**CFG BANK S.A**

# PROSPECTUS SUMMARY RELATING TO SUBORDINATED BONDS ISSUE OF A MAXIMUM AMOUNT OF MAD 120,000,000

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

- The Securities Note relating to the 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 (Fixed rate - listed) | Tranche B (Fixed rate - unlisted) | Tranche C (Revisable annually - listed) | Tranche D (Revisable annually - unlisted) |
|---|---|---|---|---|
| Tranche ceiling | MAD 120,000,000 | MAD 120,000,000 | MAD 120,000,000 | MAD 120,000,000 |
| Maximum number of securities to be issued | 1,200 | 1,200 | 1,200 | 1,200 |
| Nominal value | MAD 100,000 | MAD 100,000 | MAD 100,000 | MAD 100,000 |
| Maturity | 10 years | 10 years | 10 years | 10 years |
| Face interest rate | **Fixed**<br>The face interest rate will be determined in reference to the 10-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 70 and 90 basis points. | | **Revisable annually,**<br>In reference to the full 52 weeks rate (money market rate) determined by reference to 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 between 65 and 85 basis points. | |
| Principal repayment | *In fine* | *In fine* | *In fine* | *In fine* |
| Risk premium | Between 70 and 90 bps | | Between 65 and 85 bps | |
| Repayment guarantee | This issue is not subject to any particular guarantee | | | |
| Allocation method | French auction with priority given to tranches A and B (fixed rate, with in fine principal repayment), then to tranches C and D (annually revisable rate, with in fine principal repayment) | | | |
| Tradability of securities | Casablanca Stock Exchange | Over-the-counter (off-market) | Casablanca Stock Exchange | Over-the-counter (off-market) |

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

**Issue 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/033/2021. The AMMC-approved prospectus consists of the following documents:

- The Securities Note relating to the 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.

## Disclaimer

The Moroccan Capital Market Authority (AMMC) approved on November 30, 2021, under reference no. VI/EM/033/2021, a prospectus relating to the subordinated bond issue of a maximum amount of MAD 120,000,000 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.

# PART I: PRESENTATION OF THE OPERATION

# I. Structure of the offer

CFG Bank plans to issue 1,200 subordinated bonds, with a nominal value of MAD 100,000. The maximum amount of the Operation is MAD 120,000,000 distributed as follows:

- a Tranche "A" with a 10-year maturity, at a fixed rate, listed on the Casablanca Stock Exchange, with a MAD 120,000,000 ceiling and a MAD 100,000 face value (in fine principal repayment);
- a Tranche "B" with a 10-year maturity, at a fixed rate, unlisted on the Casablanca Stock Exchange, with a MAD 120,000,000 ceiling and a MAD 100,000 face value (in fine principal repayment);
- a Tranche "C", with a 10-year maturity and an annually revisable rate, listed on the Casablanca Stock Exchange, with a MAD 120,000,000 ceiling and a MAD 100,000 face value (in fine principal repayment);
- a tranche "D", with a 10-year maturity and an annually revisable rate, unlisted on the Casablanca Stock Exchange, with a MAD 120,000,000 ceiling and a MAD 100,000 face value (in fine principal repayment).

The total amount assigned to the four tranches may in no case exceed the sum of MAD 120,000,000. In case the bond issue is not totally subscribed for, the amount of the issue will be limited to the amount actually subscribed for.

This issue is reserved to qualified investors of Moroccan Law, listed in the securities note.

The limitation of subscription to qualified investors of Moroccan Law is intended to facilitate the management of subscriptions on the primary market. It is understood that any investor wishing to acquire bonds will be able to obtain them on the secondary market.

# 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 collected through this Operation will be classified as Tier 2 capital.



LISSANIAT
Hay Nassim Lot. Nassim Imm 130 N° 11
Lissasfa - Casablanca
Tél.: 0522 89 78 89
GSM : 0664 78 99 40

## 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 |
| 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<br>Registration of the Operation on the Stock Exchange<br>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 |

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

**Disclaimer**

The subordinated bond differs from the classic bond because of the rank of the claim contractually defined by the subordination clause. The effect of the subordination clause is to make the repayment of the loan conditional on the payment of all preferred or unsecured creditors in the event of liquidation of the issuer.

**Characteristics of Tranche A** (fixed rate, 10-year maturity, in fine principal repayment, listed on the Casablanca Stock Exchange)

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| **Nature of securities** | 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 120,000,000 |
| **Maximum number of securities to be issued** | 1,200 subordinated bonds |
| **Nominal value per unit** | MAD 100,000 |
| **Issue price** | At par, 100% of the nominal value, i.e. MAD 100,000 |
| **Repayment price** | At par, 100% of the nominal value, i.e. MAD 100,000 |
| **Loan maturity** | 10 years |
| **Subscription period** | From 12/08/2021 to 12/15/2021 inclusive |
| **Dividend date** | 12/23/2021 |
| **Maturity date** | 12/23/2031 |
| **Allocation method** | French auction with priority given to tranches A and B (fixed rate, with in fine principal repayment), then to tranches C and D (annually revisable rate, with in fine principal repayment) |
| **Face interest rate** | **Fixed rate**<br>The face interest rate will be determined in reference to the 10-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 70 and 90 basis points.<br>In case the 10-year Treasury Bill rate is not directly observable on the curve, the determination of the reference rate by CFG Bank will be made by the method of linear interpolation using the two points framing the full 10-year maturity (actuarial basis).<br>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. |
| **Risk premium** | Between 70 and 90 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 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 subordinated bonds will cease to accrue from the date on which the principal is redeemed by CFG Bank. No deferral of interest will be available in connection with this Transaction. |

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| | Interest will be calculated in accordance with the following formula:<br>[Nominal x Face interest rate]. |
| **Listing of securities** | The subordinated bonds of Tranche "A" will be listed on the Casablanca Stock Exchange and will thus be the object of an application for admission to the Main Compartment D of the Stock Exchange. Their listing date is planned on December 20, 2021, under the Ticker OCFGA.<br>To be listed on the Casablanca Stock Exchange, the amount allotted to Tranche "A" must be superior or equal to an amount of MAD 20,000,000.<br>If at the closing of the subscription period, the amount allotted to Tranche "A" is inferior to MAD 20,000,000, subscriptions relating to this tranche will be cancelled. |
| **First listing procedure** | The listing of Tranche "A" will be made by direct quotation in accordance with articles 2.4.13, 2.4.14 and 2.4.15 of the Stock Exchange General Rules. |
| **Principal repayment** | Tranche "A" will be repaid in fine of the principal.<br>In the event of a merger, demerger or partial transfer of assets of CFG Bank during the term of the loan, resulting in the transfer of all assets and liabilities to a separate legal entity, the rights and obligations under the subordinated bonds will automatically be transferred to the legal entity that replaces CFG Bank in its rights and obligations.<br>The repayment of the capital is, in the event of CFG Bank being put into liquidation, subordinated to all traditional, privileged or unsecured debts. |
| **Early repayment** | CFG Bank refrains from proceeding to the early repayment of the bonds, subject of the securities note.<br>However, CFG Bank reserves the right to proceed, with the prior approval of Bank Al-Maghrib, to repurchase subordinated bonds on the secondary market, provided that the legal and regulatory provisions allow it.<br>The Company must offer the same price in writing to all the bondholders by means of the insertion of a notice in a newspaper of legal announcements and repurchase in proportion to those who accept in the respect of the quantities held by each of them. In this case, the Issuer will inform the AMMC, the proxy of the bondholders' pool and the Casablanca Stock Exchange of this repurchase operation 5 trading days prior to the said operation.<br>These repurchases being without consequence for a subscriber wishing to keep his securities until the normal maturity and without incidence on the normal redemption schedule. Bonds repurchased by the Issuer are cancelled and may not be reissued. |

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| | In case of redemption, the Issuer must inform the Casablanca Stock Exchange, the AMMC and the proxy of the bondholders' pool of the cancelled bonds. |
| **Body in charge of the operation registration on the Casablanca Stock Exchange** | CFG Marchés |
| **Tradability of securities** | The subordinated bonds of Tranche "A" are freely tradable on the Casablanca Stock Exchange.<br>There is no restriction imposed by the issue conditions to the free tradability of subordinated bonds. |
| **Assimilation clause** | There is no assimilation of the subordinated bonds, subject of the securities note, to the securities of a previous issue.<br>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, assimilate all the securities of the successive issues, thus unifying all the operations relating to their management and trading. |
| **Loan rank / subordination** | The capital and interest are subject to a subordination clause.<br>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 payment of their securities in capital and interest.<br>In case of liquidation of CFG Bank, the repayment of the capital and the interests of the subordinated securities of the present issue will only take place after payment of all the classic, privileged or unsecured creditors. The present subordinated debt securities will intervene in the repayment with the same rank as all the other subordinated loans which could be issued subsequently by CFG Bank, both in Morocco and abroad, proportionally to their amount, if need be. |
| **Loan rank maintenance** | CFG Bank undertakes, until the effective repayment of all the securities of this loan, not to institute in favor of other subordinated securities that it may issue subsequently, any priority as to their repayment rank in the event of liquidation, without granting the same rights to the subordinated securities of this loan. |
| **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.<br>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 |

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| | incompatibilities provided for in articles 301 and 301 bis of the law 17-95 relating to public limited companies, as amended and supplemented.<br>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.<br>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.<br>Furthermore, CFG Bank has no capital or business ties with the firm Mouttaki Partners. |
| **Applicable law** | Moroccan law. |
| **Competent jurisdiction** | Commercial Court of Casablanca. |

**Characteristics of Tranche B** (fixed rate, 10-year maturity, in fine principal repayment, unlisted on the Casablanca Stock Exchange)

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| **Nature of securities** | 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 120,000,000 |
| **Maximum number of securities to be issued** | 1,200 subordinated bonds |
| **Nominal value per unit** | MAD 100,000 |
| **Issue price** | At par, 100% of the nominal value, i.e. MAD 100,000 |
| **Repayment price** | At par, 100% of the nominal value, i.e. MAD 100,000 |
| **Loan maturity** | 10 years |
| **Subscription period** | From 12/08/2021 to 12/15/2021 inclusive |
| **Dividend date** | 12/23/2021 |
| **Maturity date** | 12/23/2031 |
| **Allocation method** | French auction with priority given to tranches A and B (fixed rate, with in fine principal repayment), then to tranches C and D (annually revisable rate, with in fine principal repayment) |
| **Face interest rate** | **Fixed rate**<br>The face interest rate will be determined in reference to the 10-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 70 and 90 basis points.<br>In case the 10-year Treasury Bill rate is not directly observable on the curve, the determination of the reference rate by CFG Bank will be made by the method of linear interpolation using the two points framing the full 10-year maturity (actuarial basis).<br>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. |
| **Risk premium** | Between 70 and 90 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 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 subordinated bonds will cease to accrue from the date on which the principal is redeemed by CFG Bank. No deferral of interest will be available in connection with this Transaction.<br>Interest will be calculated in accordance with the following formula: |

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| | [Nominal x Face interest rate]. |
| **Principal repayment** | Tranche "B" will be repaid in fine of the principal.<br>In the event of a merger, demerger or partial transfer of assets of CFG Bank during the term of the loan, resulting in the transfer of all assets and liabilities to a separate legal entity, the rights and obligations under the subordinated bonds will automatically be transferred to the legal entity that replaces CFG Bank in its rights and obligations.<br>The repayment of the capital is, in the event of CFG Bank being put into liquidation, subordinated to all traditional, privileged or unsecured debts. |
| **Early repayment** | CFG Bank refrains from proceeding to the early repayment of the bonds, subject of the securities note.<br><br>However, CFG Bank reserves the right to proceed, with the prior approval of Bank Al-Maghrib, to repurchase subordinated bonds on the secondary market, provided that the legal and regulatory provisions allow it.<br><br>The Company must offer the same price in writing to all the bondholders by means of the insertion of a notice in a newspaper of legal announcements and repurchase in proportion to those who accept in the respect of the quantities held by each of them. In this case, the Issuer will inform the AMMC and the proxy of the bondholders' pool of this repurchase operation 5 business days prior to the said operation.<br>These repurchases being without consequence for a subscriber wishing to keep his securities until the normal maturity and without incidence on the normal redemption schedule. Bonds repurchased by the Issuer are cancelled and may not be reissued.<br>In case of redemption, the Issuer must inform the AMMC and the proxy of the bondholders' pool of the cancelled bonds. |
| **Tradability of securities** | Tradable over-the-counter.<br>There are no restrictions imposed by the terms of the issue on the free tradability of the subordinated bonds. |
| **Assimilation clause** | There is no assimilation of the subordinated bonds, subject of the securities note, to the securities of a previous issue.<br>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, assimilate all the securities of the successive issues, thus unifying all the operations relating to their management and trading. |
| **Loan rank / subordination** | The capital and interest are subject to a subordination clause.<br>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 payment of their securities in capital and interest. |

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| | In case of liquidation of CFG Bank, the repayment of the capital and the interests of the subordinated securities of the present issue will only take place after payment of all the classic, privileged or unsecured creditors. The present subordinated debt securities will intervene in the repayment with the same rank as all the other subordinated loans which could be issued subsequently by CFG Bank, both in Morocco and abroad, proportionally to their amount, if need be. |
| **Loan rank maintenance** | CFG Bank undertakes, until the effective repayment of all the securities of this loan, not to institute in favor of other subordinated securities that it may issue subsequently, any priority as to their repayment rank in the event of liquidation, without granting the same rights to the subordinated securities of this loan. |
| **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.<br>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.<br>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.<br>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.<br>Furthermore, CFG Bank has no capital or business ties with the firm Mouttaki Partners. |
| **Applicable law** | Moroccan law. |
| **Competent jurisdiction** | Commercial Court of Casablanca. |

**Characteristics of Tranche C** (with an annually revisable rate, a 10-year maturity, in fine principal repayment, listed on the Casablanca Stock Exchange)

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| **Nature of securities** | 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 120,000,000 |
| **Maximum number of securities to be issued** | 1,200 subordinated bonds |
| **Nominal value per unit** | MAD 100,000 |
| **Issue price** | At par, 100% of the nominal value, i.e. MAD 100,000 |
| **Repayment price** | At par, 100% of the nominal value, i.e. MAD 100,000 |
| **Loan maturity** | 10 years |
| **Subscription period** | From 12/08/2021 to 12/15/2021 inclusive |
| **Dividend date** | 12/23/2021 |
| **Maturity date** | 12/23/2031 |
| **Allocation method** | French auction with priority given to tranches A and B (fixed rate, with in fine principal repayment), then to tranches C and D (annually revisable rate, with in fine principal repayment) |
| **Face interest rate** | **Annually revisable rate**<br>For the first year, the face interest rate will be the full 52 weeks rate (money market rate) determined by reference to 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 between 65 and 85 basis points.<br>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.<br>On each anniversary date, the reference rate is the full 52-week rate (money market rate) determined by reference to the reference rate curve of the secondary market of Treasury bills published by Bank Al-Maghrib, preceding the coupon anniversary date by 5 trading days.<br>In case the 52 weeks rate is not directly observable on the curve, the determination of the reference rate by CFG Bank will be done by the method of linear interpolation by using the two points framing the full maturity 52 weeks (monetary basis).<br>The reference rate thus obtained will be increased by a risk premium fixed at the end of the auction (risk premium between 65 and 85 basis points) and will be communicated by CFG Bank, via |

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| | its website, to the bondholders and to the Casablanca Stock Exchange 5 trading days before the anniversary date.<br>The revised face interest rate will be published via a notice by the Casablanca Stock Exchange. |
| **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 interpolation using the two points surrounding the full 52-week maturity (monetary basis).<br>This linear interpolation will be done after converting the rate immediately above the 52-week maturity (actuarial basis) into the equivalent monetary rate.<br>The calculation formula is:<br>(((Actuarial rate + 1)^ (k / exact number of days*))-1) x 360/k;<br>where k: maturity of the actuarial rate to be transformed<br>*Exact number of days: 365 or 366 days. |
| **Risk premium** | Between 65 and 85 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.<br>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.<br>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 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 subordinated bonds will cease to accrue from the date on which the principal is redeemed by CFG Bank. No deferral of interest will be available in connection with this Operation.<br>Interest will be calculated according to the following formula:<br>**[Nominal x Face interest rate x Exact number of days/360].** |
| **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 the main compartment D of the Stock Exchange. Their listing date is planned for December 20, 2021, under the Ticker OCFGB.<br>To be listed on the Casablanca Stock Exchange, the amount allotted to Tranche "C" must be superior or equal to an amount of MAD 20,000,000.<br>If at the closing of the subscription period, the amount allotted to Tranche "C" is inferior to MAD 20,000,000, subscriptions relating to this tranche will be cancelled. |
| **First listing procedure** | The listing of Tranche "C" will be made by direct quotation in accordance with articles 2.4.13, 2.4.14 and 2.4.15 of the Stock Exchange General Rules. |

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| **Principal repayment** | Tranche "C" will be repaid in fine of the principal.<br>In the event of a merger, demerger or partial transfer of assets of CFG Bank during the term of the loan, resulting in the transfer of all assets and liabilities to a separate legal entity, the rights and obligations under the subordinated bonds will automatically be transferred to the legal entity that replaces CFG Bank in its rights and obligations.<br>The repayment of the capital is, in the event of CFG Bank being put into liquidation, subordinated to all traditional, privileged or unsecured debts. |
| **Early repayment** | CFG Bank refrains from proceeding to the early repayment of the bonds, subject of the securities note.<br>However, CFG Bank reserves the right to proceed, with the prior approval of Bank Al-Maghrib, to repurchase subordinated bonds on the secondary market, provided that the legal and regulatory provisions allow it.<br>The Company must offer the same price in writing to all the bondholders by means of the insertion of a notice in a newspaper of legal announcements and repurchase in proportion to those who accept in the respect of the quantities held by each of them. In this case, the Issuer will inform the AMMC, the proxy of the bondholders' pool and the Casablanca Stock Exchange of this repurchase operation 5 trading days prior to the said operation.<br>These repurchases being without consequence for a subscriber wishing to keep his securities until the normal maturity and without incidence on the normal redemption schedule. Bonds repurchased by the Issuer are cancelled and may not be reissued.<br>In case of redemption, the Issuer must inform the AMMC and the proxy of the bondholders' pool of the cancelled bonds. |
| **Body in charge of the operation registration on the Casablanca Stock Exchange** | CFG Marchés |
| **Tradability of securities** | The subordinated bonds of Tranche "C" are freely tradable on the Casablanca Stock Exchange.<br>There is no restriction imposed by the issue conditions to the free tradability of subordinated bonds. |
| **Assimilation clause** | There is no assimilation of the subordinated bonds, subject of the securities note, to the securities of a previous issue.<br>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, assimilate all the securities of the successive issues, thus unifying all the operations relating to their management and trading. |
| **Loan rank / subordination** | The capital and interest are subject to a subordination clause.<br>The application of this clause does not in any way affect the rules of law concerning the accounting principles of allocation of losses, |

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| | the obligations of the shareholders and the rights of the subscriber to obtain payment of their securities in capital and interest.<br>In case of liquidation of CFG Bank, the repayment of the capital and the interests of the subordinated securities of the present issue will only take place after payment of all the classic, privileged or unsecured creditors. The present subordinated debt securities will intervene in the repayment with the same rank as all the other subordinated loans which could be issued subsequently by CFG Bank, both in Morocco and abroad, proportionally to their amount, if need be. |
| **Loan rank maintenance** | CFG Bank undertakes, until the effective repayment of all the securities of this loan, not to institute in favor of other subordinated securities that it may issue subsequently, any priority as to their repayment rank in the event of liquidation, without granting the same rights to the subordinated securities of this loan. |
| **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.<br>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.<br>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.<br>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.<br>Furthermore, CFG Bank has no capital or business ties with the firm Mouttaki Partners. |
| **Applicable law** | Moroccan law. |
| **Competent jurisdiction** | Commercial Court of Casablanca. |

**Characteristics of Tranche D** (with an annually revisable rate, a 10-year maturity, in fine principal repayment, unlisted on the Casablanca Stock Exchange)

| | |
|---|---|
| **Nature of securities** | 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 120,000,000 |
| **Maximum number of securities to be issued** | 1,200 subordinated bonds |
| **Nominal value per unit** | MAD 100,000 |
| **Issue price** | At par, 100% of the nominal value, i.e. MAD 100,000 |
| **Repayment price** | At par, 100% of the nominal value, i.e. MAD 100,000 |
| **Loan maturity** | 10 years |
| **Subscription period** | From 12/08/2021 to 12/15/2021 inclusive |
| **Dividend date** | 12/23/2021 |
| **Maturity date** | 12/23/2031 |
| **Allocation method** | French auction with priority given to tranches A and B (fixed rate, with in fine principal repayment), then to tranches C and D (annually revisable rate, with in fine principal repayment) |
| **Face interest rate** | **Annually revisable rate**<br>For the first year, the face interest rate will be the full 52 weeks rate (money market rate) determined by reference to 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 between 65 and 85 basis points.<br>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.<br>On each anniversary date, the reference rate is the full 52-week rate (money market rate) determined by reference to the reference rate curve of the secondary market of Treasury bills published by Bank Al-Maghrib, preceding the coupon anniversary date by 5 business days.<br>In case the 52 weeks rate is not directly observable on the curve, the determination of the reference rate by CFG Bank will be done by the method of linear interpolation by using the two points framing the full maturity 52 weeks (monetary basis).<br>The reference rate thus obtained will be increased by a risk premium fixed at the end of the auction (risk premium between 65 and 85 basis points) and will be communicated by CFG Bank, via its website, to the bondholders 5 business days before the anniversary date. |

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| **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 interpolation using the two points surrounding the full 52-week maturity (monetary basis).<br>This linear interpolation will be done after converting the rate immediately above the 52-week maturity (actuarial basis) into the equivalent monetary rate.<br>The calculation formula is:<br>(((Actuarial rate + 1)^ (k / exact number of days*))-1) x 360/k;<br>where k: maturity of the actuarial rate to be transformed<br>*Exact number of days: 365 or 366 days. |
| **Risk premium** | Between 65 and 85 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.<br>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 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 subordinated bonds will cease to accrue from the date on which the principal is redeemed by CFG Bank. No deferral of interest will be available in connection with this Operation.<br>Interest will be calculated according to the following formula:<br>**[Nominal x Face interest rate x Exact number of days/360].** |
| **Principal repayment** | Tranche "D" will be repaid in fine of the principal.<br>In the event of a merger, demerger or partial transfer of assets of CFG Bank during the term of the loan, resulting in the transfer of all assets and liabilities to a separate legal entity, the rights and obligations under the subordinated bonds will automatically be transferred to the legal entity that replaces CFG Bank in its rights and obligations.<br>The repayment of the capital is, in the event of CFG Bank being put into liquidation, subordinated to all traditional, privileged or unsecured debts. |
| **Early repayment** | CFG Bank refrains from proceeding to the early repayment of the bonds, subject of the securities note.<br>However, CFG Bank reserves the right to proceed, with the prior approval of Bank Al-Maghrib, to repurchase subordinated bonds on the secondary market, provided that the legal and regulatory provisions allow it.<br>The Company must offer the same price in writing to all the bondholders by means of the insertion of a notice in a newspaper of legal announcements and repurchase in proportion to those who accept in the respect of the quantities held by each of them. In this |

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| | case, the Issuer will inform the AMMC and the proxy of the bondholders' pool of this repurchase operation 5 business days prior to the said operation.<br>These repurchases being without consequence for a subscriber wishing to keep his securities until the normal maturity and without incidence on the normal redemption schedule. Bonds repurchased by the Issuer are cancelled and may not be reissued.<br>In case of redemption, the Issuer must inform the AMMC and the proxy of the bondholders' pool of the cancelled bonds. |
| **Tradability of securities** | Tradable over-the-counter.<br>There are no restrictions imposed by the terms of the issue on the free tradability of the subordinated bonds. |
| **Assimilation clause** | There is no assimilation of the subordinated bonds, subject of the securities note, to the securities of a previous issue.<br>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, assimilate all the securities of the successive issues, thus unifying all the operations relating to their management and trading. |
| **Loan rank / subordination** | The capital and interest are subject to a subordination clause.<br>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 payment of their securities in capital and interest.<br>In case of liquidation of CFG Bank, the repayment of the capital and the interests of the subordinated securities of the present issue will only take place after payment of all the classic, privileged or unsecured creditors. The present subordinated debt securities will intervene in the repayment with the same rank as all the other subordinated loans which could be issued subsequently by CFG Bank, both in Morocco and abroad, proportionally to their amount, if need be. |
| **Loan rank maintenance** | CFG Bank undertakes, until the effective repayment of all the securities of this loan, not to institute in favor of other subordinated securities that it may issue subsequently, any priority as to their repayment rank in the event of liquidation, without granting the same rights to the subordinated securities of this loan. |
| **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.<br>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 |

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

## 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.

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’ body 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.

# PART II: INFORMATION ON THE ISSUER

# 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:<br>• 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;<br>• the undertaking and execution of all financial engineering, intermediation and representation operations;<br>• 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;<br>• the management on behalf of third parties in any form whatsoever;<br>• 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;<br>• the activity of financial investment advice and the distribution of financial products, in particular any product contributing to |



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Hay Nassim Lot. Nassim Imm 130 N° 11
Lissasfa - Casablanca
Tél.: 0522 89 78 89
GSM : 0664 78 99 40

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

| | |
|---|---|
| | depository and the institution of a general regime of book entry of certain securities as amended and supplemented by Law no. 43-02;<br>• 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;<br>• Law no. 35-94, as amended and completed) relating to certain negotiable debt securities;<br>• BAM Circular no. 2/G/96 relating to certificates of deposit and its amendment;<br>• 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;<br>• Law no. 43/12 relating to the Moroccan Capital Market Authority (AMMC);<br>• AMMC circulars;<br>• 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;<br>• 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*

## 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

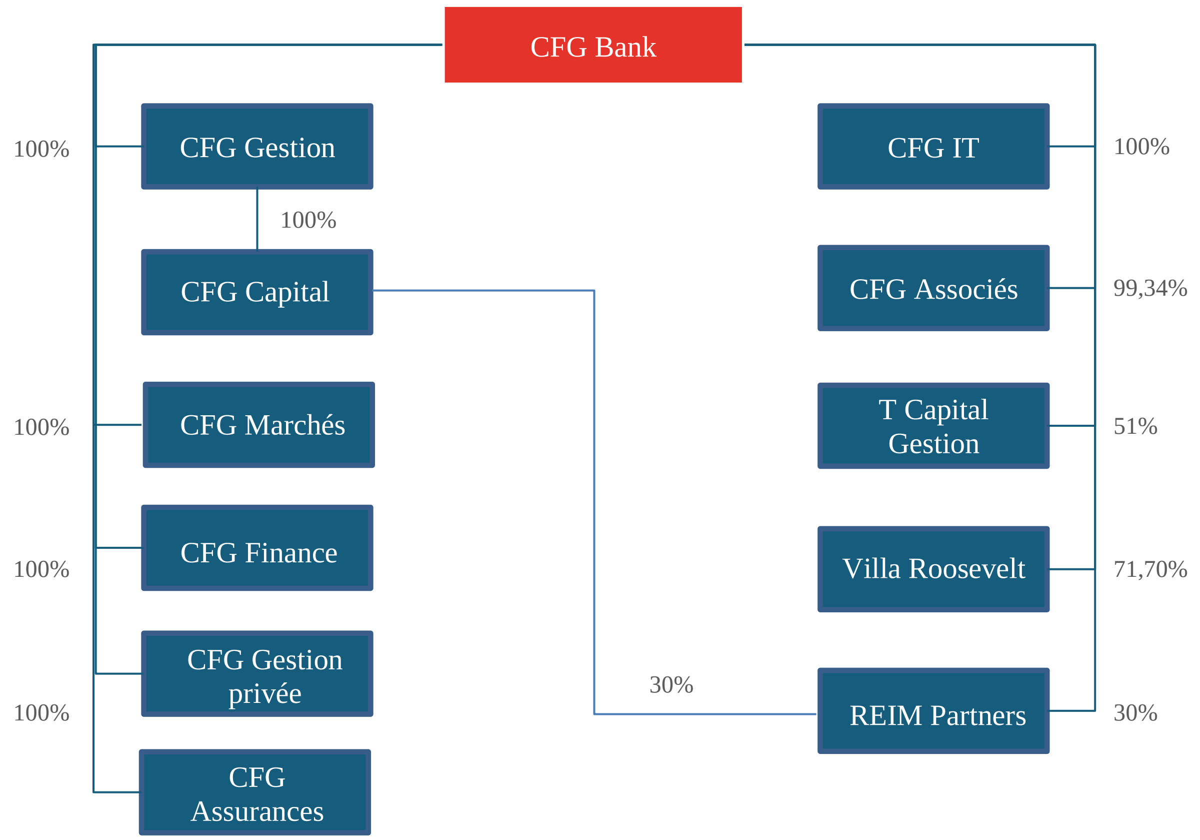
[2] The heading "Others" contains only the natural person shareholders holding less than 3% of CFG Bank's capital

[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

## III. LEGAL ORGANIZATION CHART

The legal organization chart of CFG Bank is as follows:



## 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.

### 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.

# PART III: CONSOLIDATED FINANCIAL DATA

# 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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Hay Nassim Lot. Nassim Imm 130 N° 11
Lissasfa - Casablanca
Tél.: 0522 89 78 89
GSM : 0664 78 99 40

## 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*

<u>**Consolidated Income Statement**</u>

| 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*

## 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*



LISSANIAT
Hay Nassim Lot. Nassim Imm 130 N° 11
Lissasfa - Casablanca
Tél.: 0522 89 78 89
GSM : 0664 78 99 40

## 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*

## 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*

# PART IV: RISK FACTORS

# 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;

- 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.

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 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.).

- 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 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 receivable 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**

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.

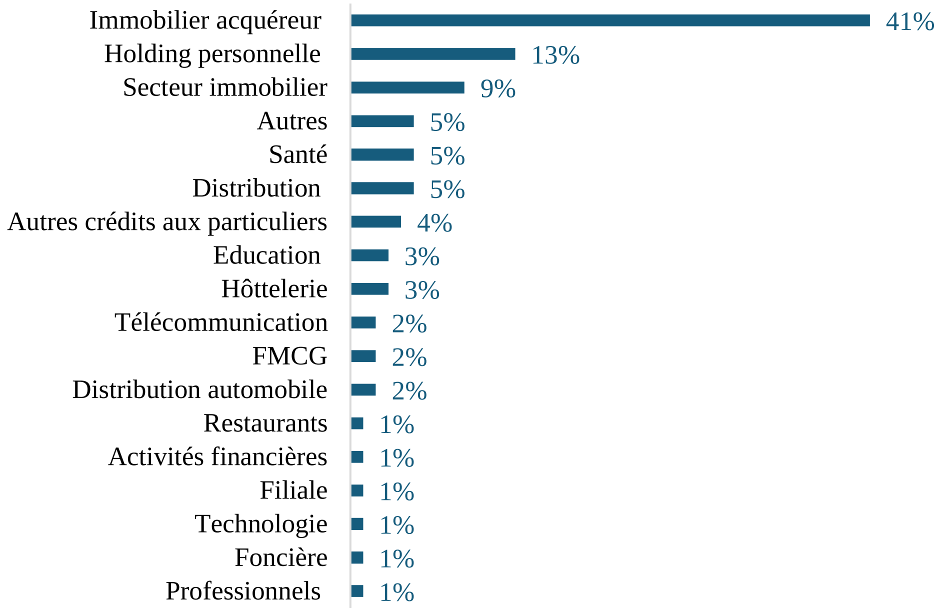
It refers to exposures of any kind, whether on or off the balance sheet, that may expose the institution to losses due to counterparty risk.

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**

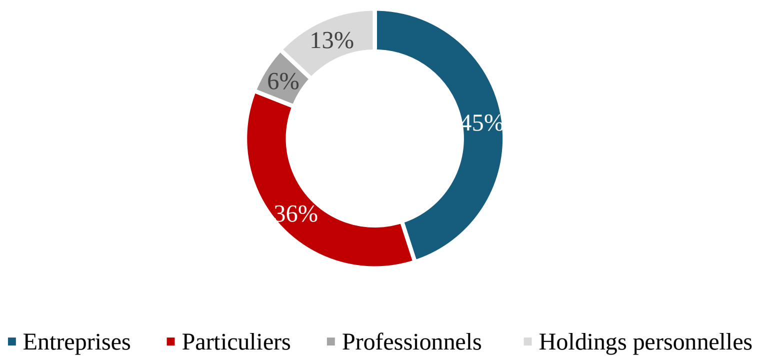
As of end-June 2021, the breakdown of the Bank's exposure to the various economic sectors is as follows:




*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.

- 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)

## 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);

- ✓ 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.

**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.

## 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 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.

**Liquidity risk measurement and monitoring system**

**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,

- 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:

- 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.

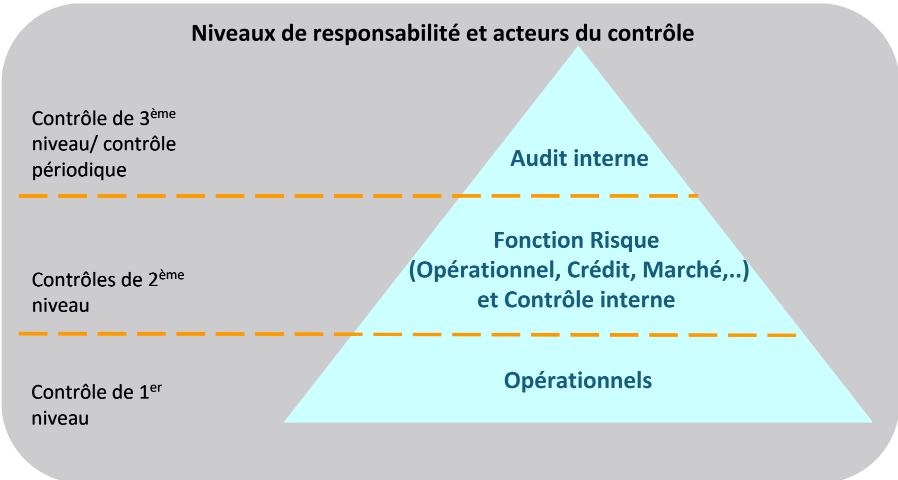
## 5. OPERATIONAL RISKS

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

- 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.

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*

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

## 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.

## II. RISKS RELATED TO SUBORDINATED BONDS

**Liquidity risk**

Subscribers to CFG Bank's subordinated bonds may be subject to a liquidity risk in the secondary market for private debt. Indeed, depending on market conditions (liquidity, evolution of the yield curve, etc.) the liquidity of CFG Bank's subordinated bonds may be momentarily affected.

**Interest rate risk**

The present issue provides for two fixed-rate tranches (tranches A and B), determined on the basis of the reference rate curve of the secondary market of Treasury Bills as it will be published by Bank Al Maghrib on December 2, 2021. As a result, the value of the fixed rate bonds may vary upwards or downwards, depending on the evolution of the reference yield curve of the secondary market of Treasury Bills as published by Bank Al-Maghrib.

**Subordination risk**

The bond issue is subject to a subordination clause, according to which, in the event of liquidation of the Issuer, the repayment of the principal and interest of the subordinated securities of this issue will only take place after payment of all traditional, preferred or unsecured creditors.

**Risk of default**

The bonds covered by the securities note may present a risk that the Issuer will not be able to honor its contractual obligations towards the bondholders. This risk is reflected in the non-payment of coupons and/or the non-repayment of principal.

## 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/033/2021

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