BMCE BANK

BMCE BANK'S CONSOLIDATED FINANCIAL STATEMENTS UNDER IAS/IFRS AND NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

BMCE BANK
NOTRE MONDE EST CAPITAL

Established in 1959 and privatised in 1995, BMCE Bank is a universal bank which offers a diversified range of products and services through a domestic network of 630 branches. BMCE Bank, Morocco's third largest bank in terms of market share for deposits and loans, currently has operations in about thirty countries in sub-Saharan Africa, Europe and Asia.

BMCE Bank's activities primarily include commercial banking, specialised financial services, asset management, investment banking and international activities.

BMCE Bank in Morocco

BMCE Bank's activities in Morocco include:

- Retail Banking, sub-divided by market specialisation – retail customers, professional banking customers, private clients and Moroccans living abroad;
- Corporate Banking, including SMEs and large enterprises.

It is worth noting that BMCE Bank has embarked on a regional strategy aimed at moving the decision-making process closer to the customer and improving the Bank's impact from a commercial perspective. The Bank's distribution network, now organised on a regional basis and enjoying greater independence, encompasses both Retail Banking as well as Corporate Banking activities.

- BMCE Capital, the Bank's investment banking subsidiary, is organised by business line on an integrated basis which include asset management, wealth management, brokerage and capital markets activities as well as M&A and other corporate advisory services.
- Specialised financial subsidiaries, whose products are primarily marketed via the branch network, the aim being to develop intra-Group commercial and operational synergies – consumer credit, leasing, bank-insurance, factoring and vehicle leasing. RM Experts, subsidiary specialising in recovery, was established in 2010.

BMCE Bank's international activities

BMCE Bank's international vocation can be traced back to its origins as a bank specialising in foreign trade. The Bank rapidly turned to international markets by building a strong presence in Europe. In 1972, it became the first Moroccan bank to open a branch in Paris. The Group's European activities are conducted through BMCE Bank International in London, Paris and Madrid, which constitute the Group's European platform for investing in Africa.

The Bank also has twenty or so representative offices providing banking services to Moroccans living abroad. The Bank recently established BMCE Euroservices as a result of the recent re-organisation of its European business. This entity, which is responsible for banking for expatriates, will work closely with the domestic branch network.

BMCE Bank has also developed, since the 1980s, sizeable operations in the African market following the restructuring of Banque de Développement du Mali, the country's leading bank, in which it has a 27.4% stake.

Similarly, in 2003, in Congo Brazzaville, BMCE Bank acquired a 25% stake in La Congolaise de Banque, which it restructured, resulting in it becoming the undisputed market leader in its industry.

BMCE Bank's development accelerated in 2007 following the acquisition of a 25% stake in Bank of Africa which has operations in about fifteen countries. BMCE Bank has since increased its stake the pan-African bank to more than 65%.

As part of on-going efforts to improve governance across the Bank's various operations, a major project got underway at end-June 2012 relating to the implementation of a global risk control and internal control policy. On the project's completion, BMCE Bank will boast a new organisational structure commensurate with international banking groups and a significantly enhanced system of governance in respect of Group risk.

Content

STATUTORY AUDITORS REPORT IFRS CONSOLIDATED FINANCIALS **AS OF DECEMBER 31st 2012**

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STATUTORY AUDITORS' REPORT
ON THE CONSOLIDATED FINANCIAL STATEMENTS
Period from January 1st to December 31st 2012

This is a free translation into English of the statutory auditor's report on the consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking users. This report should be read in conjunction with and construed in accordance with Moroccan law and professional auditing standards applicable in Morocco.

We have audited the attached consolidated financial statements of the Banque Marocaine du Commerce Extérieur and its subsidiaries (BMCE Bank Group), which comprise the consolidated balance sheet as at December 31st, 2012, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, as well as notes containing a summary of main accounting policies and other explicative notes. These consolidated financial statements show a consolidated shareholders' equity of KMAD 18,413,529 including a consolidated net income of KMAD 1,579,461.

Management's Responsibility

The Management is responsible for the preparation and the fair presentation of these consolidated financial statements in accordance with the International Accounting Standards (IAS/IFRS). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and presentation of consolidated financial statements that are free from material misstatements, and making accounting estimates that are reasonable with regards to the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with professional standards applicable in Morocco. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, resulting from fraud or errors.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall consolidated financial statements presentation.

We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements referred to in the first paragraph above give, in all their significant aspects, a fair view of the financial position of BMCE Bank Group composed of entities included in the consolidation as at December 31st, 2012 as well as the financial performance and the cash flows for the year then ended, in accordance with accounting standards and policies described in the notes.

Without qualifying the opinion expressed above, we draw your attention to note 2.7 which describes the final outcome of the tax audit of BMCE Bank which took as an effect the recognition in 2012 of a gross expense of KMAD 387,058.

Casablanca May 20, 2013

The Statutory Auditors

FIDAROC GRANT THORNTON	ERNST & YOUNG
Faïçal MEKOUAR **Partner**	**Bachir TAZI** **Partner**

I. CONSOLIDATED BALANCE SHEET, CONSOLIDATED INCOME STATEMENT, STATEMENT OF NET INCOME, STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, CASH FLOW STATEMENTS AND SUMMARY OF ACCOUNTING POLICIES

1.1. CONSOLIDATED BALANCE SHEET

The consolidated financial statements at 31 December 2012 were approved by the board of directors on 22 March 2013.

Balance Sheet			
Assets	**NOTES**	**2012**	**2011**
Cash and amounts due from central banks and post office banks	4.1	9 922 200	6 391 958
Financial assets at fair value through profit or loss	4.2	34 244 677	31 732 316
Derivatives used for hedging purposes		-	-
Available-for-sale financial assets	4.3	2 795 923	2 330 377
Loans and receivables due from credit institutions	4.4	21 396 946	23 822 680
Loans and receivables due from customers	4.5	138 808 778	121 342 658
Remeasurement adjustment on interest rate risk hedged assets		-	-
Held-to-maturity financial assets	4.7	10 518 941	9 590 911
Current tax assets	4.8	215 856	408 979
Deferred tax assets	4.8	310 849	321 084
Accrued income and other assets	4.9	4 938 775	4 559 041
Non current assets held for sale		-	-
Investment associates	4.10	406 928	399 358
Investment property	4.11	614 160	547 099
Property, plant and equipment	4.11	5 131 528	5 064 126
Intangible assets	4.11	751 455	645 081
Goodwill	4.12	832 470	832 470
TOTAL ASSETS		**230 889 486**	**207 988 138**

(In thousand MAD)

LIABILITIES & SHAREHOLDERS EQUITY	**NOTES**	**2012**	**2011**
Due to Central Banks and Post Office Banks		67 382	-
Financial liabilities at fair value through profit or loss	4.2	1 614	1 752
Derivatives used for hedging purposes		-	-
Due to credit institutions	4.4	34 228 166	24 848 609
Due to customers	4.5	144 650 757	139 152 010
Debt securities	4.6	14 014 898	12 008 860
Remeasurement adjustment on interest rate risk hedged portfolios		-	-
Current tax liabilities	4.8	36 296	324 592
Deferred tax liabilities	4.8	983 149	934 127
Accrued expenses and other liabilities	4.9	13 210 127	8 971 070
Liabilities related to non-current assets held for sale		-	-
Technical reserves of insurance companies		-	-
Provisions for contingencies and charges	4.13	523 235	457 440
Subsidies, assigned public funds and special guarantee funds		-	-
Subordinated debts	4.6	4 760 333	4 904 381
TOTAL DEBTS		212 475 957	191 602 841
Capital and related reserves		11 981 368	10 451 134
Consolidated reserves		-	-
- Attributable to parent		1 269 541	1 045 085
- Non-controlling interests		3 516 000	3 318 803
Unrealized or deferred gains or losses, attributable to parent		86 129	82 186
Unrealized or deferred gains or losses, non-controlling interests		-18 970	-19 665
Net Income			
- Attributable to parent		923 152	850 199
- Non-controlling interests		656 309	657 555
TOTAL CONSOLIDATED SHARE HOLDERS'S EQUITY		18 413 529	16 385 297
TOTAL		**230 889 486**	**207 988 138**

(In thousand MAD)

1.2. CONSOLIDATED INCOME STATEMENT

	NOTES	2012	2011
+ Interests and similar income		10 822 706	9 667 668
- Interests and similar expense		-4 579 824	-4 095 844
Net Interest income	2.1	**6 242 882**	**5 571 824**
+ Fees received and commission income		1 846 607	1 703 136
- Fees paid and commission expense		-320 911	-280 201
Net fee income	2.2	**1 525 696**	**1 422 935**
+/- Net gains or losses on financial instruments at fair value through profit or loss	2.3	651 021	702 730
+/- Net gains or losses on available for sale financial assets	2.4	150 157	27 075
Income from market transactions		**801 178**	**729 805**
+ Other banking revenues	2.5	781 350	792 174
- Other banking expenses	2.5	-333 330	-376 675
Net Banking Income		**9 017 776**	**8 140 063**
- General Operating Expenses	2.9	-4 860 566	-4 588 896
- Allowances for depreciation and amortization PE and intangible assets	2.9	-573 940	-535 299
Gross Operating Income		**3 583 270**	**3 015 868**
- Cost of Risk	2.6	-1 107 613	-872 214
Operating Income		**2 475 657**	**2 143 654**
+/- Share in net income of companies accounted for by equity method		65 770	44 590
+/- Net gains or losses on other assets	2.7	-390 484	-6 717
+/- Change in goodwill		-	-
Pre-tax earnings		**2 150 943**	**2 181 527**
+/- Corporate income tax	2.8	-571 482	-673 773
Net income		**1 579 461**	**1 507 754**
Non-controlling interests		656 309	657 555
Net income attributable to parent		**923 152**	**850 199**
Earnings per share		5,1	4,9
Diluted Earnings per share		5,1	4,9

(In thousand MAD)

1.3. STATEMENT OF NET INCOME AND GAINS AND LOSSES RECOGNISED DIRECTLY IN SHAREHOLDERS' EQUITY

	2012	2011
Net income	**1 579 461**	**1 507 754**
Currency tranlation adjustment	1 689	-2 912
Reevaluation of available for sale financial assets	2 949	81 959
Reevaluation of hedging instruments		
Reevaluation of fixed assets		
Actuarial gains and losses on defined plans		
Proportion of gains and losses directly recognised in shareholders equity on companies consolidated under equity method		
Total gains and losses directly recognised in shareholders equity	**4 638**	**79 047**
Net income and gains and losses directly recognised in shareholders equity	**1 584 099**	**1 586 801**
attributable to parent	927 095	953 364
Non-controlling interests	657 004	633 437

(In thousand MAD)

1.4. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share Capital	Reserves related to stock	Treasury stock	Reserves & consolidated earnings	Unrealised or deferred gains or losses	Shareholder's Equity attributable to parent	Non-controlling interests	Total
Ending balance of Shareholder's Equity 12.31.2010	1 719 514	8 719 711	0	1 972 189	-20 979	12 390 435	3 428 530	15 818 965
Change in the accounting methods								
Beginning Balance of adjusted Shareholder's Equity 12.31.2010	1 719 514	8 719 711	0	1 972 189	-20 979	12 390 435	3 428 530	15 818 965
Operations on capital		11 909		-36 548		-24 639	276 523	251 884
Share-based payment plans								
Operations on treasury stock								
Dividends				-510 486		-510 486	-242 559	-753 045
Net income				850 199		850 199	657 555	1 507 754
PP&E and intangible assets : Revaluations and disposals (A)								
Financial instruments : change in fair Value and transfer to earnings (B)					106 077	106 077	-24 118	81 959
Currency translation adjustments : Changes and transfer to earnings (C)					-2 912	-2 912		-2 912
Unrealized or deferred gains or losses (A)+ (B) + (C)	0	0	0	0	103 165	103 165	-24 118	79 047
Change in the scope of consolidation (1)				-177 271		-177 271	-120 522	-297 793
Others (2)				-202 799		-202 799	-18 716	-221 515
Ending Balance of Shareholder's Equity 12.31.2011	1 719 514	8 731 620	0	1 895 284	82 186	12 428 604	3 956 693	16 385 298
Impact of changes in accounting methods								
Ending Balance of adjusted Shareholder's Equity 12.31.2011	1 719 514	8 731 620	0	1 895 284	82 186	12 428 604	3 956 693	16 385 298
Operations on capital (3)	75 000	1 455 234		151 846		1 682 080	45 587	1 727 667
Share-based payment plans								
Operations on treasury stock								
Dividends				-530 954		-530 954	-329 259	-860 213
Net income				923 152		923 152	656 309	1 579 461
PP&E and intangible assets: Revaluations and disposals (E)								
Financial instruments: change in fair Value and transfer to earnings (F)					2 254	2 254	695	2 949
Currency translation adjustments: Changes and transfer to earnings (G)					1 689	1 689		1 689
Unrealized or deferred gains or losses (E)+ (F) + (G)	0	0	0	0	3 943	3 943	695	4 638
Change in the scope of consolidation (4)				-251 218		-251 218	-187 508	-438 726
Others				4 583		4 583	10 822	15 405
Ending Balance of adjusted Shareholder's Equity 06.30.2012	1 794 514	10 186 854	0	2 192 693	86 129	14 260 190	4 153 339	18 413 529

(In thousand MAD)

(1) : Change in scope in 2011
This primarily relates to the impact from acquisition of new stakes in BOA and LOCASOM as well as acquisitions by BOA Group.

(2) : Miscellaneous
This relates to corrections to goodwill in 2011, particularly in respect of Hanouty.

(3) : Share capital et reserves related to share capital
In 2012, BMCE BANK increased share capital by MAD 1,500,000K through an equity issue exclusively for key shareholders. This increase resulted in the issue of 7,500,000 new shares at a unit price of 200 dirhams per share, the par value being 10 dirhams and the share premium 190 dirhams.

Issue of 7,500,000 shares with a par value of 10 dirhams per share 75,000

Issue premium : 7,500,000 shares with an issue premium of 190 per share through reserves 1,425,000

4) : Change in scope in 2012
This primarily relates to the impact from the acquisition of new stakes in BOA and the acquisitions made by BOA Group.

1.5. CASH FLOW STATEMENTS AT 31 DECEMBER 2012

1.5.1. Cash Flow Statement

	2012	2011
Pre-tax net income	**2 150 943**	**2 181 527**
+/- Net depreciation/amortization expense on property, plant, and equipment and intangible assets	3 054 760	2 963 886
+/- Impairment of goodwill and other non- current assets	0	0
+/- Impairment of financial assets	109 300	165 026
+/- Net allowances for provisions	665 231	659 723
+/- Share of earnings in subsidiaries accounted for by equity method	-55 215	-44 591
+/- Net loss (income) from investing activities	-990 901	-1 465 434
+/- Net loss (income) from financing activities	0	0
+/- Other movements	195 374	95 910
Non monetary items included in pre-tax net income and other adjustments	**2 978 549**	**2 374 520**
+/- Cash flows related to transactions with credit institutions	13 027 531	10 723 883
+/- Cash flows related to transactions with customers	-14 814 540	-10 060 593
+/- Cash flows related to transactions involving other financial assets and liabilities	-2 343 396	-3 805 482
+/- Cash flows related to transactions involving non financial assets and liabilities	3 581 880	-28 000
+/- Taxes paid	-602 893	-626 156
Net Increase (Decrease) in cash related to assets and liabilities generated by operating activities	**-1 151 418**	**-3 796 348**
Net Cash Flows from Operating Activities	**3 978 074**	**759 699**
+/- Cash Flows related to financial assets and equity investments	-1 093 317	-1 090 685
+/- Cash flows related to investment property	-286	-177
+/- Cash flows related to PP&E and intangible assets	-528 089	-1 298 024
Net Cash Flows from Investing Activities	**-1 621 692**	**-2 388 886**
+/- Cash flows related to transactions with shareholders	1 096 982	-339 866
+/- Cash flows generated by other financing activities	1 949 786	703 344
Net Cash Flows from Financing Activities	**3 046 768**	**363 478**
Effect of movements in exchange rates on cash and equivalents	**57 761**	**-30 074**
Net Increase in Cash and equivalents	**5 460 911**	**-1 295 783**
Beginning Balance of Cash and Equivalents	**10 638 001**	**11 933 784**
Net Balance of cash accounts and accounts with central banks and post office banks	6 391 958	8 033 096
Net Balance of demand loans and deposits- credit institutions	4 246 043	3 900 688
Ending Balance of Cash and Equivalents	**16 098 912**	**10 638 001**
Net Balance of cash accounts and accounts with central banks and post office banks	9 854 817	6 391 958
Net Balance of demand loans and deposits- credit institutions	6 244 095	4 246 043
Net increase in cash and equivalents	**5 460 911**	**-1 295 783**

(In thousand MAD)

1.5.2. Cash Flow Statement by Geographical Region

	MOROCCO	EUROPE	AFRICA
Pre-tax net income	**994 251**	**66 060**	**1 090 753**
+/- Net depreciation/amortization expense on property, plant, and equipment and intangible assets	2 786 704	24 487	243 569
+/- Impairment of goodwill and other non- current assets	-86 389	284	86 105
+/- Impairment of financial assets	109 300	0	0
+/- Net allowances for provisions	261 647	28 727	374 857
+/- Share of earnings in subsidiaries accounted for by equity method	-10 157	0	-45 058
+/- Net loss (income) from investing activities	-843 863	-14 178	-132 860
+/- Net loss (income) from financing activities	0	0	0
+/- Other movements	175 881	34 802	-15 430
Non monetary items included in pre-tax net income and other adjustments	**2 393 123**	**74 122**	**511 183**
+/- Cash flows related to transactions with credit institutions	10 460 395	-1 049 898	3 617 034
+/- Cash flows related to transactions with customers	-14 131 874	55 536	-738 202
+/- Cash flows related to transactions involving other financial assets and liabilities	-1 579 885	16 039	-779 550
+/- Cash flows related to transactions involving non financial assets and liabilities	4 819 766	-50 461	-1 187 425
+/- Taxes paid	-447 704	3 023	-158 212
Net Increase (Decrease) in cash related to assets and liabilities generated by operating activities	**-879 302**	**-1 025 761**	**753 645**
Net Cash Flows from Operating Activities	**2 508 072**	**-885 579**	**2 355 581**
+/- Cash Flows related to financial assets and equity investments	-644 483	-11 800	-437 034
+/- Cash flows related to investment property	-286	0	0
+/- Cash flows related to PP&E and intangible assets	-327 339	4 718	-205 468
Net Cash Flows from Investing Activities	**-972 108**	**-7 082**	**-642 502**
+/- Cash flows related to transactions with shareholders	1 167 095	94 260	-164 373
+/- Cash flows generated by other financing activities	1 406 465	-31 588	574 909
Net Cash Flows from Financing Activities	**2 573 560**	**62 672**	**410 536**
Effect of movements in exchange rates on cash and equivalents	**-4 083**	**27 195**	**34 649**
Net Increase in Cash and equivalents	**4 105 441**	**-802 794**	**2 158 264**
Beginning Balance of Cash and Equivalents	**2 530 547**	**1 354 696**	**6 752 758**
Net Balance of cash accounts and accounts with central banks and post office banks	1 712 872	85 154	4 593 932
Net Balance of demand loans and deposits- credit institutions	817 675	1 269 542	2 158 826
Ending Balance of Cash and Equivalents	**6 635 988**	**551 902**	**8 911 022**
Net Balance of cash accounts and accounts with central banks and post office banks	3 764 729	-12 496	6 102 584
Net Balance of demand loans and deposits- credit institutions	2 871 259	564 398	2 808 438
Net increase in cash and equivalents	**4 105 441**	**-802 794**	**2 158 264**

(In thousand MAD)

1.6. SUMMARY OF ACCOUNTING POLICIES APPLIED BY THE GROUP

1.6.1. Applicable accounting standards

The first consolidated financial statements to be prepared by BMCE Bank Group in accordance with international accounting standards (IFRS) were those for the period ended 30 June 2008 with an opening balance on 1 January 2007.

The consolidated financial statements of BMCE Bank Group have been prepared in accordance with international accounting standards (International Financial Reporting Standards – IFRS), as approved by the IASB.

The Group did not choose to early-adopt the new standards, amendments, and interpretations adopted by the IASB which may be applied retrospectively. The standards in question are IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements", IFRS 12 "Disclosure of involvment with Other Entities", IFRS 13 "Fair Value Measurement" and the amendment to IAS 19 "Employment Benefits", replacing the Corridor Method. For the IASB, these standards are effective for the periods starting on or after 1 January 2013.

It is worth noting that application of the standards IFRS 10, 11, 12 and 13 is not deemed to have any material impact on the Group's financial statements. Analysis is currently being undertaken to estimate the impact from applying the amendment to IAS 19.

1.6.2. Consolidation principles

a. Scope of consolidation

The scope of consolidation includes all Moroccan and foreign entities in which the Group directly or indirectly holds a stake.

BMCE Bank Group includes within its scope of consolidation all entities, whatever their activity, in which it directly or indirectly holds 20% or more of existing or potential voting rights. In addition, it consolidates entities if they meet the following criteria:

• The subsidiary's total assets exceed 0.5% of the parent company's;

• The subsidiary's net assets exceed 0.5% of the parent company's;

• The subsidiary's banking income exceeds 0.5% of the parent company's ;

• "Cumulative" thresholds which ensure that the combined total of entities excluded from the scope of consolidation does not exceed 5% of the consolidated total.

b. Consolidation methods

The method of consolidation adopted (fully consolidated or accounted for under the equity method) will depend on whether the Group has full control, joint control or exercises significant influence.

At 31 December 2012, no Group subsidiary was jointly controlled.

c. Consolidation rules

The consolidated financial statements are prepared using uniform accounting policies for reporting like transactions and other events in similar circumstances.

Elimination of intragroup balances and transactions

Intragroup balances arising from transactions between consolidated companies, and the transactions themselves, including income, expenses and dividends, are eliminated. Profits and losses arising from intragroup sales of assets are eliminated, except where there is an indication that the asset sold is impaired.

Translation of financial statements prepared in foreign currencies

BMCE Bank Group's consolidated financial statements are prepared in dirhams. The financial statements of companies whose functional currency is not the dirham are translated using the closing rate method. Under this method, all assets and liabilities, both monetary and non-monetary, are translated using the spot exchange rate at the balance sheet date. Income and expenditures are translated at the average rate for the period.

d. Business combinations and measurement of goodwill

Cost of a business combination

The cost of a business combination is measured as the aggregate fair value of assets acquired, liabilities incurred or assumed and equity instruments issued by the acquirer in consideration for control of the acquired company. Costs attributable to the acquisition are recognised through income.

Allocating the cost of a business combination to the assets acquired and liabilities incurred or assumed

The Group allocates, at the date of acquisition, the cost of a business combination by recognising those identifiable assets, liabilities and contingent liabilities of the acquired company which meet the criteria for fair value recognition at that date.

Any difference between the cost of the business combination and the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised under goodwill.

Goodwill

At the date of acquisition, goodwill is recognised as an asset. It is initially measured at cost, that is, the difference between the cost of the business combination over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities.

The Group has adopted from 2012 the "full goodwill" method for new acquisitions. This method consists of measuring goodwill based on the difference between the cost of the business combination and minority interests over the fair value of the identifiable assets, liabilities and contingent liabilities.

It is worth noting that the Group has not restated business combinations occurring before 1 January 2008, the date of first-time adoption of IFRS, in accordance with IFRS 3 and as permitted under IFRS 1.

Measurement of goodwill

Following initial recognition, goodwill is measured at cost less cumulative impairment.

In accordance with IAS 36, impairment tests must be conducted whenever there is any indication of impairment that a unit may be impaired and at least once a year to ensure that the goodwill recognised for each CGU does not need to be written down.

At 31 December 2012, the Group conducted impairment test to ensure that the carrying amount of cash-generating units was still lower than the recoverable amount.

The recoverable amount of a cash-generating unit is the higher of the net fair value of the unit and its value in use.

Fair value is the price that is likely to be obtained from selling the CGU in normal market conditions.

Value in use is based on an estimate of the current value of future cash flows generated by the unit's activities as part of the Bank's market activities:

• If the subsidiary's recoverable amount is more than the carrying amount, then there is no reason to book an impairment charge;

• If the subsidiary's recoverable amount is less than the carrying amount, the difference is recognised as an impairment charge. It will be allocated to goodwill as a priority and subsequently to other assets on a pro-rata basis.

The Bank has employed a variety of methods for measuring CGU value in use depending on the subsidiary. These methods are based on assumptions and estimates:

• A revenue-based approach, commonly known as the "dividend discount model", is a standard method used by the banking industry. The use of this method depends on the subsidiary's business plan and will value the subsidiary based on the net present value of future dividend payments. These flows are discounted at the cost of equity.

• The "discounted cash flow method" is a standard method for measuring firms in the services sector. It is based on discounting available cash flows at the weighted average cost of capital.

Step acquisitions

In accordance with revised IFRS 3, the Group does not calculate additional goodwill on step acquisitions once control has been obtained.

In particular, in the event that the Group increases its percentage interest in an entity which is already fully consolidated, the difference at acquisition date between the cost of acquiring the additional share and share already acquired in the entity is recognised in the Group's consolidated reserves.

1.6.3. Financial assets and liabilities

a. Loans and receivables

Loans and receivables include credit provided by the Group.

Loans and receivables are initially measured at fair value or equivalent, which, as a general rule, is the net amount disbursed at inception including directly attributable origination costs and certain types of fees or commission (syndication commission, commitment fees and handling charges) that are regarded as an adjustment to the effective interest rate on the loan.

Loans and receivables are subsequently measured at amortised cost. The income from the loan, representing interest plus transaction costs and fees and commission included in the initial value of the loan, is calculated using the effective interest method and taken to income over the life of the loan.

b. Securities

Classification of securities

Securities held by the Group are classified under one of three categories.

Financial assets at fair value through P&L

This category includes financial assets and liabilities held for trading purposes. They are measured at fair value at the balance sheet date under "financial assets at fair value through P&L". Changes in fair value are recognised in the income statement under "Net gains or losses on financial instruments at fair value through P&L".

It is worth noting that the Group has not designated, on initial recognition, non-derivative financial assets and liabilities at fair value through income using option available under IAS 39.

Held-to-maturity financial assets

Held-to-maturity financial assets include securities with fixed or determinable payments and fixed maturity securities that the Group has the intention and ability to hold until maturity.

Assets in this category are accounted for at amortised cost using the effective interest method, which builds in amortisation of premium and discount, corresponding to the difference between the asset's purchase price and redemption value and acquisition costs, if material. They may be written down, if applicable, in the event of issuer default. Income earned from this category of assets is included in "Interest and similar income" in the income statement.

Available-for-sale financial assets

Available-for-sale financial assets are fixed income and floating rate securities other than those classified under the two previous categories.

Assets included in the available-for-sale category are initially recognised at fair value plus transaction costs, if material. At the balance sheet date, they are re-measured at fair value, with changes in fair value shown on a separate line in shareholders' equity. Upon disposal, these unrealised gains and losses are transferred from shareholders' equity to the income statement, where they are shown on the line "Net gains or losses on available-for-sale financial assets". The same applies in the event of impairment.

Income recognised using the effective interest method for fixed income available-for-sale securities is recorded under "Interest and similar income" in the income statement.

Dividend income from floating rate securities is recognised under "Net gains or losses on available-for-sale financial

assets" when the Group's right to receive payment is established.

Temporary acquisitions and sales

Repurchase agreements

Securities subject to repurchase agreements are recorded in the Group's balance sheet in their original category.

The corresponding liability is recognised in the under "Borrowings" as a liability on the balance sheet.

Securities temporarily acquired under reverse repurchase agreements are not recognised in the Group's balance sheet. The corresponding receivable is recognised under "Loans and receivables".

Securities lending and borrowing transactions

Securities lending transactions do not result in de-recognition of the lent securities while securities borrowing transactions result in recognition of a debt on the liabilities side of the Group's balance sheet.

Date of recognition of securities transactions

Securities recognised at fair value through income or classified under held-to-maturity or available-for-sale financial assets are recognised at the trade date.

Regardless of their classification (recognised as loans and receivables or debt), temporary sales of securities as well as sales of borrowed securities are initially recognised at the settlement date.

These transactions are carried on the balance sheet until the Group's rights to receive the related cash flows expire or until the Group has substantially transferred all the risks and rewards related to ownership of the securities.

c. Foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency of the relevant Group entity at the closing rate. Translation differences are recognised in the income statement, except for those arising from financial instruments earmarked as a cash flow hedge or a net foreign currency investment hedge, which are recognised in shareholders' equity.

d. Impairment and restructuring of financial assets

Impairment of loans and receivables and held-to-maturity financial assets, provisions for financing and guarantee commitments

At each balance sheet date, the Group determines whether there is objective evidence of impairment to a financial asset or group of financial assets as a result of an event or several events occurring after initial recognition, whether this event affects the amount or timing of future cash flows and whether the consequences of the event can be reliably measured.

The Group assesses, in the first instance, whether there is objective evidence of impairment on an individual basis for individually material assets or on a collective basis for financial assets which are not individually material.

If the Group determines that there is no objective evidence of impairment to a financial asset, whether considered individually material or not, it includes this asset within a group of financial assets with a similar credit risk profile and subjects them to an impairment test on a collective basis.

At an individual level, objective evidence that a financial asset is impaired includes observable data relating to the following events:

- The existence of accounts which are past the due date;
- Any knowledge or evidence that the borrower is experiencing significant financial difficulty, such that a risk can be considered to have arisen, regardless of whether the borrower has missed any payments;
- Concessions in respect of the credit terms granted to the borrower that the lender would not have considered had the borrower not been experiencing financial difficulty.

Impairment is measured as the difference between the carrying amount and the present value, discounted at the asset's original effective interest rate, of those components (principal, interest, collateral, etc.) regarded as recoverable.

The Group's portfolio doubtful loan portfolio is categorised as follows :

Individually material loans : Each of these loans is reviewed individually in order to estimate recovery payments and determine recovery schedules. Impairment under IFRS relates to the difference between amounts owing and the net present value of expected recovered payments.

Non-individually material loans : Loans not reviewed on an individual basis are segmented into different risk categories having similar characteristics and are assessed using a statistical model, based on historical data, of annual recovery payments by each risk category.

Counterparties not showing any evidence of impairment

These loans are risk-assessed on a portfolio basis with similar characteristics. This assessment draws upon historical data, adjusted if necessary to reflect circumstances prevailing at the balance sheet date. This analysis enables the Group to identify counterparty groups which, as a result of events occurring since inception of the loans, have collectively acquired a probability of default at maturity that provides objective evidence of impairment of the entire portfolio but without it being possible at that stage to allocate the impairment to individual counterparties.

This analysis also estimates the loss relating to the portfolios in question, taking account of trends in the economic cycle during the assessment period.

Based on the experienced judgement of the Bank's divisions or Risk Division, the Group may recognise additional collective impairment provisions in respect of an economic sector or geographical region affected by exceptional economic events. In this regard the Group established watch lists of the accounts at risk.

Provisions and provision write-backs are recognised in the

income statement under "Cost of risk" while the theoretical income earned on the carrying amount of impaired loans is recognised under "Interest and similar income" in the income statement.

Impairment of available-for-sale financial assets

Impairment of "available-for-sale financial assets", which mainly comprise equity instruments, is recognised through income if there is objective evidence of impairment as a result of one or more events occurring since acquisition.

The Group has determined two types of non-cumulative impairment for equity instruments recorded under "available-for-sale financial assets". The first one is a significant decline in the security's price. By "significant" is implied a fall of more than 40% from the acquisition price. The second is a prolonged decline, defined as an unrealised loss over a one-year period.

For financial instruments quoted on a liquid market, impairment is determined using quoted prices and, for unquoted financial instruments, is based on valuation models.

Impairment losses taken against equity securities are recognised as a component of net banking income under "Net gains or losses on available-for-sale financial assets" and may only be reversed through income after these securities are sold. Any subsequent decline in fair value constitutes an additional impairment loss, recognised in through income.

In the case of debt instruments, impairment is assessed on the basis of the same criteria applied to loans and receivables, that is, on an individual basis if there is objective evidence of impairment or on a collective basis if there is no evidence of impairment.

Given the characteristics of its portfolio, the Group is not concerned by debt instruments.

Restructuring of assets classed as "Loans and receivables"

An asset classified in "Loans and receivables" is considered to be restructured due to the borrower's financial difficulty when the Group, for economic or legal reasons related to the borrower's financial difficulty, agrees to modify the terms of the original transaction that it would not otherwise consider, resulting in the borrower's contractual obligation to the Group, measured at present value, being reduced compared with the original terms.

At the time of restructuring, a discount is applied to the loan to reduce its carrying amount to the present value of the new expected future cash flows discounted at the original effective interest rate.

The decrease in the asset value is recognised through income under "Cost of risk".

For each loan, the discount is recalculated at the renegotiation date using original repayment schedules and renegotiation terms.

The discount is calculated as the difference between:

• The sum, at the renegotiation date, of the original contractual repayments discounted at the effective interest rate; and

• The sum, at the renegotiation date, of the renegotiated contractual repayments discounted at the effective interest rate. The discount, net of amortisation, is recognised by reducing loan outstandings through income. Amortisation will be recognised under net banking income.

e. Issues of debt securities

Financial instruments issued by the Group are qualified as debt instruments if the Group company issuing the instruments has a contractual obligation to deliver cash or another financial asset to the holder of the instrument. The same applies if the Group is required to exchange financial assets or liabilities with another entity on terms that are potentially unfavourable to the Group, or to deliver a variable number of the Group's treasury shares.

In the Group's case, this concerns certificates of deposit issued by Group banks such as BMCE BANK and BANK OF AFRICA as well as notes issued by finance companies MAGHREBAIL and SALAFIN.

f. Treasury shares

"Treasury shares" refer to shares issued by the parent company, BMCE Bank SA, or by its fully consolidated subsidiaries. Treasury shares held by the Group are deducted from consolidated shareholders' equity regardless of the purpose for which they are held. Gains and losses arising on such instruments are eliminated from the consolidated income statement.

At 31 December 2012 and at 31 December 2011, the Bank did not hold any treasury shares.

g. Derivative instruments

All derivative instruments are recognised in the balance sheet on the trade date at the trade price and are re-measured to fair value on the balance sheet date.

Derivatives held for trading purposes are recognised "Financial assets at fair value through income" when their fair value is positive and in "Financial liabilities at fair value through income" when their fair value is negative.

Realised and unrealised gains and losses are recognised in the income statement under "Net gains or losses on financial instruments at fair value through income".

h. Determining the fair value of financial instruments

Fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Financial assets classified under "Financial assets at fair value through income" and "Available-for-sale financial assets" are measured at fair value.

Fair value in the first instance relates to the quoted price if the financial instrument is traded on a liquid market.

If no liquid market exists, fair value is determined by using valuation techniques (internal valuation models as outlined in Note 4.15 on fair value).

Depending on the financial instrument, these involve the use of data taken from recent arm's length transactions, the

fair value of substantially similar instruments, discounted cash flow models or adjusted book values.

Characteristics of a liquid market include regularly available prices for financial instruments and the existence of real arm's length transactions.

Characteristics of an illiquid market include factors such as a significant decline in the volume and level of market activity, a significant variation in available prices between market participants or a lack of recent observed transaction prices.

i. Income and expenses arising from financial assets and liabilities

The effective interest rate method is used to recognise income and expenses arising from financial instruments, which are measured at amortised cost.

The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the asset or liability in the balance sheet. The effective interest rate calculation takes into account all fees received or paid that are an integral part of the effective interest rate of the contract, transaction costs, and premiums and discounts.

j. Cost of risk

"Cost of risk" includes impairment provisions net of write-backs and provisions for credit risk, losses on irrecoverable loans and amounts recovered on amortised loans as well as provisions and provision write-backs for other risks such as operating risks.

k. Offsetting financial assets and liabilities

A financial asset and a financial liability are offset and the net amount presented in the balance sheet if, and only if, the Group has a legally enforceable right to offset the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.6.4. Property plant and equipment and intangible assets

a. Property, plant and equipment

The Group has opted for the cost model to measure property, plant and equipment and intangible assets.

It is worth noting that, in application of the option provided under IFRS 1, the Group has chosen to measure certain items of property, plant and equipment at the transition date at their fair value and use this fair value as deemed cost at this date.

In accordance with IAS 23, borrowing costs directly attributable to the acquisition are included in the acquisition cost of items of property, plant and equipment.

As soon as they are available for use, items of property, plant and equipment are amortised over the asset's estimated useful life.

Given the character of BMCE Bank Group's property, plant and equipment, it has not adopted any residual value except for transport equipment owned by LOCASOM, a subsidiary.

In respect of the Group's other assets, there is neither a sufficiently liquid market nor a replacement policy over a period that is considerably shorter than the estimated useful life for any residual value to be adopted.

This residual value is the amount remaining after deducting from the acquisition cost all allowable depreciable charges.

Given the Group's activity, it has adopted a component-based approach for property. The option adopted by the Group is a component-based amortised cost method by applying using a component-based matrix established as a function of the specific characteristics of each of BMCE Bank Group's buildings.

Component-based matrix adopted by BMCE BANK

	Head office property		Other property	
	Period	Share	Period	Share
Structural works	80	55%	80	65%
Fasade	30	15%		
General & technical installations	20	20%	20	15%
Fixtures and fittings	10	10%	10	20%

Impairment

The Group has deemed that impairment is only applicable to buildings and, as a result, the market price (independently-assessed valuation) will be used as evidence of impairment.

b. Investment property

IAS 40 defines investment property as property held to earn rentals or for capital appreciation or both. An investment property generates cash flows that are largely independent from the company's other assets in contrast to property primarily held for use in the production or supply of goods or services.

The Group qualifies investment property as any non-operating property.

BMCE Bank Group has opted for the cost method to value its investment property. The method used to value investment property is identical to that for valuing operating property.

c. Intangible assets

Intangible assets are initially measured at cost which is equal to the amount of cash or cash equivalent paid or any other consideration given at fair value to acquire the asset at the time of its acquisition or construction.

Subsequent to initial recognition, intangible assets are measured at cost less cumulative amortisation and impairment losses.

The amortisation method adopted reflects the rate at which future economic benefits are consumed.

Impairment is recognised when evidence (internal or external) of impairment exists. Evidence of impairment is assesses at each balance sheet date.

Given the character of the intangible assets held, the Group considers that the concept of residual value is not relevant

in respect of its intangible assets. As a result, residual value has not been adopted.

1.6.5. Leases

Group companies may either be the lessee or the lessor in a lease agreement.

Leases contracted by the Group as lessor are categorised as either finance leases or operating leases.

a. Lessor accounting

Finance leases

In a finance lease, the lessor transfers the substantial portion of the risks and rewards of ownership of an asset to the lessee. It is treated as a loan made to the lessee to finance the purchase of the asset.

The present value of the lease payments, plus any residual value, is recognised as a receivable.

The net income earned from the lease by the lessor is equal to the amount of interest on the loan and is taken to the income statement under “Interest and other income”. The lease payments are spread over the lease term and are allocated to reducing the principal and to interest such that the net income reflects a constant rate of return on the outstanding balance. The rate of interest used is the rate implicit in the lease.

Individual and portfolio impairments of lease receivables are determined using the same principles as applied to other loans and receivables.

Operating leases

An operating lease is a lease under which the substantial portion of the risks and rewards of ownership of an asset are not transferred to the lessee.

The asset is recognised under property, plant and equipment in the lessor’s balance sheet and depreciated on a straight-line basis over the lease term. The depreciable amount excludes the asset’s residual value. The lease payments are taken to the income statement in full on a straight-line basis over the lease term.

Lease payments and depreciation expenses are taken to the income statement under “Income from other activities” and “Expenses from other activities”.

b. Lessee accounting

Leases contracted by the Group as lessee are categorised as either finance leases or operating leases.

Finance leases

A finance lease is treated as an acquisition of an asset by the lessee, financed by a loan. The leased asset is recognised in the balance sheet of the lessee at the lower of fair value or the present value of the minimum lease payments calculated at the interest rate implicit in the lease.

A matching liability, equal to the fair value of the leased asset or the present value of the minimum lease payments, is also recognised in the balance sheet of the lessee. The asset is depreciated using the same method as that applied to owned assets after deducting the residual value from the amount initially recognised over the useful life of the asset. The lease obligation is accounted for at amortised cost.

Operating leases

The asset is not recognised in the balance sheet of the lessee. Lease payments made under operating leases are taken to the lessee’s income statement on a straight-line basis over the lease term.

1.6.6. Non-current assets held for sale and discontinued activities

An asset is classified as held for sale if its carrying amount is obtained through the asset’s sale rather than through its continuous use in the business.

At 31 December 2012, the Group did not recognise any assets as held for sale or discontinued activities.

1.6.7. Employee benefits

Classification of employee benefits

a. Short-term benefits

Short-term benefits are due within twelve months of the close of the financial year in which employees provided the corresponding services. They are recognised as expenses in the year in which they are earned.

b. Defined-contribution post-employment benefits

The employer pays a fixed amount in respect of contributions into an external fund and has no other liability. Benefits received are determined on the basis of cumulative contributions paid plus any interest and are recognised as expenses in the year in which they are earned.

c. Defined-benefit post-employment benefits

Defined-benefit post-employment benefits are those other than defined-contribution schemes. The employer undertakes to pay a certain level of benefits to former employees, whatever the liability’s cover. This liability is recognised as a provision.

The Group accounts for end-of-career bonuses as defined-benefit post-employment benefits: these are bonuses paid on retirement and depend on employees’ length of service.

d. Long-term benefits

These are benefits which are not settled in full within twelve after the employee rendering the related service. Provisions are recognised if the benefit depends on employees’ length of service.

The Group accounts for long-service awards as long-term benefits: these are payments made to employees when they reach 6 different thresholds of length of service ranging from 15 to 40 years.

e. Termination benefits

Termination benefits are made as a result of a decision by the Group to terminate a contract of employment or a decision by an employee to accept voluntary redundancy. The company may set aside provisions if it is clearly committed to terminating an employee’s contract of employment.

Principles for calculating and accounting for defined-benefit post-employment benefits and other long-term benefits

a. Calculation method

The recommended method for calculating the liability under IAS 19 is the "projected unit credit" method. The calculation is made on an individual basis. The employer's liability is equal to the sum of individual liabilities.

Under this method, the actuarial value of future benefits is determined by calculating the amount of benefits due on retirement based on salary projections and length of service at the retirement date. It takes into consideration variables such as discount rates, the probability of the employee remaining in service up until retirement as well as the likelihood of mortality.

The liability is equal to the actuarial value of future benefits in respect of past service within the company prior to the calculation date. This liability is determined by applying to the actuarial value of future benefits the ratio of length of service at the calculation date to length of service at the retirement date.

The annual cost of the scheme, attributable to the cost of an additional year of service for each participant, is determined by the ratio of the actuarial value of future benefits to the anticipated length of service on retirement.

b. Accounting principles

A provision is recognised under liabilities on the balance sheet to cover for all obligations.

Actuarial gains or losses arise on differences related to changes in assumptions underlying calculations (early retirement, discount rates etc.) or between actuarial assumptions and what actually occurs (rate of return on pension fund assets etc.) constitute.

They are amortised through income over the average anticipated remaining service lives of employees using the corridor method.

The past service cost is spread over the remaining period for acquiring rights.

The annual expense recognised in the income statement under "Salaries and employee benefits" in respect of defined-benefit schemes comprises:

• The rights vested by each employee during the period (the cost of service rendered);

• The interest cost relating to the effect of discounting the obligation ;

• The expected income from the pension fund's investments (gross rate of return);

• The amortisation of actuarial gains and losses and past service costs;

• The effect of any plan curtailments or settlements.

1.6.8. Share-based payments

The Group offers its employees the possibility of participating in share issues in the form of share purchase plans.

New shares are offered at a discount on the condition that they retain the shares for a specified period.

The expense related to share purchase plans is spread over the vesting period if the benefit is conditional upon the beneficiary's continued employment.

This expense, booked under "Salaries and employee benefits", with a corresponding adjustment to shareholders' equity, is calculated on the basis of the plan's total value, determined at the allotment date by the Board of Directors.

In the absence of any market for these instruments, financial valuation models are used that take into account performance-based criteria relating to the BMCE Bank share price. The plan's total expense is determined by multiplying the unit value per option or bonus share awarded by the estimated number of options or bonus shares acquired at the end of the vesting period, taking into account the conditions regarding the beneficiary's continued employment.

1.6.9. Provisions recorded under liabilities

Provisions recorded under liabilities on the Group's balance sheet, other than those relating to financial instruments and employee benefits mainly relate to restructuring, litigation, fines, penalties and tax risks.

A provision is recognised when it is probable that an outflow of resources providing economic benefits will be required to settle an obligation arising from a past event and a reliable estimate can be made about the obligation's amount. The amount of such obligations is discounted in order to determine the amount of the provision if the impact of discounting is material.

A provision for risks and charges is a liability of uncertain timing or amount.

The accounting standard provides for three conditions when an entity must recognise a provision for risks and charges:

• A present obligation towards a third party ;

• An outflow of resources is probable in order to settle the obligation;

• The amount can be estimated reliably.

1.6.10. Current and deferred taxes

The current income tax charge is calculated on the basis of the tax laws and tax rates in force in each country in which the Group has operations.

Deferred taxes are recognised when temporary differences arise between the carrying amount of an asset or liability in the balance sheet and its tax base.

A deferred tax liability is a tax which is payable at a future date. Deferred tax liabilities are recognised for all taxable temporary differences other than those arising on initial recognition of goodwill or on initial recognition of an asset or liability for a transaction which is not a business combination and which, at the time of the transaction, has not impact on profit either for accounting or tax purposes.

A deferred tax asset is a tax which is recoverable at a future date. Deferred tax assets are recognised for all deductible temporary differences and unused carry-forwards of tax

losses only to the extent that it is probable that the entity in question will generate future taxable profits against which these temporary differences and tax losses can be offset.

The Group has opted to assess the probability of recovering deferred tax assets.

Deferred taxes assets are not recognised if the probability of recovery is uncertain. Probability of recovery is ascertained by the business projections of the companies concerned.

1.6.11. Cash flow statement

The cash and cash equivalents balance is composed of the net balance of cash accounts and accounts with central banks and the net balances of sight loans and deposits with credit institutions.

Changes in cash and cash equivalents related to operating activities reflect cash flows generated by the Group's operations, including cash flows related to investment property, held-to-maturity financial assets and negotiable debt instruments.

Changes in cash and cash equivalents related to investing activities reflect cash flows resulting from acquisitions and disposals of subsidiaries, associates or joint ventures included in the consolidated group, as well as acquisitions and disposals of property, plant and equipment excluding investment property and property held under operating leases.

Changes in cash and cash equivalents related to financing activities reflect the cash inflows and outflows resulting from transactions with shareholders, cash flows related to subordinated debt, bonds and debt securities (excluding negotiable debt instruments).

1.6.12. Use of estimates in the preparation of the financial statements

Preparation of the financial statements requires managers of business lines and corporate functions to make assumptions and estimates that are reflected in the measurement of income and expense in the income statement and of assets and liabilities in the balance sheet and in the disclosure of information in the notes to the financial statements.

This requires the managers in question to exercise their judgement and to make use of information available at the time of preparation of the financial statements when making their estimates.

The actual future results from operations where managers have made use of estimates may in reality differ significantly from those estimates depending on market conditions. This may have a material impact on the financial statements.

Those estimates which have a material impact on the financial statements primarily relate to:

• Impairment (on an individual or collective basis) recognised to cover credit risks inherent in banking intermediation activities ;

Other estimates made by the Group's management primarily relate to :

• Goodwill impairment tests ;

• Provisions for employee benefits;

• The measurement of provisions for risks and charges.

II. NOTES TO THE INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

2.1. NET INTEREST INCOME

Net interest income comprises interest income (expenses) related to customer transactions, interbank transactions, debt securities issued by the Group, the trading portfolio (fixed income securities, repurchase agreements, loan/borrowing transactions and debt securities), available-for-sale financial assets and held-to-maturity financial assets.

	2012			2011		
	Income	Expense	Net	Income	Expense	Net
Customer Items	8 581 131	2 818 182	5 762 949	7 614 768	2 772 953	4 841 815
Deposits, loans and borrowings	7 991 041	2 702 532	5 288 509	6 987 941	2 601 939	4 386 002
Repurchase agreements		115 650	-115 650		171 014	-171 014
Finance leases	590 090	0	590 090	626 827		626 827
Interbank items	730 430	1 018 766	-288 336	729 381	633 259	96 122
Deposits, loans and borrowings	487 627	969 104	-481 477	524 514	576 358	-51 844
Repurchase agreements	242 803	49 662	193 141	204 867	56 901	147 966
Debt securities issued	0	0	0	0	0	0
Cash flow hedge instruments	0	0	0	0	0	0
Interest rate portfolio hedge instruments	0	0	0	0	0	0
Trading book	841 682	742 876	98 806	740 126	689 632	50 494
Fixed income securities	841 682	525 899	315 783	740 126	456 680	283 446
Repurchase agreements			0			0
Loans/borrowings			0			0
Debt securities	0	216 977	-216 977	0	232 952	-232 952
Available for sale financial assets			0			0
Held to maturity financial assets	669 463		669 463	583 393		583 393
TOTAL INTEREST INCOME (EXPENSE)	**10 822 706**	**4 579 824**	**6 242 882**	**9 667 668**	**4 095 844**	**5 571 824**

(In thousand MAD)

At 31 December 2012, net interest income rose by 12% compared to 31 December 2011 to MAD 6,243 million. This was primarily due to a 14% increase in income from customer loans to MAD 7,991 million versus MAD 6,988 million at 31 December 2011 and a 19% increase in income from repurchase agreements to MAD 243 million versus MAD 205 million at 31 December 2011.

It is worth noting that the Group has corrected the accounting classification for interest income from debt securities held by BOA Group. In respect of the 2011 financial statements, an amount equal to MAD 317 million was reclassified from the entry "Net gains or losses on financial instruments at fair value" to "Interest and similar income – net interest income" resulting in interest income of MAD 583 million after reclassification versus MAD 226 million prior to reclassification. Net interest income for the year ended 31 December 2011 prior to reclassification was MAD 5,254 million and MAD 5,572 million after reclassification as explained above.

2.2. NET FEE INCOME

	DEC 2012			DEC 2011		
	Income	Expense	Net	Income	Expense	Net
Net fee on transactions	741 051	195 633	545 418	640 935	160 602	480 333
With credit institutions			-			-
With customers	267 891		267 891	244 679		244 679
On custody	146 743	125 284	21 459	158 633	99 168	59 465
On foreign exchange	326 417	70 349	256 068	237 623	61 434	176 189
On financial instruments and off balance sheet			-			-
Banking and financial services	1 105 556	125 278	980 278	1 062 201	119 599	942 602
Income from mutual funds management			-			-
Income from electronic payment services	249 979	43 237	206 742	233 288	39 639	193 649
Insurance			-			-
Other	855 577	82 041	773 536	828 913	79 960	748 953
NET FEE INCOME	**1 846 607**	**320 911**	**1 525 696**	**1 703 136**	**280 201**	**1 422 935**

(In thousand MAD)

Net fee income encompasses fees from interbank market and money market transactions, customer transactions, securities transactions, foreign exchange transactions, securities commitments, financial derivatives and financial services.

Net fee income rose by 7% from MAD 1,423 million at 31 December 2011 to MAD 1,525 million at 31 December 2012.

This can primarily be explained by (i) a strong increase in fees from foreign exchange activities which rose by 37% from MAD 237 million at 31 December 2011 to MAD 327 million at 31 December 2012 and (ii) strong growth (+10%) in fees from customer transactions which rose from MAD 244 million to MAD 268 million.

2.3. NET GAINS ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

This entry includes all items of income (excluding interest income and expenses classified under "Net interest income" as described above) relating to financial instruments managed as part of the Group's trading portfolio.

This includes capital gains and losses on disposals, capital gains and losses on mark-to-market accounting and dividends from floating rate securities.

	2012			2011		
	Trading Book	Assets measured under the fair value option	Total	Trading Book	Assets measured under the fair value option	Total
Fixed income and variable income securities	654 050		654 050	711 421		711 421
Derivative instruments	-3 029		-3 029	-8 691		-8 691
Repurchase agreements						
Loans						
Borrowings						
Remeasurement of interest rate risk hedged portfolios						
Remeasurement of currency positions						
TOTAL	**651 021**	**0**	**651 021**	**702 730**	**0**	**702 730**

(In thousand MAD)

At 31 December 2012, net gains on financial instruments at fair value through income fell by 7% compared to 31 December 2011 to MAD 651 million.

This was primarily due to an 8% decline in returns from fixed and floating rate securities from MAD 711 million in 2011 to MAD 654 million in 2012.

2.4. NET GAINS ON AVAILABLE-FOR-SALE FINANCIAL ASSETS

The entry comprises:

- Dividends and other income from equities and other floating rate securities classified under "Available-for-sale financial assets";
- Capital gains and losses on disposal of fixed and floating rate securities classified under "Available-for-sale financial assets";
- Impairment provisions on floating rate securities classified under "Available-for-sale financial assets".

	2012	2011
Fixed income securities	0	0
Disposal gains and losses		
Equity and other variable-income securities	150 157	27 075
Dividend income	168 564	202 827
Impairment provisions	-61 578	-159 959
Net disposal gains	43 171	-15 793
TOTAL	**150 157**	**27 075**

(In thousand MAD)

At 31 December 2012, net gains on available-for-sale financial assets rose strongly compared to 31 December 2011 to MAD 150 million. This was primarily due to a 62% fall in impairment provisions which declined from MAD 160 million to MAD 61 million.

2.5. NET INCOME FROM OTHER ACTIVITIES

	2012			2011		
	Income	Expense	Net	Income	Expense	Net
Net income from insurance activities			0			0
Net income from investment property	0	0	0	0	0	0
Net income from assets held under operating leases	250 971	90 322	160 649	237 638	91 090	146 548
Net income from property development activities	0	0	0	0	0	0
Other banking income & expenses	257 671	187 139	70 532	175 182	223 870	-48 688
Other operating income	272 708	55 869	216 839	379 354	61 715	317 639
Total net income from other activities	**781 350**	**333 330**	**448 020**	**792 174**	**376 675**	**415 499**

(In thousand MAD)

2.6. COST OF RISK

Cost of risk comprises expenses in respect of credit risks, counterparty risks and litigation inherent in the Group's banking activity with third parties. Impairment provisions unrelated to such risks are classified under the different entries in the income statement depending on their character.

Cost of risk for the period

	2012	2011
Impairment provisions	**-1 541 885**	**-1 220 654**
Impairment provisions on loans and advances	-1 415 449	-1 125 287
Impairment provisions on held to maturity financial assets (excluding interest rate risks)		
Provisions on off balance sheet commitments	-2 467	-1 385
Other provisions for contingencies and charges	-123 969	-93 982
Write back of provisions	**717 256**	**443 494**
Write back of impairment provisions on loans and advances	634 113	375 716
Write back of impairment provisions on held to maturity financial assets (excluding interest rate risks)		
Write back of provisions on off balance sheet commitments	1 743	2 916
Write back of other provisions for contingencies and charges	81 400	64 862
Changes in provisions	**-282 984**	**-95 054**
Losses on counterparty risk on available for sale financial assets (fixed income securities)		
Losses on counterparty risk held to maturity financial assets		
Loss on irrecoverable loans and advances not covered by impairment provisions		
Loss on irrecoverable loans and advances covered by impairment provisions	-288 237	-109 023
Discount on restructured products		
Recoveries on amortized loans and advances	5 253	13 969
Losses on off balance sheet commitments		
Other losses		
COST OF RISK	**-1 107 613**	**-872 214**

(In thousand MAD)

Cost of risk for the period

	2012	2011
Net allowances to impairment	-824 629	-777 161
Recoveries on loans and receivables previously written off	5 253	13 969
Irrecoverable loans and receivables not covered by impairment provisions	-288 237	-109 022
TOTAL COST OF RISK FOR THE PERIOD	**-1 107 613**	**-872 214**

(In thousand MAD)

Cost of risk for the period by asset type

	2012	2011
Loans and receivables due from credit institutions		
Loans and receivables due from customers	-1 064 320	-844 624
Available-for-sale financial assets		
Held-to-maturity financial assets		
Financial instruments on trading activities		
Other assets		
Off-balance sheet commitments and other items	-43 293	-27 590
TOTAL COST OF RISK FOR THE PERIOD	**-1 107 613**	**-872 214**

(In thousand MAD)

Change in customer impairment provisions during the period

	2012	2011
TOTAL IMPAIRMENT PROVISIONS AT START OF PERIOD	5 317 746	4 476 057
Net allowance to impairment	1 347 068	1 064 343
Recoveries of impairment provisions	-655 099	-402 911
Utilisation of impairment provisions	-279 404	194 949
Effect of exchange rate movements and other items	6 684	-14 692
TOTAL IMPAIRMENT PROVISIONS AT END OF PERIOD	**5 736 995**	**5 317 746**

(In thousand MAD)

Change in credit institution impairment provisions during the period

	2012	2011
TOTAL IMPAIRMENT PROVISIONS AT START OF PERIOD	39 325	29 816
Net allowance to impairment	-	13 000
Recoveries of impairment provisions	-	-
Utilisation of impairment provisions	-685	-3 491
Effect of exchange rate movements and other items	-	-
TOTAL IMPAIRMENT PROVISIONS AT END OF PERIOD	**38 640**	**39 325**

(In thousand MAD)

Impairment provisions for credit risk by asset type

	2012	2011
Impairment of assets		
Loans and receivables due from credit institutions	38 640	39 325
Loans and receivables due from customers	5 736 995	5 317 771
Financial instruments on trading activities		
Available-for-sale financial assets		
Held-to-maturity financial assets		
Other assets		
TOTAL IMPAIRMENT PROVISIONS AGAINST FINANCIAL ASSETS	5 775 635	5 357 096
of wich specific provisions	5 154 707	4 950 694
of wich collective provisions	620 928	406 402
Provisions recognised as liabilities		
Provisions for off-balance sheet commitments		
to credit institutions		
to customers		
Other items subject to provisions		
TOTAL PROVISIONS RECOGNISED AS LIABILITIES	-	-
of which specific provisions		
of which collective provisions	-	-
TOTAL IMPAIRMENT PROVISIONS	5 775 635	5 357 096

(In thousand MAD)

2.7. NET GAINS ON OTHER ASSETS

	2012	2011
PP&E and intangible assets used in operations	0	0
Capital gains on disposals		0
Capital losses on disposals		0
Equity interests	0	0
Capital gains on disposals	0	0
Capital losses on disposals	0	0
Others*	-390 484	-6 717
Net Gain/Loss on Other Assets	**-390 484**	**-6 717**

(In thousand MAD)

After being notified on 12 January 2010 that BMCE Bank's accounting procedures would be officially audited, the Bank underwent a tax audit in 2010, completed in December of that year in respect of financial years 2006-2009 inclusive.

This tax audit related to corporate tax, personal income tax and value-added tax.

- On 16 December 2010, BMCE Bank received initial notification of the items for reassessment in respect of the four financial years audited to which it replied on 16 January 2011;

- On 1 March 2011, BMCE Bank received a second notification against which it made an appeal on 30 March 2011 before the local tax commission in application of the legal provisions in force relating to tax rectification procedures;

- On 28 September 2012, a memorandum of agreement was signed with the tax authorities resulting in a tax adjustment totalling MAD 387,058K in principal, interest and penalty charges in respect of corporate tax, personal income tax and value-added tax for the four financial years audited.

- Payment of the aforementioned sum of MAD 387,058K relating to the tax audit plus additional fees resulted in the Group recognising an expense of equal amount under "Net gains on other assets" in the 2012 consolidated income statement.

2.8 - INCOME TAX

2.8.1 - CURRENT AND DEFERRED TAX

	2012	2011
Current tax	215 856	408 979
Deferred tax	310 849	321 084
Current and deferred tax assets	**526 705**	**730 063**
Current tax	36 296	324 592
Deferred tax	983 149	934 127
Current and deferred tax liabilities	**1 019 445**	**1 258 719**

(In thousand MAD)

2.8.2 - NET INCOME TAX EXPENSE

	2012	2011
Current tax expense	-514 122	-606 067
Net deferred tax expense	-57 360	-67 706
Net Corporate income tax expense	**-571 482**	**-673 773**

(In thousand MAD)

2.8.3 - EFFECTIVE TAX RATE

	2012	2011
Net income	1 579 461	1 507 754
Net corporate income tax expense	-571 482	-673 773
Average effective tax rate	**-36,2%**	**-44,7%**

(In thousand MAD)

Analysis of effective tax rate

	2012	2011
Standard tax rate	37,0%	37,0%
Differential in tax rates applicable to foreign entities	-0,2%	
Reduced tax rate		
Permanent differences	-0,6%	
Change in tax rate		
Deficit carry over		
Other items		7,7%
Average effective tax rate	**36,2%**	**44,7%**

(In thousand MAD)

2.9 - GENERAL OPERATING EXPENSES

	2012	2011
Staff expenses	2 617 957	2 523 244
Taxes	74 477	76 234
External expenses	1 192 450	1 180 441
Other general operating expenses	975 682	808 979
Allowances for depreciation and provisions of tangible and intangible assets	573 940	535 296
General operating expenses	**5 434 506**	**5 124 194**

(In thousand MAD)

General operating expenses rose by 6.1% in 2012 from MAD 5,124 million at 31 December 2011 to MAD 5,434 million at 31 December 2012.

The can be explained by a 3.8% rise in staff expenses from MAD 2,523 million in 2011 to MAD 2,618 million in 2012 and an 8.3% increase from MAD 2,600 million in 2011 to MAD 2,816 million in 2012 in other operating expenses, including taxes other than on income, amortisation provisions and other external expenses.

BMCE Bank Group's cost-to-income ratio registered a 2.6 point improvement to 60.3% in 2012 versus 62.9% in 2011. This was due to a 6.1% rise in expenses which rose less rapidly than net banking income, the latter rising by 10.8% to MAD 9,018 million in 2012 versus MAD 8,140 million in 2011.

III. SEGMENT INFORMATION

BMCE Bank Group is composed of four core business activities for accounting and financial information purposes:

- Banking in Morocco: includes BMCE Bank's Moroccan business;

- Asset management and Investment banking: includes investment banking (BMCE Capital), securities brokerage (BMCE Capital Bourse) and asset management (BMCE Capital Gestion);

- Specialised financial services: includes consumer credit (Salafin), leasing (Maghrébail), factoring (Maroc Factoring), recovery (RM Experts) and credit insurance (Acmar);

- International activities: includes BMCE International (Madrid), Banque de Développement du Mali, La Congolaise de Banque, BMCE Bank International and Bank Of Africa.

3.1. INCOME BY BUSINESS ACTIVITY

	2012					
	ACTIVITY IN MOROCCO	ASSET MANAGEMENT	SPECIALISED FINANCIAL SERVICES	OTHERS	INTERNATIONAL ACTIVITIES	TOTAL
Net interest Income	2 757 212	15 497	591 988	-6 771	2 884 956	6 242 882
Net Fee income	701 661	105 417	2 727	0	715 891	1 525 696
Net Banking Income	**4 019 818**	**211 639**	**621 378**	**149 712**	**4 015 229**	**9 017 776**
General Operating Expenses & allowances for depreciation and amortization	-2 564 334	-208 723	-155 289	-80 480	-2 425 680	(5 434 506)
Operating Income	**1 455 604**	**2 916**	**466 089**	**69 112**	**1 589 549**	**3 583 270**
Corporate income tax	-239 534	-19 326	-101 087	-8 728	-202 807	(571 482)
Net Earnings Group Share	**285 945**	**43 573**	**114 449**	**26 437**	**452 748**	**923 152**

(In thousand MAD)

	2011					
	ACTIVITY IN MOROCCO	ASSET MANAGEMENT	SPECIALISED FINANCIAL SERVICES	OTHERS	INTERNATIONAL ACTIVITIES	TOTAL
Net interest Income	2 459 516	6 257	648 868	-6 378	2 463 561	5 571 824
Net Fee income	633 071	116 311	-9 121	0	682 674	1 422 935
Net Banking Income	**3 560 669**	**184 886**	**655 610**	**131 202**	**3 607 696**	**8 140 063**
General Operating Expenses & allowances for depreciation and amortization	-2 441 749	-195 785	-145 168	-75 470	-2 266 023	(5 124 195)
Operating Income	**1 118 918**	**-10 899**	**510 442**	**55 732**	**1 341 675**	**3 015 868**
Corporate income tax	-298 334	-15 916	-142 916	-8 318	-208 289	(673 773)
Net Earnings Group Share	**342 440**	**37 843**	**152 807**	**18 149**	**298 960**	**850 199**

(In thousand MAD)

3.2. ASSETS AND LIABILITIES BY BUSINESS ACTIVITY

	2012					
	ACTIVITY IN MOROCCO	ASSET MANAGEMENT	SPECIALISED FINANCIAL SERVICES	OTHERS	INTERNATIONAL ACTIVITIES	TOTAL
TOTAL ASSETS	**160 441 588**	**370 334**	**14 060 259**	**170 881**	**55 846 424**	**230 889 486**
ASSETS ITEMS						
Available for sale assets	1 312 325	101 008	5 711	25 440	1 351 439	2 795 923
Customer loans	95 425 585	5 824	13 185 602	0	30 191 767	138 808 778
Held to maturity assets	1 790 606	0	27	0	8 728 308	10 518 941
LIABILITIES & SHAREHOLDERS EQUITY ITEMS						
Customer deposits	102 081 985	0	1 184 435	0	41 384 337	144 650 757
Shareholders equity	13 567 426	104 114	1 213 349	-97 626	3 626 266	18 413 529

(In thousand MAD)

	2011					
	ACTIVITY IN MOROCCO	ASSET MANAGEMENT	SPECIALISED FINANCIAL SERVICES	OTHERS	INTERNATIONAL ACTIVITIES	TOTAL
TOTAL ASSETS	**144 682 530**	**396 558**	**12 932 271**	**153 339**	**49 823 440**	**207 988 138**
ASSETS ITEMS						
Available for sale assets	1 291 928	116 662	13 534	18 126	890 127	2 330 377
Customer loans	83 659 440	1 122	12 290 687	0	25 391 409	121 342 658
Held to maturity assets	1 816 492	0	27	0	7 774 392	9 590 911
LIABILITIES & SHAREHOLDERS EQUITY ITEMS						
Customer deposits	100 669 457	0	1 342 613	0	37 139 940	139 152 010
Shareholders equity	11 722 730	97 450	1 188 619	-59 131	3 435 629	16 385 297

(In thousand MAD)

3.3. INFORMATION BY GEOGRAPHICAL REGION

	2012			
	MOROCCO	EUROPE	SUB SAHARAN AFRICA	TOTAL
Total Assets	175 043 062	3 805 281	52 041 143	230 889 486
Net Banking Income	5 002 546	289 607	3 725 623	9 017 776

	2011			
	MOROCCO	EUROPE	SUB SAHARAN AFRICA	TOTAL
Total Assets	158 164 699	4 451 637	45 371 802	207 988 138
Net Banking Income	4 532 367	309 690	3 298 006	8 140 063

(In thousand MAD)

3.4. ANALYSIS OF CONCENTRATIONS

Breakdown of loans and receivables to credit institutions by business activity

	2012	2011
Activity in Morocco	13 777 974	15 244 367
Specialised Financial Services	36	8 298
Asset management	120 890	74 752
Other activities	5 818	154
European Activities	2 083 561	2 008 660
Subsaharan Activities	5 408 667	6 486 449
	21 396 946	23 822 680

(In thousand MAD)

Breakdown of loans and receivables to customers by business activity

	2012	2011
Activity in Morocco	95 425 585	83 659 446
Specialised Financial Services	13 185 602	12 290 686
Asset management	5 824	1 122
Other activities		0
European Activities	2 605 568	2 599 304
Subsaharan Activities	27 586 199	22 792 100
	138 808 778	121 342 658

(In thousand MAD)

Available-for-sale financial assets by business activity

	2012	2011
Activity in Morocco	1 312 325	1 291 928
Specialised Financial Services	5 711	13 534
Asset management	101 008	116 662
Other activities	25 440	18 126
European Activities	11 849	0
Subsaharan Activities	1 339 590	890 127
	2 795 923	2 330 377

(In thousand MAD)

Held-to-maturity financial assets by business activity

	2012	2011
Activity in Morocco	1 790 606	1 816 492
Specialised Financial Services	27	27
Subsaharan Activities	8 728 308	7 774 392
	10 518 941	9 590 911

(In thousand MAD)

Held-to-maturity financial assets are held by BMCE Bank (Moroccan business) and BOA (African business).

Financial assets at fair value by business activity

	2012	2011
Activity in Morocco	33 641 060	31 111 994
Specialised Financial Services	26 909	9 011
Asset management	29 506	76 891
European Activities	547 202	534 420
	34 244 677	31 732 316

(In thousand MAD)

Financial assets at fair value are concentrated within BMCE Bank.

3.5. BREAKDOWN OF LOANS AND RECEIVABLES

Breakdown of loans and receivables to credit institutions by geographical region

	2012			2011		
	Performing loans	NPL(*)	Provisions	Performing loans	NPLS	Provisions
Morocco	13 880 138	59 838	35 258	15 302 990	59 838	35 257
Europe	2 083 561	0	0	2 008 660	.	.
Subsaharian Africa	5 408 667	3 382	3 382	6 486 360	4 177	4 088
Total	21 372 366	63 220	38 640	23 798 010	64 015	39 345
Allocated debts						
Provisions						
Net Value	21 372 366	63 220	38 640	23 798 010	64 015	39 345

(In thousand MAD)

Breakdown of loans and receivables to customers by geographical region

	2012			2011		
	Performing loans	NPL(*)	Provisions	Performing loans	NPLS	Provisions
Morocco	107 269 792	5 250 297	3 903 078	94 281 552	5 260 133	3 590 437
Europe	2 604 230	14 201	12 863	2 597 726	9 199	7 621
Subsaharian Africa	26 145 245	3 262 008	1 821 054	22 087 836	2 423 958	1 719 688
Total	136 019 267	8 526 506	5 736 995	118 967 114	7 693 290	5 317 746
Allocated debts						
Provisions						
Net Value	136 019 267	8 526 506	5 736 995	118 967 114	7 693 290	5 317 746

(In thousand MAD)

(*) NPL : Non Performing Loans

IV. NOTES TO THE BALANCE SHEET FOR THE YEAR ENDED 31 DECEMBER 2012

4.1. CASH, AMOUNTS DUE FROM CENTRAL BANKS, THE BANKS AND THE POST OFFICE

	2012	2011
Cash	2 651 608	2 122 765
CENTRAL BANKS	6 305 199	4 243 638
TREASURY	960 708	5 255
GIRO	4 684	20 300
CENTRAL BANKS, TREASURY, GIRO	7 270 591	4 269 193
Cash, Central Banks, Treasury, Giro	**9 922 200**	**6 391 958**

(In thousand MAD)

4.2. ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets and liabilities recognised at fair value through income consist of negotiated transactions for trading purposes.

	2012			2011		
	Trading book	Assets designated at fair value through profit or loss	Total	Trading book	Assets designated at fair value through profit or loss	Total
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS						
Negotiable certificates of deposits	12 855 398	0	12 855 398	7 493 340	0	7 493 340
Treasury bills and other eligible for central bank refinancing	5 751 852		5 751 852	6 979 579		6 979 579
Other negotiable certificates of deposits	7 103 546		7 103 546	513 761		513 761
Bonds	**399 217**	0	**399 217**	**433 914**	0	**433 914**
Government bonds			0			0
Other bonds	399 217		399 217	433 914		433 914
Equities and other variable income securities	**20 970 684**	0	**20 970 684**	**23 763 897**	0	**23 763 897**
Repurchase agreements	0	0	0	0	0	0
Loans	0	0	0	0	0	0
To credit institutions						
To corporate customers						
To private individual customers						
Trading Book Derivatives	**19 378**	0	**19 378**	**41 165**	0	**41 165**
Currency derivatives	18 801		18 801	40 588		40 588
Interest rate derivatives	577		577	577		577
Equity derivatives						
Credit derivatives						
Other derivatives						
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**34 244 677**	**0**	**34 244 677**	**31 732 316**	**0**	**31 732 316**
Of which loaned securities						
Excluding equities and other variable-income securities						
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS						
Borrowed securities and short selling						
Repurchase agreements						
Borrowings	0	0	0	0	0	0
Credit institutions						
Corporate customers						
Debt securities						
Trading Book Derivatives	**1 614**	0	**1 614**	**1 752**	0	**1 752**
Currency derivatives	1 614		1 614	1 752		1 752
Interest rate derivatives			0			0
Equity derivatives			0			0
Credit derivatives						
Other derivatives						
TOTAL FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	**1 614**	**0**	**1 614**	**1 752**	**0**	**1 752**

(In thousand MAD)

4.3. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets are non-derivative financial assets other than those classified as:

a) Loans and receivables;

b) Held-to-maturity financial assets;

c) Financial assets at fair value through profit or loss.

	2012	2011
Negotiable certificates of deposit	0	0
Treasury bills and other bills eligible for central bank refinancing		
Other negotiable certificates of deposit		
Bonds	0	0
Government bonds		
Other bonds		
Equities and other variable-income securities	3 135 119	2 628 596
Of which listed securities	240 129	435 416
Of which unlisted securities	2 894 990	2 193 180
Total available-for-sale financial assets, before impairment provisions	**3 135 119**	**2 628 596**
Of which unrealized gains and losses	-339 196	-298 219
Of which fixed-income securities		
Of which loaned securities	-339 196	-298 219
Total available-for-sale financial assets, net of impairment provisions	**2 795 923**	**2 330 377**
Of which fixed-income securities, net of impairment provisions		

(In thousand MAD)

4.4. INTERBANK TRANSACTIONS, RECEIVABLES AND AMOUNTS DUE FROM CREDIT INSTITUTIONS

Loans and receivables due from credit institutions

	2012	2011
Demand accounts	6 731 875	5 911 143
Loans	13 251 828	17 945 572
Repurchase agreements	1 451 883	5 310
Total loans and receivables due from credit institutions, before impairment provisions	**21 435 586**	**23 862 025**
Provisions for impairment of loans and receivables due from credit institutions	-38 640	-39 345
Total loans and receivables due from credit institutions, net of impairment provisions	**21 396 946**	**23 822 680**

(In thousand MAD)

Amounts due to credit institutions

	2012	2011
Demand accounts	1 829 261	2 348 107
Borrowings	18 433 119	13 583 608
Repurchase agreements	13 965 786	8 916 894
Total Due to Credit Institutions	**34 228 166**	**24 848 609**

(In thousand MAD)

4.5. LOANS, RECEIVABLES AND AMOUNTS DUE FROM CUSTOMERS

Loans and receivables due from customers

	2012	2011
Demand accounts	20 455 562	17 335 789
Loans to customers	100 796 021	89 763 953
Repurchase agreements	12 780 120	9 910 252
Finance leases	10 514 070	9 650 410
Total loans and receivables due from customers, before impairment provisions	**144 545 773**	**126 660 404**
Impairment of loans and receivables due from customers	-5 736 995	-5 317 746
Total loans and receivables due from customers, net of impairment provisions	**138 808 778**	**121 342 658**

(In thousand MAD)

Breakdown of amounts due from customers by business activity

	2012	2011
Activity in Morocco	95 425 585	83 659 441
Specialized Financial Services	13 185 606	12 290 691
International Activities	30 191 767	25 391 404
Asset Management	5 820	1 122
Other Activities	0	0
Total	**138 808 778**	**121 342 658**
Allocated Debts		
Value at Balance sheet	**138 808 778**	**121 342 658**

(In thousand MAD)

Breakdown of amounts due from customers by geographical region

	2012	2011
Morocco	108 617 015	95 951 254
Sub saharan Africa	27 586 199	22 792 100
Europe	2 605 564	2 599 304
Total	**138 808 778**	**121 342 658**
Allocated Debts		
Value at Balance sheet	**138 808 778**	**121 342 658**

(In thousand MAD)

Amounts due to customers

	2012	2011
On demand deposits	63 669 812	57 769 414
Term accounts	20 207 095	23 097 066
Savings accounts	17 903 838	19 881 953
Cash certificates	4 107 980	4 911 391
Repurchase agreements	1 499 500	3 602 366
Other items	37 262 532	29 889 820
TOTAL LOANS AND RECEIVABLES DUE TO CUSTOMERS	**144 650 757**	**139 152 010**

(In thousand MAD)

Breakdown of amounts due to customers by business activity

	2012	2011
Activity in Morocco	102 081 985	100 669 553
Specialized Financial Services	1 184 434	1 342 518
International Activities	41 384 338	37 139 939
Asset Management	0	0
Other Activities	0	0
Total	**144 650 757**	**139 152 010**
Allocated Debts		
Value at Balance sheet	**144 650 757**	**139 152 010**

(In thousand MAD)

Breakdown of amounts due to customers by geographical region

	2012	2011
Morocco	103 266 419	102 012 071
Sub saharan Africa	40 317 675	36 114 558
Europe	1 066 663	1 025 381
Total	**144 650 757**	**139 152 010**
Allocated Debts		
Value at Balance sheet	**144 650 757**	**139 152 010**

(In thousand MAD)

4.6. DEBT SECURITIES, SUBORDINATED DEBT AND SPECIAL GUARANTEE FUNDS

	2012	2011
Other debt securities	**14 014 897**	**12 008 860**
Negotiable certificates of deposit	14 014 897	12 008 860
Bond issues		
Subordinated debts	**4 633 718**	**3 803 161**
Subordinated debt	4 633 718	3 803 161
Redeemable subordinated debt	1 853 463	3 803 161
Undated subordinated debt	2 780 255	
Subordinated Notes	**0**	**860 172**
Redeemable subordinated notes		
Undated subordinated notes	0	860 172
Public Funds and special guarantee funds	**126 616**	**241 048**
Total	**18 775 231**	**16 913 241**

(In thousand MAD)

Special purpose public funds and special guarantee funds only relate to BOA Group.

They are non-repayable funds aimed at subsidising lending rates and provisioning for credit losses in specific sectors and business activities.

4.7. HELD-UNTIL-MATURITY FINANCIAL ASSETS

	2012	2011
Negotiable certificates of deposit	**9 689 814**	**8 756 623**
Treasury bills and other bills eligible for central bank refinancing	9 669 842	8 721 040
Other negotiable certificates of deposit	19 972	35 583
Bonds	**829 127**	**834 288**
Government bonds		
Other bonds	829 127	834 288
Total held-to-maturity financial assets	**10 518 941**	**9 590 911**

(In thousand MAD)

4.8. CURRENT AND DEFERRED TAXES

	2012	2011
Current taxes	215 856	408 979
Deferred taxes	310 849	321 084
Current and deferred tax assets	**526 706**	**730 063**
Current taxes	36 296	324 592
Deferred taxes	983 149	934 127
Current and deferred tax liabilities	**1 019 445**	**1 258 719**

(In thousand MAD)

4.9. ACCRUED INCOME AND EXPENSES, OTHER ASSETS AND LIABILITIES

	2012	2011
Guarantee deposits and bank guarantees paid	5 257	5 110
Settlement accounts related to securities transactions	23 329	24 020
Collection accounts	329 945	297 910
Reinsurers' share of technical reserves		
Accrued income and prepaid expenses	381 273	356 710
Other debtors and miscellaneous assets	2 859 026	3 072 004
Inter-related Accounts	1 339 945	803 287
TOTAL ACCRUED INCOME AND OTHER ASSETS	**4 938 775**	**4 559 041**
Guarantee deposits received	42 250	60 221
Settlement accounts related to securities transactions	9 297 681	4 230 455
Collection accounts	770 861	685 798
Accrued expenses and deferred income	537 031	365 626
Other creditors and miscellaneous assets	2 562 304	3 628 970
TOTAL ACCRUED EXPENSES AND OTHER LIABILITIES	**13 210 127**	**8 971 070**

(In thousand MAD)

4.10. INVESTMENTS IN COMPANIES ACCOUNTED FOR UNDER THE EQUITY METHOD

	2012	2011
Euler Hermes Acmar	27 177	21 180
Banque de Développement du Mali	214 595	184 792
Casablanca Finance Markets	0	31 752
Eurafric Information	-4 888	-3 503
Hanouty	-5 544	7 165
Investments in associates	123 141	112 177
Inverstments in equity methods companies belonging to subsidiaries	52 447	45 795
Investments in equity methods companies	**406 928**	**399 358**

(In thousand MAD)

Financial data of the main companies accounted for under the equity method

	Total Assets	Net Banking Income or Net Revenues	Company Income	Net income
Euler Hermes Acmar	333 421	125 337	29 982	5 996
Banque de Développement du Mali	7 665 758	414 523	141 442	38 567
Eurafric Information	203 766	4 422	1 824	-531
Hanouty	27 146	21 025	-24 018	-10 940
Société Conseil Ingenierie et Développement	92 303	297 341	40 473	15 632

(In thousand MAD)

4.11. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS USED IN OPERATIONS AND INVESTMENT PROPERTY

	2012			2011		
	Gross Value	Accumulated depreciation amortization and impair-ment	Carrying Amount	Gross Value	Accumulated depreciation amortization and impair-ment	Carrying Amount
PP&E	**8 936 538**	**3 805 010**	**5 131 528**	**8 152 649**	**3 088 523**	**5 064 126**
Land and buildings	2 031 429	516 758	1 514 671	2 617 698	534 135	2 083 563
Equipment, furniture and fixtures	3 551 517	1 507 439	2 044 078	2 859 747	1 290 230	1 569 517
Plant and equipment leased as lessor under operating leases	0	0	0	0	0	
Other PP&E	3 353 592	1 780 813	1 572 779	2 675 204	1 264 158	1 411 046
Intangible Assets	**1 592 323**	**840 868**	**751 455**	**1 339 715**	**694 634**	**645 081**
Purchased software	1 020 384	520 987	499 397	821 009	410 414	410 595
Internally-developed software	0	0	0	0	0	
Other intangible assets	571 939	319 881	252 058	518 706	284 220	234 486
Investment Property	**693 382**	**79 222**	**614 160**	**594 302**	**47 203**	**547 099**

(In thousand MAD)

Change in property, plant and equipment

	2012	2011
Net value as of January, 1st	**5 064 126**	**4 795 142**
Acquisition of the year	398 059	620 077
Depreciation, Amortization of impaiment	-421 110	-407 956
Disposal of the year	-132 495	-165 782
Reclassifications	222 948	222 645
Net value at end of period	**5 131 528**	**5 064 126**

(In thousand MAD)

Change in intangible assets

	2012	2011
Net value as of January, 1st	**645 081**	**651 205**
Acquisition of the year	378 772	351 495
Depreciation, Amortization of impaiment	-152 930	-127 343
Disposal of the year	-119 568	-230 276
Net Value at end of periode	751 455	645 081

(In thousand MAD)

4.12. GOODWILL

The following table provides a breakdown of goodwill:

	2012	2011
Gross value at start of period	832 470	531 006
Accumulated impairment at start of period		
Carrying amount at start of period	832 470	531 006
Acquisitions		403 987
Cessions		
Impairment losses recognized during the period		
Translation adjustments		
Subsidiaries previously accounted for by the equity method		
Other movements		-102 523
Gross value at end of period	832 470	832 470
Accumulated impairment at end of period		
Carrying amount at end of period	**832 470**	**832 470**

(In thousand MAD)

(*) Recognition of corrections to the GoodWill previously Recognized on Hanouty.
(*) This relates to goodwill recognised following acquisition by BOA Group.
(**) This relates to corrections made to goodwill previously recognised for Hanouty.

The following table provides a breakdown of goodwill:

	2012 book Value	2011 book Value
Maghrébail	10 617	10 617
Banque de Développement du Mali	3 588	3 588
Salafin	5 174	5 174
Maroc Factoring	1 703	1 703
BMCE Capital Bourse	2 618	2 618
BMCE International (Madrid)	3 354	3 354
Bank Of Africa	692 136	692 136
Locasom	98 725	98 725
Hanouty	0	0
CID	14 555	14 555
TOTAL	**832 470**	**832 470**

Goodwill impairment tests

The recoverable amount of a cash-generating unit has been determined on the basis of value in use.

An intrinsic value approach has been adopted to determine value in use at BOA and Locasom as follows:

- At BOA, the "dividend discount model" (hereafter, the "DDM") has been adopted. This is a standard method used by the banking industry to determine an activity's value by reference to the net present value of dividends that the activity is likely to generate in the future. The value thus calculated corresponds to the value in shareholders' equity;

- At Locasom, the "discounted cash flow method" (hereafter, the "DCF" method) has been adopted. This is a standard method used by the services sector to determine an activity's value by reference to the net present value of available cash flows that the activity is likely to generate in the future. The value thus calculated corresponds to enterprise value.

Cash-flow projections are based on financial estimates over a three-year period approved by management.

	Bank Of Africa	Locasom
	%	%
Discount rate	18%	8.5%
Growth rate	2%	3%

A certain number of assumptions of estimated net banking income, the cost-to-income ratio, the costs of risk and risk-weighted assets (hereafter, "RWA") underpin the DDM, which is used to determine recoverable value. These are taken from medium-term (3-year) business plans for the first three years, representing the duration of the economic cycle to which the banking industry is sensitive and then in perpetuity, based on sustainable growth rates to calculate terminal value.

Key cash flow variables are EBITDA and the operating margin which underpin the DCF method. This is a standard method used by the services sector to determine an activity's value by reference to the net present value of available cash flows that the activity is likely to generate in the future. The value thus calculated corresponds to enterprise value.

Discount rate

The indirect approach has been used to determine the cost of capital. The indirect approach consists of adjusting the cost of capital of a reference country (France) by a country risk factor, reflecting the specific risks relating to the economic, political, institutional and financial conditions of the country in which the company has its operations.

BOA's cost of capital has been determined on the basis of the observed average discount rate, calculated by weighting the discount rate of each bank by net banking income, in each of the countries in which BOA has operations. The discount rate ranges from 16% to 18% for BOA and from 7% to 8.5% for Locasom.

Growth rate

BOA's business forecasts have been prepared using the CFA Franc. The CFA Franc is guaranteed by the French Treasury and has a fixed exchange rate against the euro. As a result, the long-term growth rate adopted by BOA is 2%, in line with estimates of inflation in France.

Locasom's growth rate has been set at 3%, in line with assumptions for the rate of growth of its sector in Morocco.

Regulatory capital requirements

BOA's risk weighted assets must satisfy Core Tier One regulatory capital requirements over the entire period for which BOA has made estimates.

Net banking income

Estimates of net banking income have been made on the basis on the currently low level of bank penetration in Africa and, as a result, the strong growth potential.

EBITDA

Estimates of EBITDA and operating margins have been made on the basis of historical data.

Cost-to-income ratio

Estimates of the cost-to-income ratio are highly correlated with growth in expenses, particularly those relating to the opening of branches, which are required in order to attract new customers.

Sensitivity to changes in assumptions

	BANK OF AFRICA
Cost of Capital	**18%**
Unfavorable change of 200 basis points	- 311 823
Favorable change of 200 basis points	333 237

	LOCASOM
Cost of Capital	**8.50%**
Unfavorable change of 150 basis points	- 14 624
Favorable change of 150 basis points	15 342

For the cash-generating units in question, there is no reason to amortise goodwill, even after factoring in, for impairment tests, the most adverse change in the cost of capital, considered by management to be the assumption most sensitive to any reasonable change.

4.13. PROVISIONS FOR CONTINGENCIES AND CHARGES

	2012	2011
Total provisions at start of period	457 440	349 988
Additions to provisions	131 271	93 783
Reversals of provisions	-83 187	14 713
Effect of movements in exchange rates and other movements	16 737	
Gross value at end of period	974	-1 044
Total provisions at end of period	**523 235**	**457 440**

	Legal and fiscal risks	Obligations for post-employment benefits	Loan commitments and guarantees	Onerous contracts	Other provisions	Total book value
Total provisions at start of period	12 010	230 680	7 047	0	207 703	457 440
Net additions to provisions	2 799	4 548	2 467	0	121 457	131 271
Provisions used	-625		-1 743	0	-80 819	-83 187
Effect of movements in exchange rates			-43	0	16 780	16 737
Other movements	12		18	0	944	974
Total provisions at end of period	**14 196**	**235 228**	**7 746**	**0**	**266 065**	**523 235**

4.14. TRANSFERS OF FINANCIAL ASSETS

Financial assets that have been transferred by the Group are mainly composed of securities sold temporarily under repurchase agreements or securities lending transactions.

The liabilities associated with securities temporarily sold under repurchase agreements consist of amounts owing from credit institutions and customers under "Repurchase agreements".

Transferred financial assets not derecognised

These include repurchase agreements or securities lending transactions resulting in a transfer of securities without them being derecognised.

The assets that have been transferred by the Group are:

- Treasury securities;
- Certificates of deposit;
- Bonds.

Transfers of derecognised financial assets

These include securitisation transactions resulting in a transfer of securities leading to de-recognition.

There have been no significant transfers of derecognised securities by the Group in 2011 and 2012.

	Carrying amounts of transferred assets	Carrying amounts of associated liabilities
Securities lending operations		
Securities at fair value through profit or loss		
Repurchase agreements	15 466 581	15 456 536
Securities at fair value through profit or loss	15 466 581	15 456 536
Securities classified as loans and receivables		
Available-for-sale assets		
Total	**15 466 581**	**15 456 536**

4.15. FAIR VALUE

4.15.1. Fair value of financial instruments carried at amortised cost

The information supplied in this note must be used and interpreted with the greatest caution because these fair values are an estimate of the value of the relevant instruments as of 31 December 2012. They are liable to fluctuate from day to day as a result of changes in different variables such as interest rates and credit quality of the counterparty.

In particular, they may differ significantly from the amounts actually received or paid on maturity of the instrument. In most cases, the fair value is not intended to be realised immediately, and in practice might not be realised immediately. Consequently, this fair value does not reflect the actual value of the instruments on the assumption that BMCE Bank Group remained a going concern.

The fair value of a financial instrument is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The valuation techniques and assumptions used ensure that the fair value of financial assets and liabilities is measured on a consistent basis throughout the BMCE Bank Group.

Fair value is based on prices quoted on a liquid market when these are available. In other cases, fair value is determined using commonly-used valuation techniques.

The table below shows the fair value of the Group's financial assets and liabilities at 31 December 2012:

	Book value	Estimated market value
FINANCIAL ASSETS		
Loans and receivables due from credit institutions	21 396 946	21 398 555
Loans and receivables due from customers	138 808 778	138 880 801
FINANCIAL LIABILITIES		
Loans and receivables due to credit institutions	34 228 166	34 228 166
Loans and receivables due to customers	144 650 757	144 650 757
Debt securities	14 014 898	14 014 898
Subordinated debts	4 760 333	4 760 333

The techniques and assumptions used to determine fair value for each category are described hereafter:

Loans and receivables

The fair value of receivables is determined by estimating the fair value of assets held after conducting sensitivity analysis on each asset class on the basis of each instrument's duration and convexity by observing historical returns as a function of changes in market conditions.

In the absence of a market yield curve reflecting actual rates along the different segments of the curve, average yields on origination for the financial year in question have been used as indicative of actual market rates.

In the case of loans and receivables that have a maturity of less than one year (demand liabilities) or are granted on floating-rate terms, fair value equates to the carrying amount due to their limited sensitivity to changes in rates or by the simple fact that they are granted on the basis of actual market conditions.

Loans and receivables due from credit institutions

Loans and receivables due from credit institutions totalled MAD 21.3 billion with a fair value close to the carrying amount. This is due to the predominance of short-term money market transactions (in the form of cash loans, interbank loans and repurchase agreements).

Outstandings of loans to finance companies totalled MAD 6.2 billion, amortisable over a short period, with a fair value that is MAD 1.6 million higher than the carrying amount.

Loans and receivables due from customers

Outstandings of loans and receivable due from customers totalled MAD 138 billion at 31 December 2012, consisting primarily of cash loans, overdraft facilities and floating rate loans.

Outstandings of fixed-rate loans primarily consist of consumer loans amortisable over a short period (average maturity 2.3 years) and fixed-rate mortgage loans amortisable over an average period of almost 7 years.

The sensitivity analysis of the Bank's fixed rate loan book (with outstandings of nearly 26.4 billion MAD) shows a faire value that is 72 million MAD higher than the carrying amount.

Financial liabilities

In the case of financial liabilities that have a maturity of less than one year (demand liabilities) or are granted on floating-rate terms, or for an indefinite period (as is the case for perpetual subordinated debt) as well as most regulated savings products, fair value equates to the carrying amount.

Amounts due to credit institutions

Amounts due to credit institutions totalled MAD 34.2 billion and are recognised at their carrying amount. They consist primarily of short-term cash borrowing transactions in the form of 7-day advances from the Central Bank amounting to almost MAD13 billion in outstandings, interbank borrowings and borrowings from local banks or foreign correspondent banks in addition to repurchase agreements.

Amounts due to customers

Amounts due to customers totalled MAD 145 million, consisting primarily of non-interest-bearing sight deposits in the form of cheque accounts, current accounts in credit and immediate-access regulated savings account.

Repurchase agreements with customers, particularly in respect of mutual funds, are also recognised under "Amounts due to customers".

Outstandings of term deposits totalled MAD 24.3 billion, with an average maturity of less than one year consisting due to the predominance of 3-month, 6-month and 12-month maturities.

In the case of customer term deposits, fair value equates to the carrying amount.

Debt securities

Outstandings of debt securities totalled MAD 14 billion, consisting primarily of certificates of deposit issued by the Bank with predominantly 3-month, 6-month and 12-month maturities.

In the case of debt securities, fair value equates to the carrying amount.

Subordinated debt

Outstandings of subordinated debt, which totalled MAD 4.7 billion, are recognised at the carrying amount due to the predominance of floating-rate issues and perpetual subordinated debt outstandings.

4.15.2. Breakdown by measurement method of financial instruments recognised at fair value presented in accordance with IFRS 7 recommendations

Fair value measurement of financial instruments

Financial instruments measured at fair value are classified at three levels in accordance with IFRS 7:

- **Level 1**

Quoted prices on liquid markets for identical assets or liabilities :

This level includes financial instruments with quoted prices in a liquid market that can be used directly.

For BMCE Bank Group, it includes listed equities, mutual funds, bonds and Treasury bonds.

- **Level 2**

Observable inputs other than Level 1 quoted prices for the asset or liability in question either directly (prices) or indirectly (price-derived inputs):

This level includes financial instruments quoted on markets considered insufficiently liquid as well as those traded on over-the-counter markets. Prices published by an external source, derived from the measurement of similar instruments, are considered to be price-derived inputs.

The Group does not have any financial instruments measured at Level 2.

- **Level 3**

Inputs relating to the asset or liability that are not based on observable market data (non-observable inputs:

Given the diversity of instruments and the reasons for including them in this category, calculating the sensitivity of fair value to changes in variables would appear to be of little relevance.

This level includes unlisted equities valued by various methods including the net carrying amount, net adjusted asset value, net asset value, stock market multiples and equity issue pricing.

	2012			
	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS				
Financial instruments at-fair-value through profit or loss held for trading	34 244 677			34 244 677
of which financial assets at-fair-value through profit or loss	34 225 876			34 225 876
of which derivative financial instruments	18 801			18 801
Financial instruments designated as at-fair-value through profit or loss				-
Derivatives used for hedging purposes				-
Available for sale financial assets	159 840		2 636 083	2 795 923
FINANCIAL LIABILITIES				
Financial instruments at-fair-value through profit or loss held for trading	1 614	-	-	1 614
of which financial assets at-fair-value through profit or loss				
of which derivative financial instruments	1614			1 614
Financial instruments designated as at-fair-value through profit or loss				
Derivatives used for hedging purposes				

V / FINANCING AND GUARANTEE COMMITMENTS

5.1. FINANCING COMMITMENTS

	2012	2011
Financing commitments given	**14 794 963**	**17 113 203**
- To credit institutions	1 630 754	1 401 513
- To customers:	13 164 209	15 711 690
Confirmed letters of credit		
Other commitments given to customers		
Financing commitments received	**1 451 765**	**1 926 289**
From credit institutions	1 451 765	1 926 289
From customers	0	0

- Financing commitments given to credit and similar institutions

This entry relates to commitments to make liquidity facilities available to other credit institutions such as refinancing agreements and back-up commitments on securities issuance.

- Financing commitments given to customers

This entry relates to commitments to make liquidity facilities available to customers such as confirmed credit lines and commitments on securities issuance.

- Financing commitments received from credit and similar institutions

This entry relates to financing commitments received from credit and similar institutions such as refinancing agreements and back-up commitments on securities issuance.

Financing commitments given fell by 14% from MAD 17,113 million at 31 December 2011 to MAD 14,795 million at 31 December 2012. Similarly, financing commitments received experienced and even steeper decline (-25%) from 1,926 million to MAD 1,452 million.

5.2. GUARANTEE COMMITMENTS

	2012	2011
Guarantee commitments given	**17 822 232**	**18 996 469**
To credit institutions	6 212 808	6 745 730
To customers:	11 609 424	12 250 739
Sureties provided to tax and other authorities, other sureties		
Other guarantees		
Guarantee commitments received	**36 315 329**	**32 303 600**
From credit institutions	35 106 346	30 263 580
From the State and guarantee institutions	1 208 983	2 040 020

- Guarantee commitments given to credit and similar institutions

This entry relates to commitments to assume responsibility for an obligation entered into by a credit institution if the latter is not satisfied with it. This includes guarantees, warranties and other guarantees given to credit and similar institutions.

- Guarantee commitments given to customers

This entry relates to commitments to assume responsibility for an obligation entered into by a customer if the latter is not satisfied with it. This includes guarantees given to government institutions and real estate guarantees, among others.

- Guarantee commitments received from credit and similar institutions

This entry includes guarantees, warranties and other guarantees received from credit and similar institutions.

- Guarantee commitments received from the State and other organisations

This entry relates to guarantees received from the State and other organisations.

Guarantee commitments given fell by 6% from MAD 18,996 million at 31 December 2011 to MAD 17,822 million at 31 December 2012, while guarantee commitments received rose by 12% from MAD 32,304 million to MAD 36,315 million.

VI / SALARY AND EMPLOYEE BENEFITS

6.1. DESCRIPTION OF CALCULATION METHOD

Employee benefits relate to long-service awards and end-of-career bonuses.

The method used for calculating the liability relating to both these benefits is the "projected unit credit" method as recommended by IAS 19.

- Caisse Mutualiste Interprofessionnelle Marocaine (CMIM) scheme

The Caisse Mutualiste Interprofessionnelle Marocaine (CMIM) is a private mutual insurance company. The company reimburses employees for a portion of their medical, pharmaceutical, hospital and surgical expenses. It is a post-employment scheme providing medical cover for retired employees.

The CMIM is a multi-employer scheme. As BMCE Bank is unable to determine its share of the overall liability (as is the case for all other CMIM members), under IFRS, expenses are recognised in the year in which they are incurred. No provision is recognised in respect of this scheme.

6.2. SUMMARY OF PROVISIONS AND DESCRIPTION OF EXISTING SCHEMES

6.2.1. Provisions in respect of post-employment and other long-term benefits provided to employees

	2012	2011
Retirement allowances and equivalents	235 228	230 680
Special seniority premiums allowances		
Other		
TOTAL	**235 228**	**230 680**

NB: The provision for employee benefits calculated in accordance with IAS 19 is recognised in "Provisions for risks and charges" under liabilities.

6.2.2. Basic assumptions underlying calculations

	2012	2011
Discount rate	4,50%	4,50%
Rate of increase in salaries	3%	3%
Expected return on assets	N/A	N/A
Other	11%	11%

6.2.3. Cost of post-employment schemes

	2012	2011
Normal cost	17 046	14 571
Interest cost	9 773	9 843
Expected returns of funds		
Amortization of actuarial gains/ losses		
Amortization of net gains/ losses	-	11 353
Additional allowances		
Other		
Net cost of the period	**26 819**	**35 767**

6.2.4. Changes in the provision recognised on the balance sheet

	2012	2011
Actuarial liability, beginning of the period	230 679	219 186
Normal cost	17 046	25 924
Interest cost	9 773	9 843
Experience gains/ losses		
Other actuarial gains/ losses		
Depreciation of net gains/losses		
Paid benefits	-22 271	-24 273
Additional benefits		
Other		
Actuarial liability, end of the period	235 228	230 680

6.3. SHARE-BASED PAYMENTS

6.3.1. Share purchase plan

BMCE Bank has established a share-based payment scheme for its employees in the form of a share purchase plan.

Approved by an Extraordinary General Meeting of 10 November 2010 and the regulatory authorities, an increase in the Bank's share capital in December 2010 resulted in the issue of 2,500,000 new shares, representing almost 1.5% of its share capital, at a share price of 200 dirhams, inclusive of share premium.

This offering follows two public offers, exclusively for employees, in 2003 and 2005, aimed at enabling employees to participate in the success and growth of BMCE Bank Group.

There was no allotment of shares under the share purchase plan in 2011 and 2012.

6.3.2. Cost of share-based payments

	2012	2011
Overall expense of the equity incentive plan	43456	43 456

Principles for valuing share purchase plans

As required under IFRS 2, BMCE Bank values the fair value of shares granted to employees at adjusted market value in order to take into consideration the characteristics and conditions in respect of share allotment. This measurement gives rise to recognition of a general expense which is spread over the vesting period.

	Exercice 2010
BMCE BANK share price on the grant date	234
Option exercise price	200
Implied volatility of BMCE BANK shares	18%
Risk-free interest rate	4,00%
Maturity	3 years for the first half and 4 years for the remaining

VII / ADDITIONAL INFORMATION

7.1. CHANGES IN SHARE CAPITAL AND EARNINGS PER SHARE

7.1.1. Share capital transactions

TRANSACTIONS ON CAPITAL	In number	Unit value	In MAD
Number of shares outstanding at 31 December 2010	171 963 390	10	1 719 633 900
Number of shares outstanding at 31 December 2011	171 963 390	10	1 719 633 900
Capital increase by means of scrip issue	7 500 000	10	75 000 000
Number of shares outstanding at 31 December 2012	179 463 390	10	1 794 633 900

In 2012, BMCE BANK increased share capital by MAD 1,500,000K through an equity issue exclusively for key shareholders. This increase resulted in the creation of 7,500,000 new shares.

7.1.2. Earnings per share

Basic earnings per share is calculated by dividing the net income for the period attributable to holders of ordinary share s by the weighted average number of ordinary shares outstanding during the period.

	2012	2011
SHARE CAPITAL (IN MAD)	1 794 633 900	1 719 633 900
Number of common shares outstanding during the year	179 463 390	171 963 390
NET INCOME ATTRIBUTABLE TO THE SHARHOLDER'S OF THE PARENT (IN MAD)	923 152 000	850 199 000
BASIC ERNINGS PER SHARE (IN MAD)	5,1	4,9
DILUTED EARNING PER SHARE (IN MAD)	5,1	4,9

The Bank does not have any dilutive instruments for conversion into ordinary shares. As a result, diluted earnings per share equates to basic earnings per share.

7.2. SCOPE OF CONSOLIDATION

Company	Activity	% of voting interests	% of ownership interests	Method
BMCE BANK	Banking			Parent company
BMCE CAPITAL	Investment Bank	100,00%	100,00%	full consolidation
BMCE CAPITAL GESTION	Asset Management	100,00%	100,00%	full consolidation
BMCE CAPITAL BOURSE	Financial Intermediation	100,00%	100,00%	full consolidation
MAROC FACTORING	Factoring	100,00%	100,00%	full consolidation
MAGHREBAIL	Leasing	51,00%	51,00%	full consolidation
SALAFIN	Consumer Loans	74,50%	74,50%	full consolidation
BMCE INTERNATIONAL MADRID	Banking	100,00%	100,00%	full consolidation
LA CONGOLAISE DE BANQUE	Banking	25,00%	25,00%	full consolidation
BMCE BANK INTERNATIONAL UK	Banking	100,00%	100,00%	full consolidation
BANK OF AFRICA	Banking	65,02%	65,02%	full consolidation
LOCASOM	Car Rental	100,00%	97,31%	full consolidation
RM EXPERTS	recovery	100,00%	100,00%	full consolidation
BANQUE DE DEVELOPPEMENT DU MALI	Banking	27,38%	27,38%	Equity method
EULER HERMES ACMAR	Insurance	20,00%	20,00%	Equity method
HANOUTY	Distribution	45,55%	45,55%	Equity method
EURAFRIC INFORMATION	Information Technology Services	41,00%	41,00%	Equity method
CONSEIL INGENIERIE ET DEVELOP-PEMENT	Study Office	38,90%	38,90%	Equity method

7.3. COMPENSATION PAID TO THE MAIN EXECUTIVE CORPORATE OFFICERS

Remuneration paid to the main directors

By "main directors" is meant the members of the bank's general management team.

	2012	2011
Short-term benefits	19 777	17 352
Post-employment benefits	3 100	3 100
Other long-term benefits	5 342	5 342

Short-term benefits relate to the fixed remuneration inclusive of social security contributions received by the main Executive Corporate Officers in respect of the 2012 financial year.

Post-employment benefits relate to end-of-career bonuses and other long-term benefits relate to long-service awards.

Directors' fees paid to members of the board of directors

	2012			2011		
	Gross amount	with holding Tax	Net amount paid	Gross amount	Tax with-holding	Net amount paid
Natural and legal persons Resident in Morocco	1 212	312	900	1 212	312	900
Physical and legal persons non Resident in Morocco	333	33	300	556	56	500
TOTAL	1 546	346	1 200	1 768	368	1 400

Loans granted to the main Executive Corporate Officers

	2012	2011
Consumer loans	1871	371
Mortgage loans	17062	18006
Total	18 933	18 377

7.4. RELATIONS WITH RELATED PARTIES

Relations between BMCE Bank and fully-consolidated companies and the parent company

Transactions and period-end balances between fully-consolidated entities are of course eliminated. Period-end balances resulting from transactions between companies accounted for under the equity method and the parent company are maintained in the consolidated financial statements.

Related-party balance sheet items

	Parent company (FINANCE COM)	Sister Companies	Consolidated entities under the proportional method	Consolidated entities under the equity method	Fully consolidated entities
Assets					
Loans, advances and securities	1 203 644	1 255 333		23 627	8 960 910
Demand accounts				14 315	3 526 878
Loans	1 203 644	1 255 333		9 312	1 892 863
Securities					3 541 169
Finance Leases					
Other Assets					444 311
Total	**1 203 644**	**1 255 333**		**23 627**	**9 405 221**
Liabilities					
Deposits	-	3 099		30 848	5 036 253
Demand accounts		3 084		30 848	4 785 499
Other borrowings		15			250 754
Debt securities					3 508 809
Other liabilities					860 159
Total	**-**	**3 099**		**30 848**	**9 405 221**
Financing Commitments & Guarantee Commitments					
Financing commitments given	7 580	24 328			879 154
Guarantee commitments given		300 000			879 154

Related-party income statement items

	Consolidated entities under the proportionate method	Consolidated entities under the equity method	Consolidated entities under the full consolidation method	Entreprises consolidées par mise en équivalence	Entreprises consolidées par intégration gobale
Interest income	11 840	62 451		-7 565	-258 736
Interest expense				14 511	272 127
Commission income					-75 928
Commission expense					35 405
Services provided					
Services received					
Lease income					-139 920
Other					167 057

7.5. LEASES

Information concerning finance leases

	Gross Investissement	Present value of minimum lease payments under the lease	Unguaranteed residual value accruing to the lessor
≤ 1 year	2 488 414	535 355	64 732
> 1 year ≤ 5 years	6 744 456	4 062 165	222 253
> 5 years	3 943 210	3 348 246	374 553
TOTAL	13 176 080	7 945 766	661 538

Information concerning operating leases

	Present value of minimum lease payments under the lease	Total contingent rents recognized as income in the period
≤ 1 year	200 000	
> 1 year ≤ 5 years	880 000	
> 5 years		
TOTAL	1 080 000	-

VIII / NOTE CONCERNING RISKS

8.1. RISK MANAGEMENT POLICY

8.1.1. Risk categories

8.1.1.1. Credit risk

Credit risk, inherent in banking activity, is the risk of customers not repaying their financial 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.

8.1.1.2. Market risk

Market risk is the risk of loss due to adverse changes in market factors such as foreign exchange rates, interest rates, share prices, mutual fund prices etc. It is also related to settlement/delivery risk which may be described as follows:

Pre-settlement Risk or "PSR" is the risk that a customer, with which the Bank has entered into a contract, fails to honour its contractual obligations before the contract's settlement date. PSR is calculated in terms of the financial cost of replacing the said contract by another on the basis of "mark to market".

Delivery risk arises on the simultaneous exchange of values with a counterparty for the same value date, whereby the Bank is unable to verify if the said payment has actually been made at the time of it initiating the transfer on its side.

8.1.1.3. Global liquidity and interest rate risk

Interest rate risk arises when an institution is financially vulnerable to adverse changes in interest rates. Liquidity risk is defined as the risk of the institution being unable to meet its commitments when they fall due under normal circumstances.

8.1.1.4. Operational risk

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

8.1.1.5. Other risks

Equity investment risk

This risk arises when BMCE Bank invests in, holds in its portfolio, or acquires equity or quasi-equity investments in entities other than its subsidiaries. These investments may comprise ordinary shares, preferential shares, derivative instruments, warrants, equity options or futures.

Country risk

Country risk comprises political risk as well as transfer risk. Political risk generally arises from action taken by the government of a country 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 can be defined as the risk of a resident customer being unable to acquire foreign currency in its country so as to honour its overseas commitments.

8.1.2. Risk management organization

8.1.2.1. Risk control bodies

BMCE Bank's Group General Control is responsible for conducting inspections and audits across the Group's various operational entities both in Morocco and overseas.

Group Risk Division

The Group Risk Division's task is to correctly manage credit, market and operational risks while actively contributing to:

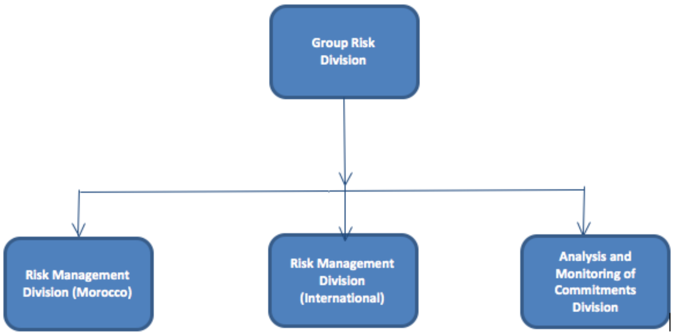
- Defining BMCE Bank Group's risk policy;
- Defining and managing the credit approval and monitoring processes;
- Implementing a risk control system related to credit, market and operational risks.

The Group Risk Division consists of three entities :

- The Risk Management Division (Morocco) monitors the credit, market and operational risks incurred by BMCE Bank and all its subsidiaries in Morocco;

• The Analysis and Monitoring of Commitments Division analyses criteria for approving credit lines to BMCE Bank customers;

• The primary task of the Risk Management Division (International) is to implement risk control policy and to ensure risk supervision and monitoring at subsidiary level.



8.1.2.2. Governance bodies

8.1.2.2.1. Audit and Internal Control Committee

The Audit and Internal Control Committee (AICC) is a governance body within the Bank, reporting directly to the Board of Directors. Its task is to ensure a third level of control of the Bank's various units by:

• Assessing whether the accounting policies adopted by the Bank are relevant and sustainable;

• Ensuring that internal procedures exist, are suitable and are applied and controlling policies for measuring, controlling and monitoring banking risk and prudential ratios;

• Examining the parent company's and consolidated financial statements before submitting them to the Board of Directors, while monitoring the quality of the information provided to shareholders.

The Group Audit and Internal Control Committee (AICC Group) was also established in July 2007. Reporting directly to the Board of Directors, its remit extends to the Bank, its subsidiaries and other entities included within the scope of consolidation.

Its task is to ensure that the financial statements of all entities and subsidiaries in Morocco and overseas provide a true and fair view and comply with legal and regulatory requirements.

8.1.2.2.2. Major Risks Monitoring Committee

The Major Risks Monitoring Committee is a sub-committee of the Audit and Internal Control Committee. It includes non-executive directors (members of the AICC). The committee meets on a quarterly basis. Its responsibilities include assessing risk quality and ensuring that management standards and internal procedures are complied with in respect of credit risk.

8.1.2.2.3. General Management Committee

The General Management Committee is chaired by the Chief Executive Officer reporting to the Chairman and includes the Chief Executive Officer responsible for Remedial Management, managing directors, the advisor to the general management team and the General Controller. Associate members include the Chairman of the Board of Directors of BMCE Capital and BMCE Bank's other deputy managing directors. The main tasks of this committee, which meets on a weekly basis, include steering the Bank's activities and implementing internal control and risk control policies.

8.1.2.2.4. Credit Committees

Senior Credit Committee

This committee is chaired by the Bank's Chairman and Chief Executive Officer with the Deputy Chief Executive Office reporting to the Chairman in the role of Vice-Chairman. It is sub-divided by market segment into two committees, one specialising in Corporate Banking, the other in Personal and Professional Banking. These committees meet twice-weekly and include senior managers of the Bank.

Regional Credit Committee

The Regional Credit Committee (RCC) meets on a weekly basis. Regional Directors decide on meeting dates and inform committee members.

8.1.2.2.5. Downgrading Committee

As part of the portfolio monitoring process, the Downgrading Committee (full- or mini-committee) meets on a monthly basis to examine accounts which are showing anomalies. A recovery committee and an accounts showing anomalies committee were also established at regional level and meet monthly.

8.1.2.2.6. Group Risk Committee

The Group Risk Committee ensures the effectiveness of BMCE Bank Group's risk steering policy and that it is consistent with the risk management policy relating to credit, market and operational risks. For this purpose, it:

• Ensures implementation of the credit, market and operational risk management policy at BMCE Bank Group level ;

• Validates any inherent change in the steering of credit, market and operational risk management implemented by the Group's various entities;

• Is aware of any changes to the various indicators for measuring credit, market and operational risks;

• Is aware of any key events since the last committee meeting, particularly:

- Results of work relating to monitoring at a regulatory level or in terms of methodology;

- Work carried out in connection with cross-disciplinary projects relating to organisational or IT issues inherent in steering risk.

8.2. CREDIT RISK

The Bank's credit division operates in accordance with the general credit policy approved by the Bank's senior management. The key guiding principles include the Group's requirements related to ethics, distribution of responsibilities, existence and adherence to procedures and rigour in risk analysis. This general policy is further divided into specific policies and procedures depending on the character of specific operations or counterparties.

8.2.1. Credit decision cycle

8.2.1.1. General principles

The approval process at BMCE Bank Group level respects the "Troïka" principle and is based on the following principles:

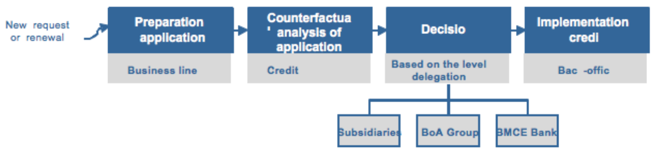
• All credit requests adhere to the same approval process which ensures that the Troïka principle is respected (minimum requirement). Therefore, at least 3 people, one of which is from the Risk Division, should approve all credit requests except for some predefined specific cases;

• The decision, jointly taken by the Risk and Commercial Divisions – which includes at least one preliminary counterfactual analysis – applies to the applications assigned to the local decision committees as well as to the central decision committees. This involves a multi-level pyramid structure, where the higher level acts as an arbitrator in the event that consensus is not reached;

• The Risk Division can use the escalation procedure (n+1) if there is a disagreement with the Commercial Division.

8.2.1.2. Credit approval process

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



• The Commercial Division in charge of customer relations is responsible for preparing the credit application;

• Counterfactual analysis of the credit application is performed by credit analysts from the entity's Risk Division;

• The decision is jointly taken by the Risk and Commercial Divisions, based on their respective levels of delegation;

• The loan is actually implemented by the back-office, which is a unit independent from the Risk and Commercial Divisions.

8.2.1.3. Decision-making process

In order to facilitate the notification process, the rule relating to a 'single decision for every credit proposal' should be respected.

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

8.2.1.4. Delegation

The credit decision process is based on a delegation system whereby an entity's Board of Directors delegates powers to its employees or a group of employees by setting limits, as it sees fit.

The delegation may in turn involve a sub-delegation depending on the organisation, volume, products and risks.

The delegation of authority to employees is assigned intuitu personae on the basis of their decision-making ability, experience, personal skills, professional skills and training.

8.2.1.5. Approval rules

The credit approval decision is sent for consideration to the Troïka or to Credit Committees depending on the approval levels required.

The present delegation system defines the following decision levels:

• At local branch level;

• At "hub" level (BOA Group and Europe);

• At central BMCE Bank level.

The local branch level may involve a sub-delegation depending on the entity's organisation, volume, products and risks.

8.2.1.6. Credit application contents

All requests for obtaining credit should meet the product's eligibility criteria as defined in the product factsheets. All credit decisions are taken on the basis of a standard credit application whose format is defined in consultation with the Commercial Division and Risk concerned and in coordination with the Group Risk Division.

A credit application is prepared for each counterparty or transaction to which the entity wishes to make a commitment or for which the entity has already made a commitment in the case of an annual review or renewal. This is done on the basis of the documents mentioned in the product checklist and provided by the client.

The document checklist to be sent by the client and the analysis form should be identical to the one at Group level and these will be modified based on the type of credit. The contents of the credit application should provide the decision-makers with the necessary information as well as the quantitative and qualitative analysis required for taking the credit decision.

The Commercial Division is responsible for preparing the credit application and its contents. The credit application shall remain the single point of reference for any credit decision; it should contain all the signatures or stamps that guarantee the accuracy of the information provided therein.

8.3. RATING MODEL

Since 2008, BMCE Bank has adopted an internal IRBF

ating model to calculate the minimum capital requirements required under Basel II. This has involved implementing several sub-projects in order to meet the pre-requisites of the rating policy including those relating to upgrading management information systems (MIS).

This transition has taken place in partnership with our supervisor, Bank Al-Maghrib, which regularly requests progress reports about this project. These reports help to improve the on-going process as well as pre-validating the methodology adopted, thereby facilitating final approval. In late 2012, BMCE Bank finalised the first rating for all its customers.

The Group's African subsidiaries (LCB, BOA) and European subsidiaries are informed of this project's progress. They have established a mechanism for exchanging information relating to the rating of counterparties of Moroccan subsidiaries in order to standardise the use of the attributed rating.

8.3.1. Rating objective

Our continued efforts for improving risk management within the BMCE Bank Group has led to the implementation of internal ratings for all non-retail Basel counterparty credit risks. This internal rating model includes risk-based as well as commercial factors.

The following five key rules underpin the macro-process for rating counterparties, irrespective of the segment concerned :

1) All BMCE Bank Group counterparties and transactions should have a single internal rating within the BMCE Bank Group;
2) The rating is attributed based on a validation process involving "rating officers" (at operational level) and "reviewers/approvers" (within entities not involved in the credit approval process);
3) The Group Risk Management Division provides final approval for calculated ratings;
4) Ratings should be approved prior to being entered in the MIS and should be used thereafter;
5) A rating is attributed to each counterparty when approval is required for any new transaction. It is revised whenever justified by an increase in risk and reviewed at the application's renewal date and at least once a year.

8.3.2. Key rating rules

8.3.2.1. Rating's uniqueness

A rating is attributed to each client since the latter is considered to be a third party. The rating process is therefore carried out for each third party in such a way that one and only one rating is attributed. In this way, BMCE ensures the uniqueness of the rating attributed to each assessed counterparty.

8.3.2.2. Rating's integrity

As per the regulatory principles, the attribution of the rating and its periodic review should be carried out or approved by a party that does not benefit directly from the credit approval. It is for this reason that the rating is validated in the back office by the Group Risk Management Division following initial attribution by front-office commercial operations. The rating's integrity is a key component in the credit risk management process and should reinforce and encourage independence in the rating process.

Ratings attributed to borrowers and to facilities are reviewed at least once a year (each time the application is renewed) and whenever justified by an increase in risk (if BMCE Bank has important information in this regard).

From this perspective, BMCE Bank has an efficient process for acquiring and updating relevant and significant information concerning the borrower's financial situation and the characteristics of the facility likely to impact exposure at default (EAD) and loss given default (LGD) (e.g. information about collateral). As soon as this information is received, the rating is quickly updated.

8.3.2.3. Rating's singularity

A counterparty code is assigned to each of the Bank's counterparties. The rating of each third party is carried out using the counterparty reference code in such a manner that, for all third parties (the counterparty type is single and unique), the assessment will be carried out by using a single rating model but with data specific to each counterparty. BMCE Bank thus ensures the rating's singularity for each counterparty.

8.3.3. Rating process

8.3.3.1. Methodology approval entities

The methodology underlying the internal rating process has been defined by two entities within the BMCE Bank: Group Risk Management (GRM) and Project Management and Technological Synergies Division (PMTSD).

After process implementation, these same entities will be responsible for any changes made to the system.

8.3.3.2. Rating scope

This project involves a multi-entity process whose remit encompasses all "non-retail" counterparty segments in respect of Basel regulations. The following counterparty segments are involved:

State and public sector	State
	Central banks
	Public administration bodies
	Government organisations
	Local government authorities
Institutional	BMD
	International financial institutions
	Credit and similar institutions
	Insurance companies
	Financial companies
Corporates	Large companies
	SMEs
	Corporate professionals
	Specialised financing agencies

8.3.3.3. Rating responsibility

The rating process involves three categories of person:

Profile	Description
Rating officer (Account rep)	The rating officer is responsible for initiating the counterparty rating process. He is responsible for ensuring the quality and the completeness of the data entered into the rating model
"Local" Approver / Reviewer (Branch Manager / Account rep)	The "local" approver/reviewer checks that the information used by the rating officer is relevant (consistency in the financial statements and in the answers to the qualitative questionnaire). This action leads to first level validation of the data provided as well as a rating calculated prior to final approval/review by the "central" validation entity
"Central" Approver / Reviewer (DASE / RMG)	The "central" approver/reviewer checks that the information used by the rating officer is relevant and confirms the counterparty's final rating, which can then be entered in the Bank's MIS. He also has the option to modify the quantitative and qualitative information entered by the rating officer after first consulting the latter. Within certain guidelines, he can opt to manually adjust the rating in order to manage any possible limitations to the rating model.

8.3.3.4. Rating review and update

Rating procedures provide a detailed description of the rating review and update process in the FACT tool at different stages of the rating process.

8.3.4. Rating's model frame of reference

8.3.4.1. Characteristics

Determining the final counterparty rating involves several factors: the rating models (excluding sovereign & specialised financing) are built upon four successive ratings attributed to the counterparty and include different levels of information:

1. Intrinsic rating
2. Rating including supporting information
3. Counterparty rating
4. Debtor rating

Intrinsic rating	• The intrinsic rating measures a counterparty's ability to fulfil its financial commitments without requiring any, support or specific constraint • This rating is determined by taking into account only a certain number of criteria specific to the counterparty: o Financial information from the latest balance sheet and income statement provided to the bank or officially available o Qualitative information (management, competitiveness) o Behavioural information (for very small enterprises)
Rating including supporting information	• Based on the intrinsic rating, this rating takes into account all the important subordinate items • This rating is determined after considering all information supporting the counterparty's application (when this rating is better than the counterparty rating) or to show the extent to which the counterparty is dependent on its supporting documents (when the counterparty rating is better than this rating)
Counterparty rating	• This rating is determined by taking into account the risk relating to the counterparty's country of origin
Debtor rating	• This is the final rating attributed to a counterparty and it represents the Bank's actual risk level of the bank in respect a counterparty • This rating is determined after considering information

8.3.4.2. Rating scale

In accordance with the Basel regulations, Bank Al-Maghrib has set a minimum number of categories that a rating model should contain for it to qualify as being able to calculate the Bank's risk-weighted assets (RWA) under the "internal rating" approach. The following are the minimum requirements:

- 7 categories for healthy counterparties
- 1 category for defaulting counterparties

BMCE Bank Group has adopted an 11-level rating scale to attribute a final counterparty rating :

As of 31 December 2012, the breakdown of the portfolio by asset class was as follows :

Risk class	Rating	Dec-12	Total exposure %	Dec-11	Total exposure %
Limited risk	1	2,236	3.59%	2,387	3.93%
	2	11,380	18.24%	14,123	23.28%
	3	6,380	10.23%	5,548	9.14%
	4	6,258	10.03%	3,852	6.35%
Medium risk	5	6,874	11.02%	4,530	7.47%
	6	5,820	9.33%	6,208	10.23%
	7	16,955	27.18%	17,377	28.64%
High risk	8	2,659	4.26%	2,216	3.65%
	9	295	0.47%	954	1.57%
Very high risk	10	698	1.12%	935	1.54%
	11	2,125	3.41%	2,084	3.43%
Sub-total		61,679	98.88%	60,215	99.24%
No rating (non-retail very small enterprises)		698	1.12%	463	0.76%
Total loans to corporate customers		62,377	100%	60,678	100%
Retail customers		30,613		27,516	
BMCE Bank Total		92,990		88,194	
Other subsidiaries of which BOA Group		45,819 25,293		33,149 20,920	
BMCE Bank Group Total		138,809		121,343	

The Group is currently using the standardised approach which does not require the rating scale to be mapped to those of external rating agencies. Furthermore, this mapping is not applicable in Africa since external rating agencies do not rate companies on this continent with the exception of a few large banks with unsolicited ratings.

Since BOA accounts for the majority of the Group's international commitments, it has a different rating model based on expert opinion. In order to improve this system, BMCE Bank has decided to implement its own rating model in all international subsidiaries within a 2-year framework as part of its project to implement a Group risk control policy.

In 2012, the Bank undertook a detailed review of its risk management procedures at Group level in order to streamline and implement its risk management and control procedures in all international subsidiaries.

The Bank also established the International Risk Division and hired a consulting firm to oversee implementation of internal control and risk management procedures for the entire Group.

The results of this project to date include, in terms of Risk Management, a target model being defined for the Group Risk Division and the drawing up of an implementation plan.

8.3.5. Scoring of retail customers

In accordance with the Basel Accords, BMCE Bank Group has opted for the IRBF Approach for Credit Risk. For this purpose, the scoring project, initiated in 2012, is consistent with this approach and involves statistical modelling of customers in default and the risk behaviour of retail customers.

Two types of score have been developed :

• APPROVAL SCORE: one-off score when the credit line is opened. New and existing customers will be rated using this score.

• BEHAVIOURAL SCORE (Basel II rating model): real-time assessment of risk based on a client's behaviour for an existing account. Only existing customers can be rated using the behavioural score.

• To obtain a FINAL APPROVAL SCORE, the final score will be issued by combining the approval and behavioural scores. New customers will be rated only on the basis of the approval score.

Until now, the first behavioural and approval scores have been developed for customers holding a government-approved instant access loan. Implementation is expected for 2013. Work in progress for other segments includes mortgage loan customers, professional banking customers etc.

8.4. EXPOSURE TO CREDIT RISK

The following table shows all of BMCE Bank Group's financial assets, including securities which are exposed to credit risk from a prudential standpoint. Credit risk exposure does not include guarantees and other collateral obtained by the Group for its credit operations nor purchases of credit protection.

In the prudential balance sheet dated 31 December 2012, exposure to credit risk relates to outstandings of sovereign borrower deposits net of depreciation (MAD 16.1 billion), loans to credit institutions (MAD 23.3 billion), public institutions (MAD 9.9 billion dirhams). Receivables from large enterprises accounted for 42% of total assets, while SMEs and very small enterprises accounted for 27%.

Balance sheet items by gross exposure

Exposure category	2012	2011	Change
Due from sovereign borrowers	16,127,984	13,638,203	2,489,781
Due from public institutions	9,997,460	7,722,588	2,274,872
Due from credit institutions	23,304,426	26,703,814	-3,399,388
Due from large companies	69,605,370	60,025,972	9,579,398
Due from small and medium size enterprises (SME)	13,037,711	13,090,236	-52,525
Due from retail customers and very small enterprises	31,585,863	27,796,478	4,089,385
TOTAL	163,658,814	148,977,292	14,981,523

The group's gross exposure to credit risk rose by MAD 14 billion between December 2011 and December 2012. This increase concerned all categories except loans to credit institutions which fell by MAD 3 million.

Furthermore, off-balance sheet items totalled MAD 32 billion, accounting for 16% of total exposure, of which large enterprises represented the largest part. These commitments are sub-divided into financial commitments and guarantee commitments.

8.5. CREDIT RISK CONTROL AND MONITORING PROCEDURE

The credit risk control and monitoring procedure ensures a second level check in addition to daily monitoring carried out by the Commercial Division.

This procedure may be adapted depending on how each subsidiary is organised in consultation with the Group Risk Division.

The Commercial Division is entirely responsible for monitoring risks. The account representative is responsible for monitoring risks related to transactions on a daily basis. The Commercial Division is assisted by the Risk Division in carrying out this task, with the latter providing the necessary alerts.

The Risk Division's main objective is to ensure the efficient running of a forward-looking alert system that allows the Commercial Division to optimise risk management as well as anticipating potential risks so that the Bank's portfolio may be properly managed. The Risk Division also ensures that the Commercial Division is monitoring risks properly and provides alerts for accounts in default.

The Risk Division is not responsible for checking and approving every transaction executed for an approved and validated facility. This task is performed by an independent back-office which implements the transaction when instructed by the Commercial Division. The Risk Division's main operational tasks, which relate to credit risk control and monitoring, can be summarised as follows:

- Performs pre-checks;
- Performs post-checks;

- Identifies and monitors the portfolio of commitments based on several factors: products, maturities, beneficiaries, business sectors, branches, geographical regions etc.;

- Fixes and monitors concentration limits;

- Detects and monitors accounts showing anomalies and high-risk accounts;

- Categorised the portfolio based on regulatory criteria and proposes provisioning;
- Performs stress tests;
- Produces regulatory reports and internal steering reports.

8.5.1. Pre-checks

Pre-checks include all compliance checks carried out prior to a credit mine's initial authorisation and use. These checks are performed in addition to automatic checks and checks carried out by the Commercial Division, Back-office and Legal Department etc.

These checks are implemented by the Risk Division. They mainly 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 in the information systems.

8.5.2. Post-checks

Like pre-checks, post-checks are also performed by the Risk Division.

These checks are aimed at ensuring measurement, control and monitoring of credit risks in terms of the entire portfolio and not just the counterparty. Special attention is therefore paid to credit quality, anticipating and preventing irregularities and risks as well as controlling and monitoring risks by the Commercial Division.

8.5.2.1. Portfolio monitoring

The first post-check consists of identifying and monitoring the entity's total commitments based on several factors including products, maturities, customers, business groups, customer segments, counterparty ratings, loan categories (healthy loans and non-performing loans), industries, branches, geographical regions, type of collateral etc.

The Risk Division's information systems' enable it to list and centralise all credit risks for the same individual counterparty or interest group on a daily basis. Risks incurred by economic sector, geographical region, country, type of guarantee or collateral are identified and centralised at least once a month.

The Risk Division uses its information systems to generate reports that include items at each balance sheet date as well as changes compared to the previous balance sheet date. One of the main objectives of this analysis is to explain changes, particularly the most obvious ones, over the financial year.

8.5.2.2. 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 BMCE Bank Group can arise from exposure to:

- Individual counterparties;
- Interest groups;
- Counterparties belonging to the same industry or country.

8.5.2.2.1. Individual counterparties

Every month, the Group monitors concentration of individuals at the parent company and consolidated levels, thereby ensuring that the commitments of its 10, 20 and 100 largest customers are monitored and reconciled.

The following table shows commitments to the Bank's main debtors at 31 December 2011 and 2012 :

	Dec-12		Dec-11	
	Balance sheet outstandings	% of total	Balance sheet outstandings	% of total
Commitments to 10 largest customers	12,594	8%	14,603	10%
Commitments to 20 largest customers	19,406	12%	21,603	15%
Commitments to 100 largest customers	38,774	24%	40,085	28%
Total commitments	160,204	-	145,165	-

The level of concentration of its 10, 20, 100 largest customers accounted for 59%, 90% and 180% respectively of prudential shareholders' equity at 31 December 2012.

8.5.2.2.2. Interest groups

Diversification of the portfolio by counterparty is monitored on a regular basis, notably under the Group's individual risk concentration policies. Credit risks that result from concentration on a single counterparty or group of counterparties with a relative high level of outstandings (more than 5% of shareholders' equity) are specifically monitored from an individual as well as consolidated perspective.

In addition, monitoring of major risks also ensures that the aggregate exposure to each beneficiary does not exceed 20 % of the Group's net consolidated shareholders' equity capital as recommended by the Moroccan banking regulations. BMCE Bank remains well below the concentration limits defined by the Bank Al Maghrib directive.

8.5.2.2.3. Counterparties belonging to the same company

In 2011, BMCE Bank implemented a new methodology to determine and manage industry-specific limits. This procedure uses a statistical data-based model which includes historical default rates and the number of counterparties by industry and by risk category (rating).

The objective 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 occurrences of defaulting events.

This procedure is based on the assumption that the counterparties are independent and the defaulting events are not correlated. Thus, the key concept of this methodological approach is the probability of default for a given counterparty. This probability is measured by using the rate of default of the rating-industry pair.

For every rating-industry pair, this top-down approach counts the number of customers that have defaulted in order to calculate the average historical rate of default.

The model therefore enables the Bank to identify those industries from which it needs to withdraw or reduce its commitments as well as those industries to which is needs to increase its exposure.

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

Industry-specific limits are reviewed every six months in consultation with the Commercial Division and the Bank's Economic Intelligence Centre, which provide both business line experience as well as estimation of macroeconomic and industry growth. Advice provided by these entities therefore helps to challenge and confirm the suitability of the model in respect of the economic context.

The following table shows the Group's commitments to customers by industry at 31 December 2011 and 2012 :

Sectors	31 Dec 2012	Weighting	31 Dec 2011	Weighting
Textile, clothing and leather industries	2 077	1%	1 838	2%
Public administration bodies	1 287	1%	1 535	1%
Small businesses	11 952	9%	8 819	7%
Agribusiness and tobacco industry	3 927	3%	2 544	2%
Construction and public works	4 952	4%	4 393	4%
Agriculture and fisheries	1 435	1%	1 434	1%
Services	2 680	2%	2 362	2%
Miscellaneous manufacturing industries	2 543	2%	2 956	2%
Metallurgical, mechanical, electrical and electronic industries	3 553	3%	2 772	2%
Chemical and specialty chemical industries	2 491	2%	2 040	2%
Forestry and paper industries	189	0%	115	0%
Transportation and telecommunications	7 131	5%	7 407	6%
Mining industries	1 841	1%	2 152	2%
Financial activities	22 595	16%	23 304	19%
Hotels and restaurants	3 180	2%	2 960	2%
Production and distribution of water and electricity	6 106	4%	5 028	4%
Real estate development	10 240	7%	10 038	8%
Retail (Morocco)	34 727	25%	30 329	25%
Others*	15 904	11%	9 316	8%
Total	138 809	100%	121 343	100%

* "Others" relates to a number of African subsidiaries that mainly include retail customers and very small enterprises across a large diversity of industries.

8.5.2.2.4. Counterparties belonging to the same country

Country risk refers to 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).

In 2012, the Group reviewed its country risk policy in detail. It set itself the primary objective of implementing a system for assessing, limiting, reducing and, if necessary, prudently suspending its commitments to high-risk countries across the Group.

The proposed policy, in addition to outlining a strategy for managing Country Risk, includes 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.

BMCE Bank's commitments are primarily within Morocco. The Bank's commitments to foreign counterparties relate to foreign credit institutions. These commitments require:

• Post-rating authorisation and fundamental analysis of each counterparty;

• Monthly monitoring, with the findings sent to the Central Bank in the form of a regulatory statement.

The Group Risk Management Division publishes monthly reports for regulatory purposes which are sent to the Central Bank. These relate to foreign exposure on an individual and consolidated basis.

These reports provide an overview of BMCE Bank Group's overall commitment in respect of foreign banking counterparties. They reflect the overall commitment by country and include all balance sheet and off-balance sheet assets relating to loans to foreign residents.

In addition to these statements, the Group Risk Management Division prepares a monthly analytical report concerning BMCE Bank Group's foreign exposure which is distributed to all members of the Management Committee.

This report helps to assess BMCE Bank Group's level of foreign exposure and provides guidelines for monitoring the increase in each country's inherent risk.

BMCE Bank has developed an internal rating country model which based on a combination of information collected from various reports issued by authorities in the countries in question, international organisations and international rating agencies.

Every year, its Economic Intelligence Centre produces factsheets for the different foreign countries in which the Bank has operations.

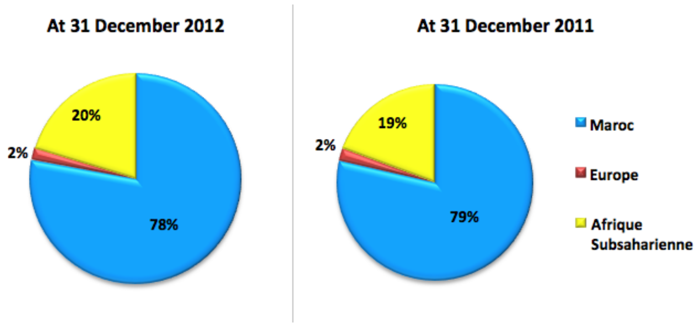
The internal rating model and the country factsheet provide an assessment of risks presented by each country by taking into consideration the most relevant criteria.

These reports provide a general overview of the situation in each country and, as mentioned above, provide a basis for attributing a country limit. The rating is reviewed on an annual basis.

<table>
<tr><td>Country specific data</td><td>→</td><td>Country table</td><td>→</td><td>Country score</td><td>à</td><td>M</td><td>→</td><td>Country rating</td></tr>
<tr><td rowspan="2">Heading</td><td colspan="2">Data</td><td colspan="4">Rule-of-thumb table</td><td colspan="2"></td></tr>
<tr><td colspan="2">Score or rating</td><td colspan="4">F : Management rule</td><td colspan="2">M: Mapping to rating scale</td></tr>
</table>

The country risk policy can be illustrated as follows :

The Group Risk Management Division has carried out work to extend the country risk management policy to all its subsidiaries in Africa as part of the project to implement the Internal Control and Group Risk Management policy. The following pie-charts show the Group's overall exposure to customers by major geographical areas at 31 December 2011 and 2012:



8.5.2.3. Control of accounts showing anomalies and high-risks accounts

8.5.2.3.1. Control of accounts showing anomalies

The purpose of this post-check is to detect the irregular use of accounts and identify recurring anomalies. This is carried out to ensure that the Commercial Division regularises the account or at least provides justification for the irregularity.

This check is therefore carried out in addition to daily monitoring by the Commercial Division. The most important cases of accounts showing anomalies relate to credit applications where:

- Credit authorisations have expired;
- Guarantees have not been provided;
- Credit lines have not been used for more than 6 months.

These criteria constitute the minimum conditions for accounts showing anomalies that are detected automatically and monitored jointly with the Commercial Division.

8.5.2.3.2. Monitoring high-risk accounts

High-risk accounts relate to those for which the risk is likely to subsequently increase, thereby resulting in a cost to the Bank. They consist of commitments which show either a visible deterioration in risk quality as measured against quantitative criteria or a potential deterioration in risk quality as measured against qualitative criteria.

- Are frozen: meaning sight deposit accounts for which there have not been any actual credit entries over 60 days (excluding the release of loan funds) to at least cover the account fees as well as a significant portion (10%) of the said outstanding debit balance;
- Are in arrears, such as:

- Amortisable loan outstandings for which a repayment instalment has still not been paid 30 days after the due date;

- Loan outstandings repayable in a single instalment which has still not been honoured 30 days after the due date;

- Trade receivables discounted by the Banks and returned unpaid;

- Have exceeded limits, beyond one month, in respect of authorisations granted. To avoid any potential operational risks, however, entities carry out a weekly check to ascertain to what extent authorised limits have been exceeded (at the discretion of each entity);
- Have exposures for which recovery is doubtful due to other negative quantitative or qualitative information about the customer such as: a high risk rating, special events or litigation surrounding the main shareholders (death, bankruptcy etc.).

These are the minimum criteria for detecting high-risk accounts.

The Commercial Division, given the information at its disposal and through its daily contacts, together with the Risk Division are responsible for identifying and indicating any other account which may be considered a high-risk account, if they deem it necessary. Assessment, intervention and the complementary nature of the Commercial and Risk Divisions

remain the determining factors for identifying high-risk accounts.

Responsibility for the daily monitoring of these risks lies with the Commercial Division. However, it is the Risk Division's responsibility to detection high-risk accounts. This is done using quantitative criteria extracted from the Bank's appropriate applications and IT systems.

When these risks are considered certain, the Risk Division requests the Commercial Division to provide explanations. The latter uses all the means at its disposal to ensure that the arrears are recovered.

8.5.2.3.3. Annual account review

All retail customers with a revolving credit or corporate customers with a commitment to any of the Group's entities must undergo an annual review process carried out by the relevant Credit Committee, irrespective of whether a facility needs to be approved or renewed.

The Risk Division is responsible for continuously updating the planned annual review schedule in consultation with the Commercial Division. Responsibility lies with the Credit Risk Management, Monitoring and Reporting Manager.

8.5.2.3.4. Theme-based checks

Unlike the checks mentioned above, theme-based checks are not performed on a regular basis and are related to a specific point or risk. These checks are carried out by the Risk Division on the request of senior management or other bodies.

8.5.3. Loan classification

After the monthly review of the Bank's portfolio and analysis of high-risk accounts, each subsidiary reviews its regulatory loan classification as required by local regulatory requirements.

This review is finalised by the committees for monitoring high-risk accounts on the recommendation of each entity's Risk Division. The latter is also responsible for implementing these decisions by monitoring and transferring these accounts from the "healthy" to the "non-performing, requires provisioning" category.

The following table shows the net carrying amount of non-amortised loan outstandings in arrears and amortised doubtful loans in the Moroccan business activity :

	2012					2011				
	Maturities of unimpaired loan outstandings in arrears				Impaired assets (NPL)	Maturities of unimpaired loan outstandings in arrears				Im-paired assets (NPL)
	> 30 days < 90 days	> 90 days < 180 days	> 180 days < 1 year	Total		> 30 days < 90 days	> 90 days < 180 days	> 180 days < 1 year	Total	
Large Enterprises	314	141	108	563	1,161	133	404	122	659	1,009
Corporate Banking Network	862	263	182	1,306	1,944	278	137	123	538	2,318
Personal and Professional Banking Network	840	390	273	1,503	2,145	432	523	237	1,192	1,933
Morocco Business Activity Total	2,016	793	563	3,372	5,250	844	1,064	482	2,390	5,260

Provisions recognised for impaired assets in the Moroccan business activity were MAD 3,590 million and MAD 3,903 million respectively in 2011 and 2012.

Impaired assets of the other subsidiaries rose from MAD 2,431 million in 2011 to MAD 3,276 million in 2012, primarily due to efforts made by the Group to clean-up its portfolio. Provisions for these assets totalling MAD 1,727 million and MAD 1,834 million respectively were recognised in 2011 and 2012.

8.5.4. Guarantees

The Group receives different types of guarantee in consideration for loan outstandings. As a general rule, the guarantees required are based on the following two factors: the loan type and the counterparty quality.

Thus, for all property loans (home purchase loans and real estate development loans), the Group systematically possesses mortgages on the financed property as well as insurance cover.

Mortgage guarantees are systematically assessed, prior to acceptance, by a specialised independent body or by the relevant departments within the Group in all cases where the value declared by the customer exceeds one million dirhams.

Similarly, the financing of public contracts, merchandise, equipment and trade premises is systematically guaranteed by collateral in respect of the financed items as well as through insurance cover.

In addition to these guarantees, the Group generally secures its position by requesting personal guarantees from counterparties whenever deemed necessary, depending on the quality of such counterparties.

It is also worth noting that 35% of the Group's exposure to customers is guaranteed by mortgages, 3% by bank guarantees or cash collateral and 10% by sovereign guarantees.

Finally, almost one half of the Group's exposure qualifies for credit risk mitigation techniques under the Basel II Accord.

Transferable guarantees

The Group does not hold any assets held as collateral which it is authorised to sell or return in the absence of default on the part of the guarantee's owner.

The guarantees that are usually taken by the Group are for the purpose of hedging customers' commitments in the event of failure to comply with the legal provisions governing all credit agreements.

Loan guarantees obtained

In 2011, the Group obtained two real estate assets by taking possession of collateral valued at MAD 488 million. In 2012, it took possession of two other assets held as collateral valued at MAD 162 million.

8.5.5. Stress testing

Every six months, BMCE Bank 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 in order to assess the Bank's resilience in the face of unexpected, extreme events.

Operationally, 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 provisions and, as a result, on profitability and the prudential shareholders' equity.

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

The Group Risk Division will endeavour, as a part of the Group Convergence project, to transfer its expertise to all subsidiaries to enable them to conduct their own stress tests, on a half-yearly basis, and communicate the result to the Hub Risk and Group Risk Divisions so that they may be consolidated and communicated to the Central Bank and to the Group's management.

8.5.6. Credit risk reporting

In order to monitor credit risks, the Group Risk Division has established a specific procedure for producing credit risk reports in order to improve and streamline credit risk control across the entire Group. These reports are aimed at satisfying the requirements of all concerned parties for monitoring, steering or regulatory purposes. They are also used by BMCE Bank Group's financial communications department.

These reports are in addition to the various regulatory reports that have to be prepared by the Risk Division in order to satisfy regulatory requirements at the Group and local levels. These also include reports relating to the financial statements as well as other risk-related reports prepared by other departments of the entity. These reports are designed to present and overview of risk management carried out by the various entities.

Credit risk reporting relates to all credit risks resulting from the activities of all entities of the entire BMCE Bank Group. Each entity organises itself as a function of local particularities in order to satisfy the requirements of the reporting process.

8.5.7. Implementation of the risk control policy at international subsidiaries

The Group Risk Division has established a quarterly reporting process relating to each subsidiary's risk situation in the form of a matrix and a procedure describing all information required. Specialised risk control software is expected to be introduced in due course. In 2012, several adjustments were made regarding each subsidiary's specific requirements in order to facilitate the communication process and streamline the various matrices.

In 2012, the Bank radically reviewed its risk management process at Group level in order to (i) Strengthen the Group's executive governance by implementing risk management and control procedures as well as internal control at all subsidiaries; (ii) Support its international growth strategy as outlined in its latest three-year development plan.

The Bank also established the International Risk Division and hired a consulting firm to oversee implementation of internal control and risk management procedures for the entire Group. This project has resulted in the drawing up and validation, among other things, of the Group's Internal Control Charter and the Group Risk Division's responsibility charter.

In addition, this project has also resulted, in terms of risk management, in a target model being defined for the Group Risk Division and the drawing up of an implementation plan.

8.6. DESCRIPTION OF THE POLICY FOR MANAGING LIQUIDITY AND INTEREST RATE RISKS

BMCE Bank has established a policy for controlling balance sheet risks such as liquidity and interest rate risks so that it is able to as to continuously monitor changes in financial market trends and their impact on the Bank's operations.

In order to maintain balance sheet stability from a medium- to long-term perspective, the Bank's liquidity and interest rate risk management policy aims to:

- Ensure income 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 protecting 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 so as to take full advantage of growth opportunities available in the market.

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 direct asset-liability sub-committees;
- Possess in-depth knowledge of types of risk inherent in the Bank's operations and keep abreast of any changes in these risks based on financial market trends, risk management practices and the Bank's operations;
- Review and approve procedures aimed at limiting 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 sources of risk on a daily basis;
- Review and approve risk limits periodically given changes to the institutional strategy, approve new products and respond to important changes in market conditions;
- Ensure that the different business lines are properly managed by HR, the latter possessing a high level of competence, experience and expertise in relation to supervised activities.

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

Maintaining short- and medium-term balance sheet stability entails the involvement of all parties within the Bank and requires that each party's responsibilities are clearly defined in respect of interest rate and liquidity risk management.

In this regard, each of the Bank's entities will have its own budget and objectives, validated by the general management

team on a medium-term basis. This enables the relevant bodies to ensure orderly monitoring and control of the three-year plan while balance sheet stability and compliance with regulatory capital requirements.

The ALM department regularly tracks changes in the Bank's balance sheet structure by comparison with the plan's objectives and indicates any divergence during ALCO committee meetings, attended by representative of all entities, and any required corrective measures.

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 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 counterparties in default or due to adverse changes in market conditions.

The following two major sources may generate liquidity risk :

• Inability of the institution to raise the required funds to deal with unexpected situations in the short term, such as a massive withdrawal from deposits 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 ratio must be greater than ٪١٠٠ (as defined by the Central Bank). This indicator helps to measure the one-month asset coverage ratio.

The liquidity ratio stood at 105.6% on 31 December 2012, above the regulatory limit.

Ø Profile of cumulative liquidity gaps: the 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 the net refinancing requirements over different time periods and determine an appropriate hedging strategy.

Balance sheet by maturity

• The following table gives a breakdown of the balance sheet by contractual maturity :

Residual value accounts for 55% of the total financing amount.

	Due date not determined	Demand	From D/D to 1 month	3 months to 1 year	1 year to 5 years	More than 5 years	Total
Cash, Central Banks, Treasury, Post Office		9,922					9,922
Financial assets at fair value through income	34,245						34,245
Available-for-sale financial assets	2,796						2,796
Loans and receivables due from credit and similar institutions	2,934	8,392	3,287	2,284	4,348	153	21,397
Loans and receivables due from customers	9,364	22,097	32,105	23,149	28,013	24,082	138,809
Held-to-maturity financial assets		0	1,275	1,184	5,998	2,061	10,518
TOTAL FINANCIAL ASSETS	49,338	40,411	36,666	26,616	38,358	26,296	217,687
Central banks, Treasury, Post Office		67					67
Financial liabilities at fair value through income	2						2
Amounts due to credit and similar institutions	360	3,236	23,133	5,234	2,102	163	34,228
Amounts due to customers	245	119,097	9,836	12,316	3,157	0	144,651
Debt securities issued			3,588	5,440	4,987		14,015
Subordinated debt and special guarantee funds	127				216	4,417	4,760
TOTAL FINANCIAL LIABILITIES	733	122,401	36,557	22,990	10,463	4,580	197,723
TOTAL LIABILITIES	733	122 401	36 557	22 990	10 463	4 580	197 723

• The maturities of financial assets and liabilities at fair value in the trading portfolio and the portfolio of available-for-sale financial assets are deemed to be "undetermined" given that these instruments are liquid and earmarked for sale, repaid or temporarily sold under repurchase agreement prior to their contractual maturity.

• Financing and guarantee commitments given, which totalled MAD 14,795 million and MAD 17,822 million respectively on 31 December 2012 (MAD 17,113 million and MAD 18,996 million respectively at 31 December 2011), can largely be drawn down at sight.

Interest Rate Risk

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

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 aims to ensure the stability of results against changes in interest rates, 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 banking 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 of the value of the banking portfolio

Simulation-based stress-tests are conducted to measure the impact of changes in interest rates on net interest income and on economic value of equity.

At 31 December 2012, the impact of a 200 basis point change in interest rates on net banking income was estimated to be positive MAD 122 million. The change in the economic value of equity in the event of a 200 basis point shock was estimated to be MAD 108 million or 0.78% of regulatory capital.

8.7. MARKET RISK

The majority of the Group's market activity is focused at BMCE Bank level which accounts for 99% of total activity. The remainder is undertaken by the Group's London subsidiary.

Market risk management at BMCE Bank Group adheres to regulatory standards as defined by supervisory authorities and in application of best international management practices as defined by the Basel Accords.

Market risk is defined as the risk of loss on balance sheet and off-balance sheet positions due to changes in market prices. For BMCE Bank, these risks encompass the following:

- Interest rate risk;
- Foreign currency risk;
- Credit risk on market transactions.

Mapping of financial instruments

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

Foreign Exchange Instruments	Cash instruments
	Spot Foreign Exchange
	Forward Foreign Exchange
	Foreign exchange Derivatives
	Foreign exchange Swaps
Equity Instruments	Equity shares
	Derivatives on equity or and Indices
	Mutual funds on equities
Fixed income Instruments	I- Corporate and Interbank loans and borrowing
	Fixed rate (in MAD and Foreign Currency)
	Floating Rate (in MAD and Foreign Currency)
	II- Negotiable Debt Securities and bonds
	II-1 Sovereign Debt (Including bonds issued by the Kingdom of Morocco)
	Fixed rate (in MAD)
	Floating Rate (in MAD and Foreign Currency)
	II-2 Securities issued by Credit institutions and Companies
	Fixed rate (in MAD and Foreign Currency)
	Floating Rate (in MAD and Foreign Currency)
	III- Loans / borrowing of Securities
	Loans / borrowing of securities
	Repo / Reverse repo
	IV- Rate Derivatives
	Rate Swaps
	Rate Futures
	Forward Rate Agreement
	V- Fixed income mutual funds
	Money market mutual funds
	Debt mutual funds
Commodity Products	Commodity futures
	Commodity futures options
	Credit Default Swap (CDS)
	Credit Linked Note (CLN)

8.7.1. Market risk management policy

8.7.1.1. Governance

The main contributors to BMCE Bank Group's market risk management policy are as follows:

- General Management, which implements market risk management strategies and policies approved by the Board of Directors;
- Group Market Risk Committee, which defines Group market risk management policy and validates any amendment to the steering of market risk across the entire Group;
- Group Market Risk Department, which centralises market risk management for BMCE Bank Group as a department which is independent from the Group's front-offices. This gives it maximum objectivity in steering market risks and arbitrating between the Group's various market activities;
- Risk Management Units of BMCE Bank Group entities, which provide a first level check on market activities within their entity and send regular reports to Group Risk Management;
- Internal Audit, which ensures implementation of the market risk management policy and rigorous compliance with procedures.

8.7.1.2. Description of the Market Risk Management Policy

BMCE Bank Group's market risk management policy is based on four main factors:

- Limits;
- Risk indicators;
- Capital requirements;
- Counterparty risk related to derivatives transactions.

8.7.1.2.1. Limits

• Counterparty limits in market transactions

The process for approving limits for counterparties and applications to exceed those limits in market transactions is governed within BMCE Bank Group by a system of delegation of powers within a framework of procedures specific to each counterparty type.

• Market limits

In order to control market risk within BMCE Bank Group and to diversify the trading portfolio, a set of market limits has been adopted. These limits reflect the Group's risk profile and help to steer market risk management by arbitrating between the Group's various market activities.

BMCE Bank Group's set of market limits are as follows :

• Stop-loss limits by activity over different time horizons;

• Position limits by activity;

• Open position limits by duration for the dirham foreign exchange business;

• Open position limits by foreign currency and duration for the foreign currency cash business;

• "Greek" limits for the derivatives business;

• Open position limits by foreign currency for the foreign exchange rate business;

• Transaction limits.

Market limits are monitored using MLS software which enables real-time monitoring of limits and overruns.

VaR limits are in the process of being defined and will be included in the project relating to adoption of the advance approach in respect of market risks. This is a dynamic limit management policy that takes into account fluctuations in different risk factors as well as existing correlations in order to assess more accurately the diversification of the portfolio.

• Regulatory limits

In addition to the limits adopted for internal purposes, BMCE Bank Group also complies with regulatory limits defined by Bank Al-Maghrib such as:

• Limits on Tier 1 solvency ratios;

• Limits on foreign currency positions which should not exceed 10% of shareholders' equity ;

• Limit on the overall foreign exchange position which should not exceed 20% of shareholders' equity.

8.7.1.2.2. Risk indicators

Different risk indicators reflecting the level of exposure to market risks are used within BMCE Bank Group as follows:

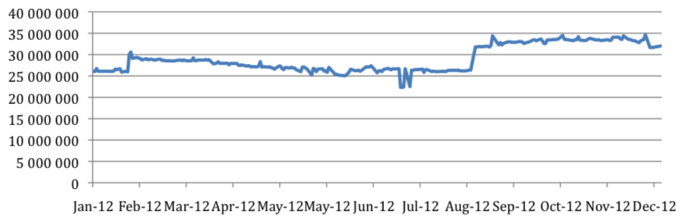
• Overall Value-at-Risk (VaR) and VaR by asset class

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

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

BMCE Bank Group uses KVar software to calculate overall Value-at-Risk and VaR by asset class as well as back-testing by using different methods.

CHANGES IN VAR (1 DAY, 99 %) IN DIRHAMS IN 2012



	31/12/2012	31/12/2011
VaR (10 days; 99%)	101,295,069	82, 498, 848

The historical VaR (10 days) with a confidence level of 99% at 31 December 2012 was MAD 101 million.

Stressed VaR

The Group has established different scenarios for calculating stressed VaR. The Group opted for the period from 1 September 2008 to 1 September 2009. In fact, there were a number of events during this period generating a high level of volatility in financial markets. These events were:

• The bankruptcy of Lehman Brothers, which was unable to withstand the sub-prime crisis;

• USD 1,000 billion widening in the US budget deficit to support financial markets;

• The Greek crisis and the threat of contagion spreading to the "PIIGS" countries.

The reaction by Morocco's financial markets to these events was limited however. A number of scenarios were applied to simulate global market conditions:

• Fluctuation in the Casablanca stock market identical to that of the United States;

• Fluctuation in the dirham rate identical to that of USD;

• Repercussion of EURUSD volatility on EURMAD and USDMAD;

• Repercussion of EURUSD volatility on EURMAD volatility and USDMAD volatility.

• Stress-testing by risk factor

BMCE Bank Group conducts stress tests to assess the vulnerability of the Group's trading portfolio to extreme scenarios. Stress tests cover all components of the trading portfolio by simulating all risk factors which have an impact on the portfolio. The results of stress tests for interest rate risks and exchange rate risks on the trade portfolio are described below :

a. STRESS TESTS RESULTS: INTEREST RATE RISK

1. Portfolio of Treasury securities

1st scenario: 50 basis point increase in the yield curve on a constant basis. This scenario resulted in an impact of MAD 16 million on income at 31 December 2012.

2nd scenario: 100 basis point increase in the yield curve on a constant basis. This scenario resulted in an impact of MAD 32 million on income at 31 December 2012.

2. Portfolio of corporate debt

Corporate financial issuers.

1st scenario: 50 basis point increase in the yield curve on a constant basis together with a 50 basis point increase in the risk premium. This scenario resulted in an impact of MAD 3 million on income at 31 December 2012.

2nd scenario: 100 basis point increase in the yield curve on a constant basis together with a 75 basis point increase in the risk premium. This scenario resulted in an impact of MAD 5 million on income at 31 December 2012.

Corporate non-financial issuers

1st scenario: 100 basis point increase in the yield curve on a constant basis together with a 100 basis point increase in the risk premium. This scenario resulted in an impact of MAD 21 million on income at 31 December 2012.

2nd scenario: 200 basis point increase in the yield curve on a constant basis together with a 200 basis point increase in the risk premium. This scenario resulted in an impact of MAD 44 million on income at 31 December 2012.

b. STRESS TESTS FOR FOREIGN EXCHANGE RISK

1st scenario: 10% rise in the value of the dirham against the euro. This scenario resulted in an impact of MAD 103 million on income at 31 December 2012.

2nd scenario: 10% rise in the value of the dirham against the US dollar. This scenario resulted in an impact of MAD 20 million on income at 31 December 2012.

The results of the stress test conducted shows that the Group has a sufficient level of shareholders' equity to withstand adverse scenarios and to comply with regulatory standards even in the event of a crisis.

It is also worth noting that the project for adoption of the advance approach in respect of market risk is being finalised with the implementation of an internal model based on the VaR approach.

8.8. OPERATIONAL RISK

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

8.8.1. Operational risk management policy

8.8.1.1. Operational risk management objective

The operational risk management policy has the following objectives:

• Assess and prevent operational risks;

• Assess controls;

• Implement preventive and/or corrective action for major risks.

8.8.1.2. Classification

Operational risks or losses can be analysed and categorised on the basis of two factors and it is important to differentiate between them: cause and effect, in terms of their financial or other impact. They are classified under Basel by event type.

8.8.1.2.1. Links to other risk types (market/credit risks)

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

• Overall level, analysis of the Bank's overall level of risk aversion (and in terms of allocation of capital) must be carried and monitoring of "trans-risks";

• Detailed level, some operational risks can be directly linked to market and credit risk management.

8.8.1.2.2. Operational risk management organisation

The framework governing operational risk management within BMCE Group is based on three main objectives:

• Define a target policy consistent with BMCE Bank Group's business organisation and inspired by best practice;

• Involve and empower business lines and subsidiaries in the day-to-day management of operational risk management;

• Ensure that Audit/Control function is separate from the Operational Risk Management function.

Operational risk management at BMCE Bank Group involves four major entities :

- BMCE Bank's Group Operational Risk Department;

- BMCE Bank network;

- BMCE Bank 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 includes 8 Group subsidiaries.

8.8.1.2.3. Governance of operational risk management

Governance of operational risks within BMCE Bank Group is organised by three Operational Risk Committees:

• Group Operational Risks Committee;

• Operational Risk Monitoring (Business Lines) Committee;

• Operational Risk (Subsidiaries) Committee.

These committees are tasked with periodically:

• Reviewing changes in the exposure to operational risks and in the environment for controlling such risks;

• Identifying the main areas of risk, in terms of activities

• and risk types;

•Defining preventive and corrective action required to reduce the level of risk;

• Reviewing the amount of capital to be allocated to operational risks, the cost of preventive action required and the costs of insurance.

8.8.1.3. Fundamental methodology principles

BMCE Bank Group's operational risk management policy has two strategic objectives:

• Reduce exposure to operational risks;

• Optimise capital requirements relating to operational risks.

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

• Collecting risk events;
• Mapping operational risks,
• Key risk indicators.

The management of the entity in question, general management and the board of directors are regularly notified of operational risk exposure and losses incurred. Management systems are properly documented, ensuring compliance with a formalised set of controls, 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.

Management of operational risks at BMCE Bank Group is entirely automated by means of a dedicated system, "MEGA GRC". The collection of risk events, the mapping of operational risks and the key risk indicators are currently managed by this system which is used at Bank level as well as by Moroccan and European subsidiaries.

8.8.1.4. Operational risk control and mitigation

Several types of action may be taken to manage operational risks:

• Reinforce checks;
• Hedge risks, especially through insurance contracts;
• Avoid risks, in particular, by redeploying activities;
• Draw up business continuity plans.

BMCE Group has a very strong control policy, resulting in a significant reduction in operational risks. However, in terms of operational risk management and via its dedicated policy, the Group is at liberty to identify optimal behaviour, 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.

8.8.2. Business continuity plan

Under a changing regulatory environment, 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 activities. This is due to the increasing reliance on the resources underpinning those activities including human, IT or logistics resources.

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

The strategic principles underpinning the business continuity plan are as follows:

• BMCE Bank has a moral responsibility to allow its customers access to the cash which they have entrusted to it. Any breach of this obligation in times of crisis may have an impact on public order. This principle prevails above any other;

• BMCE Bank must guarantee its commitments towards Morocco's interbank clearing system;

• BMCE Bank intends to first and foremost comply with all existing legal and contractual commitments entered into (relating to loans and other commitments), prior to entering into any other commitment;

• BMCE Bank intends to maintain its international credibility by guaranteeing first and foremost its commitments vis-à-vis foreign correspondents;

• BMCE Bank Group's existing customers take priority over others;

• Services are executed in their entirety, beginning in the front-office and culminating in the back-office (e.g. from branch level up until accounting recognition).

The Business Continuity Plan was introduced in 2009. Several test simulations have since been carried out across the Kingdom.

8.8.3. Measurement of capital adequacy

The BMCE Bank Group has opted for the standardised approach as outlined in Bank Al Maghrib circulars (BAM).

The latter require banks to have a Tier 1 capital ratio of 9% and a solvency ratio of 12% at both the parent company and consolidated levels.

BMCE Bank Group already satisfies these new requirements as at 31 December 2012. Strict compliance with these requirements is required from June 2013.

BMCE Bank

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