



Financial Communication

FY 2015

BMCE BANK OF AFRICA

CONSOLIDATED FINANCIAL STATEMENTS UNDER IAS/IFRS AND NOTES TO THE FINANCIAL STATEMENTS

31 december 2015

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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 662 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 37% as of december 31st, 2015 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 74.97%.



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CONSOLIDATES ACCOUNTS

CERTIFICATION OF THE AUDOTORS ON THE INTERIM STATUS

PERIODE FROM 1ST JANUARY TO 31ST DECEMBER 2015



47, rue Allal Ben Abdellah
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11, Avenue Bir Kacem
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We have performed a limited audit of the provisional financial position of Banque Marocaine du Commerce Extérieur and its subsidiaries (BMCE Bank Group), comprising the balance sheet income statement, cash flow statement, statement of changes in shareholders' equity and a selection of explanatory notes for the period from 1 January 2015 to 31 December 2015. This provisional financial position shows consolidated shareholders' equity of MAD 22,109,552 K, including consolidated net income of MAD 2,654,730 K.

We performed our limited audit in accordance with Moroccan accounting standards. These standards require that the limited audit is planned and performed with a view to obtaining reasonable assurance that the provisional financial position is free from material misstatement. A limited audit primarily involves interviews with the company's staff and the carrying out of analytical checks on financial data. It therefore provides less assurance than a full audit and, as a result, we are unable to express an opinion.

On the basis of our limited audit, we have not identified any items that lead us to believe that the attached consolidated financial statements do not give a true and fair view of income from operations over the period and of the financial position and assets of BMCE Bank Group at 31 December 2015, in accordance with international accounting standards (IAS/IFRS).

Casablanca, le 25 mars 2016

Les Commissaires aux Comptes

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

1.1. CONSOLIDATED BALANCE SHEET

the consolidated financial statements at 31 december 2015 were approved by the board of directors on 25 march 2016.

ASSETS	NOTES	dec-15	dec-14
Cash and amounts due from central banks and post office banks	4.1	10 403 090	9 966 747
Financial assets at fair value through profit or loss	4.2	25 760 228	28 609 790
Derivatives used for hedging purposes		7 207	-
Available-for-sale financial assets	4.3	6 846 572	4 891 427
Loans and receivables due from credit institutions	4.4	20 971 036	16 072 610
Loans and receivables due from customers	4.5	173 279 696	155 152 943
Remeasurement adjustment on interest rate risk hedged assets		-	-
Held-to-maturity financial assets	4.7	24 559 458	18 153 337
Current tax assets	4.8	63 550	199 008
Deferred tax assets	4.8	473 814	445 733
Accrued income and other assets	4.9	5 364 187	4 978 851
Non current assets held for sale		-	-
Investment associates	4.10	585 787	513 766
Investment property	4.11	3 035 131	835 047
Property, plant and equipment	4.11	6 516 029	5 847 075
Intangible assets	4.11	703 525	744 273
Goodwill	4.12	852 310	832 470
TOTAL ASSETS		279 421 620	247 243 077

(In thousand MAD)

LIABILITIES & SHAREHOLDERS EQUITY	NOTES	dec-15	dec-14
Due to Central Banks and Post Office Banks		-	-
Financial liabilities at fair value through profit or loss	4.2	2 046 594	2 745 648
Derivatives used for hedging purposes		-	2 018
Due to credit institutions	4.4	51 176 027	33 142 978
Due to customers	4.5	178 255 021	161 268 876
Debt securities	4.6	8 967 697	13 170 353
Remeasurement adjustment on interest rate risk hedged portfolios		-	-
Current tax liabilities	4.8	131 027	55 341
Deferred tax liabilities	4.8	1 130 452	1 099 810
Accrued expenses and other liabilities	4.9	6 315 040	7 636 569
Liabilities related to non-current assets held for sale		-	-
Technical reserves of insurance companies		-	-
Provisions for contingencies and charges	4.13	650 913	523 011
Subsidies, assigned public funds and special guarantee funds		-	-
Subordinated debts	4.6	8 639 297	6 795 304
TOTAL DEBTS		257 312 068	226 439 908
Capital and related reserves		12 899 418	12 488 381
Consolidated reserves		-	-
- Attributable to parent		2 101 501	1 481 861
- Non-controlling interests		4 381 320	4 000 114
Unrealized or deferred gains or losses, attributable to parent		65 587	149 436
Unrealized or deferred gains or losses, non-controlling interests		6 996	-8 802
Net Income		-	-
- Attributable to parent		1 955 535	1 943 864
- Non-controlling interests		699 195	748 315
TOTAL CONSOLIDATED SHARE HOLDERS'S EQUITY		22 109 552	20 803 169
TOTAL PASSIF IFRS		279 421 620	247 243 077

(In thousand MAD)



1.2. CONSOLIDATED INCOME STATEMENT

	NOTES	dec-15	dec-14
+ Interests and similar income		13 502 956	12 701 901
- Interests and similar expense		-4 962 142	-4 959 094
Net Interest income	2.1	8 540 814	7 742 807
+ Fees received and commission income		2 290 577	2 247 263
- Fees paid and commission expense		-339 423	-333 395
Net fee income	2.2	1 951 154	1 913 868
+/- Net gains or losses on financial instruments at fair value through profit or loss	2.3	441 412	1 093 341
+/- Net gains or losses on available for sale financial assets	2.4	211 536	100 886
Income from market transactions		652 948	1 194 227
+ Other banking revenues	2.5	1 044 522	1 022 668
- Other banking expenses	2.5	-372 633	-376 343
Net Banking Income		11 816 805	11 497 227
- General Operating Expenses	2.9	-6 261 222	-5 827 763
- Allowances for depreciation and amortization PE and intangible assets	2.9	-672 006	-666 100
Gross Operating Income		4 883 577	5 003 364
- Cost of Risk	2.6	-1 439 956	-1 778 322
Operating Income		3 443 621	3 225 042
+/- Share in net income of companies accounted for by equity method		97 733	81 621
+/- Net gains or losses on other assets	2.7	74 609	17 306
+/- Change in goodwill		-	-
Pre-tax earnings		3 615 963	3 323 969
+/- Corporate income tax	2.8	-961 233	-631 790
Net income		2 654 730	2 692 179
Non-controlling interests		699 195	748 315
Net income attributable to parent		1 955 535	1 943 864
Earnings per share		10,90	10,83
Diluted Earnings per share		10,90	10,83

(In thousand MAD)

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

	dec-15	dec-14
Net income	2 654 730	2 692 179
Currency translation adjustment	-68 049	50 497
Reevaluation of available for sale financial assets	-1 354	-6 334
Reevaluation of hedging instruments	-66 695	56 831
Reevaluation of fixed assets	-66 695	56 831
Actuarial gains and losses on defined plans	0	0
Proportion of gains and losses directly recognised in shareholders equity on companies consolidated under equity method	0	0
Total gains and losses directly recognised in shareholders equity		
Net income and gains and losses directly recognised in shareholders equity attributable to parent	-68 049	50 497
	2 586 680	2 742 677
Non-controlling interests	1 871 688	1 985 386
Part des intérêts minoritaires	714 993	757 291

(In thousand MAD)



1.4. STATEMENT OF CHANGES IN SHAREHOLDER'S 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 12.31.2013	1 794 634	10 309 544	-35 727	2 722 605	107 914	14 898 970	4 244 486	19 143 458
Change in the accounting methods						0		0
Beginning Balance of adjusted Shareholder's Equity 12.31.2013	1 794 634	10 309 544	-35 727	2 722 605	107 914	14 898 970	4 244 486	19 143 458
Operations on capital		384 203		-384 203		0		0
Share-based payment plans						0		0
Operations on treasury stock			35 727			35 727		35 727
Dividends				-717 829		-717 829	-337 936	-1 055 764
Net income				1 943 846		1 943 846	748 315	2 692 161
PP&E and intangible assets : Revaluations and disposals (A)						0		0
Financial instruments : change in fair Value and transfer to earnings (B)					47 856	47 856	8 976	56 831
Currency translation adjustments : Changes and transfer to earnings (C)					-6 334	-6 334		-6 334
Avantages au personnel						0		0
Unrealized or deferred gains or losses (A)+ (B) + (C)				0	41 522	41 522	8 976	50 497
Change in the scope of consolidation				-18 092		-18 092	200 689	182 597
Others				-120 620		-120 620	-124 903	-245 524
Ending Balance of Shareholder's Equity 12.31.2014	1 794 634	10 693 747	0	3 425 707	149 436	16 063 524	4 739 627	20 803 152
Impact of changes in accounting methods						0		0
Ending Balance of adjusted Shareholder's Equity 12.31.2014	1 794 634	10 693 747	0	3 425 707	149 436	16 063 524	4 739 627	20 803 152
Operations on capital		411 037		-411 037		0		0
Share-based payment plans						0		0
Operations on treasury stock						0		0
Dividends				-788 651		-788 651	-452 274	-1 240 925
Net income				1 955 535		1 955 535	699 195	2 654 730
PP&E and intangible assets: Revaluations and disposals (E)						0		0
Financial instruments: change in fair Value and transfer to earnings (F)					-82 495	-82 495	15 799	-66 695
Currency translation adjustments: Changes and transfer to earnings (G)					-1 354	-1 354		-1 354
Unrealized or deferred gains or losses (E)+ (F) + (G)				0	-83 849	-83 849	15 799	-68 049
Change in the scope of consolidation (*)				-68 567		-68 567	83 181	14 614
Others				-55 951		-55 951	1 983	-53 968
Ending Balance of adjusted Shareholder's Equity 12.31.2015	1 794 634	11 104 784	0	4 057 036	65 587	17 022 041	5 087 511	22 109 553

(In thousand MAD)

(*) Change in the consolidation scope 2015

It is the acquisition of new stakes in BOA Group and Maghrébaïl, la Banque de Développement du Mali et La Congolaise de Banque.



1.5. CASH FLOW STATEMENTS AS OF DECEMBER 31st, 2015

1.5.1. Cash Flow Statement

	Note	dec-15	déc-14
Pre-tax net income		3 615 961	3 323 969
+/- Net depreciation/amortization expense on property, plant, and equipment and intangible assets	2,9	672 212	3 463 904
+/- Impairment of goodwill and other non- current assets		-	-
+/- Impairment of financial assets		46 758	173 473
+/- Net allowances for provisions	2,6	952 970	1 106 319
+/- Share of earnings in subsidiaries accounted for by equity method	4,10	-97 733	-65 808
+/- Net loss (income) from investing activities		-822 557	-1 346 058
+/- Net loss (income) from financing activities		-	-
+/- Other movements		-165 751	58 543
Non monetary items included in pre-tax net income and other adjustments		585 900	3 390 373
+/- Cash flows related to transactions with credit institutions		6 870 435	-2 073 872
+/- Cash flows related to transactions with customers		-355 618	3 260 835
+/- Cash flows related to transactions involving other financial assets and liabilities		-3 575 435	-6 036 643
<i>Dont Flux liés aux autres opérations affectant les titres de transaction</i>		<i>-2 235 371</i>	<i>-4 059 340</i>
+/- Cash flows related to transactions involving non financial assets and liabilities		-1 992 029	-4 488 481
<i>Dont Flux liés aux autres opérations affectant les dettes sur titres Empruntés</i>		<i>-1 884 371</i>	<i>-4 355 730</i>
+/- Taxes paid		-581 529	-806 052
Net Increase (Decrease) in cash related to assets and liabilities generated by operating activities		365 823	-10 144 213
Net Cash Flows from Operating Activities		4 567 685	-3 429 871
+/- Cash Flows related to financial assets and equity investments		-2 474 166	-732 356
+/- Cash flows related to investment property	4,11	-2 211 410	-187
+/- Cash flows related to PP&E and intangible assets	4,11	-1 361 288	-849 669
Net Cash Flows from Investing Activities		-6 046 864	-1 582 212
+/- Cash flows related to transactions with shareholders		-667 738	-909 304
+/- Cash flows generated by other financing activities		-2 947 262	1 844 774
Net Cash Flows from Financing Activities		-3 615 000	935 470
Effect of movements in exchange rates on cash and equivalents		-164 613	-252 118
Net Increase in Cash and equivalents		-5 258 792	-4 328 731
Beginning Balance of Cash and Equivalents		11 215 740	15 544 470
Net Balance of cash accounts and accounts with central banks and post office banks	4,1	9 966 853	11 870 837
Net Balance of demand loans and deposits- credit institutions		1 248 887	3 673 632
<i>Dont Prêt et Emprunt de trésorerie JJ</i>		<i>489 872</i>	<i>791 325</i>
Ending Balance of Cash and Equivalents		5 956 947	11 215 740
Net Balance of cash accounts and accounts with central banks and post office banks	4,1	10 403 196	9 966 853
Net Balance of demand loans and deposits- credit institutions		-4 446 249	1 248 887
<i>Dont Prêt et Emprunt de trésorerie JJ</i>		<i>-2 877 349</i>	<i>489 872</i>
Net increase in cash and equivalents		-5 258 792	-4 328 731

(In thousand MAD)

	Note	dec-15	dec-14
Dividendes reçus	2,4	218 305	229 525
Dividendes versés	1,5	-1 240 925	-1 055 764
Intérêts perçus		12 290 029	12 489 250
Intérêts payés		-3 366 255	-4 523 402

(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 has not opted for early adoption of the new standards, amendments and interpretations adopted by the IASB where retrospective application is permitted.

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 2015, 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 2015, 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.

An instrument may only be designated at fair value through profit or loss if the following conditions are met:

- If designation were to eliminate or significantly reduce any inconsistency in the instrument's measurement or recognition which would arise if designated otherwise;

- If a group of financial assets, financial liabilities or both were to be managed and its performance assessed on a fair value basis in accordance with a documented risk management or investment strategy;

- If the economic characteristics and risks of an embedded derivative were not closely related to those of the host contract (see Appendix A, paragraphs AG30 and AG33);

Financial assets and financial liabilities at fair value through profit or loss are recognised in the balance sheet at fair value.

Changes in the fair value of financial assets and liabilities are recognised as losses or gains in the P&L.

Interest income is recognised under interest income and expenses while dividends are recognised under other operating income if the right to payment has been established.

It is worth underlining that the Group has not designated, on initial recognition, any non-derivative financial asset or liability at fair value through profit or loss as per the option offered by IAS 39.

In 2013, the Bank issued a USD 300 million fixed rate international bond. This bond is hedged by a swap with the same characteristics as those of the bond (a fixed rate versus a variable rate). This transaction is qualified as a fair value hedging relationship.

The bond and the swap are therefore recognised at fair value through profit or loss.

The change in the fair value attributable to changes in credit risk resulted in a gain of MAD 1.6 million. The cumulative impact is MAD 19 million. Own credit default risk is calculated on the basis of historical data on default rates and that of credit ratings agencies.

The amount that the Bank will be obliged to pay at maturity is MAD 27.5 million more than the current carrying amount.

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.

Forbearance

The Bank complies with IFRS requirements in matters of forbearance agreements, particularly with regard to discounts applied to restructured loans. The amount deducted is recognised under cost of risk. If the restructured loan is subsequently reclassified as a performing loan, it is reinstated under net interest income over the remaining term of the loan.

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.

For unquoted equity instruments, the impairment criteria applied are as follows :

- The growing likelihood that the debtor could become bankrupt or undertake any other financial reorganisation;
- The disappearance of an active market for that financial asset because of the debtor’s financial difficulties; or observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since initial recognition of those assets, even though the decrease cannot yet be identified with the individual financial assets in the group.

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

The term “treasury shares” refers to shares of the parent company, BMCE BANK SA and its fully consolidated subsidiaries.

“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.

As of December 31, 2015, the Group does 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. Fair value measurement of own credit default risk (DVA) / counterparty risk (CVA)

Since the value of derivative products has not been material until now, the Bank will continue to monitor the extent to which this factor is significant in order to take into consideration fair value adjustments relating to its own credit default risk (DVA) / counterparty risk (CVA).



i. 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.

j. 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.

k. 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.

l. 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	QP	Period	QP
Structural works	80	55%	80	65%
Façade	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.

In accordance with the requirements of paragraph 79(e) of IAS 40, the Group has investment properties whose acquisition cost is deemed to be substantially material valued by external surveyors at each balance sheet date (cf. 4.15 on fair value).

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 assessed 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 2015, 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 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 2015

2.1. NET INTEREST INCOME

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

	dec-15			dec-14		
	Income	Expense	Net	Income	Expense	Net
Customer Items	9 885 496	3 089 650	6 795 846	9 620 309	2 924 519	6 695 790
Deposits, loans and borrowings	9 361 634	2 973 026	6 388 608	9 008 184	2 852 671	6 155 513
Repurchase agreements		116 624	-116 624		71 848	-71 848
Finance leases	523 862		523 862	612 125		612 125
Interbank items	887 565	916 517	-28 952	748 342	965 111	-216 769
Deposits, loans and borrowings	623 683	877 403	-253 720	508 162	889 165	-381 003
Repurchase agreements	263 882	39 114	224 768	240 180	75 946	164 234
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	1 341 654	955 975	385 679	1 252 489	1 069 464	183 025
Fixed income securities	1 341 654	623 022	718 632	1 252 489	756 372	496 117
Repurchase agreements			0			0
Loans/borrowings			0			0
Debt securities	0	332 953	-332 953	0	313 092	-313 092
Available for sale financial assets			0			0
Held to maturity financial assets	1 388 241		1 388 241	1 080 761		1 080 761
TOTAL	13 502 956	4 962 142	8 540 814	12 701 901	4 959 094	7 742 807

(In thousand MAD)

As of December 31, 2015, the net interest income increased by 10.3% compared as of December 31, 2014 and amounted 8 541 million MAD. This variation is mainly due to an increase of 28.5% of income related to customers loans, which amounted 1 388 million MAD as of December 31, 2015 versus 1 081 million MAD as of December 31, 2014 and an increase of 45% of fixed income securities (719 million MAD as of December 31, 2015 versus 496 million MAD as of December 31, 2014).

2.2. NET FEE INCOME

	dec-15			dec-14		
	Income	Expense	Net	Income	Expense	Net
Net fee on transactions	1 575 303	164 300	1 411 003	1 498 023	135 079	1 362 944
With credit institutions			-			-
With customers	1 125 822		1 125 822	1 046 050		1 046 050
On custody	196 168	97 622	98 546	165 947	96 320	69 627
On foreign exchange	253 313	66 678	186 635	286 026	38 759	247 267
On financial instruments and off balance sheet			-			-
Banking and financial services	715 274	175 123	540 151	749 240	198 316	550 924
Income from mutual funds management			-			-
Income from electronic payment services	361 150	49 371	311 779	341 856	42 803	299 053
Insurance			-			-
Other	354 124	125 752	228 372	407 384	155 513	251 871
NET FEE INCOME	2 290 577	339 423	1 951 154	2 247 263	333 395	1 913 868

(In thousand MAD)

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



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 within the trading book.

This covers gains and losses on disposals, gains and losses related to mark-to-market, as well as dividends from variable-income securities..

	dec-15			dec-14		
	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	466 807		466 807	1 092 286		1 092 286
Derivative instruments	-27 077	1 682	-25 395	1 055	0	1 055
Repurchase agreements						
Loans						
Borrowings						
Remeasurement of interest rate risk hedged portfolios						
Remeasurement of currency positions						
TOTAL	439 730	1 682	441 412	1 093 341	0	1 093 341

(In thousand MAD)

As of December 31, 2015, net gains on financial instruments at fair value through profit rose by 59.7% compared to December 31, 2014.

This variation is mainly due to an increase of yield of fixed and variable income of 57% from 1 092 million MAD in 2014 to 467 million MAD in 2015.

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

This section includes :

- Dividends and other income from equities and other floating rate securities classified as financial assets available for sale ;
- Gains and losses on disposals of fixed and floating rate securities classified as available for sale financial assets ;
- Impairment provisions on floating rate securities, classified as available for sale financial assets.

	dec-15	dec-14
Fixed income securities	0	0
Disposal gains and losses		
Equity and other variable-income securities	211 536	100 886
Dividend income	218 305	229 525
Impairment provisions	-5 314	-122 065
Net disposal gains	-1 455	-6 574
TOTAL	211 536	100 886

(In thousand MAD)

As of December 31, 2015, net gains on available for sale financial assets rose by -38% compared to December 31, 2014 and amounted 212 million MAD. This variation is mainly due the decrease of impairments amounting 122 millions MAD in 2014 versus 5 million MAD in 2015.

2.5. NET INCOME FROM OTHER ACTIVITIES

	dec-15			dec-14		
	Income	Expense	Net	Income	Expense	Net
Net income from insurance activities			-			-
Net income from investment property	-	-	-	-	-	-
Net income from assets held under operating leases	269 116	104 725	164 391	274 345	98 551	175 794
Net income from property development activities	-	-	-	-	-	-
Other banking income & expenses	383 325	218 872	164 453	357 964	222 374	135 590
Other operating income	392 081	49 036	343 045	390 359	55 418	334 941
TOTAL NET INCOME FROM OTHER ACTIVITIES	1 044 522	372 633	671 889	1 022 668	376 343	646 325

(In thousand MAD)



2.6. COST OF RISK

Includes expenses arising from the manifestation of credit risk and counterparty disputes inherent in the banking business conducted with stakeholders. Net impairment non covered by such risk allocations are classified in the income statement according to their type.

Cost of risk for the period

	dec-15	dec-14
Impairment provisions	-2 571 528	-1 934 231
Impairment provisions on loans and advances	-2 444 843	-1 806 846
Impairment provisions on held to maturity financial assets (excluding interest rate risks)		
Provisions on off balance sheet commitments	-13 059	-433
Other provisions for contingencies and charges	-113 626	-126 952
Write back of provisions	1 618 558	627 707
Write back of impairment provisions on loans and advances	1 475 347	570 908
Write back of impairment provisions on held to maturity financial assets (excluding interest rate risks)		
Write back of provisions on off balance sheet commitments	1 575	58
Write back of other provisions for contingencies and charges	141 636	56 741
Changes in provisions	-486 986	-471 798
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	-529 326	-493 375
Discount on restructured products		
Recoveries on amortized loans and advances	42 340	21 577
Losses on off balance sheet commitments		
Other losses		
COST OF RISK	-1 439 956	-1 778 322

(In thousand MAD)

Cost of risk for the period

	dec-15	dec-14
Net allowances to impairment	-952 971	-1 306 523
Recoveries on loans and receivables previously written off	42 340	21 577
Irrecoverable loans and receivables not covered by impairment provisions	-529 325	-493 376
TOTAL COST OF RISK FOR THE PERIOD	-1 439 956	-1 778 322

(In thousand MAD)

Cost of risk for the period asset type

	dec-15	dec-14
Loans and Receivables due from credit institutions		
loans and receivables due from customers	-1 456 481	-1 707 737
Available for sale financial assets		
Held to maturity financial assets		
Financial assets from market transactions		
Others		
Commitments and others	16 525	-70 585
Total cost of risk for the period	-1 439 956	-1 778 322

(In thousand MAD)

2.7. NET GAINS ON OTHER ASSETS

	dec-15	dec-14
PP&E and intangible assets used in operations	0	0
Capital gains on disposals		
Capital losses on disposals		
Equity interests	0	0
Capital gains on disposals	0	0
Capital losses on disposals	0	0
Others*	74 609	17 306
Net Gain/Loss on Other Assets	74 609	17 306

(In thousand MAD)

Net gains or losses on other assets increased amounting from 17.3 million MAD at the end of 2014 to 74.6 million MAD at the en of 2015.



2.8. INCOME TAX

2.8.1. Current and deferred tax

	dec-15	dec-14
Current tax	63 550	199 008
Deferred tax	473 814	445 733
Current and deferred tax assets	537 364	644 742
Current tax	131 027	55 341
Deferred tax	1 130 452	1 099 810
Current and deferred tax liabilities	1 261 479	1 155 151

(In thousand MAD)

2.8.2. Net income tax expense

	dec-15	dec-14
Current tax expense	-790 809	-660 267
Net deferred tax expense	-170 424	28 476
Net Corporate income tax expense	-961 233	-631 791

(In thousand MAD)

2.8.3. Effective tax rate

	dec-15	dec-14
Net income	2 654 730	2 692 179
Net corporate income tax expense	-961 233	-631 791
Average effective tax rate	36,2%	23,5%

(In thousand MAD)

Analysis of effective tax rate

	dec-15	dec-14
Standard tax rate	37,0%	37,0%
Differential in tax rates applicable to foreign entities		
Reduced tax rate		
Permanent differences		
Change in tax rate		
Other items	-0,8%	-13,5%
Average effective tax rate	36,2%	23,5%

(In thousand MAD)

2.9 - GENERAL OPERATING EXPENSES

	dec-15	dec-14
Staff expenses	3 275 478	3 030 005
Taxes	104 508	83 586
External expenses	1 486 180	1 383 487
Other general operating expenses	1 395 056	1 330 685
Allowances for depreciation and provisions of tangible and intangible assets	672 006	666 100
General operating expenses	6 933 228	6 493 863

(In thousand MAD)

General operating expenses increased by 6.77% between 2014 and 2015 from 6 494 million MAD as of December 31, 2014 to 6 933 million MAD as of December 31, 2015.

This variation is explained by an increase in staff expenses of 8.1% from 3 030 million MAD in 2014 to 3 275 million MAD in 2015, and by the increase in other operating expenses (including taxes and expenses, depreciation and other external expenses) by 5.6% from 3 464 million MAD in 2014 to 3 658 million MAD in 2015.



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 (Maghrébaïl), 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. Earnings by business line

	dec-15					
	ACTIVITY IN MOROCCO	INVESTMENT BANKING	SPECIALISED FINANCIAL SERVICES	OTHERS	INTERNATIONAL ACTIVITIES	TOTAL
Net interest Income	3 517 004	32 488	620 546	-17 635	4 388 411	8 540 814
Net Fee income	963 811	150 168	13 519	0	823 656	1 951 154
Net Banking Income	4 880 905	344 371	644 205	147 277	5 800 047	11 816 805
General Operating Expenses & allowances for depreciation and amortization	-3 037 457	-267 747	-218 765	-77 284	-3 331 975	(6 933 228)
Operating Income	1 843 447	76 625	425 441	69 993	2 468 071	4 883 577
Corporate income tax	-464 940	-48 930	-151 203	-16 773	-279 387	(961 233)
Net Income Attributable to shareholders of the parent	845 170	110 059	173 887	47 536	778 883	1 955 535

(In thousand MAD)

	dec-14					
	ACTIVITY IN MOROCCO	INVESTMENT BANKING	SPECIALISED FINANCIAL SERVICES	OTHERS	INTERNATIONAL ACTIVITIES	TOTAL
Net interest Income	3 163 049	49 612	719 859	-18 399	3 828 686	7 742 807
Net Fee income	827 661	126 444	14 292	0	945 471	1 913 868
Net Banking Income	4 939 564	351 681	743 701	158 698	5 303 583	11 497 227
General Operating Expenses & allowances for depreciation and amortization	-2 731 382	-245 162	-192 747	-87 142	-3 237 430	(6 493 863)
Operating Income	2 208 182	106 519	550 954	71 556	2 066 153	5 003 364
Corporate income tax	-229 409	-47 704	-124 596	-11 943	-218 138	(631 790)
Net Income Attributable to shareholders of the parent	992 887	106 593	145 484	51 426	647 474	1 943 864

(In thousand MAD)

3.2. ASSETS AND LIABILITIES BY BUSINESS ACTIVITY

	dec-15					
	ACTIVITY IN MOROCCO	INVESTMENT BANKING	SPECIALISED FINANCIAL SERVICES	OTHERS	INTERNATIONAL ACTIVITIES	TOTAL
TOTAL ASSETS	187 904 186	724 956	7 343 858	214 288	83 234 332	279 421 620
ASSETS ITEMS						
Available for sale assets	2 141 161	107 685	17 265	20 365	4 560 096	6 846 572
Customer loans	113 592 597	109	14 680 785	0	45 006 205	173 279 696
Financial assets at fair value	25 275 085	122 281	207	0	362 655	25 760 228
Held to maturity assets	4 328 349	0	0	0	20 231 109	24 559 458
LIABILITIES & SHAREHOLDERS EQUITY ITEMS						
Customer deposits	121 110 279	2 616	1 107 886	0	56 034 240	178 255 021
Shareholder's Equity	14 966 626	263 520	1 422 829	(35 622)	5 492 199	22 109 552

(In thousand MAD)



	dec-14				
	ACTIVITY IN MOROCCO	INVESTMENT BANKING	SPECIALISED FINANCIAL SERVICES	OTHERS	INTERNATIONAL ACTIVITIES
TOTAL ASSETS	164 934 033	763 527	8 090 081	178 767	73 276 669
ASSETS ITEMS					
Available for sale assets	1 569 636	132 554	17 166	21 026	3 151 045
Customer loans	99 370 301	179	14 867 010	0	40 915 453
Financial assets at fair value	28 476 818	80 444	2 368	0	50 160
Held to maturity assets	2 317 968	0	0	0	15 835 369
LIABILITIES & SHAREHOLDERS EQUITY ITEMS					
Customer deposits	109 986 007	0	1 225 018	0	50 057 851
Shareholder's Equity	14 527 416	216 015	1 252 591	(41 433)	4 848 580
					20 803 169

(In thousand MAD)

3.3. BREAKDOWN OF LOANS AND RECEIVABLES

Breakdown of loans and receivables to credit institutions by geographical region

	dec-15			dec-14		
	Performing loans	NPL	Provisions	Performing loans	NPLS	Provisions
Morocco	13 272 891	58 616	58 616	10 437 608	58 669	58 669
Europe	3 127 517	0	0	2 371 474	0	0
Subsaharian Africa	4 554 179	24 100	7 651	3 243 617	29 595	9 684
Total	20 954 587	82 716	66 267	16 052 699	88 264	68 353
Allocated debts						
Provisions						
Net Value	20 954 587	82 716	66 267	16 052 699	88 264	68 353

(In thousand MAD)

Breakdown of loans to customer by geographical region

	dec-15				dec-14			
	Performing loans	NPL	Provisions individuelles	Provisions collectives	Performing loans	NPL	Provisions individuelles	Provisions collectives
Morocco	125 168 158	8 419 017	3 904 848	1 408 836	112 108 604	7 238 376	3839168,162	1 270 321
Europe	3 816 758	110 303	32 658	0	3 323 611	173 250	117524	
Subsaharian Africa	38 924 773	4 204 443	1 936 574	80 840	36 226 993	2 959 669	1560359,428	90 188
Net Value	167 909 689	12 733 763	5 874 080	1 489 676	151 659 208	10 371 295	5 517 052	1 360 508

(In thousand MAD)

Change in impairment for loans due from customers

	dec-15	dec-14
TOTAL PROVISIONS AT BEGINNING OF THE PERIOD	6 877 560	6 306 060
Provisions	2 464 842	1 806 846
Write-backs of provisions	-1 421 577	-570 908
Use of provisions	-522 094	-520 872
Change in currency parities and other	-34 975	-143 566
TOTAL PROVISIONS AT END OF THE PERIOD	7 363 756	6 877 560

(In thousand MAD)

Change in impairment for loans due from credit institutions

	dec-15	dec-14
TOTAL PROVISIONS AT BEGINNING OF THE PERIOD	68 353	40 205
Provisions		28 333
Write-backs of provisions	-2 086	
Use of provisions	-	-
Change in currency parities and other		-185
TOTAL PROVISIONS AT END OF THE PERIOD	66 267	68 353

(In thousand MAD)



IV. NOTES TO THE BALANCE SHEET FOR THE YEAR ENDED 31 DECEMBER 2015

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

	dec-15	dec-15-14
Cash	3 562 741	3 356 387
CENTRAL BANKS	5 998 648	6 083 895
TREASURY	836 959	521 727
GIRO	4 742	4 738
CENTRAL BANKS, TREASURY, GIRO	6 840 349	6 610 360
Cash, Central Banks, Treasury, Giro	10 403 090	9 966 747

(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.

	dec-15			dec-14		
	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	4 746 066	0	4 746 066	4 014 284	0	4 014 284
Treasury bills and other eligible for central bank refinancing	4 235 874		4 235 874	2 789 392		2 789 392
Other negotiable certificates of deposits	510 192		510 192	1 224 892		1 224 892
Bonds	1 518 833	0	1 518 833	2 295 130	0	2 295 130
Government bonds	616 244		616 244	565 681		565 681
Other bonds	902 589		902 589	1 729 449		1 729 449
Equities and other variable income securities	19 490 636	0	19 490 636	22 319 502	0	22 319 502
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	4 693	0	4 693	-19 126	0	-19 126
Currency derivatives	4 089		4 089	-19 703		-19 703
Interest rate derivatives	604		604	577		577
Equity derivatives						
Credit derivatives						
Other derivatives						
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	25 760 228	0	25 760 228	28 609 790	0	28 609 790
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	1 999 324	1 999 324	0	2 696 352	2 696 352
Credit institutions		1 999 324	1 999 324		2 696 352	2 696 352
Corporate customers						
Debt securities						
Trading Book Derivatives	47 270	0	47 270	49 296	0	49 296
Currency derivatives	47 270		47 270	49 296		49 296
Interest rate derivatives			0			0
Equity derivatives			0			0
Credit derivatives						
Other derivatives						
TOTAL FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	47 270	1 999 324	2 046 594	49 296	2 696 352	2 745 648

(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.

	dec-15	dec-14
Negotiable certificates of deposit	0	0
Treasury bills and other bills eligible for central bank refinancing		
Other negotiable certificates of deposit		
Bonds	4 112 360	2 737 896
Government bonds	2 833 016	1 957 528
Other bonds	1 279 344	780 368
Equities and other variable-income securities	3 153 573	2 561 896
Of which listed securities	319 930	325 463
Of which unlisted securities	2 833 643	2 236 433
Total available-for-sale financial assets, before impairment provisions	7 265 933	5 299 792
Of which unrealized gains and losses	-419 361	-408 365
Of which fixed-income securities		
Of which loaned securities	-419 361	-408 365
Total available-for-sale financial assets, net of impairment provisions	6 846 572	4 891 427
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

	dec-15	dec-14
Demand accounts	5 630 176	3 923 290
Loans	12 839 340	12 169 796
Repurchase agreements	2 567 788	47 877
Total loans and receivables due from credit institutions, before impairment provisions	21 037 304	16 140 963
Provisions for impairment of loans and receivables due from credit institutions	-66 268	-68 353
Total loans and receivables due from credit institutions, net of impairment provisions	20 971 036	16 072 610

(In thousand MAD)

Amounts due to credit institutions

	dec-15	dec-14
Demand accounts	2 081 821	2 254 051
Borrowings	34 683 456	26 604 762
Repurchase agreements	14 410 750	4 284 165
TOTAL	51 176 027	33 142 978

(In thousand MAD)



4.5. LOANS, RECEIVABLES AND AMOUNTS DUE FROM CUSTOMERS

Loans and receivables due from customers

	dec-15	dec-14
Demand accounts	25 697 536	24 271 477
Loans to customers	124 431 972	116 381 173
Repurchase agreements	18 162 143	9 467 823
Finance leases	12 351 801	11 910 030
Total loans and receivables due from customers, before impairment provisions	180 643 452	162 030 503
Impairment of loans and receivables due from customers	-7 363 756	-6 877 560
Total loans and receivables due from customers, net of impairment provisions	173 279 696	155 152 943

(In thousand MAD)

Breakdown of amounts due from customers by business activity

	dec-15	dec-14
Activity in Morocco	113 592 596	99 346 209
Specialized Financial Services	14 680 785	14 867 010
International Activities	45 006 206	40 939 545
Investment Banking	109	179
Other Activities	0	0
Total	173 279 696	155 152 943
Allocated Debts		
Value at Balance sheet	173 279 696	155 152 943

(In thousand MAD)

Breakdown of amounts due from customers by geographical region

	dec-15	dec-14
Morocco	128 273 490	114 213 398
Sub saharan Africa	41 111 803	37 560 208
Europe	3 894 403	3 379 337
Total	173 279 696	155 152 943
Allocated Debts		
Value at Balance sheet	173 279 696	155 152 943

(In thousand MAD)

Amounts due to customers

	dec-15	dec-14
On demand deposits	100 028 015	89 254 190
Term accounts	40 871 554	35 948 532
Savings accounts	21 017 845	19 993 183
Cash certificates	4 666 140	4 488 643
Repurchase agreements	2 481 744	3 246 264
Other items	9 189 723	8 338 064
TOTAL LOANS AND RECEIVABLES DUE TO CUSTOMERS	178 255 021	161 268 876

(In thousand MAD)



Breakdown of amounts due to customers by business activity

	dec-15	dec-14
Activity in Morocco	121 110 279	109 986 007
Specialized Financial Services	1 107 886	1 225 018
International Activities	56 034 240	50 057 851
Investment Banking	2 616	0
Other Activities	0	0
Total	178 255 021	161 268 876
Allocated Debts		
Value at Balance sheet	178 255 021	161 268 876

(In thousand MAD)

Breakdown of amounts due to customers by geographical region

	dec-15	dec-14
Morocco	122 220 781	111 211 025
Sub saharan Africa	54 445 069	48 544 736
Europe	1 589 171	1 513 115
Total	178 255 021	161 268 876
Allocated Debts		
Value at Balance sheet	178 255 021	161 268 876

(In thousand MAD)

4.6. DEBT SECURITIES, SUBORDINATED DEBT AND SPECIAL GUARANTEE FUNDS

	dec-15	dec-14
Other debt securities	8 967 697	13 170 353
Negotiable certificates of deposit	8 967 697	13 170 353
Bond issues		
Subordinated debts	8 436 745	6 568 309
Subordinated debt	8 436 745	6 568 309
Redeemable subordinated debt	6 436 745	4 568 309
Undated subordinated debt	2 000 000	2 000 000
Subordinated Notes	0	0
Redeemable subordinated notes		
Undated subordinated notes	0	0
Public Funds and special guarantee funds	202 552	226 995
Total	17 606 994	19 965 657

(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

	dec-15	dec-14
Negotiable certificates of deposit	6 095 691	5 977 747
Treasury bills and other bills eligible for central bank refinancing	6 095 691	5 977 747
Other negotiable certificates of deposit	0	
Bonds	18 463 767	12 175 590
Government bonds	12 802 119	8 666 272
Other bonds	5 661 648	3 509 319
Total held-to-maturity financial assets	24 559 458	18 153 337

(In thousand MAD)

4.8. CURRENT AND DEFERRED TAXES

	dec-15	dec-14
Current taxes	63 550	199 008
Deferred taxes	473 814	445 733
Current and deferred tax assets	537 364	644 741
Current taxes	131 027	55 341
Deferred taxes	1 130 452	1 099 810
Current and deferred tax liabilities	1 261 479	1 155 151

(In thousand MAD)



Impôts Differes Par Categorie

	dec-15				dec-14			
	Deferred tax assets	Deferred tax liabilities	DT/Impact on G&PL	DT/Impact on income	Deferred tax assets	Deferred tax liabilities	DT/Impact on G&PL	DT/Impact on income
Available-for-sale financial assets		-65 558	-67 229	404	1 655	-90 745	-90 628	11 671
Property, plant and equipment, Intangible assets and Investment property	106 593	-592 036	-	-11 613	93 872	-610 526	-	-15 758
Loans	229 607	-441 044	-	-153 950	257 919	-402 113	-	19 772
Staff benefits	99 272	-135	-6 225	1 992	85 443	-135	-6 225	3 267
Others	950	-31 679	-	-5 156	6 844	3 709	-	-3 191
Deferred taxes relating to consolidation and IFRS restatements	436 422	-1 130 452	-73 454	-168 324	445 733	-1 099 810	-96 853	15 761
Loss carry forwards	37 392							

(In thousand MAD)

4.9. ACCRUED INCOME AND EXPENSES, OTHER ASSETS AND LIABILITIES

	dec-15	dec-14
Guarantee deposits and bank guarantees paid	82 020	117 027
Settlement accounts related to securities transactions	43 028	46 853
Collection accounts	656 493	426 519
Reinsurers' share of technical reserves		
Accrued income and prepaid expenses	479 608	388 464
Other debtors and miscellaneous assets	3 794 891	3 532 614
Inter-related Accounts	308 147	467 374
TOTAL ACCRUED INCOME AND OTHER ASSETS	5 364 187	4 978 851
Guarantee deposits received	16 786	29 033
Settlement accounts related to securities transactions	14 974	2 017 148
Collection accounts	1 417 640	1 209 401
Accrued expenses and deferred income	1 078 145	621 937
Other creditors and miscellaneous assets	3 787 495	3 759 050
TOTAL ACCRUED EXPENSES AND OTHER LIABILITIES	6 315 040	7 636 569

(In thousand MAD)

4.10. INVESTMENTS IN COMPANIES ACCOUNTED FOR UNDER THE EQUITY METHOD

	dec-15	dec-14
Euler Hermes Acmar	25 114	19 577
Banque de Développement du Mali	347 072	275 226
Eurafric Information	-9 728	-7 954
Société Conseil Ingénierie et Développement	142 354	150 475
Investments in equity methods companies belonging to subsidiaries	80 975	76 442
Investments in associates	585 787	513 766

(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	422 984	143 544	27 683	5 537
Banque de Développement du Mali	10 068 251	523 743	243 263	79 056
Eurafric Information	152 925	205 803	-397	-1 692
Société Conseil Ingenierie et Développement	589 439	230 120	30 022	11 658

(In thousand MAD)



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

	dec-15			dec-14		
	Gross Value	Accumulated depreciation amortization and impairment	Carrying Amount	Gross Value	Accumulated depreciation amortization and impairment	Carrying Amount
PP&E	11 455 252	4 939 223	6 516 029	10 437 505	4 590 430	5 847 075
Land and buildings	2 860 401	112 969	2 747 432	2 036 095	454 328	1 581 767
Equipment, furniture and fixtures	4 023 357	1 980 130	2 043 227	3 871 866	1 687 683	2 184 183
Plant and equipment leased as lessor under operating leases	0	0	0	0	0	0
Other PP&E	4 571 494	2 846 124	1 725 370	4 529 544	2 448 419	2 081 475
Intangible Assets	1 866 540	1 163 015	703 525	1 711 352	967 079	744 273
Purchased software	1 423 019	930 976	492 043	1 045 026	563 703	481 323
Internally-developed software	0	0	0	0	0	0
Other intangible assets	443 521	232 039	211 482	666 326	403 376	262 950
Investment Property	3 116 213	81 082	3 035 131	941 187	106 140	835 047

(In thousand MAD)

Change in property, plant and equipment

	dec-15	dec-14
Net value as of January, 1 st	5 847 075	5 465 769
Acquisition of the year	2 172 198	897 659
	-	-
Depreciation, Amortization of impairment	(853 088)	(471 483)
Disposal of the year	(677 373)	(85 430)
Reclassifications	27 217	40 560
NET VALUE AT END OF PERIOD	6 516 029	5 847 075

(In thousand MAD)

Change in intangible assets

	dec-15	dec-14
Net value as of January, 1 st	744 273	770 522
Acquisition of the year	181 642	165 550
	-	-
Depreciation, Amortization of impairment	(186 771)	(173 581)
Disposal of the year	(10 950)	(79 465)
Reclassifications	(24 669)	61 247
Net Value at end of period	703 525	744 273

(In thousand MAD)

Change in intangible assets

	dec-15	dec-14
Net value as of January, 1 st	835 047	905 729
Acquisition of the year	2 242 743	102 631
	-	-
Depreciation, Amortization of impairment	(4 828)	(22 452)
Disposal of the year	(29 943)	(175 311)
Reclassifications	(7 888)	24 450
Net Value at end of period	3 035 131	835 047

(In thousand MAD)

4.12. GOODWILL

	dec-15	dec-14
Gross value at start of period	832 470	832 470
Accumulated impairment at start of period		
Carrying amount at start of period	832 470	832 470
Acquisitions	19 840	
Cessions		
Impairment losses recognized during the period		
Translation adjustments		
Subsidiaries previously accounted for by the equity method		
Other movements	0	0
Gross value at end of period	852 310	832 470
Accumulated impairment at end of period		
CARRYING AMOUNT AT END OF PERIOD	852 310	832 470

(In thousand MAD)



The following table provides a breakdown of goodwill :

	2015 book Value	2014 book Value
Maghrébaïl	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	711 976	692 136
LOCASOM	98 725	98 725
CID	14 555	14 555
TOTAL	852 310	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	-1 272 400
Favorable change of 200 basis points	1 654 509
LOCASOM	
Cost of capital	8.50%
Unfavorable change of 200 basis points	-171 328
Favorable change of 150 basis points	366 598

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

	déc-15	déc-14
Total provisions at start of period	523 011	456 573
Additions to provisions	222 915	129 384
Reversals of provisions	-147 234	-45 024
Effect of movements in exchange rates and other movements	57 128	-12 682
Gross value at end of period	-4 907	-5 240
TOTAL PROVISIONS AT END OF PERIOD	650 913	523 011

	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	15 735	230 928	8 345	0	268 003	523 011
Net additions to provisions	12 539	92 162	13 059	0	11 831	129 591
Provisions used	-3 044	0	-1 575	0	59 640	55 021
Effect of movements in exchange rates	0	0	0	0	-56 421	-56 421
Other move-ments	-63	0	-226	0	0	-289
TOTAL PROVISIONS AT END OF PERIOD	25 167	323 090	19 603	0	283 053	650 913

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 2015 and 2014.

	Dec-15	
	Carrying amounts of transferred assets	Carrying amounts of associated liabilities
Securities lending operations		
Securities at fair value through profit or loss		0
Repurchase agreements		
Securities at fair value through profit or loss	13 288 374	13 282 129
Securities classified as loans and receivables	0	0
Available-for-sale assets	691 953	691 060
Total	13 980 326	13 973 188

	Dec-14	
	Carrying amounts of transferred assets	Carrying amounts of associated liabilities
Securities lending operations	0	0
Securities at fair value through profit or loss		
Repurchase agreements		
Securities at fair value through profit or loss	6 747 577	6 737 664
Securities classified as loans and receivables	0	0
Available-for-sale assets	795 808	786 700
Total	7 543 385	7 524 364

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 2014. 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 2015 :



	Dec-15		Dec-14	
	Book value	Estimated market value	Book value	Estimated market value
FINANCIAL ASSETS				
Loans and receivables due from credit institutions	20 971 036	20 998 500	16 072 610	16 091 488
Loans and receivables due from customers	173 279 696	173 621 762	155 152 943	155 241 867
Placements détenus jusqu'à leur échéance	24 559 458	24 444 821	18 153 337	18 168 855
Immeubles de placement	3 035 131	3 096 958	835 047	894 300
FINANCIAL LIABILITIES				
Loans and receivables due to credit institutions	51 176 027	51 176 027	33 142 978	33 142 978
Loans and receivables due to customers	178 255 021	178 255 021	161 268 876	161 268 876
Debt securities	8 967 697	8 967 697	13 170 353	13 170 353
Subordinated debts	8 639 297	8 639 297	6 795 304	6 795 303

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 20.9 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 8.4 billion, amortisable over a short period, with a fair value that is MAD 27.3 million higher than the carrying amount.

Loans and receivables due from customers

Outstandings of loans and receivable due from customers totalled MAD 173 billion at 31 December 2015, 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 7.1 years.

The sensitivity analysis of the Bank's fixed rate loan book shows a fair value that is 333 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 51 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, 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 178 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 41 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 9 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 8.6 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 :



	déc-15			
	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS				
Financial instruments at-fair-value through profit or loss held for trading	25 760 228	-	-	25 760 228
of which financial assets at-fair-value through profit or loss	25 760 228			25 760 228
of which derivative financial instruments				-
Financial instruments designated as at-fair-value through profit or loss				-
Derivatives used for hedging purposes				-
Available for sale financial assets		6 846 572		6 846 572

FINANCIAL LIABILITIES				
Financial instruments at-fair-value through profit or loss held for trading	-	2 046 594	-	2 046 594
of which financial assets at-fair-value through profit or loss		1 999 325		1 999 325
of which derivative financial instruments		47 270		47 270
Financial instruments designated as at-fair-value through profit or loss				-
Derivatives used for hedging purposes				-

	déc-14			
	Level 1	Level 2	niveau 3	Total
FINANCIAL ASSETS				
Financial instruments at-fair-value through profit or loss held for trading	28 609 790	-	-	28 609 790
of which financial assets at-fair-value through profit or loss	28 609 790			28 609 790
of which derivative financial instruments				-
Financial instruments designated as at-fair-value through profit or loss				-
Derivatives used for hedging purposes				-
Available for sale financial assets	325 463	4 565 963		4 891 427

FINANCIAL LIABILITIES				
Financial instruments at-fair-value through profit or loss held for trading	2 745 648	-	-	2 745 648
of which financial assets at-fair-value through profit or loss	2 696 352			2 696 352
of which derivative financial instruments	49 295			49 295
Financial instruments designated as at-fair-value through profit or loss				-
Derivatives used for hedging purposes				-

The Bank has transferred its bonds from Level 1 to Level 2 of the fair value hierarchy. This transfer was made to comply with the hierarchy criteria for each level as defined by IFRS 13.

Unquoted available-for-sale financial assets classified as Level 3 assets under the fair value hierarchy are measured using the following methods:

- Carrying amount
- Adjusted net asset value
- Net asset value
- Pricing – corporate events

The Group primarily uses the 'net asset value' and 'carrying amount' valuation methods.

The above methods are preferred due to these securities' illiquidity and/or a lack of comparable transactions.

Different methods are used to measure variable income securities such as :

50% of the portfolio is measured using the net asset value method and 22% using the comparable model (similar equity transactions).

Table of changes in available-for-sale financial assets under Level 3 :

	dec-15		
	Debt	Equity	
CARRYING AMOUNT at 1 January	2 402 295	2 163 669	4 565 963
Profits and losses recognised in the P&L	-	-114	-114
Profits and losses recognised in equity	-	-57 090	-57 090
Acquisitions	1 764 179	1 016 438	2 780 617
Disposals	-418 168	-67 306	-485 474
Transfers	-	-	-
Translation differences	-64 527	108 195	43 668
Reclassifications	-	-	-
CARRYING AMOUNT at end of period	3 683 779	3 162 793	6 846 571

	dec-14		
	Debt	Equity	
CARRYING AMOUNT at 1 January	1 425 414	1 894 390	3 319 804
Profits and losses recognised in the P&L	-	-121 455	-121 455
Profits and losses recognised in equity	-	38 907	38 907
Acquisitions	503 351	343 827	847 177
Disposals	-424 410	-37 120	-461 530
Transfers	-	-	-
Translation differences	-33 296	45 120	11 824
Reclassifications	931 236	-	931 236
CARRYING AMOUNT at end of period	2 402 295	2 163 669	4 565 963

4.15.3. Fair value hierarchy of assets and liabilities recognised at amortised cost

	dec-15			
	Level 1	Level 2	Level 3	Total
ASSETS				
Loans and receivables due from credit institutions			20 998 500	20 998 500
Loans and receivables due from customers			173 621 762	173 621 762
Held-to-maturity financial assets	4 762 514		19 682 307	24 444 821
LIABILITIES				
Due to credit institutions			51 176 027	2 046 594
Due to customers			178 255 021	1 999 325
Debt securities issued			8 967 697	47 270
Subordinated debt			8 639 297	



	dec-14			
	Level 1	Level 2	Level 3	Total
ASSETS				
Loans and receivables due from credit institutions			16 091 488	16 091 488
Loans and receivables due from customers			155 241 867	155 241 867
Held-to-maturity financial assets	2 836 803		15 332 052	18 168 855
LIABILITIES				
Due to credit institutions			33 142 978	33 142 978
Due to customers			161 268 876	161 268 876
Debt securities issued			13 170 353	13 170 353
Subordinated debt			6 795 303	6 795 303

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.

Level 3 inputs are inputs relating to assets or liabilities which are not based on observable market-based data (unobservable data). Given the diversity of instruments and the reasons for including them within this category, calculating the sensitivity of fair value to changes in the inputs would likely generate information of limited relevance.

The fair values of held-to-maturity financial assets are determined using valuation techniques for which significant inputs are unobservable or cannot be corroborated by market-based observations, due for instance to the instrument being illiquid as well as significant model risk. An unobservable input is a parameter for which there are no market data

available. It is therefore derived from in-house assumptions about the data used by other market participants. Assessing whether a product is illiquid or subject to significant model risk is a matter of judgment.

Held-to-maturity financial assets classified under Level 3 are primarily bonds held by banks in sub-Saharan Africa.

V / FINANCING AND GUARANTEE COMMITMENTS

5.1. FINANCIAL COMMITMENT

	dec-15	dec-14
Financing commitments given	9 846 296	10 122 682
- To credit institutions	1 023 096	1 257 036
- To customers:	8 823 200	8 865 646
Confirmed letters of credit		
Other commitments given to customers		
Financing commitments received	2 491 359	2 347 719
From credit institutions	2 491 359	2 347 719
From customers	-	-

► 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 rose by -2.73% from MAD 10 123 million at 31 December 2014 to MAD 9 846 million at 31 December 2015. Similarly, financing commitments almost increased by 6.1% from MAD 2 348 million to MAD 2 491 million.

5.2. GUARANTEE COMMITMENTS

	31-dec-15	31-dec-14
Guarantee commitments given	27 255 712	21 930 665
To credit institutions	8 380 362	5 885 648
To customers :	18 875 350	16 045 017
Sureties provided to tax and other authorities, other sureties		
Guarantee commitments received		
From credit institutions	68 162 828	52 736 107
From the State and guarantee institutions	65 458 883	51 735 698
de l'état et d'autres organismes de garantie	2 703 945	1 000 409

► 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. les cautions immobilières, etc.

► 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.

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

	déc-15	déc-14
Retirement allowances and equivalents	323 091	230 928
Special seniority premiums allowances		
Other		
TOTAL	323 091	230 928

6.2.2. Basic assumptions underlying calculations

An analysis of sensitivity to the two main actuarial assumptions used to calculate the cost of benefit plans (post-employment benefits, long service awards) at 31 December 2015 is presented in the following table :

Post-employment benefits	-50 bp change in the rate	+50 bp change in the rate
Discount rate	-6 966	6 328
Wage growth	6 401	-6 984
Long service awards	-50 bp change in the rate	+50 bp change in the rate
Discount rate	-10 254	9 495
Wage growth	10 585	-11 355

Economic assumptions	31/12/15
Taux d'actualisation	3,75%
Discount rate	3%
Long-term wage growth	

Demographic assumptions	
Retirement terms	Voluntary Retirement
Retirement age	60 years
Mortality table	Men 60/64 - Women 60/64

The discount rate is based on secondary market Treasury benchmark bond yields - Duration: about 22 years.

6.2.3. Cost of post-employment plans

	déc-15	déc-14
Normal cost	17 474	16 644
Interest cost	12 475	11 689
Expected returns of funds		
Amortization of actuarial gains/ losses		
Amortization of net gains/ losses		
Additional allowances	29 949	28 334
Other		
Net cost of the period		

6.2.4. Changes in the provision recognised on the balance sheet

	déc-15	déc-14
Actuarial liability, beginning of the period	230 928	218 134
Normal cost	17 474	16 644
Interest cost	12 475	11 689
Experience gains/ losses	-	-
Other actuarial gains/ losses	82 815	
Depreciation of net gains/losses		
Paid benefits	-20 601	-15 539
Additional benefits		
Other		
Actuarial liability, end of the period	323 091	230 928
Dont coût relatif aux indemnités de retraite et assimilées		
Dont autres...		



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 2013	179 463 390	10	1 794 633 900
Number of shares outstanding at 31 December 2014	179 463 390	10	1 794 633 900
Number of shares outstanding at 31 December 2015	179 463 390	10	1 794 633 900

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 shares by the weighted average number of ordinary shares outstanding during the period.

	dec-15	dec-14
SHARE CAPITAL (IN MAD)	1 794 633 900	1 794 633 900
Number of common shares outstanding during the year	179 463 390	179 463 390
NET INCOME ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT (IN MAD)	1 955 534 700	1 943 864 261
BASIC EARNINGS PER SHARE (IN MAD)	10,90	10,83
DILUTED EARNING PER SHARE (IN MAD)	10,90	10,83

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	Banque			Parent Company
BMCE CAPITAL	Banque d'Affaires	100,00%	100,00%	Full Consolidation
BMCE CAPITAL GESTION	Gestion d'actifs	100,00%	100,00%	Full Consolidation
BMCE CAPITAL BOURSE	Intermédiation boursière	100,00%	100,00%	Full Consolidation
MAROC FACTORING	Factoring	100,00%	100,00%	Full Consolidation
MAGHREBAIL	Crédit-Bail	52,47%	52,47%	Full Consolidation
SALAFIN	Crédit à la consommation	74,50%	74,50%	Full Consolidation
BMCE EUROSERVICES	Ets financier	100,00%	100,00%	Full Consolidation
LA CONGOLAISE DES BANQUES	Banque	37,00%	37,00%	Full Consolidation
BMCE BANK INTERNATIONAL HOLDING	Banque	100,00%	100,00%	Full Consolidation
BANK OF AFRICA	Banque	74,97%	74,97%	Full Consolidation
LOCASOM	Location de voiture	100,00%	97,39%	Full Consolidation
RM EXPERTS	Recouvrement	100,00%	100,00%	Full Consolidation
BANQUE DE DEVELOPPEMENT DU MALI	Banque	32,38%	32,38%	Equity Method
EULER HERMES ACMAR	Assurance	20,00%	20,00%	Equity Method
EURAFRIC INFORMATION	Informatique	41,00%	41,00%	Equity Method
CONSEIL INGENIERIE ET DEVELOPPEMENT	Bureau d'études	38,90%	38,90%	Equity Method

BMCE Bank of Africa holds 37% of La Congolaise de Banque's voting rights and has a controlling interest in this subsidiary as per the criteria outlined in IFRS 10.

Power : BMCE Bank of Africa derives its effective rights from the

management contract entrusted to it by the other shareholders. It has a majority on the Board of Directors with three directors followed by the Congolese State which has two directors.

Returns : BMCE Bank of Africa is exposed, or has rights, to the profits generated by LCB pro-rata to its shareholding in the company.

Link between power and returns : BMCE Bank of Africa is responsible for appointing LCB's senior management as well as being able to influence this entity's returns.

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.

	dec-15	dec-14
Short-term benefits	21 971	18 976
Post-employment benefits	730	302
Other long-term benefits	4 442	4 264

Short-term benefits relate to the fixed remuneration inclusive of social security contributions received by the main Executive Corporate Officers in respect of the 2013 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

	31/12/15			31/12/14		
	Gross Amount	With holding tax	Net amount paid	Gross amount	Tax with holding	Net amount paid
Natural and legal persons Resident in Morocco	2 388	588	1 800	1 291	318	973
Physical and legal persons non Resident in Morocco	471	71	400	254	38	216
TOTAL	2 859	659	2 200	1 545	356	1 190

Loans granted to the main Executive Corporate Officers

	déc-15	déc-14
Consumer loans	2 285	2 141
Mortgage loans	15 361	16 791
Total	17 646	18 931

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	Companies consolidated under the equity method	Fully consolidated companies
Assets				
Loans, advances and securities	1 269 189	3 364 895	54 163	14 060 300
On demand accounts	769 189	1 222 966	27 603	11 969 655
Loans	500 000	530 829	26 560	309 843
Securities		1 611 100		1 780 802
Lease financing				
Other assets				1 297
Total	1 269 189	3 364 895	54 163	14 061 597
Liabilities				
Deposits	-	628 482	-	12 063 530
On demand accounts		628 482		11 968 007
Other borrowings				95 523
Debt securities				1 791 937
Other liabilities				206 131
Total	-	628 482	-	14 061 597
Financing and guarantee commitments given				
Commitments given				1 802 434
Commitments received				1 802 434

Related party profit and loss items

	Parent company (FINANCE-COM)	Sister companies	Companies consolidated under the equity method	Fully consolidated companies
Interest and similar income	-39 354	-51 012	-8 268	-415 056
Interest and similar expenses				499 980
Fees (income)		-45 865		-285 938
Fee (expenses)				36 399
Services provided				
Services procured				
Lease income		-116 473		-154 684
Other		108 622		319 285

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	2 882 564	432 068	63 626
> 1 year ≤ 5 years	8 355 789	4 886 328	290 582
> 5 years	4 166 393	3 435 611	421 305
TOTAL	15 404 745	8 754 008	775 514

Information concerning operating leases

	Present value of minimum lease payments under the lease	Total contingent rents recognized as income in the period
≤ 1 year	220 000	
> 1 year ≤ 5 years	900 000	
> 5 years		
TOTAL	1 120 000	-

La quote-part de la valeur résiduelle dans le total des montants de financement est de 55%.

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 in value of financial instruments resulting from changes in market parameters, volatility and correlations between them. Concerned parameters include exchange rates, interest rates and the prices of securities (stocks, bonds) and commodities, derivatives and all other assets.

8.1.1.3. Global liquidity and interest rate risk

Interest rate risk is the vulnerability of the financial situation of an institution to adverse changes in interest rates.

Liquidity risk is defined as the risk for the development of not being able to meet its cash flow or collateral requirements when they fall due and at a reasonable cost.

8.1.1.4. Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, personnel error and systems failure or from external events. This definition includes legal risk, but excludes strategic and reputational risks.

8.1.1.5. 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

► Group Risk Division

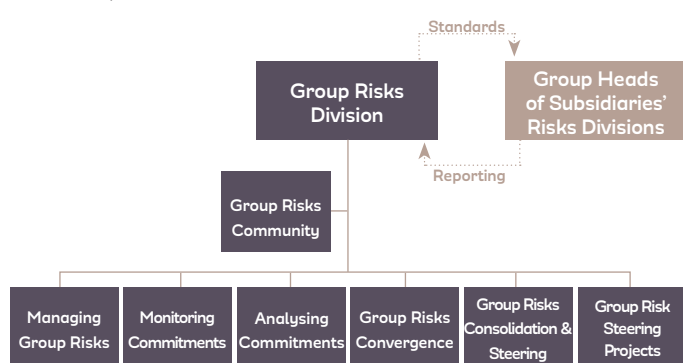
The Group Risk Division's task is to correctly manage credit, market and operational risks while actively contributing to:

- Defining BMCE Bank Group's risk policy ;
- Definition and management taking and monitoring of commitments ;
- Implementing of a credit risks control system, market transactions and operational risks ;

The Risks Division and Coordination Group is composed of four entities :



- The Group Risk Management Division
- The Commitments Analysis Division
- The Commitments Monitoring Division
- The Group Coordination Division.



8.1.2.2. Governance bodies

► Group Risk Committee

The Group Risk Committee BMCE Bank is an instance from the Board of Directors of BMCE Bank, whose prerogatives are extended to direct and indirect subsidiaries included in the scope of consolidation of the Group.

This Committee assists the Board on strategy and risk management, including ensuring that the global risk strategy is adapted to the risk profile of the bank and the Group, to the degree of risk aversion, its systemic importance, its size and its financial basis.

► Group Audit and Internal Control committee

BMCE Bank Group's Audit and Internal Control Committee is an instance from the Board of Directors of BMCE Bank, whose prerogatives are extended to subsidiaries and other entities included in the scope of consolidation.

Group Audit and Internal Control Committee assists the Board of Directors on internal control, including by ensuring that:

The internal control system and the means implemented are::

- Coherent and compatible to allow monitoring and risk management at the bank and its subsidiaries and the production of information required by the regulator as part of the Group's consolidated supervision;
- Adapted to the Group's organization and the activities of controlled entities;
- The financial information intended for the Board of Directors and third parties is reliable and accurate, such that the legitimate interests of shareholders, depositors and other stakeholders are preserved;
- A review of company and consolidated accounts is carried out before submission to the Board of Directors.

► General Management Committee

The Group Management Committee is responsible for the declaration in equity and operational measures of the Group's strategy and monitoring.

This Committee, whose periodicity is weekly, has main tasks the management of the business of the bank, the conduct of internal control and risk management, monitoring the HR component, commercial communication policy, institutional and financial

► The Steering Committee and Group Risk Management

After the General Management Committee of BMCE BANK, the Steering Committee and Risk Management BMCE Bank assists in the management and monitoring of effective and operational of:

- Piloting device Group risks,
- Consistency of group activities with the policies fixed of risks and limitations.

This Committee ensures the efficiency of the piloting device of the risks of BMCE Bank Group and its adequacy with the risk management policy defined on shutters risk of Credit, Market and Operational.

8.1.2.3. 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.

8.1.2.4. Downgrading Committee

The Bank's credit activity is part of the general credit policy approved by the Bank's senior management. Among the guiding principles include the Group's requirement related to ethics, attribution of responsibilities, the existence and adherence to procedures and rigour in risk analysis. This policy is available in specific policies and procedures appropriate to the nature of activities and counterparties.

8.2. CREDIT RISK

The Bank's credit activity is part of the general credit policy approved by the Bank's senior management. Among the guiding principles include the Group's requirement related to ethics, attribution of responsibilities, the existence and adherence to procedures and rigour in risk analysis. This policy is available in specific policies and procedures appropriate to the nature of activities and counterparties.

8.2.1. Credit decision cycle

8.2.1.1. General principles

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

- All credit requests adhere to the same approval process which ensures that the Troika principle is respected (minimum requirement). Therefore,

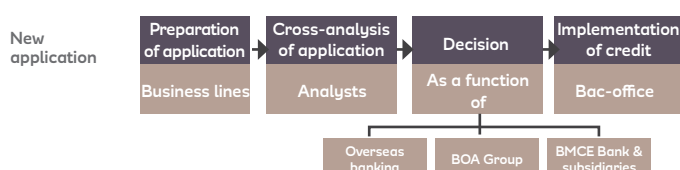


at least 3 people, one of which is from the Risk Division, should approve all credit requests except for some predefined specific cases;

- 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 and choice of circuits

In order to facilitate the reporting exercise, the principle of a single decision for each credit proposal should be respected.

Credit decisions are made either by circulation file, or by holding a Credit Committee, via a manual or electronic process.

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 Troika 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

BMCE Bank has an internal rating tool covering several customer segments.

8.3.1. Key rating rules

8.3.1.1. Rating's uniqueness

The rating is established for each client, provided as a third code group. The rating process is thus carried out for each third code group so that a third party has one and only one ratings. Thus, BMCE ensures the uniqueness of the rating attributed to each assessed counterparty.

8.3.1.2. 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.

8.3.1.3. Rating's singularity

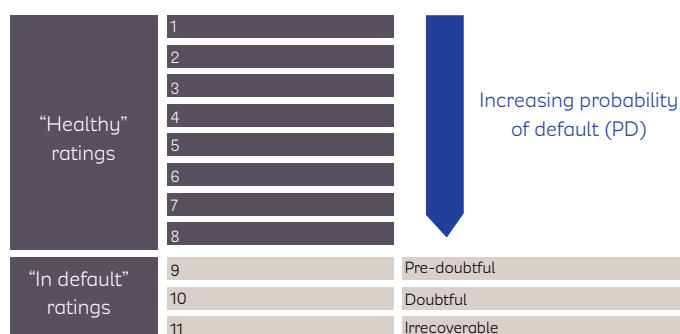
A counterparty code is assigned to each of the Bank's counterparties. The rating of each third party is carried out using the counterparty reference



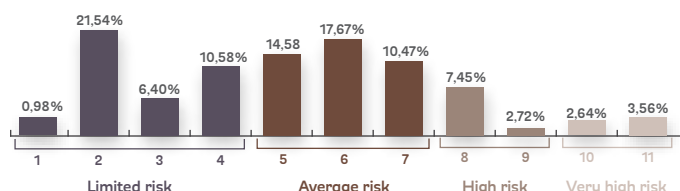
code in such a manner that, for all third parties (the counterparty type is single and unique), the assessment will be carried out by using a single rating model but with data specific to each counterparty. BMCE Bank thus ensures the rating's singularity for each counterparty.

8.3.2. Rating scale

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



As of 31 December 2014, the breakdown of the portfolio by asset class was as follows :



8.3.3. Retail customer scoring system

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

A behavioural score matrix for consumer loan customers in salaried employment is accessed in the Customer Relationship Management (CRM) system with additional remarks explaining the score. The score is updated on a daily basis.

A specific approval score matrix schedule is used for retail customers with a government-backed on-demand loan. Behavioural scores for professional banking customers and Moroccans living abroad have been developed.

8.4. CREDIT RISK CONTROL AND MONITORING PROCEDURE

Credit risk control and monitoring ensures the second-level checking, separate from daily monitoring by the Commercial Division.

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

Commercial Division is responsible for risk monitoring. Indeed, the credit manager in the Commercial Division is responsible to the daily monitoring of transaction risks. To fulfill this mission, the Commercial Division is helped by the risks which play an alert role.

The risk Division's main objective is to ensure the efficiency running of a forward-looking alert system that allows the Commercial Division to optimize 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 properly and provides alerts for accounts in default.

The implementation of a new entity within the Group Risks Division namely the Monitoring of commitments Division to the last quarter of 2014. The objective is strengthening the monitoring of the credit portfolio.

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.

8.4.1. 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.

8.4.2. 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.

8.4.2.1. Portfolio monitoring

Group's portfolio Monitoring commitments and its entities is performed through several indicators, both on the risks to the granting and during the life of the credit records.

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 multi-criteria analysis is a credit risk management tool.

The production of multi-criteria analysis commitments portfolio is the responsibility of the Credit Risk die which also ensures the reporting of credit risks, both internally and vis-à-vis the Risk Committees and management, that external, vis-à-vis the regulators.

8.4.2.2. 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.

8.4.2.2.1. Individual counterparties

The Group proceeds monthly monitoring of individual concentrations, on social and consolidated basis, and ensures close monitoring of the commitments of its 10, 20 and first 100 customers with the greatest commitments.

The following table shows commitments to the bank's main debtors at the end of December 2015 :

	dec-15 % dans le total
Commitments to 10 largest customers	9,18%
Commitments to 20 largest customers	12,97%
Commitments to 100 largest customers	26,28%

8.4.2.2.2. 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.

8.4.2.2.3. 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.

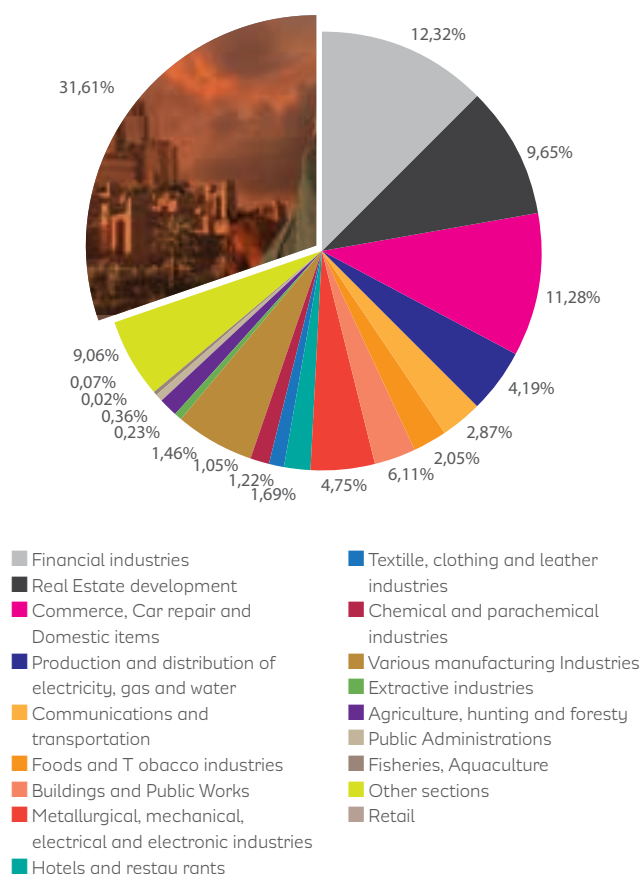
For every rating-industry pair, this top-down approach counts the number of customers that have defaulted in order to calculate the average historical rate of default.

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 it 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 2015 :



8.4.2.2.4. 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).

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.

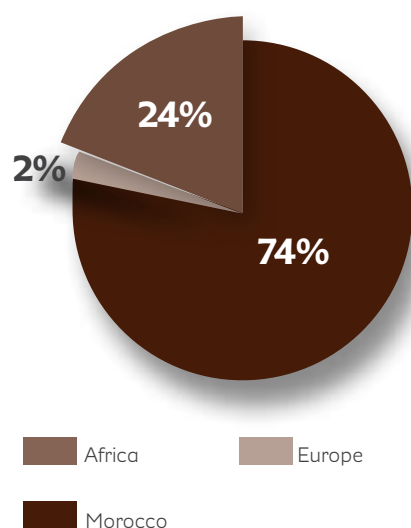
The internal rating model and the country factsheet provide an assessment of risks presented by each country by taking into consideration the most relevant criteria.

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.

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 2012 and 2013 :



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

8.4.2.3.1. 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.

8.4.2.3.2. 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 detect 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.

8.4.2.3.3. 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 provisional, in conjunction with the Commercial Division.

8.4.2.3.4. 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 :

In MAD millions	2015					2014				
	Maturities of non provisioned having outstanding unpaid				Impaired Assets (CES)	Maturities of non provisioned having outstanding unpaid				Impaired Assets (CES)
	< 90 days	>90 days	>180 days	Total		< 90 days	>90 days	> 180 days	Total	
		< 180 days	< 1 year				< 180 days	< 1 year		
Corporate	515	141	0	656	1 952	214	235	1	450	1 268
Corporate Network	153	130	216	499	2 992	301	0	188	489	2 756
Retail and Professionnels network	1 179	180	53	1 412	2 183	1 395	16	1	1 412	2 024
Total	1 847	451	270	2 568	7 127	1 910	251	189	2 350	6 048

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.

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.

8.5.5. Stress-tests Conduct

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 system by overseas subsidiaries

The implementation phase of the Convergence Programme progressed well in 2015 in line with Group targets. This involved new subsidiaries implementing the different systems, resulting in expanded geographical coverage to the entire Group.

At the end of 2015, an implementation review was carried out by subsidiaries in Ivory Coast and Senegal so as to obtain as much feedback as possible and, where appropriate, adjust the system prior to ongoing implementation in 2016.

Credit risk system

The implementation review of the credit risk system deployed by nine BOA subsidiaries (BOA Burkina Faso, BOA Benin, BOA Ivory Coast, BOA Senegal, BOA Niger, BOA Madagascar, BOA Mali, BOA Kenya and BOA Uganda) was positive.

The system was adopted by a further two subsidiaries, BOA Togo and BOA Mer Rouge :

- Organisational structure and delegation plan drawn up and approved by General Management and in the process of being approved by the Board of Directors;
- Presentation of the new delegation plan's impact on the credit approval process and support for the principle of escalation in case of divergence;
- Introduction of schedule planners for holding committee meetings and ensuring that the minutes of committee meetings are sent to BOA Group's Risks Division;
- Steering and reporting systems deployed and used by all BOA subsidiaries;
- Support for the use of the 'Large Enterprises' internal ratings system when deciding on credit applications;
- Monitoring commitments with the introduction of a priori and a posteriori controls for loan applications;

- Introduction of a reporting system resulting in more effective management of loan applications in terms of processing and volume;
- Project being finalised to improve the reliability of data on companies.

Work has begun on the gap analysis process and a framework note was drawn up. Implementation will be ongoing and is expected to be completed during first half 2016.

In addition, the development of the Group Third Parties and Commitments database by BMCE Bank IT staff was completed. This Group database is an integral part of steering and monitoring credit risk at the consolidated level:

- Construction work on the Group Third Parties and Commitments database was completed in March 2015 (centralised data warehouse, interface for data control and harmonising accounting and management systems, automatic report generation etc.);
- Management data from the Group Third Parties and Commitments database and accounting information from the IT source systems of BMCE Bank Group's 17 subsidiaries were developed and automated by each subsidiary's IT department (BMCE Bank SA, LCB, 12 BOA subsidiaries (Benin, Burkina Faso, Senegal, Niger, Ivory Coast, Kenya, Uganda, Madagascar, Mer Rouge, DRC, Tanzania, Ghana, Togo, BCB and France), 3 Moroccan subsidiaries (Salafin, Maghrebail and Maroc Factoring). Third Parties and Commitments data of four BOA subsidiaries were integrated in light mode into the BEG database from the detailed balance (France, Mali, Togo and RDC).

The data flows of 20 BMCE Bank Group subsidiaries are now integrated and centralised in the BEG database, which covers more than 95% of the Group's commitments.

- Production of credit risk steering reports has been automated. These indicators are in the process of being finalised by business line for these ten subsidiaries (for the periods ended

30/06/2014 and 31/12/2015).

- The BEG's functional and technical administrative is in the process of being implemented..

Operational risk system

The operational risk management system was implemented by nine BOA subsidiaries (BOA Benin, BOA Ivory Coast, BOA Burkina Faso, BOA Senegal, BOA Niger, BOA Mali, BOA Madagascar, BOA France and BBI UK) :

Operational risk maps were finalised and approved at the local level in five areas: credit, payment means, customer accounts management, international and accounting.

Work began on implementing the operational risk management system in BOA Togo and BOA DRC and will be completed in April 2016 in five areas.

A review and an updating of LCB's operational risk map was begun and is expected to be completed in first half 2016.

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 100% (as defined by the Central Bank). This indicator helps to measure the one-month asset coverage ratio.

The liquidity ratio stood at 104.2% on 31 December 2013, above the regulatory limit.

- 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 :

La colonne de débits	de 0 à 3 mois				de 3 mois à 1 an				Plus de 1 an à 5 ans				Ensemble des échéances				Total
	A fin	au 1 ^{er} 1 ^{er} 2014	au 1 ^{er} 1 ^{er} 2015	au 1 ^{er} 1 ^{er} 2016	A fin	au 1 ^{er} 1 ^{er} 2014	au 1 ^{er} 1 ^{er} 2015	au 1 ^{er} 1 ^{er} 2016	A fin	au 1 ^{er} 1 ^{er} 2014	au 1 ^{er} 1 ^{er} 2015	au 1 ^{er} 1 ^{er} 2016	A fin	au 1 ^{er} 1 ^{er} 2014	au 1 ^{er} 1 ^{er} 2015	au 1 ^{er} 1 ^{er} 2016	
Valeurs en euros, lianes, Cnates, Liens, parts, Services des chéques	10 403					25 760	25 760	25 760	25 760	28 616	28 616	28 616	28 616	28 616	28 616	28 616	28 616
Actifs financiers disponibles à la vente						6 847	6 847	6 847	6 847	4 891	4 891	4 891	4 891	4 891	4 891	4 891	4 891
Actifs financiers disponibles à la vente - valeur						2 290	20 971	6 400	2 489	1 909	3 283	1 600	952	14 073	952	14 073	952
Perte et créances sur le développement de crédit et associés	7 754	2 853	2 398	3 898	1 774												
Perte et créances sur le développement de crédit et associés	27 518	42 135	34 255	26 586	28 602	14 181	179 260	26 167	34 338	30 332	25 433	25 794	13 068	135 153	25 794	13 068	135 153
Placements dérivés jusqu'à leur échéance		2 150	2 853	9 635	9 621				1 845	1 362	8 331	6 616		1 815		1 815	
Actif d'emploi capital						64											
Actif d'emploi dérivé						474											
Comptes de régularisation et autres actifs						5 364	5 364							4 979		4 979	
Participations dans des entreprises mises en équivalence						586	586							514		514	
Immobilisations dérivées						3 035	3 035							835		835	
Immobilisations corporelles						6 516	6 516							5 847		5 847	
Immobilisations incorporelles						768	768							744		744	
Autres dérivés						852	852							852		852	
Autres dérivés						45 671	45 671		45 671	45 671	45 671	45 671	45 671	45 671	45 671	45 671	45 671
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Autres dérivés						45 671	45 671		45 671	45 671	45 671	45 671	45 671	45 671	45		



and earmarked for sale, repaid or temporarily sold under repurchase agreement prior to their contractual maturity.

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 2013, the impact of a 200 basis point change in interest rates on net banking income was estimated to MAD -11 million. The change in the economic value of equity in the event of a 200 basis point shock was estimated to be MAD 326 million or 2.39% 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
	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)
Fixed income Instruments	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 futures
Commodity Products	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

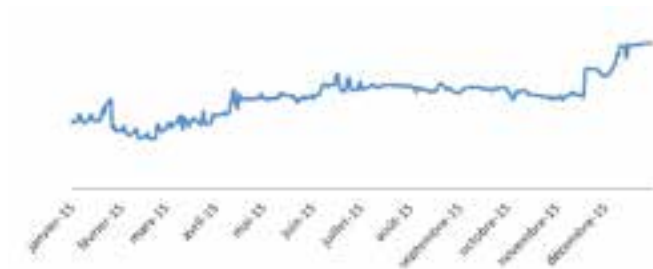
Different risk indicators reflecting the level of exposure to market risks are used within BMCE Bank Group as follows :

► 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.



► 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 :

Fixed income securities portfolio

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

This scenario would result in a MAD 97.5 million impact on the P&L at 31 December 2015.

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

This scenario would result in a MAD 194.9 million impact on the P&L at 31 December 2015.

Equity portfolio

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

This scenario would result in a MAD 3.1 million impact on the P&L at 31 December 2015.

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

This scenario would result in a MAD 5.1 million impact on the P&L at 31 December 2015.

Foreign exchange

1st scenario : A10% rise or fall in the value of the dirham.

This scenario would result in a MAD 3.4 million impact on the P&L at 31 December 2015.

2nd scenario : A15% rise or fall in the value of the dirham.

This scenario would result in a MAD 5.1 million impact on the P&L at 31 December 2015.

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

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.

8.8.1.1.1. 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.

8.8.1.1.2. 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.

8.8.1.1.3. 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).

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.

BMCE Bank Group : Capitalization ratios according Basel 3	
	Amount (In millions MAD)
Tier 1 Capital	19 765
Total Capital ratio	25 701
Total risk-weighted assets	208 872
Tier 1 Capital ratio	9,5%
Capital Adequacy ratio	12,3%