BMCE BANK OF AFRICA

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

31 december 2016

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CNSS : 10.2808.5
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Trading tax : 35502790

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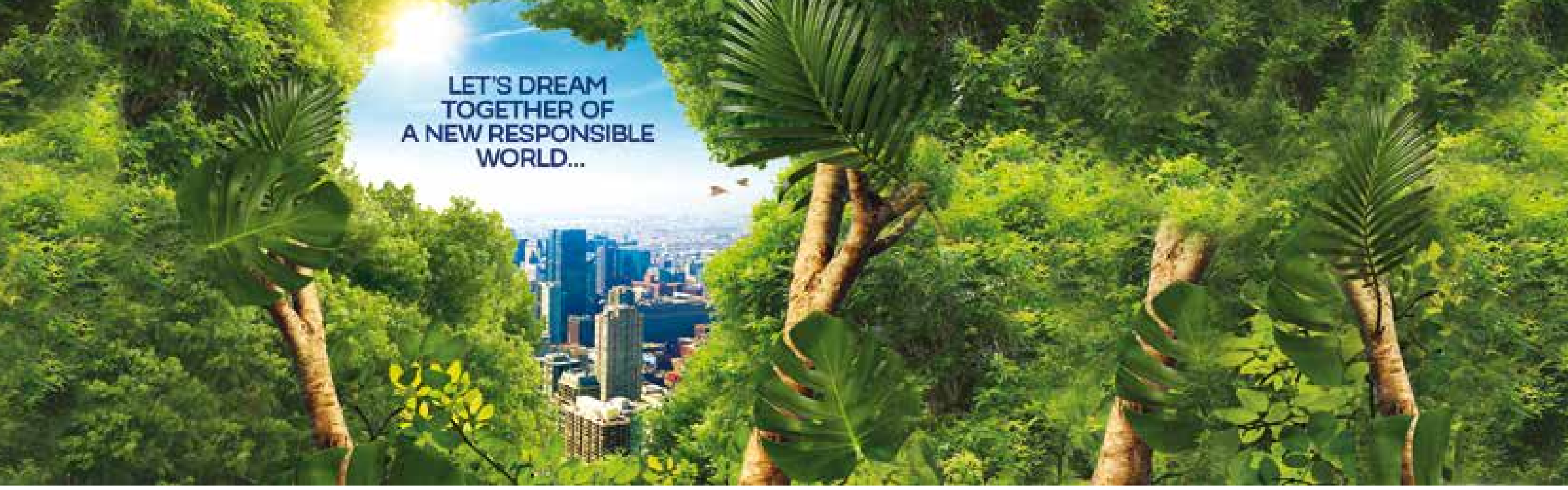


Established in 1959 and privatised in 1995, BMCE Bank is a universal bank which offers a diversified range of products and services through a domestic network of 662 branches. BMCE Bank, Morocco's third largest bank in terms of market share for deposits and loans, currently has operations in about thirty countries in sub-Saharan Africa, Europe and Asia.

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

BMCE Bank in Morocco

BMCE Bank's activities in Morocco include:

- Retail Banking, sub-divided by market specialisation – retail customers, professional banking customers, private clients and Moroccans living abroad;

- Corporate Banking, including SMEs and large enterprises.

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

- BMCE Capital, the Bank's investment banking subsidiary, is organised by business line on an integrated basis which include asset management, wealth management, brokerage and capital markets activities as well as M&A and other corporate advisory services.

- Specialised financial subsidiaries, whose products are primarily marketed via the branch network, the aim being to develop intra-Group commercial and operational synergies – consumer credit, leasing, bank-insurance, factoring and vehicle leasing. RM Experts, subsidiary specialising in recovery, was established in 2010.

BMCE Bank's international activities

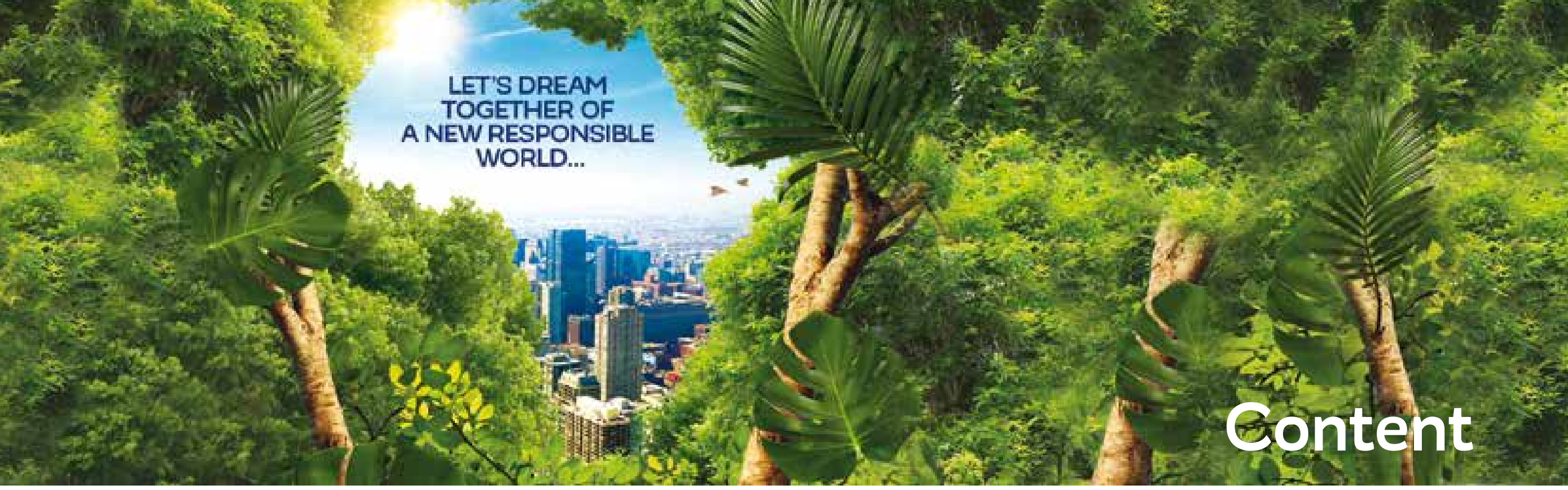
BMCE Bank's international vocation can be traced back to its origins as a bank specialising in foreign trade. The Bank rapidly turned to international markets by building a strong presence in Europe. In 1972, it became the first Moroccan bank to open a branch in Paris. The Group's European activities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

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

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

Similarly, in 2003, in Congo Brazzaville, BMCE Bank acquired a 25% stake in La Congolaise de Banque 37% as of december 31st, 2015 which it restructured, resulting in it becoming the undisputed market leader in its industry.

BMCE Bank's development accelerated in 2007 following the acquisition of a 25% stake in Bank of Africa which has operations in about fifteen countries. BMCE Bank has since increased its stake the pan-African bank to 74.97%.



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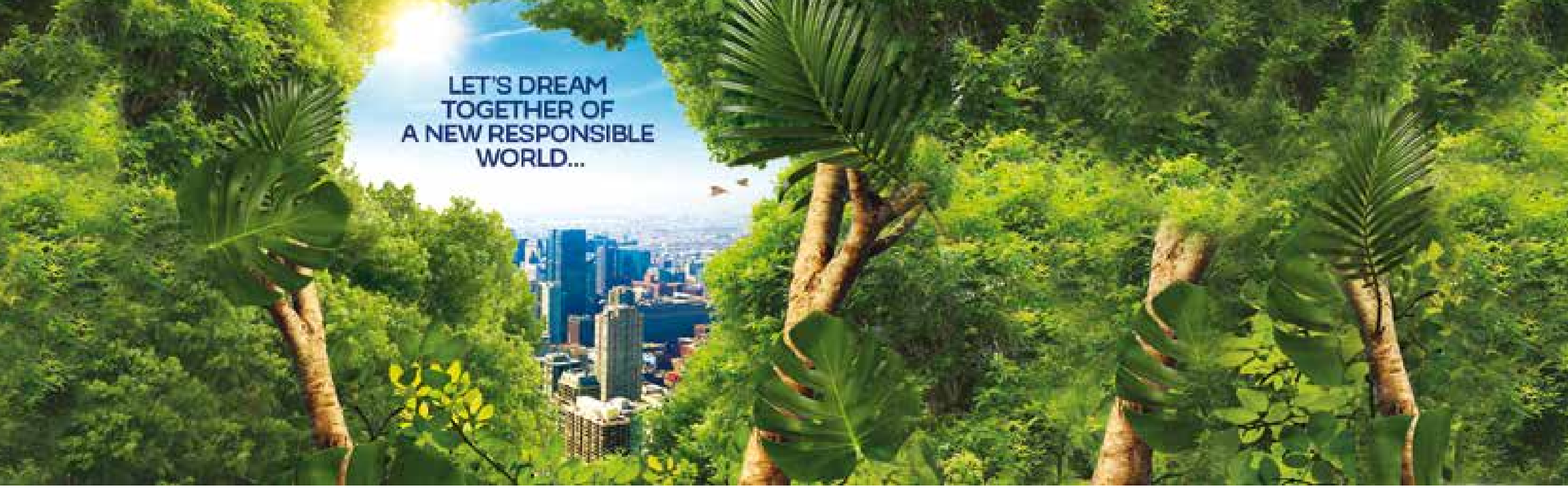

Fidaroc Grant Thornton

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CERTIFICATION OF THE AUDOTORS ON THE INTERIM STATUS

PERIODE FROM 1ST JANUARY TO 31ST DECEMBER 2016

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

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

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

27 mars 2016

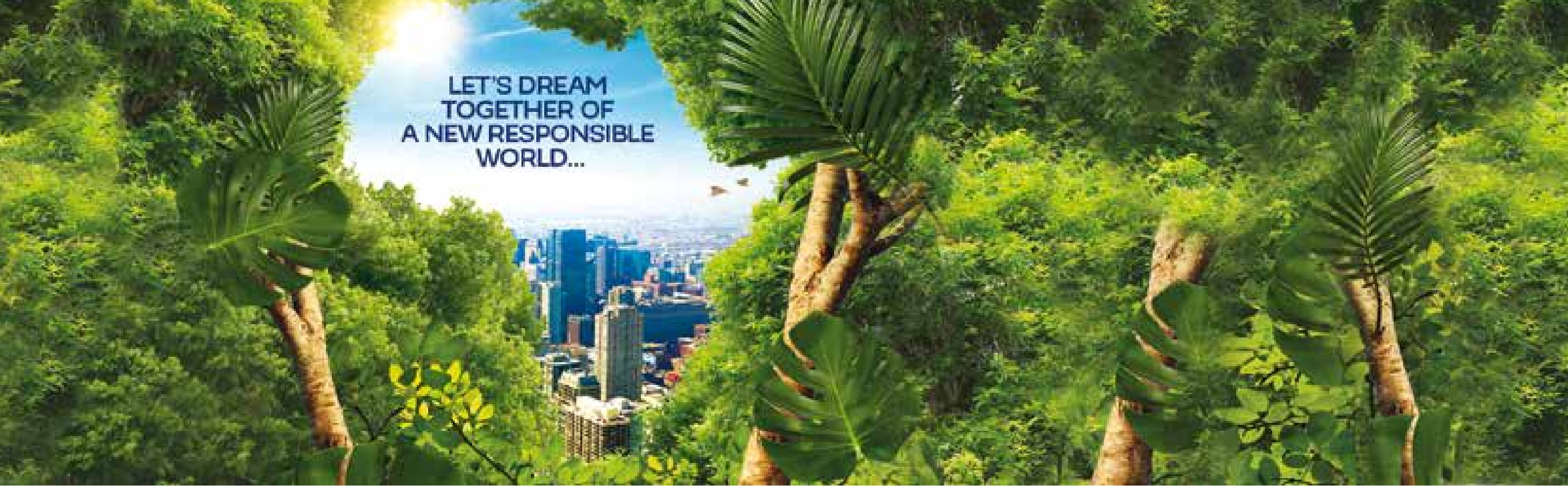
The Statutory Auditors

FIDAROC GRANT THORNTON

Rachid BOUMEHRAZ
Associé

KPMG

Jamal SAAD EL IDRISSI
Associé



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

1.1. CONSOLIDATED BALANCE SHEET

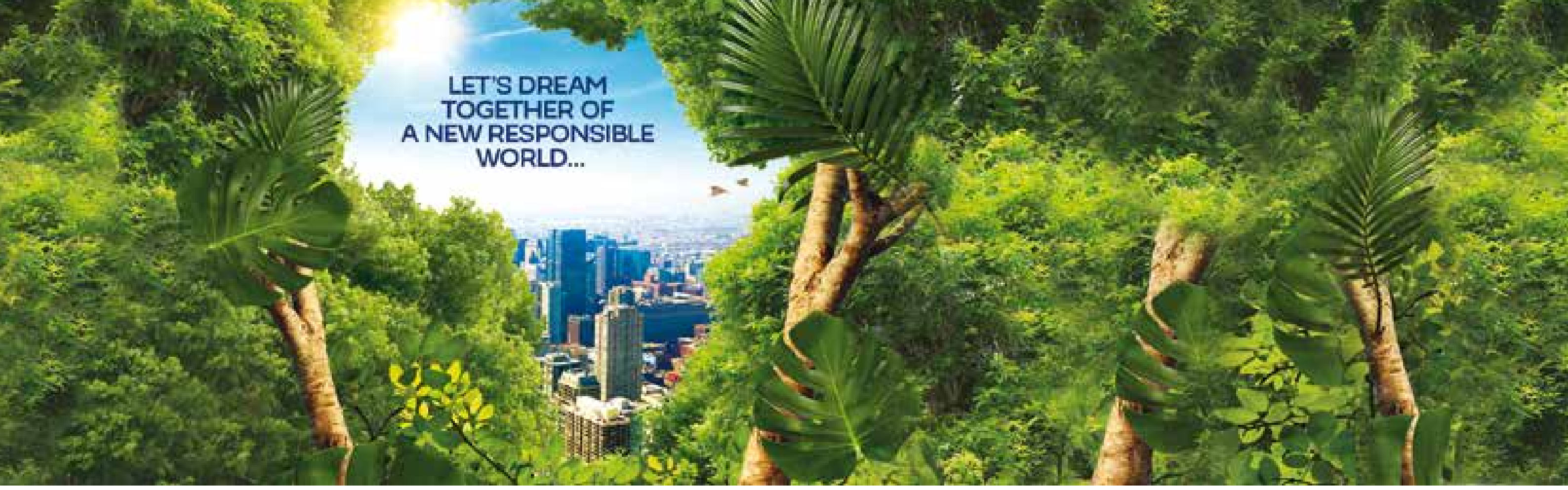
the consolidated financial statements at 31 december 2015 were approved by the board of directors on 27 march 2017.

ASSETS	NOTES	dec-16	dec-15
Cash and amounts due from central banks and post office banks	4.1	12 155 637	10 403 090
Financial assets at fair value through profit or loss	4.2	38 890 923	25 760 228
Derivatives used for hedging purposes		2 938	7 207
Available-for-sale financial assets	4.3	8 317 725	6 846 572
Loans and receivables due from credit institutions	4.4	21 221 229	20 971 036
Loans and receivables due from customers	4.5	179 774 222	173 279 696
Remeasurement adjustment on interest rate risk hedged assets		-	-
Held-to-maturity financial assets	4.7	25 136 170	24 559 458
Current tax assets	4.8	414 191	63 550
Deferred tax assets	4.8	521 548	473 814
Accrued income and other assets	4.9	6 440 776	5 364 187
Non current assets held for sale		-	-
Investment associates	4.10	631 268	585 787
Investment property	4.11	3 746 146	3 035 131
Property, plant and equipment	4.11	6 988 825	6 516 029
Intangible assets	4.11	828 970	703 525
Goodwill	4.12	852 310	852 310
TOTAL ASSETS		**305 922 878**	**279 421 620**

(In thousand MAD)

LIABILITIES & SHAREHOLDERS EQUITY	NOTES	dec-16	dec-15
Due to Central Banks and Post Office Banks		-	-
Financial liabilities at fair value through profit or loss	4.2	2 098 276	2 046 594
Derivatives used for hedging purposes		-	-
Due to credit institutions	4.4	49 708 268	51 176 027
Due to customers	4.5	190 050 335	178 255 021
Debt securities	4.6	13 186 303	8 967 697
Remeasurement adjustment on interest rate risk hedged portfolios		-	-
Current tax liabilities	4.8	641 287	131 027
Deferred tax liabilities	4.8	1 198 242	1 130 452
Accrued expenses and other liabilities	4.9	14 278 900	6 315 040
Liabilities related to non-current assets held for sale		-	-
Technical reserves of insurance companies		-	-
Provisions for contingencies and charges	4.13	685 204	650 913
Subsidies, assigned public funds and special guarantee funds		-	-
Subordinated debts	4.6	10 493 376	8 639 297
TOTAL DEBTS		**282 340 191**	**257 312 068**
Capital and related reserves		13 299 090	12 899 418
Consolidated reserves		-	-
- Attributable to parent		2 934 250	2 101 501
- Non-controlling interests		4 520 991	4 381 320
Unrealized or deferred gains or losses, attributable to parent		-9 794	65 587
Unrealized or deferred gains or losses, non-controlling interests		3 323	6 996
Net Income		-	-
- Attributable to parent		2 036 186	1 955 535
- Non-controlling interests		798 641	699 195
TOTAL CONSOLIDATED SHARE HOLDERS'S EQUITY		**23 582 687**	**22 109 552**
TOTAL PASSIF IFRS		**305 922 878**	**279 421 620**

(In thousand MAD)



1.2. CONSOLIDATED INCOME STATEMENT

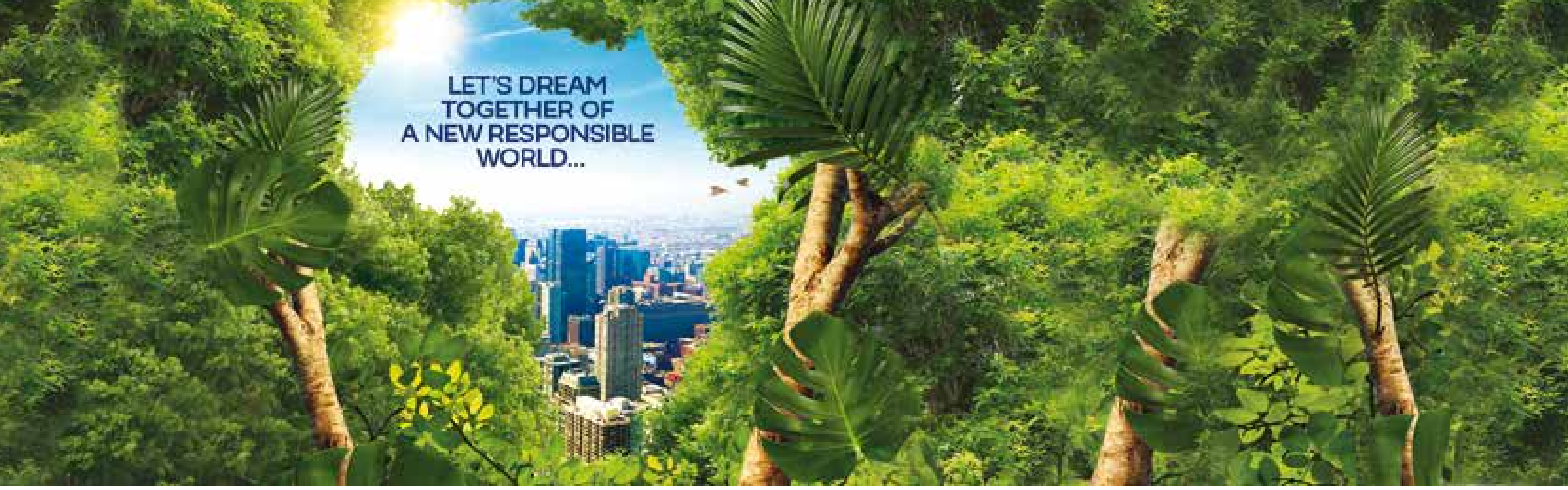
	NOTES	dec-16	dec-15
+ Interests and similar income		14 505 242	13 502 956
- Interests and similar expense		-5 259 644	-4 962 142
Net Interest income	**2.1**	**9 245 598**	**8 540 814**
+ Fees received and commission income		2 572 675	2 290 577
- Fees paid and commission expense		-455 730	-339 423
Net fee income	**2.2**	**2 116 945**	**1 951 154**
+/- Net gains or losses on financial instruments at fair value through profit or loss	2.3	982 990	441 412
+/- Net gains or losses on available for sale financial assets	2.4	229 923	211 536
Income from market transactions		**1 212 913**	**652 948**
+ Other banking revenues	2.5	884 515	1 044 522
- Other banking expenses	2.5	-469 956	-372 633
Net Banking Income		**12 990 015**	**11 816 805**
- General Operating Expenses	2,9	-6 678 453	-6 261 222
- Allowances for depreciation and amortization PE and intangible assets	2,9	-696 947	-672 006
Gross Operating Income		**5 614 615**	**4 883 577**
- Cost of Risk	2.6	-1 616 531	-1 439 956
Operating Income		**3 998 084**	**3 443 621**
+/- Share in net income of companies accounted for by equity method		103 652	97 733
+/- Net gains or losses on other assets	2.7	-111 741	74 609
+/- Change in goodwill		-31 514	
Pre-tax earnings		**3 958 481**	**3 615 963**
+/- Corporate income tax	2.8	-1 123 654	-961 233
Net income		**2 834 827**	**2 654 730**
Non-controlling interests		798 641	699 195
Net income attributable to parent		**2 036 186**	**1 955 535**
Earnings per share		11,35	10,90
Diluted Earnings per share		11,35	10,90

(In thousand MAD)

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

	dec-16	dec-15
Net income	**2 834 827**	**2 654 730**
Currency tranlation adjustment	-79 054	-68 049
Reevaluation of available for sale financial assets	-4 909	-1 354
Reevaluation of hedging instruments	-74 145	-66 695
Reevaluation of fixed assets	*-74 145*	*-66 695*
Actuarial gains and losses on defined plans	0	0
Proportion of gains and losses directly recognised in shareholders equity on companies consolidated under equity method	0	0
Total gains and losses directly recognised in shareholders equity		
Net income and gains and losses directly recognised in shareholders equity	**-79 054**	**-68 049**
attributable to parent	2 755 773	2 586 681
Non-controlling interests	1 960 805	1 871 688
Part des intérêts minoritaires	794 968	714 993

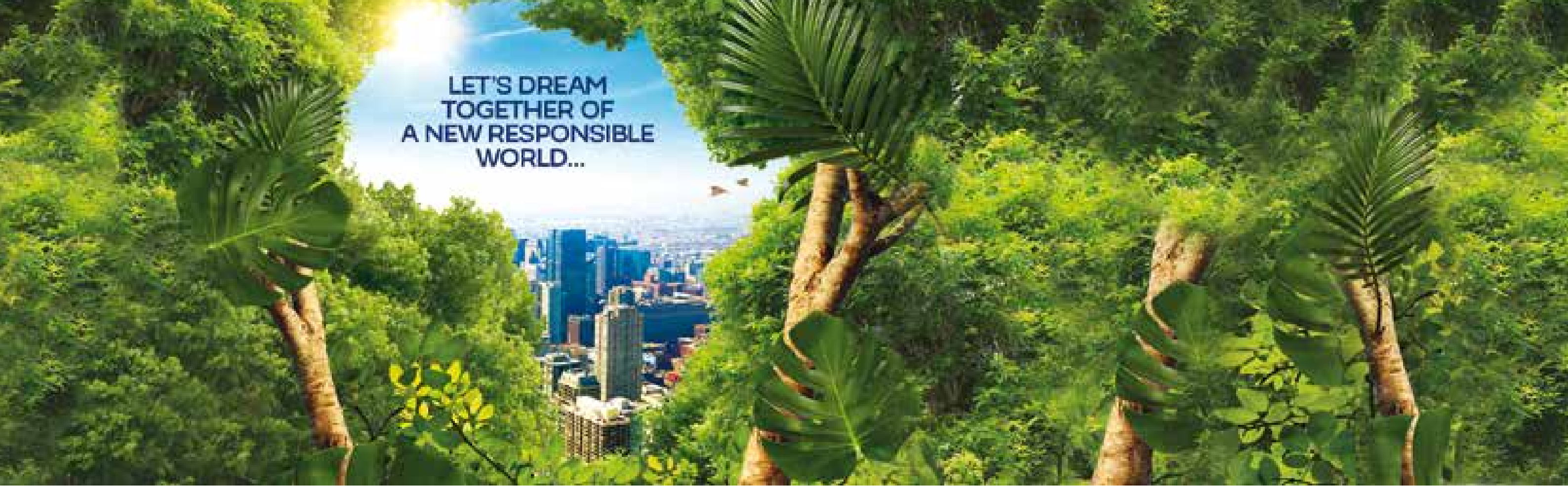
(In thousand MAD)



1.4. STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

	Share Capital	Reserves related to stock	Treasury stock	Reserves & consolidated earnings	Unrealised or deferred gains or losses	Shareholder's Equity attributable to parent	Non-controlling interests	Total
Ending balance of Shareholder's Equity 12.31.2013	**1 794 634**	**10 693 747**	**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 12.31.2013	**1 794 634**	**10 693 747**	**0**	**3 425 707**	**149 436**	**16 063 524**	**4 739 627**	**20 803 152**
Operations on capital		411 037		-411 037		0		0
Share-based payment plans						0		0
Operations on treasury stock						0		0
Dividends				-788 651		-788 651	-452 274	-1 240 925
Net income				**1 955 535**		**1 955 535**	**699 195**	**2 654 730**
PP&E and intangible assets : Revaluations and disposals (A)						0		0
Financial instruments : change in fair Value and transfer to earnings (B)					-82 495	-82 495	15 799	-66 696
Currency translation adjustments : Changes and transfer to earnings (C)					-1 354	-1 354		-1 354
Avantages au personnel						0		0
Unrealized or deferred gains or losses (A)+ (B) + (C)				**0**	**-83 849**	**-83 849**	**15 799**	**-68 050**
Change in the scope of consolidation				-68 567		-68 567	83 181	14 614
Others				-55 951		-55 951	1 983	-53 968
Ending Balance of Shareholder's Equity 12.31.2014	1 794 634	11 104 784	0	4 057 036	65 587	17 022 041	5 087 511	22 109 552
Impact of changes in accounting methods						0		0
Ending Balance of adjusted Shareholder's Equity 12.31.2014	**1 794 634**	**11 104 784**	**0**	**4 057 036**	**65 587**	**17 022 041**	**5 087 511**	**22 109 552**
Operations on capital		399 672		-399 672		0		0
Share-based payment plans						0		0
Operations on treasury stock						0		0
Dividends				-947 308		-947 308	-455 689	-1 402 997
Net income				**2 036 186**		**2 036 186**	**798 641**	**2 834 827**
PP&E and intangible assets: Revaluations and disposals (E)						0		0
Financial instruments: change in fair Value and transfer to earnings (F)					-70 472	-70 472	-3 673	-74 145
Currency translation adjustments: Changes and transfer to earnings (G)					-4 909	-4 909		-4 909
IAS 19 R						**0**		**0**
Unrealized or deferred gains or losses (E)+ (F) + (G)					-75 381	-75 381	-3 673	-79 054
Change in the scope of consolidation (*)				94 400		94 400	-68 140	26 260
Others				129 794		129 794	-35 695	94 099
Ending Balance of adjusted Shareholder's Equity 12.31.2015	**1 794 634**	**11 504 456**	**0**	**4 970 436**	**-9 794**	**18 259 732**	**5 322 955**	**23 582 687**

(In thousand MAD)



1.5. CASH FLOW STATEMENTS AS OF DECEMBER 31st, 2016

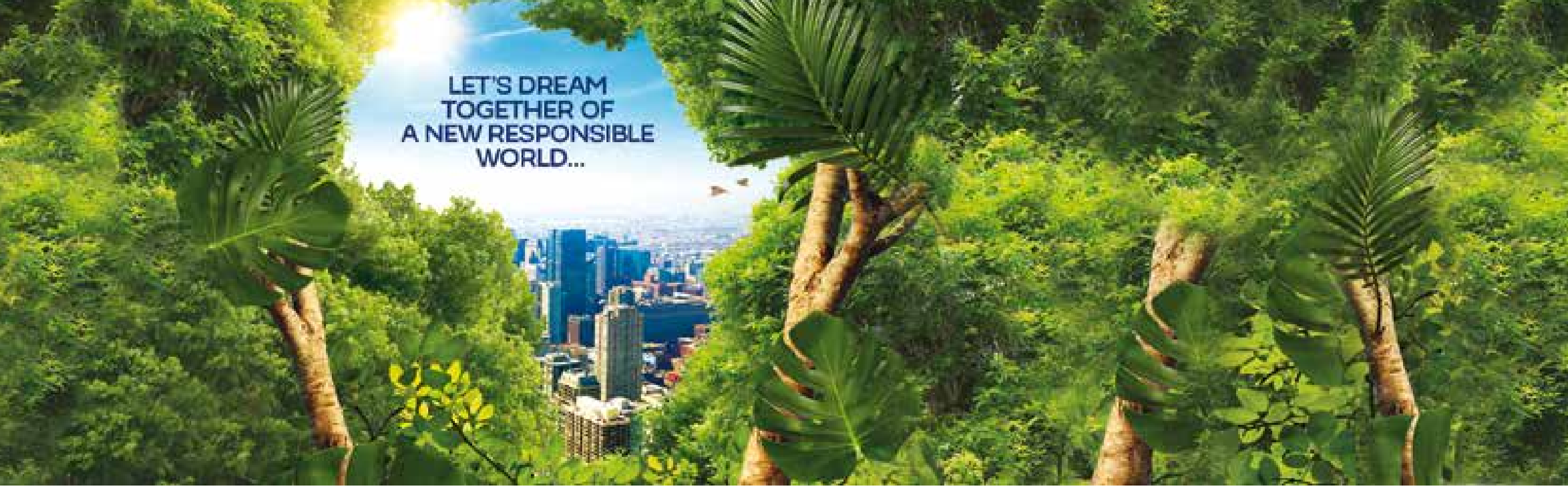
1.5.1. Cash Flow Statement

	Note	dec-16	dec-15
Pre-tax net income		**3 958 481**	**3 615 961**
+/- Net depreciation/amortization expense on property, plant, and equipment and intangible assets	2,9	696 947	672 212
+/- Impairment of goodwill and other non- current assets		31 514	-
+/- Impairment of financial assets		-39 470	46 758
+/- Net allowances for provisions	2,6	1 633 772	952 970
+/- Share of earnings in subsidiaries accounted for by equity method	4.10	-103 652	-97 733
+/- Net loss (income) from investing activities		-1 061 663	-822 557
+/- Net loss (income) from financing activities		-	-
+/- Other movements		-541 722	-165 751
Non monetary items included in pre-tax net income and other adjustments		**615 726**	**585 900**
+/- Cash flows related to transactions with credit institutions		59 915	6 870 435
+/- Cash flows related to transactions with customers		-1 497 240	-355 618
+/- Cash flows related to transactions involving other financial assets and liabilities		-3 358 590	-3 575 435
Dont Flux liés aux autres opérations affectant les titres de transaction		-2 216 271	-2 235 371
+/- Cash flows related to transactions involving non financial assets and liabilities		701 528	-1 992 029
Dont Flux liés aux autres opérations affectant les dettes sur titres Empruntés		701 528	-1 884 371
+/- Taxes paid		**-560 317**	**-581 529**
Net Increase (Decrease) in cash related to assets and liabilities generated by operating activities		**-4 654 704**	**365 824**
Net Cash Flows from Operating Activities		-80 497	4 567 685
+/- Cash Flows related to financial assets and equity investments		-1 425 337	-2 474 166
+/- Cash flows related to investment property	4,11	-728 257	-2 211 410
+/- Cash flows related to PP&E and intangible assets	**4,11**	**-1 003 781**	**-1 361 288**
Net Cash Flows from Investing Activities		-3 157 375	-6 046 864
+/- Cash flows related to transactions with shareholders		-1 088 198	-667 738
+/- Cash flows generated by other financing activities		**6 291 591**	**-2 947 262**
Net Cash Flows from Financing Activities		**5 203 393**	**-3 615 000**
Effect of movements in exchange rates on cash and equivalents		**-233 206**	**-164 613**
Net Increase in Cash and equivalents		**1 732 315**	**-5 258 792**
Beginning Balance of Cash and Equivalents		5 956 947	11 215 740
Net Balance of cash accounts and accounts with central banks and post office banks	4,1	10 403 196	9 966 853
Net Balance of demand loans and deposits- credit institutions		-4 446 249	1 248 887
Dont Prêt et Emprunt de trésorerie JJ		-2 877 349	489 872
Ending Balance of Cash and Equivalents		**7 689 262**	**5 956 947**
Net Balance of cash accounts and accounts with central banks and post office banks	4,1	12 155 637	10 403 196
Net Balance of demand loans and deposits- credit institutions		-4 466 375	-4 446 249
Dont Prêt et Emprunt de trésorerie JJ		-1 153 270	-2 877 349
Net increase in cash and equivalents		**1 732 315**	**-5 258 792**

(In thousand MAD)

	Note	dec-16	dec-15
Dividendes reçus	2,4	240 014	218 305
Dividendes versés	1,5	-1 402 997	-1 240 925
Intérêts perçus		12 532 242	12 290 029
Intérêts payés		-3 771 219	-3 366 255

(In thousand MAD)



1.6. SUMMARY OF ACCOUNTING POLICIES APPLIED BY THE GROUP

1.6.1. Applicable accounting standards

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

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

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

1.6.2. Consolidation principles

a. Scope of consolidation

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

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

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

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

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

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

b. Consolidation methods

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

At 31 December 2015, no Group subsidiary was jointly controlled.

c. Consolidation rules

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

Elimination of intragroup balances and transactions

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

Translation of financial statements prepared in foreign currencies

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

d. Business combinations and measurement of goodwill

Cost of a business combination

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

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

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

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

Goodwill

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

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

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

Measurement of goodwill

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

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

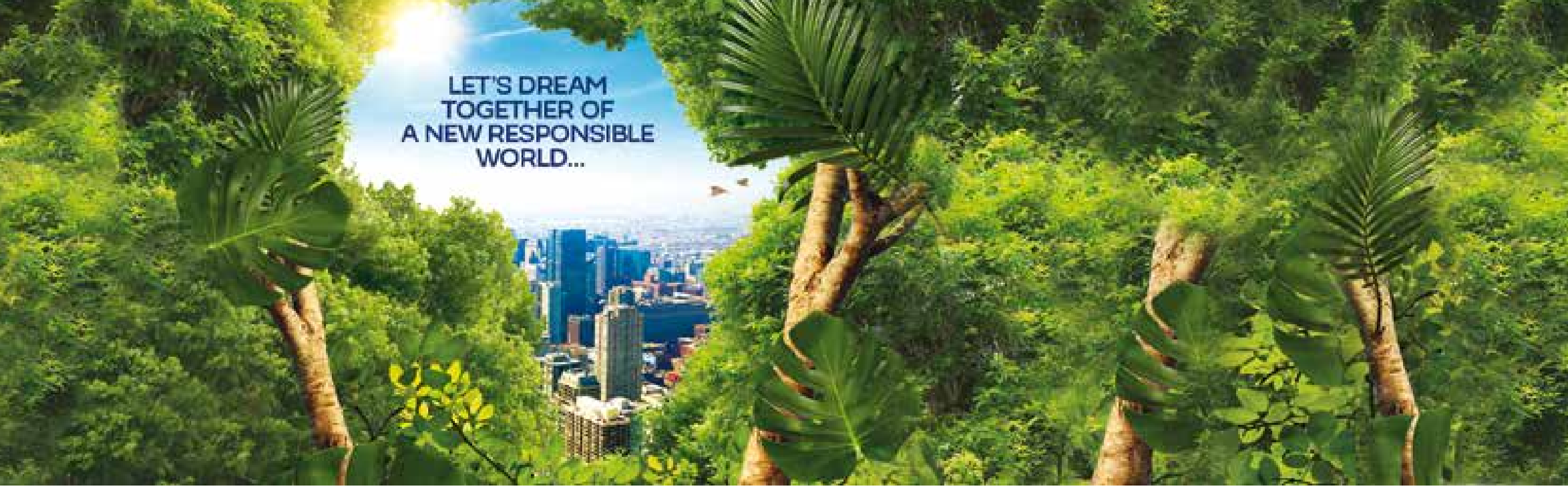
At 31 December 2015, the Group conducted impairment test to ensure that the carrying amount of cash-generating units was still lower than the recoverable amount.

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

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

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

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



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

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

- A revenue-based approach, commonly known as the "dividend discount model", is a standard method used by the banking industry. The use of this method depends on the subsidiary's business plan and will value the subsidiary based on the net present value of future dividend payments. These flows are discounted at the cost of equity.
- The "discounted cash flow method" is a standard method for measuring firms in the services sector. It is based on discounting available cash flows at the weighted average cost of capital.

Step acquisitions

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

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

1.6.3. Financial assets and liabilities

a. Loans and receivables

Loans and receivables include credit provided by the Group.

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

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

b. Securities

Classification of securities

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

Financial assets at fair value through P&L

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

An instrument many only bedesignated at fair value through profit or loss if the following conditions are met:

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

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

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

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

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

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

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

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.

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

Held-to-maturity financial assets

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

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

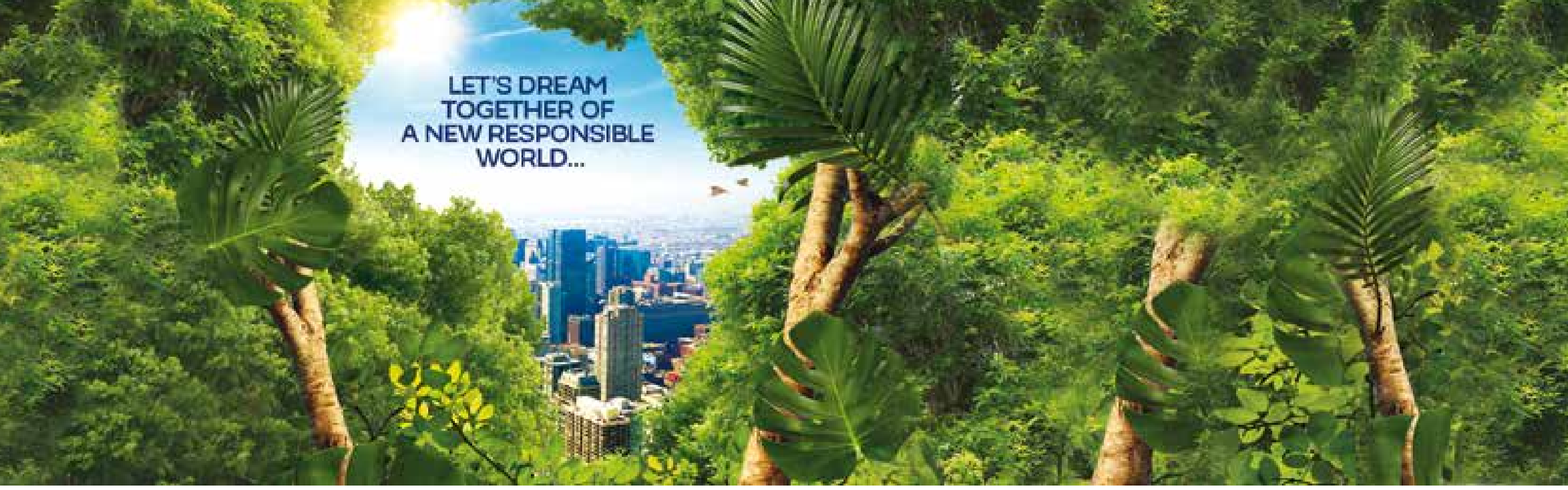
Available-for-sale financial assets

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

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

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

Dividend income from floating rate securities is recognised under "Net gains or losses on available-for-sale financial assets" when the Group's right to receive payment is established.



Temporary acquisitions and sales

Repurchase agreements

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

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

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

Securities lending and borrowing transactions

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

Date of recognition of securities transactions

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

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

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

c. Foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies

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

d. Impairment and restructuring of financial assets

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

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

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

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

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

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

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

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

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

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

Counterparties not showing any evidence of impairment

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

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

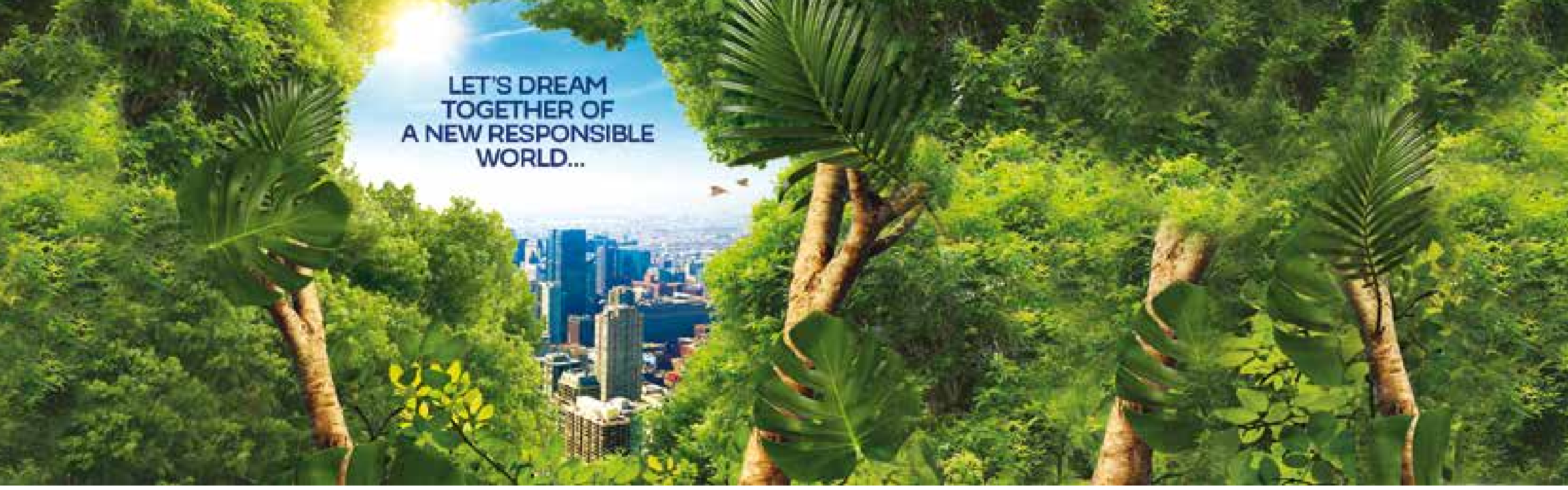
Based on the experienced judgement of the Bank's divisions or Risk Division, the Group may recognise additional collective impairment provisions in respect of an economic sector or geographical region affected by exceptional economic events. In this regard the Group established watch lists of the accounts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

Provisions and provision write-backs are recognised in the income statement under "Cost of risk" while the theoretical income earned on the carrying amount of impaired loans is recognised under "Interest and similar income" in the income statement.

Forbearance

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

Impairment of available-for-sale financial assets



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

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

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

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

- The growing likelihood that the debtor could become bankrupt or undertake any other financial reorganisation;

- The disappearance of an active market for that financial asset because of thedebtor's financial difficulties; or observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since initial recognition ofthose assets, even though the decrease cannot yet be identified with theindividual financial assets in the group.

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

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

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

Restructuring of assets classed as "Loans and receivables"

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

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

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

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

The discount is calculated as the difference between :

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

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

e. Issues of debt securities

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

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

f. Treasury shares

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

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

As of December 31, 2015, the Group does net hold any treasury shares.

g. Derivative instruments

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

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

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

h. Fair value measurement of own credit default risk (DVA) / counterparty risk (CVA)

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

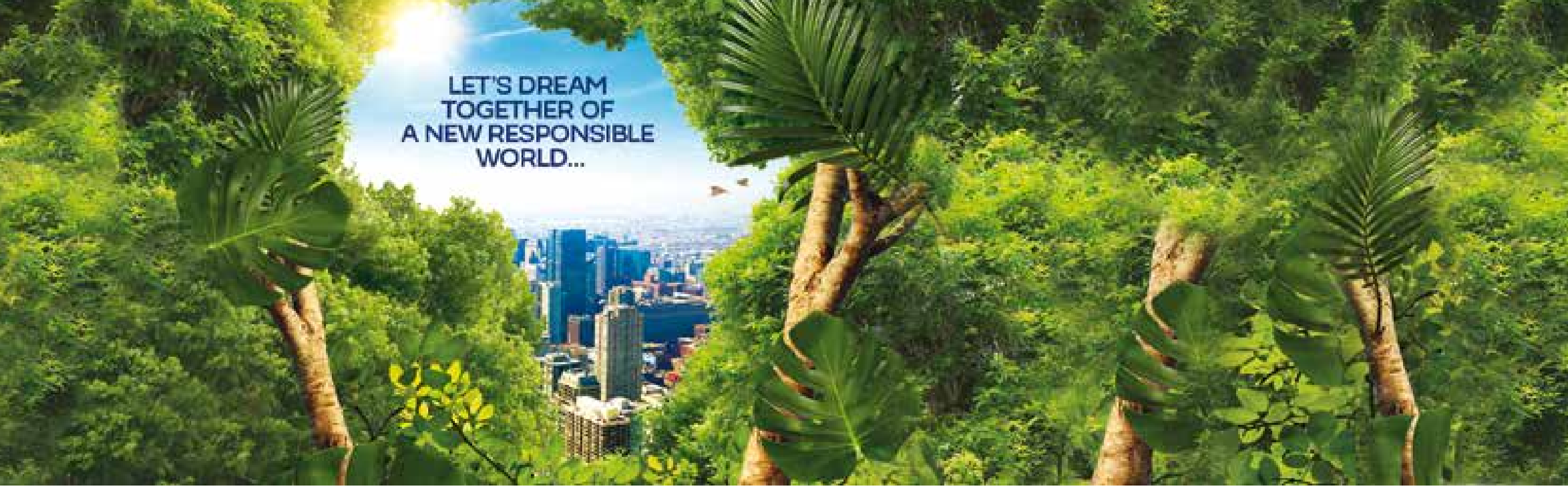
i. Determining the fair value of financial instruments

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

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

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

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



value).

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

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

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

j. Income and expenses arising from financial assets and liabilities

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

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

k. Cost of risk

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

l. Offsetting financial assets and liabilities

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

1.6.4. Property plant and equipment and intangible assets

a. Property, plant and equipment

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

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

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

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

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

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

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

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

Component-based matrix adopted by BMCE Bank

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

Impairment

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

b. Investment property

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

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

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

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

c. Intangible assets

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

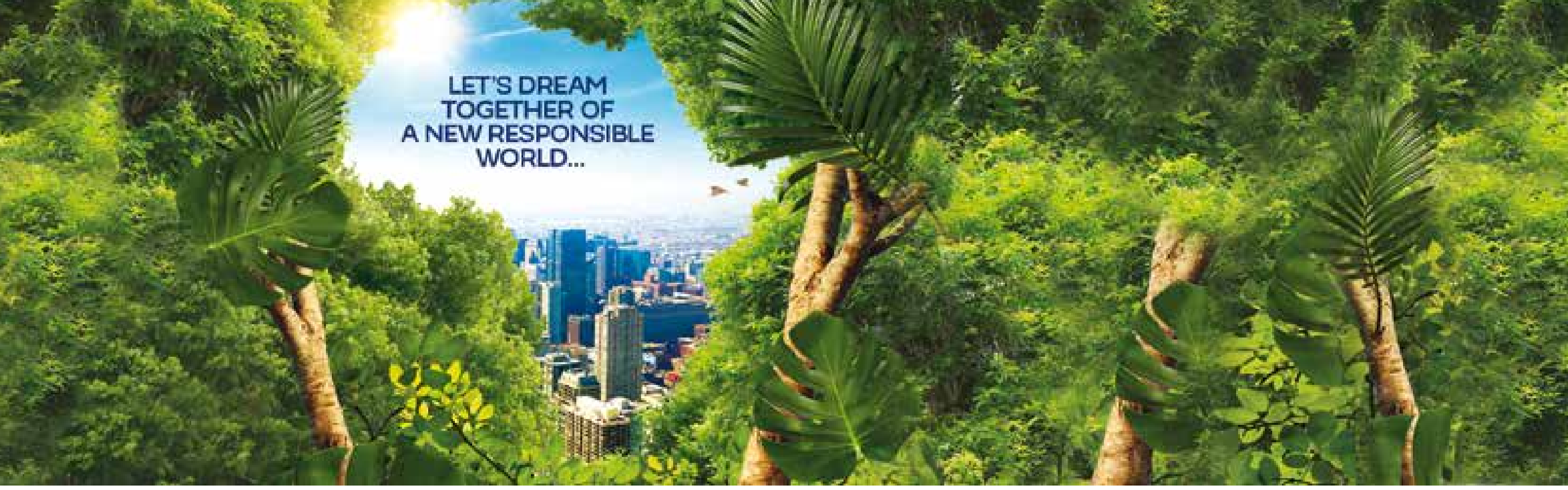
Subsequent to initial recognition, intangible assets are measured at cost less cumulative amortisation and impairment losses.

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

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

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

1.6.5. Leases



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

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

a. Lessor accounting

Finance leases

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

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

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

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

Operating leases

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

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

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

b. Lessee accounting

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

Finance leases

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

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

Operating leases

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

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

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

At 31 December 2015, the Group did not recognise any assets as held for sale or discontinued activities.

1.6.7. Employee benefits

Classification of employee benefits

a. Short-term benefits

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

b. Defined-contribution post-employment benefits

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

c. Defined-benefit post-employment benefits

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

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

d. Long-term benefits

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

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

e. Termination benefits

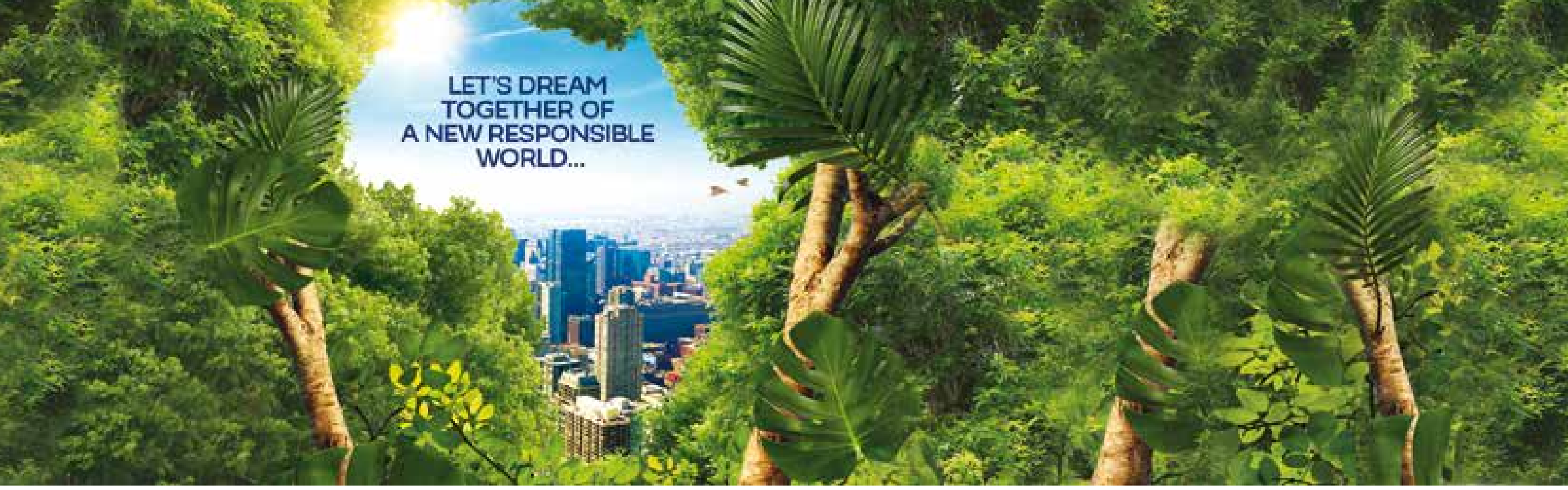
Termination benefits are made as a result of a decision by the Group to terminate a contract of employment or a decision by an employee to accept voluntary redundancy. The company may set aside provisions if it is clearly committed to terminating an employee's contract of employment.

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

a. Calculation method

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

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



of mortality.

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

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

b. Accounting principles

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

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

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

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

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

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

1.6.8. Share-based payments

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

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

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

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

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

1.6.9. Provisions recorded under liabilities

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

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

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

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

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

1.6.10. Current and deferred taxes

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

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

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

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

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

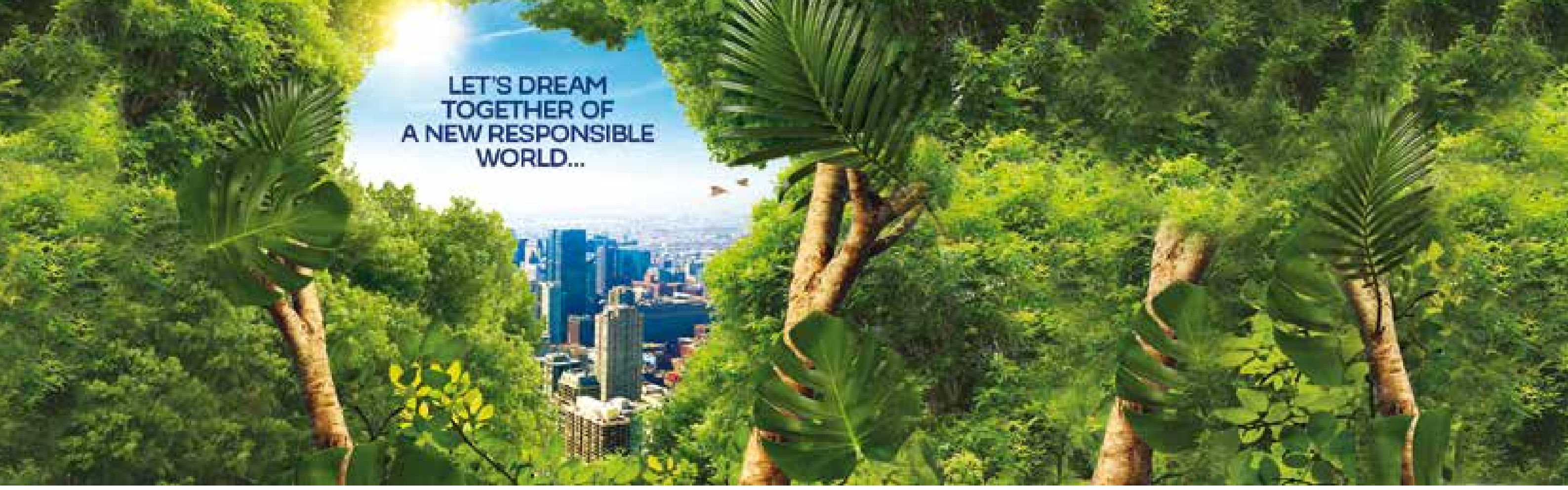
Deferred taxes assets are not recognised if the probability of recovery is uncertain. Probability of recovery is ascertained by the business projections of the companies concerned.

1.6.11. Cash flow statement

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

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

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



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

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

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

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

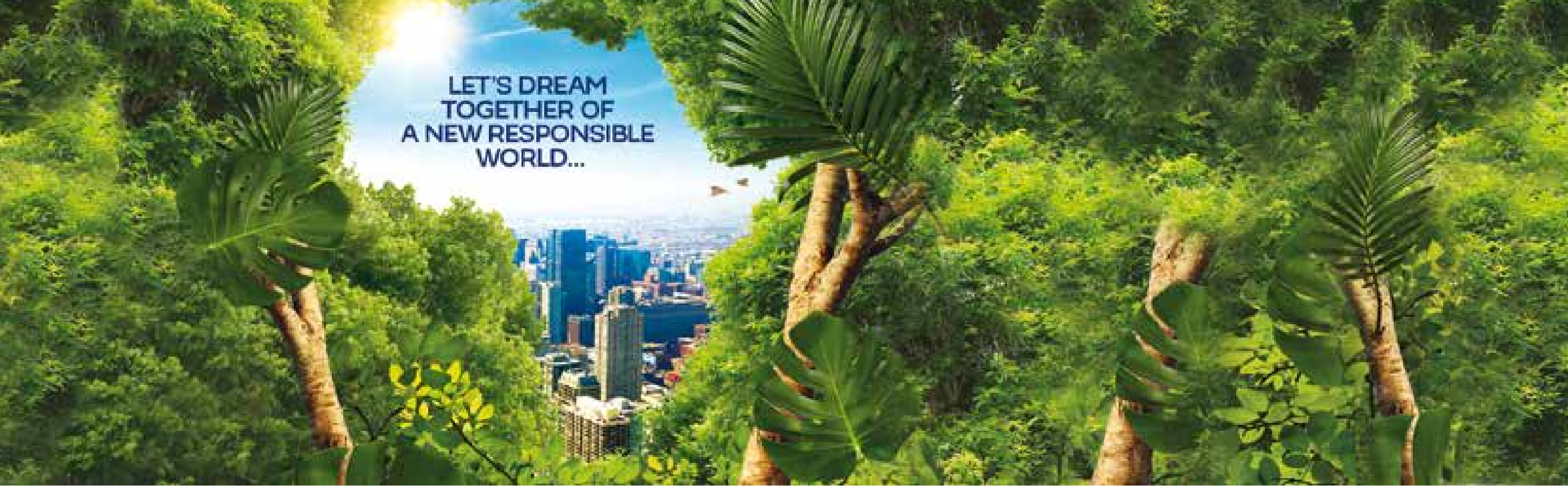
The actual future results from operations where managers have made use of estimates may in reality differ significantly from those estimates depending on market conditions. This may have a material impact on the financial statements.

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

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

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

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



II. NOTES TO THE INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

2.1. NET INTEREST INCOME

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

	dec-16			dec-15		
	Income	Expense	Net	Income	Expense	Net
Customer Items	**10 346 197**	**3 163 407**	**7 182 790**	**9 885 496**	**3 089 650**	**6 795 846**
Deposits, loans and borrowings	9 688 738	3 062 214	6 626 524	9 361 634	2 973 026	6 388 608
Repurchase agreements		101 193	-101 193		116 624	-116 624
Finance leases	657 459		657 459	523 862		523 862
Interbank items	**825 329**	**1 292 729**	**-467 400**	**887 565**	**916 517**	**-28 952**
Deposits, loans and borrowings	606 763	1 172 157	-565 394	623 683	877 403	-253 720
Repurchase agreements	218 566	120 572	97 994	263 882	39 114	224 768
Debt securities issued	**0**	**0**	**0**	**0**	**0**	**0**
Cash flow hedge instruments	**0**	**0**	**0**	**0**	**0**	**0**
Interest rate portfolio hedge instruments	**0**	**0**	**0**	**0**	**0**	**0**
Trading book	**1 908 668**	**803 508**	**1 105 160**	**1 341 654**	**955 975**	**385 679**
Fixed income securities	1 908 668	463 711	1 444 957	1 341 654	623 022	718 632
Repurchase agreements			0			0
Loans/borrowings			0			0
Debt securities	0	339 797	-339 797	0	332 953	-332 953
Available for sale financial assets			**0**			**0**
Held to maturity financial assets	**1 425 048**		**1 425 048**	**1 388 241**		**1 388 241**
TOTAL	**14 505 242**	**5 259 644**	**9 245 598**	**13 502 956**	**4 962 142**	**8 540 814**

(In thousand MAD)

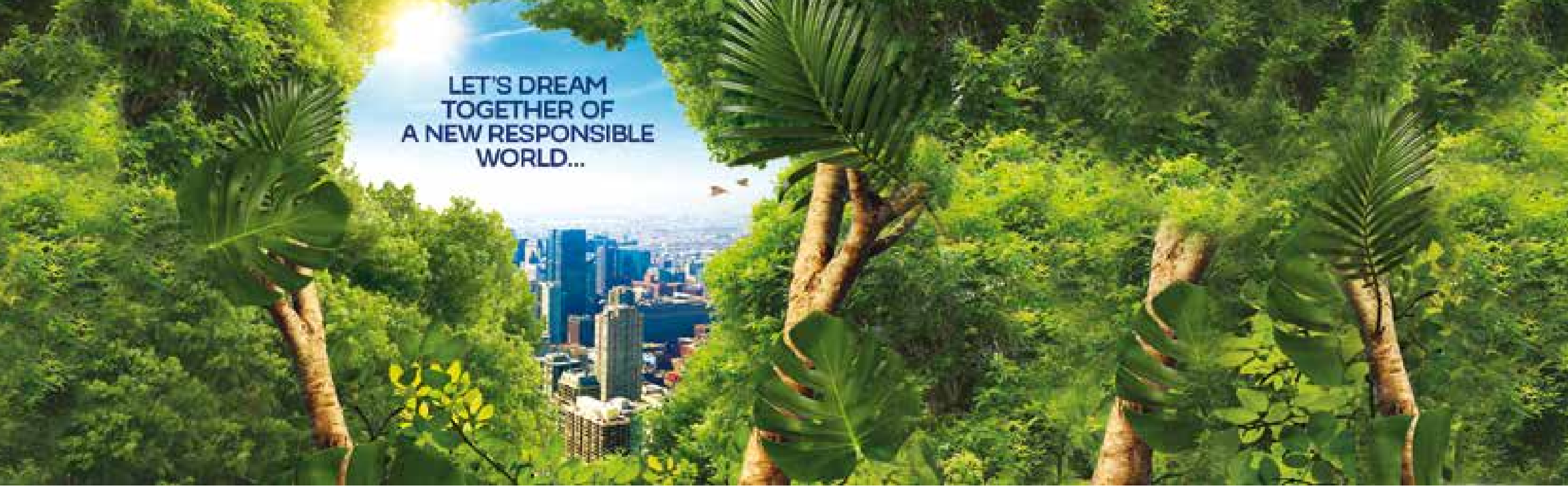
As of December 31, 2016, the net interest income increased by 8.3% compared as of December 31, 2015 and amounted 9 245 million MAD. This variation is mainly due to an increase of income related to trading portfolio, which amounted 1 909 million MAD as of December 31, 2016 versus 1 342 million MAD as of December 31, 2015.

2.2. NET FEE INCOME

	dec-16			dec-15		
	Income	Expense	Net	Income	Expense	Net
Net fee on transactions	**1 900 141**	**242 909**	**1 657 232**	**1 575 303**	**164 300**	**1 411 003**
With credit institutions			-			-
With customers	1 336 588		1 336 588	1 125 822		1 125 822
On custody	267 138	112 548	154 590	196 168	97 622	98 546
On foreign exchange	296 415	130 361	166 054	253 313	66 678	186 635
On financial instruments and off balance sheet			-			-
Banking and financial services	**672 534**	**212 821**	**459 713**	**715 274**	**175 123**	**540 151**
Income from mutual funds management			-			-
Income from electronic payment services	365 244	55 540	309 704	361 150	49 371	311 779
Insurance			-			-
Other	307 290	157 281	150 009	354 124	125 752	228 372
NET FEE INCOME	**2 572 675**	**455 730**	**2 116 945**	**2 290 577**	**339 423**	**1 951 154**

(In thousand MAD)

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



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

This entry includes all items of income (excluding interest income and expenses, classified under «Net interest income» as described above) relating to financial instruments managed within the trading book.

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

	dec-16			dec-15		
	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	976 350		976 350	466 807		466 807
Derivative instruments	6 746	-106	6 640	-27 077	1 682	-25 395
Repurchase agreements						
Loans						
Borrowings						
Remeasurement of interest rate risk hedged portfolios						
Remeasurement of currency positions						
TOTAL	**983 096**	**-106**	**982 990**	**439 730**	**1 682**	**441 412**

(In thousand MAD)

As of December 31, 2016, net gains on financial instruments at fair value through profit rose by 123% compared to December 31, 2015.

This variation is mainly due to an increase of yield of fixed and variable income from 467 million MAD in 2015 to 976 million MAD in 2015.

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

This section includes :

- Dividends and other income from equities and other floating rate securities classified as financial assets available for sale ;

- Gains and losses on disposals of fixed and floating rate securities classified as available for sale financial assets ;

- Impairment provisions on floanting rate securities, classified as available for sale financial assets.

	dec-16	dec-15
Fixed income securities	**0**	**0**
Disposal gains and losses		
Equity and other variable-income securities	**229 923**	**211 536**
Dividend income	240 014	218 305
Impairment provisions	-10 091	-5 314
Net disposal gains		-1 455
TOTAL	**229 923**	**211 536**

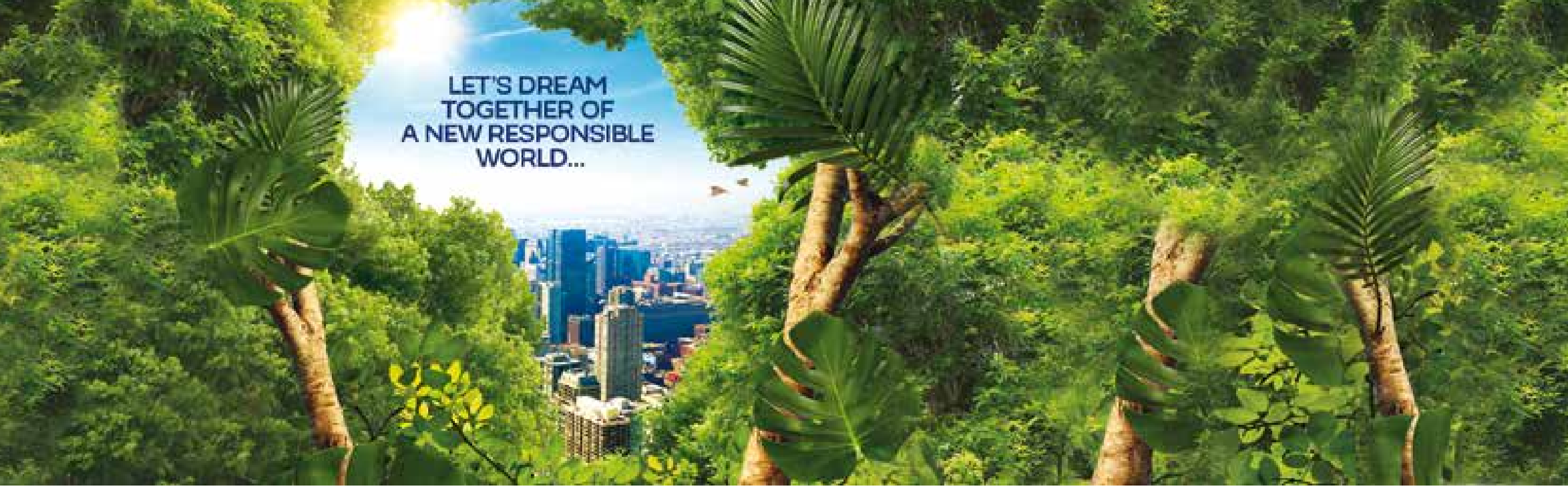
(In thousand MAD)

As of December 31, 2016, net gains on available-for-sale financial assets increased significantly compared to 31 December 2015 and amounted to MAD 230 million. This variation is mainly due to the increase in dividend income, which amounted to nearly MAD 218 million in 2015, compared to MAD 240 million in 2016.

2.5. NET INCOME FROM OTHER ACTIVITIES

	dec-16			dec-15		
	Income	Expense	Net	Income	Expense	Net
Net income from insurance activities			-			-
Net income from investment property	-	-	-	-	-	-
Net income from assets held under operating leases	270 114	111 298	158 816	269 116	104 725	164 391
Net income from property development activities	-	-	-	-	-	-
Other banking income & expenses	258 049	96 299	161 750	383 325	218 872	164 453
Other operating income	356 352	262 359	93 993	392 081	49 036	343 045
TOTAL NET INCOME FROM OTHER ACTIVITIES	**884 515**	**469 956**	**414 559**	**1 044 522**	**372 633**	**671 889**

(In thousand MAD)



2.6. COST OF RISK

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

Cost of risk for the period

	dec-16	dec-15
Impairment provisions	**-2 355 213**	**-2 571 528**
Impairment provisions on loans and advances	-2 310 117	-2 444 843
Impairment provisions on held to maturity financial assets (excluding interest rate risks)		
Provisions on off balance sheet commitments	-8 643	-13 059
Other provisions for contingencies and charges	-36 453	-113 626
Write back of provisions	**721 441**	**1 618 558**
Write back of impairment provisions on loans and advances	669 887	1 475 347
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	1 575
Write back of other provisions for contingencies and charges	51 554	141 636
Changes in provisions	**17 241**	**-486 986**
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	-11 102	-529 326
Discount on restructured products		
Recoveries on amortized loans and advances	28 343	42 340
Losses on off balance sheet commitments		
Other losses		
COST OF RISK	**-1 616 531**	**-1 439 956**

(In thousand MAD)

Cost of risk for the period

	dec-16	déc-15
Net allowances to impairment	-1 633 772	-952 971
Recoveries on loans and receivables previously written off	28 343	42 340
Irrecoverable loans and receivables not covered by impairment provisions	-11 102	-529 325
TOTAL COST OF RISK FOR THE PERIOD	-1 616 531	-1 439 956

(In thousand MAD)

Cost of risk for the period asset type

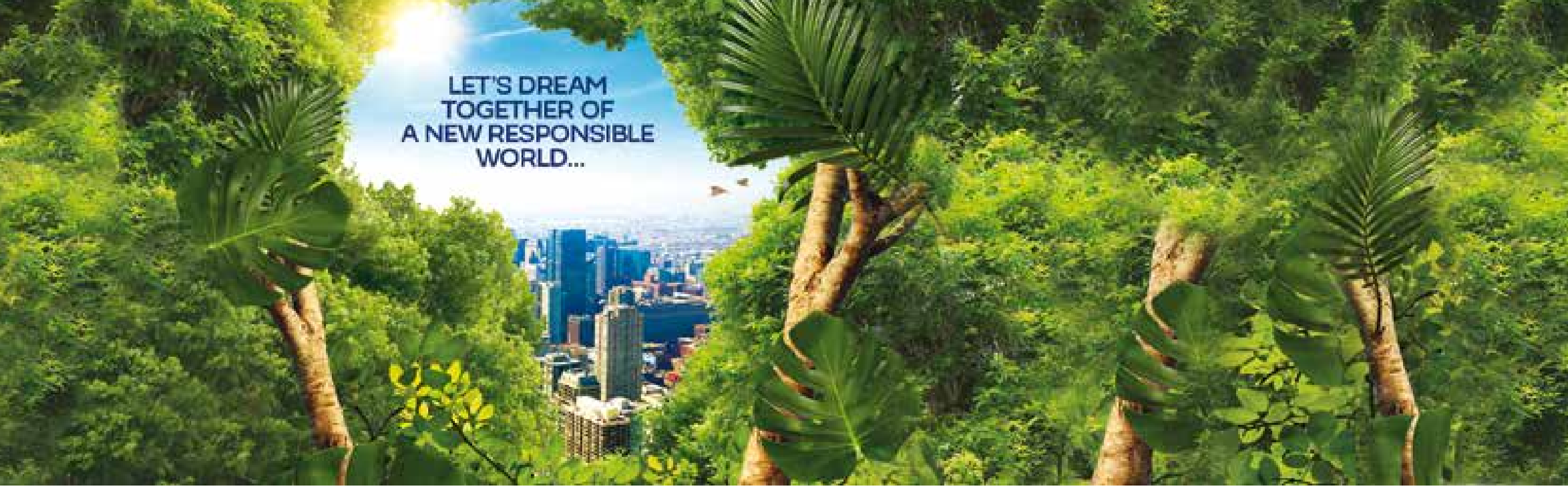
	dec-16	dec-15
Loans and Receivables due from credit institutions		
loans and receivables due from customers	-1 622 989	-1 456 481
Available for sale financial assets		
Held to maturity financial assets		
Financial assets from market transactions		
Others		
Commitments and others	6 458	16 525
Total cost of risk for the period	**-1 616 531**	**-1 439 956**

(In thousand MAD)

2.7. NET GAINS ON OTHER ASSETS

	dec-16	dec-15
PP&E and intangible assets used in operations	**0**	**0**
Capital gains on disposals		
Capital losses on disposals		
Equity interests	**0**	**0**
Capital gains on disposals		0
Capital losses on disposals	0	0
Others*	-111 741	74 609
Net Gain/Loss on Other Assets	**-111 741**	**74 609**

(In thousand MAD)



2.8. INCOME TAX

2.8.1. Current and deferred tax

	dec-16	dec-15
Current tax	414 191	63 550
Deferred tax	521 548	473 814
Current and deferred tax assets	**935 740**	**537 364**
Current tax	641 287	131 027
Deferred tax	1 198 242	1 130 452
Current and deferred tax liabilities	**1 839 530**	**1 261 479**

(In thousand MAD)

2.8.2. Charge nette de l'impots sur les benefices

	dec-16	dec-15
Current tax expense	-1 078 191	-790 809
Net deferred tax expense	-45 463	-170 424
Net Corporate income tax expense	**-1 123 654**	**-961 233**

(In thousand MAD)

2.8.3. Effective tax rate

	dec-16	dec-15
Net income	2 834 827	2 654 730
Net corporate income tax expense	-1 123 654	-961 233
Average effective tax rate	**39,6%**	**36,2%**

(In thousand MAD)

Analysis of effective tax rate

	dec-16	dec-15
Standard tax rate	37,0%	37,0%
Differential in tax rates applicable to foreign entities		
Reduced tax rate		
Permanent differences		
Change in tax rate		
Other items		
Average effective tax rate	2,6%	-0,8%
Taux d'impôt effectif moyen	**39,6%**	**36,2%**

(In thousand MAD)

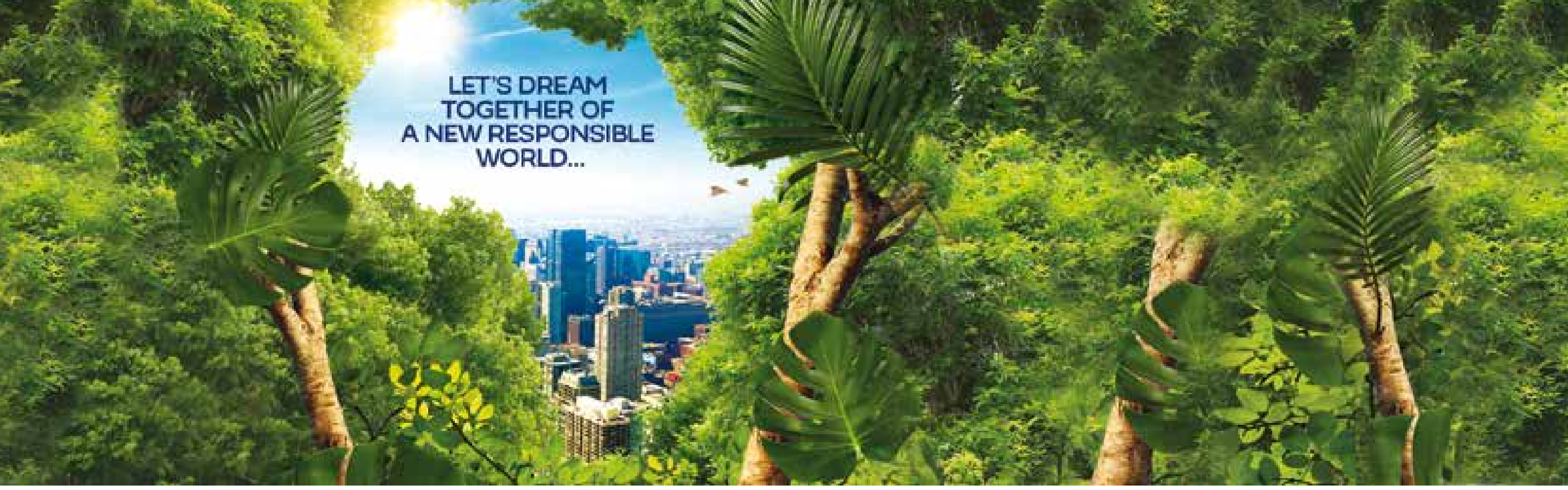
2.9 - GENERAL OPERATING EXPENSES

	dec-16	dec-15
Staff expenses	3 511 124	3 275 478
Taxes	120 407	104 508
External expenses	1 585 443	1 486 180
Other general operating expenses	1 461 479	1 395 056
Allowances for depreciation and provisions of tangible and intangible assets	696 947	672 006
General operating expenses	**7 375 400**	**6 933 228**

(en milliers de DH)

General operating expenses increased by 6.38% between 2015 and 2016, from MAD 6,933 million at December 31, 2015 to MAD 7,375 million at December 31, 2016.

This variation can be explained by a 7.19% increase in personnel expenses, from MAD 3,275 million in 2015 to MAD 3,511 million in 2016, and by the increase in other operating expenses (including taxes, Amortization and other external expenses) of 5.65% from MAD 3,658 million in 2015 to MAD 3,864 million in 2016.



III. SEGMENT INFORMATION

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

- **Banking in Morocco :** includes BMCE Bank's Moroccan business;
- **Asset management and Investment banking :** includes investment banking (BMCE Capital), securities brokerage (BMCE Capital Bourse) and asset management (BMCE Capital Gestion) ;
- **Specialised financial services :** includes consumer credit (Salafin), leasing (Maghrébail), factoring (Maroc Factoring), recovery (RM Experts) and credit insurance (Acmar) ;
- **International activities :** includes BMCE International (Madrid), Banque de Développement du Mali, La Congolaise de Banque, BMCE Bank International and Bank Of Africa.

3.1. Earnings by business line

	dec-16					
	ACTIVITY IN MOROCCO	INVESTMENT BANKING	SPECIALISED FINANCIAL SERVICES	OTHERS	INTERNATIONAL ACTIVITIES	TOTAL
Net interest Income	3 645 136	69 037	761 297	-16 351	4 786 479	9 245 598
Net Fee income	1 030 566	169 988	12 501	0	903 890	2 116 945
Net Banking Income	5 525 326	393 864	784 994	142 682	6 143 149	12 990 015
General Operating Expenses & allowances for deprecia-tion and amortization	-3 260 377	-288 018	-231 504	-77 796	-3 517 705	(7 375 400)
Operating Income	2 264 949	105 846	553 490	64 886	2 625 444	5 614 615
Corporate income tax	-605 905	-47 661	-181 653	-17 920	-270 515	(1 123 654)
Net Income Attributable to shareholders of the parent	814 518	141 073	188 023	48 758	843 814	2 036 186

(In thousand MAD)

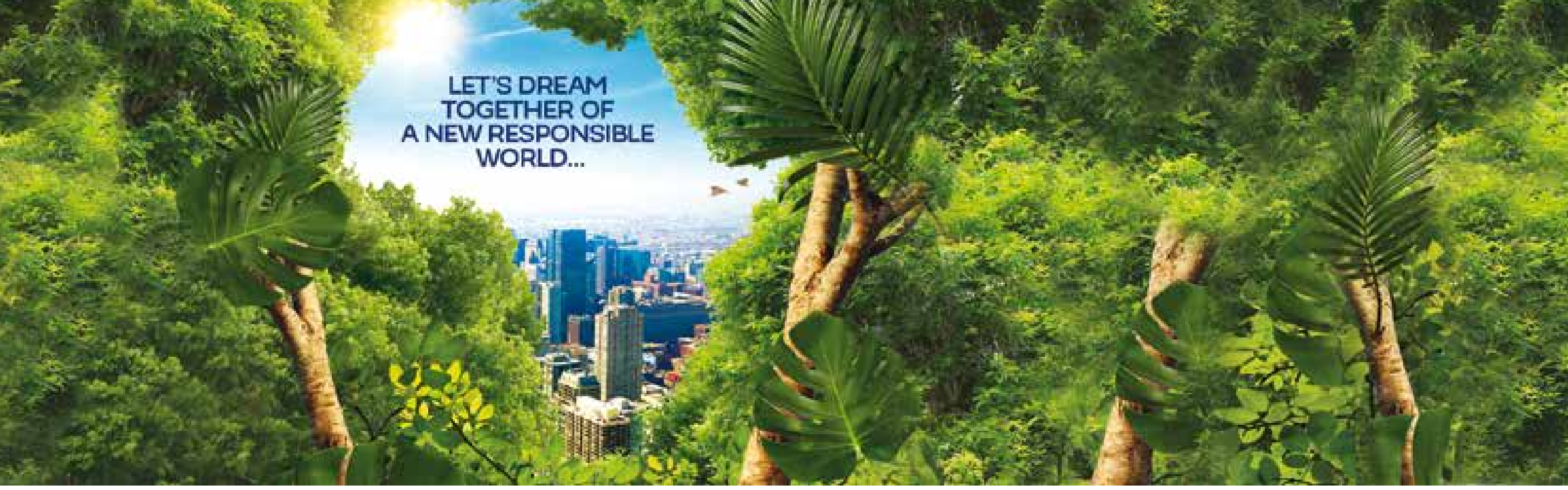
	dec-15					
	ACTIVITY IN MOROCCO	INVESTMENT BANKING	SPECIALISED FINANCIAL SERVICES	OTHERS	INTERNATIONAL ACTIVITIES	TOTAL
Net interest Income	3 517 004	32 488	620 546	-17 635	4 388 411	8 540 814
Net Fee income	963 811	150 168	13 519	0	823 656	1 951 154
Net Banking Income	**4 880 905**	**344 371**	**644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

(In thousand MAD)

3.2. ASSETS AND LIABILITIES BY BUSINESS ACTIVITY

	dec-16					
	ACTIVITY IN MOROCCO	INVESTMENT BANKING	SPECIALISED FINANCIAL SERVICES	OTHERS	INTERNATIONAL ACTIVITIES	TOTAL
TOTAL ASSETS	**205 383 601**	**979 684**	**9 234 390**	**183 128**	**90 142 075**	**305 922 878**
ASSETS ITEMS						
Available for sale assets	2 249 497	101 026	19 718	20 464	5 927 020	8 317 725
Customer loans	117 080 076	121	14 701 986	0	47 992 039	179 774 222
Financial assets at fair value	38 499 389	208 390	207	0	182 937	38 890 923
Held to maturity assets	**4 188 468**	**0**	**0**	**0**	**20 947 702**	**25 136 170**
LIABILITIES & SHAREHOLDERS EQUITY ITEMS						
Customer deposits	131 000 917	17	908 600	0	58 140 801	190 050 335
Shareholder's Equity	15 463 646	315 561	1 478 662	(32 906)	6 357 724	23 582 687

(In thousand MAD)



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

(In thousand MAD)

3.3. BREAKDOWN OF LOANS AND RECEIVABLES

Breakdown of loans and receivables to credit institutions by geographical region

	dec-16			dec-15		
	Performing loans	NPL	Provisions	Performing loans	NPLS	Provisions
Morocco	13 781 032	58 620	58 620	13 272 891	58 616	58 616
Europe	3 145 671	0	0	3 127 517	0	0
Subsaharian Africa	4 275 686	27 760	8 920	4 554 179	24 100	7 651
Total en principal	**21 202 389**	**86 380**	**67 540**	**20 954 587**	**82 716**	**66 267**
Allocated debts						
Provisions						
Net Value	**21 202 389**	**86 380**	**67 540**	**20 954 587**	**82 716**	**66 267**

(In thousand MAD)

Ventilation des prêts et créances envers la clientèle par zone géographique

	dec-16				dec-15			
	Performing loans	NPL	Provisions individuelles	Provisions collectives	Performing loans	NPL	Provisions individuelles	Provisions collectives
Morocco	128 534 813	9 353 560	4 358 705	1 748 430	125 168 158	8 419 017	3 904 848	1 408 837
Europe	3 885 045	205 958	85 332	0	3 816 758	110 303	32 658	0
Subsaharian Africa	41 432 888	5 150 768	2 424 641	171 702	38 924 773	4 204 443	1 936 574	80 839
Net Value	**173 852 746**	**14 710 286**	**6 868 678**	**1 920 132**	**167 909 689**	**12 733 763**	**5 874 080**	**1 489 676**

(In thousand MAD)

Change in impairment for loans due from customers

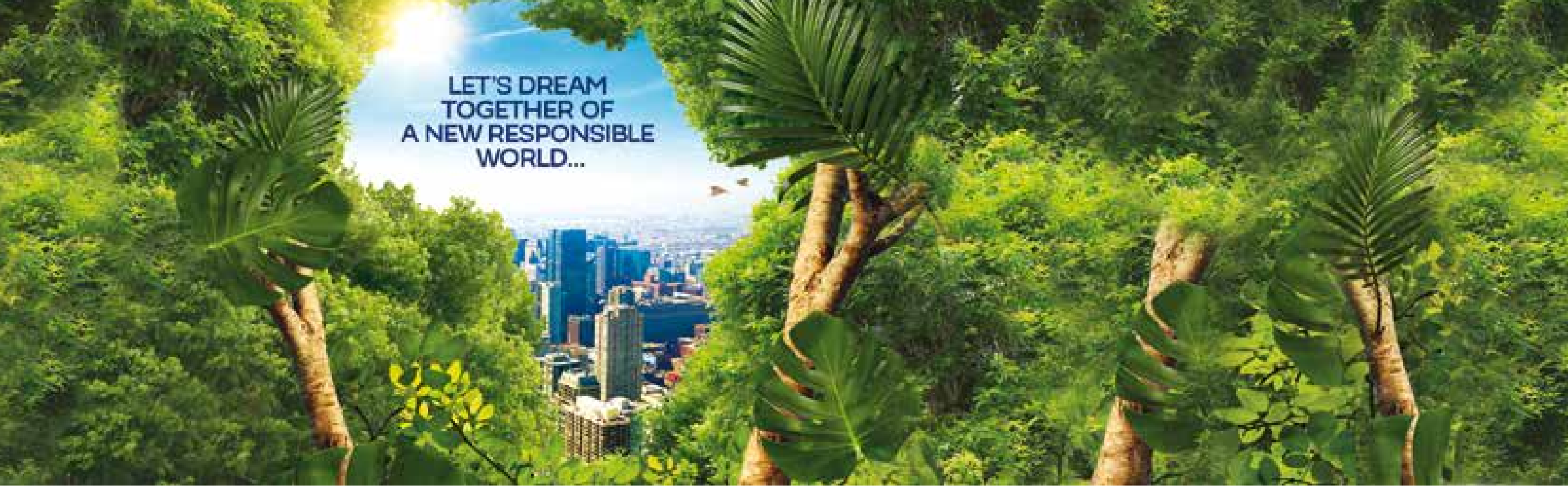
	dec-16	dec-15
TOTAL PROVISIONS AT BEGINNING OF THE PERIOD	**7 363 756**	**6 877 560**
Provisions	2 369 128	2 464 842
Write-backs of provisions	-708 909	-1 421 577
Use of provisions	-174 476	-522 094
Change in currency parities and other	-60 689	-34 975
TOTAL PROVISIONS AT END OF THE PERIOD	**8 788 810**	**7 363 756**

(In thousand MAD)

Change in impairment for loans due from credit institutions

	dec-16	dec-15
TOTAL PROVISIONS AT BEGINNING OF THE PERIOD	**66 267**	**68 353**
Provisions	1 273	
Write-backs of provisions		-2 086
Use of provisions	-	-
Change in currency parities and other		
TOTAL PROVISIONS AT END OF THE PERIOD	**67 540**	**66 267**

(In thousand MAD)



IV. NOTES TO THE BALANCE SHEET FOR THE YEAR ENDED 31 DECEMBER 2016

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

	dec-16	dec-15
Cash	**3 391 893**	**3 562 741**
CENTRAL BANKS	7 922 511	5 998 648
TREASURY	836 575	836 959
GIRO	4 658	4 742
CENTRAL BANKS, TREASURY, GIRO	8 763 744	6 840 349
Cash, Central Banks, Treasury, Giro	**12 155 637**	**10 403 090**

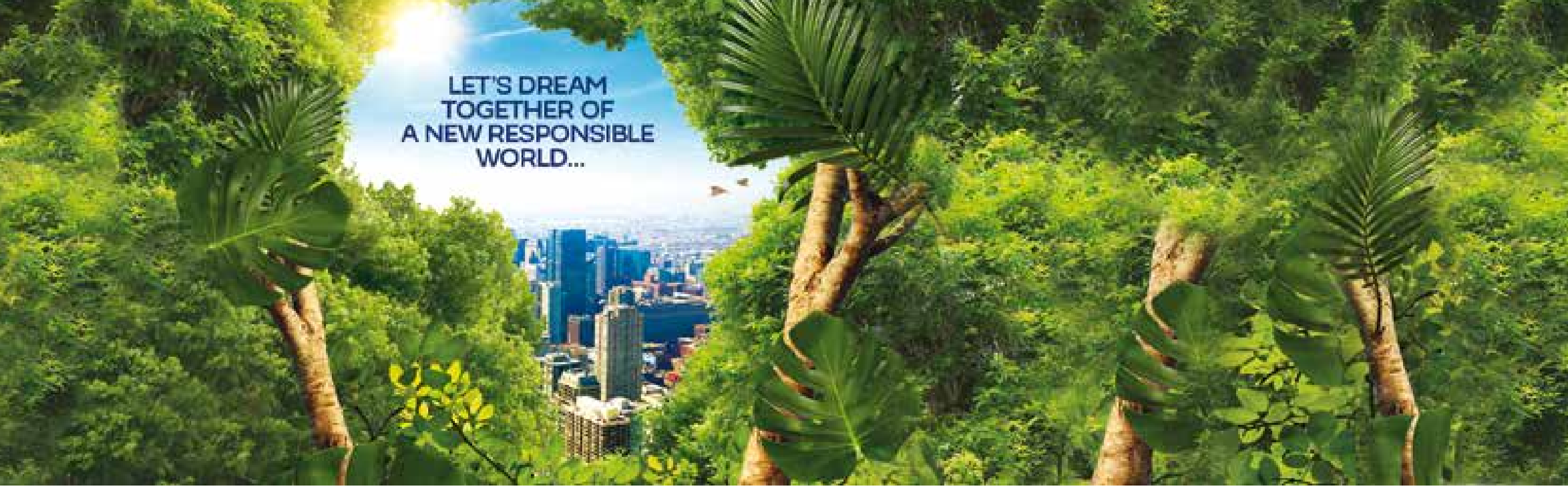
(In thousand MAD)

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

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

	dec-16			dec-15		
	Trading book	Assets designated at fair value through profit or loss	Total	Trading book	Assets designated at fair value through profit or loss	Total
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS						
Negotiable certificates of deposits	**16 099 331**	**0**	**16 099 331**	**4 746 066**	**0**	**4 746 066**
Treasury bills and other eligible for central bank refinancing	14 101 323		14 101 323	4 235 874		4 235 874
Other negotiable certificates of deposits	1 998 008		1 998 008	510 192		510 192
Bonds	**3 231 539**	**0**	**3 231 539**	**1 518 833**	**0**	**1 518 833**
Government bonds	881 003		881 003	616 244		616 244
Other bonds	2 350 536		2 350 536	902 589		902 589
Equities and other variable income securities	**19 533 271**	**0**	**19 533 271**	**19 490 636**	**0**	**19 490 636**
Repurchase agreements	**0**	**0**	**0**	**0**	**0**	**0**
Loans	**0**	**0**	**0**	**0**	**0**	**0**
To credit institutions						
To corporate customers						
To private individual customers						
Trading Book Derivatives	**26 782**	**0**	**26 782**	**4 693**	**0**	**4 693**
Currency derivatives	26 205		26 205	4 089		4 089
Interest rate derivatives	577		577	604		604
Equity derivatives						
Credit derivatives						
Other derivatives						
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**38 890 923**	**0**	**38 890 923**	**25 760 228**	**0**	**25 760 228**
Of which loaned securities						
Excluding equities and other variable-income securities						
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS						
Borrowed securities and short selling						
Repurchase agreements						
Borrowings	**0**	**2 037 621**	**2 037 621**	**0**	**1 999 324**	**1 999 324**
Credit institutions		2 037 621	2 037 621		1 999 324	1 999 324
Corporate customers						
Debt securities						
Trading Book Derivatives	**60 655**	**0**	**60 655**	**47 270**	**0**	**47 270**
Currency derivatives	60 655		60 655	47 270		47 270
Interest rate derivatives			0			0
Equity derivatives			0			0
Credit derivatives						
Other derivatives						
TOTAL FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	**60 655**	**2 037 621**	**2 098 276**	**47 270**	**1 999 324**	**2 046 594**

(In thousand MAD)



4.3. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

a) Loans and receivables;

b) Held-to-maturity financial assets;

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

	dec-16	dec-15
Negotiable certificates of deposit	**0**	**0**
Treasury bills and other bills eligible for central bank refinancing		
Other negotiable certificates of deposit		
Bonds	**5 501 553**	**4 112 360**
Government bonds	3 970 101	2 833 016
Other bonds	1 531 452	1 279 344
Equities and other variable-income securities	**3 251 983**	**3 153 573**
Of which listed securities	316 103	319 930
Of which unlisted securities	2 935 880	2 833 643
Total available-for-sale financial assets, before impairment provisions	**8 753 536**	**7 265 933**
Of which unrealized gains and losses	**-435 811**	**-419 361**
Of which fixed-income securities		
Of which loaned securities	-435 811	-419 361
Total available-for-sale financial assets, net of impairment provisions	**8 317 725**	**6 846 572**
Of which fixed-income securities, net of impairment provisions		

(In thousand MAD)

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

Loans and receivables due from credit institutions

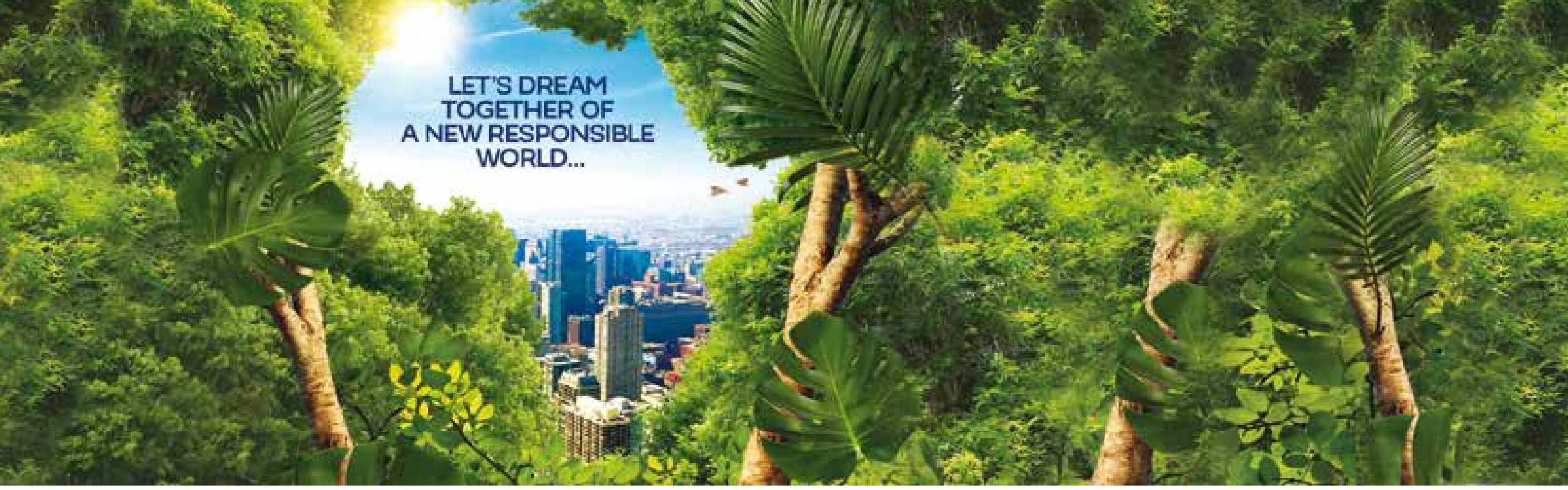
	dec-16	dec-15
Demand accounts	4 992 941	5 630 176
Loans	13 446 232	12 839 340
Dont prêts de tresorerie JJ	24 826	27 323
Repurchase agreements	2 846 445	2 567 788
Total loans and receivables due from credit institutions, before impairment provisions	**21 285 618**	**21 037 304**
Provisions for impairment of loans and receivables due from credit institutions	-64 389	-66 268
Total loans and receivables due from credit institutions, net of impairment provisions	**21 221 229**	**20 971 036**

(In thousand MAD)

Amounts due to credit institutions

	dec-16	dec-15
Demand accounts	2 801 428	2 081 821
Borrowings	32 330 639	34 683 456
Dont emprunt de tresorerie JJ	1 153 270	2 877 349
Repurchase agreements	14 576 201	14 410 750
TOTAL	**49 708 268**	**51 176 027**

(In thousand MAD)



4.5. LOANS, RECEIVABLES AND AMOUNTS DUE FROM CUSTOMERS

Loans and receivables due from customers

	dec-16	dec-15
Demand accounts	24 688 644	25 697 536
Loans to customers	138 932 342	124 431 972
Repurchase agreements	11 561 531	18 162 143
Finance leases	13 380 515	12 351 801
Total loans and receivables due from customers, before impairment provisions	**188 563 032**	**180 643 452**
Impairment of loans and receivables due from customers	-8 788 810	-7 363 756
Total loans and receivables due from customers, net of impairment provisions	**179 774 222**	**173 279 696**

(In thousand MAD)

Breakdown of amounts due from customers by business activity

	dec-16	dec-15
Activity in Morocco	117 079 106	113 592 596
Specialized Financial Services	14 702 011	14 680 785
International Activities	47 992 984	45 006 206
Investment Banking	121	109
Other Activities	0	0
Total	**179 774 222**	**173 279 696**
Allocated Debts		
Value at Balance sheet	**179 774 222**	**173 279 696**

(In thousand MAD)

Breakdown of amounts due from customers by geographical region

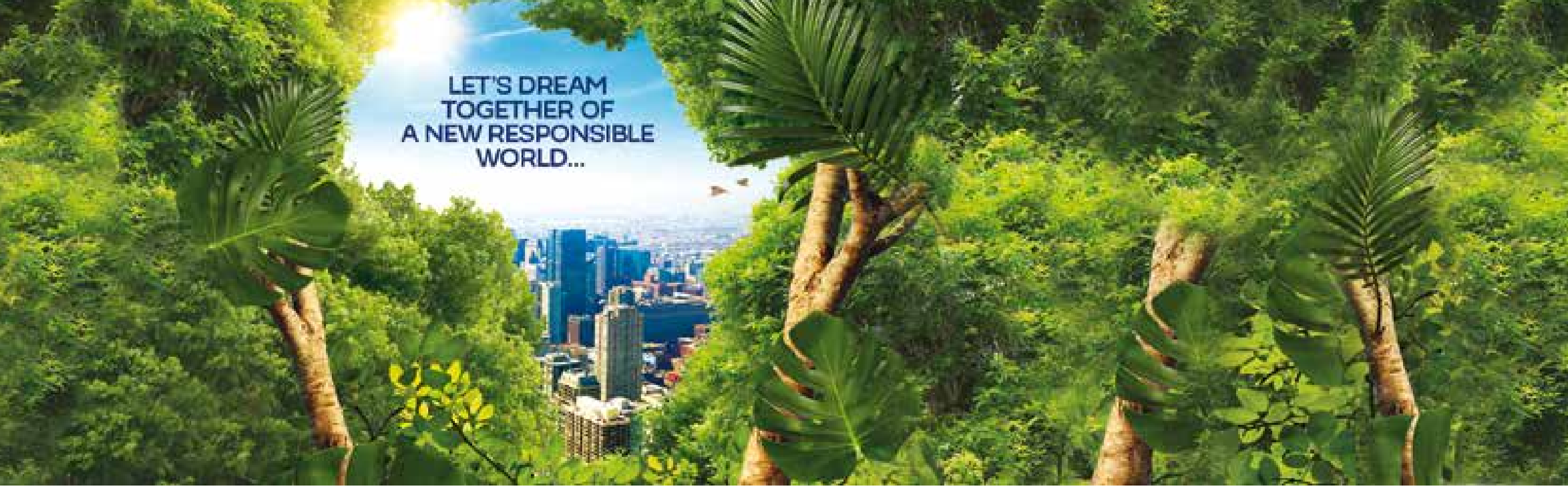
	dec-16	dec-15
Morocco	131 781 238	128 273 490
Sub saharan Africa	43 987 312	41 111 803
Europe	4 005 672	3 894 403
Total	**179 774 222**	**173 279 696**
Allocated Debts		
Value at Balance sheet	**179 774 222**	**173 279 696**

(In thousand MAD)

Amounts due to customers

	dec-16	dec-15
On demand deposits	108 326 940	100 028 015
Term accounts	40 965 156	40 871 554
Savings accounts	22 391 034	21 017 845
Cash certificates	5 085 322	4 666 140
Repurchase agreements	4 218 496	2 481 744
Other items	9 063 387	9 189 723
TOTAL LOANS AND RECEIVABLES DUE TO CUSTOMERS	**190 050 335**	**178 255 021**

(In thousand MAD)



Breakdown of amounts due to customers by business activity

	dec-16	dec-15
Activity in Morocco	131 000 907	121 110 279
Specialized Financial Services	908 610	1 107 886
International Activities	58 140 801	56 034 240
Investment Banking	17	2 616
Other Activities	0	0
Total	**190 050 335**	**178 255 021**
Allocated Debts		
Value at Balance sheet	**190 050 335**	**178 255 021**

(In thousand MAD)

Breakdown of amounts due to customers by geographical region

	dec-16	dec-15
Morocco	131 909 534	122 220 781
Sub saharan Africa	56 390 289	54 445 069
Europe	1 750 512	1 589 171
Total	**190 050 335**	**178 255 021**
Allocated Debts		
Value at Balance sheet	**190 050 335**	**178 255 021**

(In thousand MAD)

4.6. DEBT SECURITIES, SUBORDINATED DEBT AND SPECIAL GUARANTEE FUNDS

	dec-16	dec-15
Other debt securities	**13 186 303**	**8 967 697**
Negotiable certificates of deposit	13 186 303	8 967 697
Bond issues		
Subordinated debts	**10 183 703**	**8 436 745**
Subordinated debt	10 183 703	8 436 745
Redeemable subordinated debt	8 183 703	6 436 745
Undated subordinated debt	2 000 000	2 000 000
Subordinated Notes	**0**	**0**
Redeemable subordinated notes		
Undated subordinated notes	**0**	**0**
Public Funds and special guarantee funds	**309 673**	**202 552**
Total	**23 679 679**	**19 965 657**

(In thousand MAD)

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

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

4.7. HELD-UNTIL-MATURITY FINANCIAL ASSETS

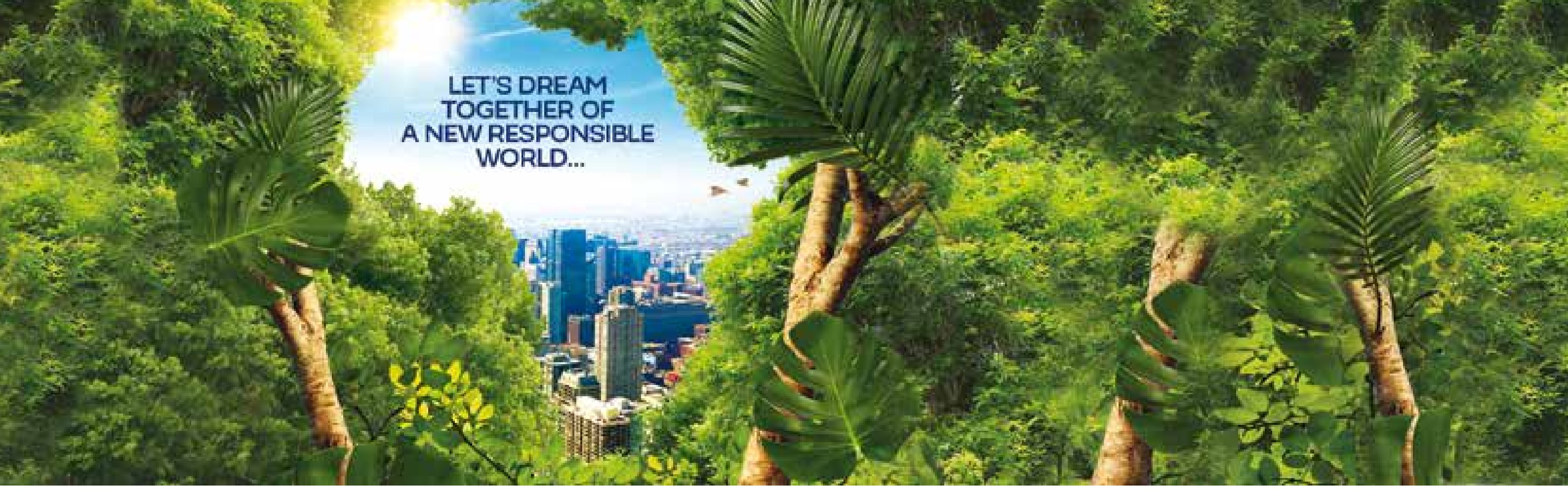
	dec-16	dec-15
Negotiable certificates of deposit	**5 669 715**	**6 095 691**
Treasury bills and other bills eligible for central bank refinancing	5 669 715	6 095 691
Other negotiable certificates of deposit		0
Bonds	**19 466 455**	**18 463 767**
Government bonds	14 331 242	12 802 119
Other bonds	5 135 213	5 661 648
Total held-to-maturity financial assets	**25 136 170**	**24 559 458**

(In thousand MAD)

4.8. CURRENT AND DEFERRED TAXES

	dec-16	dec-15
Current taxes	414 191	63 550
Deferred taxes	521 548	473 814
Current and deferred tax assets	**935 739**	**537 364**
Current taxes	641 287	131 027
Deferred taxes	1 198 242	1 130 452
Current and deferred tax liabilities	**1 839 529**	**1 261 479**

(In thousand MAD)



Deferred taxes by Category

	dec-16				dec-15			
	Deferred tax assets	Deferred tax liabilities	DT/Impact on G&PL	DT/Impact on income	Deferred tax assets	Deferred tax liabilities	DT/Impact on G&PL	DT/Impact on income
Available-for-sale financial assets	917 3	-72 580	-25 077	404		-65 558	-67 229	404
Property, plant and equipment, Intangible assets and Investment property	112 226	-596 010	-	-11 613	106 593	-592 036	-	-11 613
Loans	240 147	-489 953	-	-153 950	229 607	-441 044	-	-153 950
Staff benefits	119 748	-	24 417	1 992	99 272	-135	-6 225	1 992
Others	-1 953	-39 699	-	-5 156	950	-31 679	-	-5 156
Deferred taxes relating to consolidation and IFRS restatements	474 085	-1 198 242	-660	-168 323	436 422	-1 130 452	-73 454	-168 324
Loss carry forwards	47 463				37 392			

(In thousand MAD)

4.9. ACCRUED INCOME AND EXPENSES, OTHER ASSETS AND LIABILITIES

	dec-16	dec-15
Guarantee deposits and bank guarantees paid	40 950	82 020
Settlement accounts related to securities transactions	71 213	43 028
Collection accounts	397 441	656 493
Reinsurers' share of technical reserves		
Accrued income and prepaid expenses	517 122	479 608
Other debtors and miscellaneous assets	5 087 235	3 794 891
Inter-related Accounts	326 815	308 147
TOTAL ACCRUED INCOME AND OTHER ASSETS	**6 440 776**	**5 364 187**
Guarantee deposits received	20 247	16 786
Settlement accounts related to securities transactions	7 261 686	14 974
Collection accounts	1 304 298	1 417 640
Accrued expenses and deferred income	1 154 763	1 078 145
Other creditors and miscellaneous assets	4 537 906	3 787 495
TOTAL ACCRUED EXPENSES AND OTHER LIABILITIES	**14 278 900**	**6 315 040**

(In thousand MAD)

4.10. INVESTMENTS IN COMPANIES ACCOUNTED FOR UNDER THE EQUITY METHOD

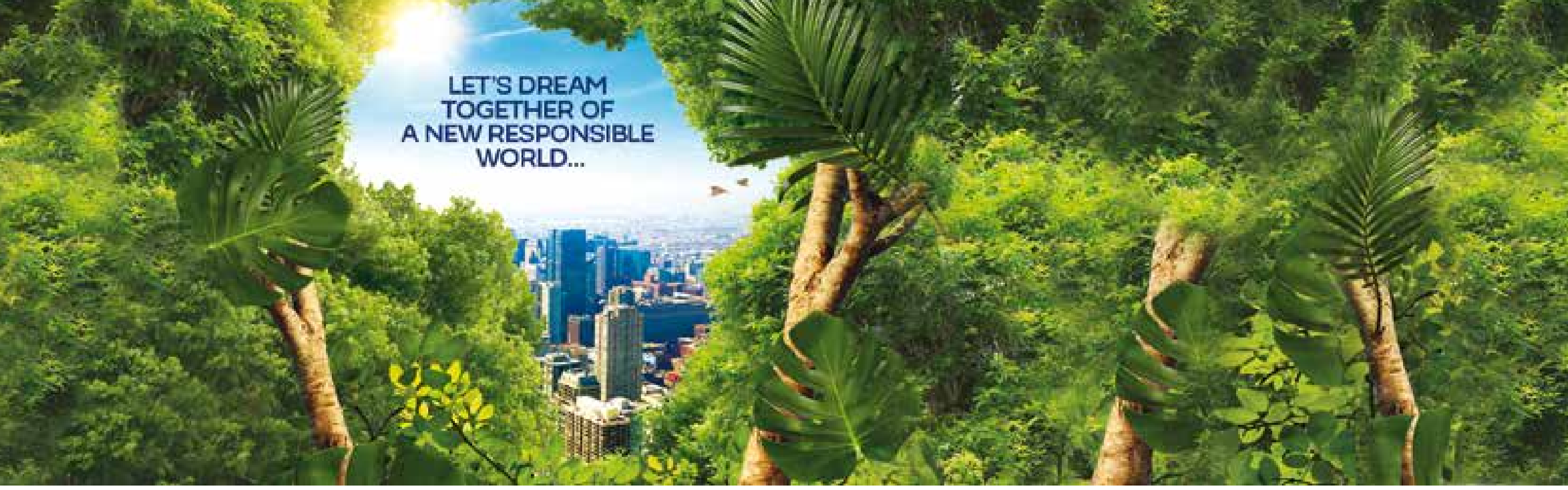
	dec-16	dec-15
Euler Hermes Acmar	19 447	25 114
Banque de Développement du Mali	387 973	347 072
Eurafric Information	-12 202	-9 728
Société Conseil Ingénierie et Développement	148 585	142 354
Inverstments in equity methods companies belonging to subsidiaries	87 465	80 975
Investments in associates	**631 268**	**585 787**

(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
ACMAR	446 910	116 628	11 668	2 334
Banque de Développement du Mali	11 678 844	582 737	243 600	80 141
Eurafric	137 477	263 362	-2 879	-2 757
Société Conseil Ingenierie et Développement	647 006	262 295	32 000	12 448

(In thousand MAD)



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

	dec-16			dec-15		
	Gross Value	Accumulated depreciation amortization and impairment	Carrying Amount	Gross Value	Accumulated depreciation amortization and impairment	Carrying Amount
PP&E	**12 320 654**	**5 331 829**	**6 988 825**	**11 455 252**	**4 939 223**	**6 516 029**
Land and buildings	3 797 644	380 388	3 417 256	2 860 401	112 969	2 747 432
Equipment, furniture and fixtures	3 837 324	2 357 522	1 479 802	4 023 357	1 980 130	2 043 227
Plant and equipment leased as lessor under operating leases	0	0	0	0	0	0
Other PP&E	4 685 686	2 593 919	2 091 767	4 571 494	2 846 124	1 725 370
Intangible Assets	**2 162 892**	**1 333 922**	**828 970**	**1 866 540**	**1 163 015**	**703 525**
Purchased software	1 684 757	1 096 920	587 837	1 423 019	930 976	492 043
Internally-developed software	0	0	0	0	0	0
Other intangible assets	478 135	237 002	241 133	443 521	232 039	211 482
Investment Property	**3 841 315**	**95 169**	**3 746 146**	**3 116 213**	**81 082**	**3 035 131**

(In thousand MAD)

Change in property, plant and equipment

	dec-16	dec-15
Net value as of January, 1st	**6 521 829**	**5 847 075**
Acquisition of the year	859 988	2 172 198
	-	-
Depreciation, Amortization of impaiment	(470 711)	(853 088)
Disposal of the year	(328 668)	(677 373)
Reclassifications	**406 387**	**27 217**
NET VALUE AT END OF PERIODE	**6 988 825**	**6 516 029**

(In thousand MAD)

Change in intangible assets

	dec-16	dec-15
Net value as of January, 1st	**703 525**	**744 273**
Acquisition of the year	324 337	181 642
	-	-
Depreciation, Amortization of impaiment	(173 905)	(186 771)
Disposal of the year	(13 633)	(10 950)
Reclassifications	(11 354)	(24 669)
Net Value at end of periode	**828 970**	**703 525**

(In thousand MAD)

Change in intangible assets

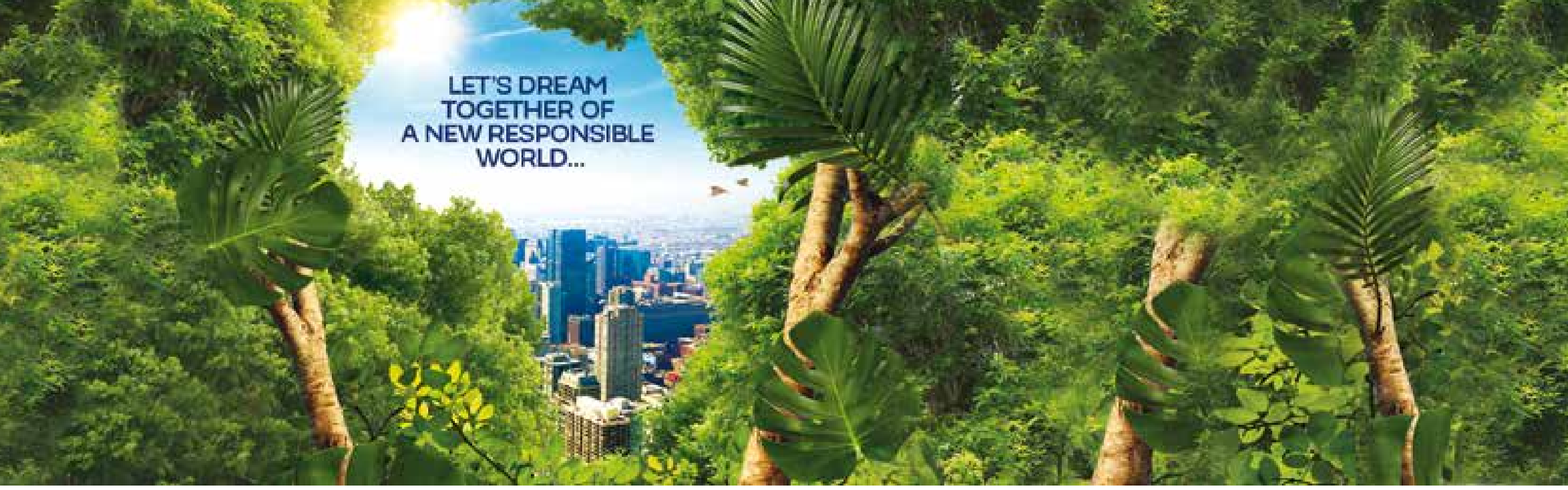
	dec-16	dec-15
Net value as of January, 1st	**3 035 131**	**835 047**
Acquisition of the year	744 004	2 242 743
		-
Depreciation, Amortization of impaiment	(18 306)	(4 828)
Disposal of the year	(13 643)	(29 943)
Reclassifications	(1 040)	(7 888)
Net Value at end of periode	**3 746 146**	**3 035 131**

(In thousand MAD)

4.12. GOODWILL

	dec-16	dec-15
Gross value at start of period	**852 310**	**832 470**
Accumulated impairment at start of period		
Carrying amount at start of period	**852 310**	**832 470**
Acquisitions		19 840
Cessions		
Impairment losses recognized during the period		
Translation adjustments		
Subsidiaries previously accounted for by the equity method		
Other movements	0	0
Gross value at end of period	**852 310**	**852 310**
Accumulated impairment at end of period		
CARRYING AMOUNT AT END OF PERIOD	**852 310**	**852 310**

(In thousand MAD)



The following table provides a breakdown of goodwill :

	2015 book Value	2014 book Value
Maghrébail	10 617	10 617
Banque de développement du Mali	3 588	3 588
SALAFIN	5 174	5 174
Maroc Factoring	1 703	1 703
BMCE Capital Bourse	2 618	2 618
BMCE International (Madrid)	3 354	3 354
Bank Of Africa	711 976	711 976
LOCASOM	98 725	98 725
CID	14 555	14 555
TOTAL GROUPE	**852 310**	**852 310**

Goodwill impairment tests

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

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

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

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

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

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

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

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

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Discount rate

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

BOA's cost of capital has been determined on the basis of the observed average discount rate, calculated by weighting the discount rate of each bank by net banking income, in each of the countries in which BOA has operations. The discount rate ranges from 16% to 18% for BOA and from 6.5% to 8.5% for Locasom.

Growth rate

Le business plan de BOA Group a été construit en Franc CFA. Le Franc CFA est garanti en euro par le Trésor Français à parité fixe. Par conséquent, le taux de croissance à long terme retenu pour la BOA Group est de 2% en ligne avec les prévisions à long terme d'inflation en France.

Le taux de croissance de Locasom a été fixé à 3% en ligne avec les hypothèses de taux croissance à long terme pour ce secteur au Maroc.

Exigence en fonds propres réglementaires

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

Net banking income

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

EBITDA

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

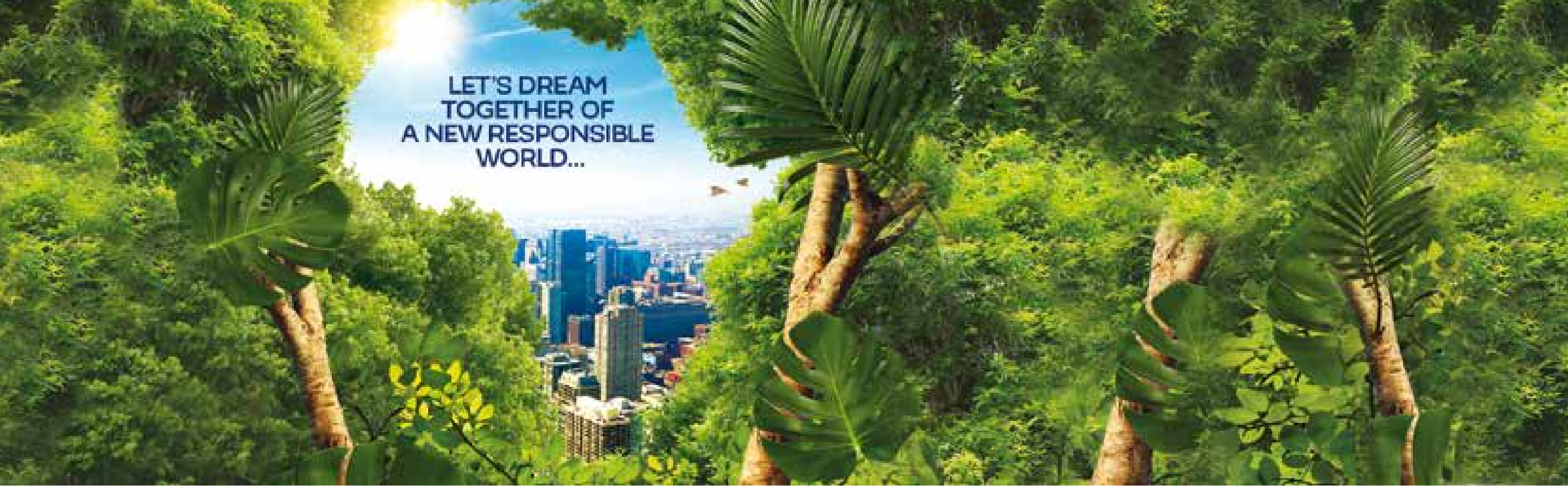
Cost-to-income ratio

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

Sensitivity to changes in assumptions

	BANK OF AFRICA
Cost of capital	**18%**
Unfavorable change of 200 basis points	-1 272 400
Favorable change of 200 basis points	1 654 509
	LOCASOM
Cost of capital	**8.50%**
Unfavorable change of 200 basis points	-171 328
Favorable change of 150 basis points	366 598

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



4.13. PROVISIONS FOR CONTINGENCIES AND CHARGES

	dec-16	dec-15
Total provisions at start of period	**650 913**	**523 011**
Additions to provisions	51 674	222 915
Reversals of provisions	-51 024	-147 234
Effect of movements in exchange rates and other movements	39 329	57 128
Gross value at end of period	-5 688	-4 907
TOTAL PROVISIONS AT END OF PERIOD	**685 204**	**650 913**

	Legal and fiscal risks	Obligations for post-employment benefits	Loan commitments and guarantees	Onerous contracts	Other provisions	Total book value
Total provisions at start of period	**25 167**	**323 090**	**19 602**	**0**	**283 054**	**650 913**
Net additions to provisions	14 220	6 578	8 643	0	22 531	51 972
Provisions used	0	0	0	0	0	0
Effect of movements in exchange rates	-18 574	0	0	0	-32 450	-51 024
Other movements	-118	0	-12 119	0	45 580	33 343
TOTAL PROVISIONS AT END OF PERIOD	**20 695**	**329 668**	**16 126**	**0**	**318 715**	**685 204**

4.14. TRANSFERS OF FINANCIAL ASSETS

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

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

Transferred financial assets not derecognised

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

The assets that have been transferred by the Group are:

- Treasury securities
- Certificates of deposit
- Bonds

Transfers of derecognised financial assets

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

There have been no significant transfers of derecognised securities by the Group in 2015 and 2014.

	Dec-16	
	Carrying amounts of transferred assets	Carrying amounts of associated liabilities
Securities lending operations		
Securities at fair value through profit or loss		
Repurchase agreements		
Securities at fair value through profit or loss	14 338 028	14 329 475
Securities classified as loans and receivables	0	0
Available-for-sale assets	460 221	459 843
Total	**14 798 249**	**14 789 318**

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

4.15. FAIR VALUE

4.15.1. Fair value of financial instruments carried at amortised cost

The information supplied in this note must be used and interpreted with the greatest caution because these fair values are an estimate of the value of the relevant instruments as of 31 December 2014. They are liable to fluctuate from day to day as a result of changes in different variables such as interest rates and credit quality of the counterparty.

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

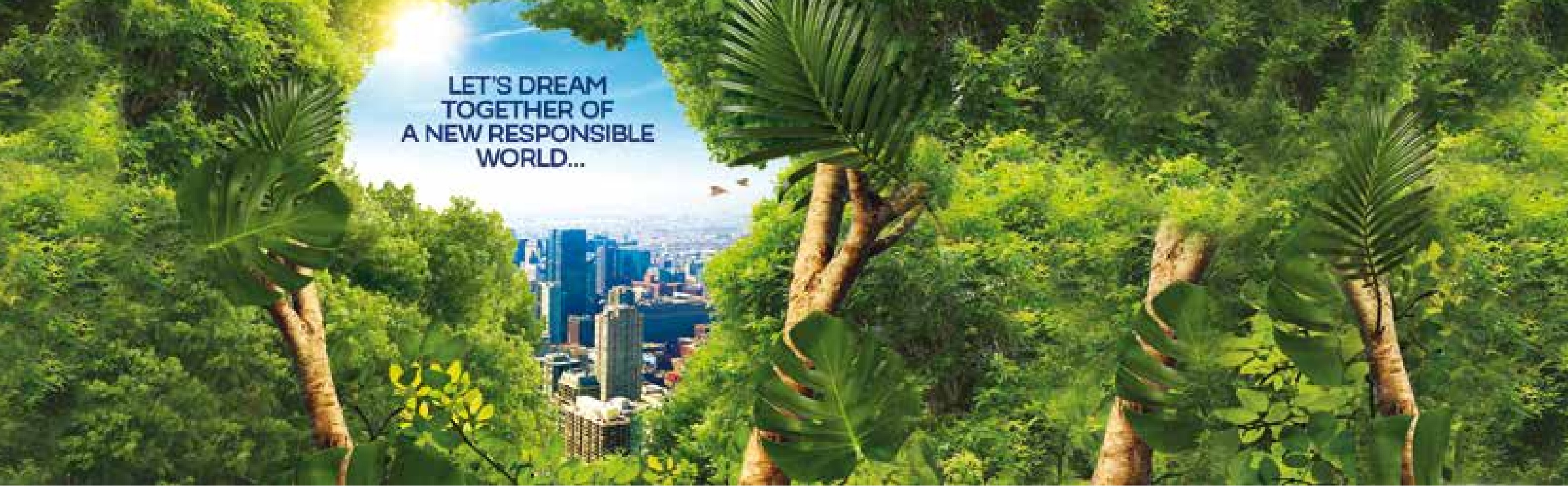
The fair value of a financial instrument is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

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

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

The table below shows the fair value of the Group's financial assets and liabilities at 31 December 2016 :

	Dec-16		Dec-15	
	Book value	Estimated market value	Book value	Estimated market value
FINANCIAL ASSETS				
Loans and receivables due from credit institutions	21 221 229	21 235 707	20 971 036	20 998 500
Loans and receivables due from customers	179 774 222	180 516 425	173 279 696	173 621 762
Placements détenus jusqu'à leur échéance	25 136 170	25 438 896	24 559 458	24 444 821
Immeubles de placement	3 746 146	3 807 973	3 035 131	3 096 958
FINANCIAL LIABILITIES				
Loans and receivables due to credit institutions	49 708 268	49 708 268	51 176 027	51 176 027
Loans and receivables due to customers	190 050 335	190 050 335	178 255 021	178 255 021
Debt securities	13 186 303	13 186 303	8 967 697	8 967 697
Subordinated debts	10 493 376	10 493 376	8 639 297	8 639 297



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

Loans and receivables

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

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

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

Loans and receivables due from credit institutions

Loans and receivables due from credit institutions totalled MAD 20.9 billion with a fair value close to the carrying amount. This is due to the predominance of short-term money market transactions (in the form of cash loans, interbank loans and repurchase agreements).

Outstandings of loans to finance companies totalled MAD 8.4 billion, amortisable over a short period, with a fair value that is MAD 27.3 million higher than the carrying amount.

Loans and receivables due from customers

Outstandings of loans and receivable due from customers totalled MAD 173 billion at 31 December 2015, consisting primarily of cash loans, overdraft facilities and floating rate loans.

Outstandings of fixed-rate loans primarily consist of consumer loans amortisable over a short period (average maturity 2.3 years) and fixed-rate mortgage loans amortisable over an average period of almost 7.1 years.

The sensitivity analysis of the Bank's fixed rate loan book shows a faire value that is 333 million MAD higher than the carrying amount.

Financial liabilities

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

Amounts due to credit institutions

Amounts due to credit institutions totalled MAD 51 billion and are recognised at their carrying amount. They consist primarily of short-term cash borrowing transactions in the form of 7-day advances from the Central Bank, interbank borrowings and borrowings from local banks or foreign correspondent banks in addition to repurchase agreements.

Amounts due to customers

Amounts due to customers totalled MAD 178 million, consisting primarily of non-interest-bearing sight deposits in the form of cheque accounts, current accounts in credit and immediate-access regulated savings account.

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

Outstandings of term deposits totalled MAD 41 billion, with an average maturity of less than one year consisting due to the predominance of 3-month, 6-month and 12-month maturities.

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

Debt securities

Outstandings of debt securities totalled MAD 13.2 billion, consisting primarily of certificates of deposit issued by the Bank with predominantly 3-month, 6-month and 12-month maturities.

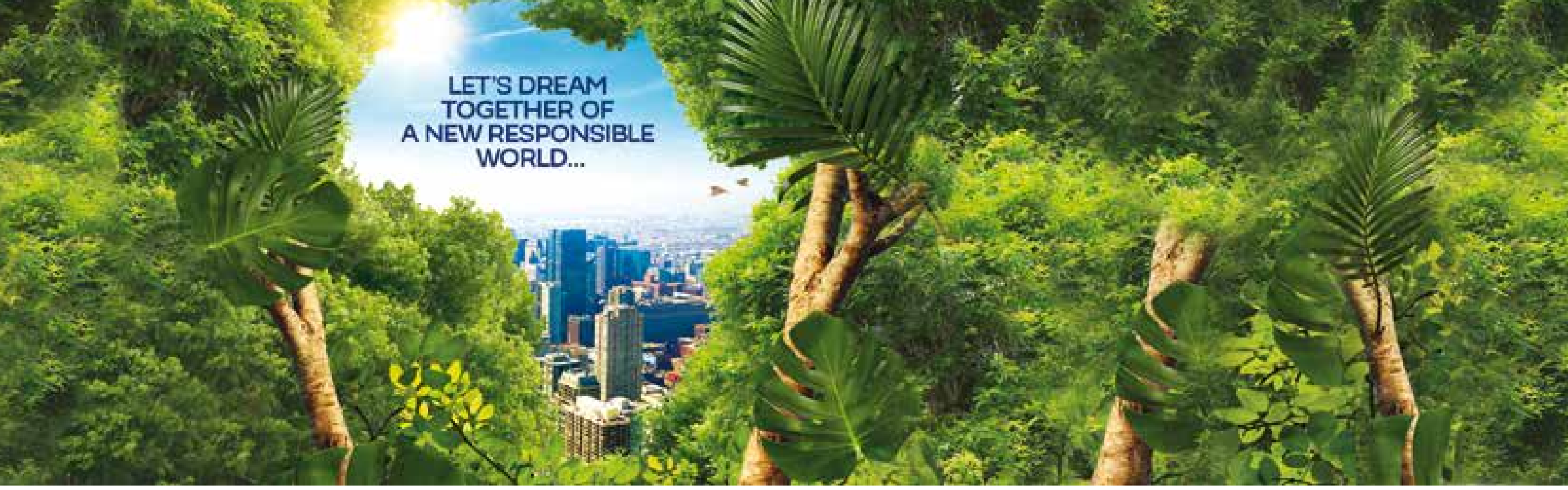
In the case of debt securities, fair value equates to the carrying amount.

Subordinated debt

Outstandings of subordinated debt, which totalled MAD 10.5 billion, are recognised at the carrying amount due to the predominance of floating-rate issues and perpetual subordinated debt outstandings.

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

	dec-16			
	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS				
Financial instruments at-fair-value through profit or loss held for trading	38 890 923	-	-	38 890 923
of which financial assets at-fair-value through profit or loss	38 890 923			38 890 923
of which derivative financial instruments				-
Financial instruments designated as at-fair-value through profit or loss				-
Derivatives used for hedging purposes				-
Available for sale financial assets			8 317 725	8 317 725
FINANCIAL LIABILITIES				
Financial instruments at-fair-value through profit or loss held for trading	-	2 098 276	-	2 098 276
of which financial assets at-fair-value through profit or loss		2 037 621		2 037 621
of which derivative financial instruments		60 655		60 655
Financial instruments designated as at-fair-value through profit or loss				
Derivatives used for hedging purposes				



	déc-15			
	Level 1	Level 2	niveau 3	Total
FINANCIAL ASSETS				
Financial instruments at-fair-value through profit or loss held for trading	25 760 228	-	-	25 760 228
of which financial assets at-fair-value through profit or loss	25 760 228			25 760 228
of which derivative financial instruments				-
Financial instruments designated as at-fair-value through profit or loss				-
Derivatives used for hedging purposes				-
Available for sale financial assets			6 846 572	6 846 572
FINANCIAL LIABILITIES				
Financial instruments at-fair-value through profit or loss held for trading	-	2 046 594	-	2 046 594
of which financial assets at-fair-value through profit or loss		1 999 324		1 999 324
of which derivative financial instruments		47 270		47 270
Financial instruments designated as at-fair-value through profit or loss				
Derivatives used for hedging purposes				

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

- Carrying amount

- Adjusted net asset value

- Net asset value

- Pricing - corporate events

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

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

Variable income securities are valued using a variety of methods, including:

67% of the portfolio is valued using the Net Asset Accounting method and 21% using the comparables model (similar capital transactions).

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

	dec-16		
	Debt	Equity	
CARRYING AMOUNT at 1 January	**4 112 359**	**2 734 213**	**6 846 572**
Profits and losses recognised in the P&L	-	16 656	16 656
Profits and losses recognised in equity	-	13 334	13 334
Acquisitions	1 753 241	116 854	1 870 095
Disposals	-336 055	-63 613	-399 668
Transfers	-	-	-
Translation differences	-27 992	-1 272	-29 264
Reclassifications	-	-	-
CARRYING AMOUNT at end of period	5 501 553	2 816 172	8 317 725

	dec-15		
	Debt	Equity	
CARRYING AMOUNT at 1 January	**2 402 295**	**2 163 669**	**4 565 964**
Profits and losses recognised in the P&L	-	-1 114	-1 114
Profits and losses recognised in equity	-	-57 090	-57 090
Acquisitions	2 192 760	587 861	2 780 621
Disposals	-418 169	-67 308	-485 477
Transfers	-	-	-
Translation differences	-64 527	108 195	43 668
Reclassifications	-	-	-
CARRYING AMOUNT at end of period	4 112 359	2 734 213	6 846 572

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

	dec-16			
	Level 1	Level 2	Level 3	Total
ASSETS				
Loans and receivables due from credit institutions			21 235 707	21 235 707
Loans and receivables due from customers			180 516 425	180 516 425
Held-to-maturity financial assets	5 456 267		19 982 629	25 438 896
LIABILITIES				
Due to credit institutions			49 708 268	49 708 268
Due to customers			190 050 335	190 050 335
Debt securities issued			13 186 303	13 186 303
Subordinated debt			10 493 376	10 493 376

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

Fair value measurement of financial instruments

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

◗ **Level 1 :**

Quoted prices on liquid markets for identical assets or liabilities :

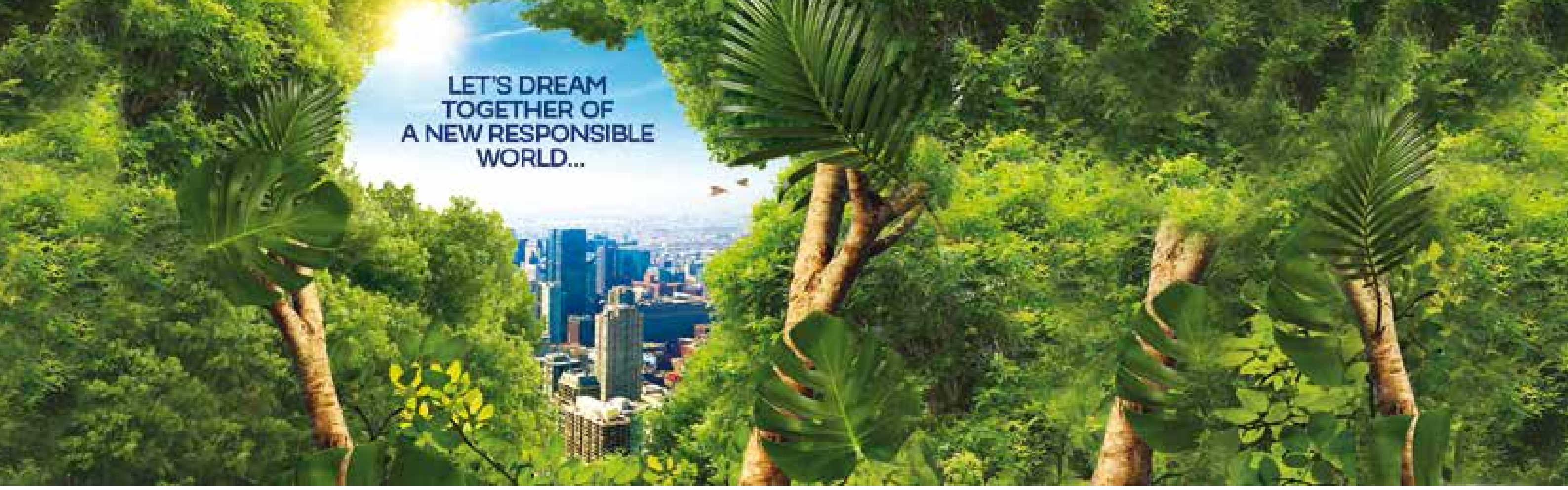
This level includes financial instruments with quoted prices in a liquid market that can be used directly.

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

◗ **Level 2 :**

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

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



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

◗ **Level 3 :**

Inputs relating to the asset or liability that are not based on observable market data (non-observable inputs) : Given the diversity of instruments and the reasons for including them in this category, calculating the sensitivity of fair value to changes in variables would appear to be of little relevance.

The fair values of held-to-maturity financial assets are determined using valuation techniques for which significant inputs are unobservable or cannot be corroborated by market-based observations, due for instance to the instrument beingilliquid as well as significant model risk. An unobservable input is a parameter for which there are no market data available. It is therefore derived from in-house assumptions about the data used by other market participants. Assessing whether a product is illiquid or subject to significant model risk is a matter of judgment.

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

V / FINANCING ANG GUARANTEE COMMITMENTS

5.1. FINANCIAL COMMITMENT

	dec-16	dec-15
Financing commitments given	13 452 970	9 846 296
- To credit institutions		1 023 096
- To customers:	13 452 970	8 823 200
Confirmed letters of credit		
Other commitments given to customers		
Financing commitments received	2 181 683	2 491 359
From credit institutions	2 181 683	2 491 359
From customers	-	-

◗ **Financing commitments given to credit and similar institutions**

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

◗ **Financing commitments given to customers**

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

◗ **Financing commitments received from credit and similar institutions**

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

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

5.2. GUARANTEE COMMITMENTS

	31-dec-16	31-dec-15
Guarantee commitments given	31 627 218	27 255 712
To credit institutions	11 933 231	8 380 362
To customers :	19 693 988	18 875 350
Sureties provided to tax and other authorities, other sureties		
Guarantee commitments received		
From credit institutions	75 147 878	68 162 828
From the State and guarantee institutions	73 902 914	65 458 883
de l'état et d'autres organismes de garantie	1 244 964	2 703 945

◗ **Guarantee commitments given to credit and similar institutions.**

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

◗ **Guarantee commitments given to customers**

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

◗ **Guarantee commitments received from credit and similar institutions**

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

◗ **Guarantee commitments received from the State and other organisations**

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

VI. SALARY AND EMPLOYEE BENEFITS

6.1. DESCRIPTION OF CALCULATION METHOD

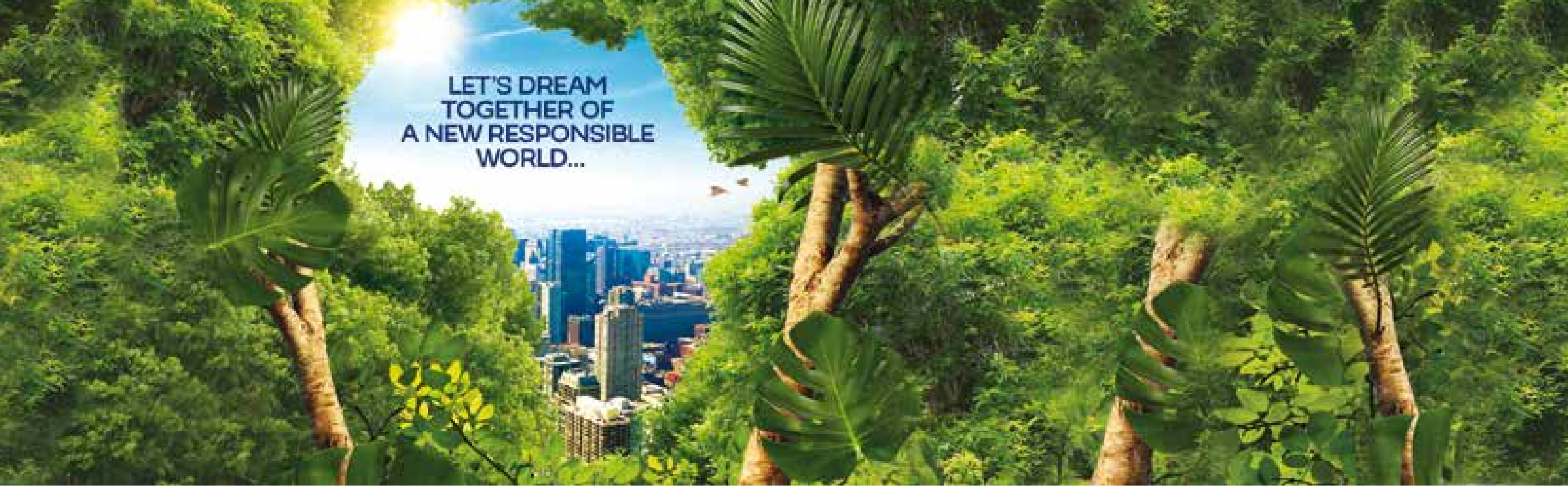
Employee benefits relate to long-service awards and end-of-career bonuses.

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

◗ **Caisse Mutualiste Interprofessionnelle Marocaine (CMIM) scheme**

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

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



6.2. SUMMARY OF PROVISIONS AND DESCRIPTION OF EXISTING SCHEMES

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

	déc-16	déc-15
Retirement allowances and equivalents	329 668	323 091
Special seniority premiums allowances		
Other		
TOTAL	**329 668**	**323 091**

6.2.2. Basic assumptions underlying calculations

An analysis of sensitivity to the two main actuarial assumptions used to calculate the cost of benefit plans (post-employment benefits, long service awards) at 31 December 2016 is presented in the following table :

Post-employment benefits	-50 bp change in the rate	+50 bp change in the rate
Discount rate	-7 300	6 637
Wage growth	7 252	-7 924
Long service awards	**-50 bp change in the rate**	**+50 bp change in the rate**
Discount rate	-10 615	9 842
Wage growth	12 118	-13 013

Economic assumptions	31/12/16
Taux d'actualisation	3,75%
Discount rate	3%
Long-term wage growth	
	10,61%

Demographic assumptions	
Retirement terms	Départ Volontaire
Retirement age	60 ans
Mortality table	PM 60/64 - PF 60/64

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

6.2.3. Cost of post-employment plans

	dec-16	dec-15
Normal cost	25 161	17 474
Interest cost	11 626	12 475
Expected returns of funds		
Amortization of actuarial gains/ losses		
Amortization of net gains/ losses		
Additional allowances	36 787	29 949
Other		
Net cost of the period		

6.2.4. Changes in the provision recognised on the balance sheet

	dec-16	dec-15
Actuarial liability, beginning of the period	**323 091**	**230 928**
Normal cost	25 161	17 474
Interest cost	11 626	12 475
Experience gains/ losses	-	-
Other actuarial gains/ losses	-	82 815
Depreciation of net gains/losses		
Paid benefits	-30 210	-20 601
Additional benefits		
Other		
Actuarial liability, end of the period	**329 668**	**323 091**
Dont coût relatif aux indemnités de retraite et assimilées		
Dont autres...		

VII. ADDITIONAL INFORMATION

7.1. CHANGES IN SHARE CAPITAL AND EARNINGS PER SHARE

7.1.1. Share capital transactions

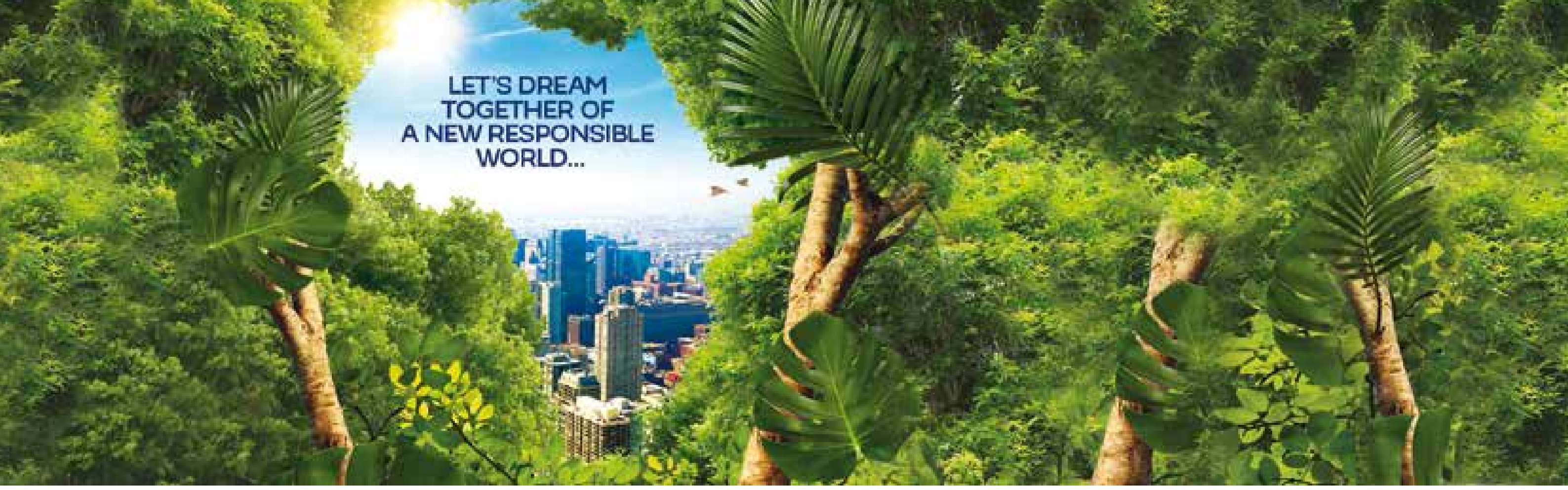
TRANSACTIONS ON CAPITAL	In number	Unit value	In MAD
Number of shares outstanding at 31 December 2014	179 463 390	10	1 794 633 900
Number of shares outstanding at 31 December 2015	179 463 390	10	1 794 633 900
Number of shares outstanding at 31 December 2016	179 463 390	10	1 794 633 900

7.1.2. Earnings per share

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

	dec-16	dec-15
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 SHARHOLD-ER'S OF THE PARENT (IN MAD)	2 036 185 656	1 955 534 700
BASIC ERNINGS PER SHARE (IN MAD)	11,35	10,90
DILUTED EARNING PER SHARE (IN MAD)	11,35	10,90

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



7.2. SCOPE OF CONSOLIDATION

Company	Activity	% of voting interests	% of ownership interests	Method
BMCE BANK	Banque			Parent Company
BMCE CAPITAL	Banque d'Affaires	100,00%	100,00%	Full Consolidation
BMCE CAPITAL GESTION	Gestion d'actifs	100,00%	100,00%	Full Consolidation
BMCE CAPITAL BOURSE	Intermédiation boursière	100,00%	100,00%	Full Consolidation
MAROC FACTORING	Factoring	100,00%	100,00%	Full Consolidation
MAGHREBAIL	Crédit-Bail	52,47%	52,47%	Full Consolidation
SALAFIN	Crédit à la consommation	74,76%	74,76%	Full Consolidation
BMCE EUROSERVICES	Ets financier	100,00%	100,00%	Full Consolidation
LA CONGOLAISE DES BANQUES	Banque	37,00%	37,00%	Full Consolidation
BMCE BANK INTERNATIONAL HOLDING	Banque	100,00%	100,00%	Full Consolidation
BANK OF AFRICA	Banque	72,85%	72,85%	Full Consolidation
LOCASOM	Location de voiture	100,00%	97,39%	Full Consolidation
RM EXPERTS	Recouvrement	100,00%	100,00%	Full Consolidation
BANQUE DE DEVELOPPEMENT DU MALI	Banque	32,38%	32,38%	Equity Method
EULER HERMES ACMAR	Assurance	20,00%	20,00%	Equity Method
EURAFRIC INFORMATION	Informatique	41,00%	41,00%	Equity Method
CONSEIL INGENIERIE ET DEVELOPPEMENT	Bureau d'études	38,90%	38,90%	Equity Method

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

Power : BMCE Bank of Africa derives its effective rights from the management contract entrusted to it by the other shareholders. It has a majority on the Board of Directors with three directors followed by the Congolese State which has two directors.

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

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

7.3. COMPENSATION PAID TO THE MAIN EXECUTIVE CORPORATE OFFICERS

Remuneration paid to the main directors

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

	dec-16	dec-15
Short-term benefits	14 342	21 971
Post-employment benefits	631	730
Other long-term benefits	5 298	4 442

Short-term benefits relate to the fixed remuneration inclusive of social security contributions received by the main Executive Corporate Officers in respect of the 2016 financial year.

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

Directors' fees paid to members of the board of directors

	31/12/16			31/12/15		
	Gross Amount	With holding tax	Net amount paid	Gross amout	Tax with holding	Net amount paid
Natural and legal persons Resident in Morocco	2 985	735	2 250	2 388	588	1 800
Physical and legal persons non Resident in Morocco	588	88	500	471	71	400
TOTAL	3 573	823	2 750	2 859	659	2 200

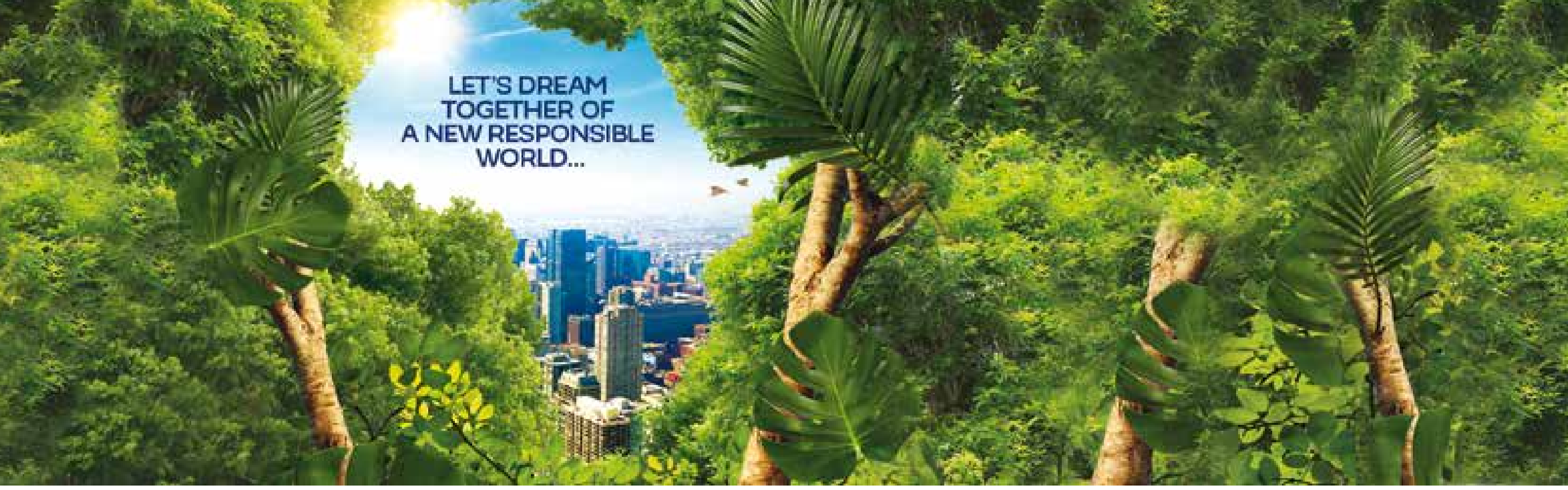
Loans granted to the main Executive Corporate Officers

	déc-16	déc-15
Consumer loans	19 765	2 285
Mortgage loans	12 393	15 361
Total	32 158	17 646

7.4. RELATIONS WITH RELATED PARTIES

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

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



Related-party balance sheet items

	Parent company (FINANCE-COM)	Sister companies	Companies consolidated under the equity method	Fully consolidated companies
Assets				
Loans, advances and securities	**313 832**	**3 389 440**	**39 771**	**12 926 268**
On demand accounts	313 832	1 827 319	13 341	12 193 309
Loans		836 921	26 430	363 782
Securities		725 200		369 177
Lease financing				
Other assets				**7 365**
Total	**313 832**	**3 389 440**	**39 771**	**12 933 633**
Liabilities				
Deposits	-	**1 866 341**	**35 607**	**12 365 095**
On demand accounts		1 866 341	35 607	12 236 912
Other borrowings				128 183
Debt securities				**349 662**
Other liabilities				**218 876**
Total	-	**1 866 341**	**35 607**	**12 933 633**
Financing and guarantee commitments given				
Commitments given				1 166 184
Commitments received				1 166 184

Related party profit and loss items

	Parent company (FINANCE-COM)	Sister companies	Companies consolidated under the equity method	Fully consolidated companies
Interest and similar income			-1 396	-382 076
Interest and similar expenses				476 764
Fees (income)		-48 413		-306 450
Fee (expenses)				43 525
Services provided				
Services procured	41 370			
Lease income		-70 587	-4 169	-158 620
Other		75 835		326 858

7.5. LEASES

Information concerning finance leases

	Gross Investissement	Present value of minimum lease payments under the lease	Unguaranteed residual value accruing to the lessor
≤ 1 year	2 950 405	491 124	71 548
> 1 year ≤ 5 years	9 066 870	5 454 124	300 635
> 5 years	5 397 608	4 513 272	597 769
TOTAL	17 414 882	10 458 520	969 952

Information concerning operating leases

	Present value of minimum lease payments under the lease	Total contingent rents recognized as income in the period
≤ 1 year	220 000	240 000
> 1 year ≤ 5 years	900 000	1 200 000
> 5 years		
TOTAL	1 120 000	1 440 000

La quote-part de la valeur résiduelle dans le total des montants de financement est de 58,11%.

VIII - NOTE CONCERNING RISKS

8.1. RISK MANAGEMENT POLICY

8.1.1. Risk categories

8.1.1.1. Credit risk

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

8.1.1.2. Market risk

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

8.1.1.3. Global liquidity and interest rate risk

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

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

8.1.1.4. Operational risk

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

8.1.1.5. Country risk

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

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

8.1.2. Risk management organization

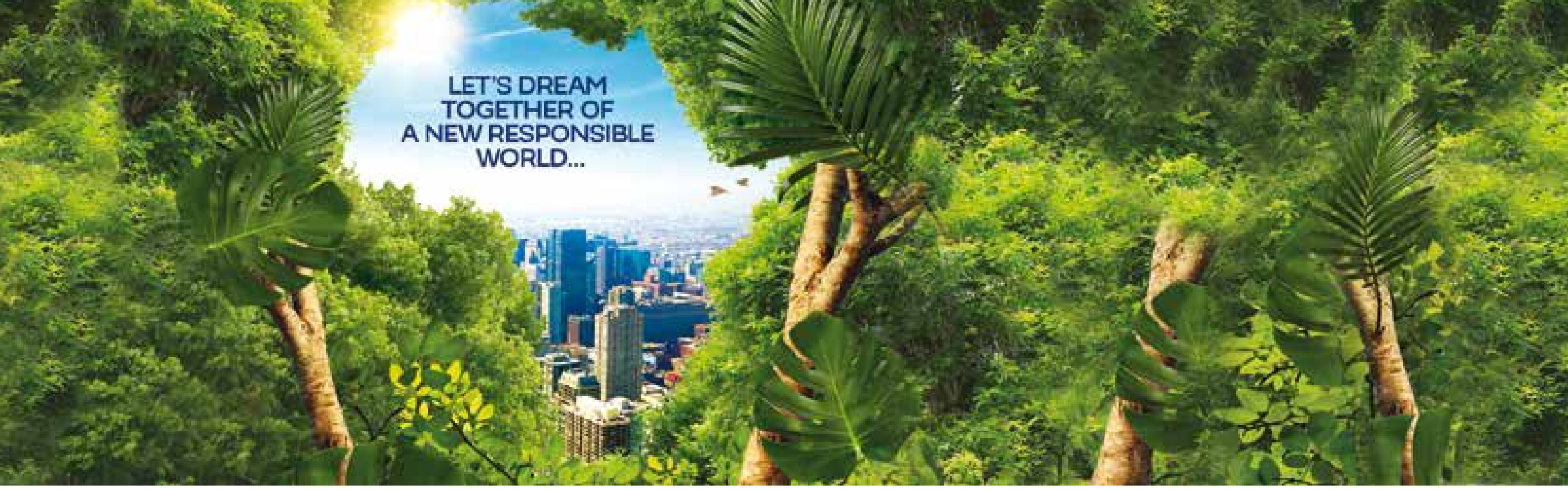
8.1.2.1. Risk control bodies

◗ **Group Risk Division**

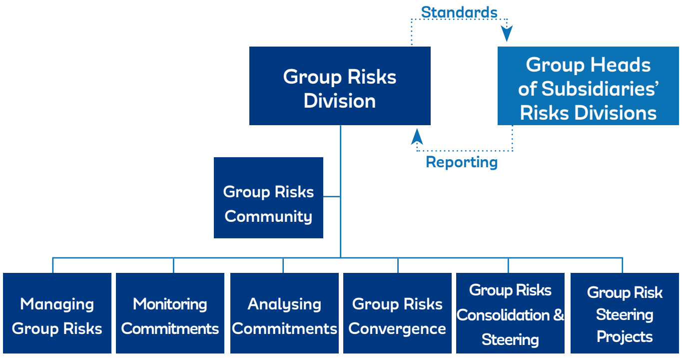
The Group Risk Division's task is to correctly manage credit, market and operational risks while actively contributing to:

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

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



- The Group Risk Management Division
- The Commitments Analysis Division
- The Commitments Monitoring Division
- The Group Coordination Division.
- The Group Risks consolidation & steering
- The Group Risks Streering Projects



8.1.2.2. Governance bodies

◗ Group Risk Committee

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

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

◗ Group Audit and Internal Control committee

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

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

The internal control system and the means implemented are::

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

◗ General Management Committee

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

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

◗ The Steering Committee and Group Risk Management

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

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

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

8.1.2.3. Credit Committees

◗ Senior Credit Committee

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

◗ Regional Credit Committee

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

8.1.2.4. Downgrading Committee

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

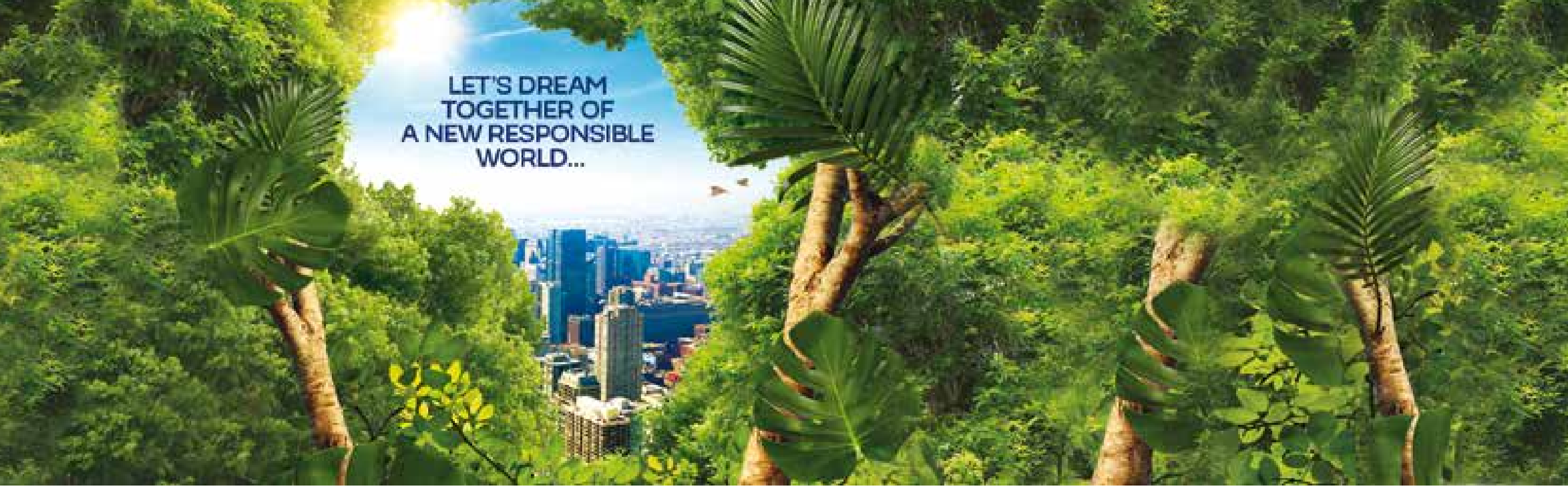
8.2. CREDIT RISK

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

8.2.1. Credit decision cycle

8.2.1.1. General principles

The approval process at BMCE Bank Group level respects the "Troïka"

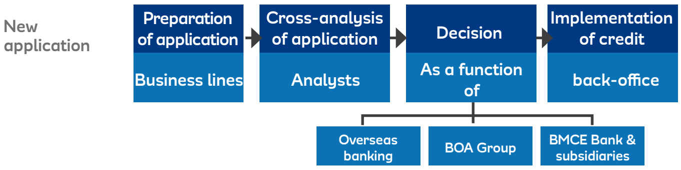


principle and is based on the following principles:

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

8.2.1.2. Credit approval process

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



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

8.2.1.3. Decision making and choice of circuits

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

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

8.2.1.4. Delegation

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

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

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

8.2.1.5. Approval rules

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

The present delegation system defines the following decision levels:

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

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

8.2.1.6. Credit application contents

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

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

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

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

8.3. RATING MODEL

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

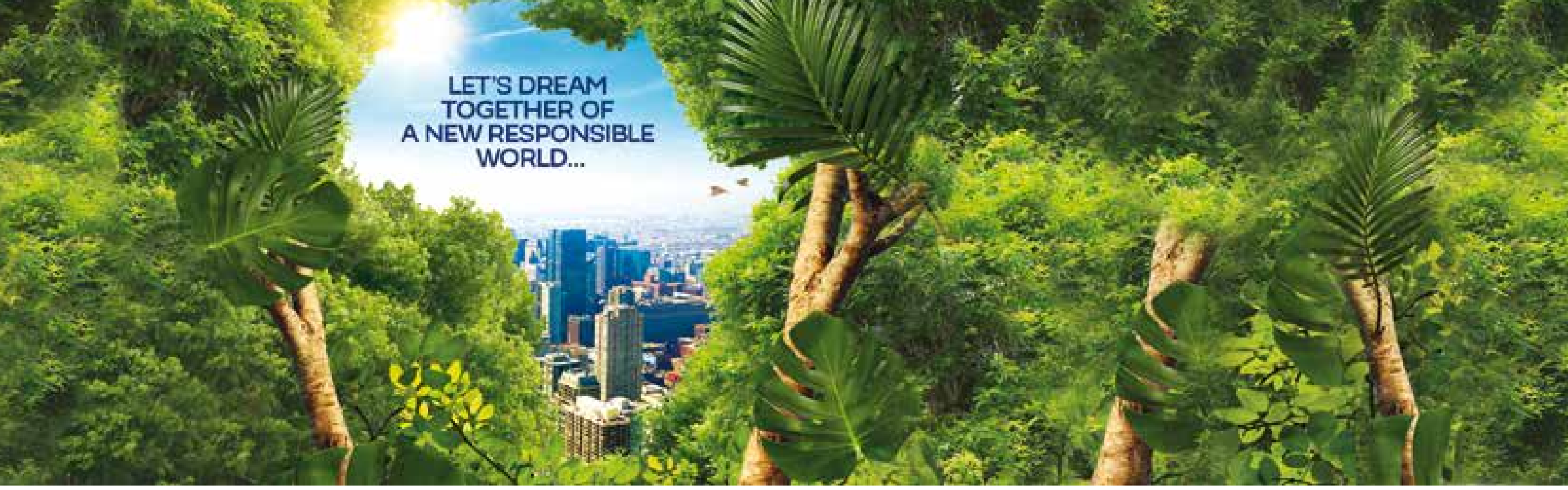
8.3.1. Key rating rules

8.3.1.1. Rating's uniqueness

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

8.3.1.2. Rating's integrity

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



8.3.1.3. Rating's singularity

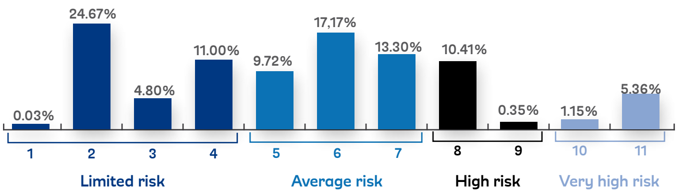
A counterparty code is assigned to each of the Bank's counterparties. The rating of each third party is carried out using the counterparty reference code in such a manner that, for all third parties (the counterparty type is single and unique), the assessment will be carried out by using a single rating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

8.3.2. Rating scale

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

CATEGORIE		CLASSE	DÉFINITION
Investment grade	Risque restreint	1	Extrêmement stable à court et moyen terme; très stable à long terme; solvable même après de graves bouleversements
		2	Très stable à court et moyen terme; stable à long terme; solvabilité suffisante même lors d'événements néfastes persistants
		3	Solvable à court et moyen terme même après de grosses difficultés; de légers développements néfastes peuvent être absorbés à long terme
		4	très stable à court terme; aucune modification menaçant le crédit attendue dans l'année à venir; substance suffisante à moyen terme pour pouvoir survivre; évolution à long terme encore incertaine
	Risque moyen	5	Stable à court terme; aucune modification menaçant le crédit attendue dans l'année à venir; ne peut absorber que des petits développements néfastes à moyen terme
		6	Capacité limitée à absorber des développements néfastes inattendus
Sub investment grade		7	Capacité très limitée à absorber des développements néfastes inattendus
	Risque élevé	8	Faible capacité de remboursement des intérêts et du principal à temps. Tout changement des conditions économiques et commerciales interne et externe rendra difficile le respect des engagements
		9	Incapacité de remboursement des intérêts et du principal à temps. Le respect des engagements est lié à l'évolution favorable des conditions commerciales et économiques internes et externes
	Risque très élevé	10	Très fort risque de défaillance; incapacité de remboursement des intérêts et du principal à temps. Défaut partiel de paiement des intérêts et du capital
		11	Défaut total de paiement des intérêts et du capital

As of 31 December 2016, the breakdown of the portfolio by asset class was as follows :



8.3.3. Retail customer scoring system

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

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

8.4. CREDIT RISK CONTROL AND MONITORING PROCEDURE

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

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

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

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

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

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

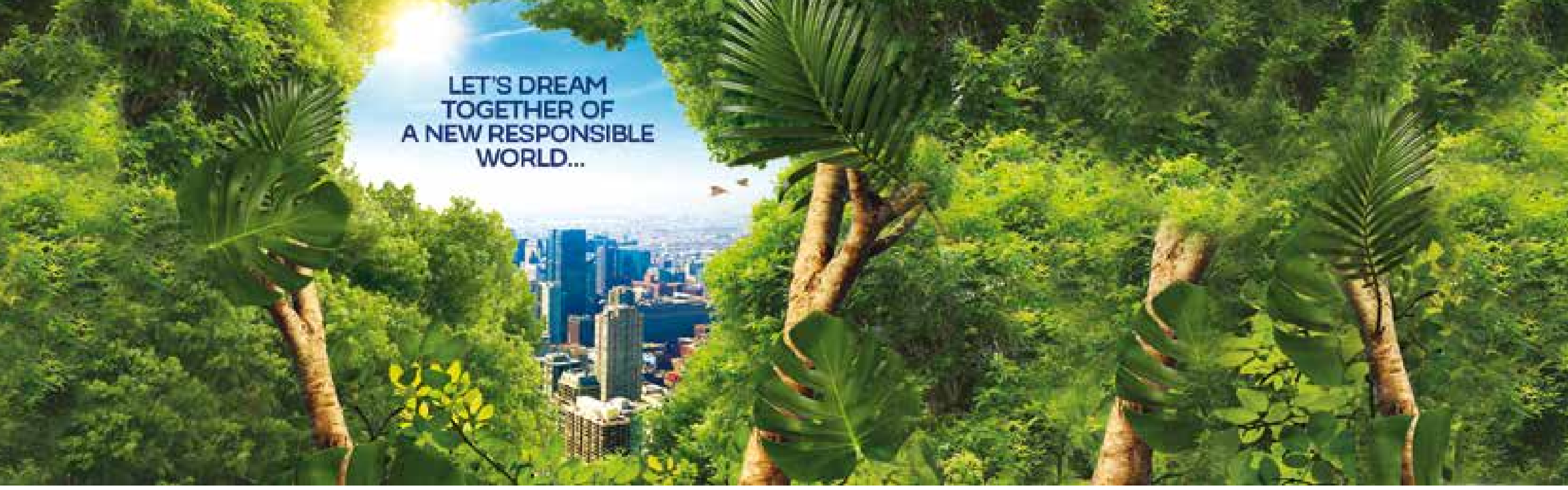
- Performs pre-checks ;
- Performs post-checks ;
- Identifies and monitors the portfolio of commitments based on several factors : products, maturities, beneficiaries, business sectors, branches, geographical regions etc.;
- Fixes and monitors concentration limits;
- Detects and monitors accounts showing anomalies and high-risk accounts;
- Categorised the portfolio based on regulatory criteria and proposes provisioning;
- Performs stress tests;
- Produces regulatory reports and internal steering reports.

8.4.1. Pre-checks

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

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

- Credit proposal data:
- Compliance with the appropriate delegation level;
- Legal documentation compliance;



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

- Data entered in the information systems.

8.4.2. Post-checks

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

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

8.4.2.1. Portfolio monitoring

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

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

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

8.4.2.2. Concentration limits

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

- Individual counterparties ;

- Interest groups ;

- Counterparties belonging to the same industry or country.

8.4.2.2.1. Individual counterparties

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

The following table shows commitments to the bank's main debtors at the end of December 2016:

	dec-16 Disbursement	dec-15 Disbursement
Commitments to 10 largest customers	10 189	5,40%
Commitments to 20 largest customers	16 851	8,94%
Commitments to 100 largest customers	40 466	21,46%

8.4.2.2.2. Interest groups

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

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

8.4.2.2.3. Counterparties belonging to the same company

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

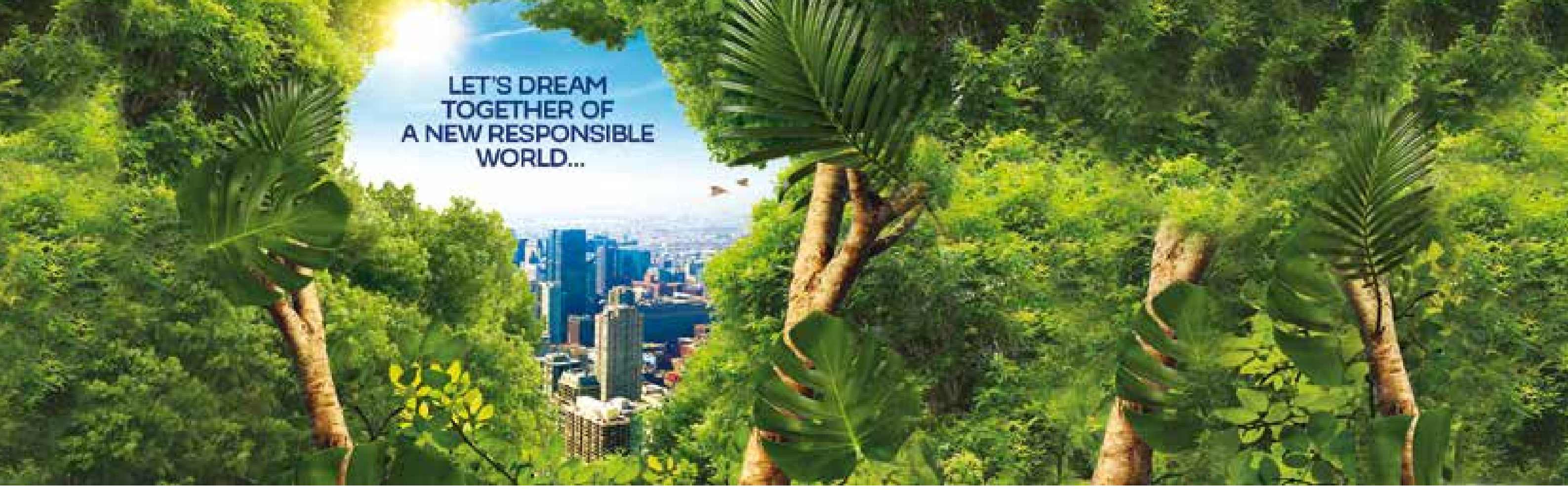
The objective is to model the probability of default by using appropriate econometric techniques and a dependent random variable whose value is derived from the number of occurrences of defaulting events.

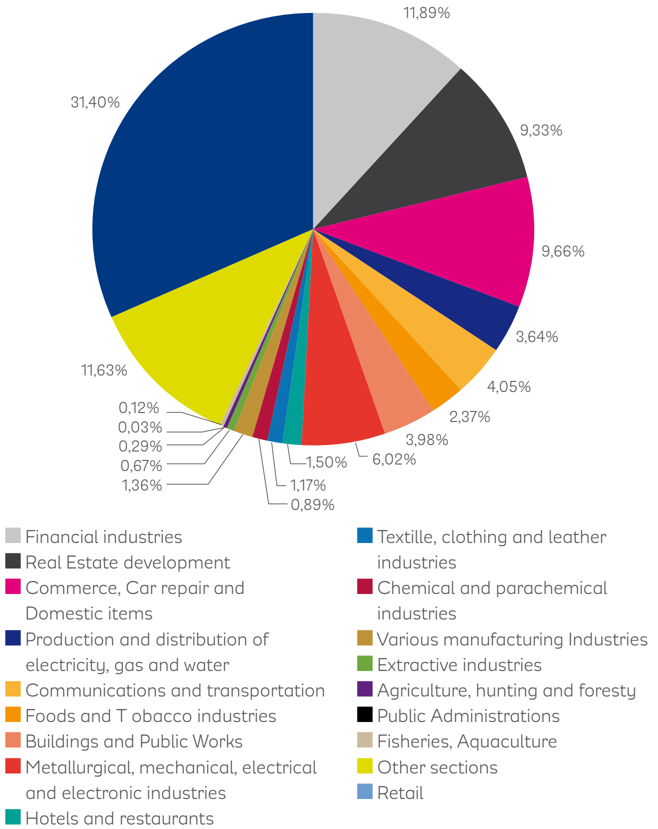
This procedure is based on the assumption that the counterparties are independent and the defaulting events are not correlated. Thus, the key concept of this methodological approach is the probability of default for a given counterparty. This probability is measured by using the rate of default of the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

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

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

The following table shows the Group's commitments to customers by industry at 31 December 2015 :





8.4.2.2.4. Counterparties belonging to the same country

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

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

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

The proposed policy, in addition to outlining a strategy for managing Country Risk, includes rules for identifying, managing and controlling these risks as well as the Group entities responsible. The main feature of this risk prevention policy is the system of delegation and limitation of commitments.

This system has been designed in such a way that limits rise in proportion to the increase in country risk. The level of commitments is determined on the basis of the country risk level, reflected in the rating attributed to each country and the percentage of shareholders' equity of each Group entity.

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

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

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

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

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

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

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

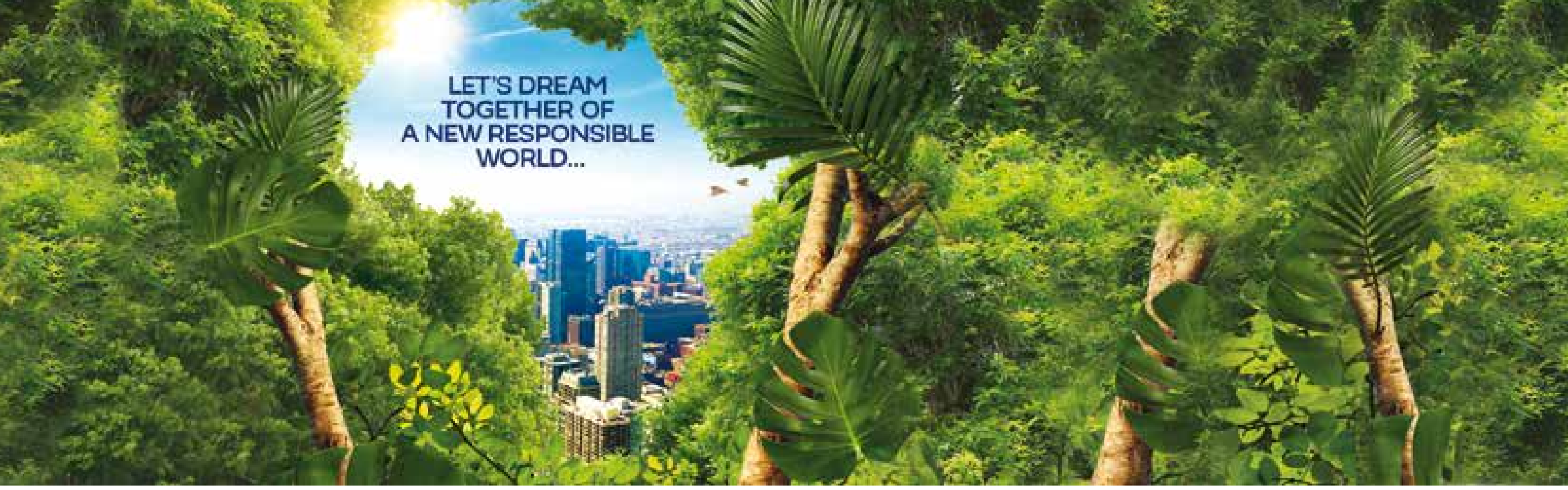
BMCE Bank has developed an internal rating country model which based on a combination of information collected from various reports issued by authorities in the countries in question, international organisations and international rating agencies.

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

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

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

The country risk policy can be illustrated as follows :



The Group Risk Management Division has carried out work to extend the country risk management policy to all its subsidiaries in Africa as part of the project to implement the Internal Control and Group Risk Management policy. The following pie-charts show the Group's overall exposure to customers by major geographical areas at 31 December 2012 and 2013 :

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

8.4.2.3.1. Control of accounts showing anomalies

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

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

- Credit authorisations have expired;

- Guarantees have not been provided;

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

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

8.4.2.3.2. Monitoring high-risk accounts

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

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

- Are in arrears, such as:

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

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

- Trade receivables discounted by the Banks and returned unpaid;

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

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

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

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

Responsibility for the daily monitoring of these risks lies with the Commercial Division. However, it is the Risk Division's responsibility to 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.

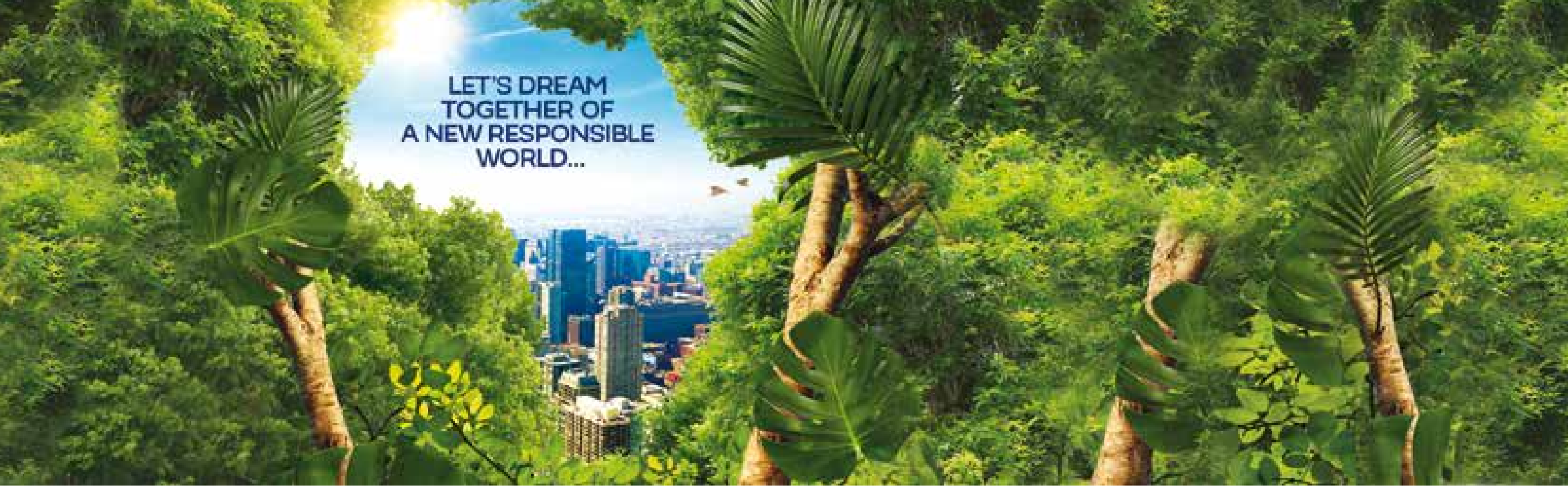
8.4.2.3.3. Annual account review

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

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

8.4.2.3.4. Theme-based checks

Unlike the checks mentioned above, theme-based checks are not performed on a regular basis and are related to a specific point or risk.



These checks are carried out by the Risk Division on the request of senior management or other bodies.

8.5.3. Loan classification

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

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

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

In MAD millions	2016					2015				
	Maturities of non provisioned havlng outstanding unpald				Impaired Assets ((CES	Maturitles of non provlsloned havlng outstandlng unpald				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	897	0	0	897	1 890	515	141	0	656	1 952
Corporate Network	44	271	42	357	2 591	153	130	216	499	2 992
Retail and Professionnels network	511	126	28	664	3 185	1 179	180	53	1 412	2 183
Total	1 452	398	69	1 919	7 666	1 847	451	270	2 568	7 127

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.

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.

8.5.5. Stress-tests Conduct

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

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

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

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

The stress tests' results are reported to the Group Risk Management and Risk Management Committee and to the Group Risk Committee.

8.5.6. Credit risk reporting

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

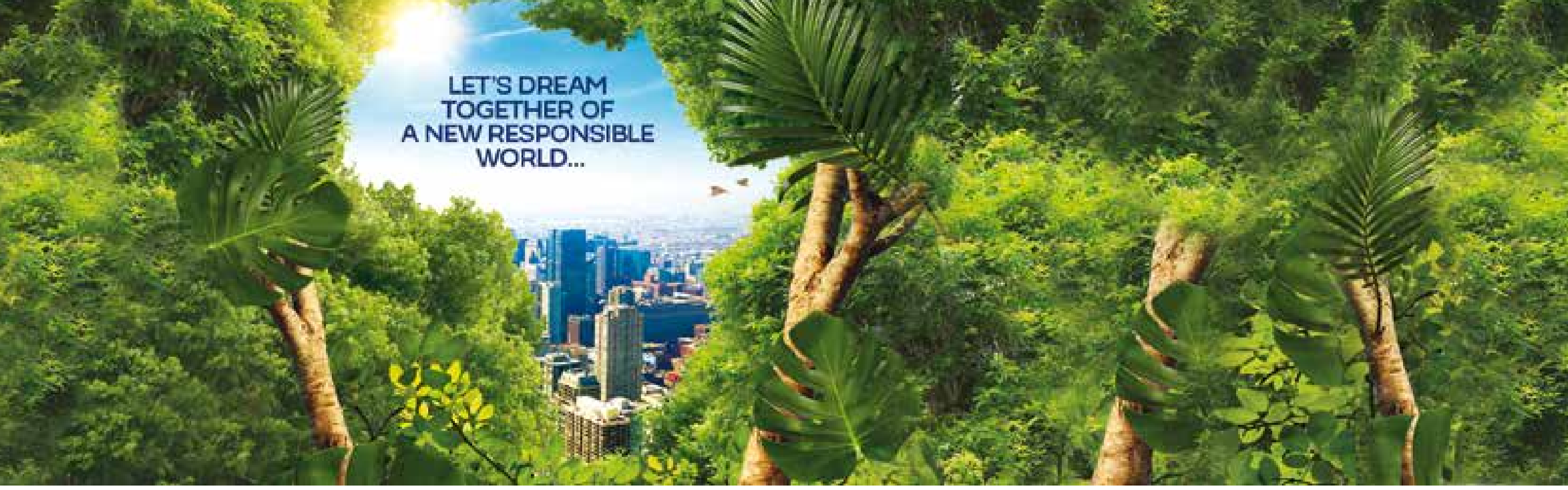
These reports are in addition to the various regulatory reports that have to be prepared by the Risk Division in order to satisfy regulatory requirements at the Group and local levels. These also include reports relating to the financial statements as well as other risk-related reports prepared by other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

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

8.5.7. Implementation of the risk control system by overseas subsidiaries

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

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



Credit risk system

Lot 1

The deployment of the credit risk system at the level of the 9 first deployed BOA subsidiaries (BOA Burkina Faso, BOA Benin, BOA Côte d'Ivoire, BOA Senegal, BOA Niger, BOA Madagascar, BOA Mali, BOA Kenya and BOA Uganda) is positive.

Two other subsidiaries have been deployed since then, namely BOA Togo and BOA Mer Rouge:

· Organizational structure and delegate form defined and validated by the General Management and validated by the Board of Directors

· Presentation of the impact of the new delegate scheme on credit approval circuits and support in the exercise of the principle of escalation in case of divergence

· Establishment of the agendas for the holding of the committees and ensure that the minutes of the committees are sent to the BOA Group Risk Department

· Management and reporting tools deployed and used by all BOA subsidiaries

· Support to the exploitation of the internal rating grid «Corporate» During the investigation of credit files.

· Monitoring of commitments with the implementation of controls at Priori and a posteriori of the credit files

· Implementation of reporting allowing better management of the flow of files in terms of processing time and volumetry.

· Reliability of the data «Corporate» being finalized

·Deployment is being finalized at the level of the two remaining English subsidiaries: BOA Tanzania and BOA Ghana. Works will be finalized by the end of June 2017

The works has been initiated at the level of the La Congolaise des Banques (LCB) (Gap analysis process) and a scoping note was elaborated. The finalization of the deployment will take place by the end of March 2017.

In parallel, IT developments in the Group's Third Party and Group Commitments have been finalized. This Group Base is an essential tool for monitoring and monitoring credit risks at a consolidated level:

· The construction of the base Commitments and Third Group was finalized in March 2015 (Centralized flow warehouse, interface of data controls and accounting management reconciliation, automated reporting ...)

· Third-party data and commitments of the BMCE Group's 22 subsidiaries (BMCE Bank, 16 BOA subsidiaries, 3 Moroccan subsidiaries, LCB and BBI Madrid) are included in the Group's Commitments Base, covering more than 95% of the Group's commitments.

The production of credit risk management reporting is automated. The return flows of the BEG to the subsidiaries has been set up in November 2016 including:

· The main indicators relating to Commitments, Non Performing Loans and provisions

· The following 4 dashboards:

- MONTHLY STRUCTURE OF THE COMMITMENTS PORTFOLIO BY COMMERCIAL SEGMENTATION

- DETAILS OF THE COMMITMENTS PORTFOLIO

- CONCENTRATION BY SECTOR OF ACTIVITY

- COUNTERPARTY CONCENTRATION

Lot 2

Concerning lot 2 of the credit system (concentration limits and stress test), a first exercise was carried out on the basis of the existing group model on a pilot subsidiary (BOA Benin).

The first results of the concentration limit model have not been inconclusive due to the quality of the data and the lack of depth of these statistical data when corrected.

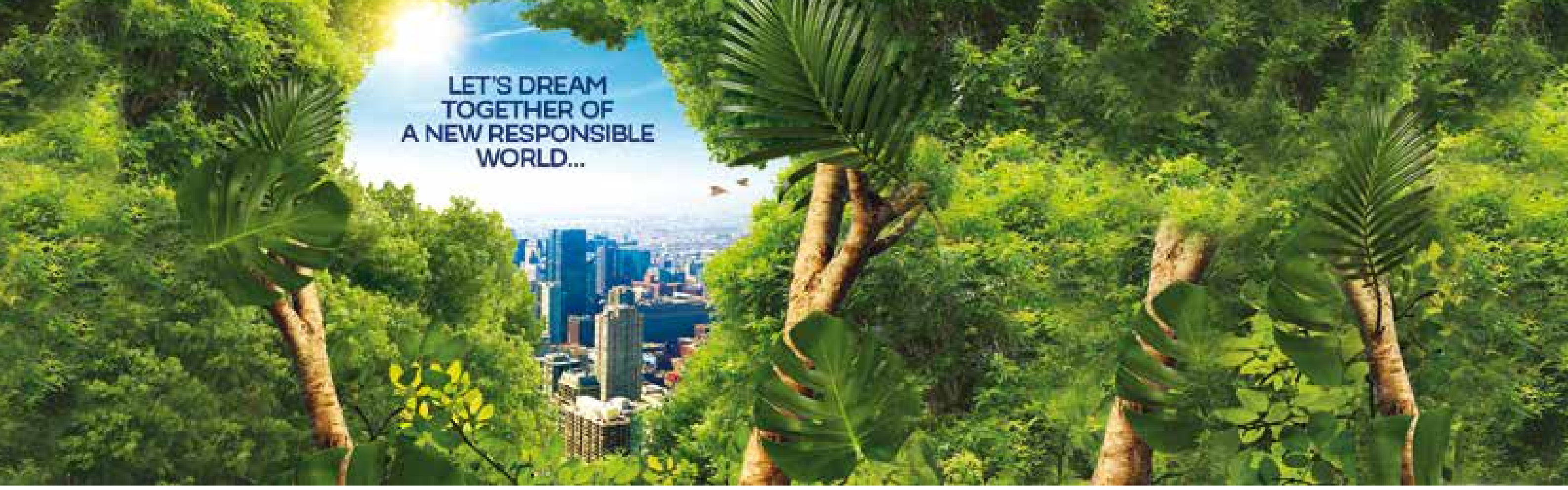
A workshop was therefore held to define a new methodology for these limits. This methodology will be tested as a pilot site (BOA Benin) before deployment with the other subsidiaries.

Operational risk system

The operational risk management system was deployed at the level of 17 subsidiaries (BOA Benin, BOA Côte d'Ivoire, BOA Burkina Faso, BOA Senegal, BOA Niger, BOA Mali, BOA Madagascar, BOA France, BOA Togo, BOA Kenya, BOA Ghana, BOA Uganda, BOA Tanzania, BOA Mer Rouge the LCB and BBI UK):

The operational risk maps are finalized and validated by the local teams for the 5 domains «credit, means of payment, customer accounts management, international and accounting»

All the other domains will also be mapped (IT, HR, General Means, Legal, Treasury, ALM, Controlling, Communication, etc.). Works have been already begun and a first phase is expected to be completed on 7 BOA subsidiaries by the end of July 2017.



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.

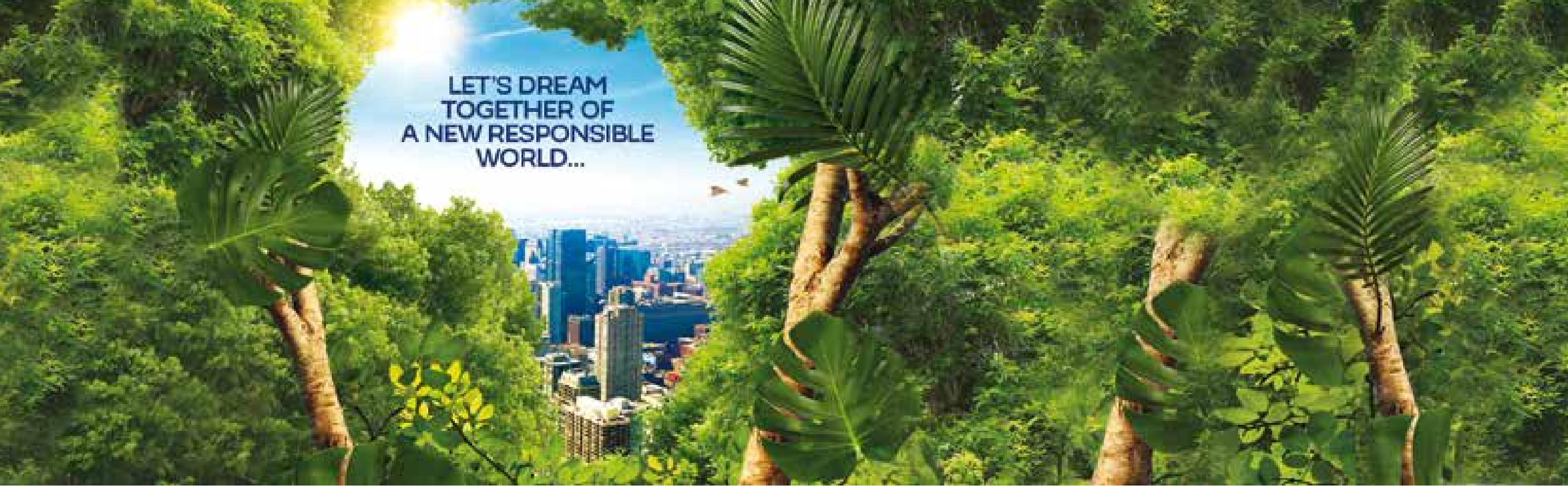
The liquidity ratio stood at 135% on 31 December 2016, above the regulatory limit, fixed to 70% for 2016 year.

- Profile of cumulative liquidity gaps: the method of periodic or cumulative gaps in dirhams and in foreign currencies helps measure the level of liquidity risk incurred by the Bank over the short, medium and long term.

This method is used to estimate the net refinancing requirements over different time periods and determine an appropriate hedging strategy.

Balance sheet by maturity

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



	12/31/2016							31/12/2015						
	A Vue	de J/J à 3 mois	de 3 mois à 1 an	de 1 à 5 ans	Plus de 5 ans	Échéance non déterminée	Total	A Vue	de J/J à 3 mois	de 3 mois à 1 an	de 1 à 5 ans	Plus de 5 ans	Échéance non déterminée	Total
Cash and amounts due from central banks and post office banks	12 156						12 156	10 403						10 403
Financial assets at fair value through profit or loss						38 894	38 894						25 760	25 760
Available-for-sale financial assets						8 318	8 318						6 847	6 847
Loans and receivables due from credit institutions	6 379	2 747	1 284	6 946	3 848	17	21 221	7 754	2 853	2 398	3 898	1 774	2 294	20 971
Loans and receivables due from customers	25 764	39 645	35 349	30 049	32 153	16 815	179 774	27 518	42 135	34 255	26 586	28 602	14 183	173 280
Held-to-maturity financial assets		2 063	3 014	12 155	7 904		25 136		2 150	2 853	9 635	9 921		24 559
Current tax assets						414	414						64	64
Deferred tax assets						522	522						474	474
Accrued income and other assets						6 441	6 441						5 364	5 364
Participations dans des entreprises mises en équivalence						631	631						586	586
Investment property						3 746	3 746						3 035	3 035
Property, plant and equipment						6 989	6 989						6 516	6 516
Intangible assets						829	829						704	704
Goodwill						852	852						852	852
TOTAL ASSETS	**44 298**	**44 454**	**39 647**	**49 150**	**43 905**	**84 468**	**305 923**	**45 675**	**47 137**	**39 507**	**40 120**	**40 297**	**66 678**	**279 414**
Due to Central Banks and Post Office Banks							0							0
Financial liabilities at fair value through profit or loss				2 098			2 098				2 047			2 047
Dettes envers les établissements de crédit et assimilés	10 642	27 913	5 220	5 666	249	18	49 708	12 218	26 276	6 781	5 186	350	365	51 176
Due to customers	142 662	27 200	15 089	5 099	0	0	190 050	131 377	26 626	17 036	3 216	0,2	0	178 255
Debt securities		1 268	5 518	5 900	500	0	13 186		2 559	2 361	3 822	205	22	8 968
Current tax liabilities						641	641						131	131
Deferred tax liabilities						1 198	1 198						1 130	1 130
Accrued expenses and other liabilities						14 279	14 279						6 315	6 315
Provisions						685	685						651	651
Subsidies, assigned public funds and special guarantee funds			286	1 897	8 193	116	10 493			292	2 339	6 000	8	8 639
Subordinated debts						23 583	23 583						22 109	22 109
TOTAL PASSIFS	**153 303**	**56 382**	**26 114**	**20 661**	**8 942**	**40 521**	**305 923**	**143 595**	**55 460**	**26 469**	**16 610**	**6 555**	**30 732**	**279 422**
GAPS DE LIQUIDITE	**-109 005**	**-11 928**	**13 533**	**28 490**	**34 963**	**43 947**	**0**	**-97 921**	**-8 323**	**13 038**	**23 510**	**33 743**	**35 946**	**-7**

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

Interest Rate Risk

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

Changes in interest rates also impact the net present value of expected cash flows. The extent to which the economic value of assets and liabilities is impacted will depend on the sensitivity of the various components of the balance sheet to changes in interest rates.

Interest rate risk is measured by conducting simulation-based stress tests under a scenario in which interest rates are raised by 200 basis points as recommended by the Basel Committee.

The Bank’s strategy in terms of interest rate risk management aims to ensure the stability of results against changes in interest rates, thereby maintaining net interest income and optimising the economic value of equity.

Changes in interest rates may negatively impact net interest income and result in the Bank significantly undershooting its initial projections.

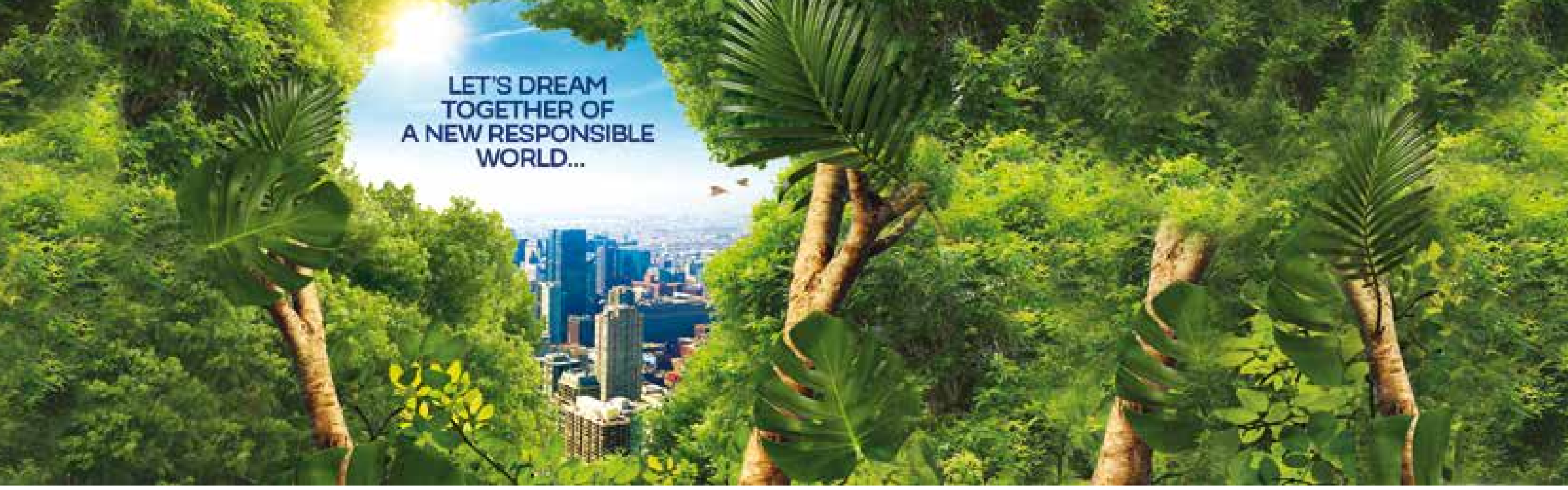
In order to counter such risks, the ALM department regularly steers the Bank’s strategy by establishing rules for matching assets and liabilities by maturity and by defining a maximum tolerance departure threshold for net interest income by comparison with projected net banking income.

The method of periodic or cumulative gaps in dirhams and in foreign currencies helps measure the level of interest rate risk incurred by the Bank over the short, medium and long term.

This method is used to estimate asset-liability mismatches over different time periods and determine an appropriate hedging strategy

Sensitivity of the value of the banking portfolio

Simulation-based stress-tests are conducted to measure the impact of



changes in interest rates on net interest income and on economic value of equity.

At 31 December 2016, the impact of a 200 basis point change in interest rates on net banking income was estimated to MAD 101 million or 1.7%. The change in the economic value of equity in the event of a 200 basis point shock was estimated to be MAD 1 135 million or 6.7% of regulatory capital.

8.7. MARKET RISK

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

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

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

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

Mapping of financial instruments

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

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

8.7.1. Market risk management policy

8.7.1.1. Governance

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

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

8.7.1.2. Description of the Market Risk Management Policy

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

- Limits ;
- Risk indicators ;
- Capital requirements ;

8.7.1.2.1. Limits

◗ Counterparty limits in market transactions

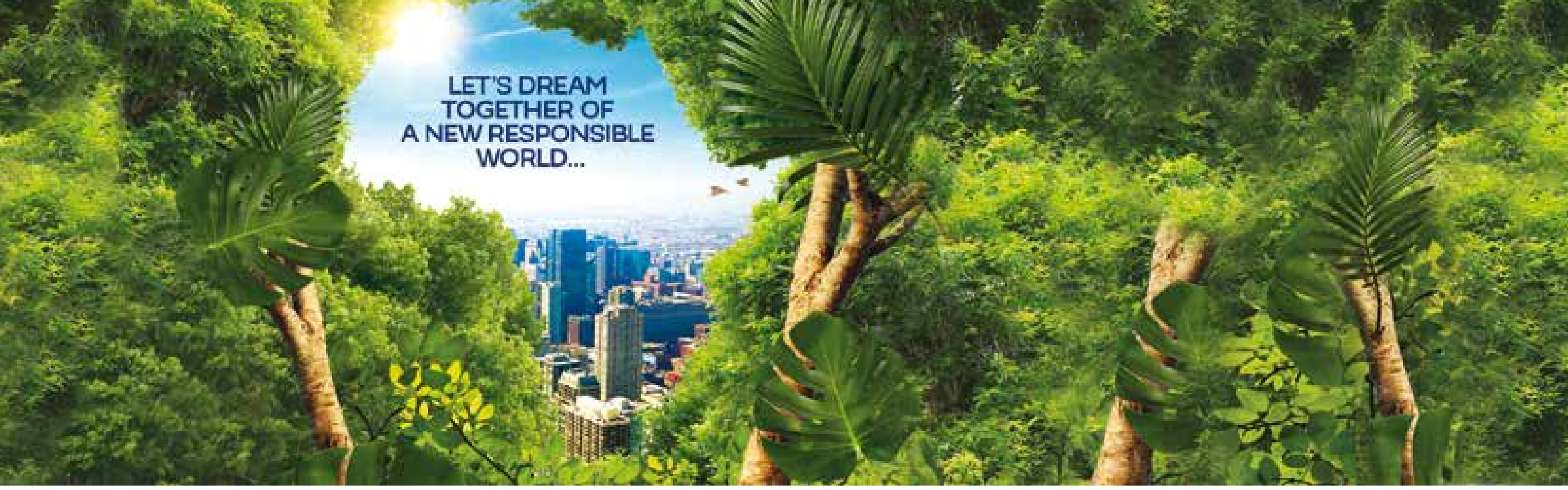
The process for approving limits for counterparties and applications to exceed those limits in market transactions is governed within BMCE Bank Group by a system of delegation of powers within a framework of procedures specific to each counterparty type.

◗ Market limits

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

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

- Stop-loss limits by activity over different time horizons;
- Position limits by activity;
- Transaction limits.



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

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

◗ Regulatory limits

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

- Limits on Tier 1 solvency ratios;
- Limits on foreign currency positions which should not exceed 10% of shareholders' equity ;
- Limit on the overall foreign exchange position which should not exceed 20% of shareholders' equity.

8.7.1.2.2. Risk indicators

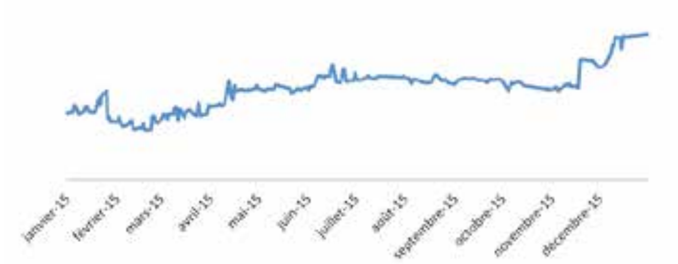
Different risk indicators reflecting the level of exposure to market risks are used within BMCE Bank Group as follows :

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

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

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

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



◗ Stressed VaR

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

- The bankruptcy of Lehman Brothers, which was unable to withstand the sub-prime crisis;
- USD 1,000 billion widening in the US budget deficit to support financial markets;
- The Greek crisis and the threat of contagion spreading to the "PIIGS" countries.

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

- Fluctuation in the Casablanca stock market identical to that of the United States;
- Fluctuation in the dirham rate identical to that of USD;
- Repercussion of EURUSD volatility on EURMAD and USDMAD;
- Repercussion of EURUSD volatility on EURMAD volatility and USDMAD volatility.

◗ Stress-testing by risk factor

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

Fixed income securities portfolio

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

This scenario would result in a MAD 65 million impact on the P&L at 31 December 2016.

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

This scenario would result in a MAD 130 million impact on the P&L at 31 December 2016.

Equity portfolio

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

This scenario would result in a MAD 7 million impact on the P&L at 31 December 2016.

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

This scenario would result in a MAD 12 million impact on the P&L at 31 December 2016.

Foreign exchange

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

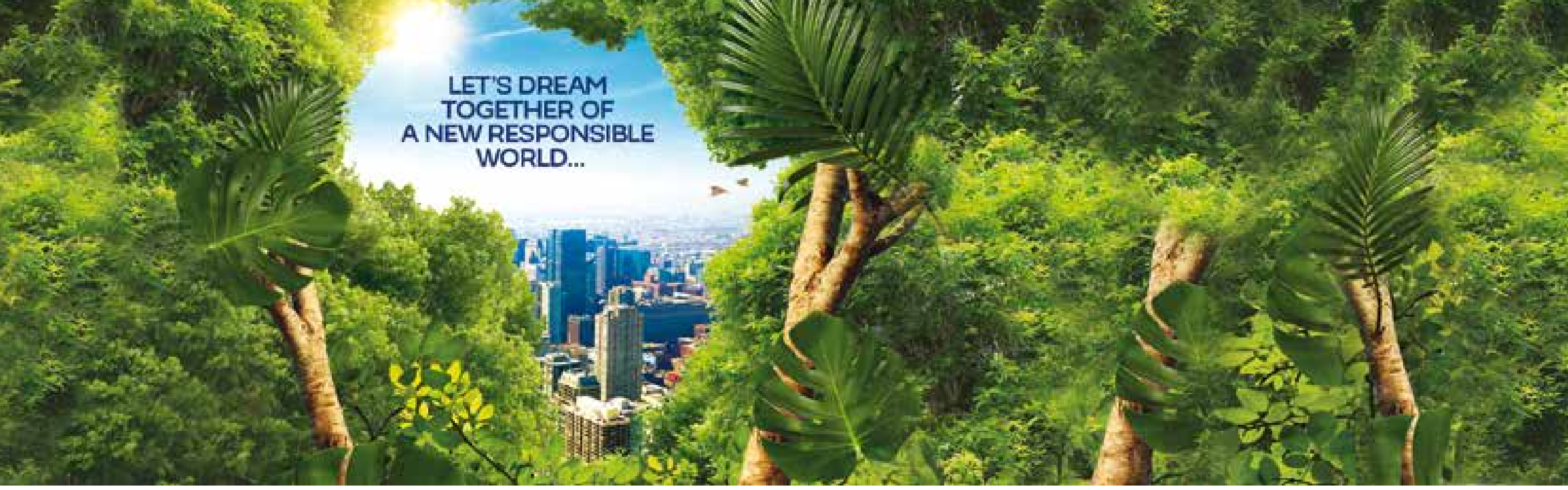
This scenario would result in a MAD 5.9 million impact on the P&L at 31 December 2016.

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

This scenario would result in a MAD 8.8 million impact on the P&L at 31 December 2016.

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

The results of the stress test conducted shows that the Group has a



sufficient level of shareholders' equity to withstand adverse scenarios and to comply with regulatory standards even in the event of a crisis.

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

8.8. OPERATIONAL RISK

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

8.8.1. Operational risk management policy

8.8.1.1. Operational risk management objective

The operational risk management policy has the following objectives:

· Assess and prevent operational risks;

· Assess controls;

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

8.8.1.2. Classification

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

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

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

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

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

8.8.1.1.2. Operational risk management organisation

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

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

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

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

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

- BMCE Bank's Group Operational Risk Department;

- BMCE Bank network;

- BMCE Bank business divisions;

- Subsidiaries.

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

- Operational Risk Correspondents (CRO);

- Operational Risk Coordinators (CORO);

- Operational Risk Liaison Officers (RRO).

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

8.8.1.1.3. Governance of operational risk management

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

- Group Operational Risks Committee;

- Operational Risk Monitoring (Business Lines) Committee;

- Operational Risk (Subsidiaries) Committee.

These committees are tasked with periodically:

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

- Identifying the main areas of risk, in terms of activities and risk types;

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

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

8.8.1.3. Fundamental methodology principles

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

- Reduce exposure to operational risks;

- Optimise capital requirements relating to operational risks.

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

- Collecting risk events;

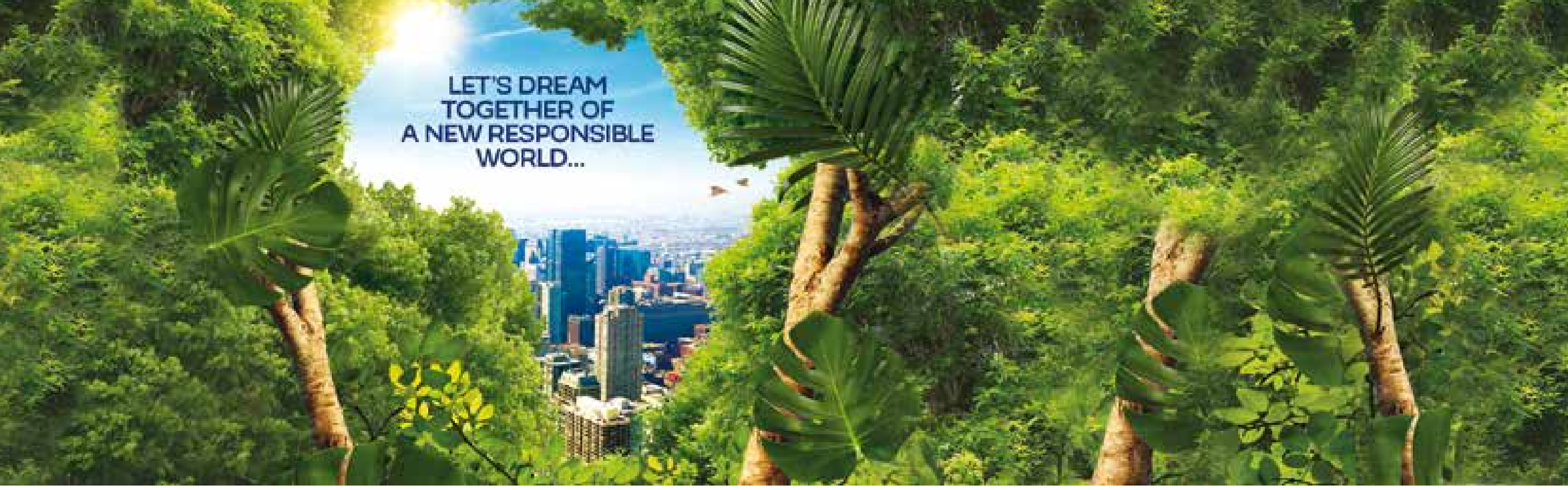
- Mapping operational risks,

- Key risk indicators.

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

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

Management of operational risks at BMCE Bank Group is entirely



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

8.8.1.4. Operational risk control and mitigation

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

- Reinforce checks;
- Hedge risks, especially through insurance contracts;
- Avoid risks, in particular, by redeploying activities;
- Draw up business continuity plans.
- Ensure close monitoring of compliance with risk limits or assigned thresholds.

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.

A target relief organization is set up, together with alternative backup systems and locations. A specific project is currently being carried out at Group level with priority for sinister avoidance plans.

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

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

8.8.3. Measurement of capital adequacy

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

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

BMCE Bank Group already satisfies these new requirements.

BMCE Bank Group : Capitalization ratios according Basel 3

	Amount (In millions MAD)
Tier 1 Capital	20 573
Total Capital ratio	27 926
Total risk-weighted assets	226 838
Tier 1 Capital ratio	9.1%
Capital Adequacy ratio	12.3%