation / appreciation of the amount of the coupon to be paid will be made pro rata to the amount of the coupon between all these instruments. Interest will be calculated according to the following formula: **[Nominal x Face Interest Rate]** Interests will be calculated based on the last nominal amount as defined in the "Absorption of Losses" clause or based on the outstanding principal as defined in the "Principal Repayment" clause.
Listing of securities	Tranche A perpetual subordinated bonds will be listed on the Casablanca Stock Exchange and will thus be the object of an application for admission to the compartment "Main E" of the Stock Exchange. Their listing date is planned on December 20, 2021, under the Ticker OCFGC.
First listing procedure	The listing of Tranche A will be made by direct listing in accordance with articles 2.4.13, 2.4.14 and 2.4.15 of the Stock Exchange General Rules.
Principal repayment	The capital repayment is subject to the agreement of Bank Al-Maghrib and is linear over a minimum period of 5 years (see "early repayment" clause).
Early repayment	CFG Bank shall refrain from proceeding to the early repayment of the perpetual subordinated bonds, subject of this issue, before a

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period of 5 years as from the date of dividend. Beyond 5 years, the early repayment of all or part of the capital can only be made at the initiative of the Issuer, subject to a minimum notice period of five years and after agreement of Bank Al-Maghrib.

Any prepayment (total or partial) will be made proportionally to all tranches of the perpetual subordinated bonds subject of the current issue in a linear way over a minimum term of 5 years. The holders of the perpetual bonds will be informed via notices of the early repayment, as soon as the decision of the early repayment is taken with a reminder at least sixty calendar days before the starting date of this repayment. These notices will be published in a newspaper of legal announcements, on the website of the Casablanca Stock Exchange and on the Issuer's website and will specify the amount, the duration and the starting date of repayment.

The Issuer may not proceed to the total or partial early repayment of the perpetual subordinated bonds, subject of this issue, as long as their nominal value is depreciated in accordance with the "Loss Absorption" clause. In case the Common Equity Tier 1 (CET 1) ratio, as defined by Bank Al Maghrib, falls below 6.0 % of the weighted risks, on individual or consolidated basis, during the redemption period, the latter will be made on the basis of the initial nominal value of the securities.

Any early repayment (total or partial), which takes place before the anniversary date, will be made on the basis of the amount of the remaining capital due and the accrued interest at the date of repayment.

CFG Bank shall refrain from redeeming the perpetual subordinated bonds, subject of this issue, as long as their nominal value is impaired in accordance with the "Loss Absorption" clause. The Issuer is bound to inform the AMMC, the Casablanca Stock Exchange and all holders of perpetual subordinated bonds having subscribed to this issue, of any possible repurchase procedure, subject to a prior agreement of Bank Al-Maghrib, by a notice published on its website and in a newspaper of legal announcements specifying the number of bonds to be repurchased, the deadline and the price of repurchase. CFG Bank will proceed to the repurchase in proportion to the presented sell orders (in case the number of presented securities is higher than the number of securities to be repurchased). The repurchased bonds will be cancelled.

In the event of a merger, demerger or partial contribution of assets of CFG Bank occurring during the term of the loan and resulting in the transfer of all assets and liabilities to a separate legal entity, the rights and obligations under the perpetual subordinated bonds will automatically be transferred to the legal entity that is substituted for the rights and obligations of CFG Bank.

The repayment of the capital is, in the event of the liquidation of CFG Bank, subordinated to all other debts (see "Loan rank").

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Loss absorption	Securities are subject to impairment when the Common Equity Tier 1 (CET 1) ratio, as defined by Bank Al Maghrib, falls below 6.0% of risk-weighted assets, on an individual or consolidated basis. Securities are depreciated[1] by the amount corresponding to the difference between the theoretical core Tier 1 capital (CET 1[2]) required to reach 6.0% of the weighted risks of the CET 1 ratio and the effective CET 1 capital (after taking into account the tax effect). The said depreciation shall be made, within a period not exceeding one calendar month from the date of ascertainment of the non-compliance with the minimum ratio of 6.0%, on an individual or consolidated basis, by reducing the nominal value of the securities by the corresponding amount and this, within the limit of a minimum nominal value of MAD 50 (in accordance with Article 292 of Law 17-95 relating to public limited companies, as amended and supplemented). Within 30 days following each half-yearly period end (dates of half-yearly publication of solvency ratios) or an extraordinary or intermediate calculation date requested by the regulator, the Issuer will have to verify that the Common Equity Tier 1 (CET 1) ratio, as defined by Bank Al Maghrib, respects the minimum level of 6.0% of the weighted risks, on individual and consolidated basis. CFG Bank will publish its CET 1 ratio as well as the forecasted levels of the said ratio for the next 18 months, after prior approval by its Board of Directors. This publication will take place before the end of April for each closing of the annual accounts and before the end of October for each closing of the half-yearly accounts and will be carried out through CFG Bank's publications (available on its website). This publication will also take place, through a newspaper of legal announcements, within thirty days following the occurrence of any significant event affecting the regulatory ratios. These publications will be sent to the proxy of the bondholders' pool, grouping together the holders of perpetual subordinated bonds, subject of this issue, at the same time as Bank Al-Maghrib and the AMMC, and will have to contain the detail of the prudential ratios (CET1 ratio and solvency ratio), the composition of the regulatory equity as well as the distribution of weighted risks. In case of non-compliance with the minimum ratio of 6.0%, on individual or consolidated basis, the Issuer is bound to inform immediately Bank Al Maghrib, the AMMC and the Casablanca Stock Exchange, and to send to the holders of perpetual bonds, within a period of 5 trading days as from the date of ascertainment of the non-compliance with the minimum ratio of 6.0%, on individual or consolidated basis a notice published on its website and in a newspaper of legal announcements specifying the occurrence of the event triggering the loss absorption mechanism,

[1] A possible depreciation of the nominal value of the securities would allow CFG Bank to recognize an exceptional income, which would increase its net result and would allow an improvement of its equity.

[2] It should be noted that the historical prudential ratios are presented in the CFG Bank reference document for the year 2020. The said forecast ratios are presented in the updated reference document No. 1 of CFG Bank relating to the 2020 financial year.

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	the amount of depreciation of the nominal value of the securities, the method of calculation of this amount, the corrective measures which have been implemented as well as the date on which this depreciation will take effect. After a possible depreciation of the nominal value of the Securities, and if the financial situation of the Issuer having required such depreciation improves, CFG Bank may immediately trigger, after prior approval of Bank Al-Maghrib, the mechanism of appreciation in whole or in part of the nominal value having been depreciated. The Issuer must inform the holders of perpetual subordinated bonds and the Casablanca Stock Exchange, within one month, by a notice published on its website and in a newspaper of legal announcements, of the decision of appreciation of the nominal amount, of the amount, of the calculation method and of the effective date of the said appreciation. In case of existence of other instruments with a loss absorption mechanism, the depreciation/appreciation of the nominal value will be carried out on a pro rata basis between all the instruments whose triggering threshold has been crossed, on the basis of the last nominal value preceding the date of triggering of the loss absorption mechanism. Interest will be calculated based on the last nominal value preceding the coupon payment date (taking into account the depreciation/appreciation of the nominal value). In the event of depreciation or appreciation of the nominal value of the Securities, the Issuer must immediately inform the AMMC.
Body in charge of the operation registration on the Casablanca Stock Exchange	CFG Marchés
Tradability of securities	The perpetual subordinated bonds of Tranche "A" are tradable on the Casablanca Stock Exchange. The perpetual subordinated bonds covered by this operation can be traded only between qualified investors listed in the securities note. Each qualified investor holding the perpetual subordinated bonds covered by the securities note undertakes to transfer the said bonds only to the qualified investors listed in the securities note. Also, the account holders must not, under any circumstances, accept instructions of settlement and delivery of the perpetual subordinated bonds covered by the securities note from investors other than the qualified investors listed in the securities note. The brokerage firms must also make sure that the principals belong to the qualified investors listed in the securities note.
Assimilation clause	There is no assimilation of the perpetual subordinated bonds, subject of the securities note, to the securities of a previous issue. In the event that CFG Bank subsequently issues new securities with rights identical in all respects to those of the present issue, it may, without requiring the consent of the holders, provided that the issue contracts so provide, assimilate all the securities of the

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	successive issues, thus unifying all the operations relating to their management and trading.
Loan rank / subordination	The capital is subject to a subordination clause. The application of this clause does not in any way affect the rules of law concerning the accounting principles of allocation of losses, the obligations of the shareholders and the rights of the subscriber to obtain, according to the conditions fixed in the contract, the payment of their securities in capital and interest. In case of liquidation of CFG Bank, the perpetual subordinated securities of this issue will be repaid only after payment of all the classic, privileged or unsecured creditors. The present perpetual subordinated securities will be repaid after all the other fixed-term subordinated loans, which have been issued and which could be issued subsequently by CFG Bank both in Morocco and abroad. This repayment will be made on the basis of the smaller of the following two amounts: (i) the initial nominal value reduced by the amount of any repayments previously made; (ii) the amount available after payment of all preferential or unsecured creditors and holders of fixed-term subordinated bonds which have been issued and may be issued subsequently by CFG Bank both in Morocco and abroad. These subordinated perpetual bonds will rank pari passu with the subordinated perpetual bonds of the same nature.
Repayment guarantee	This issue is not covered by any specific guarantee.
Rating	This issue has not been the subject of a rating request.
Representation of the bondholders' pool	The Board of Directors, held on October 18, 2021, appointed the firm Mouttaki Partners, represented by Karim Mouttaki in his capacity as managing partner, as provisional proxy. It is specified that the provisional proxy appointed is identical for tranches A, B, C and D, which are grouped together in a single pool. Moreover, the provisional proxy will proceed, within a 6-month period as from the closing date of subscriptions, to the convening of the Ordinary General Meeting of bondholders for the purpose of electing the proxy of the bondholders' mass in accordance with the conditions of access and exercise and with the incompatibilities provided for in articles 301 and 301 bis of the law 17-95 relating to public limited companies, as amended and supplemented. In accordance with Article 301 bis of Law no. 17-95 relating to public limited companies, as amended and supplemented, it has been decided to fix the remuneration of the provisional proxy holder and of the proxy holder of the bondholders' pool at MAD 25,000 (excl. tax) per annum for the pool. In accordance with article 302 of the above-mentioned law, the proxy of the pool has, except restriction decided by the general assembly of bondholders, the power to carry out in the name of the group all management acts necessary for the safeguarding of the common interests of the bondholders.

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	Furthermore, CFG Bank has no capital or business ties with the firm Mouttaki Partners.
Applicable law	Moroccan law.
Competent jurisdiction	Commercial Court of Casablanca.

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Characteristics of Tranche B (with a revisable rate every 5 years, a perpetual maturity and unlisted on the Casablanca Stock Exchange)

Nature of securities	Perpetual subordinated bonds unlisted on the Casablanca Stock Exchange, dematerialized by registration in an account with the financial intermediaries authorized and approved for the operations of the central custodian (Maroclear).
Legal form	Bearer bond
Tranche ceiling	MAD 80,000,000
Maximum number of securities to be issued	800 subordinated bonds
Nominal value per unit	MAD 100,000
Issue price	At par, 100% of the nominal value, i.e. MAD 100,000
Loan maturity	Perpetual with the possibility of early repayment beyond the 5th year of the dividend date, which can only be made at the initiative of CFG Bank and after agreement of Bank Al-Maghrib with a minimum notice of five years.
Subscription period	From 12/08/2021 to 12/15/2021 inclusive
Dividend date	12/23/2021
Allocation method	French auction with priority given to tranches A and B (with a revisable rate every 5 years) then to tranches C and D (with an annually revisable rate)
Face interest rate	**Rate revisable every 5 years** For the first 5 years, the face interest rate will be determined in reference to the 5-year rate determined from the reference rate curve of the secondary market of Treasury Bills as it will be published by Bank Al-Maghrib on December 2, 2021. This rate will be increased by a risk premium comprised between 260 and 270 basis points. The reference rate and the face interest rates will be published by CFG Bank on its website on December 2, 2021, and in a newspaper of legal announcements on December 3, 2021. Beyond the first 5 years and for each period of 5 years, the reference rate is the 5-year rate observed or calculated from the reference rate curve of the secondary market of Treasury bills as published by Bank Al-Maghrib, preceding by 5 business days the last anniversary date of the coupon of each elapsed 5-year period. The reference rate thus obtained will be increased by the risk premium fixed at the end of the auction (risk premium included between 260 and 270 basis points) and will be communicated to the bondholders by CFG Bank on its website 5 business days before the anniversary date of each date of revision of the rate and on the same day as the date of observation of the reference rate. In case the 5-year rate of the Treasury bills is not directly observable on the curve, the determination of the reference rate by

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	CFG Bank will be done by linear interpolation method using the two points framing the full 5-year maturity (actuarial basis).
Risk premium	Between 260 and 270 basis points
Interests	Interest will be paid annually on the anniversary of the date of the loan, i.e., on December 23 of each year. Payment of interest shall be made on the same day or on the first business day following December 23 if that day is not a business day. Interest on the perpetual subordinated bonds will cease to accrue as of the date on which the principal is put up for repayment by CFG Bank. CFG Bank may decide, at its discretion and after prior approval of Bank Al-Maghrib, to cancel (in whole or in part) the payment of the interest amount for an indefinite period and on a non-cumulative basis in order to meet its obligations (in particular following a request from Bank Al-Maghrib). Following this decision, any cancelled interest amount is no longer payable by the issuer or considered as accrued or due to all holders of perpetual bonds issued by CFG Bank. Each cancellation decision will be for the coupon amount originally scheduled to be paid on the next anniversary date. CFG Bank is required to apply the provisions of the circular no. 14/G/2013 of Bank Al-Maghrib dated August 13, 2013 relating to the calculation of the regulatory capital of the credit institutions, including the article 10 of the said circular defining the core capital instruments as the shares and any other element composing the share capital as well as the endowment respecting a number of criteria (listed below), including mainly the provision that distributions in the form of dividends or otherwise are made only after all legal and contractual obligations have been met and payments on senior equity instruments have been made, including the perpetual subordinated notes which are the subject of the transaction note. All of the above criteria are as follows: ▪ the instruments are issued directly by the institution after prior approval by its administrative body; ▪ the instruments are perpetual; ▪ the principal of the instruments cannot be reduced or repaid, except in the event of liquidation of the institution or after prior approval of Bank Al-Maghrib; ▪ the instruments rank lower than all other claims in case of insolvency or liquidation of the institution; ▪ the instruments do not benefit from securities or guarantees from any of the related entities which have the effect of enhancing the rank of the claims; ▪ the instruments are not subject to any contractual or other arrangement that ranks the claims under the instruments in the event of insolvency or liquidation; ▪ the instruments absorb the first and proportionately largest share of losses as they occur; ▪ the instruments give the owner a claim on the residual assets of the institution, which claim, in the event of

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liquidation and after payment of all higher ranking claims, is proportional to the amount of the instruments issued. The amount of the claim is neither fixed nor subject to a ceiling, except in the case of shares;

- the purchase of the instruments is not financed directly or indirectly by the institution;
- distributions in the form of dividends or otherwise are made only after all legal and contractual obligations have been met and payments on the senior equity instruments have been made. Such distributions may only be made from distributable items. The level of distributions is not related to the price at which the instruments were acquired at issuance, except in the case of membership interests;
- the provisions to which core capital instruments are subject do not provide for (i) preferential rights to pay dividends, (ii) a ceiling or other restrictions on the maximum amount of distributions, except in the case of members' shares, or (iii) an obligation on the part of the institution to make distributions to its holders;
- non-payment of dividends is not an event of default for the institution; and
- the cancellation of distributions does not impose any obligation on the institution.

In case of cancellation of the payment of the interest amount, the Issuer is bound to inform, within a period of at least sixty calendar days before the payment date, the holders of perpetual bonds and the AMMC of this cancellation decision. The holders of perpetual bonds are informed by a notice published by CFG Bank on its website and in a newspaper of legal announcements specifying the amount of the cancelled interests, the motivations of this decision of cancellation of the payment of the interest amount as well as the corrective measures which were implemented.

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

CFG Bank may decide, at its discretion and after prior approval of Bank Al-Maghrib, to increase the amount of a coupon to be paid which will consequently become higher than the amount of the coupon determined on the basis of the formula below.

In case of decision to increase the amount of the coupon, the Issuer is bound to inform, at least sixty calendar days before the payment date, all holders of perpetual bonds issued by CFG Bank and the AMMC of this decision. The holders of perpetual bonds are informed via a notice published on the website of CFG Bank and in a newspaper of legal announcements.

In case of existence of other instruments having a coupon payment cancellation mechanism, the decision of cancellation / appreciation of the amount of the coupon to be paid will be made pro rata to the amount of the coupon between all these instruments.

Interest will be calculated according to the following formula:

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	[Nominal x Face Interest Rate] Interests will be calculated based on the last nominal amount as defined in the "Absorption of Losses" clause or based on the outstanding principal as defined in the "Principal Repayment" clause.
Principal repayment	The capital repayment is subject to the agreement of Bank Al-Maghrib and is linear over a minimum period of 5 years (see "early repayment" clause).
Early repayment	CFG Bank shall refrain from proceeding to the early repayment of the perpetual subordinated bonds, subject of this issue, before a period of 5 years as from the date of dividend. Beyond 5 years, the early repayment of all or part of the capital can only be made at the initiative of the Issuer, subject to a minimum notice period of five years and after agreement of Bank Al-Maghrib. Any prepayment (total or partial) will be made proportionally to all tranches of the perpetual subordinated bonds subject of the current issue in a linear way over a minimum term of 5 years. The holders of the perpetual bonds will be informed via notices of the early repayment, as soon as the decision of the early repayment is taken with a reminder at least sixty calendar days before the starting date of this repayment. These notices will be published in a newspaper of legal announcements and on the Issuer's website and will specify the amount, the duration and the starting date of repayment. The Issuer may not proceed to the total or partial early repayment of the perpetual subordinated bonds, subject of this issue, as long as their nominal value is depreciated in accordance with the "Loss Absorption" clause. In case the Common Equity Tier 1 (CET 1) ratio, as defined by Bank Al Maghrib, falls below 6.0 % of the weighted risks, on individual or consolidated basis, during the redemption period, the latter will be made on the basis of the initial nominal value of the securities. Any early repayment (total or partial), which takes place before the anniversary date, will be made on the basis of the amount of the remaining capital due and the accrued interest at the date of repayment. CFG Bank shall refrain from redeeming the perpetual subordinated bonds, subject of this issue, as long as their nominal value is impaired in accordance with the "Loss Absorption" clause. The Issuer is bound to inform the AMMC and all holders of perpetual subordinated bonds having subscribed to this issue, of any possible repurchase procedure, subject to a prior agreement of Bank Al-Maghrib, by a notice published on its website and in a newspaper of legal announcements specifying the number of bonds to be repurchased, the deadline and the price of repurchase. CFG Bank will proceed to the repurchase in proportion to the presented sell orders (in case the number of presented securities is higher than the number of securities to be repurchased). The repurchased bonds will be cancelled.

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	In the event of a merger, demerger or partial contribution of assets of CFG Bank occurring during the term of the loan and resulting in the transfer of all assets and liabilities to a separate legal entity, the rights and obligations under the perpetual subordinated bonds will automatically be transferred to the legal entity that is substituted for the rights and obligations of CFG Bank. The repayment of the capital is, in the event of the liquidation of CFG Bank, subordinated to all other debts (see "Loan rank").
Loss absorption	Securities are subject to impairment when the Common Equity Tier 1 (CET 1) ratio, as defined by Bank Al Maghrib, falls below 6.0% of risk-weighted assets, on an individual or consolidated basis. Securities are depreciated[1] by the amount corresponding to the difference between the theoretical core Tier 1 capital (CET 1[2]) required to reach 6.0% of the weighted risks of the CET 1 ratio and the effective CET 1 capital (after taking into account the tax effect). The said depreciation shall be made, within a period not exceeding one calendar month from the date of ascertainment of the non-compliance with the minimum ratio of 6.0%, on an individual or consolidated basis, by reducing the nominal value of the securities by the corresponding amount and this, within the limit of a minimum nominal value of MAD 50 (in accordance with Article 292 of Law 17-95 relating to public limited companies, as amended and supplemented). Within 30 days following each half-yearly period end (dates of half-yearly publication of solvency ratios) or an extraordinary or intermediate calculation date requested by the regulator, the Issuer will have to verify that the Common Equity Tier 1 (CET 1) ratio, as defined by Bank Al Maghrib, respects the minimum level of 6.0% of the weighted risks, on individual and consolidated basis. CFG Bank will publish its CET 1 ratio as well as the forecasted levels of the said ratio for the next 18 months, after prior approval by its Board of Directors. This publication will take place before the end of April for each closing of the annual accounts and before the end of October for each closing of the half-yearly accounts and will be carried out through CFG Bank's publications (available on its website). This publication will also take place, through a newspaper of legal announcements, within thirty days following the occurrence of any significant event affecting the regulatory ratios. These publications will be sent to the proxy of the bondholders' pool, grouping together the holders of perpetual subordinated bonds, subject of this issue, at the same time as Bank Al-Maghrib and the AMMC, and will have to contain the detail of the prudential ratios (CET1 ratio and solvency ratio), the composition of the regulatory equity as well as the distribution of weighted risks.

[1] A possible depreciation of the nominal value of the securities would allow CFG Bank to recognize an exceptional income, which would increase its net result and would allow an improvement of its equity.

[2] It should be noted that the historical prudential ratios are presented in the CFG Bank reference document for the year 2020. The said forecast ratios are presented in the updated reference document No. 1 of CFG Bank relating to the 2020 financial year.

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	In case of non-compliance with the minimum ratio of 6.0%, on individual or consolidated basis, the Issuer is bound to inform immediately Bank Al Maghrib, the AMMC and to send to the holders of perpetual bonds, within a period of 5 business days as from the date of ascertainment of the non-compliance with the minimum ratio of 6.0%, on individual or consolidated basis a notice published on its website and in a newspaper of legal announcements specifying the occurrence of the event triggering the loss absorption mechanism, the amount of depreciation of the nominal value of the securities, the method of calculation of this amount, the corrective measures which have been implemented as well as the date on which this depreciation will take effect. After a possible depreciation of the nominal value of the Securities, and if the financial situation of the Issuer having required such depreciation improves, CFG Bank may immediately trigger, after prior approval of Bank Al-Maghrib, the mechanism of appreciation in whole or in part of the nominal value having been depreciated. The Issuer must inform the holders of perpetual subordinated bonds within one month, by a notice published on its website and in a newspaper of legal announcements, of the decision of appreciation of the nominal amount, of the amount, of the calculation method and of the effective date of the said appreciation. In case of existence of other instruments with a loss absorption mechanism, the depreciation/appreciation of the nominal value will be carried out on a pro rata basis between all the instruments whose triggering threshold has been crossed, on the basis of the last nominal value preceding the date of triggering of the loss absorption mechanism. Interest will be calculated based on the last nominal value preceding the coupon payment date (taking into account the depreciation/appreciation of the nominal value). In the event of depreciation or appreciation of the nominal value of the Securities, the Issuer must immediately inform the AMMC.
Tradability of securities	Over-the-counter The perpetual subordinated bonds covered by this issue, can only be traded between qualified investors listed in the securities note. Each qualified investor holding the perpetual subordinated bonds, subject of the securities note, undertakes to transfer the said bonds only to the qualified investors listed in the securities note. Also, the account holders must not accept any instructions of settlement-delivery of the perpetual subordinated bonds subject of the securities note from investors other than the qualified investors listed in the securities note.
Assimilation clause	There is no assimilation of the perpetual subordinated bonds, subject of the securities note, to the securities of a previous issue. In the event that CFG Bank subsequently issues new securities with rights identical in all respects to those of the present issue, it may, without requiring the consent of the holders, provided that the issue contracts so provide, assimilate all the securities of the

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	successive issues, thus unifying all the operations relating to their management and trading.
Loan rank / subordination	The capital is subject to a subordination clause. The application of this clause does not in any way affect the rules of law concerning the accounting principles of allocation of losses, the obligations of the shareholders and the rights of the subscriber to obtain, according to the conditions fixed in the contract, the payment of their securities in capital and interest. In case of liquidation of CFG Bank, the perpetual subordinated securities of this issue will be repaid only after payment of all the classic, privileged or unsecured creditors. The present perpetual subordinated securities will be repaid after all the other fixed-term subordinated loans, which have been issued and which could be issued subsequently by CFG Bank both in Morocco and abroad. This repayment will be made on the basis of the smaller of the following two amounts: (i) the initial nominal value reduced by the amount of any repayments previously made; (ii) the amount available after payment of all preferential or unsecured creditors and holders of fixed-term subordinated bonds which have been issued and may be issued subsequently by CFG Bank both in Morocco and abroad. These subordinated perpetual bonds will rank pari passu with the subordinated perpetual bonds of the same nature.
Repayment guarantee	This issue is not covered by any specific guarantee.
Rating	This issue has not been the subject of a rating request.
Representation of the bondholders' pool	The Board of Directors, held on October 18, 2021, appointed the firm Mouttaki Partners, represented by Karim Mouttaki in his capacity as managing partner, as provisional proxy. It is specified that the provisional proxy appointed is identical for tranches A, B, C and D, which are grouped together in a single pool. Moreover, the provisional proxy will proceed, within a 6-month period as from the closing date of subscriptions, to the convening of the Ordinary General Meeting of bondholders for the purpose of electing the proxy of the bondholders' mass in accordance with the conditions of access and exercise and with the incompatibilities provided for in articles 301 and 301 bis of the law 17-95 relating to public limited companies, as amended and supplemented. In accordance with Article 301 bis of Law no. 17-95 relating to public limited companies, as amended and supplemented, it has been decided to fix the remuneration of the provisional proxy holder and of the proxy holder of the bondholders' pool at MAD 25,000 (excl. tax) per annum for the pool. In accordance with article 302 of the above-mentioned law, the proxy of the pool has, except restriction decided by the general assembly of bondholders, the power to carry out in the name of the group all management acts necessary for the safeguarding of the common interests of the bondholders.

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	Furthermore, CFG Bank has no capital or business ties with the firm Mouttaki Partners.
Applicable law	Moroccan law.
Competent jurisdiction	Commercial Court of Casablanca.

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Characteristics of Tranche C (with an annually revisable rate, a perpetual maturity and listed on the Casablanca Stock Exchange)

Nature of securities	Perpetual subordinated bonds listed on the Casablanca Stock Exchange, dematerialized by registration in an account with the financial intermediaries authorized and approved for the operations of the central custodian (Maroclear).
Legal form	Bearer bond
Tranche ceiling	MAD 80,000,000
Maximum number of securities to be issued	800 subordinated bonds
Nominal value per unit	MAD 100,000
Issue price	At par, 100% of the nominal value, i.e. MAD 100,000
Loan maturity	Perpetual with the possibility of early repayment beyond the 5th year of the dividend date, which can only be made at the initiative of CFG Bank and after agreement of Bank Al-Maghrib with a minimum notice of five years.
Subscription period	From 12/08/2021 to 12/15/2021 inclusive
Dividend date	12/23/2021
Allocation method	French auction with priority given to tranches A and B (with a revisable rate every 5 years) then to tranches C and D (with an annually revisable rate)
Face interest rate	**Annually revisable rate** For the first year, the face interest rate will be the full 52-week rate (money rate) determined from the reference yield curve of the secondary market of Treasury bills as it will be published by Bank Al Maghrib on December 2, 2021. This rate will be increased by a risk premium between 250 and 260 basis points. The reference rate and the facial interest rates will be published by CFG Bank on its website on December 2, 2021, in a newspaper of legal announcements on December 3, 2021, and will be communicated to the Casablanca Stock Exchange. At each anniversary date, the reference rate is the full 52 weeks rate (money market rate) determined by reference to the reference rate curve of the secondary market of Treasury bills as published by Bank Al-Maghrib, preceding the anniversary date of the coupon by 5 trading days. The reference rate thus obtained will be increased by the risk premium fixed at the end of the auction (risk premium comprised between 250 and 260 basis points) and will be communicated by CFG Bank, via its website, to the bondholders and to the Casablanca Stock Exchange 5 trading days before the anniversary date of each rate revision date and on the same day as the observation date of the reference rate.
Reference rate calculation method	If the 52-week rate is not observable, the determination of the reference rate by CFG Bank will be done by the method of linear

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	interpolation using the two points surrounding the full 52-week maturity (monetary basis). This linear interpolation will be done after converting the rate immediately above the 52-week maturity (actuarial basis) into the equivalent monetary rate. The calculation formula is: (((Actuarial rate + 1)^ (k / exact number of days*))-1) x 360/k; where k: maturity of the actuarial rate to be transformed *Exact number of days: 365 or 366 days.
Risk premium	Between 250 and 260 basis points
Interest rate determination date	The coupon will be revised annually on the anniversary dates of the maturity date of the loan, i.e. on December 23 of each year. The new rate will be communicated by the Issuer to the bondholders via its website and to the Casablanca Stock Exchange, 5 trading days before the anniversary date. The revised face interest rate will be published via a notice by the Casablanca Stock Exchange.
Interests	Interest will be paid annually on the anniversary of the date of the loan, i.e., on December 23 of each year. Payment of interest shall be made on the same day or on the first business day following December 23 if that day is not a business day. Interest on the perpetual subordinated bonds will cease to accrue as of the date on which the principal is put up for repayment by CFG Bank. CFG Bank may decide, at its discretion and after prior approval of Bank Al-Maghrib, to cancel (in whole or in part) the payment of the interest amount for an indefinite period and on a non-cumulative basis in order to meet its obligations (in particular following a request from Bank Al-Maghrib). Following this decision, any cancelled interest amount is no longer payable by the issuer or considered as accrued or due to all holders of perpetual bonds issued by CFG Bank. Each cancellation decision will be for the coupon amount originally scheduled to be paid on the next anniversary date. CFG Bank is required to apply the provisions of the circular no. 14/G/2013 of Bank Al-Maghrib dated August 13, 2013 relating to the calculation of the regulatory capital of the credit institutions, including the article 10 of the said circular defining the core capital instruments as the shares and any other element composing the share capital as well as the endowment respecting a number of criteria (listed below), including mainly the provision that distributions in the form of dividends or otherwise are made only after all legal and contractual obligations have been met and payments on senior equity instruments have been made, including the perpetual subordinated notes which are the subject of the transaction note. All of the above criteria are as follows: ▪ the instruments are issued directly by the institution after prior approval by its administrative body; ▪ the instruments are perpetual;

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- the principal of the instruments cannot be reduced or repaid, except in the event of liquidation of the institution or after prior approval of Bank Al-Maghrib;
- the instruments rank lower than all other claims in case of insolvency or liquidation of the institution;
- the instruments do not benefit from securities or guarantees from any of the related entities which have the effect of enhancing the rank of the claims;
- the instruments are not subject to any contractual or other arrangement that ranks the claims under the instruments in the event of insolvency or liquidation;
- the instruments absorb the first and proportionately largest share of losses as they occur;
- the instruments give the owner a claim on the residual assets of the institution, which claim, in the event of liquidation and after payment of all higher ranking claims, is proportional to the amount of the instruments issued. The amount of the claim is neither fixed nor subject to a ceiling, except in the case of shares;
- the purchase of the instruments is not financed directly or indirectly by the institution;
- distributions in the form of dividends or otherwise are made only after all legal and contractual obligations have been met and payments on the senior equity instruments have been made. Such distributions may only be made from distributable items. The level of distributions is not related to the price at which the instruments were acquired at issuance, except in the case of membership interests;
- the provisions to which core capital instruments are subject do not provide for (i) preferential rights to pay dividends, (ii) a ceiling or other restrictions on the maximum amount of distributions, except in the case of members' shares, or (iii) an obligation on the part of the institution to make distributions to its holders;
- non-payment of dividends is not an event of default for the institution; and
- the cancellation of distributions does not impose any obligation on the institution.

In case of cancellation of the payment of the interest amount, the Issuer is bound to inform, within a period of at least sixty calendar days before the payment date, the holders of perpetual bonds, the AMMC and the Casablanca Stock Exchange, of this cancellation decision. The holders of perpetual bonds are informed by a notice published by CFG Bank on its website and in a newspaper of legal announcements specifying the amount of the cancelled interests, the motivations of this decision of cancellation of the payment of the interest amount as well as the corrective measures which were implemented. The decision of cancellation of the interest payment

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	will also be the subject of a notice published by the Casablanca Stock Exchange. The distribution of interest can only come from distributable items and is not linked to the credit quality of CFG Bank. CFG Bank may decide, at its discretion and after prior approval of Bank Al-Maghrib, to increase the amount of a coupon to be paid which will consequently become higher than the amount of the coupon determined on the basis of the formula below. In case of decision to increase the amount of the coupon, the Issuer is bound to inform, at least sixty calendar days before the payment date, all holders of perpetual bonds issued by CFG Bank, AMMC and the Casablanca Stock Exchange, of this decision. The holders of perpetual bonds are informed via a notice published on the website of CFG Bank, the Casablanca Stock Exchange and in a newspaper of legal announcements. In case of existence of other instruments having a coupon payment cancellation mechanism, the decision of cancellation / appreciation of the amount of the coupon to be paid will be made pro rata to the amount of the coupon between all these instruments. Interest will be calculated according to the following formula: **[Nominal x Face interest rate x Exact number of days/360].** Interests will be calculated based on the last nominal amount as defined in the "Absorption of Losses" clause or based on the outstanding principal as defined in the "Principal Repayment" clause.
Listing of securities	The subordinated bonds of Tranche "C" will be listed on the Casablanca Stock Exchange and will thus be the object of an application for admission to compartment "Main E" of the Stock Exchange. Their listing date is planned on December 20, 2021, under the Ticker OCFGD.
First listing procedure	The listing of Tranche C will be made by direct listing in accordance with articles 2.4.13, 2.4.14 and 2.4.15 of the Stock Exchange General Rules.
Principal repayment	The capital repayment is subject to the agreement of Bank Al-Maghrib and is linear over a minimum period of 5 years (see "early repayment" clause).
Early repayment	CFG Bank shall refrain from proceeding to the early repayment of the perpetual subordinated bonds, subject of this issue, before a period of 5 years as from the date of dividend. Beyond 5 years, the early repayment of all or part of the capital can only be made at the initiative of the Issuer, subject to a minimum notice period of five years and after agreement of Bank Al-Maghrib. Any prepayment (total or partial) will be made proportionally to all tranches of the perpetual subordinated bonds subject of the current issue in a linear way over a minimum term of 5 years. The holders of the perpetual bonds will be informed via notices of the early repayment, as soon as the decision of the early repayment is taken with a reminder at least sixty calendar days before the

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	starting date of this repayment. These notices will be published in a newspaper of legal announcements, on the website of the Casablanca Stock Exchange and on the Issuer's website and will specify the amount, the duration and the starting date of repayment. The Issuer may not proceed to the total or partial early repayment of the perpetual subordinated bonds, subject of this issue, as long as their nominal value is depreciated in accordance with the "Loss Absorption" clause. In case the Common Equity Tier 1 (CET 1) ratio, as defined by Bank Al Maghrib, falls below 6.0 % of the weighted risks, on individual or consolidated basis, during the redemption period, the latter will be made on the basis of the initial nominal value of the securities. Any early repayment (total or partial), which takes place before the anniversary date, will be made on the basis of the amount of the remaining capital due and the accrued interest at the date of repayment. CFG Bank shall refrain from redeeming the perpetual subordinated bonds, subject of this issue, as long as their nominal value is impaired in accordance with the "Loss Absorption" clause. The Issuer is bound to inform the AMMC, the Casablanca Stock Exchange and all holders of perpetual subordinated bonds having subscribed to this issue, of any possible repurchase procedure, subject to a prior agreement of Bank Al-Maghrib, by a notice published on its website and in a newspaper of legal announcements specifying the number of bonds to be repurchased, the deadline and the price of repurchase. CFG Bank will proceed to the repurchase in proportion to the presented sell orders (in case the number of presented securities is higher than the number of securities to be repurchased). The repurchased bonds will be cancelled. In the event of a merger, demerger or partial contribution of assets of CFG Bank occurring during the term of the loan and resulting in the transfer of all assets and liabilities to a separate legal entity, the rights and obligations under the perpetual subordinated bonds will automatically be transferred to the legal entity that is substituted for the rights and obligations of CFG Bank. The repayment of the capital is, in the event of the liquidation of CFG Bank, subordinated to all other debts (see "Loan rank").
Loss absorption	Securities are subject to impairment when the Common Equity Tier 1 (CET 1) ratio, as defined by Bank Al Maghrib, falls below 6.0% of risk-weighted assets, on an individual or consolidated basis. Securities are depreciated[1] by the amount corresponding to the difference between the theoretical core Tier 1 capital (CET 1[2]) required to reach 6.0% of the weighted risks of the CET 1 ratio

[1] A possible depreciation of the nominal value of the securities would allow CFG Bank to recognize an exceptional income, which would increase its net result and would allow an improvement of its equity.

[2] It should be noted that the historical prudential ratios are presented in the CFG Bank reference document for the year 2020. The said forecast ratios are presented in the updated reference document No. 1 of CFG Bank relating to the 2020 financial year.

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and the effective CET 1 capital (after taking into account the tax effect).

The said depreciation shall be made, within a period not exceeding one calendar month from the date of ascertainment of the non-compliance with the minimum ratio of 6.0%, on an individual or consolidated basis, by reducing the nominal value of the securities by the corresponding amount and this, within the limit of a minimum nominal value of MAD 50 (in accordance with Article 292 of Law 17-95 relating to public limited companies, as amended and supplemented).

Within 30 days following each half-yearly period end (dates of half-yearly publication of solvency ratios) or an extraordinary or intermediate calculation date requested by the regulator, the Issuer will have to verify that the Common Equity Tier 1 (CET 1) ratio, as defined by Bank Al Maghrib, respects the minimum level of 6.0% of the weighted risks, on individual and consolidated basis. CFG Bank will publish its CET 1 ratio as well as the forecasted levels of the said ratio for the next 18 months, after prior approval by its Board of Directors. This publication will take place before the end of April for each closing of the annual accounts and before the end of October for each closing of the half-yearly accounts and will be carried out through CFG Bank's publications (available on its website). This publication will also take place, through a newspaper of legal announcements, within thirty days following the occurrence of any significant event affecting the regulatory ratios. These publications will be sent to the proxy of the bondholders' pool, grouping together the holders of perpetual subordinated bonds, subject of this issue, at the same time as Bank Al-Maghrib and the AMMC, and will have to contain the detail of the prudential ratios (CET1 ratio and solvency ratio), the composition of the regulatory equity as well as the distribution of weighted risks.

In case of non-compliance with the minimum ratio of 6.0%, on individual or consolidated basis, the Issuer is bound to inform immediately Bank Al Maghrib, the AMMC and the Casablanca Stock Exchange, and to send to the holders of perpetual bonds, within a period of 5 trading days as from the date of ascertainment of the non-compliance with the minimum ratio of 6.0%, on individual or consolidated basis a notice published on its website and in a newspaper of legal announcements specifying the occurrence of the event triggering the loss absorption mechanism, the amount of depreciation of the nominal value of the securities, the method of calculation of this amount, the corrective measures which have been implemented as well as the date on which this depreciation will take effect.

After a possible depreciation of the nominal value of the Securities, and if the financial situation of the Issuer having required such depreciation improves, CFG Bank may immediately trigger, after prior approval of Bank Al-Maghrib, the mechanism of appreciation in whole or in part of the nominal value having been depreciated. The Issuer must inform the holders of perpetual

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	subordinated bonds and the Casablanca Stock Exchange, within one month, by a notice published on its website and in a newspaper of legal announcements, of the decision of appreciation of the nominal amount, of the amount, of the calculation method and of the effective date of the said appreciation. In case of existence of other instruments with a loss absorption mechanism, the depreciation/appreciation of the nominal value will be carried out on a pro rata basis between all the instruments whose triggering threshold has been crossed, on the basis of the last nominal value preceding the date of triggering of the loss absorption mechanism. Interest will be calculated based on the last nominal value preceding the coupon payment date (taking into account the depreciation/appreciation of the nominal value). In the event of depreciation or appreciation of the nominal value of the Securities, the Issuer must immediately inform the AMMC.
Body in charge of the operation registration on the Casablanca Stock Exchange	CFG Marchés
Tradability of securities	The perpetual subordinated bonds of Tranche "C" are tradable on the Casablanca Stock Exchange. The perpetual subordinated bonds covered by this operation can be traded only between qualified investors listed in the securities note. Each qualified investor holding the perpetual subordinated bonds covered by the securities note undertakes to transfer the said bonds only to the qualified investors listed in the securities note. Also, the account holders must not, under any circumstances, accept instructions of settlement and delivery of the perpetual subordinated bonds covered by the securities note from investors other than the qualified investors listed in the securities note. The brokerage firms must also make sure that the principals belong to the qualified investors listed in the securities note.
Assimilation clause	There is no assimilation of the perpetual subordinated bonds, subject of the securities note, to the securities of a previous issue. In the event that CFG Bank subsequently issues new securities with rights identical in all respects to those of the present issue, it may, without requiring the consent of the holders, provided that the issue contracts so provide, assimilate all the securities of the successive issues, thus unifying all the operations relating to their management and trading.
Loan rank / subordination	The capital is subject to a subordination clause. The application of this clause does not in any way affect the rules of law concerning the accounting principles of allocation of losses, the obligations of the shareholders and the rights of the subscriber to obtain, according to the conditions fixed in the contract, the payment of their securities in capital and interest. In case of liquidation of CFG Bank, the perpetual subordinated securities of this issue will be repaid only after payment of all the classic, privileged or unsecured creditors. The present perpetual

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	subordinated securities will be repaid after all the other fixed-term subordinated loans, which have been issued and which could be issued subsequently by CFG Bank both in Morocco and abroad. This repayment will be made on the basis of the smaller of the following two amounts: (i) the initial nominal value reduced by the amount of any repayments previously made; (ii) the amount available after payment of all preferential or unsecured creditors and holders of fixed-term subordinated bonds which have been issued and may be issued subsequently by CFG Bank both in Morocco and abroad. These subordinated perpetual bonds will rank pari passu with the subordinated perpetual bonds of the same nature.
Repayment guarantee	This issue is not covered by any specific guarantee.
Rating	This issue has not been the subject of a rating request.
Representation of the bondholders' pool	The Board of Directors, held on October 18, 2021, appointed the firm Mouttaki Partners, represented by Karim Mouttaki in his capacity as managing partner, as provisional proxy. It is specified that the provisional proxy appointed is identical for tranches A, B, C and D, which are grouped together in a single pool. Moreover, the provisional proxy will proceed, within a 6-month period as from the closing date of subscriptions, to the convening of the Ordinary General Meeting of bondholders for the purpose of electing the proxy of the bondholders' mass in accordance with the conditions of access and exercise and with the incompatibilities provided for in articles 301 and 301 bis of the law 17-95 relating to public limited companies, as amended and supplemented. In accordance with Article 301 bis of Law no. 17-95 relating to public limited companies, as amended and supplemented, it has been decided to fix the remuneration of the provisional proxy holder and of the proxy holder of the bondholders' pool at MAD 25,000 (excl. tax) per annum for the pool. In accordance with article 302 of the above-mentioned law, the proxy of the pool has, except restriction decided by the general assembly of bondholders, the power to carry out in the name of the group all management acts necessary for the safeguarding of the common interests of the bondholders. Furthermore, CFG Bank has no capital or business ties with the firm Mouttaki Partners.
Applicable law	Moroccan law.
Competent jurisdiction	Commercial Court of Casablanca.

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Characteristics of Tranche D (with an annually revisable rate, a perpetual maturity and unlisted on the Casablanca Stock Exchange)

Nature of securities	Perpetual subordinated bonds unlisted on the Casablanca Stock Exchange, dematerialized by registration in an account with the financial intermediaries authorized and approved for the operations of the central custodian (Maroclear).
Legal form	Bearer bond
Tranche ceiling	MAD 80,000,000
Maximum number of securities to be issued	800 subordinated bonds
Nominal value per unit	MAD 100,000
Issue price	At par, 100% of the nominal value, i.e. MAD 100,000
Loan maturity	Perpetual with the possibility of early repayment beyond the 5th year of the dividend date, which can only be made at the initiative of CFG Bank and after agreement of Bank Al-Maghrib with a minimum notice of five years.
Subscription period	From 12/08/2021 to 12/15/2021 inclusive
Dividend date	12/23/2021
Allocation method	French auction with priority given to tranches A and B (with a revisable rate every 5 years) then to tranches C and D (with an annually revisable rate)
Face interest rate	**Annually revisable rate** For the first year, the face interest rate will be the full 52-week rate (money rate) determined from the reference yield curve of the secondary market of Treasury bills as it will be published by Bank Al Maghrib on December 2, 2021. This rate will be increased by a risk premium between 250 and 260 basis points. The reference rate and the facial interest rates will be published by CFG Bank on its website on December 2, 2021, and in a newspaper of legal announcements on December 3, 2021. At each anniversary date, the reference rate is the full 52 weeks rate (money market rate) determined by reference to the reference rate curve of the secondary market of Treasury bills as published by Bank Al-Maghrib, preceding the anniversary date of the coupon by 5 business days. The reference rate thus obtained will be increased by the risk premium fixed at the end of the auction (risk premium comprised between 250 and 260 basis points) and will be communicated by CFG Bank, via its website, to the bondholders 5 business days before the anniversary date of each rate revision date and on the same day as the observation date of the reference rate.
Reference rate calculation method	If the 52-week rate is not observable, the determination of the reference rate by CFG Bank will be done by the method of linear

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	interpolation using the two points surrounding the full 52-week maturity (monetary basis). This linear interpolation will be done after converting the rate immediately above the 52-week maturity (actuarial basis) into the equivalent monetary rate. The calculation formula is: (((Actuarial rate + 1)^ (k / exact number of days*))-1) x 360/k; where k: maturity of the actuarial rate to be transformed *Exact number of days: 365 or 366 days.
Risk premium	Between 250 and 260 basis points
Interest rate determination date	The coupon will be revised annually on the anniversary dates of the maturity date of the loan, i.e. on December 23 of each year. The new rate will be communicated by the Issuer to the bondholders via its website 5 business days before the anniversary date.
Interests	Interest will be paid annually on the anniversary of the date of the loan, i.e., on December 23 of each year. Payment of interest shall be made on the same day or on the first business day following December 23 if that day is not a business day. Interest on the perpetual subordinated bonds will cease to accrue as of the date on which the principal is put up for repayment by CFG Bank. CFG Bank may decide, at its discretion and after prior approval of Bank Al-Maghrib, to cancel (in whole or in part) the payment of the interest amount for an indefinite period and on a non-cumulative basis in order to meet its obligations (in particular following a request from Bank Al-Maghrib). Following this decision, any cancelled interest amount is no longer payable by the issuer or considered as accrued or due to all holders of perpetual bonds issued by CFG Bank. Each cancellation decision will be for the coupon amount originally scheduled to be paid on the next anniversary date. CFG Bank is required to apply the provisions of the circular no. 14/G/2013 of Bank Al-Maghrib dated August 13, 2013 relating to the calculation of the regulatory capital of the credit institutions, including the article 10 of the said circular defining the core capital instruments as the shares and any other element composing the share capital as well as the endowment respecting a number of criteria (listed below), including mainly the provision that distributions in the form of dividends or otherwise are made only after all legal and contractual obligations have been met and payments on senior equity instruments have been made, including the perpetual subordinated notes which are the subject of the transaction note. All of the above criteria are as follows: ▪ the instruments are issued directly by the institution after prior approval by its administrative body; ▪ the instruments are perpetual;

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- the principal of the instruments cannot be reduced or repaid, except in the event of liquidation of the institution or after prior approval of Bank Al-Maghrib;
- the instruments rank lower than all other claims in case of insolvency or liquidation of the institution;
- the instruments do not benefit from securities or guarantees from any of the related entities which have the effect of enhancing the rank of the claims;
- the instruments are not subject to any contractual or other arrangement that ranks the claims under the instruments in the event of insolvency or liquidation;
- the instruments absorb the first and proportionately largest share of losses as they occur;
- the instruments give the owner a claim on the residual assets of the institution, which claim, in the event of liquidation and after payment of all higher ranking claims, is proportional to the amount of the instruments issued. The amount of the claim is neither fixed nor subject to a ceiling, except in the case of shares;
- the purchase of the instruments is not financed directly or indirectly by the institution;
- distributions in the form of dividends or otherwise are made only after all legal and contractual obligations have been met and payments on the senior equity instruments have been made. Such distributions may only be made from distributable items. The level of distributions is not related to the price at which the instruments were acquired at issuance, except in the case of membership interests;
- the provisions to which core capital instruments are subject do not provide for (i) preferential rights to pay dividends, (ii) a ceiling or other restrictions on the maximum amount of distributions, except in the case of members' shares, or (iii) an obligation on the part of the institution to make distributions to its holders;
- non-payment of dividends is not an event of default for the institution; and
- the cancellation of distributions does not impose any obligation on the institution.

In case of cancellation of the payment of the interest amount, the Issuer is bound to inform, within a period of at least sixty calendar days before the payment date, the holders of perpetual bonds and the AMMC of this cancellation decision. The holders of perpetual bonds are informed by a notice published by CFG Bank on its website and in a newspaper of legal announcements specifying the amount of the cancelled interests, the motivations of this decision of cancellation of the payment of the interest amount as well as the corrective measures which were implemented.

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

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	CFG Bank may decide, at its discretion and after prior approval of Bank Al-Maghrib, to increase the amount of a coupon to be paid which will consequently become higher than the amount of the coupon determined on the basis of the formula below. In case of decision to increase the amount of the coupon, the Issuer is bound to inform, at least sixty calendar days before the payment date, all holders of perpetual bonds issued by CFG Bank and the AMMC of this decision. The holders of perpetual bonds are informed via a notice published on the website of CFG Bank and in a newspaper of legal announcements. In case of existence of other instruments having a coupon payment cancellation mechanism, the decision of cancellation / appreciation of the amount of the coupon to be paid will be made pro rata to the amount of the coupon between all these instruments. Interest will be calculated according to the following formula: **[Nominal x Face interest rate x Exact number of days/360].** Interests will be calculated based on the last nominal amount as defined in the "Absorption of Losses" clause or based on the outstanding principal as defined in the "Principal Repayment" clause.
Principal repayment	The capital repayment is subject to the agreement of Bank Al-Maghrib and is linear over a minimum period of 5 years (see "early repayment" clause).
Early repayment	CFG Bank shall refrain from proceeding to the early repayment of the perpetual subordinated bonds, subject of this issue, before a period of 5 years as from the date of dividend. Beyond 5 years, the early repayment of all or part of the capital can only be made at the initiative of the Issuer, subject to a minimum notice period of five years and after agreement of Bank Al-Maghrib. Any prepayment (total or partial) will be made proportionally to all tranches of the perpetual subordinated bonds subject of the current issue in a linear way over a minimum term of 5 years. The holders of the perpetual bonds will be informed via notices of the early repayment, as soon as the decision of the early repayment is taken with a reminder at least sixty calendar days before the starting date of this repayment. These notices will be published in a newspaper of legal announcements and on the Issuer's website and will specify the amount, the duration and the starting date of repayment. The Issuer may not proceed to the total or partial early repayment of the perpetual subordinated bonds, subject of this issue, as long as their nominal value is depreciated in accordance with the "Loss Absorption" clause. In case the Common Equity Tier 1 (CET 1) ratio, as defined by Bank Al Maghrib, falls below 6.0 % of the weighted risks, on individual or consolidated basis, during the redemption period, the latter will be made on the basis of the initial nominal value of the securities. Any early repayment (total or partial), which takes place before the anniversary date, will be made on the basis of the amount of

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	the remaining capital due and the accrued interest at the date of repayment. CFG Bank shall refrain from redeeming the perpetual subordinated bonds, subject of this issue, as long as their nominal value is impaired in accordance with the "Loss Absorption" clause. The Issuer is bound to inform the AMMC and all holders of perpetual subordinated bonds having subscribed to this issue, of any possible repurchase procedure, subject to a prior agreement of Bank Al-Maghrib, by a notice published on its website and in a newspaper of legal announcements specifying the number of bonds to be repurchased, the deadline and the price of repurchase. CFG Bank will proceed to the repurchase in proportion to the presented sell orders (in case the number of presented securities is higher than the number of securities to be repurchased). The repurchased bonds will be cancelled. In the event of a merger, demerger or partial contribution of assets of CFG Bank occurring during the term of the loan and resulting in the transfer of all assets and liabilities to a separate legal entity, the rights and obligations under the perpetual subordinated bonds will automatically be transferred to the legal entity that is substituted for the rights and obligations of CFG Bank. The repayment of the capital is, in the event of the liquidation of CFG Bank, subordinated to all other debts (see "Loan rank").
Loss absorption	Securities are subject to impairment when the Common Equity Tier 1 (CET 1) ratio, as defined by Bank Al Maghrib, falls below 6.0% of risk-weighted assets, on an individual or consolidated basis. Securities are depreciated[1] by the amount corresponding to the difference between the theoretical core Tier 1 capital (CET 1[2]) required to reach 6.0% of the weighted risks of the CET 1 ratio and the effective CET 1 capital (after taking into account the tax effect). The said depreciation shall be made, within a period not exceeding one calendar month from the date of ascertainment of the non-compliance with the minimum ratio of 6.0%, on an individual or consolidated basis, by reducing the nominal value of the securities by the corresponding amount and this, within the limit of a minimum nominal value of MAD 50 (in accordance with Article 292 of Law 17-95 relating to public limited companies, as amended and supplemented). Within 30 days following each half-yearly period end (dates of half-yearly publication of solvency ratios) or an extraordinary or intermediate calculation date requested by the regulator, the Issuer will have to verify that the Common Equity Tier 1 (CET 1) ratio, as defined by Bank Al Maghrib, respects the minimum level of 6.0% of the weighted risks, on individual and consolidated basis. CFG Bank will publish its CET 1 ratio as well as the forecasted

[1] A possible depreciation of the nominal value of the securities would allow CFG Bank to recognize an exceptional income, which would increase its net result and would allow an improvement of its equity.

[2] It should be noted that the historical prudential ratios are presented in the CFG Bank reference document for the year 2020. The said forecast ratios are presented in the updated reference document No. 1 of CFG Bank relating to the 2020 financial year.

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	levels of the said ratio for the next 18 months, after prior approval by its Board of Directors. This publication will take place before the end of April for each closing of the annual accounts and before the end of October for each closing of the half-yearly accounts and will be carried out through CFG Bank's publications (available on its website). This publication will also take place, through a newspaper of legal announcements, within thirty days following the occurrence of any significant event affecting the regulatory ratios. These publications will be sent to the proxy of the bondholders' pool, grouping together the holders of perpetual subordinated bonds, subject of this issue, at the same time as Bank Al-Maghrib and the AMMC, and will have to contain the detail of the prudential ratios (CET1 ratio and solvency ratio), the composition of the regulatory equity as well as the distribution of weighted risks. In case of non-compliance with the minimum ratio of 6.0%, on individual or consolidated basis, the Issuer is bound to inform immediately Bank Al Maghrib and to send to the holders of perpetual bonds, within a period of 5 business days as from the date of ascertainment of the non-compliance with the minimum ratio of 6.0%, on individual or consolidated basis a notice published on its website and in a newspaper of legal announcements specifying the occurrence of the event triggering the loss absorption mechanism, the amount of depreciation of the nominal value of the securities, the method of calculation of this amount, the corrective measures which have been implemented as well as the date on which this depreciation will take effect. After a possible depreciation of the nominal value of the Securities, and if the financial situation of the Issuer having required such depreciation improves, CFG Bank may immediately trigger, after prior approval of Bank Al-Magrhib, the mechanism of appreciation in whole or in part of the nominal value having been depreciated. The Issuer must inform the holders of perpetual subordinated bonds within one month, by a notice published on its website and in a newspaper of legal announcements, of the decision of appreciation of the nominal amount, of the amount, of the calculation method and of the effective date of the said appreciation. In case of existence of other instruments with a loss absorption mechanism, the depreciation/appreciation of the nominal value will be carried out on a pro rata basis between all the instruments whose triggering threshold has been crossed, on the basis of the last nominal value preceding the date of triggering of the loss absorption mechanism. Interest will be calculated based on the last nominal value preceding the coupon payment date (taking into account the depreciation/appreciation of the nominal value). In the event of depreciation or appreciation of the nominal value of the Securities, the Issuer must immediately inform the AMMC.
Tradability of securities	Over-the-counter

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	The perpetual subordinated bonds covered by this issue, can only be traded between qualified investors listed in the securities note. Each qualified investor holding the perpetual subordinated bonds, subject of the securities note, undertakes to transfer the said bonds only to the qualified investors listed in the securities note. Also, the account holders must not accept any instructions of settlement-delivery of the perpetual subordinated bonds subject of the securities note from investors other than the qualified investors listed in the securities note.
Assimilation clause	There is no assimilation of the perpetual subordinated bonds, subject of the securities note, to the securities of a previous issue. In the event that CFG Bank subsequently issues new securities with rights identical in all respects to those of the present issue, it may, without requiring the consent of the holders, provided that the issue contracts so provide, assimilate all the securities of the successive issues, thus unifying all the operations relating to their management and trading.
Loan rank / subordination	The capital is subject to a subordination clause. The application of this clause does not in any way affect the rules of law concerning the accounting principles of allocation of losses, the obligations of the shareholders and the rights of the subscriber to obtain, according to the conditions fixed in the contract, the payment of their securities in capital and interest. In case of liquidation of CFG Bank, the perpetual subordinated securities of this issue will be repaid only after payment of all the classic, privileged or unsecured creditors. The present perpetual subordinated securities will be repaid after all the other fixed-term subordinated loans, which have been issued and which could be issued subsequently by CFG Bank both in Morocco and abroad. This repayment will be made on the basis of the smaller of the following two amounts: (i) the initial nominal value reduced by the amount of any repayments previously made; (ii) the amount available after payment of all preferential or unsecured creditors and holders of fixed-term subordinated bonds which have been issued and may be issued subsequently by CFG Bank both in Morocco and abroad. These subordinated perpetual bonds will rank pari passu with the subordinated perpetual bonds of the same nature.
Repayment guarantee	This issue is not covered by any specific guarantee.
Rating	This issue has not been the subject of a rating request.
Representation of the bondholders' pool	The Board of Directors, held on October 18, 2021, appointed the firm Mouttaki Partners, represented by Karim Mouttaki in his capacity as managing partner, as provisional proxy. It is specified that the provisional proxy appointed is identical for tranches A, B, C and D, which are grouped together in a single pool. Moreover, the provisional proxy will proceed, within a 6-month period as from the closing date of subscriptions, to the convening of the Ordinary General Meeting of bondholders for the purpose of electing the proxy of the bondholders' mass in accordance with

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	the conditions of access and exercise and with the incompatibilities provided for in articles 301 and 301 bis of the law 17-95 relating to public limited companies, as amended and supplemented. In accordance with Article 301 bis of Law no. 17-95 relating to public limited companies, as amended and supplemented, it has been decided to fix the remuneration of the provisional proxy holder and of the proxy holder of the bondholders' pool at MAD 25,000 (excl. tax) per annum for the pool. In accordance with article 302 of the above-mentioned law, the proxy of the pool has, except restriction decided by the general assembly of bondholders, the power to carry out in the name of the group all management acts necessary for the safeguarding of the common interests of the bondholders. Furthermore, CFG Bank has no capital or business ties with the firm Mouttaki Partners.
Applicable law	Moroccan law.
Competent jurisdiction	Commercial Court of Casablanca.

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V. DEFAULT EVENT

A "Default event" means the failure to pay all or part of the amount of interest due by the Company in respect of any Bond unless payment is made within 14 business days after the due date thereof and unless the Company has decided after approval by Bank Al-Maghrib to do so, to cancel (in whole or in part) the payment of interest in accordance with the provisions set out in the characteristics of the perpetual subordinated bonds presented above in Part II - Section IV. “Information relating to the perpetual subordinated bonds of CFG Bank”.

In the event of the occurrence of a Default event, the Representative of the Bondholders’ pool must promptly send a notice of default to the Issuer to cure the Event of Default with an order to pay any amount of interest due by the Company within 14 business days following the notice of default.

If the Issuer has not remedied the Default Event within 14 business days following the date of receipt of the formal notice, the Representative of the bondholders’ pool may, after convening the General Meeting of Bondholders, and upon a decision of the General Meeting of Bondholders acting in accordance with the conditions of quorum and majority provided by law and upon simple written notification to the Issuer, send a notice of default to the Company to remedy the Default event, with a copy to the Domiciliary and to the AMMC, make the entire issue payable, automatically entailing the obligation for the Company to repay the said Bonds up to the principal amount plus the interest accrued since the last interest payment date and increased by the accrued interest not yet paid. The principal amount being the initial principal amount (initial par value x number of securities), or in the event of early redemption, the outstanding principal amount.

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PART II: INFORMATION ON THE ISSUER

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I. GENERAL INFORMATION

Corporate name	CFG Bank
Registered Office	5-7, rue Ibnou Toufail – Palmier – 20100 Casablanca Maroc
Telephone	+212 5 22 98 26 66
Fax	+212 5 22 98 34 60
Legal Form	Public limited company with a Board of Directors
Date de Incorporation	September 15, 1992
Lifetime	99 years
Number and place of registration in the Commercial Register	67421 – Casablanca
Financial Year	From January 1st to December 31st
Share Capital as of 09/30/2021	MAD 559,173,300
Consultation of Legal Documents	The corporate, accounting and legal documents whose communication is provided for by law, in particular the articles of association, the minutes of the General Meetings and the reports of the Statutory Auditors, may be consulted at the Company's registered office at 5-7, rue Ibnou Toufail - Palmier - Casablanca 20100 - Morocco
Corporate Purpose	According to article 4 of the articles of association, the Company's purpose, either on its own behalf or on behalf of third parties, in Morocco and in all other countries, is: • the realization of all banking, foreign exchange, treasury, guarantee, acceptance, discounting, rediscounting, current account overdraft, leasing and any other form of short or medium term credit operations; • the undertaking and execution of all financial engineering, intermediation and representation operations; • the study, the advice, the development and the realization of all investments as well as all technical, economic, financial, industrial, mining, commercial, tourist, agricultural and real estate projects; • the management on behalf of third parties in any form whatsoever; • the direct or indirect acquisition of interests, both by itself and on behalf of third parties or in participation with any natural or legal person in any form whatsoever, in all operations by way of the creation of new companies, contributions, subscriptions or purchases of securities or corporate rights, mergers, alliances, associations or otherwise; • the activity of financial investment advice and the distribution of financial products, in particular any product contributing to

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the management of a financial account;

- to receive from the public deposits of funds on account or otherwise, whether interest-bearing or not, repayable at sight, in advance or at term;
- to grant credits in any form, with or without guarantees, to make advances on Moroccan and foreign annuities, on securities issued by the State, the Public or Semi-Public Collectivities and on securities issued by Moroccan or foreign industrial, agricultural, commercial or financial companies;
- to contract all loans, all commitments in all currencies;
- to buy, sell or transfer all movable or immovable property;
- to carry out all operations related to its main purpose, in particular:
  - ✓ the purchase and sale:
    - of securities, debt securities issued by the State or by private sector companies and organizations;
    - on the foreign exchange market (currency market);
    - mortgage loans, as well as mortgage securities;
    - all derivative products (futures and options), in organized markets or through "over-the-counter" contracts.
  - ✓ the custody of securities portfolios and all services related to this activity.
- and generally, all financial, commercial, industrial, securities or real estate transactions that may be directly or indirectly related to the aforementioned purposes, or likely to promote the Company's development;

The Company may carry out its purpose in any way and according to any modalities that it deems appropriate, either alone or with the State, public administrations or local authorities, companies or associations, groups or individuals.

Legislative and regulatory texts

The Company is governed by Moroccan law, Act 17-95 (as supplemented and amended) relating to public limited companies, as well as by its articles of association.

The Company and its subsidiaries are also governed by:

- Dahir no. 1-14-193 of rabii I 1436 promulgating law no. 103-12 relating to credit institutions and similar bodies (banking law);
- Dahir providing Law no. 1-93-213 of September 21, 1993 relating to Undertakings for Collective Investment in Transferable Securities, as supplemented and amended by Law 53-01;
- Dahir providing Law no. 1-02-238 of October 3, 2002 relating to the Insurance Code;
- The General Rules of the Stock Exchange approved by the Order of the Minister of Economy and Finance no. 2208-19 of July 3, 2019;
- Law 19-14 relating to the Casablanca Stock Exchange, brokerage companies and financial investment advisers Dahir providing Law no. 35-96 relating to the creation of the central

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	depository and the institution of a general regime of book entry of certain securities as amended and supplemented by Law no. 43-02; • The General Regulations of the Central Depository approved by Order of the Minister of Economy and Finance no. 932-98 of April 16, 1998 and amended by Order of the Minister of Economy, Finance, Privatization and Tourism no. 1961-01 of October 30, 2001 and Order 77-05 of March 17, 2005; • Law no. 35-94, as amended and completed) relating to certain negotiable debt securities; • BAM Circular no. 2/G/96 relating to certificates of deposit and its amendment; • Law no. 44/12 relating to the public call for savings and the information required from legal entities and organizations making public calls for savings; • Law no. 43/12 relating to the Moroccan Capital Market Authority (AMMC); • AMMC circulars; • The Order of the Ministry of Finance and External Investments No. 2560-95 of October 9, 1995, relating to negotiable debt securities, as amended and supplemented; • The general regulation of the AMMC as approved by the decree of the Minister of Economy and Finance no. 2169-16 of Chaoual 9, 1437.
Competent court in case of dispute	Commercial Court of Casablanca
Tax system	CFG Bank is subject, as a credit institution, to corporate income tax (37%) and VAT (10%)

Source: CFG Bank

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II. CAPITAL STRUCTURE OF CFG BANK

As of November 19, 2021, the current shareholding of CFG Bank is as follows:

	12/31/2020		11/19/2021	
Shareholders	**Number of securities held**	**% in capital and voting rights**	**Number of securities held**	**% in capital and voting rights**
Amyn Alami	542 956	10.0%	503 256	9.0%
Adil Douiri	52 816	1.0%	52 816	0.9%
Founders subtotal	**595 772**	**11.0%**	**556 072**	**9.9%**
Younes Benjelloun	150 629	2.8%	150 629	2.7%
Souad Benbachir	137 260	2.5%	137 260	2.5%
Other associate employees[1]	142 081	2.6%	304 915	5.5%
Associate employees subtotal	**429 970**	**7.9%**	**592 804**	**10.6%**
Zouhair Bennani	262 688	4.8%	262 688	4.7%
Others[2]	98 952	1.8%	98 952	1.8%
Miscellaneous subtotal	**361 640**	**6.7%**	**361 640**	**6.5%**
Total Natural Persons	**1 387 382**	**25.6%**	**1 510 516**	**27.0%**
Amethis Alpha	537 888	9.9%	537 888	9.6%
Maghreb FS	537 888	9.9%	537 888	9.6%
Royale Marocaine d'Assurance (RMA)	505 385	9.3%	505 385	9.0%
Régime Collectif d'Allocation de Retraite (RCAR)	500 362	9.2%	500 362	8.9%
Mutandis SCA	306 795	5.7%	306 795	5.5%
Mutatis	301 489	5.6%	301 489	5.4%
Bank Of Africa	285 065	5.3%	285 065	5.1%
Majdaline Holding	200 146	3.7%	239 846	4.3%
Axa Assurance Maroc	227 741	4.2%	227 741	4.1%
Caisse Interprofessionnelle Marocaine de Retraites (CIMR)	202 722	3.7%	202 722	3.6%
CFG Associés[3]	31 743	0.6%	31 743	0.6%
Others[4]	404 293	7.5%	404 293	7.2%
Total Legal Entities	**4 041 517**	**74.4%**	**4 081 217**	**73.0%**
Grand Total	**5 428 899**	**100%**	**5 591 733**	**100%**

Source: CFG Bank

[1] The heading "Other associate employees" contains only the associate employees holding less than 3% of CFG Bank's capital

[2] The heading "Others" contains only the natural person shareholders holding less than 3% of CFG Bank's capital

[3] The shares held by CFG Associés correspond to the treasury shares indirectly held by CFG Bank

[4] The heading "Others" contains only the legal entity shareholders holding less than 3% of CFG Bank's capital

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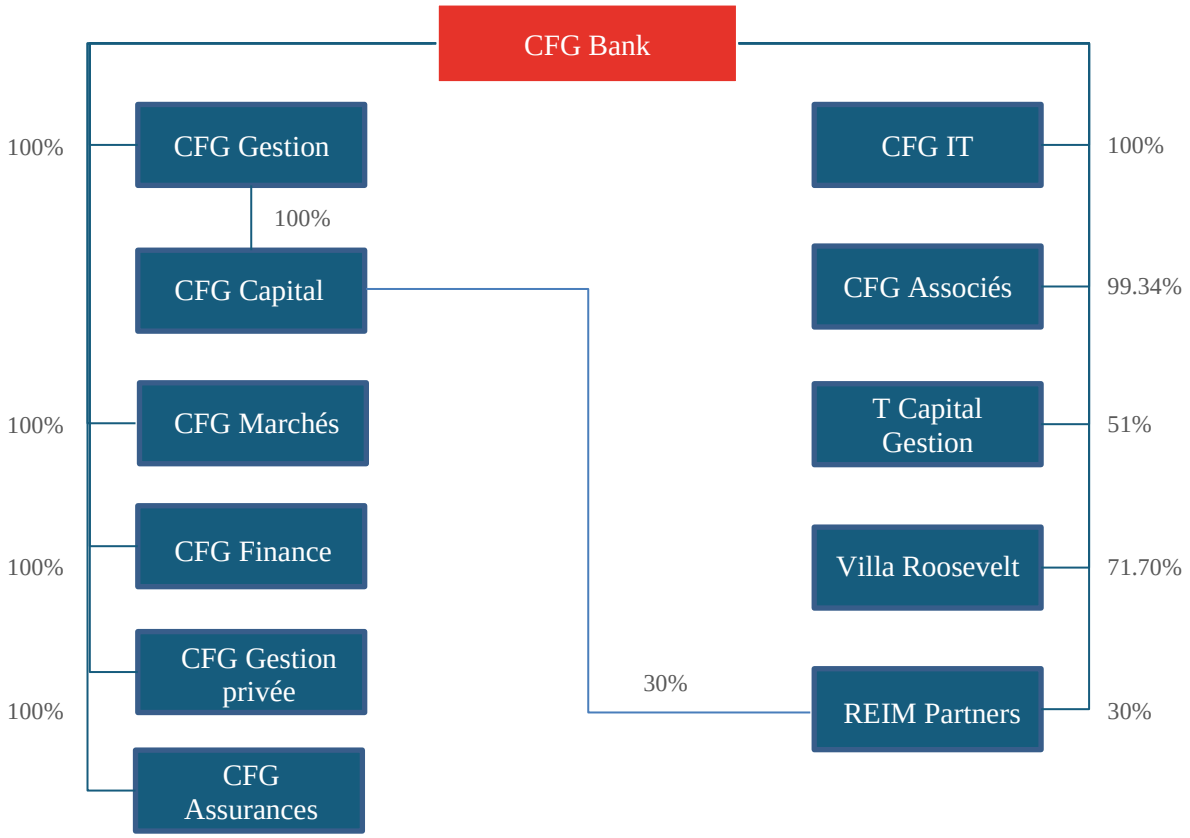
III. LEGAL ORGANIZATION CHART

The legal organization chart of CFG Bank is as follows:



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IV. PRESENTATION OF CFG BANK'S ACTIVITIES

Evolution of gross credits

In KMAD	2020	S1 2021	Var
Cash flow loans	2 436 152	2 435 923	0.0%
Equipment loans	15 000	15 917	6.1%
Real estate loans	2 083 039	2 479 885	19.1%
Consumer loans	5 950	6 165	3.6%
Other loans	494 040	919 109	86.0%
Accrued interest receivable	32 638	41 444	27.0%
Net overdue loans	29 890	33 428	11.8%
Total customer loans	**5 096 709**	**5 931 871**	**16.4%**
Ordinary accounts receivable	509 460	1 469 766	>100%
Cash loans	26 714	-	-100%
Securities received under repurchase agreements	-	-	Ns
Accrued interest receivable	501	-	-100%
Total receivables from credit institutions	**536 675**	**1 469 766**	**>100%**

Source: CFG Bank

The evolution of total outstanding loans to customers (+16.4%) is explained in particular by the sustained growth of retail banking since the launch of universal banking in 2015, in connection with the continuous acquisition of new customers.

As of June 30, 2021, gross customer loans outstanding grew by 16.4% to MMAD 5,932. This evolution is mainly explained by the increase of:

- Real estate loans (+MMAD 397, i.e. +19.1%) to reach MMAD 2,480 following the granting of new loans;
- Other loans (+MMAD 425, i.e. 86.0%) to reach MMAD 919, mainly due to the increase in accounts receivable and overdrafts.

Outstanding loans to credit institutions rose by more than 100% to MMAD 1,470. This evolution is mainly linked to the increase in ordinary accounts receivable, which rose from MMAD 509 as of end-2020 to MMAD 1,470 as of June 30, 2021.

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Evolution of deposits

In KMAD	2020	S1 2021	Var
Demand accounts in credit	2 577 281	2 975 476	15.5%
Term deposits	1 225 514	1 380 638	12.7%
Savings accounts	418 973	487 587	16.4%
Accrued interest payable	15 289	17 035	11.4%
Other accounts payable	98 611	63 603	-35.6%
Customer deposits	**4 335 668**	**4 924 339**	**13.6%**
Securities sold under repurchase agreements	465 029	616 162	32.5%
Cash borrowings	422 164	270 000	-36.0%
Accrued interest payable	1 553	2 719	75.1%
Payables to credit institutions	**888 746**	**888 881**	**0.0%**

Source: CFG Bank

The evolution of total customer deposits (+13.6%) is explained in particular by the sustained growth of retail banking since the launch of universal banking in 2015, in connection with the continuous acquisition of new customers.

As of end-June, 2021, customer deposits increased by 13.6% compared to the same period of the previous financial year, to reach MMAD 4,924. This evolution, explained in particular by a slight increase in CFG Bank's market share (0.5% Vs 0.4% as of end-2020), is mainly driven by:

- a 15.5% increase in credit sight accounts, from MMAD 2,577 in June 2020 to MMAD 2,976 as of end-June 2021;
- a 12.7% increase in term deposits to MMAD 1,381;
- an increase in savings accounts, from MMAD 419 in June 2020 to MMAD 488 as of end-June 2021, i.e. a 16.4% evolution.

Debts to credit institutions remained stable between 2020 and the end of June 2021.
The 32.5% increase in repurchase agreements was offset by a 36.0% decrease in cash loans.

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PART III: CONSOLIDATED FINANCIAL DATA

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I. CONSOLIDATED FINANCIAL STATEMENTS AS OF 12/31/2020

Consolidated Balance Sheet - Assets

In KMAD	2018	2019	2020	Var 19/18	Var 20/19
Cash in hand, Central banks, Treasury, Postal Checks Service	131 168	156 183	435 854	19.1%	>100%
Financial assets at fair value through profit or loss	889 583	1 000 717	1 220 018	12.5%	21.9%
Financial assets held for trading	*889 583*	*1 000 717*	*1 220 018*	12.5%	21.9%
Other financial assets at fair value through profit or loss	-	-	-	Ns	Ns
Derivative hedging instruments	136	-	-	-100%	Ns
Financial assets at fair value through equity	49 860	47 304	65 304	-5.1%	38.1%
Debt instruments accounted for at fair value through equity - recyclable	-	-	-	Ns	Ns
Debt instruments accounted for at fair value through equity –non-recyclable	*49 860*	*47 304*	*65 304*	-5.1%	38.1%
Securities at amortized cost	-	-	-	Ns	Ns
Loans and advances to credit institutions and similar entities at amortized cost	305 587	399 605	202 277	30.8%	-49.4%
Loans and advances to customers at amortized cost	2 492 042	3 913 811	5 611 689	57.1%	43.4%
Interest rate hedge portfolio revaluation difference	-	-	-	Ns	Ns
Held-to-maturity investments	-	-	-	Ns	Ns
Current tax assets	121 061	155 693	147 458	28.6%	-5.3%
Deferred tax assets	137 902	141 498	123 632	2.6%	-12.6%
Accruals and other assets	652 232	747 081	298 058	14.5%	-60.1%
Non-current assets held for sale	-	-	-	Ns	Ns
Investments in companies at equity (equity method)	-	-	-	Ns	Ns
Investment property	-	-	-	Ns	Ns
Tangible assets	522 805	532 500	534 111	1.9%	0.3%
Intangible assets	178 467	192 937	204 659	8.1%	6.1%
Goodwill on acquisition	10 142	10 142	10 142	-	-
Total Assets	**5 490 985**	**7 297 471**	**8 853 202**	**32.9%**	**21.3%**

Source: CFG Bank

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Consolidated Balance Sheet - Liabilities

In KMAD	2018	2019	2020	Var 19/18	Var 20/19
Central banks, Treasury, Post office banks	-	-	-	Ns	Ns
Financial liabilities at fair value through profit or loss	-	-	-	Ns	Ns
Financial liabilities held for trading	-	-	-	Ns	Ns
Financial liabilities at fair value through profit or loss under option	-	-	-	Ns	Ns
Derivative hedging instruments	-	-	-	Ns	Ns
Amounts owed to credit institutions and similar entities	124 652	454 926	900 435	>100%	97.9%
Amounts owed to customers	3 059 271	3 505 661	4 283 805	14.6%	22.2%
Debt securities issued	1 122 273	2 184 416	2 406 260	94.6%	10.2%
Fair value adjustments to portfolios hedged against interest rate risks	-	-	-	Ns	Ns
Current tax liabilities	54 565	46 222	49 339	-15.3%	6.7%
Deferred tax liabilities	18 649	30 955	43 534	66.0%	40.6%
Accruals and other liabilities	552 893	595 347	329 317	7.7%	-44.7%
Liabilities related to non-current assets held for sale	-	-	-	Ns	Ns
Technical provisions for insurance contracts	-	-	-	Ns	Ns
Provisions	376	376	376	-	-
Grants and similar funds	-	-	-	Ns	Ns
Subordinated debts and special guarantee funds	-	-	-	Ns	Ns
Shareholders' equity	**558 306**	**479 568**	**840 136**	**-14.1%**	**75.2%**
Shareholders' equity, group share	**534 731**	**458 070**	**819 729**	**-14.3%**	**78.9%**
Capital and related reserves	1 058 449	1 058 449	1 458 450	-	37.8%
Consolidated reserves	-426 259	-531 496	-604 067	-24.7%	-13.7%
Unrealized or deferred gains or losses	7 375	7 375	7 375	-	-
Net result	**-107 601**	**-78 335**	**-43 120**	**27.2%**	**44.9%**
Net result - Group share	**-104 834**	**-76 258**	**-42 029**	**27.3%**	**44.9%**
Minority interests (result + reserves)	23 575	21 498	20 407	-8.8%	-5.1%
Total Liabilities	**5 490 985**	**7 297 471**	**8 853 202**	**32.9%**	**21.3%**

Source: CFG Bank

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Consolidated Income Statement

In KMAD	2018	2019	*Var.18-19*	2020	*Var.19-20*	*AAGR 18-20*
Interest and similar income	132 682	173 955	*31.1%*	245 809	*41.3%*	*36.1%*
Interest and similar expenses	-89 205	-97 684	*9.5%*	-120 599	*23.5%*	*16.3%*
Interest margin (1)	**43 477**	**76 271**	***75.4%***	**125 210**	***64.2%***	***69.7%***
Commissions (income)	132 478	161 933	*22.2%*	197 278	*21.8%*	*22.0%*
Commissions (expenses)	-41 567	-44 661	*7.4%*	-57 342	*28.4%*	*17.5%*
Commission margin (2)	**90 911**	**117 272**	***29.0%***	**139 936**	***19.3%***	***24.1%***
Net gains or losses on financial instruments at fair value through profit or loss (3)	12 594	21 463	*70.4%*	-5 039	*<-100%*	*Ns*
Net gains or losses on available-for-sale financial assets (3)	-	-	*Ns*	-	*Ns*	*Ns*
Net gains or losses on financial instruments at fair value through equity	-	-	*Ns*	-	*Ns*	*Ns*
Net income from other activities (4)	13 266	12 455	*-6.1%*	25 392	*>100%*	*38.4%*
Net banking income (5)	**160 248**	**227 461**	***41.9%***	**285 499**	***25.5%***	***33.5%***
Retail Banking	*82 236*	*132 883*	*61.6%*	*167 475*	*26.0%*	*42.7%*
Corporate and investment banking	*78 012*	*94 578*	*21.2%*	*118 024*	*24.8%*	*23.0%*
Investment portfolio	-	-	-	-	*Ns*	*Ns*
General operating expenses (6)	-231 511	-229 790	*-0.7%*	-216 889	*-5.6%*	*-3.2%*
Depreciation, amortization and impairment of tangible and intangible assets (7)	-34 193	-42 780	*25.1%*	-48 213	*12.7%*	*18.7%*
Gross operating income (8)	**-105 456**	**-45 109**	***57.2%***	**20 397**	***>100%***	***Ns***
Risk costs (9)	-2 684	-11 644	*>100%*	-18 248	*56.7%*	*>100%*
Operating result (10)	**-108 140**	**-56 753**	***47.5%***	**2 149**	***>100%***	***Ns***
Share of net income of companies accounted for by the equity method	-	-	*Ns*	-	*Ns*	*Ns*
Net gains or losses on other assets (11)	-3 492	-4 154	*-19.0%*	-777	*81.3%*	*52.8%*
Changes in value of goodwill	-	-	*Ns*	-	*Ns*	*Ns*
Profit before tax (12)	**-111 632**	**-60 907**	***45.4%***	**1 372**	***>100%***	***Ns***
Income taxes (13)	4 031	-17 428	*>100%*	-44 492	*>100%*	*Ns*
Net income from discontinued operations	-	-	*Ns*	-	*Ns*	*Ns*
Net income (14)	**-107 601**	**-78 335**	***27.2%***	**-43 120**	***44.9%***	***36.7%***
Minority interests (15)	-2767	-2 077	*24.9%*	-1 091	*47.5%*	*37.2%*
Net income (group share) (16)	**-104 834**	**-76 258**	***27.3%***	**-42 029**	***44.9%***	***36.7%***

Source: CFG Bank

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II. HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS AS OF 06/30/2021

Consolidated Balance Sheet - Assets

In KMAD	2020	S1 2021	Var. S1 21/20
Cash in hand, Central banks, Treasury, Postal Checks Service	435 854	937 188	>100%
Financial assets at fair value through profit or loss	1 220 018	1 057 156	-13.3%
Financial assets held for trading	*1 220 018*	*1 057 156*	-13.3%
Other financial assets at fair value through profit or loss	-	-	Ns
Derivative hedging instruments	-	-	Ns
Financial assets at fair value through equity	65 304	68 783	5.3%
Debt instruments accounted for at fair value through equity -recyclable	-	-	Ns
Debt instruments accounted for at fair value through equity –non-recyclable	*65 304*	*68 783*	5.3%
Securities at amortized cost	-	-	Ns
Loans and advances to credit institutions and similar entities at amortized cost	202 277	653 028	>100%
Loans and advances to customers at amortized cost	5 611 689	6 326 085	12.7%
Interest rate hedge portfolio revaluation difference	-	-	Ns
Held-to-maturity investments	-	-	Ns
Current tax assets	147 458	155 183	5.2%
Deferred tax assets	123 632	130 446	5.5%
Accruals and other assets	298 058	670 138	>100%
Non-current assets held for sale	-	-	Ns
Investments in companies at equity (equity method)	-	-	Ns
Investment property	-	-	Ns
Property, plant and equipment	534 111	536 618	0.5%
Intangible assets	204 659	201 751	-1.4%
Goodwill on acquisition	10 142	10 142	-
Total Assets	**8 853 202**	**10 746 518**	**21.4%**

Source: CFG Bank

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Consolidated Balance Sheet - Liabilities

In KMAD	2020	S1 2021	Var. S1 21/20
Central banks, Treasury, Post office banks	-	-	Ns
Financial liabilities at fair value through profit or loss	-	-	Ns
Financial liabilities held for trading	-	-	Ns
Financial liabilities at fair value through profit or loss under option	-	-	Ns
Derivative hedging instruments	-	-	Ns
Amounts owed to credit institutions and similar entities	900 435	911 249	1.2%
Amounts owed to customers	4 283 805	4 853 331	13.3%
Debt securities issued	2 406 260	3 459 472	43.8%
Fair value adjustments to portfolios hedged against interest rate risks	-	-	Ns
Current tax liabilities	49 339	54 396	10.2%
Deferred tax liabilities	43 534	50 348	15.7%
Accruals and other liabilities	329 317	573 764	74.2%
Liabilities related to non-current assets held for sale	-	-	Ns
Technical provisions for insurance contracts	-	-	Ns
Provisions	376	376	-
Grants and similar funds	-	-	Ns
Subordinated debts and special guarantee funds	-	-	Ns
Shareholders' equity	**840 136**	**843 582**	**0.4%**
Shareholders' equity, group share	**819 729**	**823 713**	**0.5%**
Capital and related reserves	1 458 450	1 458 450	-
Consolidated reserves	-604 067	-645 694	-6.9%
Unrealized or deferred gains or losses	7 375	7 375	-
Net result	**-43 120**	**3 045**	**Ns**
Net result - Group share	**-42 029**	**3 582**	**Ns**
Minority interests (result + reserves)	20 407	19 869	-2.6%
Total Liabilities	**8 853 202**	**10 746 518**	**21.4%**

Source: CFG Bank

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Consolidated Income Statement

In KMAD	S1 2020	S1 2021	*Var.*
Interest and similar income	114 828	138 179	20.3%
Interest and similar expenses	-57 240	-67 728	18.3%
Interest margin (1)	**57 588**	**70 451**	**22.3%**
Commissions (income)	92 018	87 168	-5.3%
Commissions (expenses)	-25 572	-20 315	-20.6%
Commission margin (2)	**66 446**	**66 853**	**0.6%**
Net gains or losses on financial instruments at fair value through profit or loss (3)	-4 693	19 212	Ns
Net gains or losses on available-for-sale financial assets (3)	-	-	Ns
Net gains or losses on financial instruments at fair value through equity	-	-	Ns
Net income from other activities (4)	11 835	4 880	-58.8%
Net banking income (5)	**131 176**	**161 396**	**23.0%**
Retail Banking	*73 077*	*112 296*	*53.7%*
Corporate and investment banking	*58 099*	*49 100*	*-15.5%*
Investment portfolio	-	-	*Ns*
General operating expenses (6)	-105 220	-113 610	8.0%
Depreciation, amortization and impairment of tangible and intangible assets (7)	-22 833	-26 697	16.9%
Gross operating income (8)	**3 123**	**21 089**	**>100%**
Risk costs (9)	-10 797	-11 060	2.4%
Operating result (10)	**-7 674**	**10 029**	**Ns**
Share of net income of companies accounted for by the equity method	-	-	Ns
Net gains or losses on other assets (11)	630	-1 283	Ns
Changes in value of goodwill	-	-	Ns
Pre-tax income (12)	**-7 044**	**8 746**	**Ns**
Income taxes (13)	-14 789	-5 701	-61.5%
Net income from discontinued operations	-	-	Ns
Net income (14)	**-21 833**	**3 045**	**Ns**
Minority interests (15)	-616	-537	-12.8%
Net income (group share) (16)	**-21 217**	**3 582**	**Ns**

Source: CFG Bank

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PART IV: RISK FACTORS

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I. RISKS RELATED TO THE ISSUER

The risk management governance structure implemented by CFG Bank is based on clearly defined internal rules and procedures and continuous monitoring. This system is in line with the regulatory provisions issued by Bank Al-Maghrib in this area.

This structure is composed of the following bodies:

- **Risk Committee**: examines and approves the strategy, policies and practices of global risk management;
- **General Management**: decides and validates the major strategic orientations relating to the Bank's risk management;
- **Global Risk Management Department**: is responsible for implementing and monitoring the global system for managing credit, market, liquidity and operational risks.

1. CREDIT RISK

Credit risk means the risk that a counterparty will not be able to meet its obligations to the Bank.

Organization and governance

The credit risk management and monitoring system is organized around several commercial and central structures dedicated to risk management and the control of regulatory aspects and internal procedures.

It is also organized around several operational committees:

- **The Credit Committee**: Comprising the Risk Management Department, General Management and the Credit Unit, it decides on credit applications in accordance with the credit policy. Three credit committees are held each week.
- **The monthly committee for monitoring delinquencies, the Watchlist and the Weaklist**: set up for each of the retail, corporate and private banking divisions, it is made up of the business line management concerned, the risk management department and, if necessary, the legal department. The business line manager decides on the status of outstanding debts and on the actions taken to recover them. The risk management department monitors overdue receivables, ensures that action plans are implemented and alerts each business line manager to receivables that will be placed on the Watchlist or the Weaklist. A report is then sent to the various operating entities and to General Management.
- **The half-yearly provisioning, sensitive risks and weaklist committee**: This committee, which is made up of senior management, the business lines and the risk management department, decides which receivables should be provisioned.
- **The Audit and Risk Committee**.

Credit granting policy and procedures

The CFG Bank credit offer has been refined and adapted during the year 2021. Several types of credit are now granted:

- Housing loans;
- Investment loans and MTC for companies;
- Guaranteed cash flow loans for companies or individuals;
- Loans for real estate development;
- Overdrafts and overdraft facilities;
- Lombard loans;
- Leasing loans;

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- Consumer loans.

CFG Bank's risk management policy for loans is based on the following principles:

- Compliance with the regulations governing credit activity;
- Compliance with the internal rules and procedures governing the granting of loans: coverage ratios, guarantees, loan-to-value ratios, debt ratio, etc.
- The development and use of risk assessment and decision-making tools: "credit simulation" sheet, analysis and assessment grid, internal incident database, etc;
- Involvement of central and commercial entities in the granting decision;
- Monitoring and control of guarantees by the commercial and central functions on a regular basis;
- Analysis of the impact of CFG Bank's global exposures;
- Compliance with regulatory and internal credit limits;
- Compliance with the Bank AL Maghrib/GPBM code of ethics.

Granting procedure and delegation mechanism

The credit granting procedure implemented within the institution is based on 3 principles:

1. **Constitution of the credit file**

   This process is carried out by the advisors and involves gathering information about the loan and collecting the documents needed to analyze the file, and then issuing an initial opinion on the file, based on its compliance with the conditions and internal credit standards.

2. **Analysis of the credit file**

   Based on the various data collected by the commercial entity, the analysis of the credit file is the responsibility of several of the Bank's central entities, such as the Risk Management Department and possibly the credit unit when it is a question of an initial examination of retail files. A credit risk assessment is carried out by the Risk Management department. This includes financial analysis, control of guarantees and assessment of credit risk, as well as analysis of its impact on CFG Bank's overall exposure.

   Consumer loans not covered by an agreement or exceeding 150 KMAD are managed by Salafin. On the other hand, all the agreed credits inferior to 150 KMAD are managed and processed on the Avaloq software at CFG Bank level.

3. **Decision-making and delegation arrangements**

   Credit applications are submitted to the Credit Committee and a delegation system that designates the levels of authority for credit granting authorizations by type of credit, depending on the amount requested was implemented during 2018. Today, all credit requests excluding consumer credits are submitted to the Credit Committee and are listed below:

   - Housing credits;
   - Investment loans and medium-term loans (MTC) for companies;
   - Guaranteed cash flow loans for companies or individuals;
   - Real estate development loans;
   - Overdrafts and overdraft facilities;
   - Lombard loans;
   - Lease credits.

<u>Credit risk assessment and monitoring system</u>

Credit risk monitoring is the responsibility of both the commercial entities and the risk management department.

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In the case of real estate loans, the analysis is carried out based on a "credit simulation" sheet that summarizes all the acceptance criteria established by the Bank: age of the applicant, duration of the loan, loan-to-value ratio, debt ratio, etc. This sheet lists the loan conditions and checks compliance with internal and regulatory credit standards. This form lists the credit conditions and checks compliance with internal and regulatory credit standards.
As for corporate and VSE/professional loans, the analysis of the quality of credit commitments at the time of granting is now based essentially on the analysis and due diligence carried out by the risk management department in order to assess the credit risk relating to the project and the counterparty, but also to ensure compliance with the regulations in force and the internal rules in place.

Internal rating system

In order to strengthen its credit risk management system, CFG Bank has started the project of setting up a rating system in compliance with the Basel II requirements for companies.

Given the shallowness of the history, this system will initially be based on an operational model using the corporate and retail risk analysis grids already in place.

In a second phase, a statistical model will be developed. This "scoring model" consists of assigning a score to each company based on quantitative and qualitative criteria. Thus, each company will be assigned to a risk class defined by score intervals according to Basel II standards.

In addition, the retail-scoring model (individuals, professionals and VSEs) is still in the implementation phase and will be operational in 2022.

Guarantee follow-up

Several types of guarantees are accepted by CFG Bank, depending on the type of credit requested:

- Pledging of securities, UCITS and life insurance products held by the borrower;
- The guarantee;
- Mortgage;
- Credit insurance.

Coverage ratios by type of guarantee are set up. Central monitoring is carried out automatically using the information system and on a daily basis when a financial portfolio is given as collateral. A margin call is then triggered following a drop in the value of this portfolio. This coverage ratio will be detailed and further refined according to other criteria, in particular the liquidity of the shares.

The Bank may also ask the client to modify the guarantees given in the event of the occurrence of an event involving the deterioration of one of the values given as collateral by the client, i.e. a sharp deterioration in the financial situation, liquidation of the company whose securities are pledged, expropriation of a property for public utility, among other things.

A transitional arrangement (Watchlist / Weaklist) has been put in place pending the entry into force of Circular 19/G. This system is based on the detailed criteria of the 19/G.

Watchlist

As part of the ongoing process of strengthening credit risk monitoring tools, and in view of the expected development of credit activity in the coming years, the risk management department has set up a system

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for monitoring and supervising sensitive receivables, in the light of the draft reform[1] of circular 19/G/2002 currently being prepared by Bank Al Maghrib:

- A semi-annual study is carried out to identify receivables showing early signs of default,
- Their follow-up is carried out on a monthly basis.

The risk management department then informs the general management through the monthly summary that is sent to it, the monthly committee for monitoring unpaid debts and the Watchlist, as well as the half-yearly provisioning and sensitive risks committee.

The amount of provisioning for receivables classified in the Watchlist at the end of June 2021 amounts to MAD 9 million.
This amount includes provisions recorded on the outstanding amounts of counterparties in Watchlist level 1 (provision of 10%) and Watchlist level 2 (provision of 2.5%).

As part of the strengthening of credit risk monitoring tools and given the evolution of the credit portfolio, a semi-annual study is carried out to identify receivables showing signs of default. All the criteria of the draft Circular 19/G are studied in addition to internal criteria aimed at studying client behavior (monthly delinquency committee).

After classification of counterparties, the provisions recorded are as follows

- Level 1 watchlist: represents the highest risk provisioned at 10% (in the light of the draft reform of circular 19/G/2002 in progress at Bank Al Maghrib);
- Watchlist level 2: represents a lower risk provisioned at 2.5% (decision of the board of directors);
- Weaklist: counterparties deserving the attention of the commercial team and the overall risk management. The list is monitored internally and provisioned at 0%.

Weaklist

As part of its efforts to strengthen its credit risk management system, the risk management department has set up an internal Weaklist to measure, anticipate and prevent any risk of loss:

- Based on stricter criteria than those that define sensitive receivables, it allows close monitoring of certain receivables that, without being classified as sensitive, deserve the attention of sales staff and overall risk management;
- Receivables to be downgraded to Weaklist are identified during the half-yearly inventory;
- They are monitored on a monthly basis.

Outstanding receivables

Due to the close monitoring of commitments by CFG Bank, the receivables eligible for provisioning under the regulations are systematically identified by the risk management, which informs the general management on a monthly basis through a monthly summary, the monthly committee for monitoring unpaid debts, Watchlist and Weaklist and the half-yearly committee for provisioning and sensitive risks.
In accordance with the regulations in force, outstanding receivables must be classified as:

- "pre-doubtful debt", when the due date is not honored 90 days after the due date;

[1] The reform project concerns the classification and provisioning of receivables to include the treatment of sensitive receivables. It has a twofold objective: (i) to ensure a homogeneous contribution in terms of identification, classification and provisioning of sensitive loans within the banking sector, (ii) to integrate new criteria in terms of default (overrunning, restructuring, etc.).

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- Doubtful debt", when the due date is not honored 180 days after the due date;
- A "compromised receivable" is one that is not paid within 360 days of its due date.

In the case of restructured receivables, the following rules apply:

The following are classified as doubtful debts:

- Receivables restructured more than 2 times,
- Cases of third restructuring must be exceptional and duly justified by the institution
- Restructured loans with an outstanding balance of more than 90 days

The following are classified as compromised receivables:

- Restructured receivables that are > 180 days past due.

The amount of the provisions to be constituted is fixed by the risk management, knowing that the pre-doubtful, doubtful and compromised debts must give place to the constitution of provisions equal at least, respectively, to 20%, 50% and 100% of their amount, after deduction of the reserved agios and the guarantees backed by the credits as detailed at the level of the article 15 of the circular no. 19/G/2002

The repayment of the unpaid by the customer implies a systematic resumption of the provisions previously constituted.

The classification of a receivable in the category of irregular receivables or in one of the categories of outstanding receivables entails the transfer in this same category, of all the debts held on the concerned counterparty, when it is the company. This provision does not apply to receivables held by individuals.

In case of an irrecoverable receivable or in case of a justified arrangement with the customer for the partial settlement of the principal of the receivable, a total or partial write-off of the claim may take place after the consent of the Credit Committee.

Collection

If the customer does not honor their commitments on the due date of the credit, CFG Bank must first make an amicable attempt to collect the debt.

Legal action becomes inevitable when the amicable collection procedure proves inconclusive.

A reaction from the client can occur at any stage and can eventually lead to an amicable settlement and thus to the abandonment of the legal proceedings. The collection process is currently operational on the system. Its implementation is effective since the second half of 2020.

Internal limit system and stress test

An internal maximum loss limit is set for the credit portfolio. It is defined as the limit that must not be exceeded regardless of the evolution of risk factors in a worst-case scenario. The limit validated by the Board of Directors is determined as follows: 4.1% * the value of the credit portfolio ≤ 20%* book value of equity. This limit corresponds to a percentage of equity and gives rise to a maximum exposure amount, i.e. a commitment limit that is monitored and controlled on a daily basis by the central entities. The maximum loss limit is reviewed regularly and validated annually by the Board of Directors.

Information for the administrative and management bodies

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The executive management is regularly informed of the bank's exposure to credit risk through:

- The monthly summary of unpaid and sensitive receivables sent to the general management;
- The minutes of the monthly committees for monitoring unpaid debts;
- The half-yearly Watchlist and Weaklist provisioning committees;
- Corporate and retail risk analyses carried out prior to the granting of corporate and VSE loans;
- Ad hoc risk analyses when a problem is identified;
- Quarterly reporting prepared by the risk management department for general management and the business lines concerned. This reporting includes:
  - ✓ CMDR results on an individual and consolidated basis;
  - ✓ Simulations and projections for the following quarter to prevent potential overruns;
  - ✓ The recommendations of the risk management department and reminders of the guidelines.
- Regular reporting on the concentration of the Bank's commitments in the real estate development sector.

In addition, the Board of Directors is informed of the Bank's exposure to credit risk at the quarterly meeting of the Risk Committee.

2. CONCENTRATION RISK

Concentration risk is the risk inherent in an exposure that could result in significant losses that could threaten an institution's financial soundness or its ability to continue its core business.

It refers to exposures of any kind, whether on or off the balance sheet, that may expose the institution to losses due to counterparty risk.

Concentration risk may arise from exposure to:

- counterparties belonging to the same sector of activity;
- categories of counterparties: GE, SME, VSE and individuals;
- counterparties belonging to the same geographical region;
- interest groups;
- individual counterparties.

Breakdown of the Bank's overall exposure by sector of activity

As of end-June 2021, the breakdown of the Bank's exposure to the various economic sectors is as follows:

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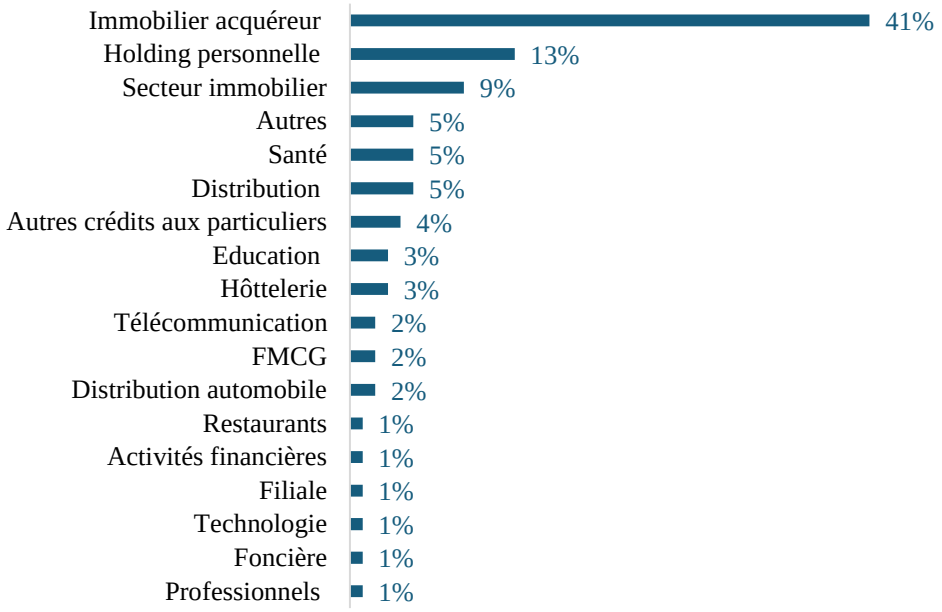
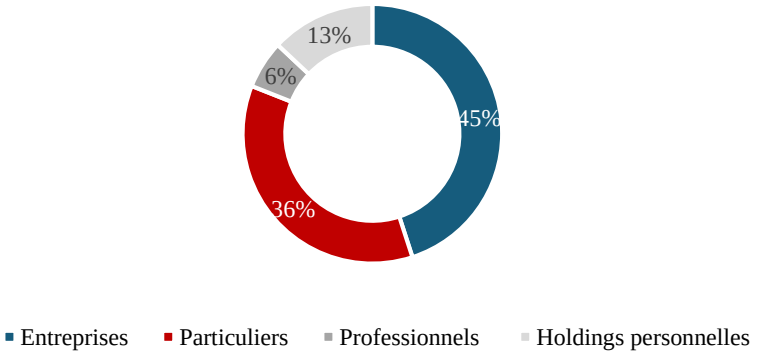


Source: CFG Bank

Breakdown of commitments by category of counterparty

The exposure of outstanding commitments at end-June 2021 to the various categories of counterparties is broken down as follows:



Source: CFG Bank

Geographical distribution

CFG Bank's commitments are heavily concentrated in the two regions of greater Casablanca and Rabat. At end-June 2021, the portfolio was satisfactorily diversified by sector and had a good distribution by category of counterparty, thus enabling good management of concentration risk.

Concentration risk monitoring system

Limit system

- A concentration limit is set by the Bank for loans to real estate development and the hotel sector.

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- Counterparty limits are set for interbank loans made by CFG Bank to local banks. In addition, the Bank refrains from lending to counterparties considered risky.
- A position limit for the private debt portfolio is also defined. It concerns non-financial private issuers, excluding credit institutions.
- For equities, a list of authorized exposures is defined according to economic criteria as well as a maximum position limit and a concentration limit per security.
- Counterparty limits have been defined for foreign exchange activities, both overall and by category and type of company, excluding credit institutions.
- These limits are reviewed and approved annually by the Board of Directors.

Finally, in accordance with Bank Al Maghrib's circular No. 8/G/2012 relating to the maximum risk division coefficient of credit institutions, a measurement of the exposure per beneficiary is carried out quarterly, through the calculation of the ratio between the total weighted risks incurred on the same beneficiary and the regulatory equity.
This ratio, which must not exceed 20%, is monitored regularly by the risk management department.

Information for the administrative and management bodies

Regular monitoring of concentration risk is reinforced by quarterly reporting to senior management and the business units. This reporting includes:

- CMDR results on an individual and consolidated basis;
- Simulations and projections for the following quarter to prevent potential overruns;
- The recommendations of the risk management department and the guidelines.

In addition, General Management and the business lines are regularly informed of the concentration of the Bank's exposure to the real estate development sector.

Finally, the Board of Directors is informed of the Bank's exposure to concentration risk at the quarterly Risk Committee meeting.

The concentration of risks on a single beneficiary, as of June 2021, is as follows:

In KMAD	Total risk amount[1]	Amount of risk exceeding 10% of equity		
		Credits by disbursement	Credit by signature	Amount of securities held in the capital of the beneficiary
Counterparty 1	132 037.65	108 768.63	-	23 269.02
Counterparty 2	130 508.16	74 727.25	55 780.91	-
Counterparty 3	127 194.06	126 941.17	-	252.90
Counterparty 4	114 136.87	114 136.87	-	-
Counterparty 5	100 410.28	100 263.19	-	147.09
Counterparty 6	91 955.54	44 106.58	47 848.96	-
Counterparty 7	85 521.53	52 190.34	33 331.19	-
Counterparty 8	68 009.91	68 009.91	-	-
Counterparty 9	67 390.56	67 390.56	-	-

Source: CFG Bank

[1] Net exposure after deduction of CRM (credit risk mitigation)

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3. MARKET RISK

Market risks are defined as the risk of losses due to changes in market prices. In the case of CFG Bank, they include foreign exchange risk, interest rate risk and equity risk related to the instruments included in the trading portfolio.

Organization and governance

The market risk management and control system is organized around several structures dedicated to risk management and control of internal procedures and regulatory aspects.

The dealing room is responsible for implementing the Bank's market refinancing policy and managing the Bank's cash and securities portfolios.

It participates in the development of the Bank's refinancing strategy and is also responsible for ensuring compliance with regulatory and internal limits relating to its activity.

The Bank's Risk Management Department is responsible for designing the system for measuring, monitoring and controlling market risk. In this capacity, it defines the risk management strategy in terms of market risk policies and limits and sets up measurement, monitoring and surveillance indicators, in accordance with the Bank's strategy and regulatory requirements.

Market risk measurement and monitoring

In order to support the Bank's growth and ensure effective risk monitoring, CFG Bank improved its overall market risk management system in 2016, in particular by streamlining the measurement of value at risk (VaR) for the Bank's entire trading portfolio, supervising market activities by setting up an appropriate stress test system, and reviewing the limits introduced.

To support the development of the foreign exchange activity started in 2017, new limits related to this activity have been introduced. This system was strengthened during 2018 with a view to monitoring position and counterparty limits.

In addition, regular monitoring is carried out by type of market instrument and regulatory and internal limits are monitored at several levels.

This system enables the business lines and general management to be informed on an ongoing basis of changes in market activity.

Limit system and risk indicators

Several limits and risk indicators are defined for market risks:

- Position limits by activity:
  - ✓ Two types of limits are defined for the equity portfolio position: on the one hand, a list of securities eligible for trading according to capitalization and liquidity criteria is defined. On the other hand, maximum limits in global position and per security are fixed;
  - ✓ Diversification of the equity portfolio is also monitored;
  - ✓ As for the interest rate activity, a position limit for the private debt portfolio has been defined. This concerns non-financial private issuers, excluding credit institutions. For the latter, the limits provided for are the regulatory limits (division of risks by beneficiary and by interest group);

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- ✓ Two position limits currently exist for foreign exchange activities: a global foreign exchange position limit and a position limit per currency;

- -Counterparty limits:

  - ✓ In the money market, the counterparty risk differs depending on whether the interbank market or the repo market is involved. This risk exists in the case where CFG Bank is the lender, and could materialize through the default of the borrowing counterparty:
  - ✓ For the repo market, limits by type of counterparty and by type of securities accepted in repo are established;
  - ✓ For the interbank market, counterparty limits have been introduced. In the interbank market, counterparty limits have been established, based on the size and financial health of the institution, the existence of any market history and the quality of the relationship. CFG Bank has excluded certain counterparties that are considered high risk;
  - ✓ For the foreign exchange business, overall and counterparty limits are defined. The limits per counterparty are defined according to the rating of the counterparty.

- Maximum loss limits by activity:

  - ✓ The maximum loss limit is defined as the limit that must not be exceeded in the event of a catastrophe scenario:
  - ✓ The shock applied to CFG Bank's interest rate activity is defined by a sudden and instantaneous increase in interest rates and spreads;
  - ✓ For the equity portfolio, the stress-test scenario is represented by continuous bearish phases in the market;
  - ✓ For the foreign exchange activity, it is a question of evaluating a depreciation or appreciation of the dirham against the main currencies.

These capital consumption limits reflect the Board of Directors' appetite for market risks. This limit gives rise to a maximum amount of exposure per activity (i.e. a commitment ceiling per activity) which is monitored and controlled on a daily basis by the central entities.

- Risk indicators: the main risk indicators used by CFG Bank to assess its level of exposure to market risk are VaR, cumulative P&L and sensitivity in the case of the bond portfolio. These are logically compared with internal limits set in particular according to the maximum loss limit (VaR stop, stop loss) or the portfolio sensitivity limit for interest rate positions

This limit system is defined by General Management and Risk Management, and then validated by the Board of Directors. Limits are monitored through regular reports shared with the business lines and general management, and must not be exceeded regardless of market conditions and developments.

In addition to internal limits and other risk indicators, CFG Bank ensures compliance with the regulatory limits defined by Bank Al-Maghrib, such as:

- The limit on the solvency ratio and on the Tier One ratio;
- The 20% limit on the Maximum Risk Division Coefficient by counterparty and by interest group.

Stress tests

In addition to the minimum stress tests defined by Bank Al Maghrib, the Bank has also developed historical and adverse stress test scenarios for the fixed income and equity portfolios that have been monitored as part of the market risk surveillance.

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Information for the administrative and management bodies

The executive management is now informed in real time of the nature and amount of any forecasted overruns before any transaction.

In order to strengthen its market risk monitoring and surveillance system, a new daily "market risk" reporting system has been designed by the Risk Management Department and is now applied by the middle office of the trading room.

In addition, the Board of Directors is informed of the Bank's exposure to market risks at the quarterly Risk Committee meeting.

Risk of a decline in business due to changes in the financial markets or the economic environment

CFG Bank may be confronted with the risk of a decline in its activity due to changes in the financial markets or the economic environment.

In the first instance, CFG Bank is faced with interest rate and exchange rate risks, which arise respectively from changes in market interest rates and in the Bank's various activities (equity investments, foreign currency loans, etc.).

These two risks can, in the event of unfavorable fluctuations in interest rates or the dirham, result in losses on the Bank's various positions, a negative variation in the future cash flows of a financial instrument or a reduction in its forecast margin.

Also, in the event of structural upheavals, CFG Bank may be subject to liquidity risk, i.e., it may not be able to obtain liquidity under normal volume and interest rate conditions. The expected margins, due to the large refinancing requirement, may therefore decrease.

Secondly, CFG Bank is also confronted with country risk, which encompasses several dimensions, including the economy, politics and the environment.

From an economic standpoint, a slowdown in the real estate sector, which is highly interdependent with the banking sector, could have negative repercussions on CFG Bank's operations and on the projected margins of its lending activity. Also, the slowdown in Moroccan economic activity as a whole may influence customers, who may tend to adopt a wary behavior resulting in the withdrawal of a portion of their deposits.

An assessment of the impact on the Bank's deposits in scenarios of strong tensions has been carried out. It shows a lower forecast compared to the initial budget over a 6-month horizon. This decrease is explained by the slowdown of the Moroccan economic activity (current context of the Covid-19) which consequently causes an influence on the behavior of the customers resulting in the withdrawal of a part of the deposits.

Finally, from a political and regulatory point of view, new provisions concerning the banking sector may have a significant impact on CFG Bank's activity. For example, the solvency ratio requires banks to have a certain level of equity, which limits the volume of loans granted and therefore, by ricochet effect, the margins that could result.

4. LIQUIDITY RISK

Liquidity risk is defined as the risk that an institution will not be able to meet its obligations as they fall due under normal conditions.

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Organization and governance

The liquidity risk management and control system is organized around several structures dedicated to risk management and control of regulatory aspects and internal procedures:

The trading room participates in the development of the Bank's refinancing strategy. It is responsible for implementing the Bank's refinancing policy through the management of immediate and projected cash flows. It monitors the static liquidity gap by measuring liquidity needs or surpluses at future dates. In fact, it establishes:

- a daily dashboard allowing the calculation of the daily cash flow gap according to the required monetary reserve, the balance with Bank Al Maghrib, the incoming/outgoing flows and the loans on the money market;
- a forecasted cash flow schedule, updated on a regular basis.

This entity is also responsible for ensuring compliance with the regulatory limits relating to its activity.

The middle office is responsible for constantly monitoring the cash limit approved by the Board of Directors. It also keeps a daily table monitoring the Bank's cash flow schedule, enabling it to calculate the daily liquidity surplus or deficit.

The Risk Management Department is responsible for implementing the liquidity risk management system. In this capacity, it defines the risk management strategy, defined with General Management and approved by the Board of Directors, in terms of liquidity risk policies and limits. It implements the monitoring and surveillance indicators as recommended by Bank al Maghrib, i.e. the LCR and the monthly liquidity stress tests.

The Global Risk Management (GRM) is in charge of regulatory reporting (LCR, stress test) and regular monitoring of liquidity risk. Simulations and projections are carried out in advance and in the case of stress scenarios in order to anticipate any delicate liquidity situation. GGR participates in the Board of Directors' meetings by providing all the results and analyses carried out in the context of reducing liquidity risk and preventing any disaster situation. Global Risk Management also performs an ALM analysis of the balance sheet at the quarterly Board of Directors/Risk Committee meeting and calculates liquidity gaps by maturity band.

Lastly, it regularly monitors liquidity risk through monthly reporting to the trading room and to senior management, which also includes simulations over the next four months in the event of a stress scenario, in order to anticipate any liquidity needs.

The Bank's refinancing policy

The objective of the Bank's liquidity risk management policy is to adapt the structure of its resources to enable the Bank to pursue the development of its business in a harmonious manner.

Sources of funding and maturities

In the course of its business, CFG Bank finances investment loans, CMT Enterprise loans, short- and medium-term cash flow loans and long-term residential real estate loans.

In order to avoid exposure to liquidity risk due to an imbalance between the maturity of assets (loans) and liabilities (financing), CFG Bank seeks to optimize the management of its balance sheet by having recourse to financing whose duration is matched to that of the loans. For this purpose, several sources of financing

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allow the Bank to spread the resources obtained over different maturities corresponding to the maturity of the loans. These are as follows

- financing via the interbank market for assets with a maturity of less than one week: one of the major sources that can generate liquidity risk is the inability of an institution to raise the funds necessary to meet unexpected short-term needs. In order to limit this eventuality, CFG Bank has negotiated lines of credit on the money market with several local banks;
- financing via the repo market for assets with a maturity of between
- 7 days and 1 month;
- financing through term deposits or the issuance of certificates of deposit for credits with a maturity of at least 3 months. In order to diversify its sources of financing, the Bank has set up a program to issue certificates of deposit;
- financing via the collection of sight deposits and book accounts since the recent development of the banking activity by CFG Bank for credits with longer maturities;
- financing via the recourse to 7-day advances, granted by Bank Al Maghrib.

The matching of the maturity of the necessary financing to that of the credits allows CFG Bank to better manage the liquidity gaps.

Main counterparties

The institution's inability to meet its commitments may also be generated by significant losses resulting from counterparty defaults. CFG Bank has therefore set up counterparty limits:

- interbank, relating to loans made by CFG Bank to local banks. These are based on the size and financial health of the institution, the existence of any previous market experience and the quality of the relationship. Certain counterparties deemed to be high risk are excluded;
- for the repo market, limits by type of counterparty and by type of securities accepted in repo are established.

<u>Liquidity risk measurement and monitoring system</u>

Monitoring of the cash flow schedule

The evaluation and monitoring of the liquidity risk is ensured through the evaluation of the immediate cash flow and the forecasted cash flow:

- the dealing room establishes a daily dashboard that allows it to calculate the daily cash flow gap according to the required monetary reserve, the Bank's balance with Bank Al Maghrib, incoming and outgoing flows as well as borrowing/lending on the money market. The middle office also keeps a daily table for monitoring the Bank's cash flow schedule, which enables it to calculate the liquidity surplus or deficit on a daily basis;
- a cash flow forecast is drawn up and updated regularly by the trading room.

Calculation of liquidity gaps by maturity band

Liquidity risk is measured by the liquidity gap (or liquidity impasse), obtained by the difference between incoming cash flows (customer deposits, loan repayments, debt redemption, outright sales, borrowings and loan repayments) and outgoing cash flows (customer withdrawals, loan disbursements, outright purchases, borrowings and loan repayments) by maturity band. Three maturity bands can be distinguished:

- Short-term: =< 1 year,

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- Medium term:] 1 year -5 years [
- Long term: >= 5 years.

This technique makes it possible to assess the level of liquidity risk incurred by the Bank in the short, medium and long term and to estimate refinancing requirements over different time horizons, and thus to determine the appropriate hedging arrangements.

Liquidity risk limits and indicators

Cash flow gaps are managed by limiting CFG Bank's daily funding requirement. This requirement is defined as the balance of positive and negative flows generated by daily transactions, i.e. purchases, sales, repurchase agreements, loans and borrowings.

Another indicator for measuring the Bank's liquidity risk is the LCR (Liquidity Coverage Ratio), which is the Basel III short-term liquidity ratio:

$$\frac{\textit{High quality liquid assets they hold}}{\textit{Their net cash outflows, over the next 30 calendar days, assuming a scenario of strong liquidity pressure}} > 100\%$$

As of end-June 2021, the LCR remained in compliance with the regulatory minimum on a consolidated basis:

Date	LCR
06/30/2021	424%
12/31/2020	201%

Source: CFG Bank

Minimum stress tests

CFG Bank performs monthly minimum liquidity stress tests in accordance with the scenarios defined by Bank Al Maghrib.

The impact of these scenarios is evaluated in relation to the level of :

- The additional need of liquidity over 1 month;
- The ratio between the additional liquidity need and the discounted value of the available Treasury bills portfolio;
- The ratio of the additional liquidity requirement to the total liquid and realizable assets,
- The ratio between the additional liquidity requirement and the stand-by liquidity lines.

The results of the liquidity stress tests carried out in 2021 show that CFG Bank has the capacity to meet its liquidity needs, thanks in particular to the BDT, liquid and realizable assets and liquidity standby lines.

Information for the administrative and management bodies

The Risk Management Department prepares a monthly report on liquidity for General Management and the trading room. This report includes:

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- The LCR result for the month and its evolution over the last six months
- The results of stress tests;
- The analysis of these results;
- LCR projections for the next four months, in the case of a stress scenario, in order to anticipate possible liquidity needs;
- The recommendations of the Risk Management Department to the business lines to be taken into account in their liquidity management.

In addition, the Board of Directors is informed of the Bank's exposure to liquidity risk at the half-yearly Audit Committee and the quarterly Risk Committee.

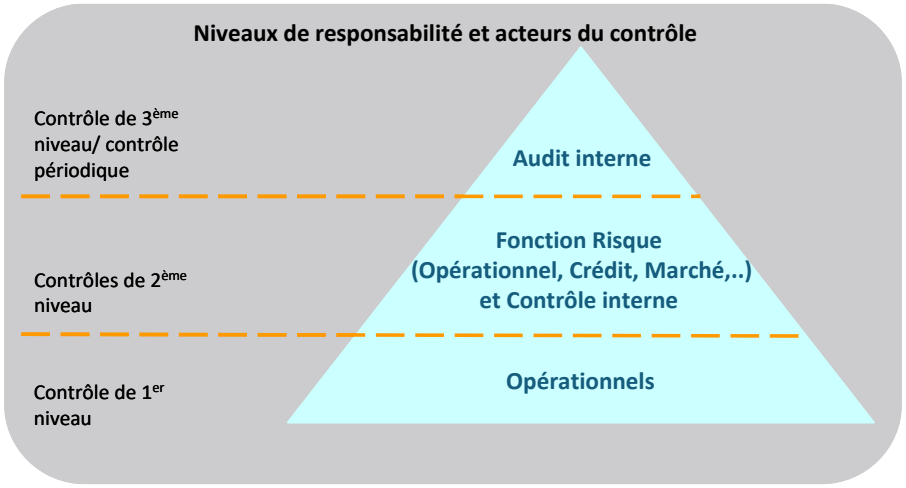
5. OPERATIONAL RISKS

These are risks of loss resulting from deficiencies or defects attributable to internal procedures, personnel and systems or to external events. Unlike market and credit risks, operational risks are incurred and are not the counterpart of an expected future gain or remuneration.

Monitoring and surveillance of operational risks

The operational risk management and control system is organized around several structures dedicated to risk management and control, as well as business and support units.

For all of the Bank's activities, first-level controls are performed by operational staff (self-monitoring, line managers, middle office) and second-level controls are performed by the risk management (risk management) and internal control (permanent monitoring) units. The Audit Department is responsible for third-level control:



Source: CFG Bank

CFG Bank has considerably reduced its exposure to operational risk through

- the implementation of a front to back information system which meets the best international standards and which allows a complete automation of the processing circuits (Avaloq system):
- the implementation of a procedures manual covering the majority of the Bank's activities;
- the implementation of an internal control manual which lists the controls implemented to control the first and main operational risks identified

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- the participation of the risk and compliance function in the validation of new products and significant changes to existing processes, in order to ensure compliance with the regulatory framework and to identify the risks, particularly operational risks, inherent in new activities.

In order to reduce its exposure to operational risks, an operational risk map is currently being finalized. It will be implemented before the end of 2021.

In 2021, the Bank continued to strengthen its risk management system by:

- developing procedures to cover the Bank's new activities as they are developed, in particular for risky processes
- the development of action plans to reduce these risks;
- the implementation of KRIs (key risk indicators);
  - ✓ the exposure to operational risks and its evolution;
  - ✓ the evolution of the control environment for these risks;
  - ✓ the identification of major risks;
  - ✓ action plans to control risks.
- the establishment of an incident database for the collection of incidents;
- the implementation of a reporting system to enable information to be passed on to senior management and the Board of Directors;
- the finalization of the operational risk mapping project currently underway, which will enable it to identify, assess and prioritize all risks relating to all business and support processes.

Business continuity plan

The Business Continuity Plan is a set of measures, procedures and systems necessary to maintain the Bank's critical operations and then to recover from operational disruptions.

CFG Bank's Business Continuity Plan is being implemented gradually. It covers the vital processes of the Bank and its subsidiaries. It is intended to identify and assess major threats to the business such as loss or unavailability of information system elements, computer data, power supply, fire, flood ... and implement corrective measures in case of failure.

This will be composed of:

- an IT contingency plan to rescue critical IT services;
- a user fallback plan: the fallback site to be used in the event of a disaster is the regional headquarters in Rabat;
- a crisis management system.

In order to ensure the continuity of the Bank's activities during the health crisis linked to Covid-19, CFG Bank has adopted a new organization as follows:

- departments considered critical to the smooth running of the Bank continue their activities from their place of work and have been distributed over two remote sites;
- an IT continuity charter allowing telecommuting employees to access the Bank's IT services remotely has been put in place.

Risk-weighted assets and solvency ratios

The measurement of the risks incurred by the Bank is done essentially according to the standard approach of the agreements of Basel II, as presented in the circular no. 26/G/2006 relating to the regulatory requirements in capital of the credit institutions and similar organizations.

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The approach currently adopted by CFG Bank for the measurement of operational risk is BIA, i.e. Basic Indicator.

The capital requirements and weighted assets at the end of June 2021 are as follows:

Risks as of 06/30/2021	Weighted assets exposure (in KMAD)	Capital requirements (in KMAD)
Credit risk	361 910	4 523 870
Market risk	51 470	643 379
Operational risk	27 795	347 434

Source: CFG Bank

As of June 30, 2021, CFG Bank's regulatory capital is calculated according to the Basel III standards and in compliance with circular no. 14/G/2013 relating to the regulatory capital requirements of credit institutions and similar bodies. At the end of June 2021, they amount to MMAD 645 on an individual basis and MMAD 687 on a consolidated basis. In relation to the weighted assets for credit, market and operational risks of the bank, the solvency ratio amounts to 11.7% on an individual basis and to 11.8% on a consolidated basis.

The table below shows the evolution of CFG Bank's prudential indicators:

	2020	S1 2021
Consolidated equity (MMAD)	726	687
Solvency ratio on a consolidated basis (%)	13.0%	11.8%
Tier 1 ratio on consolidated basis (%)	13.0%	11.8%
CET1 ratio on consolidated basis (%)	13.0%	11.8%
LCR on corporate basis (%)	201%	424%
Equity on an individual basis (MMAD)	661	645
Solvency ratio on individual basis (%)	12.5%	11.7%
Tier 1 ratio on individual basis (%)	12.3%	11.6%
CET1 ratio on individual basis (%)	12.3%	11.6%

Source: CFG Bank

The estimated prudential ratios for the parent company and consolidated companies over the next 18 months take into account any operations to strengthen regulatory capital and optimize weighted risks.

The table below shows the evolution of the main social prudential indicators over the next 18 months:

In MMAD / %	2021	S1 2022	2022
Core Tier 1 capital (1)	587	598	639
Tier 1 capital (2)	667	678	719
Tier 2 capital (3)	120	120	200
Regulatory capital (4) = (2) + (3)	787	798	919
Risk-weighted capital (5)	6 274	6 635	7 139
CET1 ratio (1) / (5)	**9.4%**	**9.0%**	**8.9%**
Tier 1 ratio (2)/(5)	**10.6%**	**10.2%**	**10.1%**
Solvency ratio (4) / (5)	**12.5%**	**12.0%**	**12.9%**

Source: CFG Bank

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The table below shows the evolution of the main consolidated prudential indicators over the next 18 months:

In MMAD / %	2021	S1 2022	2022
Core Tier 1 capital (1)	599	582	624
Tier 1 capital (2)	679	662	704
Tier 2 capital (3)	120	120	200
Regulatory capital (4) = (2) + (3)	799	782	904
Risk-weighted capital (5)	6 328	6 718	7 135
CET1 ratio (1) / (5)	**9.5%**	**8.7%**	**8.7%**
Tier 1 ratio (2)/(5)	**10.7%**	**9.9%**	**9.9%**
Solvency ratio (4) / (5)	**12.6%**	**11.6%**	**12.7%**

Source: CFG Bank

6. RISK RELATED TO OUTSOURCED ACTIVITIES

CFG Bank outsources its electronic banking activity. The Bank has entrusted the entire electronic payment activity to S2M (transaction management and monitoring, infrastructure, security, etc.).
The electronic payment services provided by S2M are governed by an agreement, and the relationship with this supplier is managed directly by the Bank's IT department. In this context, steering committees are regularly organized with S2M to monitor the development of this activity and related issues.

In the case of consumer loans, these are carried on Salafin's balance sheet when the applicant is not a CFG Bank employee or when the amount requested is greater than KMAD 150. Otherwise, these credits are carried by the balance sheet of CFG Bank. However, for all consumer credits, it is CFG Bank's responsibility to gather the documents necessary for the study of the file and to process the credit file in a platform made available by Salafin dedicated to the processing of consumer credit files.

7. RISK RELATED TO NEW PRODUCTS

New products are systematically validated by the New Product Validation Committee, which was set up in 2016. Participants include the risk function, the compliance function, the legal function and the finance department. The risk function is responsible for identifying the risks inherent in the Bank's new processes and products/activities.

Procedures are defined and formalized for new products, and control points are identified by the Organization Department.

The compliance unit identifies the risk of non-compliance, which is handled by the permanent control and

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8. RISK RELATED TO THE UNPREDICTABLE DURATION AND EFFECTS OF THE COVID-19 PANDEMIC

The consequences of the Covid-19 pandemic resulted in various requests for extensions and suspensions of allocated credits. However, in view of the quality of CFG Bank's portfolio and the dedicated monitoring, the cost of the related risk remains perfectly under control.

In addition, the Bank has contributed to the support of VSEs and SMEs through products dedicated to the support of companies during the health crisis and then to the economic recovery, afterwards.

Uncertainty about the duration and extent of the Covid-19 pandemic makes it difficult to predict the impact on the Moroccan economy. The consequences for the Group will depend on the duration of the pandemic, the measures taken by the government and Bank Al Maghrib, and the evolution of the health, economic, financial and social context.

The health crisis could therefore have lasting effects, particularly for certain sectors of the economy. A deterioration in economic conditions would affect the activities of CFG Bank's clients, resulting in a reduction in CFG Bank's revenues and an impact on the cost of risk linked to the increase in the default rate/insolvency on trade receivables; consequently, CFG Bank's activities, results and financial situation could be adversely affected in the coming periods.

Uncertainties therefore continue to weigh on developments in the health situation, with the appearance of variants of the virus and the possibility of a new wave in Morocco. Additional measures are therefore likely to be deployed depending on the evolution of the pandemic, despite the launch of the vaccination campaign, thus leading to uncertainties on the pace of recovery from the crisis.

9. FINANCIAL RISKS RELATED TO THE ENVIRONMENT

As part of the processing of the investment files submitted to it, CFG Bank analyses, assesses and covers the environmental impacts, among other things, by evaluating the financial risks that may result from them.

The mapping of risks will therefore be extended to include the environmental aspect.

The Bank also ensures compliance with national environmental standards both in the granting of loans and in the monitoring of commitments.

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II. RISKS RELATED TO PERPETUAL SUBORDINATED BONDS

A- General risks related to subordinated bonds

Interest rate risk

The risk of changes in interest rates may affect the yield on bonds, the rate of which is reviewed every five years. An increase in interest rates would have the effect of reducing the value of the bonds held.

Risk of default

The bonds covered by the securities note may present a risk that the Issuer will not be able to meet its contractual obligations to the bondholders. This risk translates into a potential non-payment of coupons and/or non-repayment of principal.

B- Risks specific to perpetual subordinated bonds

The risk factors listed below should not be considered as exhaustive and may not cover all the risks involved in an investment in perpetual subordinated bonds.

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

Risk related to the introduction on the Moroccan financial market of a new instrument

Perpetual subordinated bonds are considered, according to the international standards of the Basel Committee and to the circular no. 14/G/2013 of Bank Al-Maghrib, as additional capital instruments. These instruments are regularly issued by international banks, but remain new for some Moroccan investors. Each potential investor should determine the appropriateness of this investment in light of its own circumstances and should have sufficient financial resources and liquidity to bear the risks of such investment, including the possibility of depreciation of the nominal value of these securities (see risk linked to the depreciation of the nominal value of the securities below) as well as the possibility of cancellation of the payment of the interest amount (see risk linked to the possibility of cancellation of the payment of the interest amount below).

Risk related to the complexity of the instrument

The bonds subject to this issue are complex instruments insofar as the associated "pay-off" is not entirely predictable. Indeed, the Issuer has full discretion to cancel the payment of interest for an indefinite period and on a non-cumulative basis. Also, the nominal value of the bonds may be impaired in the event that the Trigger Level is reached. Moreover, an appreciation of the nominal value is provided for but it remains subject to the agreement of Bank Al-Maghrib. Finally, a coupon increase is possible but remains at the Issuer's sole discretion and there is no deterministic mechanism for its activation. These aspects make the future cash flows of the bonds difficult to predict, their forecasting being based on several assumptions and parameters (financial health of the Issuer, forecast level of prudential ratios, other commitments and obligations of the Issuer, etc.).

The nature of the bonds means that their management, and in particular their valuation, is complex.

Risk related to the perpetual nature of these securities

Perpetual subordinated bonds are issued for an indefinite maturity and, consequently, the repayment of the capital can only be made at the initiative of the Issuer and after prior approval of Bank Al-Maghrib. Such redemption may not be made before a period of five years from the issue date, subject to a minimum notice period of five years.

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Subordination clause risk

The capital and interests are subject to a subordination clause, according to which, in case of liquidation of the Issuer, the repayment will take place only after payment of all the traditional, privileged or unsecured creditors and after all the other fixed-term subordinated loans which have been issued and which could be issued subsequently by the Issuer, both in Morocco and internationally.

Risk related to the depreciation of the nominal value of securities (loss absorption mechanism)

As soon as the Common Equity Tier 1 (CET 1) ratio, as defined by Bank Al Maghrib, falls below the trigger set by the Issuer (set at 6.0% within the framework of the securities note and this, in accordance with the provisions of the technical notice of Bank Al-Maghrib setting the application modalities of the circular no. 14/G/2013 relating to the capital of credit institutions) on an individual or consolidated basis, the securities are depreciated by the amount corresponding to the difference between the theoretical core Tier 1 capital (CET1) allowing to reach 6.0% of CET1 ratio and the effective CET1 capital.

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

However, after a possible depreciation of the nominal value of the securities, and if the financial situation of the Issuer having required this depreciation improves, CFG Bank may immediately trigger, after prior agreement of Bank Al-Maghrib, the mechanism of appreciation in whole or in part of the nominal value having been depreciated. CFG Bank constantly monitors compliance with the international standards of the Basel Committee and the regulatory directives of Bank Al-Maghrib.

To this end, CFG Bank has a regulatory risk management policy that enables it to:

- Have a solid financial base allowing it to meet all its commitments;
- Respect all the regulatory ratios required by Bank Al-Maghrib;
- Build up an additional capital cushion enabling it to absorb the shocks of the regulatory and internal stress tests and to guarantee the respect of the post stress test thresholds, namely (i) a Tier 1 capital ratio at least equal to 9%, exceptionally reduced to 8.5% by Bank Al-Maghrib until June 2022, (ii) a Core Tier 1 capital ratio (CET1) at least equal to 8%, and (iii) a ratio on total Tier 1 and Tier 2 capital at least equal to 12%, exceptionally reduced to 11.5% by Bank Al-Maghrib until June 2022
- Meet the regulator's requirements in terms of reporting solvency ratios (half-yearly publications of Pillar III intended to guarantee transparency of financial information: details of prudential ratios, composition of regulatory capital, distribution of weighted risks).

As of June 30, 2021[1], CFG Bank's prudential ratios were as follows:

	Corporate base	Consolidated base
Tier 1 ratio	11.63%	11.81%
CET1 ratio	11.63%	11.81%
Solvency ratio	11.71%	11.81%

Source: CFG Bank

Risk related to the possibility of cancellation of the payment of the interest amount

The investor is subject to the risk of cancellation of the payment of the interest amount (in whole or in part) for an indefinite period and on a non-cumulative basis. The decision of such cancellation remains at the discretion of the Issuer, after prior approval by Bank Al-Maghrib, in order to meet its obligations.

[1] The historical Tier 1 ratio and solvency ratio are presented in the CFG Bank reference document for the year 2020. The said forecast ratios are presented in the update no. 1 of the CFG Bank reference document for the year 2020.

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Risk factors impacting the CET 1 ratio

The deterioration of the Common Equity Tier 1 (CET 1) ratio, as defined by Bank Al Maghrib, to a level below 6.0%, thus triggering the depreciation of the nominal value of the securities, could be generated by several factors, among which mainly

- the realization of substantial losses following a possible increase in the claims ratio or an adverse and material evolution of the interest rate environment
- the introduction of new accounting standards
- the entry into force of new regulatory requirements.

In the event of the occurrence of one or more of these risk factors, the deterioration of the level of the CET 1 ratio can only occur if CFG bank and its shareholders do not implement all the corrective measures enabling it to comply with all the regulatory ratios required by Bank Al Maghrib, i.e. a minimum CET 1 ratio of 9.0% and a minimum solvency ratio of 12.0%.

Risk related to the liquidity and negotiability of securities

The bonds, subject of the securities note, by their complexity are not adapted to non-qualified investors. Therefore, the trading of the said bonds is strictly reserved to qualified investors listed in the securities note, even on the secondary market. This limitation could reduce the liquidity of the bonds subject of the current issue compared to other bonds whose negotiability is not restricted.

Risk related to the presence of several options in favor of the Issuer

The bonds, subject of the securities note, contain several options in favor of the Issuer, namely:

- Early redemption option;
- Option of depreciation/appreciation of the nominal value of the securities;
- Option to cancel the payment of the interest amount.

Any potential investor must take into account these options when making an investment decision according to their own objectives and constraints. The investor must also integrate these options in his bidding proposal as well as in the determination of the fair value of the securities.

Risk related to additional indebtedness

The Issuer may issue additional debt at a later date that ranks equal to or higher than the bonds that are the subject of the note. Such issuances would reduce the amount recoverable by the holders of these bonds in the event of liquidation of the Issuer.

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Disclaimer

The above-mentioned information constitutes only a part of the prospectus approved by the Moroccan Capital Market Authority on November 30, 2021, under reference no. VI/EM/032/2021.

The AMMC recommends reading the whole prospectus made available to the public in French.

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