Kasbah Ait Hammou Ou Said, rehabilitated and transformed into Mederset.com School by the BMCE Bank Foundation

2014 Results

BMCE BANK

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

31 December 2014

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BMCE BANK
NOTRE MONDE EST CAPITAL

Established in 1959 and privatised in 1995, BMCE Bank is a universal bank which offers a diversified range of products and services through a domestic network of 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, 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 72.70%.

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

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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 ACCOUTING POLICIES

1.1. CONSOLIDATED BALANCE SHEET

the consolidated financial statements at 31 december 2013 were approved by the board of directors on 21 march 2014.

Balance Sheet			
Assets	**NOTES**	**dec-14**	**dec-13**
Cash and amounts due from central banks and post office banks	4.1	9 966 747	11 939 091
Financial assets at fair value through profit or loss	4.2	28 609 790	28 223 948
Derivatives used for hedging purposes		-	-
Available-for-sale financial assets	4.3	4 891 427	3 319 804
Loans and receivables due from credit institutions	4.4	16 072 610	18 145 727
Loans and receivables due from customers	4.5	155 152 943	149 374 957
Remeasurement adjustment on interest rate risk hedged assets		-	-
Held-to-maturity financial assets	4.7	18 153 337	12 536 742
Current tax assets	4.8	199 008	92 432
Deferred tax assets	4.8	445 733	257 635
Accrued income and other assets	4.9	4 978 851	4 317 433
Non current assets held for sale		-	-
Investment associates	4.10	513 766	472 624
Investment property	4.11	835 047	947 602
Property, plant and equipment	4.11	5 847 075	5 465 769
Intangible assets	4.11	744 273	770 522
Goodwill	4.12	832 470	832 470
TOTAL ASSETS		**247 243 077**	**236 696 756**

(In thousand MAD)

LIABILITIES & SHAREHOLDERS EQUITY	NOTES	dec-14	dec-13
Due to Central Banks and Post Office Banks		-	68 253
Financial liabilities at fair value through profit or loss	4.2	2 745 648	2 437 494
Derivatives used for hedging purposes		2 018	-
Due to credit institutions	4.4	33 142 978	35 068 715
Due to customers	4.5	161 268 876	148 790 337
Debt securities	4.6	13 170 353	12 451 775
Remeasurement adjustment on interest rate risk hedged portfolios		-	-
Current tax liabilities	4.8	55 341	94 368
Deferred tax liabilities	4.8	1 099 810	989 759
Accrued expenses and other liabilities	4.9	7 636 569	11 380 363
Liabilities related to non-current assets held for sale		-	-
Technical reserves of insurance companies		-	-
Provisions for contingencies and charges	4.13	523 011	456 573
Subsidies, assigned public funds and special guarantee funds		-	-
Subordinated debts	4.6	6 795 304	5 815 661
TOTAL DEBTS		226 439 908	217 553 298
Capital and related reserves		12 488 381	12 104 178
Consolidated reserves		-	-
- Attributable to parent		1 481 861	1 456 083
- Non-controlling interests		4 000 114	3 612 458
Unrealized or deferred gains or losses, attributable to parent		149 436	107 914
Unrealized or deferred gains or losses, non-controlling interests		-8 802	-17 778
Net Income			
- Attributable to parent		1 943 864	1 230 796
- Non-controlling interests		748 315	649 807
TOTAL CONSOLIDATED SHARE HOLDERS'S EQUITY		20 803 169	19 143 458
TOTAL		**247 243 077**	**236 696 756**

(In thousand MAD)

1.2. CONSOLIDATED INCOME STATEMENT

	NOTES	dec-14	dec-13
+ Interests and similar income		12 701 901	11 446 765
- Interests and similar expense		-4 959 094	-4 801 885
Net Interest income	**2.1**	**7 742 807**	**6 644 880**
+ Fees received and commission income		2 247 263	2 206 721
- Fees paid and commission expense		-333 395	-459 319
Net fee income	**2.2**	**1 913 868**	**1 747 402**
+/- Net gains or losses on financial instruments at fair value through profit or loss	2.3	1 093 341	798 364
+/- Net gains or losses on available for sale financial assets	2.4	100 886	162 635
Income from market transactions		**1 194 227**	**960 999**
+ Other banking revenues	2.5	1 022 668	896 079
- Other banking expenses	2.5	-376 343	-358 334
Net Banking Income		**11 497 227**	**9 891 026**
- General Operating Expenses	2,9	-5 827 763	-5 300 375
- Allowances for depreciation and amortization PE and intangible assets	2,9	-666 100	-654 657
Gross Operating Income		**5 003 364**	**3 935 994**
- Cost of Risk	2.6	-1 778 322	-1 295 268
Operating Income		**3 225 042**	**2 640 726**
+/- Share in net income of companies accounted for by equity method		81 621	69 089
+/- Net gains or losses on other assets	2.7	17 306	12 207
+/- Change in goodwill		-	-
Pre-tax earnings		**3 323 969**	**2 722 022**
+/- Corporate income tax	2.8	-631 790	-841 419
Net income		**2 692 179**	**1 880 603**
Non-controlling interests		748 315	649 807
Net income attributable to parent		**1 943 864**	**1 230 796**
Earnings per share		10,8	6,9
Diluted Earnings per share		10,8	6,9

(In thousand MAD)

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

	dec-14	dec-13
Net income	**2 692 179**	**1 880 603**
Currency tranlation adjustment	50 497	12 379
Reevaluation of available for sale financial assets	-6 334	-3 039
Reevaluation of hedging instruments	56 831	15 418
Reevaluation of fixed assets	56 831	15 418
Actuarial gains and losses on defined plans	0	14 817
Proportion of gains and losses directly recognised in shareholders equity on companies consolidated under equity method	0	14 817
Total gains and losses directly recognised in shareholders equity	**50 497**	**27 195**
Net income and gains and losses directly recognised in shareholders equity	2 742 677	1 907 798
attributable to parent	1 985 386	1 256 799
Non-controlling interests	757 291	650 999

(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 12.31.2011	1 794 634	10 186 734	0	2 191 425	81 911	14 254 704	4 153 339	18 408 043
Change in the accounting methods				7 152		7 152		7 152
Beginning Balance of adjusted Shareholder's Equity 12.31.2011	1 794 634	10 186 734	0	2 198 577	81 911	14 261 856	4 153 339	18 415 195
Operations on capital		122 810		-122 810		0		0
Share-based payment plans						0		0
Operations on treasury stock			-35 727			-35 727	0	-35 727
Dividends				-592 198		-592 198	-343 582	-935 780
Net income				1 230 796		1 230 796	649 807	1 880 603
PP&E and intangible assets : Revaluations and disposals (A)						0	0	0
Financial instruments : change in fair Value and transfer to earnings (B)					14 226	14 226	1 192	15 418
Currency translation adjustments : Changes and transfer to earnings (C)					-3 039	-3 039		-3 039
Change in the scope of consolidation (1)					14 817	14 817		14 817
Unrealized or deferred gains or losses (A)+ (B) + (C)				0	26 003	26 003	1 192	27 195
Others (2)				-36 716		-36 716	-167 092	-203 808
Others				44 956		44 956	-49 178	-4 221
Ending Balance of Shareholder's Equity 12.31.2012	1 794 634	10 309 544	-35 727	2 722 605	107 914	14 898 970	4 244 486	19 143 458
Impact of changes in accounting methods (1)						0		0
Ending Balance of adjusted Shareholder's Equity 12.31.2012	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 (2)		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	-1 055 765
Net income				1 943 864		1 943 864	748 315	2 692 179
PP&E and intangible assets: Revaluations and disposals (E)						0		0
Financial instruments: change in fair Value and transfer to earnings (F)					47 856	47 856	8 976	56 832
Currency translation adjustments: Changes and transfer to earnings (G)					-6 334	-6 334		-6 334
Avantages au personnel IAS 19R (1)						0		0
Unrealized or deferred gains or losses (E)+ (F) + (G)				0	41 522	41 522	8 976	50 498
Change in the scope of consolidation (3)				-18 092		-18 092	200 689	182 597
Others				-120 621		-120 620	-124 903	-245 525
Ending Balance of adjusted Shareholder's Equity 12.31.2013	1 794 634	10 693 747	0	3 425 724	149 436	16 063 542	4 739 627	20 803 169

(In thousand MAD)

(*) Change in the consolidation scope 2014

It is the acquisition of new stakes in BOA Group and SALAFIN and leaving the scope of Hanouty.

1.5. CASH FLOW STATEMENTS AS OF DECEMBER 31st, 2014

1.1.1.1. Cash Flow Statement

	dec-14	dec-13
Pre-tax net income	**3 323 969**	**2 722 022**
+/- Net depreciation/amortization expense on property, plant, and equipment and intangible assets	3 463 904	3 380 727
+/- Impairment of goodwill and other non- current assets	-	-
+/- Impairment of financial assets	173 473	35 273
+/- Net allowances for provisions	1 106 319	927 426
+/- Share of earnings in subsidiaries accounted for by equity method	-65 808	-69 089
+/- Net loss (income) from investing activities	-1 346 058	-1 008 589
+/- Net loss (income) from financing activities	-	-
+/- Other movements	58 543	-61 503
Non monetary items included in pre-tax net income and other adjustments	**3 390 373**	**3 204 245**
+/- Cash flows related to transactions with credit institutions	-2 073 872	3 464 610
+/- Cash flows related to transactions with customers	3 260 835	-11 587 602
+/- Cash flows related to transactions involving other financial assets and liabilities	-6 036 643	4 993 174
+/- Cash flows related to transactions involving non financial assets and liabilities	-4 488 481	-2 839 357
+/- Taxes paid	-806 052	-636 635
Net Increase (Decrease) in cash related to assets and liabilities generated by operating activities	**-10 144 213**	**-6 605 810**
Net Cash Flows from Operating Activities	**-3 429 871**	**-679 544**
+/- Cash Flows related to financial assets and equity investments	-732 356	-997 292
+/- Cash flows related to investment property	-187	-174
+/- Cash flows related to PP&E and intangible assets	-849 669	-1 502 270
Net Cash Flows from Investing Activities	**-1 582 212**	**-2 499 736**
+/- Cash flows related to transactions with shareholders	-909 304	612 593
+/- Cash flows generated by other financing activities	1 844 774	1 940 935
Net Cash Flows from Financing Activities	**935 470**	**2 553 528**
Effect of movements in exchange rates on cash and equivalents	**-252 118**	**71 311**
Net Increase in Cash and equivalents	**-4 328 731**	**-554 441**
Beginning Balance of Cash and Equivalents	**15 544 470**	**16 098 911**
Net Balance of cash accounts and accounts with central banks and post office banks	11 870 837	9 854 817
Net Balance of demand loans and deposits- credit institutions	3 673 632	6 244 094
Ending 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	9 966 853	11 870 837
Net Balance of demand loans and deposits- credit institutions	1 248 887	3 673 632
Net increase in cash and equivalents	**-4 328 731**	**-554 441**

(In thousand MAD)

1.1.1.2. Cash Flow Statement by Geographical Region

	MOROCCO	EUROPE	AFRICA
Pre-tax net income	**1 875 254**	**134 484**	**1 314 231**
+/- Net depreciation/amortization expense on property, plant, and equipment and intangible assets	3 139 759	7 375	316 770
+/- Impairment of goodwill and other non- current assets		0	
+/- Impairment of financial assets	173 473	0	0
+/- Net allowances for provisions	504 619	40 852	560 848
+/- Share of earnings in subsidiaries accounted for by equity method	-26 253	0	-39 555
+/- Net loss (income) from investing activities	-1 209 689	3 485	-139 854
+/- Net loss (income) from financing activities	0	0	0
+/- Other movements	31 838	2 505	24 200
Non monetary items included in pre-tax net income and other adjustments	**2 613 747**	**54 217**	**722 409**
+/- Cash flows related to transactions with credit institutions	-9 230 045	297 937	6 858 236
+/- Cash flows related to transactions with customers	6 057 816	-1 675 989	-1 120 992
+/- Cash flows related to transactions involving other financial assets and liabilities	69 075	-594 368	-5 511 350
+/- Cash flows related to transactions involving non financial assets and liabilities	-4 418 445	46 024	-116 060
+/- Taxes paid	-581 624	-8 463	-215 965
Net Increase (Decrease) in cash related to assets and liabilities generated by operating activities	**-8 103 223**	**-1 934 858**	**-106 131**
Net Cash Flows from Operating Activities	**-3 614 222**	**-1 746 157**	**1 930 509**
+/- Cash Flows related to financial assets and equity investments	-185 279	3 064	-550 141
+/- Cash flows related to investment property	-187	0	0
+/- Cash flows related to PP&E and intangible assets	-195 039	-20 669	-633 961
Net Cash Flows from Investing Activities	**-380 505**	**-17 604**	**-1 184 102**
+/- Cash flows related to transactions with shareholders	-621 039	0	-288 265
+/- Cash flows generated by other financing activities	-286 679	2 007 651	123 802
Net Cash Flows from Financing Activities	**-907 718**	**2 007 651**	**-164 463**
Effect of movements in exchange rates on cash and equivalents	**-458**	**-47 681**	**-203 979**
Net Increase in Cash and equivalents	**-4 902 903**	**196 209**	**377 965**
Beginning Balance of Cash and Equivalents	**6 835 275**	**372 857**	**8 336 338**
Net Balance of cash accounts and accounts with central banks and post office banks	4 912 087	1 807	6 956 943
Net Balance of demand loans and deposits- credit institutions	1 923 187	371 050	1 379 395
Ending Balance of Cash and Equivalents	**1 841 900**	**569 066**	**8 804 773**
Net Balance of cash accounts and accounts with central banks and post office banks	1 624 493	117 664	8 224 695
Net Balance of demand loans and deposits- credit institutions	217 407	451 402	580 078
Net increase in cash and equivalents	**-4 993 375**	**196 209**	**468 435**

(In thousand MAD)

1.6. SUMMARY OF ACCOUNTING POLICIES APPLIED BY THE GROUP

1.6.1. Applicable accounting standards

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

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

The Group did not choose to early-adopt the new standards, amendments, and interpretations adopted by the IASB which may be applied retrospectively. For the IASB these standards are effective for the periods starting on or after 1 January 2014.

Normes ou intérprétations	Date d'application par l'IASB
Amendements limités à IAS 19 « Avantages du personnel » - Cotisations des membres du personnel	01/07/2014
Compensation des actifs/passifs financiers (amendements IAS 32)	01/01/2014
Amendements à IAS 36 « Dépréciation des actifs » - Informations sur la valeur recouvrable des actifs non financiers	01/01/2014
Amendements d'IAS 39 et d'IFRS 9 : Novation de dérivés et maintien de la comptabilité de couverture	01/01/2014

Following the retrospectively application of amendments IAS 19R, the Group has decided to publish comparative information about a single year under the annual improvements - 2009-2011 period published by the IASB.

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 2013, 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 2014, the Group conducted impairment test to ensure that the carrying amount of cash-generating units was still lower than the recoverable amount.

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

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

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

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

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

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

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

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

Step acquisitions

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

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

1.6.3. Financial assets and liabilities

a. Loans and receivables

Loans and receivables include credit provided by the Group.

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

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

b. Securities

Classification of securities

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

Financial assets at fair value through P&L

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

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

Held-to-maturity financial assets

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

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

Available-for-sale financial assets

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

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

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

Dividend income from floating rate securities is recognised under "Net

gains or losses on available-for-sale financial assets" when the Group's right to receive payment is established.

Temporary acquisitions and sales

Repurchase agreements

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

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

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

Securities lending and borrowing transactions

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

Date of recognition of securities transactions

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

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

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

c. Foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies

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

d. Impairment and restructuring of financial assets

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

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

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

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

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

· The existence of accounts which are past the due date;

· Any knowledge or evidence that the borrower is experiencing significant financial difficulty, such that a risk can be considered to have arisen, regardless of whether the borrower has missed any payments;

· Concessions in respect of the credit terms granted to the borrower that the lender would not have considered had the borrower not been experiencing financial difficulty.

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

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

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

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

Counterparties not showing any evidence of impairment

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

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

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

Provisions and provision write-backs are recognised in the income statement under "Cost of risk" while the theoretical income earned on

the carrying amount of impaired loans is recognised under "Interest and similar income" in the income statement.

Impairment of available-for-sale financial assets

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

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

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

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

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

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

Restructuring of assets classed as "Loans and receivables"

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

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

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

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

The discount is calculated as the difference between:

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

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

e. Issues of debt securities

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

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

f. Treasury shares

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

As of December 31, 2013, shares held by the subsidiary Salafin were eliminated in the consolidated equity.

g. Derivative instruments

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

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

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

h. Determining the fair value of financial instruments

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

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

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

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

Depending on the financial instrument, these involve the use of data taken from recent arm's length transactions, the fair value of substantially similar instruments, discounted cash flow models or adjusted book values.

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

Characteristics of an illiquid market include factors such as a significant

decline in the volume and level of market activity, a significant variation in available prices between market participants or a lack of recent observed transaction prices.

i. Income and expenses arising from financial assets and liabilities

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

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

j. Cost of risk

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

k. Offsetting financial assets and liabilities

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

1.6.4. Property plant and equipment and intangible assets

a. Property, plant and equipment

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

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

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

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

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

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

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

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

Component-based matrix adopted by BMCE BANK

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

Impairment

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

b. Investment property

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

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

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

c. Intangible assets

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

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

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

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

Given the character of the intangible assets held, the Group considers that the concept of residual value is not relevant in respect of its intangible assets. As a result, residual value has not been adopted.

1.6.5. Leases

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

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

a. Lessor accounting

Finance leases

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

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

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

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

Operating leases

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

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

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

b. Lessee accounting

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

Finance leases

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

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

Operating leases

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

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

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

At 31 December 2014, the Group did not recognise any assets as held for sale or discontinued activities.

1.6.7. Employee benefits

Classification of employee benefits

a. Short-term benefits

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

b. Defined-contribution post-employment benefits

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

c. Defined-benefit post-employment benefits

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

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

d. Long-term benefits

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

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

e. Termination benefits

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

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

a. Calculation method

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

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

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

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

b. Accounting principles

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

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

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

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

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

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

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

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

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

· The effect of any plan curtailments or settlements.

1.6.8. Share-based payments

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

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

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

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

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

1.6.9. Provisions recorded under liabilities

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

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

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

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

· A present obligation towards a third party ;

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

· The amount can be estimated reliably.

1.6.10. Current and deferred taxes

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

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

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

A deferred tax asset is a tax which is recoverable at a future date. Deferred tax assets are recognised for all deductible temporary differences and unused carry-forwards of tax losses only to the extent that it is probable that the entity in question will generate future taxable profits against which these temporary differences and tax losses can be offset.

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

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


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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 2014

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-14			dec-13		
	Income	Expense	Net	Income	Expense	Net
Customer Items	**9 620 309**	**2 924 519**	**6 695 790**	**8 954 357**	**3 021 109**	**5 933 248**
Deposits, loans and borrowings	9 008 184	2 852 671	6 155 513	8 400 936	2 944 638	5 456 298
Repurchase agreements		71 848	-71 848		76 471	-76 471
Finance leases	612 125		612 125	553 421		553 421
Interbank items	**748 342**	**965 111**	**-216 769**	**711 218**	**939 670**	**-228 452**
Deposits, loans and borrowings	508 162	889 165	-381 003	436 721	905 634	-468 913
Repurchase agreements	240 180	75 946	164 234	274 497	34 036	240 461
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	**1 252 489**	**1 069 464**	**183 025**	**1 047 357**	**841 106**	**206 251**
Fixed income securities	1 252 489	756 372	496 117	1 047 357	566 320	481 037
Repurchase agreements			0			0
Loans/borrowings			0			0
Debt securities	0	313 092	-313 092	0	274 786	-274 786
Available for sale financial assets			**0**			**0**
Held to maturity financial assets	**1 080 761**		**1 080 761**	**733 833**		**733 833**
TOTAL INTEREST INCOME (EXPENSE)	**12 701 901**	**4 959 094**	**7 742 807**	**11 446 765**	**4 801 885**	**6 644 880**

(In thousand MAD)

As of December 31, 2014, the net interest income increased by 16.5% compared as of December 31, 2013 and amounted 7 743 million MAD. This variation is mainly due to an increase of 7.44% of income related to customers loans, which amounted 9 620 million MAD as of December 31, 2014 versus 8 954 million MAD as of December 31, 2013, and an increase of 19.5% of fixed income securities (1 252 million MAD as of December 31, 2014 versus 1 047 million MAD as of December 31, 2013).

2.2. NET FEE INCOME

	dec-14			dec-13		
	Income	Expense	Net	Income	Expense	Net
Net fee on transactions	**1 498 023**	**135 079**	**1 362 944**	**1 545 470**	**201 866**	**1 343 604**
With credit institutions			-			-
With customers	1 046 050		1 046 050	917 334		917 334
On custody	165 947	96 320	69 627	150 146	159 370	-9 224
On foreign exchange	286 026	38 759	247 267	477 990	42 496	435 494
On financial instruments and off balance sheet			-			-
Banking and financial services	**749 240**	**198 316**	**550 924**	**661 251**	**257 453**	**403 798**
Income from mutual funds management			-			-
Income from electronic payment services	341 856	42 803	299 053	321 274	42 222	279 052
Insurance			-			-
Other	407 384	155 513	251 871	339 977	215 231	124 746
NET FEE INCOME	**2 247 263**	**333 395**	**1 913 868**	**2 206 721**	**459 319**	**1 747 402**

(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.

Net fee income went up by 9,5% from 1 747 million MAD as of December 31, 2013 to 1 914 million MAD as of December 31, 2014.

This increase resulted primarily from (i) the strong increase in net fees from foreign exchange activities, which increased from 256 million MAD as of December 31, 2012 to 435 million MAD as of December 31, 2013 an increase of 70%, (ii) good growth of fees on customer transactions by 8%, which increased from 268 million MAD to 291 million MAD

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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-14			dec-13		
	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	1 092 286		1 092 286	736 732		736 732
Derivative instruments	1 055	0	1 055	59 512	2 120	61 632
Repurchase agreements						
Loans						
Borrowings						
Remeasurement of interest rate risk hedged portfolios						
Remeasurement of currency positions						
TOTAL	**1 093 341**	**0**	**1 093 341**	**796 244**	**2 120**	**798 364**

(In thousand MAD)

As of December 31, 2014, net gains on financial instruments at fair value through profit rose by 37% compared to December 31, 2013 and amounted 1 093 million MAD.

This variation is mainly due to an increase of yield of fixed and variable income of 48% from 737 million MAD in 2013 to 1 092 million MAD in 2014.

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 floanting rate securities, classified as available for sale financial assets.

	dec-14	dec-13
Fixed income securities	**0**	**0**
Disposal gains and losses		
Equity and other variable-income securities	**100 886**	**162 635**
Dividend income	229 525	174 116
Impairment provisions	-122 065	34 775
Net disposal gains	-6 574	-46 256
TOTAL	**100 886**	**162 635**

(In thousand MAD)

As of December 31, 2014, net gains on available for sale financial assets rose by -38% compared to December 31, 2013 and amounted 101 million MAD. This variation is mainly due to an increase of 3.6% of dividends income amounting 122 million MAD in 2014.

2.5. NET INCOME FROM OTHER ACTIVITIES

	dec-14			dec-13		
	Income	Expense	Net	Income	Expense	Net
Net income from insurance activities			-			-
Net income from investment property	-	-	-	-	-	-
Net income from assets held under operating leases	274 345	98 551	175 794	276 229	96 787	179 442
Net income from property development activities	-	-	-	-	-	-
Other banking income & expenses	357 964	222 374	135 590	297 070	206 631	90 439
Other operating income	390 359	55 418	334 941	322 780	54 916	267 864
Total net income from other activities	**1 022 668**	**376 343**	**646 325**	**896 079**	**358 334**	**537 745**

(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-14	dec-13
Impairment provisions	**-1 934 231**	**-1 517 753**
Impairment provisions on loans and advances	-1 806 846	-1 501 320
Impairment provisions on held to maturity financial assets (excluding interest rate risks)		
Provisions on off balance sheet commitments	-433	-3 485
Other provisions for contingencies and charges	-126 952	-12 948
Write back of provisions	**627 707**	**395 502**
Write back of impairment provisions on loans and advances	570 908	353 165
Write back of impairment provisions on held to maturity financial assets (excluding interest rate risks)		
Write back of provisions on off balance sheet commitments	58	9 315
Write back of other provisions for contingencies and charges	56 741	33 022
Changes in provisions	**-471 798**	**-173 017**
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	-493 375	-176 691
Discount on restructured products		
Recoveries on amortized loans and advances	21 577	3 674
Losses on off balance sheet commitments		
Other losses		
COST OF RISK	**-1 778 322**	**-1 295 268**

(In thousand MAD)

Cost of risk for the period

	dec-14	dec-13
Net allowances to impairment	-1 306 523	-1 122 250
Recoveries on loans and receivables previously written off	21 577	3 674
Irrecoverable loans and receivables not covered by impairment provisions	-493 376	-176 692
TOTAL COST OF RISK FOR THE PERIOD	-1 778 322	-1 295 268

(In thousand MAD)

2.7. NET GAINS ON OTHER ASSETS

	dec-14	dec-13
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*	17 306	12 207
Net Gain/Loss on Other Assets	**17 306**	**12 207**

(In thousand MAD)

Net gains or losses on other assets increased by +41% from 12,2 million MAD at the end of 2013 to more than 17,3 million MAD at the end of 2014.

Indeed, the exceptional expense of 387 million MAD on tax relief that was paid in the fiscal year 2012, which of course is no longer in 2013, explains this important variation.

2.8. INCOME TAX

2.8.1. CURRENT AND DEFERRED TAX

	dec-14	dec-13
Current tax	199 008	92 432
Deferred tax	445 733	257 635
Current and deferred tax assets	**644 742**	**350 067**
Current tax	55 341	94 368
Deferred tax	1 099 810	989 759
Current and deferred tax liabilities	**1 155 151**	**1 084 127**

(In thousand MAD)

2.8.2. NET INCOME TAX EXPENSE

	dec-14	dec-13
Current tax expense	-660 267	-765 802
Net deferred tax expense	28 476	-75 617
Net Corporate income tax expense	**-631 791**	**-841 419**

(In thousand MAD)

2.8.3. EFFECTIVE TAX RATE

	dec-14	dec-13
Net income	2 692 179	1 880 603
Net corporate income tax expense	-631 791	-841 419
Average effective tax rate	**23,5%**	**44,7%**

(In thousand MAD)

Analysis of effective tax rate

	dec-14	dec-13
Standard tax rate	37,0%	37,0%
Differential in tax rates applicable to foreign entities		
Reduced tax rate		
Permanent differences		
Change in tax rate		
Deficit carry over		
Other items	-13,5%	7,7%
Average effective tax rate	**23,5%**	**44,7%**

(In thousand MAD)

2.9 - GENERAL OPERATING EXPENSES

	dec-14	dec-13
Staff expenses	3 030 005	2 786 616
Taxes	83 586	82 334
External expenses	1 383 487	1 373 607
Other general operating expenses	1 330 685	1 057 818
Allowances for depreciation and provisions of tangible and intangible assets	666 100	654 657
General operating expenses	**6 493 863**	**5 955 032**

(In thousand MAD)

General operating expenses increased by 9% between 2013 and 2014 from 5 955 million MAD as of December 31, 2013 to 6 494 million MAD as of December 31, 2013.

This variation is explained by an increase in staff expenses of 8.7% from 2 787 million MAD in 2013 to 3 030 million MAD in 2014, and by the increase in other operating expenses (including taxes and expenses, depreciation and other external expenses) by 9.3% from 3 168 million MAD in 2013 to 3 464 million MAD in 2014.

III. SEGMENT INFORMATION

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

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

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

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

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

3.1. INCOME BY BUSINESS ACTIVITY

	dec-14					
	ACTIVITY IN MOROCCO	ASSET MANAGEMENT	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 Earnings Group Share	**992 887**	**106 593**	**145 484**	**51 426**	**647 474**	**1 943 864**

(In thousand MAD)

	dec-13					
	ACTIVITY IN MOROCCO	ASSET MANAGEMENT	SPECIALISED FINANCIAL SERVICES	OTHERS	INTERNATIONAL ACTIVITIES	TOTAL
Net interest Income	2 932 463	24 633	590 258	-20 676	3 118 202	6 644 880
Net Fee income	739 946	112 448	12 134	0	882 874	1 747 402
Net Banking Income	**4 347 720**	**217 269**	**611 901**	**158 965**	**4 555 171**	**9 891 026**
General Operating Expenses & allowances for depreciation and amortization	-2 689 721	-195 077	-185 616	-99 329	-2 785 289	(5 955 032)
Operating Income	**1 658 000**	**22 192**	**426 284**	**59 637**	**1 769 881**	**3 935 994**
Corporate income tax	-359 011	-22 977	-104 947	-7 388	-347 096	(841 419)
Net Earnings Group Share	**441 056**	**66 429**	**119 847**	**29 470**	**573 994**	**1 230 796**

(In thousand MAD)

3.2. ASSETS AND LIABILITIES BY BUSINESS ACTIVITY

	dec-14					
	ACTIVITY IN MOROCCO	ASSET MANAGEMENT	SPECIALISED FINANCIAL SERVICES	OTHERS	INTERNATIONAL ACTIVITIES	TOTAL
TOTAL ASSETS	**164 934 033**	**763 527**	**8 090 081**	**178 767**	**73 276 669**	**247 243 077**
ASSETS ITEMS						
Available for sale assets	1 569 636	132 554	17 166	21 026	3 151 045	4 891 427
Customer loans	99 370 301	179	14 867 010	0	40 915 453	155 152 943
Held to maturity assets	28 476 818	80 444	2 368	0	50 160	28 609 790
LIABILITIES & SHAREHOLDERS EQUITY ITEMS	**2 317 968**	**0**	**0**	**0**	**15 835 369**	**18 153 337**
Customer deposits	109 986 007	0	1 225 018	0	50 057 851	161 268 876
Shareholders equity	14 527 416	216 015	1 252 591	(41 433)	4 848 580	20 803 169

(In thousand MAD)

	dec-13					
	ACTIVITY IN MOROCCO	ASSET MANAGEMENT	SPECIALISED FINANCIAL SERVICES	OTHERS	INTERNATIONAL ACTIVITIES	TOTAL
TOTAL ASSETS	**161 135 143**	**362 570**	**14 602 647**	**192 495**	**60 403 901**	**236 696 756**
ASSETS ITEMS						
Available for sale assets	1 417 723	109 504	14 713	22 763	1 755 101	3 319 804
Customer loans	102 077 895	273	13 781 855	0	33 514 934	149 374 957
Held to maturity assets	27 649 487	47 963	48		526 450	28 223 948
LIABILITIES & SHAREHOLDERS EQUITY ITEMS	2 523 427	0	27	0	10 013 288	12 536 742
Customer deposits	102 358 798	6 204	1 240 940	0	45 184 395	148 790 337
Shareholders equity	13 839 405	137 808	1 188 659	(82 799)	4 060 385	19 143 458

(In thousand MAD)

3.3. BREAKDOWN OF LOANS AND RECEIVABLES

Breakdown of loans and receivables to credit institutions by geographical region

	dec-14			dec-13		
	Performing loans	NPL(*)	Provisions	Performing loans	NPLS	Provisions
Morocco	10 437 608	58 669	58 669	11 901 101	58 672	36 797
Europe	2 371 474	0	0	1 783 526	0	0
Subsaharian Africa	3 243 617	29 595	9 684	4 439 225	3 408	3 408
Total	16 052 699	88 264	68 353	18 123 852	62 080	40 205
Allocated debts						
Provisions						
Net Value	16 052 699	88 264	68 353	18 123 852	62 080	40 205

(In thousand MAD)

Breakdown of loans and receivables to customers by geographical region

	dec-14			dec-13		
	Performing loans	NPL(*)	Provisions	Performing loans	NPLS	Provisions
Morocco	112 108 604	7 238 376	5 109 489	114 252 061	6 267 412	4 659 448
Europe	3 323 611	173 250	117 524	1 753 262	126 165	72 824
Subsaharian Africa	36 226 993	2 959 669	1 650 547	29 660 369	3 621 749	1 573 789
Total	151 659 208	10 371 295	6 877 560	145 665 692	10 015 326	6 306 061
Allocated debts						
Provisions						
Net Value	151 659 208	10 371 295	6 877 560	145 665 692	10 015 326	6 306 061

(In thousand MAD)

Impairment Loans by asset Type

	déc-14	déc-13
IMPAIRMENT OF ASSET		
Loans and receivables due from credit institutions	68 353	40 205
Loans and receivables due from customers	6 877 560	6 306 061
Financial instruments of markets activities		
Available for sale financial assets		
Hels to maturity financial assets		
Other assets		
TOTAL OF IMPAIRMENT	**6 945 913**	**6 346 266**
Specific provisions	6 712 045	5 539 419
Collective provisions	234 220	806 846
Provisions		
Provisions for contingent liabilities		
Due to credit institutions		
Due to customers		
Other impairment		
TOTAL OF PROVISIONS	-	-
Specific provisions	6 739 190	
Collective provisions	234 220	-
TOTAL	**6 945 913**	**6 346 266**

(In thousand MAD)

Change in impairment for loans due from customers

	déc-14	déc-13
TOTAL PROVISIONS AT BEGINNING OF THE PERIOD	**6 306 060**	**5 736 995**
Provisions	1 806 846	1 291 869
Write-backs of provisions	-570 908	-280 544
Use of provisions	-520 872	-461 630
Change in currency parities and other	-143 566	19 370
TOTAL PROVISIONS AT END OF THE PERIOD	**6 877 560**	**6 306 060**

(In thousand MAD)

Change in impairment for loans due from credit institutions

	déc-14	déc-13
TOTAL PROVISIONS AT BEGINNING OF THE PERIOD	**40 205**	**38 640**
Provisions	28 333	1 539
Write-backs of provisions		-
Use of provisions	-	-
Change in currency parities and other	-185	26
TOTAL PROVISIONS AT END OF THE PERIOD	**68 353**	**40 205**

(In thousand MAD)

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

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

	déc-14	déc-13
Cash	3 356 387	2 887 750
CENTRAL BANKS	6 083 895	8 151 588
TREASURY	521 727	895 022
GIRO	4 738	4 731
CENTRAL BANKS, TREASURY, GIRO	6 610 360	9 051 341
Cash, Central Banks, Treasury, Giro	**9 966 747**	**11 939 091**

(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.

	déc-14			déc-13		
	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	**6 716 504**	0	**6 716 504**	**9 112 323**	0	**9 112 323**
Treasury bills and other eligible for central bank refinancing	3 916 944		3 916 944	6 508 218		6 508 218
Other negotiable certificates of deposits	2 799 560		2 799 560	2 604 105		2 604 105
Bonds	**190 047**	0	**190 047**	**459 108**	0	**459 108**
Government bonds			0			0
Other bonds	190 047		190 047	459 108		459 108
Equities and other variable income securities	**21 722 365**	0	**21 722 365**	**18 649 052**	0	**18 649 052**
Repurchase agreements	0	0	0	0	0	0
Loans	0	0	0	0	0	0
To credit institutions						
To corporate customers						
To private individual customers						
Trading Book Derivatives	**-19 126**	0	**-19 126**	**3 465**	0	**3 465**
Currency derivatives	-19 703		-19 703	2 888		2 888
Interest rate derivatives	577		577	577		577
Equity derivatives						
Credit derivatives						
Other derivatives						
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**28 609 790**	**0**	**28 609 790**	**28 223 948**	**0**	**28 223 948**
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	**2 696 352**	**2 696 352**	0	**2 430 244**	**2 430 244**
Credit institutions		2 696 352	2 696 352		2 430 244	2 430 244
Corporate customers						
Debt securities						
Trading Book Derivatives	**49 296**	0	**49 296**	**7 250**	0	**7 250**
Currency derivatives	49 296		49 296	7 250		7 250
Interest rate derivatives			0			0
Equity derivatives			0			0
Credit derivatives						
Other derivatives						
TOTAL FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	**49 296**	**2 696 352**	**2 745 648**	**7 250**	**2 430 244**	**2 437 494**

(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.

	déc-14	déc-13
Negotiable certificates of deposit	0	0
Treasury bills and other bills eligible for central bank refinancing		
Other negotiable certificates of deposit		
Bonds	0	0
Government bonds		
Other bonds		
Equities and other variable-income securities	**5 299 792**	**3 618 023**
Of which listed securities	325 463	125 195
Of which unlisted securities	4 974 329	3 492 828
Total available-for-sale financial assets, before impairment provisions	**5 299 792**	**3 618 023**
Of which unrealized gains and losses	**-408 365**	**-298 219**
Of which fixed-income securities		
Of which loaned securities	-408 365	-298 219
Total available-for-sale financial assets, net of impairment provisions	**4 891 427**	**3 319 804**
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

	déc-14	déc-13
Demand accounts	3 923 290	4 630 305
Loans	12 169 796	13 362 300
Repurchase agreements	47 877	193 327
Total loans and receivables due from credit institutions, before impairment provisions	**16 140 963**	**18 185 932**
Provisions for impairment of loans and receivables due from credit institutions	-68 353	-40 205
Total loans and receivables due from credit institutions, net of impairment provisions	**16 072 610**	**18 145 727**

(In thousand MAD)

Amounts due to credit institutions

	déc-14	déc-13
Demand accounts	2 254 051	1 723 359
Borrowings	26 604 762	18 429 985
Repurchase agreements	4 284 165	14 915 371
Total Due to Credit Institutions	**33 142 978**	**35 068 715**

(In thousand MAD)

4.5. LOANS, RECEIVABLES AND AMOUNTS DUE FROM CUSTOMERS

Loans and receivables due from customers

	déc-14	déc-13
Demand accounts	24 271 477	21 263 162
Loans to customers	116 381 173	107 613 766
Repurchase agreements	9 467 823	15 707 669
Finance leases	11 910 030	11 096 420
Total loans and receivables due from customers, before impairment provisions	**162 030 503**	**155 681 017**
Impairment of loans and receivables due from customers	-6 877 560	-6 306 060
Total loans and receivables due from customers, net of impairment provisions	**155 152 943**	**149 374 957**

(In thousand MAD)

Breakdown of amounts due from customers by business activity

	déc-14	déc-13
Activity in Morocco	99 346 209	102 077 889
Specialized Financial Services	14 867 010	13 781 855
International Activities	40 939 545	33 514 940
Asset Management	179	273
Other Activities	0	0
Total	**155 152 943**	**149 374 957**
Allocated Debts		
Value at Balance sheet	**155 152 943**	**149 374 957**

(In thousand MAD)

Breakdown of amounts due from customers by geographical region

	déc-14	déc-13
Morocco	114 213 398	115 860 017
Sub saharan Africa	37 560 208	31 708 337
Europe	3 379 337	1 806 603
Total	**155 152 943**	**149 374 957**
Allocated Debts		
Value at Balance sheet	**155 152 943**	**149 374 957**

(In thousand MAD)

Amounts due to customers

	déc-14	déc-13
On demand deposits	89 254 190	83 808 102
Term accounts	35 948 532	32 738 282
Savings accounts	19 993 183	18 930 245
Cash certificates	4 488 643	4 144 400
Repurchase agreements	3 246 264	1 166 600
Other items	8 338 064	8 002 708
TOTAL LOANS AND RECEIVABLES DUE TO CUSTOMERS	**161 268 876**	**148 790 337**

(In thousand MAD)

Breakdown of amounts due to customers by business activity

	déc-14	déc-13
Activity in Morocco	109 986 007	102 358 798
Specialized Financial Services	1 225 018	1 240 940
International Activities	50 057 851	45 184 395
Asset Management	0	6 204
Other Activities	0	0
Total	**161 268 876**	**148 790 337**
Allocated Debts		
Value at Balance sheet	**161 268 876**	**148 790 337**

(In thousand MAD)

Breakdown of amounts due to customers by geographical region

	déc-14	déc-13
Morocco	111 211 025	103 605 942
Sub saharan Africa	48 544 736	43 577 634
Europe	1 513 115	1 606 761
Total	**161 268 876**	**148 790 337**
Allocated Debts		
Value at Balance sheet	**161 268 876**	**148 790 337**

(In thousand MAD)

4.6. DEBT SECURITIES, SUBORDINATED DEBT AND SPECIAL GUARANTEE FUNDS

	déc-14	déc-13
Other debt securities	**13 170 353**	**12 451 775**
Negotiable certificates of deposit	13 170 353	12 451 775
Bond issues		
Subordinated debts	**6 568 309**	**5 574 256**
Subordinated debt	6 568 309	5 574 256
Redeemable subordinated debt	4 568 309	2 788 120
Undated subordinated debt	2 000 000	2 786 135
Subordinated Notes	**0**	**0**
Redeemable subordinated notes		
Undated subordinated notes	**0**	0
Public Funds and special guarantee funds	**226 995**	**241 405**
Total	**19 965 657**	**18 267 436**

(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

	déc-14	déc-13
Negotiable certificates of deposit	**17 494 319**	**11 542 243**
Treasury bills and other bills eligible for central bank refinancing	16 991 008	11 523 934
Other negotiable certificates of deposit	503 311	18 309
Bonds	**659 018**	**994 499**
Government bonds		
Other bonds	659 018	994 499
Total held-to-maturity financial assets	**18 153 337**	**12 536 742**

(In thousand MAD)

4.8. CURRENT AND DEFERRED TAXES

	déc-14	déc-13
Current taxes	199 008	92 432
Deferred taxes	445 733	257 635
Current and deferred tax assets	**644 741**	**350 067**
Current taxes	55 341	94 368
Deferred taxes	1 099 810	989 759
Current and deferred tax liabilities	**1 155 151**	**1 084 127**

(In thousand MAD)

4.9. ACCRUED INCOME AND EXPENSES, OTHER ASSETS AND LIABILITIES

	déc-14	déc-13
Guarantee deposits and bank guarantees paid	117 027	96 643
Settlement accounts related to securities transactions	46 853	12 402
Collection accounts	426 519	383 861
Reinsurers' share of technical reserves		
Accrued income and prepaid expenses	388 464	473 081
Other debtors and miscellaneous assets	3 532 614	3 115 401
Inter-related Accounts	467 374	236 045
TOTAL ACCRUED INCOME AND OTHER ASSETS	**4 978 851**	**4 317 433**
Guarantee deposits received	29 033	57 478
Settlement accounts related to securities transactions	2 017 148	6 310 266
Collection accounts	1 209 401	869 224
Accrued expenses and deferred income	621 937	617 785
Other creditors and miscellaneous assets	3 759 050	3 525 610
TOTAL ACCRUED EXPENSES AND OTHER LIABILITIES	**7 636 569**	**11 380 363**

(In thousand MAD)

4.10. INVESTMENTS IN COMPANIES ACCOUNTED FOR UNDER THE EQUITY METHOD

	déc-14	déc-13
Euler Hermes Acmar	19 577	27 374
Banque de Développement du Mali	275 226	248 290
Eurafric Information	-7 954	-6 692
Société Conseil Ingénierie et Développement	150 475	132 485
Inverstments in equity methods companies belonging to subsidiaries	76 442	64 469
Investments in associates	513 766	472 623

(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	553 139	144 171	12 481	2 496
Banque de Développement du Mali	7 685 083	523 743	183 652	51 096
Eurafric Information	173 166	191 348	900	-1 145
Société Conseil Ingenierie et Développement	607 503	279 118	64 116	24 902

(In thousand MAD)

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

	déc-14			déc-13		
	Gross Value	Accumulated depreciation amortization and impairment	Carrying Amount	Gross Value	Accumulated depreciation amortization and impairment	Carrying Amount
PP&E	**10 437 505**	**4 590 430**	**5 847 075**	**9 674 496**	**4 208 727**	**5 465 769**
Land and buildings	2 036 095	454 328	1 581 767	1 751 061	521 905	1 229 154
Equipment, furniture and fixtures	3 871 866	1 687 683	2 184 183	3 702 800	1 547 661	2 155 139
Plant and equipment leased as lessor under operating leases	0	0	0	0	0	0
Other PP&E	4 529 544	2 448 419	2 081 475	4 220 635	2 139 161	2 081 475
Intangible Assets	**1 711 352**	**967 079**	**744 273**	**1 536 277**	**765 755**	**770 522**
Purchased software	1 045 026	563 703	514 944	935 657	420 712	514 944
Internally-developed software	0	0	0	0	0	0
Other intangible assets	666 326	403 376	255 577	600 620	345 043	255 577
Investment Property	**941 187**	**106 140**	**835 047**	**1 037 034**	**89 432**	**947 602**

(In thousand MAD)

Change in property, plant and equipment

	déc-14	déc-13
Net value as of January, 1st	**5 465 769**	**5 131 528**
Acquisition of the year	**897 659**	**832 766**
	-	-
Depreciation, Amortization of impaiment	(471 483)	(479 097)
Disposal of the year	(85 430)	(66 192)
Reclassifications	**40 560**	**46 764**
Net Value at end of periode	5 847 075	5 465 769

(In thousand MAD)

Change in intangible assets

	déc-14	déc-13
Net value as of January, 1st	**770 522**	**751 455**
Acquisition of the year	**165 550**	**250 098**
	-	-
Depreciation, Amortization of impaiment	(173 581)	(175 559)
Disposal of the year	(79 465)	(18 394)
Reclassifications	61 247	(37 078)
Net Value at end of periode	744 273	770 522

(In thousand MAD)

4.12. GOODWILL

	déc-14	déc-13
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		
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	**832 470**	**832 470**
Accumulated impairment at end of period		
Carrying amount at end of period	**832 470**	**832 470**

(In thousand MAD)

The following table provides a breakdown of goodwill:

	2014 book Value	2013 book Value
Maghrébail	10 617	10 617
Banque de Développement du Mali	3 588	3 588
Salafin	5 174	5 174
Maroc Factoring	1 703	1 703
BMCE Capital Bourse	2 618	2 618
BMCE International (Madrid)	3 354	3 354
Bank Of Africa	692 136	692 136
Locasom	98 725	98 725
CID	14 555	14 555
TOTAL	**832 470**	**832 470**

Goodwill impairment tests

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

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

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

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

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

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

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

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

Discount rate

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

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

Growth rate

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

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

Regulatory capital requirements

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

Net banking income

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

EBITDA

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

Cost-to-income ratio

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

Sensitivity to changes in assumptions

	BANK OF AFRICA
Cost of Capital	**18%**
Unfavorable change of 200 basis points	-1 191 520
Favorable change of 200 basis points	1 544 765

	LOCASOM
Cost of Capital	**8.50%**
Unfavorable change of 150 basis points	-163 645
Favorable change of 150 basis points	350 072

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

	dec-14	dec-13
Total provisions at start of period	**456 573**	**520 590**
Additions to provisions	129 384	613
Reversals of provisions	-45 024	-42 337
Effect of movements in exchange rates and other movements	-12 682	-23 726
Gross value at end of period	-5 240	1 432
Total provisions at end of period	**523 011**	**456 573**

	Legal and fiscal risks	Obligations for post-employment benefits	Loan commit-ments and guarantees	Onerous contracts	Other provi-sions	Total book value
Total provisions at start of period	**15 213**	**218 133**	**9 646**	**0**	**213 581**	**456 573**
Net additions to provisions	4 372	12 795	433	0	111 785	129 385
Provisions used	-3 747	0	-58	0	-41 218	-45 023
Effect of movements in exchange rates	0	0	-1 774	0	-16 146	-17 920
Other move-ments	-102	0	98	0	0	-4
Total provisions at end of period	**15 736**	**230 928**	**8 345**	**0**	**268 002**	**523 011**

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 2013 and 2014.

	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 receiv-ables	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 2014 :

	Book value	Estimated market value
FINANCIAL ASSETS		
Loans and receivables due from credit institutions	16 072 610	16 091 488
Loans and receivables due from customers	155 152 943	155 241 867
FINANCIAL LIABILITIES		
Loans and receivables due to credit institutions	33 142 978	33 142 978
Loans and receivables due to customers	161 268 876	161 268 876
Debt securities	13 170 353	13 170 353
Subordinated debts	6 795 303	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 18.1 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 8.1 billion, amortisable over a short period, with a fair value that is MAD 3.6 million higher than the carrying amount.

Loans and receivables due from customers

Outstandings of loans and receivable due from customers totalled MAD 149 billion at 31 December 2013, consisting primarily of cash loans, overdraft facilities and floating rate loans.

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

The sensitivity analysis of the Bank's fixed rate loan book (with outstandings of nearly 30.2 billion MAD) shows a faire value that is 180 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 35 billion and are recognised at their carrying amount. They consist primarily of short-term cash borrowing transactions in the form of 7-day advances from the Central Bank amounting to almost MAD 14 billion in outstandings, interbank borrowings and borrowings from local banks or foreign correspondent banks in addition to repurchase agreements.

Amounts due to customers

Amounts due to customers totalled MAD 149 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 26 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 12,4 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 5.8 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 :

	2014			
	Level 1	Level 2	Level 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				

• **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.

V / FINANCING AND GUARANTEE COMMITMENTS

5.1. FINANCING COMMITMENTS

	dec-14	dec-13
Financing commitments given	**10 122 682**	**15 467 096**
- To credit institutions	1 257 036	1 356 425
- To customers:	8 865 646	14 110 671
Confirmed letters of credit		
Other commitments given to customers		
Financing commitments received	**2 347 719**	**2 897 232**
From credit institutions	2 347 719	2 897 232
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 -34.5% from MAD 15,467 million at 31 December 2013 to MAD 10 123 million at 31 December 2014. Similarly, financing commitments almost doubled from 2,897 million to MAD 2,348 million.

5.2. GUARANTEE COMMITMENTS

	31-dec-14	31-dec-13
Guarantee commitments given	**21 930 665**	**21 576 455**
To credit institutions	5 885 648	6 646 676
To customers :	16 045 017	14 929 778
Sureties provided to tax and other authorities, other sureties		
Other guarantees		
Guarantee commitments received	52 736 107	44 459 136
From credit institutions	51 735 698	43 550 070
From the State and guarantee institutions	1 000 409	909 066

- Guarantee commitments given to credit and similar institutions

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

- Guarantee commitments given to customers

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

- Guarantee commitments received from credit and similar institutions

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

- Guarantee commitments received from the State and other organisations

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

Guarantee commitments rose by 2% from MAD 21,576 million at 31 December 2013 to MAD 21,931 million at 31 December 2014, while guarantee commitments received rose by 18.62% from MAD 44,459 million to MAD 52,736 million.

VI / SALARY AND EMPLOYEE BENEFITS

6.1. DESCRIPTION OF CALCULATION METHOD

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

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

- Caisse Mutualiste Interprofessionnelle Marocaine (CMIM) scheme

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

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

6.2. SUMMARY OF PROVISIONS AND DESCRIPTION OF EXISTING SCHEMES

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

	dec-14	dec-13
Retirement allowances and equivalents	230 928	218 134
Special seniority premiums allowances		
Other		
TOTAL	230 928	218 134

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

6.2.2. Basic assumptions underlying calculations

	dec-14	dec-13
Discount rate	5,60%	5,60%
Rate of increase in salaries	3%	3%
Expected return on assets	N/A	N/A
Other	11%	11%

6.2.3. Cost of post-employment schemes

	dec-14	dec-13
Normal cost	16 644	17 558
Interest cost	11 689	10 045
Expected returns of funds		
Amortization of actuarial gains/ losses		
Amortization of net gains/ losses		
Additional allowances	28 334	27 603
Other		
Net cost of the period		

6.2.4. Changes in the provision recognised on the balance sheet

	dec-14	dec-13
Actuarial liability, beginning of the period	218 134	232 869
Normal cost	16 644	17 558
Interest cost	11 689	10 045
Experience gains/ losses	-	-23 518
Other actuarial gains/ losses		
Depreciation of net gains/losses		-
Paid benefits	-15 539	-18 820
Additional benefits		
Other		
Actuarial liability, end of the period	230 928	218 134

6.3. SHARE-BASED PAYMENTS

6.3.1. Share purchase plan

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

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

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

There was no allotment of shares under the share purchase plan in 2013 and 2014.

6.3.2. Cost of share-based payments

	2014	2013
Overall expense of the equity incentive plan	18 211	43 456

Principles for valuing share purchase plans

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

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

VII / ADDITIONAL INFORMATION

7.1. CHANGES IN SHARE CAPITAL AND EARNINGS PER SHARE

7.1.1. Share capital transactions

TRANSACTIONS ON CAPITAL	In number	Unit value	In MAD
Number of shares outstanding at 31 December 2011	171 963 390	10	1 719 633 900
Number of shares outstanding at 31 December 2012	171 963 390	10	1 719 633 900
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

7.1.2. Earnings per share

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

	dec-14	dec-13
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 SHARHOLDER'S OF THE PARENT (IN MAD)	1 943 864 261	1 230 795 682
BASIC ERNINGS PER SHARE (IN MAD)	10,83	6,9
DILUTED EARNING PER SHARE (IN MAD)	10,83	6,9

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

7.2. SCOPE OF CONSOLIDATION

Company	Activity	% of voting interests	% of ownership interests	Method
BMCE BANK	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	51,00%	51,00%	Full Consolidation
SALAFIN	Crédit à la consommation	74,76%	74,76%	Full Consolidation
BMCE EUROSERVICES	Ets financier	100,00%	100,00%	Full Consolidation
LA CONGOLAISE DES BANQUES	Banque	25,00%	25,00%	Full Consolidation
BMCE BANK INTERNATIONAL HOLDING	Banque	100,00%	100,00%	Full Consolidation
BANK OF AFRICA	Banque	72,70%	72,70%	Full Consolidation
LOCASOM	Location de voiture	100,00%	97,30%	Full Consolidation
RM EXPERTS	Recouvrement	100,00%	100,00%	Full Consolidation
BANQUE DE DEVELOPPEMENT DU MALI	Banque	27,38%	27,38%	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

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-14	dec-13
Short-term benefits	18 975	21 288
Post-employment benefits	302	581
Other long-term benefits	4 264	5 536

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

	31/12/14			31/12/13		
	Gross Amount	With holding tax	Net amount paid	Gross amout	Tax with holding	Net amount paid
Natural and legal persons Resident in Morocco	1 291	318	973	1 212	312	900
Physical and legal persons non Resident in Morocco	254	38	216	333	33	300
TOTAL	1 545	356	1 190	1 546	346	1 200

Loans granted to the main Executive Corporate Officers

	dec-14	dec-13
Consumer loans	2 141	1 759
Mortgage loans	16 791	16 001
Total	18 931	17 759

7.4. RELATIONS WITH RELATED PARTIES

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

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

Related-party balance sheet items

	Parent company (FINANCE COM)	Sister Companies	Consolidated entities under the proportionale method	Consolidated entities under the equity method	Fully consolidated entities
Assets					
Loans, advances and securities	**777 740**	**4 138 263**	**50 133**	**12 185 482**	**8 960 910**
Demand accounts	777 740	1 565 498	29 791	9 669 763	3 526 878
Loans		582 474	20 342	324 427	1 892 863
Securities		1 990 291		2 191 292	3 541 169
Finance Leases					
Other Assets				**11 107**	**444 311**
Total	**777 740**	**4 138 263**	**50 133**	**12 196 589**	**9 405 221**
Liabilities					
Deposits	-	**1 060 186**	-	**9 795 037**	**5 036 253**
Demand accounts		675 186		9 678 607	4 785 499
Other borrowings		385 000		116 430	250 754
Debt securities				**2 254 822**	**3 508 809**
Other liabilities				**146 730**	**860 159**
Total	-	**1 060 186**	-	**12 196 589**	**9 405 221**
Financing Commitments & Guarantee Commitments					
Financing commitments given				1 067 554	879 154
Guarantee commitments given				1 067 581	879 154

Related-party income statement items

	Consolidated entities under the proportionate method	Consolidated entities under the equity method	Consolidated entities under the full consolidation method	Entreprises consolidées par mise en équivalence	Entreprises consolidées par intégration gobale
Interest income	-55 761	-45 363	-6 588	-354 827	-258 736
Interest expense				424 084	272 127
Commission income		-49 826		-257 489	-75 928
Commission expense				34 151	35 405
Services provided					
Services received					
Lease income		-52 874		-150 154	-139 920
Other		64 329		304 235	167 057

7.5. LEASES

Information concerning finance leases

	Gross Investissement	Present value of minimum lease payments under the lease	Unguaranteed residual value accruing to the lessor
≤ 1 year	2 866 828	491 174	73 134
> 1 year ≤ 5 years	8 118 832	4 809 422	276 146
> 5 years	3 685 873	3 086 283	346 039
TOTAL	14 671 533	8 386 879	695 319

Information concerning operating leases

	Present value of minimum lease payments under the lease	Total contingent rents recognized as income in the period
≤ 1 year	240 000	
> 1 year ≤ 5 years	1 000 000	
> 5 years		
TOTAL	1 240 000	-

VIII / NOTE CONCERNING RISKS

8.1. RISK MANAGEMENT POLICY

8.1.1. Risk categories

8.1.1.1. Credit risk

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

8.1.1.2. Market risk

Market risk is the risk of loss 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. Other risks

Equity investment risk

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

Country risk

Country risk comprises political risk as well as transfer risk. Political risk generally arises from action taken by the government of a country such as nationalisation or expropriation or an independent event such as war or revolution, which may affect a customer's ability to honour its obligations.

Transfer risk can be defined as the risk of a resident customer being unable to acquire foreign currency in its country so as to honour its overseas commitments.

8.1.2. Risk management organization

8.1.2.1. Risk control bodies

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

Group Risk Division

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

· Defining BMCE Bank Group's risk policy ;

· Definition and management taking and monitoring of commitments.

· Implementing of a credit risks control system, market transactions and operational risks;

· Coordination of internal control projects and risk control across the group.

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

8.1.2.2.1. 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.

8.1.2.2.2. Major Risks Monitoring Committee

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

8.1.2.2.3. General Management Committee

The Group Management Committee is responsible for the declination 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.

8.1.2.2.4. Credit Committees

Senior Credit Committee

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

Regional Credit Committee

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

8.1.2.2.5. Downgrading Committee

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

8.1.2.2.6. Group Risk Committee

The Group Risk Committee 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.

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 "Troïka" principle and is based on the following principles:

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

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

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

8.2.1.2. Credit approval process

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

Standard or Interpretation	Dates of publication by IASB	Date of Application by IASB
Amendements to IAS 1 "presentation of other elements of Global income"	16-june-11	01-july-12
Amendements IAS 19 "Employee Benefits"	16-june-11	01-jan-13
IFRS 13 "Evaluation at fair value"	12-may-	01-jan-13
IFRS 10 "Financial consolidated accounts"	12-may-	01-jan-13

· 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 Troïka or to Credit Committees depending on the approval levels required.

The present delegation system defines the following decision levels:

· At local branch level;

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

· At central BMCE Bank level.

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

8.2.1.6. Credit application contents

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

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

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

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

8.3. RATING MODEL

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

8.3.1. Rating objective

The implementation of internal rating models concerns both of that business risk issues.

The following five guiding principles structure the macro-processes counterparty rating irrespective of segment concerned:

1) The set of BMCE Bank Group's counterparties and transactions must have a unique internal memo within the Group BMCE Bank;

2) The assignment of the rating results from a validation workflow involving "raters" (within the Trades Lines) and "reviewers / approvers" (independent entities within the credit process);

3) Valid Commitments Analysis Division in the last resort, the calculated ratings;

4) The ratings must be validated to be disseminated within the information system and then be used;

5) Counterparty ratings assigned to each counterparty in the approval of any new operation. They are revised every time the change of risk warrants and reviewed during each renewal record and at least once a year.

8.3.2. Key rating rules

8.3.2.1. 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.

8.3.2.2. Rating's integrity

As per the regulatory principles, the attribution of the rating and its periodic review should be carried out or approved by a party that does not benefit directly from the credit approval. It is for this reason that

the rating is validated in the back office by the Group Risk Management Division following initial attribution by front-office commercial operations. The rating's integrity is a key component in the credit risk management process and should reinforce and encourage independence in the rating process.

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

8.3.2.3. Rating's singularity

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

8.3.3. Rating process

8.3.3.1. Methodology approval entities

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

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

8.3.3.2. Rating scope

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

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

8.3.3.3. Rating responsibility

The rating process involves three categories of person:

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

8.3.3.4. Rating review and update

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

8.3.4. Rating's model frame of reference

8.3.4.1. Characteristics

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

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

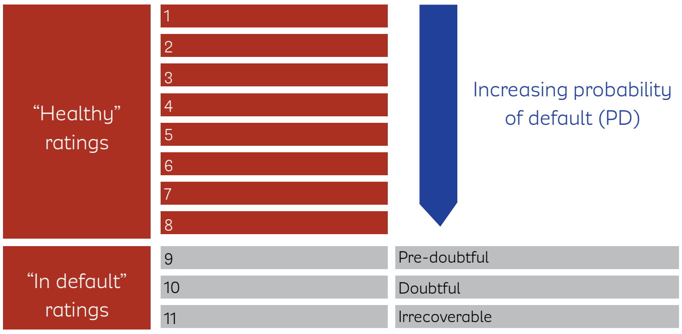
Intrinsic rating	· The intrinsic rating measures a counterparty's ability to fulfil its financial commitments without requiring any, support or specific constraint · This rating is determined by taking into account only a certain number of criteria specific to the counterparty: o Financial information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

8.3.4.2. Rating scale

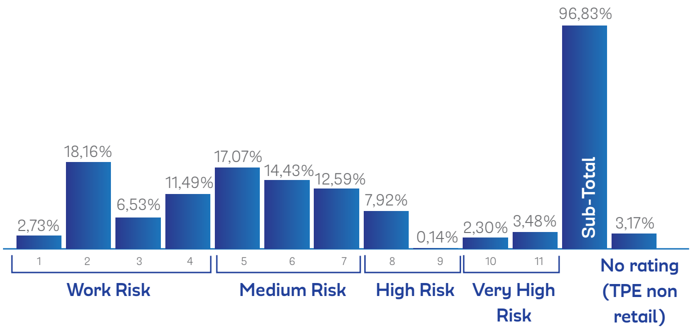
In accordance with the Basel regulations, Bank Al-Maghrib has set a minimum number of categories that a rating model should contain for it to qualify as being able to calculate the Bank's risk-weighted assets (RWA) under the "internal rating" approach. The following are the minimum requirements:

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

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



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



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

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

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

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

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

Backtesting and validation tasks of Large Entreprises and SMEs models were launched during the second half of 2013.

All variables in the models were reviewed and the discriminatory nature was tested. A proposal for a redefinition of models is being developed to adapt the rating to BMCE portfolio.

Some projects are ongoing, namely the development of a recovery tool for monitoring purposes calculating the LGD (Loss Given Default), but especially improving the management of the decommissioning process. Indeed, this tool will allow to extract accounts anomalies, processing under specific committees and draw in fine recoveries failover towards compromise.

An approval file of internal project rating is being prepared, its finalization will concomitantly the finalization of projects (deployment FACT at the subsidiary level, completion of the warehouse data ...). The first batches were delivered to the audit.

8.3.5. Scoring of retail customers

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

Two types of score have been developed :

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

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

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

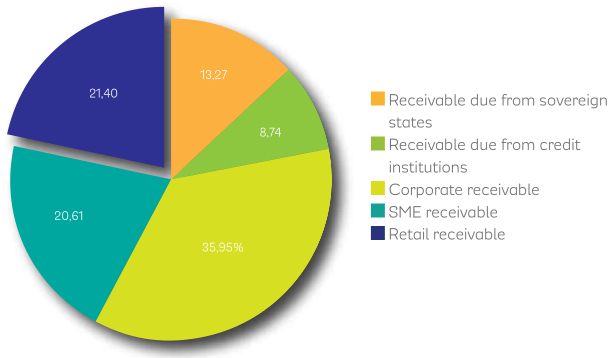
A decision-making system for approval credit for consumption was developed and assessed by the bank; the implementation at the credit instruction tool was completed in 2014.

A grid score for MLA was also modeled and validated. Finally, a grid score for professionals was modeled and validated during the year 2014.

8.4. EXPOSURE TO CREDIT RISK

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

In the prudential balance sheet dated 31 December 2013, exposure to credit risk relates to outstandings of sovereign borrower deposits net of depreciation (MAD 18.5 billion), loans to credit institutions (MAD 18.5 billion), public institutions (MAD 7.6 billion dirhams). Receivables from large enterprises accounted for 45% of total assets, while SMEs and very small enterprises accounted for 29%.



The group's gross exposure to credit risk rose by MAD 8 billion between December 2012 and December 2013. This increase is the combined effect of the increase in the Entreprise clientele (13 billion MAD) and the decrease in other components : Public institutions (-2.3 billion MAD) and credit institutions (-4 billion MAD).

Furthermore, off-balance sheet items totalled MAD 37 billion, accounting for 17% of total exposure, of which large enterprises represented the largest part. These commitments are sub-divided into financial commitments and guarantee commitments.

8.5. CREDIT RISK CONTROL AND MONITORING PROCEDURE

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.

8.5.1. Pre-checks

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

These checks are implemented by the Risk Division. They mainly relate to:

- Credit proposal data:

- Compliance with the appropriate delegation level;

- Legal documentation compliance;

- Conditions and reservations expressed before initial use of funds or the facility;

- Data entered in the information systems.

8.5.2. Post-checks

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

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

8.5.2.1. Portfolio monitoring

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.

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

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

8.5.2.2. Concentration limits

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

· Individual counterparties ;

· Interest groups ;

· Counterparties belonging to the same industry or country.

8.5.2.2.1. Individual counterparties

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 2014 :

	Dec-14		Dec-13	
	Balance sheet outstandings	% of total	Balance sheet outstandings	% of total
Commitments to 10 largest customers	14 023	8,65%	13 057	8,74%
Commitments to 20 largest customers	20 765	12,82%	20 285	13,58%
Commitments to 100 largest customers	40 698	25,12%	41 557	27,82%
Total commitments	162 030	-	149 374	-

The level of concentration of its 10, 20, 100 largest customers accounted for 58%, 90% and 185% respectively of prudential shareholders' equity at 31 December 2013.

8.5.2.2.2. Interest groups

Diversification of the portfolio by counterparty is monitored on a regular basis, notably under the Group's individual risk concentration policies. Credit risks that result from concentration on a single counterparty or group of counterparties with a relative high level of outstandings (more than

5% of shareholders' equity) are specifically monitored from an individual as well as consolidated perspective.

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

8.5.2.2.3. Counterparties belonging to the same company

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

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

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

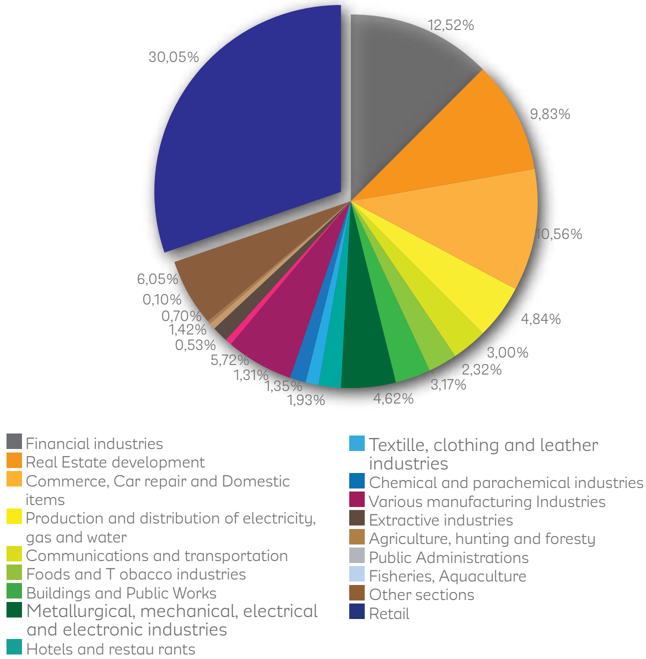
For every rating-industry pair, this top-down approach counts the number of customers that have defaulted in order to calculate the average historical rate of default.

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

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

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

The following table shows the Group's commitments to customers by industry at 31 December 2012 and 2013 :



8.5.2.2.4. Counterparties belonging to the same country

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

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

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.

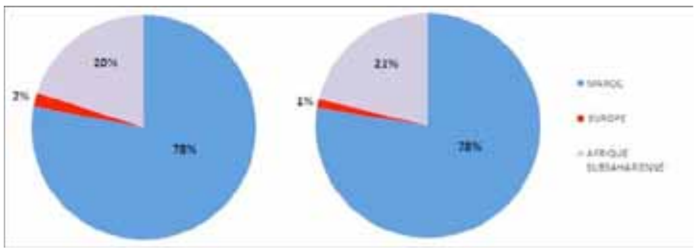
The internal rating model and the country factsheet provide an assessment of risks presented by each country by taking into consideration the most relevant criteria.

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.

Country specific data	→	Country table	→	Country score	à	M	→	Country rating
Heading	Data		Rule-of-thumb table					
	Score or rating		F : Management rule			M: Mapping to rating scale		

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 :



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

8.5.2.3.1. Control of accounts showing anomalies

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

This check is therefore carried out in addition to daily monitoring by the Commercial Division. The most important cases of accounts showing

anomalies relate to credit applications where:

· Credit authorisations have expired;

· Guarantees have not been provided;

· Credit lines have not been used for more than 6 months.

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

8.5.2.3.2. Monitoring high-risk accounts

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

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

· Are in arrears, such as:

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

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

- Trade receivables discounted by the Banks and returned unpaid;

· Have exceeded limits, beyond one month, in respect of authorisations granted. To avoid any potential operational risks, however, entities carry out a weekly check to ascertain to what extent authorised limits have been exceeded (at the discretion of each entity);

· Have exposures for which recovery is doubtful due to other negative quantitative or qualitative information about the customer such as: a high risk rating, special events or litigation surrounding the main shareholders (death, bankruptcy etc.).

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

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

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

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

8.5.2.3.3. Annual account review

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

The Risk Division is responsible for continuously updating the planned annual review schedule provisional, in conjunction with the Commercial Division.

8.5.2.3.4. Theme-based checks

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

8.5.3. Loan classification

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

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

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

In MAD millions	2014					2013				
	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	>180 days < 1 year	Total		< 90 days	>90 days < 180 days	>180 days < 1 year	Total	
Corporate	214	235	1	450	1 268	11	0	0	11	1 143
Corporate Network	301	0	188	489	2 756	200	27	27	254	2 159
Retail and Professionnels network	1 395	16	1	1 412	2 024	1 810	236	18	2 064	1 829
Total	1 910	251	189	2 350	6 048	2 022	263	44	2 330	5 131

8.5.4. Guarantees

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

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

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

Similarly, the financing of public contracts, merchandise, equipment and trade

premises is systematically guaranteed by collateral in respect of the financed items as well as through insurance cover.

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

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

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

Thus, it should be noted that 35% of the group's exposure to customers are secured by mortgages, 1% of these exposures have bank guarantees or cash collateral. Finally, 5% of exposures have sovereign guarantees.

Transferable guarantees

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

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

Loan guarantees obtained

In 2013, the Group took possession of assets held as collateral valued at MAD 55 million.

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 policy at international subsidiaries

As part the enhanced monitoring of offices abroad, a project "Convergence" control and mastery of risk has been launched with a view to:

(i) Strengthen its executive governance of the group through the deployment of its risks management procedures and internal control at all subsidiaries

(ii) Support its international development strategy

Thus, harmonization of risk management across the Group was initiated through a Credit Risk Policy Group (CRMP), but also by establishment a group commitment basis (BEG) to be delivered during fiscal 2015.

Thus, on the credit risk, the following themes have been covered in the various subsidiaries:

- Organizational structure and delegate schema adopted
- The grid Internal Rating "Large Corporate" deployed
- Automation tools and production process of regulatory reporting and dashboards meet being finalized management needs
- Implementation of controls and management of anomalous accounts.

In parallel, the Risks Division and Coordination Group has established a quarterly report describing the risk situation of each subsidiary through a scrim and procedure detailing the information back, and pending the implementation of the (BEG).

On shutters Operational risks and permanent control, deployment work is underway at the subsidiaries BOA Group. The objective is better control of operations and improved performance via the implementation of target processes.

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

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

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

- Ensure income stability when interest rates change, thereby maintaining net interest income and optimising the economic value of equity;
- Ensure an adequate level of liquidity, thereby enabling the Bank to meet its obligations at any given time and protecting it from any eventual crisis;
- Ensure that the risk inherent in its foreign exchange positions does not have a

negative impact on the Bank's profit margins;

· Steer the bank's strategy so as to take full advantage of growth opportunities available in the market.

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

· Set asset-liability policy ;

· Organise and direct asset-liability sub-committees;

· Possess in-depth knowledge of types of risk inherent in the Bank's operations and keep abreast of any changes in these risks based on financial market trends, risk management practices and the Bank's operations ;

· Review and approve procedures aimed at limiting the risks inherent in the Bank's operations in terms of credit approval, investments, trading and other significant activities and products;

· Master the reporting systems that measure and control the main sources of risk on a daily basis ;

· Review and approve risk limits periodically given changes to the institutional strategy, approve new products and respond to important changes in market conditions;

· Ensure that the different business lines are properly managed by HR, the latter possessing a high level of competence, experience and expertise in relation to supervised activities.

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

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

In this regard, each of the Bank's entities will have its own budget and objectives, validated by the general management team on a medium-term basis. This enables the relevant bodies to ensure orderly monitoring and control of the three-year plan while balance sheet stability and compliance with regulatory capital requirements.

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

Liquidity Risk

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

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

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

The following two major sources may generate liquidity risk :

· Inability of the institution to raise the required funds to deal with unexpected situations in the short term, such as a massive withdrawal from deposits or a maximum drawdown of off- balance sheet commitments;

· A mismatch of assets and liabilities or the financing of medium- or long-term assets by short-term liabilities.

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

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

· The liquidity ratio must be greater than ٪١٠٠ (as defined by the Central Bank). This indicator helps to measure the one-month asset coverage ratio.

The liquidity ratio stood at 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 :

In MAD millions As of December 31st, 2014	Due date not determined	From D/D to 3 month	3 months to 1 years	1 year to 5 years	More than 5 years	Demand	Total
Cash, Central Banks, Treasury, Post Office	9 967						9 967
Financial assets at fair value through income						28 610	28 610
Available-for-sale financial assets						4 891	4 891
Loans and receivables due from credit and similar institutions	6 400	2 489	1 909	3 283	1 600	392	16 073
Loans and receivables due from customers	26 167	34 358	30 332	25 433	25 794	13 068	155 152
Held-to-maturity financial assets		1 845	1 362	8 331	6 616		18 154
Current tax assets						199	199
Diferred tax assets						446	446
Accrued income and other assets						4 979	4 979
Investment associates						514	514
Investment property						835	835
Property, plant and equipment						5 847	5 847
Intangible assets						744	744
Goodwill						832	832
TOTAL FINANCIAL ASSETS	**42 534**	**38 692**	**33 603**	**37 047**	**34 010**	**61 357**	**247 243**
Central banks, Treasury, Post Office	0						0
Financial liabilities at fair value through income				2 746			2 746
Amounts due to credit and similar institutions	5 146	15 911	6 517	4 953	217	399	33 143
Amounts due to customers	133 580	11 105	13 696	2 638		251	161 270
Debt securities issued		2 639	5 023	5 485		23	13 170
Current tax liabilities						55	55
Deferred tax liabilities						1 100	1 100
Accrued expenses and other liabilities						7 636	7 636
Provisions						523	523
Subordinated debt and special guarantee funds		5	261	2 307	4 194	28	6 795
Shareholder's Equity						20 803	20 803
TOTAL LIABILITIES	**138 726**	**29 660**	**25 497**	**18 129**	**4 411**	**30 818**	**247 241**

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

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

8.7.1. Market risk management policy

8.7.1.1. Governance

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

· General Management, which implements market risk management strategies and policies approved by the Board of Directors;

· Group Market Risk Committee, which defines Group market risk management policy and validates any amendment to the steering of market risk across the entire Group;

· Group Market Risk Department, which centralises market risk management for BMCE Bank Group as a department which is independent from

the Group's front-offices. This gives it maximum objectivity in steering market risks and arbitrating between the Group's various market activities;

· Risk Management Units of BMCE Bank Group entities, which provide a first level check on market activities within their entity and send regular reports to Group Risk Management;

· Internal Audit, which ensures implementation of the market risk management policy and rigorous compliance with procedures.

8.7.1.2. Description of the Market Risk Management Policy

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

· Limits;

· Risk indicators;

· Capital requirements;

· Counterparty risk related to derivatives transactions.

8.7.1.2.1. Limits

· Counterparty limits in market transactions

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

· Market limits

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

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

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

· Position limits by activity;

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

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

· "Greek" limits for the derivatives business;

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

· Transaction limits.

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

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

· Regulatory limits

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

· Limits on Tier 1 solvency ratios;

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

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

8.7.1.2.2. Risk indicators

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

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

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

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

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

CHANGES IN VAR (1 DAY, 99 %) IN DIRHAMS IN 2013

	31/12/2014	31/12/2013
VaR (10 days; 99%)	100 828	87 016

The historical VaR (10 days) with a confidence level of 99% at 31 December 2013 was MAD 87,016 thousands.

Stressed VaR

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

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

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

· The Greek crisis and the threat of contagion spreading to the

"PIIGS" countries.

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

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

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

· Repercussion of EURUSD volatility on EURMAD and USDMAD;

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

· Stress-testing by risk factor

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

a. STRESS TESTS RESULTS: INTEREST RATE RISK

1. Portfolio of Treasury securities

1st scenario: 50 basis point increase in the yield curve on a constant basis. This scenario resulted in an impact of MAD 1.53 million on income at 31 December 2013.

2nd scenario: 100 basis point increase in the yield curve on a constant basis. This scenario resulted in an impact of MAD 2.61 million on income at 31 December 2013.

2. Portfolio of corporate debt

Corporate financial issuers.

1st scenario: 50 basis point increase in the yield curve on a constant basis together with a 50 basis point increase in the risk premium. This scenario resulted in an impact of MAD 1.5 million on income at 31 December 2013.

2nd scenario: 100 basis point increase in the yield curve on a constant basis together with a 75 basis point increase in the risk premium. This scenario resulted in an impact of MAD 2.7 million on income at 31 December 2013.

Corporate non-financial issuers

1st scenario: 100 basis point increase in the yield curve on a constant basis together with a 100 basis point increase in the risk premium. This scenario resulted in an impact of MAD 25.3 million on income at 31 December 2013.

2nd scenario: 200 basis point increase in the yield curve on a constant basis together with a 200 basis point increase in the risk premium. This scenario resulted in an impact of MAD 52.6 million on income at 31 December 2013.

b. STRESS TESTS FOR FOREIGN EXCHANGE RISK

Euro

1st scenario : 10% rise in the value of the dirham against the Euro. This scenario resulted in an impact of MAD 36.8 million on income at 31 December 2013.

2nd scenario : 10% rise in the value of the dirham against the Euro. This scenario resulted in an impact of MAD 55.3 million on income at 31 December 2013.

Dollar

1st scenario: 10% rise in the value of the dirham against the US dollar. This scenario resulted in an impact of MAD 9.6 million on income at 31 December 2013.

2nd scenario: 10% rise in the value of the dirham against the US dollar. This scenario resulted in an impact of MAD 14.4 million on income at 31 December 2013.

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

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

8.8. OPERATIONAL RISK

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

8.8.1. Operational risk management policy

8.8.1.1. Operational risk management objective

The operational risk management policy has the following objectives:

· Assess and prevent operational risks;

· Assess controls;

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

8.8.1.2. Classification

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

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

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

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

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

8.8.1.2.2. Operational risk management organisation

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

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

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

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

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

- BMCE Bank's Group Operational Risk Department;

- BMCE Bank network;

- BMCE Bank business divisions;

- Subsidiaries.

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

- Operational Risk Correspondents (CRO);

- Operational Risk Coordinators (CORO);

- Operational Risk Liaison Officers (RRO).

The operational risk management's remit includes 8 Group subsidiaries.

8.8.1.2.3. Governance of operational risk management

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

· Group Operational Risks Committee;

· Operational Risk Monitoring (Business Lines) Committee;

· Operational Risk (Subsidiaries) Committee.

These committees are tasked with periodically:

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

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

· and risk types;

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

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

8.8.1.3. Fundamental methodology principles

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

· Reduce exposure to operational risks;

· Optimise capital requirements relating to operational risks.

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

· Collecting risk events;

· Mapping operational risks,

· Key risk indicators.

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

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

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

8.8.1.4. Operational risk control and mitigation

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

· Reinforce checks;

· Hedge risks, especially through insurance contracts;

· Avoid risks, in particular, by redeploying activities;

· Draw up business continuity plans.

BMCE Group has a very strong control policy, resulting in a significant reduction in operational risks. However, in terms of operational risk management and via its dedicated policy, the Group is at liberty to identify optimal behaviour, on a case by case basis, depending on the different types of risks described above.

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

8.8.2. Business continuity plan

Under a changing regulatory environment, the Business Continuity plan is a response to the rising demand to minimise the impact in the event of any interruption to the Bank's activities. This is due to the increasing reliance on the resources underpinning those activities including human, IT or logistics resources.

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

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

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

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

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

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

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

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

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

8.8.3. Measurement of capital adequacy

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

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

BMCE Bank Group already satisfies these new requirements.

Capital Adequacy ratio

Capital Adequacy ratio	Amount
Tier 1 Capital	19 301
Total Capital ratio	23 823
Total risk-weighted assets	197 277
Tier 1 Capital ratio	9,8%
Capital Adequacy ratio	12,1%

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2014 Results

BMCE BANK

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Phone : 05 22 20 04 92 / 96
Fax : 05 22 20 05 12
Capital : 1 794 633 900 dirhams
Swift : bmce ma mc
Telex : 21.931 - 24.004
Trade Register : casa 27.129
CCP : Rabat 1030
CNSS : 10.2808.5
Tax Identification Number : 01085112
Trading tax : 35502790

GOVERNANCE & DEVELOPMENT GROUP-FINANCIAL COMMUNICATION

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