التجاري وفا بنك
Attijariwafa bank
Believe in you

# PILLAR III

as of December 31, 2016

# Pillar III : Risks and capital adequacy

The publication of financial information with regard to regulatory capital and risk exposure is conducted on a consolidated basis in compliance with Article 2 of directive 44/G/2007. Other information about the parent company and significant subsidiaries is published separately, in compliance with Article 8 of the same directive.

Pillar 3 of the Basel III framework aims to promote market discipline through regulatory disclosure requirements with regard to supplementary financial communication. These requirements enable market participants to access key information relating to a bank's regulatory capital and risk exposure, in order to increase transparency and confidence about a bank's exposure to risk and the overall adequacy of its regulatory capital.

## I. Capital management and capital adequacy of Attijariwafa bank Group

### 1- Moroccan regulatory framework

The Moroccan regulatory framework is changing in compliance with the principles laid down by the Basel Committee. In 2007, Bank Al-Maghrib put forward the Basel II accord, which is based on three pillars:

- **Pillar 1**: calculation of minimum capital requirements for various prudential risks: credit risk, market risk, and operational risk;
- **Pillar 2**: implementation of internal reviews of capital adequacy and risks incurred. This pillar covers all quantitative and qualitative risks;
- **Pillar 3**: disclosure requirements and standardization of financial information.

Bank Al-Maghrib has also applied the Basel III Committee guidelines for regulatory capital. The new requirements took effect in June 2014.

### 2- Prudential scope of application

Solvency ratios prepared on a parent-company basis (domestic banking) and on a consolidated basis are subject to Basel Committee international standards and governed by Bank Al-Maghrib regulatory directives:

- circular 26/G/2006 (see technical note NT 02/DSB/2007) about the standard calculation of capital requirements with regard to credit, market, and operational risk;
- circular 14/G/2013 (see technical note NT 01/DSB/2014) about the Basel III calculation of regulatory capital of banks and credit institutions.

For ratios prepared on a consolidated basis, in accordance with Article 38 of circular 14/G/2013, the shareholdings of insurance and reinsurance companies shall be treated on a consolidated basis using the equity method, even where the shareholdings are wholly owned or part of a joint venture.

| Name | Business activity | Country | Method | % control | % stake |
|---|---|---|---|---|---|
| Attijariwafa bank | Banking | Morocco | Top | | |
| Attijariwafa bank Europe | Banking | France | IG | 99.78% | 99.78% |
| Attijari International Bank | Banking | Morocco | IG | 100.00% | 100.00% |
| CBAO Groupe Attijariwafa bank | Banking | Senegal | IG | 83.07% | 83.01% |
| Attijari bank Tunisie | Banking | Tunisia | IG | 58.98% | 58.98% |
| La Banque Internationale pour le Mali | Banking | Mali | IG | 51.00% | 51.00% |
| Crédit du Sénégal | Banking | Senegal | IG | 95.00% | 95.00% |
| Union Gabonaise de Banque | Banking | Gabon | IG | 58.71% | 58.71% |
| Crédit du Congo | Banking | Congo | IG | 91.00% | 91.00% |
| Société Ivoirienne de Banque | Banking | Ivory Coast | IG | 75.00% | 75.00% |
| Société Commerciale De Banque | Banking | Cameroon | IG | 51.00% | 51.00% |
| Attijaribank Mauritanie | Banking | Mauritania | IG | 80.00% | 53.60% |
| Banque Internationale pour l'Afrique Togo | Banking | Togo | IG | 55.00% | 55.00% |
| Wafasalaf | Consumer credit | Morocco | IG | 50.91% | 50.91% |
| Wafabail | Leasing | Morocco | IG | 97.83% | 97.83% |
| Wafa Immobilier | Mortgage loans | Morocco | IG | 100.00% | 100.00% |
| Attijari Factoring Maroc | Factoring | Morocco | IG | 100.00% | 100.00% |
| Wafa LLD | Long-term leasing | Morocco | IG | 100.00% | 100.00% |
| Attijari Immobilier | Mortgage loans | Morocco | IG | 100.00% | 100.00% |

## 3- Capital composition

In June 2014, Bank Al-Maghrib's prudential regulations for the adoption of Basel III entered into force. Consequently, Attijariwafa bank Group is required to comply with, on both an individual and a consolidated basis, a core-capital ratio of no less than 8.0% (including a conservation buffer of 2.5%), a Tier 1[1] capital ratio of no less than 9.0%, and a Tier 1 and Tier 2 capital ratio of no less than 12.0%.At the end of December 2016, in accordance with circular 14/G/2013, the regulatory capital of Attijariwafa bank Group comprised both Tier 1 and Tier 2 capital.

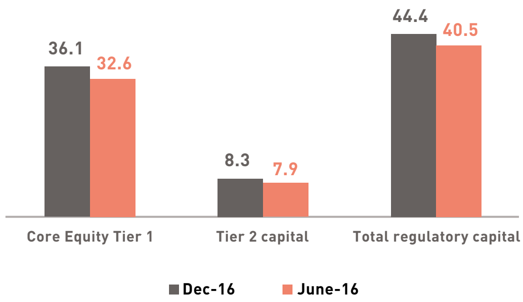
Tier 1 capital is determined on the basis of Core Equity Tier 1 capital (CET1) and additional Tier 1 adjusted for: the anticipated distribution of dividends; the deduction of goodwill, intangible assets, and unconsolidated equity investments[2] that are held in the capital of credit institutions and equivalent in Morocco and abroad, and in the capital of entities with banking-related operations in Morocco and abroad and prudential filters.

Tier 2 capital consists mainly of subordinated debt whose initial maturity is less than five years. An annual discount of 20% is applied to subordinated debt with less than five years of residual maturity. Tier 2 capital is restricted to 3% of risk-weighted assets.

(in MAD thousands)

| | Dec-16 | June-16 |
|---|---|---|
| **Tier 1 capital= CET1+AT1** | **36,103,150** | **32,571,718** |
| **Items to be included in core capital** | 43,695,364 | 40,541,382 |
| Share capital | 2,035,272 | 2,035,272 |
| Reserves | 35,904,290 | 34,406,865 |
| Retained earnings | 2,317,048 | 1,436,683 |
| Minority interests | 3,584,268 | 2,892,854 |
| Ineligible core capital | -145,514 | -230,293 |
| Items to be deducted from core capital | -8,092,214 | -7,969,665 |
| **Core Equity Tier 1 (CET1)** | **35,603,150** | **32,571,718** |
| **Additional Tier 1 capital (AT1)** | **500,000** | **-** |
| **Tier 2 capital** | **8,289,691** | **7,937,189** |
| Subordinated debt with maturity of at least five years | 8,065,549 | 7,699,756 |
| Unrealized gains from marketable securities | 146,831 | 192,002 |
| Other items | 141,812 | 144,431 |
| **Ineligible Tier 2 capital** | **-64,500** | **-99,000** |
| **Total regulatory capital** | **44,392,841** | **40,508,906** |

At December 31, 2016, Group statutory shareholders' equity amounted to KMAD 36 103 150. They include KMAD 500 000 additional Tier 1 following the issuance of perpetual subordinated debts in December 2016 fulfilling the eligibility criteria for additional Tier 1 as described by Bank Al Maghrib circular 14/G/2013. Group Tier 2 capital amounted to **MAD 8,289,691 thousand**. Total capital amounted to **MAD 44,392,841 thousand**, 9.6% more than in June 2016.




**Changes of Attijariwafa bank's regulatory capital (in MAD billions)**

## 4- Solvency ratios

At 31 December 2016, the Group's Core Equity Tier 1 ratio (T1) amounted to 10.81% and its capital adequacy ratio stood at 13.29%.

(in MAD thousands)

| | Dec-16 | June-16 |
|---|---|---|
| Core capital | 36,103,150 | 32,571,718 |
| Total capital | 44,392,841 | 40,508,906 |
| Risk-weighted assets | **333,999,394** | **323,968,917** |
| **Core equity Tier 1 ratio (CET1)** | **10.81%** | **10.05%** |
| **Capital adequacy ratio** | **13.29%** | **12.50%** |

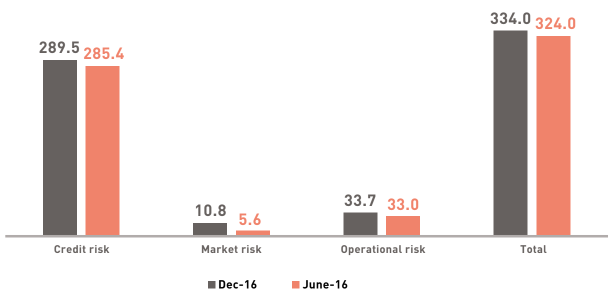
# II. Capital requirements and risk-weighted assets of Attijariwafa bank Group

At December 31, 2016, total risk-weighted assets for Pillar I, in compliance with circular 26/G/2006 (standards for calculating capital requirements under credit and market risk, using the standardized approach) for Attijariwafa bank Group amounted to **MAD 333,999,394 thousand**. Risk-weighted assets are calculated by means of the standardized approach for credit, counterparty, and market risks, and by means of the Basic Indicator approach for operational risks.

| | Pillar I | |
|---|---|---|
| | Hedged risk | Method for assessment and management |
| Credit and counterparty risk | √ | Standardized approach |
| Market risk | √ | Standardized approach |
| Operational risk | √ | BIA (Basic Indicator Approach) |

- **Changes in weighted risks in Attijariwafa bank Group**

**Changes in risks in Attijariwafa bank group (in MAD billions)**




1) Tier 1 capital is composed of equity capital and additional capital (any instrument that can be converted to capital or depreciated when the solvency ratio falls below a predefined threshold of 6%) after deductions and prudential adjustments

2) Equity holdings of more than 10% whose historical value is less than 10% of Group Tier 1 capital are weighted at 250%.

**• Capital requirements and risk-weighted assets of Attijariwafa bank Group:**

The following table shows the annual change of capital requirements and risk-weighted assets under Pillar 1:

(in MAD thousands)

| | December 16 | | June 2016 | | Change | |
|---|---|---|---|---|---|---|
| | Risk-weighted assets | Capital requirements[3] | Risk-weighted assets | Capital requirements | Risk-weighted assets | Capital requirements |
| **Credit risk on balance sheet** | **230,334,212** | **18,426,737** | **229,826,636** | **18,386,131** | **507,576** | **40,606** |
| Sovereigns | 10,795,819 | 863,666 | 10,817,665 | 865,413 | -21,846 | -1,748 |
| Institutions | 11,140,332 | 891,227 | 11,220,854 | 897,668 | -80,522 | -6,442 |
| Corporate | 164,289,132 | 13,143,131 | 165,798,625 | 13,263,890 | -1,509,494 | -120,760 |
| Retail | 44,108,929 | 3,528,714 | 41,989,491 | 3,359,159 | 2,119,438 | 169,555 |
| **Credit risk off balance sheet** | **36,062,173** | **2,884,974** | **34,008,141** | **2,720,651** | **2,054,032** | **164,323** |
| Sovereigns | 200,000 | 16,000 | 1,748 | 140 | 198,252 | 15,860 |
| Institutions | 1,242,027 | 99,362 | 1,296,456 | 103,716 | -54,429 | -4,354 |
| Companies | 34,368,914 | 2,749,513 | 32,498,113 | 2,599,849 | 1,870,801 | 149,664 |
| Retail customers | 251,232 | 20,099 | 211,824 | 16,946 | 39,408 | 3,153 |
| **Counterparty risk[4]** | **2,133,914** | **170,713** | **1,980,015** | **158,401** | **153,899** | **12,312** |
| Institutions | 817,447 | 65,396 | 730,409 | 58,433 | 87,038 | 6,963 |
| Companies | 1,316,467 | 105,317 | 1,249,605 | 99,968 | 66,861 | 5,349 |
| **Credit risk from other assets[5]** | **20,944,965** | **1,675,597** | **19,554,328** | **1,564,346** | **1,390,636** | **111,251** |
| **Market risk** | **10,839,341** | **867,147** | **5,632,221** | **450,578** | **5,207,120** | **416,570** |
| **Operational risk** | **33,684,790** | **2,694,783** | **32,967,577** | **2,637,406** | **717,213** | **57,377** |
| **Total** | **333,999,394** | **26,719,952** | **323,968,917** | **25,917,513** | **10,030,477** | **802,438** |

## 1- Credit risk

The amount of weighted credit risk is calculated by multiplying the assets and the off balance sheet by the weight coefficients provided for in Articles 11–18 and 45–47 of circular 16/G/2006. Credit risk depends mainly on the type of commitment and the counterparty.

Risk-weighted assets are calculated from net exposure less guarantees and collateral, then adjusted by risk weight (RW). Off-balance-sheet commitments are also weighted by the conversion coefficient factor (CCF).

**• Analysis of credit risk by segment**

The following table shows the net and weighted exposure to credit risk for various segments, by type of commitment: on and off balance sheet.

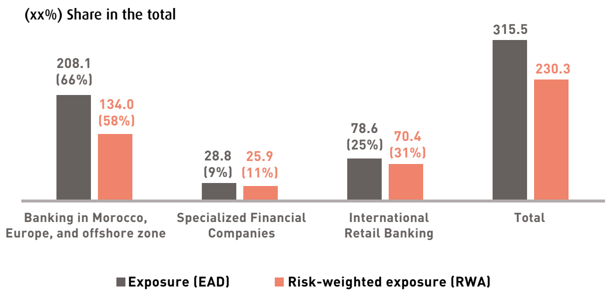
(in MAD thousands)

| | Exposure before CRM (EAD)[6] | | Risk-weighted exposure after CRM (RWA) | |
|---|---|---|---|---|
| | BALANCE SHEET | OFF BALANCE SHEET[7] | BALANCE SHEET | OFF BALANCE SHEET |
| Sovereigns | 27,896,812 | 9,219,694 | 10,795,819 | 200,000 |
| Institutions | 21,293,774 | 276,325 | 179,388 | 20,000 |
| Credit establishments and equivalent | 20,164,113 | 7,597,173 | 10,960,944 | 1,222,027 |
| Large enterprises | 164,884,623 | 89,147,627 | 164,289,132 | 34,368,914 |
| Retail customers | 81,326,188 | 841,922 | 44,108,929 | 251,232 |
| **Total** | **315,565,509** | **107,082,740** | **230,334,212** | **36,062,173** |

**• Analysis of balance-sheet credit risk by business line**

The following table shows the net and weighted exposure to Group balance-sheet credit risk by business line.

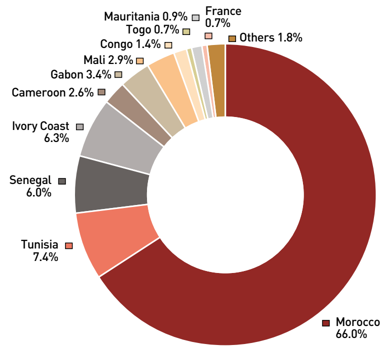
**Breakdown of credit risk by business activity in 2016 (in MAD billions)**




**• Geographic analysis of risk-weighted assets**

Below is a breakdown of balance-sheet credit risk, by country of the counterparty bearing the default risk. In compliance with Bank Al-Maghrib regulations, when a country rating is less than B– (e.g., Mali, Mauritania, and Togo), sovereign and corporate risk is weighted at 150%.

**Geographical breakdown of weighted risks**




## 2- Counterparty risk

Market activities (involving contracts with two counterparties) expose the bank to default risk of the counterparty. The amount of risk depends on market factors that might affect the future value of the transactions involved.

**• Analysis of net and weighted exposure to counterparty risk, by prudential segment**

At December 31, 2016, the Group's net exposure to counterparty risk to security-financed transactions and derivative products totaled **MAD 14,080,013 thousand**, 44% less than at June 2016. Risk-weighted exposure came to **MAD 2,133,914 thousand**, 8% more than at June 30, 2016.

(in MAD thousands)

| | December 16 | | June 2016 | |
|---|---|---|---|---|
| | Exposure at default (EAD) | Risk-weighted assets (RWA) | Exposure at default (EAD) | Risk-weighted assets (RWA) |
| Sovereign | 1,971,488 | 0 | 14,602,199 | 0 |
| Credit establishments and equivalent | 3,830,398 | 817,447 | 5,497,186 | 730,409 |
| Corporate | 8,278,127 | 1,316,467 | 5,175,815 | 1,249,605 |
| **Total** | **14,080,013** | **2,133,914** | **25,275,200** | **1,980,015** |

3) Calculated as 8% of risk-weighted assets.
4) Credit risk arising from market transactions, investments, and settlements.
5) Fixed assets, various other assets, and equity holdings not deducted from capital.

6) CRM: Credit-risk mitigation: techniques employed by financial institutions to reduce their counterparty risk.
7) Off-balance-sheet commitments comprise financial and other guarantees.

## 3- Market risk

Pursuant to Article 48 of circular 26/G/2006 of Bank Al-Maghrib, market risk is defined as risk of losses due to fluctuations in market prices. The definition comprises:

- risk related to instruments in the trading book;
- currency risk and commodities risk for all assets on and off the balance sheet except those in the trading book.

Article 54 of circular 26/G/2006 describes the regulatory authority's methods for calculating all categories of market risk.

Market risk comprises:

**• Interest-rate risk**

Interest-rate risk is calculated for fixed-income products in the trading book. It is the total general and specific risk related to interest rates.

Capital requirements for general interest-rate risk are calculated using the amortization-schedule method. Specific risk is calculated from the net position. The weighting depends on the type of issuer and the maturity of the security, on the basis of the criteria listed in the technical note for 26/G/2006 (see Article 54, part I, paragraph A).

**• Equity risk**

The calculation of equity risk comprises: stock positions, stock options, stock futures, index options, and other derivatives whose underlying instrument is a stock or an index. Total equity risk is the sum of general and specific equity risk.

Capital requirements for general equity risk (see Article 54, part II, paragraph B of the technical note for 26/G/2006) represents 8% of the total net position.

Specific risk is calculated on the total position by applying the weightings indicated by the regulatory authority, in accordance with the type of asset.

**• Currency risk**

Capital requirements for currency risk are calculated whenever the total net position exceeds 2% of the core capital. The total net position corresponds to the difference between the long and short positions for the same currency.

**• Capital requirements for market risks**

(in MAD thousands)

| Capital requirements | December 16 | June 2016 |
|---|---|---|
| **Interest-rate risk** | **717,094** | **420,176** |
| Specific interest-rate risk | 130,159 | 67,081 |
| General interest-rate risk | 586,935 | 353,095 |
| **Equity risk** | **11,722** | **20,368** |
| **Currency risk** | **138,295** | **8,806** |
| **Commodity risk** | **37** | **1,228** |
| **Total** | **867,147** | **450,578** |

## 4- Operational risk

Operational risk is calculated using annual NBI for the three past years and Basic Indicator Approach.

Capital requirements are 15% of the average NBI for the past three years.

**• Capital requirements for operational risk by business line**

(in MAD thousands)

| Capital requirements | Banking in Morocco, Europe, and offshore zone | Specialized finance companies | International retail banking | Total |
|---|---|---|---|---|
| June 2016 | 1,502,922 | 335,037 | 799,447 | 2,637,407 |
| Dec 2016 | 1,537,983 | 329,559 | 818,369 | 2,694,783 |

## 5- Credit-risk mitigation techniques

Credit-risk mitigation techniques are recognized pursuant to the regulations of Basel II. Their effect is measured by scenario analysis of an economic slowdown. There are two main categories of credit-risk mitigation techniques: personal guarantees and collateral.

- A personal guarantee is a commitment made by a third party to replace the primary debtor in the event of default by the latter. By extension, credit insurance and credit derivatives (e.g., protective calls) also belong to this category.
- Collateral is a physical asset placed with the bank as guarantee that the debtor's financial commitments will be satisfied in a timely manner.
- As shown below, exposure can be mitigated by collateral or a guarantee in accordance with criteria established by the regulatory authority.

| Collateral | Personal guarantees |
|---|---|
| Cash, equities, mutual funds, etc. Mortgages | Collateral, Insurance, Credit derivatives |

**Bank Al Maghrib regulations by standardized approach**

Eligibility criteria

**• Eligibility of credit-risk mitigation techniques**

Attijariwafa bank Group calculates its solvency ratio using the standardized approach, which, contrary to IRB approaches, limits credit-risk mitigation techniques.

For risks treated using the standardised approach:

- personal guarantees are taken into account (subject to eligibility) by enhanced weighting that corresponds to that of the guarantor, for the guaranteed portion of the exposure which accounts for any currency and maturity mismatch.
- collateral (e.g., cash, securities) are subtracted from exposure after any currency and maturity mismatch has been accounted for.
- collateral (e.g., mortgages) that meet eligibility conditions which allow a more favorable weighting for the debt that they guarantee.

Below is a comparative table of collateral eligible on the basis of two methods: standardized and advanced.

| | Standardized approach | Advanced approach | |
|---|---|---|---|
| | | IRB | IRB advanced |
| **Financial collateral** | | | |
| • Liquidities/DAT/OR | √ | √ | √ |
| • Fixed-income securities | | | |
| - Sovereign issuer with a rating of ≥ BB- | √ | √ | √ |
| - Other issuers ≥ BBB- | √ | √ | √ |
| - Other (without external rating but included in internal-rating models) | X | X | √ |
| • Equities | | | |
| - Principal index | √ | √ | √ |
| - Primary stock exchange | √ | √ | √ |
| - Other | X | X | √ |
| • Mutual funds and private equity | √ | √ | √ |
| **Collateral** | | | |
| • Mortgage on a residential property loan | √ | √ | √ |
| • Mortgage on a commercial property lease | √ | √ | √ |
| • Other collateral as long as: - there is a liquid market for disposal of the collateral; - there is a reliable market price applicable to the collateral. | X | √ | √ |
| **Personal guarantees** | | | |
| • Sovereign banks and other entities ≥ A- | √ | √ | √ |
| • Other entities < A- | X | X | √ |
| • Unrated entities | X | X | √ |
| **Credit derivatives** | | | |
| • Sovereign issuers, MDB, and financial institutions or other entities with a rating ≥ A- | √ | √ | √ |
| • Other | X | √ | √ |

**• CRM amounts**

Below are the guarantees and collateral (real and financial) as at the end of 2016, as well as the hedge amounts for credit risk included in the calculation of risk-weighted assets (standardised approach) at the end of 2016:

(in MAD thousands)

| | Dec-16 |
|---|---|
| **Guarantees and collateral** | **161,014,906** |
| Guarantees | 3,742,471 |
| Real[8] and financial collateral | 157,272,435 |
| **Guarantees and collateral eligible for the standardised approach** | **60,755,596** |
| Guarantees | 3,742,471 |
| Real and financial collateral | 57,013,125 |
| Mortgage on residential home loan | 51,130,931 |
| Mortgage on commercial lease | 5,882,194 |
| Other | |

8) Collateral at the domestic-banking level.

# III. Information on significant subsidiaries

## 1- Regulatory framework

At the parent-company level, Attijariwafa bank must satisfy capital requirements calculated in accordance with the same prudential standards required by Bank Al-Maghrib as those for the consolidated level.

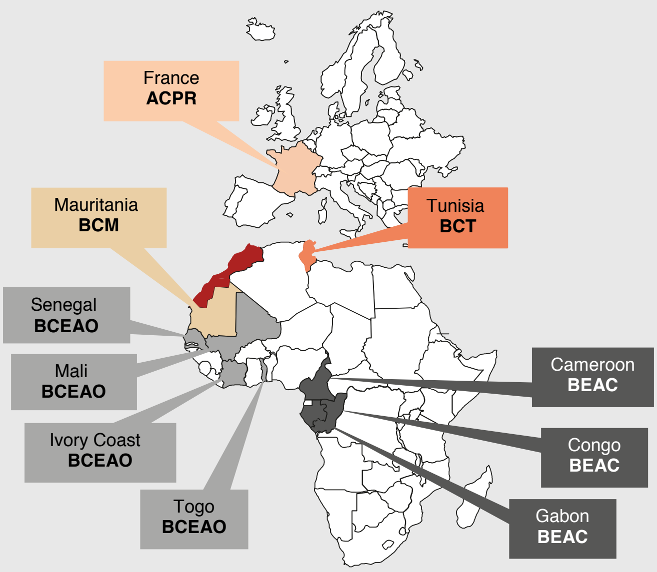
All subsidiary credit institutions in Morocco: Wafabail, Wafasalaf, and Attijari Factoring individually report their solvency ratios to Bank Al-Maghrib, as governed by:

- circular 25/G/2006 (in compliance with Basel I) on calculating capital requirements for credit risk;
- circular 14/G/2013 (see technical note NT 01/DSB/2014) on calculating the regulatory capital of banks and credit institutions (in compliance with Basel III).

Wafa assurance is governed by the regulations of the Autorité de Contrôle des Assurances et de Prévoyance Sociale (ACAPS, the Moroccan insurance regulatory authority).

Attijariwafa bank Group's international banking subsidiaries calculate their capital requirements in accordance with local prudential standards in the jurisdictions of the countries in which they do business. They are in compliance with Basel I standards in Africa (Tunisia, Mauritania, WAEMU, CAEMC) and with Basel III standards in Europe.

**Regulatory authorities of Attijariwafa bank international subsidiaries**




**BCT**: Tunisian Central Bank

**BCM**: Mauritanian Central Bank

**ACPR**: Prudential Supervisory Authority

**BCEAO**: Central Bank of West African States, which oversees banks operating in the WAEMU

**BEAC**: Central Africa Bank that oversees banks operating in the CAEMC zone

## 2- Ratios of principal subsidiaries

The following table provides information on the solvency of Group subsidiaries. The parent-company scope corresponds to in-house outstandings.

| Entity | Regulatory authority | Required minimum | Regulatory capital requirements (thousands) | Risk-weighted assets (thousands) | Total ratio | Regulatory capital requirements[9] (MAD thousands) | Risk-weighted assets (MAD thousands) |
|---|---|---|---|---|---|---|---|
| Attijariwafa bank | Bank Al-Maghrib | 12% | 32,661,541 | 229,321,605 | 14.24% | 32,661,541 | 229,321,605 |
| Wafasalaf | Bank Al-Maghrib | 12% | 1,367,685 | 11,367,601 | 12.03% | 1,367,685 | 11,367,601 |
| Wafabail | Bank Al-Maghrib | 12% | 1,111,583 | 9,007,641 | 12.34% | 1,111,583 | 9,007,641 |
| wafa Immobilier | Bank Al-Maghrib | 12% | 53,886 | 283,081 | 19.04% | 53,886 | 283,081 |
| Attijari Factoring | Bank Al-Maghrib | 12% | 175,560 | 765,101 | 22.95% | 175,560 | 765,101 |
| Attijari bank Tunisie | BCT | 10% | 526,758 | 4,964,457 | 10.61% | 2,305,567 | 21,728,932 |
| CBAO | BCEAO | 8% | 66,905,000 | 560,302,000 | 11.94% | 1,086,671 | 9,100,425 |
| Attijariwafa bank Europe | ACPR | 12% | 42,586 | 334,868 | 12.72% | 453,711 | 3,567,684 |

9) Exchange rates: 1 TND = MAD 4.3769; 1 FCFA = MAD 0.016242; EUR = MAD 10.654.

| Subsidiaries | Regulatory authority | Margin | Minimum solvency margin | Ratio |
|---|---|---|---|---|
| Wafa Assurance | ACAPS | 6,274,721 | 1,840,744 | 340.88% |

# IV. Internal capital management

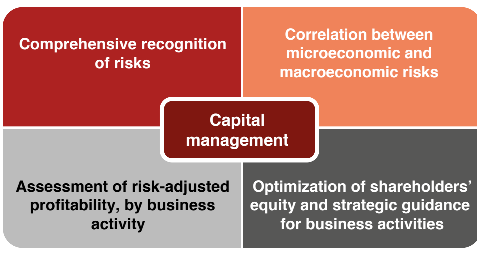
## 1- Capital management

In recent years, the forecasting of capital requirements has become a vital part of Attijariwafa bank Group's strategic planning. Since Bank Al-Maghrib adopted Basel II in 2006, regulations have undergone constant change, resulting in ever-increasing needs for capital.

The Group's capital-management policy is designed to control this costly obligation and all associated factors. The policy aims to ensure that the Group and its subsidiaries remain solvent and satisfy prudential requirements on both the consolidated and parent-company levels (respecting prudential rules of the local regulatory authority) while simultaneously optimizing returns for shareholders, who provide the required capital.

The capital-management policy extends beyond the regulatory framework, to overseeing investments and their returns (calculations of IRR, dividend forecasts, divestments, tax engineering, etc.), thereby ensuring optimal capital allocation for all business lines and fulfilling capital requirements for both strategic goals and regulatory changes.

**Targets for « Capital Management »**




## 2- Governance

The Finance Department's Capital Management Committee (CMC) meets semi-annually, It's Composed of the members of the General Management Committee, the managers of the risk business lines and the Finance Department. The Secretary of the Capital Management Committee is responsible for the entity "Financial Management and Capital Management". The main missions of the CCM can be summarized as follows :

- define the capital-management policy and the changes needed on the basis of market conditions and competition, regulations, interest rates, cost of capital, etc.;
- anticipate capital requirements for the Group and its subsidiaries and credit institutions, for the next 18 months;
- analyze capital allocation by business line and division;
- make decisions on subjects that can impact capital (all Group entities).

In general, support all actions and initiatives that promote optimized capital management.

## 3- Regulatory stress tests

The results of regulatory stress tests (Bank Al-Maghrib directive 01/DSB/2012) are reported twice yearly to the regulatory authority. At the end of 2016, post-shock solvency ratios for Tier 1 and total capital of Attijariwafa bank were superior than the minimum regulatory requirements.

Regulatory stress tests at the end of 2016 covered the following scenarios:

- **Credit risk**: claims rising from 10% to 15%, representing high risk for total portfolio and per business segment
- **Concentration risk**: Défaut des principales relations
- **Market risk:**
  - MAD weakening against the EUR;
  - MAD weakening against the USD;
  - yield curve shifts;
  - interest rates rise;
  - share prices fall;
  - NAVs of mutual funds (bond, money market, etc.) decline.
- **Country risk:**
  - stress tests on loans to non-residents in countries with political instability;
  - stress tests on loans to non-residents in countries to which the bank has significant exposure.

## 4- Forecast ratios

Individual and consolidated capital adequacy ratios (CAR) forecast over the next 18 months are well above the current minimum regulatory level of 9.0% for Tier 1 and 12.0% for CAR through the internal policy of capital management.

**Forecast ratio in an individual basis**

Projection including Attijariwafa Bank Egypt starting from June 2017

| In MAD billion | dec.-16 | june-17 F | dec.- 17 F | june-18 F |
|---|---|---|---|---|
| Tier 1 capital | 27.2 | 23,8 | 23,6 | 23,6 |
| Tier 2 capital | 5.5 | 6,0 | 6,1 | 7,4 |
| **Total regulatory capital** | **32.7** | **29,8** | **29,7** | **31,0** |
| **Risk-weighted assets** | **229,3** | **235,3** | **240,9** | **246,9** |
| Core equity Tier 1 ratio | 11,84% | 10,13% | 9,78% | 9,55% |
| Capital adequacy ratio | 14,24% | 12,68% | 12,34% | 12,55% |

**Forecast ratio in a consolidated basis**

Projection1 including Attijariwafa Bank Egypt starting from June 2017

Projections conducted with a constant prudential environment and constant accounting standard

| In MAD billion | dec.-16 | june-17 F | dec.- 17 F | june-18 F |
|---|---|---|---|---|
| Tier 1 capital | 36,1 | 34,1 | 35,6 | 37,1 |
| Tier 2 capital | 8,3 | 9,0 | 9,3 | 9,8 |
| **Total regulatory capital** | **44,4** | **43,2** | **44,9** | **46,8** |
| **Risk-weighted assets** | **334,0** | **355,1** | **366,6** | **380,8** |
| Core equity Tier 1 ratio | 10,81% | 9,61% | 9,71% | 9,74% |
| Capital adequacy ratio | 13,29% | 12,15% | 12,24% | 12,30% |

# V. Corporate Governance

Governance system established adheres to the general corporate principles. This system consists of six control and management bodies emanating from the Board of directors.

## Board of Directors

The Board of Directors (BD) consists of a group of institutions and individual persons (administrators) in charge of managing the bank. They are appointed by the shareholders general meeting. The BD includes several members including a chairman and a secretary.

Any institution which is member of the BD appoints an individual person to represent it. The organization and the prerogatives of the BD are set by the bank by-laws and are subject to national law.

## 1- General Management Committee

The general management committee joins together the heads of the various centers under the chairmanship of the Chairman and Chief Executive Officer.

This Committee meets once a week and provides a summary view of the operational activities in the different sectors and prepares questions to be submitted to the Board of Directors in a joint approach.

| Member | Function | Since |
|---|---|---|
| Mr. Mohamed EL KETTANI | Chairman and Chief Executive Officer | 2007 |
| Mr. Boubker JAI | Managing Director | 2003 |
| Mr. Omar BOUNJOU | Managing Director | 2004 |
| Mr. Ismail DOUIRI | Managing Director | 2008 |
| Mr. Talal EL BELLAJ | Managing Director | 2014 |

## 2- General Management and Coordination Committee

The General Management and Coordination Committee is a discussion body to exchange and share information. More particularly, this committee:

- Provides overall coordination between the different programs of the Group and focuses primarily on the review of key performance indicators;
- Acknowledges the major strategic guidelines, the Group's general policy and also the decisions and the priorities defined in ad hoc meetings;
- Takes functional and operational decisions to maintain objectives and optimize results.

Chaired by the Committee's chairman or at least by two senior managers, this committee meets monthly and consists of members of the General Management and also the managers of the main business lines.

| Member | Function | Title |
|---|---|---|
| Mr. Mohamed EL KETTANI | Chairman and Chief Executive Officer | Chairman and Chief Executive Officer |
| Mr. Omar BOUNJOU | Managing Director, Retail Banking Division | Managing Director |
| Mr. Ismail DOUIRI | Managing Director, Finance, Technology and Operations Division | Managing Director |
| Mr. Boubker JAI | Managing Director, Corporate and Investment Banking, Capital Markets and Financial Subsidiaries | Managing Director |
| Mr. Talal EL BELLAJ | Managing Director, Global Risk Management | Managing Director |
| Mr. Saad BENJELLOUN | Head of the Great Casablanca region | Deputy Managing Director |
| Mr. Saad BENWAHOUD | Head of North-West region | Deputy Managing Director |
| Mr. Said SEBTI | Head of North-East region | Deputy Managing Director |
| Mr. Mohamed BOUBRIK | Head of South-West region | Executive Director |
| Mr. Rachid EL BOUZIDI | Retail Banking Support Functions | Executive Director |
| Mr. Fouad MAGHOUS | Head of South region | Executive Director |
| Mr. Hassan BEDRAOUI | Managing Director, Attijariwafa bank Europe | Deputy Managing Director |
| Mr. Mouaouia ESSEKELLI | Transaction Banking Group | Deputy Managing Director |
| Mr. Omar GHOMARI | Specialized Financial Companies | Deputy Managing Director |
| Mrs. Wafaa GUESSOUS | Procurement, Logistics and Secretary of the Board | Deputy Managing Director |

1) Projections at a constant prudential environment and a constant accounting standard.

| | | |
|---|---|---|
| Mr. Jamal AHIZOUNE | International Retail Banking | Deputy Managing Director |
| Mr. Youssef ROUISSI | Corporate & Investment Banking | Deputy Managing Director |
| Mr. Hassan BERTAL | Transformation Office | Deputy Managing Director |
| Mr. Younes BELABED | Group General Audit | Executive Director |
| Mrs Saloua BENMEHREZ | Group Communication | Executive Director |
| Mr. Ismail EL FILALI | Back Offices and Customer Services | Executive Director |
| Mrs Malika EL YOUNSI | Group Legal Advisory | Executive Director |
| Mr. Badr ALIOUA | Private Banking | Executive Director |
| Mr. Rachid KETTANI | Group Finance Division | Executive Director |
| Mrs. Soumaya LRHEZZIOUI | Group Information Systems | Executive Director |
| Mr. Driss MAGHRAOUI | Retail & Business Markets | Executive Director |
| Mr. Mohamed SOUSSI | Group Human Resources | Executive Director |
| Mr. KARIM IDRISSI KAITOUNI | Head of SMEs Banking | Executive Director |

## 3- Other Committees reporting to the Board of Directors

### • Strategic Committee:

Chaired by the Chairman and Chief Executive Officer, this committee is in charge of operational results and strategic projects of the Group. This committee meets every two months.

| Member | Function |
|---|---|
| Mr. Mohamed EL KETTANI | Chairman and Chief Executive Officer Attijariwafa bank |
| Mr. Hassan OURIAGLI | Director, Representing SNI |
| Mr. Abdelmjid TAZLAOUI | Director |
| Mr. José REIG | Director |

### • Group Risk Committe:

The Group Risk Committee meeting upon call from the Chairman and Chief Executive Officer, examines and hands down judgment on the direction to be taken by the commitments and investments beyond a certain threshold.

| Member | Function |
|---|---|
| Mr. Mohamed EL KETTANI | Chairman and Chief Executive Officer Attijariwafa bank |
| Mr. Hassan OURIAGLI | Director, Representing SNI |
| Mr. José REIG | Director |
| **Guest Members** | |
| Mr. Ismail DOUIRI | Managing Director, Finance, Technology and Operations Division |
| Mr. Talal EL BELLAJ | Managing Director, Global Risk Management |

### • Group Audit Committee:

The Group Audit Committee monitors the Risk, Audit, Internal Control, Accounting and Compliance functions. This committee meets quarterly.

| Member | Function |
|---|---|
| Mr. Abed YACOUBI-SOUSSANE | Chairman |
| Mr. Abdelmjid TAZLAOUI | Director |
| Mr. José REIG | Director |
| **Guest Members** | |
| Mr. Talal EL BELLAJ | Managing Director, Global Risk Management |
| Mr. Younes Belabed | Executive Director - General Audit |
| Mr. Rachid KETTANI | Executive Director - Group Finance |
| Mrs Bouchra BOUSSERGHINE | Group Compliance Officer |

### • Appointment and Remuneration Committee:

Meeting annually, the appointment and remuneration committee manages the appointments and remunerations of the group's principal executives.

Three sub-committees issued from "Appointment and Remuneration Committee", with different compositions depending on the prerogatives of each sub-committee.

| Member | Function |
|---|---|
| Mr. Mounir EL MAJIDI | Director, Representing SIGER |
| Mr. Hassan OURIAGLI | Director, Representing SNI |
| Mr. José REIG | Director |

| Member | Function |
|---|---|
| Mr. Mounir EL MAJIDI | Director, Representing SIGER |
| Mr. Hassan OURIAGLI | Director, Representing SNI |
| Mr. José REIG | Director |
| Mr. Mohamed EL KETTANI | Chairman and Chief Executive Officer Attijariwafa bank |

| Member | Function |
|---|---|
| Mr. Mohamed EL KETTANI | Chairman and Chief Executive Officer Attijariwafa bank |
| Mr. Hassan OURIAGLI | Director, Representing SNI |
| Mr. José REIG | Director |

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