# Risk

MANAGEMENT

# Risk Management System

## Risk categories

### Credit risk

Credit risk, inherent in banking activity, is the risk of customers not repaying their obligations toward the Bank in full or within the allotted time, resulting in potential losses for the Bank. It is the broadest risk category and may be correlated with other risk categories.

### Market risk

Market risk is the risk of a financial instrument losing value due to adverse fluctuations in market parameters, volatility or correlations between them. The parameters in question include exchange rates, interest rates and the prices of securities (stocks or bonds), commodities, derivatives or any other asset.

### Overall liquidity and interest rate risk

Interest rate risk lies in an institution's financial position being vulnerable to an adverse change in interest rates.

Liquidity risk is the risk of the institution being unable to meet its cash or collateral obligations when they become due and at a reasonable cost.

### Operational risk

Operational risk may be defined as the risk of loss due to inadequate or failing internal procedures, employee error, systems failure or external events. This definition includes legal risk but excludes strategic risk and reputational risk.

### Country risk

Country risk comprises political risk as well as transfer risk. Political risk generally arises from action taken by a country's government such as nationalisation or expropriation or an independent event such as war or revolution, which may affect a customer's ability to honour its obligations. Transfer risk may be defined as the risk of a resident customer being unable to acquire foreign currency in its country to be able to honour its overseas commitments.

## Risk management organisation

### Risk control bodies

**• Group Risks Division**

One of the Group Risks Division's responsibilities is to develop the strategy for monitoring and managing risk in a way that is consistent with the risk profile of the Bank and Group as well as the degree of risk aversion.

- Definition of the Group's risk policy
- Definition and management of credit approval and monitoring processes
- Implementation of a risk control system relating to credit, market and operational risks

The Group Risks Division comprises four functions:

- Group Risk Management
- Post-credit approval monitoring
- Group Commitments
- Group Permanent Control

### Governance Bodies

**• Group Risks Committee**

The Group Risks Committee assists the Board of Directors in matters such as strategy and risk monitoring and management. In particular, it ensures that overall risk policy is adapted to the risk profile of the Bank and Group, its degree of risk aversion, its systemic importance, its size and its capital base.

**• Audit and Internal Control Committee**

BANK OF AFRICA Group's Audit and Internal Control Committee is responsible for monitoring and assessing the quality of the internal control system and ensuring that it is adapted to the Group's risk profile, its systemic importance, its size and its complexity, as well as the nature and volume of its businesses.

The internal control system consists of a series of measures intended notably to ensure that the following are done or verified continuously:

- Verification of internal operations and procedures
- Measurement, management and monitoring of risks
- Reliability of the conditions in which accounting and financial data are collected, processed, disseminated and preserved
- Efficiency of information and communication systems

**• Executive Committee - Morocco & International**

The Executive Committee - Morocco & International is the decision-making body responsible for translating the Group's corporate strategy into operational initiatives and measures, and for monitoring actions undertaken throughout the businesses in Morocco and overseas excluding sub-Saharan Africa, within the limits of the competences conferred upon it.

It manages day-to-day operations and activities and works to ensure that annual business and budget targets are met, taking corrective measures where necessary.

The Committee reviews the individual performances of the business units and business lines and the measures taken, including capital allocations, spending and operations.

**• Group Risk Steering and Management Committee**

The Group Risk Steering and Management Committee assists in managing and monitoring, at the operational level, the risk steering policy of the Group – BANK OF AFRICA S.A. and of its direct and indirect subsidiaries – and ensuring that the Group's operations comply with risk policies and the limits set. The Committee ensures that the risk steering policy relating to credit, market, country and operational risks is efficient and consistent with the Group's risk appetite.

### Credit Committees

**• Senior Credit Committee**

The Senior Credit Committee reviews and approves, on a twice weekly basis, credit applications from customers of the Bank and Group in Morocco, Europe and Asia, within the powers delegated to it.

Loan applications representing total commitments that exceed the limits set under the delegation of powers, and for which the Senior Credit Committee has issued a favourable opinion, are referred to the Major Loan Commitments Committee for a final decision.

Meetings of the Major Loan Commitments Committee are attended by the Chairman and Chief Executive Officer and the senior permanent members of the Senior Credit Committee.

Senior Credit Committee meetings are attended by senior permanent members of that committee and, at minimum, from the Commercial and Risks functions:

- Executive General Manager responsible for Morocco & CIB / Deputy Managing Director responsible for Personal and Professional Banking and SMEs
- Heads of Group Risks Division

**• Regional Credit Committee**

The delegated powers enjoyed by the Regional Credit Committee enable it to rule on counterparties at the regional level in accordance with the existing scheme of delegation.

Committee meetings are attended by two standing members, at minimum, from the Commercial and Risk functions:

- Regional Director / Network Director / Deputy Regional Director
- Director in charge of commitments, head office

**• Loan Commitments Monitoring Committee (CSE)**

The Loan Commitments Monitoring Committee is broken down into three committees:

- Loan Monitoring Committee, Head Office
- Regional Loan Monitoring Committee
- Sub-standard Loan Monitoring Committee

The Loan Commitments Monitoring Committees handle all loan dossiers showing anomalies (arrears, frozen, persistent overruns, expired authorisations and any other anomalies reported by Group Risks) relating to different markets (large enterprises, SMEs, personal and professional) that meet the regulatory classification criteria and have been reclassified as sub-standard or non-performing loans.

**• Loan Monitoring Committee, Head Office (Head Office CSE)**

The Head Office CSE is a body that meets monthly to decide the course of action to be taken with regard to high-risk accounts, in accordance with the powers delegated to it as outlined below:

- Corporate customers: Loans of MAD 5 million or more
- Personal/Professional customers: Loans of MAD 1 million or more

The Committee is chaired by the Heads of Group Risks.

Meetings of the Head Office CSE are attended by the following:

- Deputy Managing Director, Personal and Professional Banking and SMEs
- Representatives from Group Loan Commitments
- Head of Large Enterprises
- Regional Directors
- Head of Loan Commitments Management and Monitoring
- Head of Sub-standard Loan Recovery
- Head of Non-performing Loan Recovery
- Chief Executive Officer, RM Experts

**• Regional Loan Monitoring Committee (Regional CSE)**

The Regional CSE meets monthly to decide the course of action to be taken with regard to high-risk accounts, in accordance with the powers delegated to it, belonging to Corporate Customers (for loans of less than MAD 5 million) and Personal/Professional customers (for loans of less than MAD 1 million).

The Committee is chaired by the Head of Loan Commitments Monitoring and meetings are attended by the following:

Representatives from Group Loan Commitments (directors of loan commitments, regional heads of loan commitments)

Head of Loan Commitment Management and Monitoring

Regional Directors and Deputy Regional Directors /GREATER CASA Networks Directors

Representatives from Sub-Standard Loan Recovery

Representative from Non-Performing Loan Recovery

Heads of Business Centres

Heads of Groups

**• Sub-standard Loan Monitoring Committee**

The Sub-standard Loan Monitoring Committee meets at the request of the Commercial function to decide the course of action to be taken with regard to high-risk accounts referred to the Committee.

The Committee is chaired by the Head of Loan Commitments Monitoring and its meetings are attended by the following:

- Representatives from Group Loan Commitments

- Head of Enterprise Market
- Head of Large Enterprises or, in his absence, Corporate Bankers
- Head of Personal / Professional Customers and banking for Moroccans living abroad
- Regional Directors and Deputy Regional Directors / GREATER CASA Networks Directors
- Corporate Bankers and/or Senior Bankers – Large Enterprises portfolios
- Managers from Sub-Standard Loan Recovery
- Managers from Loan Commitments Management and Monitoring

## CREDIT RISK

The Bank's credit function operates in accordance with the general credit policy approved by the Group's senior management. The Group's requirements in terms of ethics, reporting lines, compliance with procedures and discipline in risk analysis are guiding principles.

This general policy is further broken down into specific policies and procedures depending on the character of specific operations or counterparties.

### Credit Approval Process

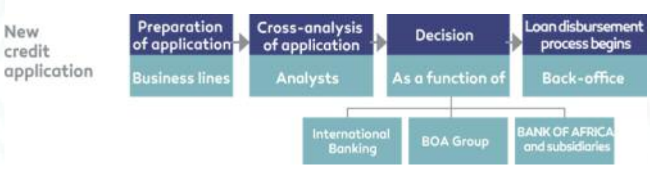
#### General principles

At every level of BANK OF AFRICA Group, the credit approval process is guided by the following principles:

- The credit approval process is the same for all types of credit application in that it ensures dual decision-making. Therefore, any credit application, except in a number of predetermined exceptional cases, must be approved by the Risk and Commercial functions.
- After prior cross-examination, decisions are taken jointly by the Risk and Commercial functions for applications assigned by delegating powers at the local as well as head office levels as part of a multi-level pyramid structure. Should both functions fail to find a consensus, the application may be referred to a higher hierarchical level which will act as potential arbiter.
- An escalation procedure exists (L+1) in the event of any disagreement between the Risk and Commercial functions.

#### Bodies

The following diagram provides an overview of the credit approval process:




- Responsibility for putting together the credit application is incumbent on the Commercial function due to it having a commercial relationship with the customer
- A cross-examination of the credit application is carried out by credit analysts from the Risk function
- Decisions are taken jointly by the Risks and Commercial functions based on their respective levels of delegations of power
- Responsibility for setting up the loan rests with the back office, a body that is independent of the Risk and Commercial functions.

#### A choice of decision-making channels

To make the notification process more straightforward, each credit application must adhere to the single decision principle.

Credit decisions are either taken by circulating the application or by holding a Credit Committee, either in person or digitally.

#### Delegation of powers

The credit decision-making process is based on a system of delegation of powers that derives from the powers granted by an entity's Board of Directors to employees or groups of employees, within the limits deemed appropriate.

Powers may be sub-delegated on the basis of the organisational structure, business volumes, products and risks.

Powers are delegated to employees on an intuitu personae basis as a function of their critical thinking capabilities, experience, personal and professional attributes and training.

#### Approval rules

Credit approval decisions are subject to review by the Commercial function and Risk function based on the dual decision-making principle and depending on the approval levels.

The existing credit delegation system defines the number of decision levels as follows:

- An initial 'local' level within each subsidiary
- A 'hub' level – BOA Group and International Banking
- A 'head office' level within BANK OF AFRICA.

Powers may be sub-delegated to the local level within the entity on the basis of the organisational structure, business volumes, products and risks.

#### The contents of a credit application

Any application to set up a credit line must meet the product's eligibility criteria in accordance with each credit product's profile factsheet. Any credit decision is made on the basis of a standard credit application, the format of which is defined in conjunction with the relevant Commercial and Risk functions and in coordination with the Group Risks Division.

A credit application is prepared for each counterparty or transaction to which the entity wishes to make a commitment or to which the entity has already made a commitment in the case of an annual review or a renewal on the basis of the documents provided by the customer as specified in the product checklists.

The documents checklist to be provided by the customer and the analysis framework are standard at Group level and are governed by the type of credit in question. The contents of a credit application must provide decision-makers with the necessary qualitative and quantitative information and analysis to enable them to make an informed credit decision.

The Commercial function responsible for preparing the credit application is also responsible for its contents.

The credit application remains the sole reference document required to take a credit decision. It must therefore be properly signed and stamped to be valid at the requisite level of the responsibility chain.

## RATINGS SYSTEM

BANK OF AFRICA has an internal ratings system covering several customer segments.

### Ratings system's guiding principles

#### One and only one rating

A rating is attributed to each customer, each customer being treated as a Group third party code. The ratings process is carried out for each Group third party code so that a third party has one and only one rating. BANK OF AFRICA therefore ensures that one and only one rating is assigned to each assessed counterparty.

#### Integrity

In accordance with regulatory guidelines, ratings attributions and their periodic revisions must be carried out or approved by a party that does not directly benefit from the loan being approved. This concept of integrity when assigning a rating is a key aspect of the credit risk management charter, which seeks to encourage and ensure that the ratings process is truly independent.

#### Uniqueness

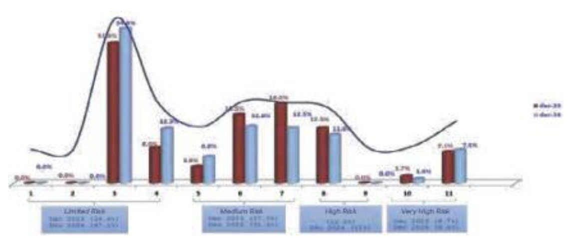
For each of the Bank's third parties, a specific code is assigned to each counter party type. Each third party is therefore rated using a template corresponding to a benchmark counterparty. As a result, for each third party, which has a particular and therefore unique counterparty type, the appraisal is carried out with the help of a single ratings template, but with characteristic data that are specific to the counterparty in question. BANK OF AFRICA is therefore able to ensure that the rating assigned to each counterparty is unique.

### Ratings scale

Based on the ratings scale adopted by BANK OF AFRICA Group, the final counterparty rating ranges from 1 to 11:

| CATEGORY | | CLASS | DEFINITION |
|---|---|---|---|
| *Investment grade* | Limited Risk | 1 | Extremely stable short- and medium-term; very stable long-term; solvent despite serious disruptions |
| | | 2 | Very stable short- and medium-term; stable long-term; sufficiently solvent despite persistently negative events |
| | | 3 | Solvent short- and medium-term despite significant difficulties; moderately negative developments can be withstood long-term |
| | | 4 | Very stable short-term; no expected change to threaten the loan in the coming year; sufficiently solid medium-term to be able to survive; long-term outlook still uncertain |
| | Medium Risk | 5 | Stable short-term; no expected change to threaten the loan in the coming year; can only withstand small negative developments medium-term |
| | | 6 | Limited ability to withstand unexpected negative developments |
| | | 7 | Very limited ability to withstand unexpected negative developments |
| *Sub-investment grade* | High Risk | 8 | Limited ability to repay interest and principal on time; any change in internal and external economic and commercial conditions will make it difficult to fulfil obligations |
| | | 9 | Incapable of repaying interest and principal on time; fulfilling obligations dependent on favourable internal and external commercial and economic conditions |
| | Very High risk | 10 | Very high risk of default; incapable of repaying interest and principal on time; partial default in repayment of interest and capital |
| | | 11 | Total default in repayment of interest and capital |

At 31 December 2024, the breakdown of loan commitments by risk category was as follows:



### Retail customer scoring system

The retail customer scoring system consists of statistically modelling defaulting retail customers and their risk behaviour.

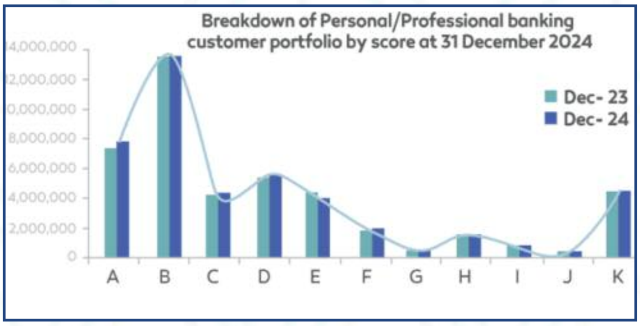
Two types of scores have been introduced, a behavioural score and a credit approval score.

The behavioural score, for accounts already opened, is a dynamic risk assessment based on a customer's behaviour. Only customers that are known to the Bank may be assigned a behavioural score.

Each of the Bank's customers is assigned a rating from A to K which is updated on a monthly basis and on a daily basis in the event of any incident.

| Rating | Description |
|---|---|
| A | Very low risk |
| A- | |
| B | Low risk |
| B- | |
| C | Average risk |
| C- | |
| D | Average- high risk |
| D- | |
| E | |
| E- | High risk |
| F | |
| F- | Very high risk |
| G | Major risk |
| G- | |
| H | Proven risk |
| H- | |
| I | Sub-standard |
| J | Doubtful |
| K | Impaired |

Four separate behavioural scoring models have been introduced for specific market segments: personal banking customers, professional banking customers, Moroccans living abroad and small businesses.




The credit approval score is a one-off rating that is assigned on opening a line of credit. New and existing customers are assigned a credit approval score.

A decision support system has been introduced for approving consumer loans.

## CREDIT RISK CONTROL AND MONITORING PROCEDURE

The procedure for monitoring and steering credit risk provides second level control. It operates independently of monitoring carried out by the Commercial function on a daily basis.

The way in which this system is applied may be adapted to the specific character of each subsidiary in concertation with the Group Risks.

The checks carried out by the various entities reporting to the Group Risks are primarily aimed at ensuring that the advanced alert system is efficient both in terms of risk management and the Commercial function being able to anticipate potential risks so that the Bank's loan portfolio is managed appropriately. The Group Risks, through the Loan Commitments Permanent Monitoring Division, also ensures that the Commercial function is properly monitored and alerted to any conspicuous shortcomings.

The main operational responsibilities of the Group Risks, as part of its remit for monitoring and steering credit risks, are to:

- Ensure a priori checks
- Ensure a posteriori checks
- Identify and monitor the portfolio of loan commitments in accordance with a number of analytical criteria such as product type, maturity, beneficiary, business sector, branch, geographical zone etc.
- Set and monitor concentration limits
- Detect high-risk accounts and ensure that they are monitored
- Classify the non-performing loan portfolio according to regulatory criteria and recognise the appropriate provisions
- Conduct stress tests
- Produce and file regulatory reports and ensure internal steering.

### A priori checks

A priori checks include all compliance checks carried out prior to a credit line's initial authorisation and use. These checks are carried out in addition to automated checks as well as checks carried out by the Commercial Division, Backoffice and Legal Department etc.

These checks, which are implemented by entities reporting to the Group Risks, primarily relate to:

- Credit proposal data
- Compliance with the appropriate delegation level
- Legal documentation compliance
- Conditions and reservations expressed before initial use of funds or the facility
- Data entered into IT systems.

### Individual counterparties

The Group monitors individual concentrations at the parent and consolidated levels on a monthly basis. It closely monitors the commitments to its 10, 20 and 100 largest customers by commitment. The following table shows commitments to the Bank's main debtors at the end of December 2024:

| | December 2023 | |
|---|---|---|
| | Amount disbursed | % of the total |
| COMMITMENTS TO 10 LARGEST CUSTOMERS | 30 721 | 21.68% |
| COMMITMENTS TO 20 LARGEST CUSTOMERS | 40 374 | 28.49% |
| COMMITMENTS TO 100 LARGEST CUSTOMERS | 62 103 | 43.83% |

### Interest groups

Portfolio diversification by counterparty is monitored on a regular basis, particularly within the framework of the Group's individual concentration policies. Credit risk exposure to counterparties or groups of counterparties with relatively sizeable loans, amounting to more than 5% of the Bank's capital, are specifically monitored, both on an individual and consolidated basis.

Furthermore, controlling major risks also ensures that the aggregate risk incurred for each beneficiary does not exceed 20% of the Group's net consolidated capital, as required by Moroccan banking industry regulations. BANK OF AFRICA Group ensures that it complies with the concentration thresholds stipulated in Bank Al-Maghrib's directive.

### Counterparties from the same business sector

The chosen methodology for setting sector limits is based on a statistical model which includes historical default rates and the number of counterparties by business sector and by risk category (rating).

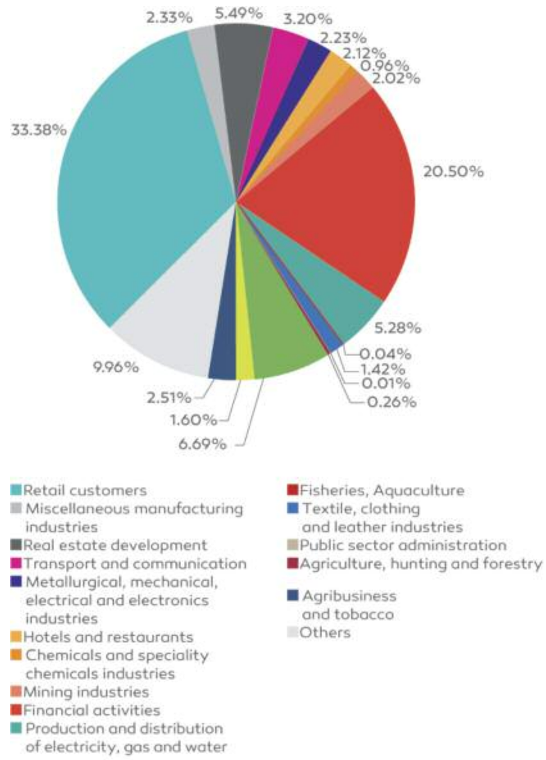
The goal is to model the probability of default by using appropriate econometric techniques and a dependent random variable whose value is derived from the number of default occurrences.

This procedure is based on the assumption that counterparties are independent and that the defaulting events are not correlated. The key concept underlying this methodology is the probability of default for a given counterparty. This probability is measured by using the rate of default of the business sector-risk category pair.

The model also enables the Bank to identify priority sectors for credit expansion in the context of the Bank's development plan as well as bad loan experience by sector. This approach, adopted by the Group Risks Division, is complemented by back-testing the model every six months.

Sector-specific limits are reviewed every six months in consultation with commercial units and the Bank's Economic Intelligence Centre which provide operational experience as well as estimates of macroeconomic and industry growth. The opinions of these entities help to challenge and provide further confirmation of the model's suitability in a given economic context.

**Breakdown of the Group's loan commitments to customers by business sector at 31 December 2024:**




### Conducting stress tests

Every six months, BANK OF AFRICA Group conducts crisis simulations (stress tests) to assess the vulnerability of its credit portfolio in the event of an adverse event or deterioration of the quality of its counterparties.

The stress tests are conducted to assess the Bank's resilience in the face of unexpected, extreme events. Practically, they consist of simulating scenarios relating to the default of a certain percentage of the Group's counterparties. The ultimate objective is to measure the impact on provisioning and, as a result, on profitability and prudential capital.

The various scenarios are regularly reviewed twice per year to ensure that they are relevant. This assessment is carried out based on the objectives set for conducting stress tests and whenever market conditions suggest any potentially adverse changes that are likely to seriously impact the Group's ability to withstand them.

### A posteriori checks

Like a priori checks, a posteriori checks are also carried out by the entities reporting to Group Risks.

The aim of these checks is to evaluate, mitigate and monitor credit risks for the portfolio as a whole rather than on an individual counterparty basis. Special attention is therefore paid to credit quality, to pre-empting and preventing abnormalities and risks as well as ensuring that the Commercial function is involved in controlling and monitoring risks.

#### Steering the loan commitments portfolio

The loan commitments portfolio of the Group and of its subsidiaries is steered using a number of risk indicators relating to credit approval risks as well as those arising during the loan's duration.

Multi-criteria analysis of the loan portfolio is a way of controlling risks retrospectively. This consists of identifying and tracking all loan commitments of the Group and of its subsidiaries based on a number of criteria such as products, maturities, customers, business groups, customer segments, counterparty ratings, asset categories (healthy and non-performing), business sectors, agencies, geographical areas, types of security etc. Multi-criteria analysis is a credit risk management tool.

The Credit Risks function is responsible for carrying out multi-criteria analysis of the loan portfolio. It is also responsible for reporting on credit risks, both within the Group to the Risk Committees and to senior management, and externally, to regulators.

### System for detecting risks and anomalies

High-risk accounts and those showing anomalies represent a risk that is likely to subsequently increase and therefore generate a cost for the Bank. These consist of customer loan commitments that are still healthy, but which reveal:

- Either a visible deterioration in risk quality as measured against quantitative criteria (doubtful – in arrears, sub-standard, frozen – lack of any ledger entry and overdrawn, persistent overruns, etc.)
- Or a potential deterioration in risk quality as measured against qualitative criteria, which is likely to further deteriorate and therefore generate an expense for the Bank. These indicators may include incidents of a legal nature (garnishee orders, attachments, etc.) or account-related incidents (loss of income, overdrawn balances, maturing authorisations or guarantees, etc.) or negative information specific to a counterparty (non-performing loans at a competitor bank, deterioration in either its financial position or its credit quality or collateral).

The classification criteria adopted by the Bank in the very least satisfy the regulatory requirement of BAM Circular 19/G/2002 in respect of the loan's degree of risk (impaired, doubtful, sub-standard).

The main examples of this type include:

- Debit balances on demand accounts for which no actual credit entry has been recorded covering at least the overdraft fees charged to these accounts as well as a significant part of the said debit balances
- Outstanding amortised loans that have not been settled within 30 days of their maturity date
- Outstanding loans repayable by means of a single repayment that have not been settled within 30 days of their maturity date
- Outstanding loans recovery of which may be jeopardised due to considerations relating mainly to a significant structural financial imbalance, to the deterioration of the counterparty, to incidents or disputes relating to the main shareholders (death, receivership or liquidation, etc.), or to difficulties within the counterparty's business sector.
- Loss of income, overdrawn balances, maturing authorisations or guarantees, etc. or negative information specific to the counterparty (non-performing loans at a competitor bank, deterioration in either its financial position, its credit quality or collateral), incidents or disputes relating to the main shareholders (death, receivership or liquidation, etc.), or difficulties within the counterparty's business sector.

Furthermore, other risk criteria relating to credit dossiers are rigorously monitored by the Bank's various entities such as:

- Loan arrears committees
- Unsecured collateral (beyond expiry of the notary public's commitment period)
- Credit lines that remain unused for more than 6 months
- Funded projects revealing irregularities or difficulties that may impact the ability or likelihood of repayment

These classification criteria stipulated by BAM's Circular 19/G are for the Bank the minimal requirements in terms of monitoring and presenting loan dossiers to the Loan Commitments Monitoring Committee.

In fact, Group Risks and the Commercial and Sub-standard Loan Recovery functions detect, monitor and submit for analysis and review by the Loan Commitments Monitoring Committee each customer loan that they consider sufficiently sensitive for it to be discussed.

As such, the Group Risks Division, via Permanent Monitoring of Commitments (PSPE), is the designated reference data source relating to risk criteria detection and has prerogatives relating to analysing and qualifying these data.

#### Concentration limits

Credit Risk Management has adopted a policy of analysing business line strategies from a risk perspective, especially in respect of new activities or product launches, by setting formal limits on these risks. Credit concentration risk incurred by BANK OF AFRICA Group can arise from exposure to:

- Individual counterparties
- Interest groups
- Counterparties from the same industry or country.

The results of the stress tests are made known to the Group Risk Steering and Management Committee and the Group Risks Committee.

## COUNTRY RISK

Country risk is defined as the possibility that a sovereign counterparty in a given country, as well as other counterparties in this country, is unable or refuses to fulfil its foreign obligations due to socio-political, economic or financial reasons.

Country risk can also result from limits on the free movement of capital or due to other political or economic factors, in which case it is qualified as transfer risk. It can also result from other risks related to the occurrence of events impacting the value of commitments for a given country (natural disasters, external shocks).

The primary objective of the Group's country risk policy is to implement a system for assessing, limiting, reducing and, if necessary, prudently suspending its commitments to high-risk countries across the Group, in a synchronised manner and on a Group-wide scale.

The country risk policy includes the strategy for managing country risk as well as rules for identifying, managing and controlling these risks as well as the Group entities responsible. The main feature of this risk prevention policy is the system of delegation and limitation of commitments.

This system has been designed in such a way that limits rise in proportion to the increase in country risk. The level of commitments is determined on the basis of the country risk level, reflected in the rating attributed to each country and the percentage of shareholders' equity of each Group entity.

BANK OF AFRICA Group commitments are mainly with corporates and sovereign clients. These commitments are subject to:

- Post-rating authorisation and fundamental analysis of each counterparty;
- Continuous monitoring through reports that provide an overview of BANK OF AFRICA Group's commitments.

In addition to these reportings, Group Risks Management develops a monthly analytical report on the foreign exposures of BANK OF AFRICA. This report is used to assess the level of foreign exposure of BANK OF AFRICA Group and serves as a dashboard for monitoring the evolution of the risk inherent in each country. The Group's country risk policy is illustrated as follows:


**• Exposure limits by country**

As part of the Country Risk Management process, the Group's banking subsidiaries are required to calculate country limits by considering qualitative and quantitative criteria when appraising risk and the extent to which the bank is capitalised.

As such, country limits are set on the basis of each country's risk profile, quantitative and qualitative indicators as well as past consolidated levels of exposure.

These limits are regularly reviewed and readjusted in the wake of an updated appraisal of each country and the occurrence of any factor likely to substantially impact the former (suspension, reduction or even removal). These macro-limits are proposed by Group Risks and submitted for approval by the Group Risks Committee.

**• Country risk mapping**

The Bank's country risk appraisal is based on the ratings of external rating agencies (e.g. S&P) which provide a rating for more than 80% of the world's countries and have a high level of expertise and know-how on the issues and future challenges faced by countries.

The Bank uses ratings from Coface, a credit insurer, for those countries not rated by S&P. Country reports published by BANK OF AFRICA's Economic Intelligence Centre (CIE) are also used to provide further insight as well as providing inputs for risk mapping.

The Bank's risk mapping system sees countries assigned a specific risk profile on a 6-category scale: Excellent risk profile, Very good, Good, Moderate, High and Extreme. This scale is benchmarked to S&P's rating with each tranche referring to a precise level of risk. This approach enables the Bank to appraise risk accurately.

## LIQUIDITY AND INTEREST RATE RISK MANAGEMENT SYSTEM

BANK OF AFRICA has adopted a system for steering balance sheet risks such as liquidity and interest rate risks to enable it to continuously monitor their development as a function of financial market trends and their impact on the Bank's operations.

In order to maintain balance sheet stability over the medium to long term, the liquidity and interest rate risk management system is designed to:

- Ensure earnings stability when interest rates change, thereby maintaining net interest income and optimising the economic value of equity
- Ensure an adequate level of liquidity, thereby enabling the Bank to meet its obligations at any given time and protect it from any eventual crisis
- Ensure that the risk inherent in its foreign exchange positions does not have a negative impact on the Bank's profit margins
- Steer the Bank's strategy in such a way as to be able to take full advantage of any possible growth opportunities.

The Bank has established an ALCO committee to ensure that these targets are met. The main tasks of this committee are as follows:

- Set asset-liability policy
- Organise and steer asset-liability sub-committees
- Possess in-depth knowledge of the types of risk inherent in the Bank's operations and keep abreast of any changes in these risks as a function of financial market trends, risk management practices and the Bank's operations
- Review and approve procedures aimed at mitigating the risks inherent in the Bank's operations in terms of credit approval, investments, trading and other significant activities and products
- Master the reporting systems that measure and control the main risk sources on a daily basis
- Regularly review and approve risk limits as a function of any eventual change in the Group's strategy, approve new products and react to significant changes in market conditions
- Ensure that the different business lines are properly managed by HR and that the latter possesses an appropriate level of competence, experience and expertise in relation to the activities that they oversee.

**Responsibilities of the different departments involved in interest rate and liquidity risk management**

Every department within the Bank is involved in ensuring short- and medium-term balance sheet stability with the responsibilities of each party clearly defined in respect of interest rate and liquidity risk management.

In this regard, each of the Bank's entities has its own medium-term budget/goals, approved by the Executive Committee. This enables the relevant bodies to monitor and control, in an orderly manner, implementation of the three-year plan whilst ensuring balance sheet stability and compliance with regulatory capital requirements.

The ALM department regularly monitors developments in the Bank's balance sheet structure by comparison with the plan and will signal any divergence at ALCO Committee meetings, attended by representatives of each entity to ensure that any required corrective measures are taken.

**Liquidity risk**

The Bank's strategy in terms of liquidity risk management aims to ensure that its financing mix is adapted to its growth ambitions to enable it to successfully expand its operations in a stable manner.

Liquidity risk is the risk of the Bank being unable to fulfil its commitments in the event of unforeseen cash or collateral requirements by using its liquid assets.

Such an event may be due to reasons other than liquidity, for example, significant losses that result from defaulting counterparties or due to adverse changes in market conditions.

There are two major sources of liquidity risk:

- The institution's inability to raise the required funds to deal with unexpected situations in the short term, such as a massive deposit withdrawal or a maximum drawdown of off- balance sheet commitments
- A mismatch of assets and liabilities or the financing of medium- or long-term assets by short-term liabilities.

An acceptable liquidity level is a level that enables the Bank to finance asset growth and to fulfil its commitments when they are due, thereby protecting the Bank from any eventual crisis.

Two indicators are used to evaluate the Bank's liquidity profile:

- The Liquidity Coverage Ratio (LCR), which stood at 178% on a consolidated basis at 31 December 2024, above the regulatory requirement of 100% set by Bank Al-Maghrib
- The Bank's cumulative gap profile – this method of periodic or cumulative gaps in dirhams and in foreign currencies helps measure the level of liquidity risk incurred by the Bank over the short, medium and long term.

This method is used to estimate net refinancing needs over different time periods and to determine an appropriate hedging strategy.

**Interest rate risk**

Interest rate risk is the risk that future changes in interest rates have a negative impact on the Bank's profitability.

The senior management of the entity in question, General Management and the Board of Directors are regularly notified of operational risk exposure and any losses incurred. The management system is properly documented, ensuring compliance with a formalised set of checks and internal procedures and corrective measures in the event of non-compliance.

Internal and/or external auditors are invited to periodically review management processes and systems for measuring operational risk. These audits relate to units' activities and the independent operational risk management function.

Operational risk management at BANK OF AFRICA Group has been entirely automated by means of specialised MEGA HOPEX software. This software is now used to collect risk events and map operational risks and key risk indicators.

### Operational risk control and mitigation

Several types of attitudes may be envisaged to manage operational risks:

- Reinforce checks
- Hedge risks, especially via insurance contracts
- Avoid risks, in particular by redeploying activities
- Draw up business continuity plans
- Closely monitor to ensure that risk limits or assigned thresholds are complied with.

BANK OF AFRICA Group has a very strong control policy, resulting in a significant reduction in operational risks. However, in terms of operational risk management, over and above its risk control policy, the Group is at liberty to find the best possible solution on a case-by-case basis, depending on the different types of risks described above.

Additionally, the Group has insurance policies to mitigate risks such as damage to office buildings, fraud, theft of valuable items and third-party liability cover, etc.

### Business Continuity Plan

The Business Continuity Plan is a response to the rising demand to minimise the impact in the event of any interruption to the Bank's operations. This is due to a growing reliance on the resources underpinning those operations, including human, IT or logistical resources.

The Plan comprises a set of measures and procedures aimed at ensuring that the Bank, under different crisis scenarios such as a major shock, is able to maintain essential services in fail-soft mode on a temporary basis, prior to the planned resumption of normal operations.

A targeted rescue organisation has been set up, along with alternative locations and backup systems. A specific project is underway at Group level, with disaster avoidance planning a priority.

The strategic transversal principles underpinning the Business Continuity Plan are as follows:

- BANK OF AFRICA has a moral responsibility to allow its customers access to the funds that they have entrusted to it. Any breach of this obligation in times of crisis may have an impact on public order.

This principle shall prevail above any other.

- BANK OF AFRICA must guarantee its commitments towards Morocco's interbank clearing system
- BANK OF AFRICA intends, as a priority, to comply with every one of the existing legal and contractual commitments entered into (relating to loans and other commitments) before it enters into any other commitment
- BANK OF AFRICA intends to maintain its international credibility by guaranteeing, as a priority, its commitments vis-à-vis foreign correspondents
- BANK OF AFRICA Group's existing customers take priority over all others that might benefit from its services
- Services are provided along the entire chain from front-office to back-office e.g. from branch level up until recognition in accounting terms.

## ICAAP SYSTEM

The Internal Capital Adequacy Assessment Process (ICAAP) is a process for assessing the adequacy of internal capital. Its purpose is to ensure that the Bank, on a continuous basis, has adequate internal capital in relation to its risk profile.

The ICAAP system is based on seven components: risk taxonomy, risk appetite, economic capital adequacy, risk governance and policies, capital management, system of limits and stress test system.

The process involves:

- Planning a level of capital that is aligned with
- • The business and performance objectives
- • The risk management strategy (risk appetite, current risk structure and targets)
- Allocating capital optimally, based on a quantification of risk for different categories (industry, market, product, geographical area, etc.)
- Managing capital and its use in a way that is consistent with the risks inherent in the business

Risk appetite is determined and applied based on the following:

- Analysis and assessment of all of the main risks to which the Group is exposed through the risk taxonomy

## OPERATIONAL RISK

Operational risk is defined as the risk of loss due to inadequate or failing internal procedures, employee error, systems failure or external events, which are liable to impact the smooth running of the business.

### Operational risk management policy

#### Aim of managing operational risk

Operational risk management policy has three aims:

- Identify, analyse and evaluate operational risks
- Evaluate internal checks
- Monitor operational risks via alert indicators.

Operational risk is managed by adopting preventive and/or corrective action for the major risks identified.

The risk management system is regularly reviewed and monitored to ensure its ongoing improvement.

#### Classification

Operational risks may be analysed, classified and ranked on the basis of the following factors: cause, effect (financial impact or otherwise), score, qualification, level of control and event type under Basel.

#### Links to other risk types (market risk/credit risk)

The management of operational risks is potentially linked to managing other risks (market risk/credit risk) at two levels:

- At a general level, analysis of the Bank's overall level of risk aversion (in terms of allocation of capital) must be carried out and "trans-risks" monitored
- At a specific level, certain operational risks may be the cause of market risk or credit risk.

#### Operational risk management organisation

The framework governing operational risk management within BANK OF AFRICA Group is based on three main objectives:

- Define a target policy consistent with BANK OF AFRICA Group's business organisation, inspired by best practice
- Involve and empower business lines and subsidiaries in the day-to-day management of operational risk management
- Ensure that the audit-control and operational risk management functions are kept separate.

Operational risk management at BANK OF AFRICA Group involves four major entities:

- The Group Operational Risk division at BANK OF AFRICA's head office
- BANK OF AFRICA's branch network
- BANK OF AFRICA's business divisions
- Subsidiaries.

Operational risks coordinators have been appointed by the aforementioned entities. These include:

- Operational Risk Correspondents (CRO)
- Operational Risk Coordinators (CORO)
- Operational Risk Liaison Officers (RRO).

The operational risk management's remit also extends to the Group's subsidiaries.

#### Governance of operational risk management

Governance of operational risks within BANK OF AFRICA Group is carried out by three operational risk Committees:

- Group Operational Risk Committee, an offshoot of the Group Risk Steering and Management Committee, the results of whose work are presented to the Group Risks Committee, which reports directly to the Board of Directors
- Operational Risk Monitoring Committee
- Operational Risk (Subsidiaries) Committee.

These committees are tasked with periodically:

- Reviewing changes in operational risk exposure and the environment for controlling such risks
- Identifying the main areas of risk in terms of activities and risk types
- Reviewing the state of progress of the preventive and corrective action plans drawn up with a view to dealing with and mitigating the major operational risks
- Reviewing the amount of capital to be allocated to operational risks, the cost of preventive action required and the cost of insurance.

#### Fundamental methodology principles

BANK OF AFRICA Group's operational risk management policy is underpinned by two strategic priorities:

- Reduce exposure to operational risks
- Optimise capital requirements relating to hedging operational risks.

The internal system for measuring operational risks is closely linked to the Group's day-to-day risk management process via:

- Risk events collection
- Mapping operational risks
- Key risk indicators

The data produced form an integral part of these processes of monitoring and controlling the operational risk profile.

- Price action in the dirham exchange rate similar to that of USD
- The knock-on effect of EUR/USD volatility on EUR/MAD and USD/MAD rates
- The knock-on effect of EUR/USD volatility on EUR/MAD volatility and USD/MAD volatility

**• Stress-testing by risk factor**

BANK OF AFRICA Group conducts stress tests in order to evaluate the vulnerability of the Group's trading portfolio under extreme scenarios. Stress tests encompass every component of the trading portfolio by simulating all risk factors that might impact it.

The results of stress tests in terms of the impact from interest rate risk, foreign exchange risk and equity risk on the trading portfolio are outlined below.

**a - Fixed income portfolio**

**1st scenario:** A 25 basis point parallel shift in the yield curve.

This scenario would result in a MAD 66 million impact on the P&L.

**2nd scenario:** A 50 basis point parallel shift in the yield curve.

This scenario would result in a MAD 131 million impact on the P&L.

**b- Equity portfolio**

**1st scenario:** A 15% fall in the value of the equity portfolio.

This scenario would result in a MAD 24 million impact on the P&L.

**2nd scenario:** A 25% fall in the value of the equity portfolio.

This scenario would result in a MAD 40 million impact on the P&L.

**c- Foreign exchange**

**1st scenario:** A 2.5% rise or fall in the value of the dirham.

This scenario would result in a MAD 5 million impact on the P&L.

**2nd scenario:** A 5% rise or fall in the value of the dirham.

This scenario would result in a MAD 9 million impact on the P&L.

The impacts of the stress tests show that BANK OF AFRICA Group has adequate capital to withstand adverse stress scenarios and to be able to comply with regulatory standards, even in crisis situations.

## CAPITAL USE

BANK OF AFRICA Group uses Risk Authority software to calculate capital requirements under the standardised approach for market risks. This enables it to meet regulatory requirements in terms of reporting and monitor capital requirements regarding the Group's trading portfolio.

Consolidated capital requirements in respect of market risk at 31 December 2024 were as follows:

| RISK TYPE | December 2024 |
|---|---|
| Fixed income risk | 739 |
| Equity risk | 63 |
| FX risk | 26 |
| Total capital required in terms of market risk | 828 |
| Total market risk-weighted assets | 10 346 |

in MAD millions

## METHOD FOR VALUING TRADING PORTFOLIO ITEMS

### Dirham-denominated fixed income and money market instruments

Market values of fixed income and money market assets are calculated on Kondor+ using the dirham yield curve published by Bank Al-Maghrib and each transaction's characteristics.

### Money market and fixed income mutual funds

Mutual funds are valued on the basis of net asset value calculated on a daily or weekly basis.

### Foreign currency-denominated fixed income products

Foreign currency-denominated fixed income products are valued on Kondor+ on the basis of the yield curves for the foreign currencies in question and each transaction's characteristics.

### Foreign exchange options

Foreign exchange options are valued on the following basis: volatility curve, yield curves (EUR, MAD and USD) and foreign exchange crosses for the three currencies.

The foreign exchange options position is included in the overall foreign exchange position using the delta equivalent method.

### Overall foreign exchange position

Branch-based foreign exchange transactions are executed at BANK OF AFRICA's fixing rate (non-negotiable rate).

A final statement of orders awaiting execution is transmitted to the Foreign Exchange Desk on day 'N' which deals with it immediately. On 'N+1' in the morning, the Middle Office receives a statement highlighting possible amendments to Network positions and updates on Kondor+.

### Positive Fair Value of Contracts (guarantees)

Guarantees relating to market risks concern repo agreements. The latter are securities sold under repurchase agreements in order to raise funds.

- The Group Market Risks Committee, which ensures that the system for steering BANK OF AFRICA Group's market risks is effective and consistent with the policy for managing the Group's market risks
- The Group Market Risks unit which, as a separate department from the Group's front-office, centralises management of BANK OF AFRICA Group's market risk; this gives it maximum objectivity in steering market risks and in arbitrating between different market activities
- The risk management units of BANK OF AFRICA Group entities, which ensure first level control of market activities within their own entities and report back to Group Risk Management
- Group General Control, which ensures implementation of the market risk management system and rigorous compliance with procedures.

### Description of market risk management system

BANK OF AFRICA Group's market risk management system is structured around three main aspects:

- Limits
- Risk indicators
- Capital requirements.

### Limits

**• Counterparty limits on market transactions**

The approval process for counterparty limits and applications to overrun those limits in market transactions is governed within BANK OF AFRICA Group via a system of delegation of powers within a framework of procedures specific to each counterparty type.

Limits are set beforehand for market transactions in accordance with a scheme of delegation based on the troika principle.

**• Market limits**

In order to control market risk within BANK OF AFRICA Group and to diversify the trading portfolio, a set of market limits has been jointly adopted. These limits reflect the Group's risk profile and help it steer market risk effectively by arbitrating between the various market activities. BANK OF AFRICA Group's set of market limits comprises the following:

- Stop-loss limits
- Position limits
- VaR limits

**• Trading limits**

Market limits are determined using VaR. The system for managing limits is dynamic and takes into account fluctuations in various risk factors as well as existing correlations so as to best appraise the extent to which the trading portfolio is diversified.

**• Regulatory limits**

In addition to limits adopted for internal purposes, BANK OF AFRICA Group also complies with regulatory limits defined by Bank Al-Maghrib including:

- Limits on foreign currency positions which should not exceed 10% of shareholders' equity
- Limits on the overall foreign exchange position which should not exceed 20% of shareholders' equity.

### Risk indicators

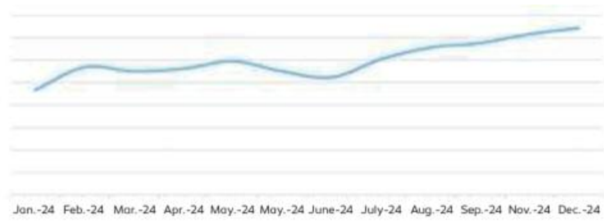
A variety of risk indicators, reflecting the level of exposure to market risk, are used by BANK OF AFRICA Group:

**• Overall value-at-risk (VaR) and by asset class**

Value-at-Risk is a technique used to quantify overall market risk. It helps to quantify the risk incurred by calculating the potential loss over a given time horizon and the degree of probability.

Unlike traditional risk indicators, Value-at-Risk combines several risk factors and measures their interaction, thereby taking into consideration portfolio diversification.

BANK OF AFRICA Group calculates overall Value-at-Risk by asset class on a daily basis as well as carrying out back-testing.




**• Stressed VaR**

The Group has developed different scenarios for calculating stressed VaR.

It selected a number of events that generated a high level of volatility in financial markets between 1 September 2014 and 1 September 2024. Examples of such events include:

- The failure of Silicon Valley Bank (SVB) in the United States
- The near collapse of Crédit Suisse bank and its takeover by UBS
- A USD 500 billion increase in the US budget deficit
- The Covid-19 pandemic

However, the reaction by Morocco's financial markets to these events was very limited. Therefore, the impacts observed on international markets were replicated in the Moroccan market:

- Price action in the Casablanca stock market similar to that of the United States

Changes in interest rates also impact the net present value of expected cash flows. The extent to which the economic value of assets and liabilities is impacted will depend on the sensitivity of the various components of the balance sheet to changes in interest rates.

Interest rate risk is measured by conducting simulation-based stress tests under a scenario in which interest rates are raised by 200 basis points as recommended by the Basel Committee.

The Bank's strategy in terms of interest rate risk management is aimed at ensuring earnings stability when interest rates change, thereby maintaining net interest income and optimising the economic value of equity.

Changes in interest rates may negatively impact net interest income and result in the Bank significantly undershooting its initial projections.

In order to counter such risks, the ALM department regularly steers the Bank's strategy by establishing rules for matching assets and liabilities by maturity and by defining a maximum tolerance departure threshold for net interest income by comparison with projected net interest income.

The method of periodic or cumulative gaps in dirhams and in foreign currencies helps measure the level of interest rate risk incurred by the Bank over the short, medium and long term.

This method is used to estimate asset-liability mismatches over different time periods and determine an appropriate hedging strategy.

**Sensitivity in the value of the banking portfolio**

Simulation-based stress tests are carried out to assess the impact from a change in interest rates on net interest income and on the economic value of equity.

At 31 December 2024, with the trading book portfolio excluded, the impact from a 200-basis points change in interest rates on net interest income was estimated at MAD +0.230 billion or +5.12% of projected net interest income (and MAD -0.236 billion for an interest rate variation of -200 basis points, i.e. -5.25% of projected net interest income).

The change in the economic value of shareholders' equity in the event of a 200-basis points shock, excluding the trading book portfolio, was an estimated MAD 1.178 billion or 8.47% of regulatory capital.

## MARKET RISK

Management of market risk at BANK OF AFRICA Group adheres to regulatory standards as defined by supervisory authorities in application of best international management practices, particularly the Basel Accords.

Market transactional risk is defined as the risk of incurring losses on balance sheet and off-balance sheet positions as a result of fluctuations in market prices. For BANK OF AFRICA Group, this type of risk notably encompasses:

- Interest rate risk
- Foreign currency risk
- Equity risk
- Credit risk for market transactions.

### Financial instruments mapping

The following table shows products traded as part of BANK OF AFRICA Group's trading portfolio, mapped by risk factor:

| | |
|---|---|
| Fixed income products | **I- Corporate and interbank loans/borrowings** |
| | Fixed rate (MAD and foreign currencies) |
| | Floating rate (MAD and foreign currencies) |
| | **II-Treasury bonds and negotiable debt securities** |
| | II-1 Sovereign bonds |
| | Fixed rate (MAD and foreign currencies) |
| | Floating rate (MAD and foreign currencies) |
| | II-2 Securities issued by credit institutions and companies |
| | Fixed rate (MAD and foreign currencies) |
| | Floating rate (MAD and foreign currencies) |
| | **III-Securities lending/borrowing** |
| | Securities lending/borrowing |
| | Repos/Reverse Repos |
| | **IV-Interest rate derivatives (MAD and foreign currencies)** |
| | Interest rate swaps |
| | Interest rate futures |
| | Forward rate agreements |
| Mutual funds | Money market mutual funds |
| | Bond mutual funds |
| | Equity mutual funds |
| | Composite mutual funds |
| Foreign exchange products | **I-Foreign exchange** |
| | FX spot |
| | FX forwards |
| | **II-FX derivatives** |
| | FX swaps |
| | FX options |
| Equity products | Equities |
| | Equity/index derivatives |
| Commodity products | Commodity futures |
| | Commodity options |
| | Commodity swaps |

### Market risk management policy

#### Governance

The main contributors to BANK OF AFRICA Group's market risk management policy are:

- The Group Risks Division, which implements market risk management strategies and policies approved by the Board of Directors
- The Group Risks Committee, which defines the Group's market risk management policy and approves any change in steering risks in market operations implemented by any of the Group's entities

- Assessment of the Group's capacity for risk-taking. The overall risk appetite must not exceed this risk-taking capacity
- The Group's projected profitability and solvency over a three-year timeframe, as considered for the construction of the strategic development plan
- Application of the risk appetite across the Group, taking into account the risk profile / profitability of the operational units and their growth prospects
- Definition of steering indicators and implementation of a traffic light system
- Division of the indicators into two levels – level 1 and level 2
- Definition of a framework for steering indicators in coordination with the Bank's different entities and a system for sending alerts to management bodies and administrative bodies.

The Group's risk appetite is formalised and reviewed annually in a Risk Appetite Statement that defines the target values, limits and thresholds underpinning its risk profile. Risk appetite is also steered through a series of indicators (levels 1 and 2) and a system for sending alerts to management bodies and administrative bodies based on a traffic light approach.

All indicators and their thresholds are implemented and approved by the Group Risks Committee and tracked by the Executive Committee.

The Group Risks function ensures that the risk appetite framework is consistent with the Bank's strategy and with the various systems put into place (business model, strategic development plan, ICAAP and Internal Crisis Recovery Plan).

## INTERNAL CRISIS RECOVERY PLAN (PRCI)

The Internal Crisis Recovery Plan (PRCI) is a management system introduced in compliance with Bank Al-Maghrib's Circular 4/W/2017, aiming to present the measures planned by the institution to restore its financial viability in response to potential extreme shocks.

The purpose of this prevention system is to assess BANK OF AFRICA Group's resilience, as a systemic institution, in the event of an extreme crisis and to identify the key drivers to restore its viability in terms of solvency, liquidity, asset quality and profitability. The various risks to which the group is exposed are covered by this PRCI.

The Bank draws up an inventory of its core businesses, significant entities and critical functions, and drafts and updates its PRCI on that basis. The PRCI is reviewed by the Group Risk Steering and Management Committee (management body) and approved by the Group Risks Committee (administrative body), which validates its overall coherency.

The Bank steers its internal crisis recovery plan by setting two early alert thresholds and one threshold that triggers recovery measures for a certain number of indicators (solvency, liquidity, profitability, etc.). These thresholds are set and approved based on their alignment with the Group's risk profile and its risk appetite.

The two early alert thresholds make it possible to anticipate the occurrence of a crisis and to determine palliative actions that can be implemented to control risks. The trigger threshold sets the internal crisis recovery plan in motion.

The Bank's recovery measures are established based on a governance escalation process for crisis management.

Four categories of recovery measures have been defined:

**1. Operational measures**

**2. Disposal measures**

**3. Liquidity measures**

**4. Equity measures**

For each measure taken, the following criteria are considered:

- Speed and complexity of implementation
- Legal and regulatory prerequisites to implementation
- Managers in charge of implementation and bodies responsible for validation
- Impacts of implementation (on profitability, liquidity, weighted risks, capital and solvency)

The PRCI is updated annually to ensure compliance with relevant regulatory requirements.

## THE ENVIRONMENT, CLIMATE CHANGE AND SOCIAL RESPONSIBILITY

Underpinning BANK OF AFRICA - BMCE Group's management framework relating to its undertakings regarding the environment, climate change and social responsibility is a set of values and an underlying commitment to respecting human rights and the environment. This framework has been adopted by each of the Group's banking and banking-related subsidiaries. It should also be noted that this framework applies to all financial products and services offered by the Bank.

As a result, BANK OF AFRICA - BMCE Group factors sustainable development considerations and goals into its commercial approach and manages the environmental, climate-related and social risks associated with its commercial commitments.

Risks arising from environmental, climate-related and social (ECS) factors are inherent in any financial transaction. They translate into financial, legal, collateral-related or reputational impacts on the Bank.

The ECS risk identification, measurement and internal analysis systems are now tied in with the day-to-day operational risk management process.

## CAPITAL ADEQUACY

BANK OF AFRICA Group has opted for the standardised approach to calculating risk-weighted assets as prescribed by Bank Al-Maghrib circulars, requiring banks to have a Tier 1 capital ratio of 9% and a solvency ratio of 12% at both the parent company and consolidated levels.

**These ratios calculated for BANK OF AFRICA Group comply with Bank Al-Maghrib's regulatory thresholds.**

| CREDIT RISK-WEIGHTED ASSETS | 31/12/2024 |
|---|---|
| **Type of Exposure** | **Risk-Weighted Assets post-CRM** |
| Balance-sheet items | 201 203 |
| Off balance sheet items: financing commitments | 8 729 |
| Off balance sheet items: guarantee commitments | 11 685 |
| Counterparty Risk: temporary disposals of securities relating to the bank portfolio | - |
| Counterparty Risk: temporary disposals of securities relating to the trading portfolio | 289 |
| Counterparty Risk: derivative products relating to the bank portfolio | - |
| Counterparty Risk: derivative products relating to the trading portfolio | 399 |
| Other assets/Other items | 38 015 |
| Delivery and settlement risk | 278 |
| **Total** | **260 599** |

(in MAD millions)

## COMPOSITION OF SHARE CAPITAL AND CAPITAL ADEQUACY

Main characteristics of items constituting shareholders' equity

BANK OF AFRICA's share capital stands at MAD 2 157 863 330 made up of 215 786 333 ordinary shares, each with a nominal value of 10 dirhams. The shares are fully paid-up. Each ordinary share entitles the holder to one voting right.

At 31 December 2024, fixed maturity subordinated debt stood at almost MAD 5.4 billion.

**Measuring capital adequacy**

BANK OF AFRICA Group has opted for the standardised approach to calculating risk-weighted assets as prescribed by Bank Al-Maghrib (BAM) circulars.

The circulars governing these declarations are as follows:

- Circular No. 26/G/2006 relating to calculating capital requirements based on the standardised approach for hedging credit institutions' credit, market and operational risks
- Circular No. 8/G/2010 relating to calculating capital requirements based on internal approaches for hedging credit institutions' credit, market and operational risks
- Circular No. 14/G/13 relating to capital requirements for credit institutions.

## COMPOSITION OF CAPITAL AND CAPITAL ADEQUACY

| | |
|---|---|
| **Tier 1 capital** | **28 788** |
| **Items to be included in Tier 1 capital** | **32 583** |
| Share Capital | 2 158 |
| Consolidated reserves, including premiums related to share capital and not included in hidden reserves | 22 606 |
| Retained earnings | 13 |
| Net income for the previous period | 3 427 |
| Minority interests | 4 379 |
| **Items to be deducted from Tier 1 capital** | **3 795** |
| Goodwill | 1 018 |
| Other adjustments to Tier 1 capital | 1 628 |
| Immobilisations | 1 115 |
| Other deductions | 34 |
| **Additional core capital** | **4 500** |
| Perpetual subordinated debt | 4 500 |
| **Tier 2 capital** | **4 882** |
| Fixed-term subordinated debt | 4 009 |
| Revaluation differences | 733 |
| Hidden reserves | 141 |
| **Total** | **38 170** |

| Capital Requirements by Risk Type | Dec. 2024 |
|---|---|
| Risk-weighted credit risks | 260 599 |
| Risk-weighted market risks | 10 346 |
| Risk-weighted operational assets | 30 638 |
| Total risk-weighted assets | 301 583 |
| Tier 1 Capital | 33 288 |
| Tier 1 Capital ratio | 11.0% |
| Total capital | 38 170 |
| Capital adequacy ratio | 12.7% |
| | (millions) |

## 18-MONTH FORWARD-LOOKING RATIOS

| Parent company | Dec-24 | june-25 | Dec-25 | june-26 |
|---|---|---|---|---|
| Regulatory Capital | 15 047 552 | 15 618 463 | 15 181 764 | 15 580 964 |
| Tier 1 Capital | 19 547 552 | 20 118 463 | 19 681 764 | 20 080 964 |
| Tier 2 Capital | 23 370 024 | 24 610 158 | 23 840 087 | 25 101 828 |
| Risk-weighted assets | 154 622 691 | 159 388 566 | 163 776 587 | 165 707 286 |
| CET1 Ratio | 9,7% | 9,8% | 9,3% | 9,4% |
| Tier 1 Capital Ratio | 12,6% | 12,6% | 12,0% | 12,1% |
| Capital Adequacy Ratio | 15,1% | 15,4% | 14,6% | 15,1% |

| Consolidated | Dec-24 | june-25 | Dec-25 | june-26 |
|---|---|---|---|---|
| Regulatory Capital | 28 787 814 | 30 612 950 | 31 542 531 | 33 127 242 |
| Tier 1 Capital | 33 287 814 | 35 112 950 | 36 042 531 | 37 627 242 |
| Tier 2 Capital | 38 169 997 | 40 664 355 | 41 263 159 | 43 710 411 |
| Risk-weighted assets | 301 582 514 | 313 651 280 | 320 920 046 | 326 503 173 |
| CET1 Ratio | 9,5% | 9,8% | 9,8% | 10,1% |
| Tier 1 Capital Ratio | 11,0% | 11,2% | 11,2% | 11,5% |
| Capital Adequacy Ratio | 12,7% | 13,0% | 12,9% | 13,4% |