



Kasbah Ait Hammou Ou Said, réhabilitée et transformée en école Medersat.com par la Fondation BMCE BANK

**JUNE 2015 RESULTS**

# **BMCE BANK**

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

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30 june 2015

Communication financière  
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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 646 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 32.4% 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 73.7%.

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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# **STATUTORY AUDITORS REPORT IFRS CONSOLIDATED FINANCIALS AS OF JUNE 30<sup>st</sup> 2015**



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## STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

As of 30 June 2015

We have audited the attached consolidated financial statements of the Banque Marocaine du Commerce Extérieur and its subsidiaries (BMCE Bank Group), which comprise the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement, as well as a selection of explicative notes for the period from January 1<sup>st</sup> to 30 June 2015. This intermediary situation shows a consolidated shareholders' equity of KMAD 20.770.929 including a consolidated net income of KMAD 1.425.003.

We conducted our limited review in accordance with professional standards applicable in Morocco. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. A limited review includes mainly interviews with the company employees and analytical examination applied to financial data; it therefore provides a lower level of assurance than an audit. We did not perform an audit and, accordingly, we do not express an audit opinion.

Based on our limited review, the consolidated financial statements referred to in the paragraph above give, in all their significant aspects, a fair view of the financial position of BMCE Bank Group composed of entities included in the consolidation as of 30 June 2015, in accordance with international accounting standards (IAS/IFRS).

Casablanca September 18, 2015

### The Statutory Auditors

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

### 1.1. CONSOLIDATED BALANCE SHEET

The consolidated financial statements at 30 June 2015 were approved by the board of directors on 18 September 2015.

ASSETS	NOTES	jun-15	dec-14
Cash and amounts due from central banks and post office banks		10 062 952	9 966 747
Financial assets at fair value through profit or loss	4.1	26 179 826	28 609 790
Derivatives used for hedging purposes		15 141	-
Available-for-sale financial assets	4.2	5 415 360	4 891 427
Loans and receivables due from credit institutions	4.3	19 080 727	16 072 610
Loans and receivables due from customers	4.4	162 068 234	155 152 943
Remeasurement adjustment on interest rate risk hedged assets		-	-
Held-to-maturity financial assets	4.6	21 924 999	18 153 337
Current tax assets	4.7	268 821	199 008
Deferred tax assets	4.7	385 660	445 733
Accrued income and other assets	4.8	5 047 389	4 978 851
Non current assets held for sale		-	-
Investment associates	4.9	543 804	513 766
Investment property	4.10	1 977 986	835 047
Property, plant and equipment	4.10	5 968 332	5 847 075
Intangible assets	4.10	725 676	744 273
Goodwill	4.11	832 469	832 470
<b>TOTAL</b>		<b>260 497 376</b>	<b>247 243 077</b>

(In thousand MAD)

LIABILITIES & SHAREHOLDERS EQUITY	NOTES	jun-15	déc-14
Due to Central Banks and Post Office Banks		-	-
Financial liabilities at fair value through profit or loss	4.1	3 002 478	2 745 648
Derivatives used for hedging purposes		-	2 018
Due to credit institutions	4.3	35 385 984	33 142 978
Due to customers	4.4	171 030 791	161 268 876
Debt securities	4.5	12 547 061	13 170 353
Remeasurement adjustment on interest rate risk hedged portfolios		-	-
Current tax liabilities	4.7	356 706	55 341
Deferred tax liabilities	4.7	1 064 839	1 099 810
Accrued expenses and other liabilities	4.8	7 186 029	7 636 569
Liabilities related to non-current assets held for sale		-	-
Technical reserves of insurance companies		-	-
Provisions for contingencies and charges	4.12	538 931	523 011
Subsidies, assigned public funds and special guarantee funds		-	-
Subordinated debts	4.5	8 613 628	6 795 304
<b>TOTAL DEBTS</b>		<b>239 726 447</b>	<b>226 439 908</b>
<i>Capital and related reserves</i>		<b>12 905 317</b>	<b>12 488 381</b>
<i>Consolidated reserves</i>		-	-
- <i>Attributable to parent</i>		<b>2 024 756</b>	<b>1 481 861</b>
- <i>Non-controlling interests</i>		<b>4 266 575</b>	<b>4 000 114</b>
Unrealized or deferred gains or losses, attributable to parent		153 574	149 436
Unrealized or deferred gains or losses, non-controlling interests		-4 296	-8 802
Net Income			
- <i>Attributable to parent</i>		1 064 481	1 943 864
- <i>Non-controlling interests</i>		360 522	748 315
<b>TOTAL CONSOLIDATED SHARE HOLDERS'S EQUITY</b>		<b>20 770 929</b>	<b>20 803 169</b>
<b>TOTAL</b>		<b>260 497 376</b>	<b>247 243 077</b>

(In thousand MAD)



## 1.2. CONSOLIDATED INCOME STATEMENT

	NOTES	June-15	June-14
+ Interests and similar income		6 565 347	6 129 293
- Interests and similar expense		-2 447 521	-2 459 817
<b>Net Interest income</b>	2.1	<b>4 117 826</b>	<b>3 669 476</b>
+ Fees received and commission income		1 147 367	1 075 221
- Fees paid and commission expense		-146 200	-162 350
<b>Net fee income</b>	2.2	<b>1 001 167</b>	<b>912 871</b>
+/- Net gains or losses on financial instruments at fair value through profit or loss	2.3	353 941	689 601
+/- Net gains or losses on available for sale financial assets	2.4	191 686	121 051
<b>Income from market transactions</b>		<b>545 627</b>	<b>810 652</b>
+ Other banking revenues	2.5	450 931	413 327
- Other banking expenses	2.5	-192 046	-208 245
<b>Net Banking Income</b>		<b>5 923 505</b>	<b>5 598 081</b>
- General Operating Expenses		-2 921 842	-2 655 701
- Allowances for depreciation and amortization PE and intangible assets		-339 757	-314 833
<b>Gross Operating Income</b>		<b>2 661 906</b>	<b>2 627 547</b>
- Cost of Risk	2.6	-806 776	-1 054 734
<b>Operating Income</b>		<b>1 855 130</b>	<b>1 572 813</b>
+/- Share in net income of companies accounted for by equity method		56 996	37 864
+/- Net gains or losses on other assets	2.7	-2 601	21 820
+/- Change in goodwill		-	-
<b>Pre-tax earnings</b>		<b>1 909 525</b>	<b>1 632 497</b>
+/- Corporate income tax	2.8	-484 522	-403 052
<b>Net income</b>		<b>1 425 003</b>	<b>1 229 445</b>
Non-controlling interests		360 522	327 854
<b>Net income attributable to parent</b>		<b>1 064 481</b>	<b>901 591</b>
Earnings per share		5,9	5,0
Diluted Earnings per share		5,9	5,0

(In thousand MAD)

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

	June-15	dec-14
Net income	1 425 003	1 229 445
Currency translation adjustment	8 646	45 911
Reevaluation of available for sale financial assets	5 442	5 640
Reevaluation of hedging instruments	3 204	40 271
Reevaluation of fixed assets	3 204	40 271
Actuarial gains and losses on defined plans	0	0
Proportion of gains and losses directly recognised in shareholders equity on companies consolidated under equity method	0	0
<b>Total gains and losses directly recognised in shareholders equity</b>		
<b>Net income and gains and losses directly recognised in shareholders equity attributable to parent</b>	<b>8 645</b>	<b>45 911</b>
<b>Non-controlling interests</b>	<b>1 068 620</b>	<b>940 094</b>
<b>Part des intérêts minoritaires</b>	<b>365 029</b>	<b>335 262</b>

(In thousand MAD)



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#### 1.4. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

CHANGES IN SHAREHOLDERS EQUITY AS OF JUNE 2015	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
Beginning balance of Shareholder's Equity 01.01.2015	1 794 634	10 693 747	0	3 425 707	149 436	16 063 524	4 739 627	20 803 152
Change in the accounting methods						0		0
Beginning Balance of adjusted Shareholder's Equity 01.01.2015	1 794 634	10 693 747	0	3 425 707	149 436	16 063 524	4 739 627	20 803 152
Operations on capital		416 936		-416 936		0		0
Share-based payment plans						0		0
Operations on treasury stock			0			0		0
Dividends				-786 992		-786 992	-459 570	-1 246 562
Net income				1 064 481		1 064 481	360 522	1 425 003
PP&E and intangible assets : Revaluations and disposals (E)						0		0
Financial instruments : change in fair Value and transfer to earnings (F)					-1 303	-1 303	4 507	3 204
Currency translation adjustments : Changes and transfer to earnings (G)					5 442	5 442		5 442
IAS 19R						0		0
Unrealized or deferred gains or losses (D)+ (E) + (F)				0	4 139	4 139	4 507	8 646
Change in the scope of consolidation				-4 044		-4 044	44 942	40 898
Others				-192 978		-192 978	-67 227	-260 207
Ending Balance of Shareholder's Equity 30.06.2015	1 794 634	11 110 683	0	3 089 237	153 575	16 148 129	4 622 801	20 770 929

(In thousand MAD)

CHANGES IN SHAREHOLDERS EQUITY AS OF JUNE 2014	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
Beginning balance of Shareholder's Equity 01.01.2014	1 794 634	10 309 544	-35 727	2 722 605	107 914	14 898 970	4 244 486	19 143 458
Change in the accounting methods						0		0
Beginning Balance of adjusted Shareholder's Equity 01.01.2014	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		390 778		-390 778		0		0
Share-based payment plans						0		0
Operations on treasury stock			35 727			35 727		35 727
Dividends				-719 206		-719 206	-358 892	-1 078 099
Net income				901 591		901 591	327 854	1 229 445
PP&E and intangible assets : Revaluations and disposals (E)						0		0
Financial instruments : change in fair Value and transfer to earnings (F)					32 863	32 863	7 408	40 271
Currency translation adjustments : Changes and transfer to earnings (G)					5 640	5 640		5 640
IAS 19R						0		0
Unrealized or deferred gains or losses (D)+ (E) + (F)				0	38 503	38 503	7 408	45 911
Change in the scope of consolidation				-59 408		-59 408	21 540	-37 868
Others				-93 519		-93 519	-19 084	-112 604
Ending Balance of Shareholder's Equity 30.06.2014	1 794 634	10 700 322	0	2 361 284	146 417	15 002 657	4 223 312	19 225 970

(In thousand MAD)





## 1.5. CASH FLOW STATEMENTS

### 1.5.1. Cash Flow Statement

	juin-15	déc-14	juin-14
<b>Pre-tax net income</b>	<b>1 909 525</b>	<b>3 323 969</b>	<b>1 632 495</b>
+/- Net depreciation/amortization expense on property, plant, and equipment and intangible assets	1 778 941	3 463 904	1 687 840
+/- Impairment of goodwill and other non-current assets	-	-	-
+/- Impairment of financial assets	66 229	173 473	95 338
+/- Net allowances for provisions	676 954	1 106 319	590 286
+/- Share of earnings in subsidiaries accounted for by equity method	-60 308	-65 808	-37 864
+/- Net loss (income) from investing activities	-625 185	-1 346 058	-875 285
+/- Net loss (income) from financing activities	-	-	-
+/- Other movements	-674 859	58 543	-552 106
<b>Non monetary items included in pre-tax net income and other adjustments</b>	<b>1 161 771</b>	<b>3 390 373</b>	<b>908 210</b>
+/- Cash flows related to transactions with credit institutions	-470 559	-2 073 872	-3 213 422
+/- Cash flows related to transactions with customers	1 167 633	3 260 835	7 651 746
+/- Cash flows related to transactions involving other financial assets and liabilities	-778 871	-6 036 643	-3 035 205
+/- Cash flows related to transactions involving non financial assets and liabilities	-976 490	-4 488 481	-9 011 048
+/- Taxes paid	-219 781	-806 052	-438 629
<b>Net Increase (Decrease) in cash related to assets and liabilities generated by operating activities</b>	<b>-1 278 069</b>	<b>-10 144 213</b>	<b>-8 046 558</b>
<b>Net Cash Flows from Operating Activities</b>	<b>1 793 228</b>	<b>-3 429 871</b>	<b>-5 505 852</b>
+/- Cash Flows related to financial assets and equity investments	-523 933	-732 356	-256 811
+/- Cash flows related to investment property	-1 170 218	-187	-61
+/- Cash flows related to PP&E and intangible assets	-367 137	-849 669	-325 639
<b>Net Cash Flows from Investing Activities</b>	<b>-2 061 288</b>	<b>-1 582 212</b>	<b>-582 511</b>
+/- Cash flows related to transactions with shareholders	-709 243	-909 304	-1 081 305
+/- Cash flows generated by other financing activities	1 544 448	1 844 774	1 462 825
<b>Net Cash Flows from Financing Activities</b>	<b>835 206</b>	<b>935 470</b>	<b>381 520</b>
<b>Effect of movements in exchange rates on cash and equivalents</b>	<b>-13 250</b>	<b>-252 118</b>	<b>-34 801</b>
<b>Net Increase in Cash and equivalents</b>	<b>553 894</b>	<b>-4 328 731</b>	<b>-5 741 645</b>
<b>Beginning Balance of Cash and Equivalents</b>	<b>11 215 740</b>	<b>15 544 470</b>	<b>15 544 470</b>
Net Balance of cash accounts and accounts with central banks and post office banks	9 966 853	11 870 837	11 870 838
Net Balance of demand loans and deposits- credit institutions	1 248 886	3 673 632	3 673 632
<b>Ending Balance of Cash and Equivalents</b>	<b>11 769 634</b>	<b>11 215 740</b>	<b>9 802 825</b>
Net Balance of cash accounts and accounts with central banks and post office banks	10 062 952	9 966 853	9 729 986
Net Balance of demand loans and deposits- credit institutions	1 706 682	1 248 887	72 839
<b>Net increase in cash and equivalents</b>	<b>553 894</b>	<b>-4 328 731</b>	<b>-5 741 645</b>

(In thousand MAD)

### 1.5.2. Cash Flow Statement by Geographical Region as of June 30<sup>th</sup>, 2015

	MOROCCO	EUROPE	AFRICA
<b>Pre-tax net income</b>	<b>1 103 837</b>	<b>103 230</b>	<b>702 458</b>
+/- Net depreciation/amortization expense on property, plant, and equipment and intangible assets	1 608 006	4 637	166 298
+/- Impairment of goodwill and other non-current assets	-	0	-
+/- Impairment of financial assets	66 229	0	0
+/- Net allowances for provisions	363 866	-14 442	327 530
+/- Share of earnings in subsidiaries accounted for by equity method	-9 810	0	-50 498
+/- Net loss (income) from investing activities	-494 260	2 829	-133 754
+/- Net loss (income) from financing activities	0	0	0
+/- Other movements	-700 894	2 283	23 752
<b>Non monetary items included in pre-tax net income and other adjustments</b>	<b>833 137</b>	<b>-4 693</b>	<b>333 327</b>
+/- Cash flows related to transactions with credit institutions	419 408	-545 680	-344 287
+/- Cash flows related to transactions with customers	-1 032 401	42 329	2 157 705
+/- Cash flows related to transactions involving other financial assets and liabilities	1 306 986	-171 130	-1 914 727
+/- Cash flows related to transactions involving non financial assets and liabilities	-623 480	-75 065	-277 945
+/- Taxes paid	-169 638	-20 000	-30 143
<b>Net Increase (Decrease) in cash related to assets and liabilities generated by operating activities</b>	<b>-99 128</b>	<b>-769 544</b>	<b>-409 397</b>
<b>Net Cash Flows from Operating Activities</b>	<b>1 837 848</b>	<b>-671 007</b>	<b>626 387</b>
+/- Cash Flows related to financial assets and equity investments	-352 267	-210 818	39 152
+/- Cash flows related to investment property	-1 170 218	0	0
+/- Cash flows related to PP&E and intangible assets	-166 566	26 730	-227 301
<b>Net Cash Flows from Investing Activities</b>	<b>-1 689 051</b>	<b>-184 087</b>	<b>-188 150</b>
+/- Cash flows related to transactions with shareholders	-427 077	0	-282 166
+/- Cash flows generated by other financing activities	1 023 993	627 285	-106 830
<b>Net Cash Flows from Financing Activities</b>	<b>596 916</b>	<b>627 286</b>	<b>-388 996</b>
<b>Effect of movements in exchange rates on cash and equivalents</b>	<b>43</b>	<b>22 180</b>	<b>-35 473</b>
<b>Net Increase in Cash and equivalents</b>	<b>745 756</b>	<b>-205 631</b>	<b>13 769</b>
<b>Beginning Balance of Cash and Equivalents</b>	<b>1 841 901</b>	<b>569 066</b>	<b>8 804 773</b>
Net Balance of cash accounts and accounts with central banks and post office banks	1 624 494	117 664	8 224 695
Net Balance of demand loans and deposits- credit institutions	217 407	451 401	580 078
<b>Ending Balance of Cash and Equivalents</b>	<b>2 587 596</b>	<b>363 435</b>	<b>8 818 603</b>
Net Balance of cash accounts and accounts with central banks and post office banks	2 420 071	57 729	7 585 152
Net Balance of demand loans and deposits- credit institutions	167 525	305 705	1 233 452
<b>Net increase in cash and equivalents</b>	<b>745 756</b>	<b>-205 631</b>	<b>13 769</b>

(In thousand MAD)



Kasbah Ait Hammou Ou Said, réhabilitée et transformée en école Madersat.com par la Fondation BMCE BANK

## 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<sup>st</sup> January 2007.

The first half 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.

Thus, the notes presented in the first half financial consolidated statements relate to significant events and transactions to understand the evolution of the financial situation and performance of the Group during H1 2015. These notes should be read in parallel with the audited consolidated accounts for the year ended December 31, 2014 as published in the reference Document for the year 2014.

However, since the Group's activities do not present any seasonal or cyclical nature, the results of the first half are therefore not impacted by these factors.

### 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.

As of 30 June 2015, no Group subsidiary was jointly controlled.

#### c. Consolidation rules

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

#### Elimination of intragroup balances and transactions

Intragroup balances arising from transactions between consolidated

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

#### Translation of financial statements prepared in foreign currencies

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

#### d. Business combinations and measurement of goodwill

##### Cost of a business combination

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

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

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

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

##### Goodwill

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

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

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

##### 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



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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



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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 listed 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.



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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.

This is for the Groups' certificates of deposit issued by banks of the Group including BMCE Bank Group and Bank of Africa as well as the warrants issued by finance companies namely 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.

**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".

The value hedges are particularly used to hedge the risk of interest rates of assets and liabilities at fixed rates, for identified financial instruments (securities, debt issues, loans, borrowings) and for portfolios of financial instruments (sight deposits and fixed-rate loans in particular).

**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.

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.

The appreciation of the character of an inactive market is based on indicators such as the significant decline in trading volume and the level of market activity, strong price dispersion available between different market participants or seniority price from observed transactions.

**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.

The Group does not offset financial assets and liabilities.

**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.



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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 assessed at each balance sheet date.

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

**1.6.5. Leases**

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

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

**a. Lessor accounting**

**Finance leases**

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

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

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

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

**Operating leases**

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

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

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

**b. Lessee accounting**

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



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**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.

As of June 2015, the Group did not recognise any assets as held for sale or discontinued activities.

**1.6.7. Employee benefits**

**Classification of employee benefits**

**a. Short-term benefits**

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

**b. Defined-contribution post-employment benefits**

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

**c. Defined-benefit post-employment benefits**

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

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

**d. Long-term benefits**

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

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

**e. Termination benefits**

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

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

**a. Calculation method**

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

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

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

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

**b. Accounting principles**

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

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

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

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

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

- The rights vested by each employee during the period (the cost of service rendered);
- The interest cost relating to the effect of discounting the obligation ;
- The expected income from the pension fund's investments (gross rate of return);
- The effect of any plan curtailments or settlements.



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### 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 market for these instruments, financial valuation models taking into account any performance conditions on the action BMCE Bank are used. The total expense of a plan is determined by multiplying the unit value of the option or free shares awarded by the estimated number of options or free shares acquired at the end of the vesting period considering the conditions the beneficiaries.

### 1.6.9. Provisions recorded under liabilities

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

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

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

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

- A present obligation towards a third party ;
- An outflow of resources is probable in order to settle the obligation;
- The amount can be estimated reliably.

### 1.6.10. Current and deferred taxes

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

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

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

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

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

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

### 1.6.11. Cash flow statement

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

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

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

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

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

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

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

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

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

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

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

- Goodwill impairment tests ;
- Provisions for employee benefits;
- The measurement of provisions for risks and charges.





## II. NOTES TO THE INCOME STATEMENT AS OF JUNE 2015

### 2.1. NET INTEREST INCOME

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

	juin-15			juin-14		
	Income	Expense	Net	Income	Expense	Net
Customer Items	4 901 712	1 502 637	3 399 075	4 784 035	1 406 087	3 377 948
Deposits, loans and borrowings	4 565 335	1 464 909	3 100 426	4 457 097	1 370 360	3 086 737
Repurchase agreements		37 728	-37 728		35 727	-35 727
Finance leases	336 377		336 377	326 938		326 938
Interbank items	414 935	437 115	-22 179	383 633	525 443	-141 810
Deposits, loans and borrowings	292 779	420 023	-127 244	261 668	488 145	-226 477
Repurchase agreements	122 157	17 092	105 065	121 965	37 298	84 667
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	634 235	507 769	126 465	511 850	528 287	-16 437
Fixed income securities	634 235	357 874	276 361	511 850	376 436	135 414
Repurchase agreements			0			0
Loans/borrowings			0			0
Debt securities	0	149 896	-149 896	0	151 851	-151 851
Available for sale financial assets			0			0
Held to maturity financial assets	614 465		614 465	449 775		449 775
<b>TOTAL INTEREST INCOME (EXPENSE)</b>	<b>6 565 347</b>	<b>2 447 521</b>	<b>4 117 826</b>	<b>6 129 293</b>	<b>2 459 817</b>	<b>3 669 476</b>

(In thousand MAD)

### 2.2. NET FEE INCOME

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.

	juin-15			juin-14		
	Income	Expense	Net	Income	Expense	Net
Net fee on transactions	766 216	50 139	716 077	704 615	50 201	654 414
With credit institutions			-			-
With customers	557 260		557 260	483 828		483 828
On custody	90 850	35 618	55 232	80 948	36 858	44 090
On foreign exchange	118 106	14 521	103 585	139 839	13 343	126 496
On financial instruments and off balance sheet			-			-
Banking and financial services	381 151	96 061	285 090	370 606	112 149	258 457
Income from mutual funds management			-			-
Income from electronic payment services	181 338	18 807	162 531	165 405	22 669	142 736
Insurance			-			-
Other	199 813	77 254	122 560	205 201	89 480	115 721
<b>NET FEE INCOME</b>	<b>1 147 367</b>	<b>146 200</b>	<b>1 001 167</b>	<b>1 075 221</b>	<b>162 350</b>	<b>912 871</b>

(In thousand 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.

	juin-15			juin-14		
	Trading Book	Assets measured under the fair value option	Total	Trading Book	Assets measured under the fair value option	Total
Fixed income and variable income securities	343 010		343 010	657 746		657 746
Derivative instruments	10 931	0	10 931	31 855	0	31 855
Repurchase agreements						
Loans						
Borrowings						
Remeasurement of interest rate risk hedged portfolios						
Remeasurement of currency positions						
<b>TOTAL</b>	<b>353 941</b>	<b>0</b>	<b>353 941</b>	<b>689 601</b>	<b>0</b>	<b>689 601</b>

(In thousand MAD)

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

This section includes :

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

	juin-15	juin-14
<b>Fixed income securities</b>	<b>0</b>	<b>0</b>
Disposal gains and losses		
<b>Equity and other variable-income securities</b>	<b>191 686</b>	<b>121 051</b>
Dividend income	194 729	174 617
Impairment provisions	-3 034	-51 001
Net disposal gains	-9	-2 565
<b>TOTAL</b>	<b>191 686</b>	<b>121 051</b>

(In thousand MAD)

### 2.5. NET INCOME FROM OTHER ACTIVITIES

	juin-15			juin-14		
	Income	Expense	Net	Income	Expense	Net
Net income from insurance activities			0			0
Net income from investment property	-28	0	-28	0	0	0
Net income from assets held under operating leases	138 981	51 701	87 280	135 312	49 095	86 217
Net income from property development activities	0	0	0	0	0	0
Other banking income & expenses	210 993	111 631	99 362	116 570	128 988	-12 418
Other operating income	100 985	28 714	72 271	161 445	30 162	131 283
<b>Total net income from other activities</b>	<b>450 931</b>	<b>192 046</b>	<b>258 885</b>	<b>413 327</b>	<b>208 245</b>	<b>205 082</b>

(In thousand MAD)



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## 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

	juin-15	juin-14
<b>Impairment provisions</b>	<b>-1 466 714</b>	<b>-1 239 385</b>
Impairment provisions on loans and advances	-1 425 503	-1 214 129
Impairment provisions on held to maturity financial assets (excluding interest rate risks)		
Provisions on off balance sheet commitments	0	-763
Other provisions for contingencies and charges	-41 211	-24 493
<b>Write back of provisions</b>	<b>723 656</b>	<b>523 358</b>
Write back of impairment provisions on loans and advances	702 282	489 952
Write back of impairment provisions on held to maturity financial assets (excluding interest rate risks)		
Write back of provisions on off balance sheet commitments	0	329
Write back of other provisions for contingencies and charges	21 374	33 077
<b>Changes in provisions</b>	<b>-63 718</b>	<b>-338 707</b>
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	-94 983	-353 661
Discount on restructured products		
Recoveries on amortized loans and advances	31 265	14 954
Losses on off balance sheet commitments		
Other losses		
<b>COST OF RISK</b>	<b>-806 776</b>	<b>-1 054 734</b>

(In thousand MAD)

## 2.7. NET GAINS ON OTHER ASSETS

	juin-15	juin-14
PP&E and intangible assets used in operations	0	0
Capital gains on disposals		
Capital losses on disposals		
Equity interests		0
Capital gains on disposals	0	0
Capital losses on disposals	0	0
Others	-2 601	21 820
<b>Net Gain/Loss on Other Assets</b>	<b>-2 601</b>	<b>21 820</b>

(In thousand MAD)



## 2.8 - INCOME TAX

### 2.8.1 - CURRENT AND DEFERRED TAX

	juin-15	déc-14
Current tax	268 821	199 008
Deferred tax	385 660	445 733
<b>Current and deferred tax assets</b>	<b>654 481</b>	<b>644 741</b>
Current tax	356 706	55 341
Deferred tax	1 064 839	1 099 810
<b>Current and deferred tax liabilities</b>	<b>1 421 545</b>	<b>1 155 151</b>

(In thousand MAD)

### 2.8.2 - NET INCOME TAX EXPENSE

	juin-15	juin-14
Current tax expense	-450 072	-443 301
Net deferred tax expense	-34 450	40 249
<b>Net Corporate income tax expense</b>	<b>-484 522</b>	<b>-403 052</b>

(In thousand MAD)

### 2.8.3 - EFFECTIVE TAX RATE

	juin-15	juin-14
Net income	1 425 003	1 229 445
Net corporate income tax expense	-484 522	-403 052
<b>Average effective tax rate</b>	<b>-34,0%</b>	<b>-32,8%</b>

(In thousand MAD)

### Analysis of effective tax rate

	juin-15	juin-14
Standard tax rate	37,0%	37,0%
Differential in tax rates applicable to foreign entities		
Reduced tax rate		
Permanent differences		
Change in tax rate		
Deficit carry over		
Other items	-3,0%	-4,2%
<b>Average effective tax rate</b>	<b>34,0%</b>	<b>32,8%</b>

(In thousand MAD)



Kasbah Ait Hammou Ou Said, réhabilitée et transformée en école Madersat.com par la Fondation BMCE BANK

### 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 (Maghrébil), factoring (Maroc Factoring), recovery (RM Experts) and credit insurance (Acmar);
- International activities: includes BMCE International Holding, Bank Of Africa, La Congolaise de Banque, BMCE EuroServices and Banque de Développement du Mali .

#### 3.1. INCOME BY BUSINESS ACTIVITY

	june-15					
	ACTIVITY IN MOROCCO	ASSET MANAGEMENT	SPECIALISED FINANCIAL SERVICES	OTHERS	INTERNATIONAL ACTIVITIES	TOTAL
Net interest Income	1 788 698	17 799	390 491	-8 320	1 929 158	4 117 826
Net Fee income	449 294	67 742	7 822	0	476 309	1 001 167
<b>Net Banking Income</b>	<b>2 578 500</b>	<b>155 087</b>	<b>402 776</b>	<b>79 231</b>	<b>2 707 911</b>	<b>5 923 505</b>
General Operating Expenses & allowances for depreciation and amortization	-1 345 583	-116 584	-106 806	-43 139	-1 649 487	(3 261 599)
<b>Operating Income</b>	<b>1 232 917</b>	<b>38 503</b>	<b>295 970</b>	<b>36 092</b>	<b>1 058 424</b>	<b>2 661 906</b>
Corporate income tax	-226 360	-26 934	-73 354	-8 342	-149 532	( 484 522)
<b>Net Earnings Group Share</b>	<b>509 438</b>	<b>61 370</b>	<b>86 973</b>	<b>26 230</b>	<b>380 470</b>	<b>1 064 481</b>

(In thousand MAD)

	june-14					
	ACTIVITY IN MOROCCO	ASSET MANAGEMENT	SPECIALISED FINANCIAL SERVICES	OTHERS	INTERNATIONAL ACTIVITIES	TOTAL
Net interest Income	1 565 688	4 864	345 674	-8 671	1 761 921	3 669 476
Net Fee income	386 889	60 387	6 775	0	458 820	912 871
<b>Net Banking Income</b>	<b>2 573 645</b>	<b>110 525</b>	<b>358 811</b>	<b>78 106</b>	<b>2 476 994</b>	<b>5 598 081</b>
General Operating Expenses & allowances for depreciation and amortization	-1 294 304	-90 288	-84 545	-39 273	-1 462 124	(2 970 534)
<b>Operating Income</b>	<b>1 279 342</b>	<b>20 237</b>	<b>274 266</b>	<b>38 833</b>	<b>1 014 869</b>	<b>2 627 547</b>
Corporate income tax	-224 416	-19 172	-68 387	-7 047	-84 030	( 403 052)
<b>Net Earnings Group Share</b>	<b>436 390</b>	<b>38 056</b>	<b>82 622</b>	<b>24 355</b>	<b>320 168</b>	<b>901 591</b>

(In thousand MAD)

#### 3.2. ASSETS AND LIABILITIES BY BUSINESS ACTIVITY

	june-15					
	ACTIVITY IN MOROCCO	ASSET MANAGEMENT	SPECIALISED FINANCIAL SERVICES	OTHERS	INTERNATIONAL ACTIVITIES	TOTAL
<b>TOTAL ASSETS</b>	<b>176 770 321</b>	<b>706 674</b>	<b>7 151 140</b>	<b>270 574</b>	<b>75 598 667</b>	<b>260 497 376</b>
<b>ASSETS ITEMS</b>						
Available for sale assets	1 736 315	130 205	17 265	21 026	3 510 549	5 415 360
Customer loans	106 236 180	149	14 511 929	0	41 319 976	162 068 234
Held to maturity assets	25 632 582	118 244	207	0	428 793	26 179 826
<b>LIABILITIES &amp; SHAREHOLDERS EQUITY ITEMS</b>	<b>4 375 300</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>17 549 699</b>	<b>21 924 999</b>
Customer deposits	117 349 326	0	1 075 735	0	52 605 730	171 030 791
Shareholders equity	14 731 134	243 133	1 288 765	( 63 965)	4 571 862	20 770 929

(In thousand MAD)



	déc-14					TOTAL
	ACTIVITY IN MOROCCO	ASSET MANAGEMENT	SPECIALISED FINANCIAL SERVICES	OTHERS	INTERNATIONAL ACTIVITIES	
<b>TOTAL ASSETS</b>	164 934 033	763 527	8 090 081	178 767	73 276 669	247 243 077
<b>ASSETS ITEMS</b>						
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
<b>LIABILITIES &amp; SHAREHOLDERS EQUITY ITEMS</b>	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)

### 3.3. BREAKDOWN OF LOANS AND RECEIVABLES

#### Breakdown of loans and receivables to credit institutions by geographical region

	june-15			dec-14		
	Performing loans	NPL(*)	Provisions	Performing loans	NPLS	Provisions
Morocco	12 703 251	58 669	58 669	10 437 608	58 669	58 669
Europe	2 754 566	0	0	2 371 474	.	.
Subsaharian Africa	3 585 525	45 368	7 983	3 243 617	29 595	9 684
<b>Total</b>	<b>19 043 342</b>	<b>104 037</b>	<b>66 652</b>	<b>16 052 699</b>	<b>88 264</b>	<b>68 353</b>
Allocated debts						
Provisions						
<b>Net Value</b>	<b>19 043 342</b>	<b>104 037</b>	<b>66 652</b>	<b>16 052 699</b>	<b>88 264</b>	<b>68 353</b>

(In thousand MAD)

#### Breakdown of loans and receivables to customers by geographical region

	june-15			dec-14		
	Performing loans	NPL(*)	Provisions	Performing loans	NPLS	Provisions
Morocco	118 460 183	7 778 336	5 490 261	112 108 604	7 238 376	5 109 489
Europe	3 321 815	109 299	75 337	3 323 611	173 250	117 524
Subsaharian Africa	36 541 915	3 166 469	1 744 185	36 226 993	2 959 669	1 650 547
<b>Total</b>	<b>158 323 913</b>	<b>11 054 104</b>	<b>7 309 783</b>	<b>151 659 208</b>	<b>10 371 295</b>	<b>6 877 560</b>
Allocated debts						
Provisions						
<b>Net Value</b>	<b>158 323 913</b>	<b>11 054 104</b>	<b>7 309 783</b>	<b>151 659 208</b>	<b>10 371 295</b>	<b>6 877 560</b>

(In thousand MAD)

(\*) NPL : Non Performing Loans



#### IV. NOTES TO THE BALANCE SHEET AS OF 30 JUNE 2014

##### 4.1. 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.

	june-15			dec-14		
	Trading book	Assets designated at fair value through profit or loss	Total	Trading book	Assets designated at fair value through profit or loss	Total
<b>FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>						
Negotiable certificates of deposits	5 231 607	0	5 231 607	4 014 284	0	4 014 284
Treasury bills and other eligible for central bank refinancing	5 123 556		5 123 556	2 789 392		2 789 392
Other negotiable certificates of deposits	108 051		108 051	1 224 892		1 224 892
Bonds	1 398 317		1 398 317	2 295 130	0	2 295 130
Government bonds	522 410		522 410	565 681		565 681
Other bonds	875 907		875 907	1 729 449		1 729 449
Equities and other variable income securities	19 533 465	0	19 533 465	22 319 502	0	22 319 502
Repurchase agreements			0	0	0	0
Loans	0	0	0	0	0	0
To credit institutions						
To corporate customers						
To private individual customers						
Trading Book Derivatives	16 437	0	16 437	-19 126	0	-19 126
Currency derivatives	15 860		15 860	-19 703		-19 703
Interest rate derivatives	577		577	577		577
Equity derivatives						
Credit derivatives						
Other derivatives						
<b>TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>	<b>26 179 826</b>	<b>0</b>	<b>26 179 826</b>	<b>28 609 790</b>	<b>0</b>	<b>28 609 790</b>
Of which loaned securities						
Excluding equities and other variable-income securities						
<b>FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>						
Borrowed securities and short selling						
Repurchase agreements						
Borrowings	0	2 915 162	2 915 162	0	2 696 353	2 696 353
Credit institutions		2 915 162	2 915 162		2 696 353	2 696 353
Corporate customers						
Debt securities						
Trading Book Derivatives	87 316	0	87 316	49 295	0	49 295
Currency derivatives	87 316		87 316	49 295		49 295
Interest rate derivatives			0			0
Equity derivatives			0			0
Credit derivatives						
Other derivatives						
<b>TOTAL FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>	<b>87 316</b>	<b>2 915 162</b>	<b>3 002 478</b>	<b>49 295</b>	<b>2 696 353</b>	<b>2 745 648</b>

(In thousand MAD)



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## 4.2. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

- Loans and receivables;
- Held-to-maturity financial assets;
- Financial assets at fair value through profit or loss.

	June-15	Dec-14
Negotiable certificates of deposit	0	0
Treasury bills and other bills eligible for central bank refinancing		
Other negotiable certificates of deposit		
Bonds	3 076 409	2 737 896
Government bonds	1 912 343	1 957 528
Other bonds	1 164 067	780 368
Equities and other variable-income securities	2 743 441	2 561 896
Of which listed securities	323 743	325 463
Of which unlisted securities	2 419 699	2 236 433
<b>Total available-for-sale financial assets, before impairment provisions</b>	<b>5 819 850</b>	<b>5 299 792</b>
Of which unrealized gains and losses	-404 491	-408 365
Of which fixed-income securities		
Of which loaned securities	-404 491	-408 365
<b>Total available-for-sale financial assets, net of impairment provisions</b>	<b>5 415 360</b>	<b>4 891 427</b>
Of which fixed-income securities, net of impairment provisions		

(In thousand MAD)

## 4.3. INTERBANK TRANSACTIONS, RECEIVABLES AND AMOUNTS DUE FROM CREDIT INSTITUTIONS

### Loans and receivables due from credit institutions

	June-15	Dec-14
Demand accounts	4 903 559	3 923 290
Loans	12 641 706	12 169 796
Repurchase agreements	1 602 115	47 877
<b>Total loans and receivables due from credit institutions, before impairment provisions</b>	<b>19 147 380</b>	<b>16 140 963</b>
Provisions for impairment of loans and receivables due from credit institutions	66 653	68 353
<b>Total loans and receivables due from credit institutions, net of impairment provisions</b>	<b>19 080 727</b>	<b>16 072 610</b>

(In thousand MAD)

### Amounts due to credit institutions

	June-15	Dec-14
Demand accounts	2 289 700	2 254 051
Borrowings	26 567 164	26 604 762
Repurchase agreements	6 529 120	4 284 165
<b>Total Due to Credit Institutions</b>	<b>35 385 984</b>	<b>33 142 978</b>

(In thousand MAD)





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#### 4.4. LOANS, RECEIVABLES AND AMOUNTS DUE FROM CUSTOMERS

##### Loans and receivables due from customers

	June-15	Dec-14
Demand accounts	23 962 394	24 271 477
Loans to customers	119 910 365	116 381 173
Repurchase agreements	13 420 288	9 467 823
Finance leases	12 084 970	11 910 030
<b>Total loans and receivables due from customers, before impairment provisions</b>	<b>169 431 920</b>	<b>162 030 503</b>
Impairment of loans and receivables due from customers	-7 309 783	-6 877 560
<b>Total loans and receivables due from customers, net of impairment provisions</b>	<b>162 068 234</b>	<b>155 152 943</b>

(In thousand MAD)

##### Breakdown of amounts due from customers by business activity

	June-15	Dec-14
Activity in Morocco	106 236 180	99 346 209
Specialized Financial Services	14 511 929	14 867 010
International Activities	41 319 976	40 939 545
Asset Management	149	179
Other Activities	0	0
<b>Total</b>	<b>162 068 234</b>	<b>155 152 943</b>
Allocated Debts		
<b>Value at Balance sheet</b>	<b>162 068 234</b>	<b>155 152 943</b>

(In thousand MAD)

##### Breakdown of amounts due from customers by geographical region

	June-15	Dec-14
Morocco	120 748 258	114 213 398
Sub saharan Africa	37 964 199	37 560 208
Europe	3 355 776	3 379 337
<b>Total</b>	<b>162 068 234</b>	<b>155 152 943</b>
Allocated Debts		
<b>Value at Balance sheet</b>	<b>162 068 234</b>	<b>155 152 943</b>

(In thousand MAD)

##### Amounts due to customers

	June-15	Dec-14
On demand deposits	92 828 928	89 254 191
Term accounts	39 312 187	35 948 532
Savings accounts	20 401 715	19 993 183
Cash certificates	5 513 190	4 488 643
Repurchase agreements	3 708 204	3 246 264
Other items	9 266 567	8 338 063
<b>TOTAL LOANS AND RECEIVABLES DUE TO CUSTOMERS</b>	<b>171 030 791</b>	<b>161 268 876</b>

(In thousand MAD)

##### Breakdown of amounts due to customers by business activity

	June-15	Dec-14
Activity in Morocco	117 349 326	109 986 007
Specialized Financial Services	1 075 735	1 225 018
International Activities	52 605 730	50 057 851
Asset Management	0	0
Other Activities	0	0
<b>Total</b>	<b>171 030 791</b>	<b>161 268 876</b>
Allocated Debts		
<b>Value at Balance sheet</b>	<b>171 030 791</b>	<b>161 268 876</b>

(In thousand MAD)



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#### Breakdown of amounts due to customers by geographical region

	June-15	Dec-14
Morocco	118 425 061	111 211 025
Sub saharan Africa	51 236 686	48 544 736
Europe	1 369 044	1 513 115
<b>Total</b>	<b>171 030 791</b>	<b>161 268 876</b>
Allocated Debts		
<b>Value at Balance sheet</b>	<b>171 030 791</b>	<b>161 268 876</b>

(In thousand MAD)

#### 4.5. DEBT SECURITIES, SUBORDINATED DEBT AND SPECIAL GUARANTEE FUNDS

	June-15	Dec-14
Other debt securities	12 547 061	13 170 353
Negotiable certificates of deposit	12 547 061	13 170 353
Bond issues		
Subordinated debts	8 394 338	6 568 309
Subordinated debt	8 394 338	6 568 309
Redeemable subordinated debt	6 394 338	4 568 309
Undated subordinated debt	2 000 000	2 000 000
Subordinated Notes	0	0
Redeemable subordinated notes		
Undated subordinated notes	0	.
Public Funds and special guarantee funds	219 290	226 995
<b>Total</b>	<b>21 160 689</b>	<b>19 965 657</b>

(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.

#### 4.6. HELD-UNTIL-MATURITY FINANCIAL ASSETS

	June-15	Dec-14
<b>Negotiable certificates of deposit</b>	<b>5 946 681</b>	<b>5 977 747</b>
Treasury bills and other bills eligible for central bank refinancing	5 946 681	5 977 747
Other negotiable certificates of deposit		
<b>Bonds</b>	<b>15 978 318</b>	<b>12 175 590</b>
Government bonds	10 900 515	8 666 272
Other bonds	5 077 803	3 509 319
<b>Total held-to-maturity financial assets</b>	<b>21 924 999</b>	<b>18 153 337</b>

(In thousand MAD)

#### 4.7. CURRENT AND DEFERRED TAXES

	June-15	Dec-14
Current taxes	268 821	199 008
Deferred taxes	385 660	445 733
<b>Current and deferred tax assets</b>	<b>654 481</b>	<b>644 741</b>
Current taxes	356 706	55 341
Deferred taxes	1 064 839	1 099 810
<b>Current and deferred tax liabilities</b>	<b>1 421 545</b>	<b>1 155 151</b>

(In thousand MAD)



#### 4.8. ACCRUED INCOME AND EXPENSES, OTHER ASSETS AND LIABILITIES

	June-15	Dec-14
Guarantee deposits and bank guarantees paid	145 829	117 027
Settlement accounts related to securities transactions	7 473	46 853
Collection accounts	413 287	426 519
Reinsurers' share of technical reserves		
Accrued income and prepaid expenses	891 049	388 464
Other debtors and miscellaneous assets	3 473 392	3 532 614
Inter-related Accounts	116 359	467 374
<b>TOTAL ACCRUED INCOME AND OTHER ASSETS</b>	<b>5 047 389</b>	<b>4 978 851</b>
Guarantee deposits received	19 201	29 033
Settlement accounts related to securities transactions	47 485	2 017 148
Collection accounts	2 032 807	1 209 401
Accrued expenses and deferred income	613 279	621 937
Other creditors and miscellaneous assets	4 473 257	3 759 050
<b>TOTAL ACCRUED EXPENSES AND OTHER LIABILITIES</b>	<b>7 186 029</b>	<b>7 636 569</b>

(In thousand MAD)

#### 4.9. INVESTMENTS IN COMPANIES ACCOUNTED FOR UNDER THE EQUITY METHOD

	June-15	Dec-14
Euler Hermes Acmar	22 285	19 577
Banque de Développement du Mali	309 329	275 226
Eurafric Information	-9 200	-7 954
Société Conseil Ingénierie et Développement	139 174	150 475
Investments in equity methods companies belonging to subsidiaries	82 216	76 442
<b>Investments in associates</b>	<b>543 804</b>	<b>513 766</b>

(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	515 004	50 528	12 483	2 497
Banque de Développement du Mali	8 138 073	228 962	138 179	44 392
Eurafric Information	209 419	82 674	-908	-1 165
Société Conseil Ingénierie et Développement	662 588	105 275	21 820	8 478

(In thousand MAD)



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

	june-15			dec-14		
	Gross Value	Accumulated depreciation amortization and impairment	Carrying Amount	Gross Value	Accumulated depreciation amortization and impairment	Carrying Amount
PP&E	10 757 187	4 788 855	5 968 332	10 437 505	4 590 430	5 847 075
Land and buildings	941 359	476 962	464 397	2 036 095	454 328	1 581 767
Equipment, furniture and fixtures	3 909 687	1 908 969	2 000 718	3 871 866	1 687 683	2 155 139
Plant and equipment leased as lessor under operating leases	0	0	0	0	0	0
Other PP&E	5 906 141	2 402 924	3 503 217	4 529 544	2 448 419	2 081 475
Intangible Assets	1 789 023	1 063 347	725 676	1 711 352	967 079	744 273
Purchased software	1 080 130	638 224	441 906	1 045 026	563 703	514 944
Internally-developed software	0	0	0	0	0	0
Other intangible assets	708 893	425 123	283 770	666 326	403 376	255 577
Investment Property	2 055 941	77 955	1 977 986	941 187	106 140	835 047

(In thousand MAD)

#### 4.11. GOODWILL

The following table provides a breakdown of goodwill

	june-15	dec-14
Gross value at start of period	832 470	832 470
Accumulated impairment at start of period		
Carrying amount at start of period	832 470	832 470
Acquisitions		
Cessions		
Impairment losses recognized during the period		
Translation adjustments		
Subsidiaries previously accounted for by the equity method		
Other movements		0
Gross value at end of period	832 470	832 470
Accumulated impairment at end of period		
<b>Carrying amount at end of period</b>	<b>832 470</b>	<b>832 470</b>

(In thousand MAD)



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The following table provides a breakdown of goodwill:

	June 2015 book Value	Dec 2014 book Value
Maghrébaïl	10 617	10 617
Banque de Développement du Mali	3 588	3 588
Salafin	5 174	5 174
Maroc Factoring	1 703	1 703
BMCE Capital Bourse	2 618	2 618
BMCE International (Madrid)	3 354	3 354
Bank Of Africa	692 136	692 136
Locasom	98 725	98 725
Hanouty	0	0
CID	14 555	14 555
<b>TOTAL</b>	<b>832 470</b>	<b>832 470</b>

#### 4.12. PROVISIONS FOR CONTINGENCIES AND CHARGES

	June-15	Dec-14
Total provisions at start of period	523 011	456 573
Additions to provisions	74 274	129 384
Reversals of provisions	-44 512	-45 024
Effect of movements in exchange rates and other movements	-12 738	-12 682
<b>Gross value at end of period</b>	<b>-1 104</b>	<b>-5 240</b>
Total provisions at end of period	538 931	523 011

#### V / FINANCING AND GUARANTEE COMMITMENTS

##### 5.1. FINANCING COMMITMENTS

	June-15	Dec-14
Financing commitments given	12 258 225	10 122 682
- To credit institutions	1 352 642	1 257 036
- To customers:	10 905 583	8 865 646
Confirmed letters of credit		
Other commitments given to customers		
<b>Financing commitments received</b>	<b>2 560 517</b>	<b>2 347 719</b>
From credit institutions	2 560 517	2 347 719
From customers	-	-

##### 5.2. GUARANTEE COMMITMENTS

	June-15	Dec-14
Guarantee commitments given	25 270 365	21 930 665
To credit institutions	6 918 449	5 885 648
To customers:	18 351 916	16 045 017
Sureties provided to tax and other authorities, other sureties		
Other guarantees		
<b>Guarantee commitments received</b>	<b>65 456 631</b>	<b>52 736 107</b>
From credit institutions	64 452 090	51 735 698
From the State and guarantee institutions	1 004 541	1 000 409

#### 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

	June-15	Dec-14
Retirement allowances and equivalents	237 376	230 928
Special seniority premiums allowances		
Other		
<b>TOTAL</b>	<b>237 376</b>	<b>230 928</b>

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

	June-15	Dec-14
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

	June-15	June-14
Normal cost	8 737	16 644
Interest cost	6 238	11 689
Expected returns of funds		
Amortization of actuarial gains/ losses		
Amortization of net gains/ losses		
Additional allowances	14 975	28 334
Other		
Net cost of the period		



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#### 6.2.4. Changes in the provision recognised on the balance sheet

	June-15	June-14
Actuarial liability, beginning of the period	230 928	218 134
Normal cost	8 737	16 644
Interest cost	6 238	11 689
Experience gains/ losses	-	-
Other actuarial gains/ losses		
Depreciation of net gains/losses		
Paid benefits	-8 527	-15 539
Additional benefits		
Other		
Actuarial liability, end of the period	237 376	230 928

### 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 2012	179 463 390	10	1 794 633 900
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
Number of shares outstanding at 31 June 2015	179 463 390	10	1 794 633 900

##### 7.1.2. Earnings per share

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

	June-15	June-14
SHARE CAPITAL (IN MAD)	1 794 633 900	1 794 633 900
Number of common shares outstanding during the year	179 463 390	179 463 390
NET INCOME ATTRIBUTABLE TO THE SHAREHOLDER'S OF THE PARENT (IN MAD)	1 064 480 875	901 591 490
BASIC EARNINGS PER SHARE (IN MAD)	5,9	5,0
DILUTED EARNING PER SHARE (INMAD)	5,9	5,0

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

#### 7.2. SCOPE OF CONSOLIDATION

Company	Activity	% of voting interests	% of ownership interests	Method
BMCE BANK	Banking			Mère
BMCE CAPITAL	Investment Banking	100,00%	100,00%	I.G.
BMCE CAPITAL GESTION	Asset Management	100,00%	100,00%	I.G.
BMCE CAPITAL BOURSE	Financial Intermediation	100,00%	100,00%	I.G.
MAROC FACTORING	Factoring	100,00%	100,00%	I.G.
MAGHREBAIL	Leasing	52,47%	52,47%	I.G.
SALAFIN	Consumer Loans	74,76%	74,76%	I.G.
BMCE EUROSERVICES	Financial institution	100,00%	100,00%	I.G.
LA CONGOLAISE DE BANQUE	Banking	25,00%	25,00%	I.G.
BMCE BANK INTERNATIONAL HOLDING	Banking	100,00%	100,00%	I.G.
BANK OF AFRICA	Banking	73,68%	73,68%	I.G.
LOCASOM	Car Rental	100,00%	97,30%	I.G.
RM EXPERTS	Recovery	100,00%	100,00%	I.G.
BANQUE DE DEVELOPPEMENT DU MALI	Banking	32,38%	32,38%	M E E
EULER HERMES ACMAR	Insurance	20,00%	20,00%	M E E
EURAFRIC INFORMATION	Information Technology Services	41,00%	41,00%	M E E
CONSEIL INGENIERIE ET DEVELOPPEMENT	Study Office	38,90%	38,90%	M E E



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### 7.3. 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

	Consolidated entities under the proportionale method	Consolidated entities under the equity method	Fully consolidated entities
<b>Assets</b>			
Loans, advances and securities	-	-	12 933 743
Demand accounts			10 696 146
Loans			259 632
Securities			1 977 965
Finance Leases			
Other Assets			6 908
<b>Total</b>	-	-	<b>12 940 651</b>
<b>Liabilities</b>			
Deposits	-	57 786	10 753 783
Demand accounts		57 786	10 529 961
Other borrowings			223 822
Debt securities			2 179 578
Other liabilities			7 290
<b>Total</b>	-	<b>57 786</b>	<b>12 940 651</b>
Financing Commitments & Guarantee Commitments			
Financing commitments given			1 289 864
Guarantee commitments given			1 289 864

#### Related-party income statement items

	Consolidated entities under the proportionale method	Consolidated entities under the equity method	Fully consolidated entities
Interest income		-3 779	-200 541
Interest expense			241 076
Commission income			-145 558
Commission expense			16 531
Services provided			
Services received			
Lease income			-73 926
Other			162 417

## VIII / NOTE CONCERNING RISKS

### 8.1. RISK MANAGEMENT POLICY

#### 8.1.1. Risk categories

##### 8.1.1.1. Credit risk

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

##### 8.1.1.2. Market risk

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

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

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

##### 8.1.1.3. Global liquidity and interest rate risk

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

##### 8.1.1.4. Operational risk

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

##### 8.1.1.5. Other risks

#### Equity investment risk

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

#### Country risk

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

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



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## 8.1.2. Group Coordination and Risk management

### 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 and Coordination Division

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

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

The Group Risk and Coordination Division consists of four entities :

- The Risk Management Division (Morocco) monitors the credit, market and operational risks incurred by BMCE Bank and all its subsidiaries in Morocco ;
- The Analysis and Monitoring of Commitments Division analyses criteria for approving credit lines to BMCE Bank customers ;
- The primary task of the Risk Management Division (International) is to implement risk control policy and to ensure risk supervision and monitoring at subsidiary level.
- The Group Coordination Division : Management of projects of BMCE Group's activities.



### 8.1.2.2. Governance bodies

#### 8.1.2.2.1. Group Risk Committee

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

The Committee assists the Board in strategy and risk management, in particular ensuring that the overall risk management strategy is tailored to the risk profile of the bank and the Group, the degree of risk aversion, with its systemic importance to its size and its financial base.

#### 8.1.2.2.2. Audit and Internal Control Committee

The Audit and Internal Control Committee (AICC) is a governance body

within the Bank, reporting directly to the Board of Directors. Its task is to ensure a third level of control of the Bank's various units by:

- Assessing whether the accounting policies adopted by the Bank are relevant and sustainable;
- Ensuring that internal procedures exist, are suitable and are applied and controlling policies for measuring, controlling and monitoring banking risk and prudential ratios;
- Examining the parent company's and consolidated financial statements before submitting them to the Board of Directors, while monitoring the quality of the information provided to shareholders.

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

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

#### 8.1.2.2.3. 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.

#### 8.1.2.2.4. General Management Committee

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

#### 8.1.2.2.5. Credit Committees

##### Senior Credit Committee

This committee is chaired by the Bank's Chairman and Chief Executive Officer with the Deputy Group Executive Managing Director 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.

#### 8.1.2.2.6. Downgrading Committee

As part of the portfolio monitoring process, the Downgrading Committee (full-





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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.

### 8.1.2.2.7. Group Risk Committee

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

- Ensures implementation of the credit, market and operational risk management policy at BMCE Bank Group level ;
- Validates any inherent change in the steering of credit, market and operational risk management implemented by the Group's various entities;
- Is aware of any changes to the various indicators for measuring credit, market and operational risks;
- Is aware of any key events since the last committee meeting, particularly:
  - Results of work relating to monitoring at a regulatory level or in terms of methodology;
  - Work carried out in connection with cross-disciplinary projects relating to organisational or IT issues inherent in steering risk.

## 8.2. CREDIT RISK

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

### 8.2.1. Credit decision cycle

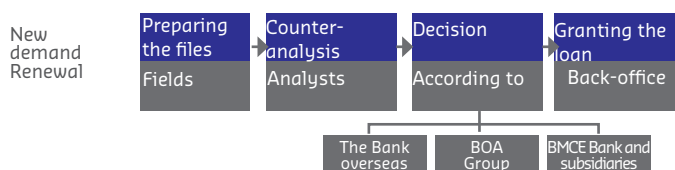
#### 8.2.1.1. General principles

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

- All credit requests adhere to the same approval process which ensures that the Troika principle is respected (minimum requirement). Therefore, at least 3 people, one of which is from the Risk Division, should approve all credit requests except for some predefined specific cases;
- The decision, jointly taken by the Risk and Commercial Divisions – which includes at least one preliminary counterfactual analysis – applies to the applications assigned to the local decision committees as well as to the central decision committees. This involves a multi-level pyramid structure, where the higher level acts as an arbitrator in the event that consensus is not reached;
- The Risk Division can use the escalation procedure (n+1) if there is a disagreement with the Commercial Division.

#### 8.2.1.2. Credit approval process

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



- The Commercial Division in charge of customer relations is responsible for preparing the credit application;
- Counterfactual analysis of the credit application is performed by credit analysts from the entity's Risk Division;
- The decision is jointly taken by the Risk and Commercial Divisions, based on their respective levels of delegation;
- The loan is actually implemented by the back-office, which is a unit independent from the Risk and Commercial Divisions.

#### 8.2.1.3. Decision-making process

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

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

#### 8.2.1.4. Delegation

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

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

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

#### 8.2.1.5. Approval rules

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

The present delegation system defines the following decision levels:

- At local branch level;
- At "hub" level (BOA Group and Europe);
- At central BMCE Bank level.

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

#### 8.2.1.6. Credit application contents

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



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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

Concerning the internal rating project, the implementation of the internal rating FACT was generalized. Trainings were provided for all collaborators of the commercial network.

This project concerns the scope of consolidation of the Group (including local subsidiaries) in order to operationally integrate the internal rating in the business activities of the bank and its subsidiaries (eg: using rating for the delegation system, pricing, marketing and sales approaches) to easily make decisions on credit granting.

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

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

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

#### 8.3.1. Rating objective

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

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

- 1) All BMCE Bank Group counterparties and transactions should have a single internal rating within the BMCE Bank Group;
- 2) The rating is attributed based on a validation process involving "rating officers" (at operational level) and "reviewers/approvers" (within entities not involved in the credit approval process);

- 3) The Group Risk Management Division provides final approval for calculated ratings;

- 4) Ratings should be approved prior to being entered in the MIS and should be used thereafter;

- 5) A rating is attributed to each counterparty when approval is required for any new transaction. It is revised whenever justified by an increase in risk and reviewed at the application's renewal date and at least once a year.

#### 8.3.2. Key rating rules

##### 8.3.2.1. Rating's uniqueness

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

##### 8.3.2.2. Rating's integrity

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

From this perspective, BMCE Bank has an efficient process for acquiring and updating relevant and significant information concerning the borrower's financial situation.

##### 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: Risk Management in Morocco (RMM) and Project Management and Technological Synergies Division (PMTSD).

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



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### 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
Institutional	Local government authorities
	BMD
	International financial institutions
	Credit and similar institutions
Corporates	Insurance companies
	Financial companies
	Large companies
	SMEs
	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	<ul style="list-style-type: none"> <li>· The intrinsic rating measures a counterparty’s ability to fulfil its financial commitments without requiring any, support or specific constraint</li> <li>· This rating is determined by taking into account only a certain number of criteria specific to the counterparty: <ul style="list-style-type: none"> <li>o <u>Financial</u> information from the latest balance sheet and income statement provided to the bank or officially available</li> <li>o <u>Qualitative</u> information (management, competitiveness)</li> <li>o <u>Behavioural</u> information (for very small enterprises)</li> </ul> </li> </ul>
Rating including supporting information	<ul style="list-style-type: none"> <li>· Based on the intrinsic rating, this rating takes into account all the important subordinate items</li> <li>· 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)</li> </ul>
Counterparty rating	<ul style="list-style-type: none"> <li>· This rating is determined by taking into account the risk relating to the counterparty’s country of origin</li> </ul>
Debtor rating	<ul style="list-style-type: none"> <li>· 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</li> <li>· This rating is determined after considering information</li> </ul>



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### 8.3.4.2. Rating scale

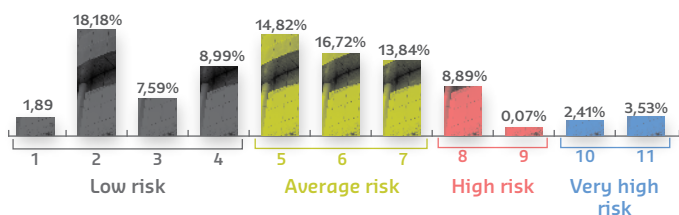
In accordance with the Basel regulations, Bank Al-Maghrib has set a minimum number of categories that a rating model should contain for it to qualify as being able to calculate the Bank's risk-weighted assets (RWA) under the "internal rating" approach. The following are the minimum requirements:

- 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 30 June 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.

### 8.3.5. Scoring of retail customers

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

Two types of score have been developed :

- APPROVAL SCORE: one-off score when the credit line is opened. New and existing customers will be rated using this score.
- BEHAVIOURAL SCORE (Basel II rating model): real-time assessment of risk based on a client's behaviour for an existing account. Only existing customers can be rated using the behavioural score.
- To obtain a FINAL APPROVAL SCORE, the final score will be issued by combining the approval and behavioural scores. New customers will be rated only on the basis of the approval score.

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

This grid has been implemented at the IS during the first half of 2013 with explanatory comments of listing. Granting a credit decision-making system consumption was developed and validated by the bank.

A delegate system is proposed risk-adjusted. The implementation at the loan instruction tool is underway and will be delivered in the first quarter 2014.

A grid score for MLA was modeled and validated during the last half of 2013. The modeling are underway to individual customers holders of a mortgage.

The kick off of the Scoring project for professionals was launched during the second half of 2013 with strong market expectations for the introduction of new processes for granting loans to professionals.

## 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 30 June 2014, exposure to credit risk relates to outstandings of sovereign borrower deposits net of



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depreciation (MAD 24 billion), loans to credit institutions (MAD 14.9 billion), public institutions (MAD 6.7 billion dirhams). Receivables from large enterprises accounted for 31% of total assets, while SMEs and very small enterprises accounted for 43%.

Balance sheet items by gross exposure	
Exposure category	june 2014
Due from sovereign borrowers	23 991
Due from public institutions	6 756
Due from credit institutions	14 916
Due from large companies	54 605
Due from small and medium size enterprises (SME)	39 523
Due from retail customers and very small enterprises	36 369
<b>TOTAL</b>	<b>176 159</b>

Furthermore, off-balance sheet items totalled MAD 37 billion, accounting for 16% of total exposure, of which large enterprises represented the largest part. These commitments are sub-divided into financial commitments and guarantee commitments.

## 8.5. CREDIT RISK CONTROL AND MONITORING PROCEDURE

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

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

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

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

The Risk and Coordination 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 and Coordination Division.

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

#### 8.5.2.1. Portfolio monitoring

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

The Risk and Coordination 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 and Coordination 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 ;



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· Counterparties belonging to the same industry or country.

### 8.5.2.2.1. Individual counterparties

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

The following table shows commitments to the Bank's main debtors as of 30 June 2014 :

	June-15
	% in Total
TOP 10 COMMITMENTS	13,61%
Top 20 COMMITMENTS	19,91%
Top 100 COMMITMENTS	38,47%
Total Group Commitments	61,53%

### 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.

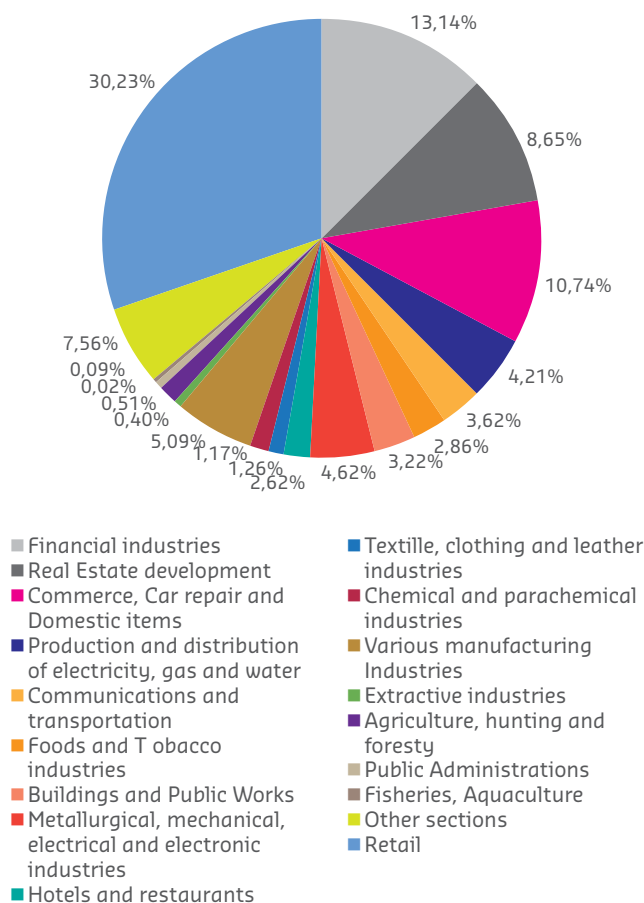
For every rating-industry pair, this top-down approach counts the number of customers that have defaulted in order to calculate the average historical rate of default.

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 it needs to increase its exposure.

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

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

The following table shows the Group's commitments to customers by industry as of June 2014 :



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

### 8.5.2.2.4. Counterparties belonging to the same country

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

Country risk can also result from limits on the free movement of capital



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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 Risk Management Division in Morocco 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 Risk Management Division in Morocco 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.

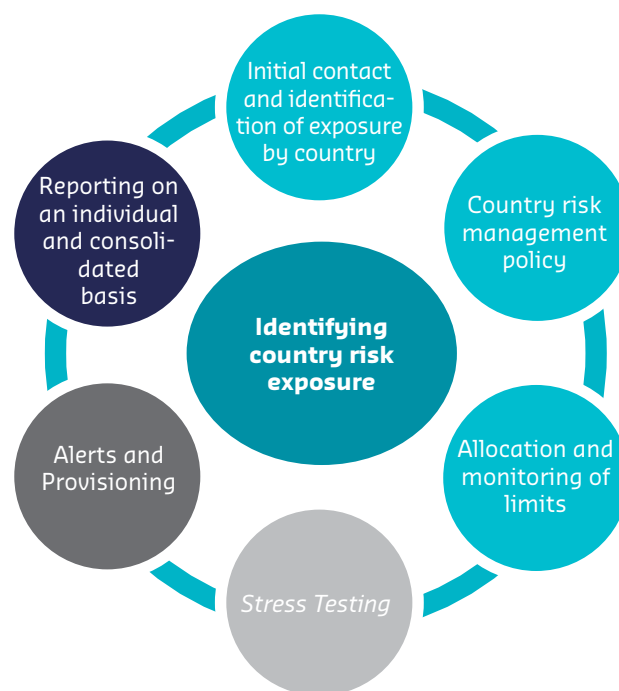
Every year, its Economic Intelligence Centre produces factsheets for the different foreign countries in which the Bank has operations.

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		

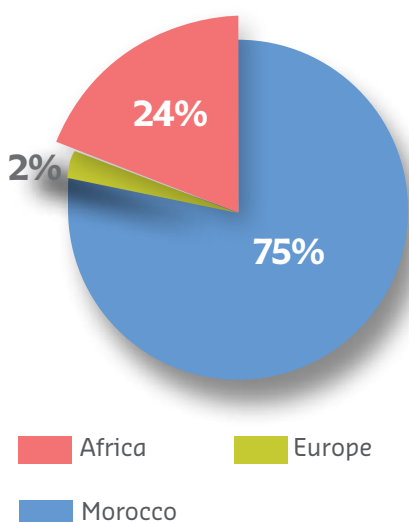
The country risk policy can be illustrated as follows :



The Risk Management Division in Morocco 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 and Cordination policy. The following pie-charts show the Group's overall exposure to customers by major geographical areas as of 30 June 2015 :



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

**8.5.2.3.4. Theme-based checks**

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

**8.5.3. Loan classification**

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

This review is finalised by the committees for monitoring high-risk accounts on the





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

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

In MAD millions	2015					2014				
	Maturities of non provisioned having outstanding unpaid				Impaired Assets (CES)	Maturities of non provisioned having outstanding unpaid				Impaired Assets (CES)
	< 90 days	>90 days < 180 days	>180 days < 1 year	Total		< 90 days	>90 days < 180 days	>180 days < 1 year	Total	
Corporate	1	1	0	2	2 834	214	235	1	450	1 268
Corporate Network	197	87	151	435	1 357	301	0	188	489	2 756
Retail and Professionnels network	1 208	7	1	1 216	2 167	1 395	16	1	1 412	2 024
<b>Total</b>	<b>1 406</b>	<b>95</b>	<b>152</b>	<b>1 653</b>	<b>6 358</b>	<b>1 910</b>	<b>251</b>	<b>189</b>	<b>2 350</b>	<b>6 048</b>

### 8.5.4. Guarantees

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

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

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

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

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

#### Transferable guarantees

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

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

### 8.5.5. Stress testing

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

The stress tests are conducted in order to assess the Bank's resilience

in the face of unexpected, extreme events. Operationally, they consist of simulating scenarios relating to the default of a certain percentage of the Group's counterparties. The ultimate objective is to measure the impact on provisions and, as a result, on profitability and the prudential shareholders' equity.

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

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

### 8.5.6. Credit risk reporting

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

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

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

### 8.5.7. Implementation of the risk control policy at international subsidiaries

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

In 2013, the Bank radically reviewed its risk management process at Group level in order to (i) Strengthen the Group's executive governance by implementing risk management and control procedures as well as internal control at all subsidiaries; (ii) Support its international growth strategy as outlined in its latest three-year development plan.

The Bank also established the International Risk Division and hired a consulting firm to oversee implementation of internal control and risk



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management procedures for the entire Group. This project has resulted in the drawing up and validation, among other things, of the Group's Internal Control Charter and the Group Risk Division's responsibility charter.

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

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

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

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

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

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

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

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

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

In this regard, each of the Bank's entities will have its own budget and

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

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

#### Liquidity Risk

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

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

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

The following two major sources may generate liquidity risk :

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

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

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

- The liquidity ratio must be greater than 100% (as defined by the Central Bank). This indicator helps to measure the one-month asset coverage ratio.

The liquidity ratio stood at 139% as of 30 June 2015, 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.

#### 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



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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.

As of 30 June 2015, the impact of a 200 basis point change in interest rates on net banking income was estimated to +248 MDH. The change in the economic value of equity in the event of a 200 basis point shock was estimated to be MAD 404 million or 2.6% 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 :

<b>Foreign Exchange Instruments</b>	Cash instruments
	Spot Foreign Exchange
	Forward Foreign Exchange
	Foreign exchange Derivatives
	Foreign exchange Swaps
<b>Equity Instruments</b>	Equity shares
	Derivatives on equity or and Indices
	Mutual funds on equities
<b>Fixed income Instruments</b>	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	
<b>Commodity Products</b>	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.



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### 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 transactions are subject to a priori fixing limits, according to a delegation scheme based on the principle of the Troika.

##### • 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;
- 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

##### • 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<sup>st</sup> scenario: 50 basis point increase in the yield curve on a constant basis. This scenario resulted in an impact of MAD 34 million on income as of June 2014.

2<sup>nd</sup> scenario: 100 basis point increase in the yield curve on a constant basis. This scenario resulted in an impact of MAD 69 million on income as of June 2014.

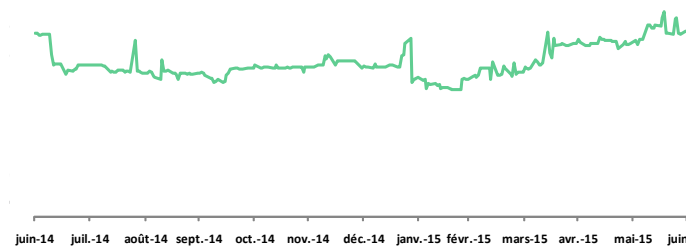
##### b. STRESS TESTS FOR FOREIGN EXCHANGE RISK

1<sup>st</sup> scenario : 10% rise in the value of the dirham. This scenario resulted in an impact of MAD 37 million on income as of 30 June 2014.

2<sup>nd</sup> scenario : 10% rise in the value of the dirham. This scenario resulted in an impact of MAD 55 million on income as of 30 June 2014.

##### • 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.



IN KMAD	June 2013	June 2014
VaR (10 days)	112 710	123 501

The historical VaR (10 days) with as of 30 June 2015 was MAD 118 768 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.



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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.

### 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



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management processes and systems for measuring operational risk. These audits relate to units' activities and the independent operational risk management function.

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

#### 8.8.1.4. Operational risk control and mitigation

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

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

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

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

#### 8.8.2. Business continuity plan

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

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

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

- BMCE Bank has a moral responsibility to allow its customers access to the cash which they have entrusted to it. Any breach of this obligation in times of crisis may have an impact on public order. This principle prevails above any other;
- BMCE Bank must guarantee its commitments towards Morocco's interbank clearing system;
- BMCE Bank intends to first and foremost comply with all existing legal and contractual commitments entered into (relating to loans and other commitments), prior to entering into any other commitment;
- BMCE Bank intends to maintain its international credibility by guaranteeing first and foremost its commitments vis-à-vis foreign correspondents;
- BMCE Bank Group's existing customers take priority over others;
- Services are executed in their entirety, beginning in the front-office and

culminating in the back-office (e.g. from branch level up until accounting recognition).

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

#### 8.8.3. Measurement of capital adequacy

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

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

BMCE Bank satisfies these regulatory requirements for both individual and consolidated accounts.

This semester marked the adoption of Basel III with a time window of 5 years.

Capital Adequacy ratio	
	Amount
Tier 1 capital	19 229
Total Capital ratio	25 409
Total risk-weighted assets	205 664
Tier 1 capital ratio	9,3%
Capital Adequacy ratio	12,4%



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## BMCE Bank

Capital : 1 794 633 900 dirhams

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BP 13425 Casa Principale

Arrêté du Ministre des Finances n° 2348-94 du 14 rabii I 1415 (23 août 1994)

Trade register : casa 27.129

Swift : bmce ma mc

Telex : 21.931 - 24.004

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