BMCE BANK OF AFRICA

LET'S DREAM TOGETHER OF A NEW RESPONSIBLE WORLD...

Financial Communication

Results 2018

bmcebank.ma

BMCE BANK OF AFRICA

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

December 31, 2018

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Established in 1959 and privatised in 1995, BMCE Bank of Africa is a universal bank which offers a diversified range of products and services through a domestic network of 730 branches. BMCE Bank of Africa, 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 of Africa's activities primarily include commercial banking, specialised financial services, asset management, investment banking and international activities.

BMCE Bank of Africa'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 of Africa 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 of Africa's international activities

BMCE Bank of Africa'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 of Africa 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 of Africa has also developed, since the 1980s, sizeable operations in the African market following the restructuring of Banque de Développement du Mali, the country's leading bank, in which it has a 32.4% stake.

Similarly, in 2003, in Congo Brazzaville, BMCE Bank of Africa acquired a 25% stake in La Congolaise de Banque which is today at 37% which it restructured, resulting in it becoming the undisputed market leader in its industry.

BMCE Bank of Africa's development accelerated in 2007 following the acquisition of a 35% stake in Bank of Africa which has operations in about fifteen countries. BMCE Bank of Africa has since increased its stake the pan-African bank to 72.85%.

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AUDIT REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

We have audited the attached consolidated financial statements of BMCE Bank of Africa and its subsidiaries (BMCE Bank of Africa Group), comprising the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement, the consolidated statement of changes in shareholders' equity and notes providing a summary of the main accounting policies and other explanatory notes for the period from 1 January and ending on December 31, 2018. These financial statements show consolidated shareholders' equity of 23,841,510 KMAD, including consolidated net income of MAD 2.808.722 KMAD.

Management's responsibility

It is Management's responsibility to prepare and present these financial statements to give a true and fair view of the company's financial position in accordance with International Financial Reporting Standards (IFRS). This responsibility includes designing, implementing and maintaining internal control procedures regarding the drawing up and presentation of the financial statements to ensure that they free of material misstatement as a result of fraud or error and for making accounting estimates that are reasonable under the circumstances.

Auditors' responsibility

It is our responsibility to express an opinion on these financial statements based on our audit. We carried out our audit in accordance with Moroccan accounting standards. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves implementing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures adopted depend on the auditor's judgement, including an assessment of the risks of material misstatement in the financial statements as a result of fraud or error.

In making these risk assessments, the auditor takes into consideration the internal control procedures adopted by the entity regarding the drawing up and presentation of the financial statements so as to determine appropriate audit procedures under the circumstances and not for the purpose of expressing an opinion on the effectiveness of the said procedures. An audit also consists of assessing whether the accounting policies adopted are appropriate and whether the accounting estimates made by senior management are reasonable, as well as assessing the overall presentation of the financial statements.

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

Opinion on the financial statements

BMCE Bank of Africa possesses a stock of non-operating real estate assets, acquired as dation-in-payment, These assets represented a total of 5.2 billion dirhams as of end of 2018, reduced to 4.8 billion dirhams starting December 31, 2018 due to disposals made after that date. Given the risks inherent in these real estate assets, particularly uncertainties about their resale value and the period of time required to liquidate them, we are therefore unable to give an opinion about the value of these assets at 31 December 2018.

Pending the outcome of the situation described above, in our opinion, the consolidated financial statements referred to above in the first paragraph give, in all material aspects, a true and fair view of the financial position of BMCE Bank of Africa Group, comprising the persons and entities included within the scope of consolidation at 31 December 2018 as well as its financial performance and cash flows over the same period, in accordance with International Financial Reporting Standards (IFRS).

Without qualifying the conclusion expressed above, we draw your attention to the appendix note highlighting the effects of IFRS 9's first application.

Casablanca, April 12, 2019

The Statutory Auditors

ERNST & YOUNG

Abdeslam BERRADA ALLAM
Associé

KPMG

Fouad LAHGAZI
Associé

I. FIRST-TIME APPLICATION OF IFRS 9

1. AIM AND CALENDAR

'IFRS 9 Financial Instruments' aims to establish the principles for accounting for financial assets and financial liabilities and their disclosure. These principles are intended to replace those currently provided for by 'IAS 39 Financial Instruments'.

This project has been divided into three phases:

Phase 1 – Classification and measurement of financial instruments;

Phase 2 – Impairment of financial assets;

Phase 3 – Hedge accounting.

Application of this new standard is mandatory for financial periods beginning on or after 1 January 2018 (other than hedge accounting). Application is retrospective, meaning that the stock of financial instruments held at the time of first-time application must be restated in accordance with IFRS 9. The impact from first-time application is recognised in the opening shareholders' equity of the financial period in which the standard is applied for the first time (i.e. 1 January 2018). The standard does not require comparative figures to be restated (the balance sheet and profit and loss account for the financial period 2017 remain unchanged). BMCE BANK OF AFRICA has elected not to restate comparative figures.

2. CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS

IFRS 9 replaces the existing models for classifying and measuring financial assets under IAS 39 with one model comprising just 3 classification categories:

- Amortised cost;

- Fair value through equity – changes in a financial instrument's fair value are recognised in other comprehensive income (FVTOCI);

- Fair value through profit or loss – changes in a financial instrument's fair value are recognised in net income (FVTPL).

A financial asset is categorised in any one category on the basis of two conditions:

- The entity's chosen business model or 'business model test';

- The characteristics of its contractual cash flows (solely payments of principal and interest condition or 'SPPI test');

Business models reflect the manner in which an entity manages its financial assets in order to generate cash flows and create value. Business models are specified for a portfolio of assets and do not constitute any intention, on a case by case basis, for an isolated financial asset.

IFRS 9 makes the distinction between three business models:

- The collection of contractual cash flows i.e. the 'Hold to collect' business model;

- The collection of contractual cash flows and the sale of assets i.e. the 'Hold to collect and sell' business model;

- Other management intentions i.e. the 'Other/Sell' business model.

The second condition ('SPPI test') analyses the financial asset's contractual terms. The test is passed if the financing arrangement gives rise solely to payments of principal and if the payment of interest received reflects the time value of money, the credit risk associated with the instrument, the other costs and risks of a traditional loan agreement as well as a reasonable profit margin, regardless of whether the interest rate is fixed or variable.

The criteria for classifying and measuring financial assets depend on the nature of the financial asset, and whether it is categorised as:

- A debt instrument i.e. loans and fixed or determinable income securities; or

- An equity instrument i.e. equities.

The following diagram outlines the appropriate method used to account for debt instruments as a result of the business model and SPPI tests:

Under IFRS 9, equity instruments (equities) held are:

- Always measured at fair value through profit or loss;

- Except those not held for trading in which case the standard provides an irrevocable option to measure each financial asset, at the time of initial recognition, at fair value through other comprehensive income (FVTOCI), without being able to recycle through profit or loss. No impairment allowances are recognised for this category of financial asset. If the asset is disposed of, changes are not recyclable through profit or loss, while income from the disposal is recognised through equity.. Only dividends are recognised through profit or loss.

3. CLASSIFICATION AND MEASUREMENT OF FINANCIAL LIABILITIES

The models for classifying and measuring financial liabilities in IFRS 9 comprise 3 classification categories:

- Financial liabilities at amortised cost;

- Financial liabilities at fair value through profit or loss;

- Financial liabilities at fair value through profit or loss option.

At the time of initial recognition, a financial liability may be designated at fair value through profit or loss although this option is irrevocable:

- Under certain circumstances, if the liability contains embedded derivatives; or

- If doing so, eliminates or significantly reduces a measurement or recognition inconsistency ('accounting mismatch'); or

- If the liability is part of a group of financial instruments that are measured and managed on a fair value basis in accordance with a documented risk management or investment strategy and information is provided on that basis to the entity's key management personnel as defined by IAS 24.

Furthermore, IRFS 9 allows for changes in these liabilities' fair value, due to a change in their credit risk, to be recognised through other comprehensive income. This accounting treatment is only possible, however, if it does not generate or exacerbate an accounting mismatch.

4. ASSETS DEPRECIATION UNDER IFRS 9

IFRS 9 sets out a new model for recognising impairment of financial assets based on the premise of providing for expected credit losses. This model differs from the IAS 39 model which is based on incurred credit losses.

The main changes resulting from transition from IAS 39 impairment rules to IFRS 9 are:

- Calculating provisions for healthy, non-sensitive loans;

- Forward-looking approach – IFRS 9 includes new risk monitoring requirements with prospective macroeconomic data used to assess potential default events;

- A need to monitor credit deterioration over the contract's lifetime since initial recognition.

- An increase in the range of qualifying financial assets when calculating impairment. The financial assets in question include financial assets at amortised cost, financial assets at fair value through other comprehensive income, loan commitments and financial guarantee contracts which are not recognised at market value as well as finance lease receivables.

Equity instruments are not affected by impairment arrangements.

Under IFRS 9, the portfolio is segmented into three 'buckets' based on the concept of significant deterioration since initial recognition:

- 'Bucket 1' comprises all healthy financial assets which have not seen any significant deterioration since initial recognition and for which expected credit losses are calculated on a 12-month time horizon;

- 'Bucket 2' comprises assets whose credit risk has increased significantly since initial recognition and for which expected credit losses need to be calculated for the remaining lifetime or residual maturity;

- 'Bucket 3' relates to all assets in default or those whose credit quality has deteriorated to the point that recovery of the principal is under threat. Financial assets in Bucket 3 are provisioned individually as under IAS 39. Subsequently, if the conditions for classifying financial instruments in Bucket 3 are not met, these instruments are reclassified in Bucket 2, then in Bucket 1, depending on subsequent improvement in credit quality.

The process of monitoring credit deterioration is based on internal risk-monitoring models which include measures for monitoring sensitive loans and those in arrears.

The three main parameters underpinning the impairment calculation are:

- Exposure at Default (EAD), which represents a bank's actual overall exposure to the contract at the time of default (taking into account balance sheet and off-balance sheet items).

- Probability of Default (PD), which represents the likelihood of a borrower defaulting either over the next 12 months or over the remaining lifetime. PD incorporates the forward-looking concept;

- And Loss Given Default (LGD), which represents the entity's expectation of the extent of loss on a defaulted exposure (in percentage terms).

The Group draws on existing concepts and models in order to define these parameters. Expected credit losses on financial instruments are measured as the product of these 3 parameters.

Should there be insufficient data to calculate PD and LGD, the Group will rely on historical individual losses or provisions on the portfolio to calculate expected credit losses. The latter are recognised on the basis of actual historical losses as well as reasonable and supportable forecasts of discounted future cash flows.

The following principles underpin the calculation of impairment losses on securities, which are primarily sovereign bonds:

- At the time of acquiring the securities, all securities will be classified in Bucket 1 regardless of the issuer's credit rating;

- At subsequent measurements:

· If the issuer's credit rating is downgraded, the security will be classified in Bucket 2;

· On the basis of incurred credit losses at maturity, if the counterparty is in default, the security will be classified in Bucket 3.

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1. IAS 39 accounting categories under IFRS 9

Financial Assets	dec-17	1/1/2018 FTA								
		Reclassification under IFRS 9								
			Financial assets at fair value through profit or loss			Financial assets at fair value through equity		Financial assets at amortized cost		
				Other financial assets at fair value through profit or loss						
	Value in the balance sheet according to IAS 39	Central banks, public treasury, postal check service	Financial assets held for trading	Equity instruments	Financial assets at fair value through profit or loss as an option	Debt instruments accounted for at fair value through recyclable equity	Equity instruments accounted for at fair value through non-recyclable equity	Loans and receivables from credit institutions	Loans and receivables from customers	Debt Securities
Central banks, public treasury, postal check service	15 497 685	14 490 894								1 006 792
Financial assets at fair value through profit or loss										
Financial assets held for trading	34 002 616		33 808 089							
Other financial assets at fair value through profit or loss	-			194 527						
Hedging derivatives -	-									
Available-for-sale assets	10 531 128			1 706		1 338 073	4 039 527		1 304 237	3 847 585
Loans and receivables from credit institutions	25 177 051							25 177 051		
Loans and receivables from customers	183 814 990								183 814 990	
Securities held-to-maturity	23 016 078			1 232 941			8 954			21 774 183
Accounting balances according to IFRS 9 valuation criteria	**292 039 548**	**14 490 894**	**33 808 089**	**1 429 174**	**0**	**1 338 073**	**4 048 481**	**25 177 051**	**185 119 227**	**26 628 560**
Fair value remeasurement under IAS 39				8 222		-2 670		-29 927	-3 134 956	-179 007
Accounting balances according to IFRS 9 valuation criteria		**14 490 894**	**33 808 089**	**1 437 396**	**0**	**1 335 403**	**4 048 481**	**25 147 124**	**181 984 271**	**26 449 553**

(En milliers de DH)

Financial liabilities	dec-17	1/1/2018 FTA					
		Reclassification under IFRS 9					
		Financial liabilities at fair value through profit or loss			Financial liabilities at amortized cost		
	Value in the balance sheet according to IAS 39	Financial liabilities held for trading	Financial liabilities at fair value through profit or loss as an option	Hedging derivatives	Amounts due to credit institutions	Amounts due to customers	Debts represented by a security
Financial liabilities at fair value through profit or loss	1 768 686	37 094	1 737 600	-	-	-	-
Financial liabilities held for trading	1 768 686	37 094					
Financial liabilities at fair value through profit or loss as an option			1 737 600				
Hedging derivatives	6 008						
Amounts due to credit institutions	44 958 940				44 958 940		
Amounts due to customers	198 783 598					198 783 598	
Debts represented by a security	15 101 490						15 101 490
Accounting balances according to IAS 39 valuation criteria	**260 618 722**	**37 094**	**1 737 600**	**-**	**44 958 940**	**198 783 598**	**15 101 490**
Fair value remeasurement under IFRS 9							
Accounting balances according to IAS 39 valuation criteria		**37 094**	**1 737 600**	**0**	**44 958 940**	**198 783 598**	**15 101 490**

2. Depreciation under IAS 39 and IFRS 9

Depreciation of financial assets	dec-17	1/1/2018 FTA								
		IFRS 9 - Reclassification of the depreciation amounts								
			Financial assets at fair value through profit or loss			Financial assets at fair value through equity		Financial assets at amortized cost		
				Other financial assets at fair value through profit or loss						
	IAS 39 - Depreciation amounts	Central banks, public treasury, postal check service	Financial assets held for trading	Equity instruments	Financial assets at fair value through profit or loss as an option	Debt instruments accounted for at fair value through recyclable equity	Equity instruments accounted for at fair value through non-recyclable equity	Loans and receivables from credit institutions	Loans and receivables from customers	Debt Securities
Central banks, public treasury, postal check service										
Available-for-sale assets	431 185						431 185			
Loans and receivables from credit institutions	68 751							68 751		
Loans and receivables from customers	9 377 885								9 377 885	
Securities held-to-maturity										
Depreciation accounting balances according to IAS 39 provisions	**9 877 821**	-	-	-	-	-	**431 185**	**68 751**	**9 377 885**	-
Depreciation restatement under IFRS 9						2 670	-431 185	29 927	3 134 957	179 007
Depreciation accounting balances according to IFRS 9 provisions		-	-	-	-	**2 670**	-	**98 678**	**12 512 842**	**179 007**

Depreciation breakdown of customer loans and receivables under IAS 39

	dec-17		
	Collective depreciations	Individual depreciations	Total
Depreciation accounting balance	2 517 473	6 860 412	**9 377 885**
Reclassification	-1 861 771	1 861 771	
Accounting balances reprocessed of depreciations	655 702	8 722 183	**9 377 885**

* Under IAS 39, statistical provisions of mass processing for small files in defaults were included in collective provisions. In order to be comparable under IFRS 9, these need to be classified under individual depreciations .

Depreciation breakdown of customer loans and receivables by bucket

	Bucket 1	Bucket 2	Bucket 3	Total
Accounting balances of depreciations according to IFRS 9 FTA provisions (as of 01/01/2018)	1 313 542	2 310 794	8 888 506	**12 512 842**

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

1.1. CONSOLIDATED BALANCE SHEET

The consolidates financial statements of December 31, 2018 were approved by the board of directors on March 29, 2019.

ASSETS	NOTES	31/12/18	01/01/2018 FTA	31/12/17
Cash and amounts due from central banks and post office banks	**4.1**	**14 310 554**	**14 490 894**	**15 497 685**
Financial instruments at fair value through profit or loss		**-**		**34 002 616**
Financial assets held for trading	4.2	25 104 686	33 808 089	
Other financial assets at fair value through profit or loss	4.2	1 011 536	1 437 396	
Derivatives used for hedging purposes		**-**		
Available-for-sale financial assets		**-**		**10 531 128**
Financial assets at fair value through equity		**-**		
Debt instruments recognised at fair value through recyclable equity	4.3	1 402 639	1 335 403	
Equity instruments reported at fair value through non-recyclable equity	4.3	3 986 053	4 048 481	
Held-to-maturity financial assets				**23 016 078**
Financial assets at amortised cost	**4.4**	**25 315 848**	**26 449 553**	
Loans and advances to credit institutions at amortised cost	**4.5**	**21 250 394**	**25 147 124**	**25 177 051**
Loans and advances to customers at amortised cost	**4.6**	**179 302 874**	**181 984 271**	**183 814 990**
Remeasurement adjustment on interest-rate risk hedged portfolios		**-**		
Financial investments of insurance activities		**-**		
Current tax assets	**4.8**	**783 556**	**855 725**	**855 725**
Deferred tax assets	**4.8**	**1 615 532**	**1 802 409**	**793 123**
Accrued income and other assets	**4.9**	**7 199 267**	**6 095 077**	**6 095 077**
Non-current assets held for sale		**-**		
Equity-method investments	**4.10**	**874 360**	**643 037**	**643 037**
investment property	**4.11**	**3 730 378**	**3 824 439**	**3 824 439**
Property, plant and equipment	**4.11**	**7 640 031**	**7 302 800**	**7 302 800**
Intangible assets	**4.11**	**987 571**	**937 808**	**937 808**
Goodwill	**4.12**	**1 032 114**	**852 310**	**852 310**
TOTAL ASSETS IFRS		**295 547 393**	**311 014 816**	**313 343 867**

(In thousand MAD)

LIABILITIES	NOTES	31/12/18	01/01/2018 FTA	31/12/17
Cash and amounts due from central banks and post office banks		**-**		
Financial instruments at fair value through profit or loss		**-**		**1 768 686**
Financial liabilities held for trading		-	37 094	
Financial liabilities at fair value through profit or loss under option		-	1 737 600	
Derivatives used for hedging purposes		**-**		**6 008**
Debt securities issued	**4.7**	**13 582 981**	**15 101 490**	**15 101 490**
Due to credit institutions	**4.5**	**43 725 210**	**44 958 940**	**44 958 940**
Due to customers	**4.6**	**192 474 205**	**198 783 598**	**198 783 598**
Remeasurement adjustment on interest-rate risk hedged portfolios		**-**		
Current tax assets	**4.8**	**769 014**	**740 856**	**740 856**
Deferred tax assets	**4.8**	**1 179 765**	**1 601 333**	**1 598 944**
Accrued expenses and other liabilities	**4.9**	**9 350 024**	**13 419 677**	**13 419 677**
Liabilities associated with non-current assets held for sale		**-**		
Technical reserves of insurance companies		**-**		
Provisions for contingencies and charges	**4.13**	**1 039 395**	**1 087 637**	**832 490**
Subsidies, assigned public funds and special guarantee funds				
Subordinated debts	**4.6**	**9 585 289**	**11 448 754**	**11 448 754**
TOTAL DEBTS		**271 705 883**	**288 916 979**	**288 659 443**
Capital and related reserves				
Consolidated reserves		**14 365 774**	**13 748 403**	**13 748 403**
Attributable to parent		-		
Attributable to parent		1 584 607	2 788 767	2 427 415
Non-controlling interests		3 977 575	4 420 422	4 625 624
Gains et pertes comptabilisés directement en capitaux propres		**-**		
Attributable to parent		593 531	596 815	495 942
Non-controlling interests		511 300	543 430	543 259
Net Income		**-**		
Attributable to parent		1 831 171		2 036 321
Non-controlling interests		977 552		807 460
TOTAL CONSOLIDATED SHAREHOLDERS'S EQUITY		**23 841 510**	**22 097 837**	**24 684 424**
TOTAL LIABILITIES		**295 547 393**	**311 014 816**	**313 343 867**

(In thousand MAD)

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1.2. CONSOLIDATED INCOME STATEMENT

	NOTES	dec-18	dec-17
Interest and similar income		14 934 916	14 895 644
Interest and similar expense		-5 252 749	-5 220 279
Net Interest income	**2,1**	**9 682 167**	**9 675 365**
Fees received and commission income		2 990 545	2 732 308
Fees paid and commission expense		-477 341	-315 612
Net fee income	**2,2**	**2 513 204**	**2 416 697**
Net gains or losses resulting from net position hedges		-	
Net gain on financial instruments at fair value through profit or loss	2,3	136 275	506 845
Net gains or losses on transaction assets/liabilities		*138 632*	-
Net gains or losses on other assets/liabilities at fair value through profit or loss		*-2 357*	-
Net gains on financial instruments at fair value through equity	2,4	226 865	
Net gains or losses on debt instruments recorded as recyclable CP		-	
Remuneration of equity instruments recognised as non-recyclable CP		*226 865*	
Net gains or losses on available-for-sale financial assets		-	228 257
Net gains on derecognised financial assets at amortised cost		-	
Gains or losses resulting from the reclassification of financial assets at amortised cost to financial assets at fair value through profit or loss		-	
Gains or losses resulting from the reclassification of financial assets by CP as financial assets at fair value through profit or loss		-	
Net income from insurance activities		-	
Net income from other activities	2,5	1 137 982	1 036 084
Expenses from other activities	2,5	-463 024	-495 692
Net Banking Income		**13 233 468**	**13 367 556**
General Operating Expenses	2.6	-7 194 827	-7 015 278
Allowances for depreciation and amortization PE and intangible assets	2.6	-620 980	-747 408
Gross Operating Income		**5 417 661**	**5 604 869**
Cost of Risk	2.7	-1 833 379	-1 794 180
Operating Income		**3 584 281**	**3 810 689**
Share in net income of companies accounted for by equity method		61 804	12 827
Net gains or losses on other assets	2.8	6 210	14 815
Change in goodwill		-	1
Pre-tax earnings		**3 652 295**	**3 838 333**
Corporate income tax	2.9	-843 574	-994 550
Tax Net income from discontinued activities or operations held for sale		-	-
Net Income		**2 808 722**	**2 843 783**
Non-controlling interests		977 552	807 460
Net income attributable to parent		**1 831 170**	**2 036 323**

(In thousand MAD)

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

	dec-18	dec-17
Net income (loss)	**2 808 722**	**2 843 781**
Gains and losses recognised directly in equity and subsequently reclassified to income	**28 168**	**-31 826**
Transfer to earnings	28 168	-31 826
Financial assets at fair value through recyclable equity		
Revaluation differences		
Gains and losses recognised directly in equity and which will not subsequently be reclassified to income	**-63 583**	**1 080 821**
Actuarial gains and losses on defined benefit plans		-49 166
Items measured at fair value through non-recyclable equity	-63 583	1 129 987
Share of gains and losses recognised directly in equity on companies accounted for by the equity method		
Total gains and losses recognized directly in equity	**-35 415**	**1 048 995**
Net income and gains and losses recognised directly in equity	**2 773 307**	**3 892 776**
Group share	1 827 885	2 542 057
Minority interests' share	945 422	1 350 719

(In thousand MAD)

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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 adjusted Shareholder's Equity 12.31.2016	**1 794 634**	**11 504 456**		**4 970 436**	**-9 794**	**18 259 732**	**5 322 955**	**23 582 687**
Change in the accounting methods						0		0
Beginning Balance of Shareholder's Equity 12.31.2016	**1 794 634**	**11 504 456**		**4 970 436**	**-9 794**	**18 259 732**	**5 322 955**	**23 582 687**
Operations on capital		449 313		-449 313		0		0
Share-based payment plans						0		0
Operations on treasury stock						0		0
Dividends				-897 317		-897 317	-523 494	-1 420 811
Net Income				**2 036 321**		**2 036 321**	**807 460**	**2 843 781**
Changes in assets and liabilities recognised directly in equity					-408 252	-408 252	442 957	34 705
Transfer to earnings					-31 826	-31 826		-31 826
Unrealized or deferred gains or losses				**0**	**-440 078**	**-440 078**	**442 957**	**2 879**
Change in the scope of consolidation				**-92 449**		**-92 449**	**25 910**	**-66 539**
Others				**-158 128**		**-158 128**	**-99 445**	**-257 573**
Ending balance of Shareholder's Equity 12.31.2017	**1 794 634**	**11 953 769**		**5 409 550**	**-449 872**	**18 708 081**	**5 976 343**	**24 684 424**
Recognition of expected credit losses (on financial instruments)				-1 574 096		-1 574 096	-1 012 491	-2 586 587
Beginning balance of Shareholder's Equity 01.01.2018	**1 794 634**	**11 953 769**		**3 835 454**	**-449 872**	**17 133 985**	**4 963 852**	**22 097 837**
Operations on capital		617 371		-617 371		0		0
Share-based payment plans						0		0
Operations on treasury stock						0		0
Dividends				-897 317		-897 317	-563 957	-1 461 274
Net Income				**1 831 171**		**1 831 171**	**977 552**	**2 808 723**
Changes in assets and liabilities recognised directly in equity					-409	-409	-371	-780
Transfer to earnings					-40 068	-40 068	-42 226	-82 295
Unrealized or deferred gains or losses					**-40 478**	**-40 478**	**-42 597**	**-83 075**
Change in the scope of consolidation				**194 375**		**194 375**	**257 949**	**452 325**
Others				**153 346**		**153 346**	**-126 372**	**26 974**
Ending balance of Shareholder's Equity 12.31.2018	**1 794 634**	**12 571 140**		**4 499 659**	**-490 350**	**18 375 083**	**5 466 427**	**23 841 511**

(In thousand MAD)

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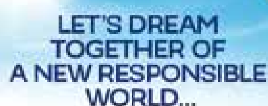
1.5. CASH FLOW STATEMENTS AS OF DECEMBER 31, 2018

1.5.1. Cash Flow Statements

	Notes	dec-18	dec-17
Net Income Before Tax		**3 652 296**	**2 843 781**
+/- Net depreciation/amortization expense on property, plant, and equipment and intangible assets	2,6	630 876	747 408
+/- Impairment of goodwill and other non- current assets		-	-
+/- Impairment of financial assets		-15 026	-16 898
+/- Net allowances for provisions		1 523 643	561 456
+/- Share of earnings in subsidiaries accounted for by equity method	4.10	-61 366	-12 827
+/- Net loss (income) from investing activities		-465 450	-930 281
+/- Net loss (income) from financing activities		-	-
+/- Other movements		470 864	-1 406 990
Non monetary items included in pre-tax net income and other adjustments		**2 083 541**	**-1 058 132**
+/- Cash flows related to transactions with credit institutions		217 244	2 079 434
+/- Cash flows related to transactions with customers		-7 885 804	2 736 592
+/- Cash flows related to transactions involving other financial assets and liabilities		10 541 583	8 431 333
+/- Cash flows related to transactions involving non financial assets and liabilities		-4 878 370	-1 645 793
+/- Taxes paid		-641 628	-1 401 950
Net decrease / (increase) in assets and liabilities from operating activities		**-2 646 975**	**10 199 617**
Net Cash Flows from Operating Activities		**3 088 862**	**12 979 816**
+/- Cash Flows related to financial assets and equity investments		-418 474	-1 166 373
+/- Cash flows related to investment property		95 806	-81 056
+/- Cash flows related to PP&E and intangible assets		-477 724	-372 909
Net Cash Flows from Investing Activities		**-800 392**	**-1 620 338**
+/- Cash flows related to transactions with shareholders		-949 034	-1 425 511
+/- Cash flows generated by other financing activities		-5 109 235	2 950 430
Net increase/(decrease) in cash and cash equivalents		**-6 058 269**	**1 524 919**
Beginning Balance of Cash and Equivalents		-248 827	434 796
Net Balance of cash accounts and accounts with central banks and post office banks		**-4 018 626**	**13 319 193**
Net Balance of demand loans and deposits- credit institutions		**21 008 455**	**7 689 262**
Loan and loan of cash	4.1	14 490 894	12 155 637
Ending Balance of Cash and Equivalents		6 517 561	-4 466 375
Net Balance of cash accounts and accounts with central banks and post office banks		**16 989 829**	**21 008 455**
Net Balance of demand loans and deposits- credit institutions	4.1	14 310 554	14 490 894
Loan and loan of cash		2 679 275	6 517 561
Net increase in cash and equivalents		**-4 018 626**	**13 319 193**

(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 1st January 2007.

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

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

The Group has adopted the new IFRS 9 standard on financial instruments and the impact of the first-time adoption is recorded in shareholders' equity in the opening balance sheet as at 1 January 2018 without restatement of comparatives, as required by the standard.

The IFRS 16 «Lease Agreement» will replace IAS 17 starting January 1, 2019. It will change the accounting for leases. For any lease, the lessee will have to show in their balance sheet an asset representative of the right to use the leased property and a debt representative of the obligation to pay rent. In the income statement, the amortization expense of the asset will be presented separately from the debt interest charges. This treatment, currently applied to finance leases, will be extended to operating leases.

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 of December 31, 2018, 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.

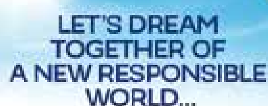
Measurement of goodwill

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.

As of December 2018, the Group has carried out tests to ensure the recoverable amount of a cash-generating unit is higher than its net fair value and its value in use.

The recoverable amount of a cash-generating unit is defined as the highest value between its fair net value of its cost of sales and its value in use, the



fair value being the selling price of a 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

The "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

IFRS 9 replaces the classification and valuation models for financial assets provided for in IAS 39 by a model comprising only 3 accounting categories :

- Depreciated cost;

- Fair value through equity: changes in fair value of the financial instrument are impacted in «other items of the comprehensive income» («fair value by OCI»);

- Fair value through profit or loss: changes in the fair value of the instrument are impacted in net income.

The classification of a financial asset in each category is based on:

- business model defined by the company

- and the characteristics of its contractual cash flows (the «cash flow» criterion) solely payments of principal and interest», or «SPPI»).

The management methods relate to the way the company manages its financial assets in order to generate cash flows and create cash flow and value. The business model is specified for an asset portfolio and does not constitute an intention on a case-by-case basis for an individual financial asset.

IFRS 9 distinguishes three management models:

- The collection of contractual cash flows, the business model «Collection»;

- The collection of contractual flows and the sale of assets, the model of management « Collection and Sale «;

- Other management intentions, i.e. the «Other / Sale» management model.

The second criterion («SPPI» criterion) is analysed at the contract level. The test is satisfied when the funding is only eligible for reimbursement of the principal and when the payment of interest received reflects the value of the time of money, credit risk associated with the instrument, other costs and risks of a traditional loan agreement as well as a reasonable margin, whether the interest rate is fixed or variable.

The criteria for classifying and measuring financial assets depend on the nature of the financial asset, as qualified:

- debt instruments (i.e. loans and fixed or determinable income securities) ; or

- equity instruments (i.e. shares).

The classification of a debt instrument in one of the asset classes is a function of the management model applied to it by the company and the characteristics of the contractual cash flows of the instrument (SPPI criterion). Debt instruments that respond to the SPPI criterion and the «Collection» management model are classified as follows amortised cost. If the SPPI criterion is verified but the business model is the collection and sale, the debt instrument is classified at fair value by equity (with recycling). If the SPPI criterion is not verified and the business model is different, the debt instrument is classified as fair value value by result.

Under IFRS 9, equity instruments held by (stocks) are:

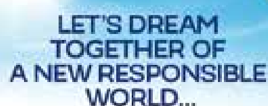
- always measured at fair value through profit or loss,

- except those not held for trading for which the standard allows the irrevocable election to be made at the time of recognition of each financial asset, to recognise it at fair value by counterpart of other comprehensive income (fair value through profit or loss OCI), with no possibility of recycling by result. Assets classified in this category will not be depreciated. In the event of a transfer, these changes are not recycled to the income statement, the gain or loss on disposal is recognised in shareholders' equity. Only dividends are recognised in result.

IFRS 9 provides for models for classifying and measuring financial liabilities according to 3 accounting categories:

- financial liability at amortised cost;

- financial liability at fair value through profit or loss;



- financial liability at fair value through profit or loss on option.

On the initial recognition date, a financial liability may be designated, on irrevocable option, at fair value through profit or loss:

- under certain conditions when the liability contains embedded derivatives ; or

- if this leads to more relevant information as a result of the elimination or the significant reduction of a distortion of accounting treatment (« mismatch»); or

- whether the liabilities are managed with other financial instruments that are measured and managed at fair value in accordance with an investment policy or risk management and that information is communicated on this to key management personnel within the meaning of IAS 24.

In addition, for these liabilities, the standard allows for the recognition of the change in fair value attributable to the change in credit risk in other comprehensive income. However, this processing is only possible to the extent that it does not contribute to creating or aggravate an accounting mismatch

Dividends received on securities with a variable income are presented in the aggregate "Compensation of equity instruments recognized as non-recyclable CP" when the Group's right to receive them 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 recognized 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

IFRS 9 introduces a new model for the recognition of impairment of financial assets based on expected credit losses. This model represents a change from the IAS 39 model that is based on proven credit losses.

The main changes in the transition from IAS impairment rules 39 to IFRS 9 are:

- Calculation of provisions on non-sensitive performing loans;

- Forward looking: the standard requires new requirements in risk monitoring with the use of forward-looking data such as macroeconomic to assess default parameters;

- The need to monitor the deterioration of credit risk during its implementation life since the beginning at contract level;

- A broader scope of financial assets included in the scope of the calculation of depreciation. The financial assets concerned are as follows financial assets at amortised cost, financial assets at fair value through equity, loan commitments and financial guarantee that are not covered by the not recorded at market value, as well as receivables from of lease contracts. Equity instruments are not concerned by the depreciation provisions.

Under IFRS 9, the portfolio is segmented into three Buckets in using the notion of significant degradation from the beginning:

- Bucket 1» consists of all sound financial assets that do not are not significantly degraded since the beginning and for which it will be calculated an expected credit loss within 1 year.

- Bucket 2» includes assets for which the credit risk has significantly increased since the beginning. A credit loss must then be calculated over the remaining useful life of the asset, or residual maturity.

- «Bucket 3» corresponds to all assets in default or those for which credit quality will deteriorate to the point that the recoverability of the is threatened. Bucket 3 corresponds to the scope of the provision under IAS 39. The entity recognises a demonstrated credit loss at maturity. Thereafter, if the conditions for the classification of instruments financial instruments in bucket 3 are no longer respected, these instruments are reclassified as bucket 2 and then as bucket 1 depending on the improvement of credit risk quality.

The definition of a defect is aligned with that of Circular 19G, refutably presuming that entry in default is at after 90 unpaid days of at the latest.

The definition of a defect is used consistently to assess increases in credit risk and in measuring expected credit losses.

The monitoring of risk degradation is based on internal risk monitoring systems, which notably include systems for monitoring sensitive receivables and unpaid debts.

The significant increase in credit risk can be assessed on an individual or a collective basis (combining financial instruments based on common credit

risk characteristics) taking into account all reasonable and justifiable information and comparing the risk of default on the financial instrument at the reporting date with the risk of default on the financial instrument at the date of initial recognition.

Assessing significant increase in credit risk is made at the level of each instrument, based on indicators and thresholds that vary according to the nature of the exposure and the type of counterparty.

A financial asset is also considered to have suffered significant credit risk deterioration when one or more of the following occurs:

· The financial asset appears on the Watch List

· The financial asset is restructured because of payment difficulties without it defaulting

· Existence of unpaid bills

· Significant adverse changes in the economic, commercial or financial conditions in which the borrower operates,

· Risks of financial difficulties found, etc.

In order to compensate for the fact that certain significant deterioration factors or indicators are not identifiable at the level of a financial instrument taken in isolation, the standard allows the assessment of significant impairment for portfolios, portfolio groups, portions of portfolios or financial instruments.

The constitution of the portfolios for an assessment of the degradation on a collective basis can result from common characteristics such as:

· the type of instrument;
· the credit risk rating;
· the type of guarantee;
· the date of initial recognition;
· the period remaining until maturity;
· the area of the activity ;
· the borrower's geographic location;

· the value of the asset pledged against the financial asset, if this affects the likelihood of default (for example, in the case of loans secured only by collateral in certain countries, or on the proportion of financing);

· the distribution channel, the purpose of the financing, ...

Expected losses are defined as an estimate of the credit losses weighted by the likelihood of these losses occurring during the financial instruments' expected lifespan. These are calculated individually for each exhibition.

Depreciations are calculated based on 3 principles:

· Default probability

Default Probability is the probability that a borrower will default on his/her financial commitments in the next 12 months or during the residual maturity of the contract (mature default probability). Default probability is the probability that borrowers will default on a given horizon t. The default probability used to estimate expected losses under IFRS9 principles and is calculated for each homogeneous class of risk.

For financial assets in "Bucket 1" (i.e. healthy non-sensitive), a 12-month default probability is calculated as the probability of default that may occur within 12 months of the closing date.

For financial assets in Bucket 2, a maturity default probability is calculated and, by definition, financial assets in Bucket 3 (i.e. defects) have a default probability of 1.

In order to calculate a one-year default probability for a given file, BMCE Bank has divided the portfolios' files into homogeneous risk classes that are segmented on the basis of external notes or on the basis of delinquency classes.

The default probability at maturity is calculated by applying B10 transition matrices to the one-year default probability, such that this default probability results from external rating systems or delinquency classes. Transition matrices are determined by modeling how the defaults develop between the initial posting date and the maturity of the contracts, for each portfolio. Transition matrices are developed on the basis of statistical observations.

· Losses in case of default (LGD)

Loss on default (LGD) is the expected loss on exposure that would be in default. Loss on default is expressed as a percentage of the EAD and is calculated from the Global Recovery Rates (GFR). The evaluation of FITs is done by defining homogeneous classes of risk per guarantee, based on the history of recovery.

For large cases in difficulty, when modeling on a statistical basis is not possible (number of reduced observations, special characteristics, etc.), the future recovery cash flows are estimated by BMCE Bank Group's recovery subsidiary, and LGD is the difference between the contractual cash flows and expected cash flows (including principal and interest).

· Exposure at default (EAD)

The calculation of exposure at default is based on the amount at which the Group expects to be effectively exposed at the time of the default, ie over the next 12 months, ie + B1t on the residual maturity. It is based on the amount at which Group 17 expects to be effectively exposed at the time of the default, either over the next 12 months or on the residual maturity.

To define these parameters, the group builds on existing concepts and devices. Expected credit losses on financial instruments are measured as the product of these three parameters.

The IFRS 9 parameters must take into account the anticipated economic conditions over the projection horizon (forward-looking).

The adjustment of the parameters to the economic situation was carried out on the basis of the macroeconomic studies provided by internal sectorial experts. These studies made it possible to impact default probabilities (upwards or downwards depending on the outlook) according to experts over a three-year horizon. Consideration of other macroeconomic indicators is being implemented.

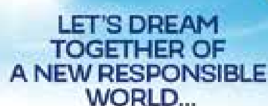
The definition of these scenarios follows the same organization and governance as that defined for the budget process, with an annual review based on economic research proposals and validation by the General Management Committee.

For securities (which are overwhelmingly sovereign securities), the calculation of the depreciation is determined according to the following principles:

- When acquiring shares: all shares are considered as part of Bucket 1 regardless of the issuer's rating,

- In subsequent evaluations:

- In the event of a downgrade of the issuer's rating, the security changes to bucket 2



- On the basis of credit losses proven to be at maturity if the counterparty is in default - Bucket 3

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.

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, 2018, the Group does not hold any treasury shares.

g. Derivative instruments

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

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

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

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

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

i. Determining the fair value of financial instruments

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

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

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

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

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

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

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

j. Income and expenses arising from financial assets and liabilities

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

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

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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	Share	Period	Share
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.

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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.

As of December 31, 2018, the Group did not recognize any assets as held for sale or discounted activities.

1.6.7. Employee benefits

Classification of employee benefits

a. Short terms 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.

d. 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.

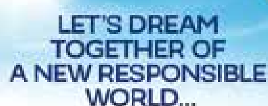
Actuarial gains or losses arise on differences related to changes in assumptions underlying calculations (early retirement, discount rates etc.) or between actuarial assumptions and what actually occurs (rate of return on pension fund assets etc.) constitute.

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.

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II. NOTES TO THE INCOME STATEMENT FOR THE YEAR ENDED ON DECEMBER 31, 2018

2.1. NET INTEREST INCOME

This 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-18		
	Income	Expense	Net
Customer Items	**10 818 793**	**2 830 855**	**7 987 938**
Deposits, loans and borrowings	10 199 494	2 799 843	7 399 651
Repurchase agreements		31 012	-31 012
Finance leases	619 299		619 299
Interbank Items	**1 289 625**	**1 464 925**	**-175 300**
Deposits, loans and borrowings	1 084 082	1 194 800	-289 452
Repurchase agreements	205 543	270 125	98 632
Borrowings issued by the Group		**956 969**	**-956 969**
Instruments at fair value through equity			
Debt instruments	**2 826 498**		**2 826 498**
TOTAL INTEREST INCOME/(EXPENSE)	**14 934 916**	**5 252 749**	**9 682 167**

(In thousand MAD)

	dec-17		
	Income	Expense	Net
Customer Items	**10 861 834**	**2 829 142**	**8 032 692**
Deposits, loans and borrowings	10 168 896	2 698 581	7 470 315
Repurchase agreements		130 561	-130 561
Finance leases	692 938		692 938
Interbank items	**915 842**	**1 320 489**	**-404 647**
Deposits, loans and borrowings	682 078	1 257 872	-575 794
Repurchase agreements	233 764	62 617	171 147
Debt securities issued			
Cash flow hedge instruments			
Interest rate portfolio hedge instruments			
Trading book	**1 469 297**	**1 070 648**	**398 649**
Fixed income securities	1 469 297	664 645	804 652
Repurchase agreements			
Loans/borrowings			
Debt securities		406 003	-406 003
Available for sale financial assets			
Held to maturity financial assets	**1 648 671**		**1 648 671**
TOTAL	**14 895 644**	**5 220 279**	**9 675 365**

(In thousand MAD)

2.2. NET FEE INCOME

	dec-18			dec-17		
	Income	Expense	Net	Income	Expense	Net
Net fee on transactions	**2 243 610**	**248 194**	**1 995 416**	**1 999 586**	**121 990**	**1 877 596**
With credit institutions			-			-
With customers	1 537 760	-	1 537 760	1 534 862		1 534 862
On custody	216 942	73 617	143 325	219 209	43 129	176 080
On foreign exchange	488 908	174 577	314 331	245 515	78 861	166 654
On financial instruments and off balance sheet			-			-
Banking and financial services	**746 935**	**229 147**	**517 788**	**732 722**	**193 622**	**539 100**
Income from mutual funds management			-			-
Income from electronic payment services	388 448	88 300	300 148	355 604	72 706	282 898
Insurance	-	-	-			-
Other	358 487	140 847	217 640	377 118	120 916	256 202
NET FEE INCOME	**2 990 545**	**477 341**	**2 513 204**	**2 732 308**	**315 612**	**2 416 696**

(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.

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

	dec-18			dec-17		
	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	199 404	-2 357	**197 047**	499 400		**499 400**
Derivative instruments	-60 772		**-60 772**	7 098	347	**7 445**
Repurchase agreements						
Loans						
Borrowings						
Remeasurement of interest rate risk hedged portfolios						
Remeasurement of currency positions						
TOTAL	**138 632**	**-2 357**	**136 275**	**506 498**	**347**	**506 845**

(In thousand MAD)

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.

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

	dec-18
Remuneration of equity instruments recognised as non-recyclable equity instruments (Dividends)	**226 865**
TOTAL	**226 865**

(In thousand MAD)

	dec-17
Fixed income securities	
Disposal gains and losses	
Equity and other variable-income securities	**228 257**
Dividend income	228 662
Impairment provisions	
Net disposal gains	-405
TOTAL	**228 257**

(In thousand MAD)

2.5. NET INCOME FROM OTHER ACTIVITIES

	dec-18			dec-17		
	Income	Expense	Net	Income	Expense	Net
Net income from insurance activities						
Net income from investment property						
Net income from assets held under operating leases	277 075	121 348	**155 727**	284 277	120 712	**163 565**
Net income from property development activities						
Other banking income & expenses	486 955	325 604	**161 351**	269 334	294 523	**-25 189**
Other operating income	373 952	16 072	**357 880**	482 473	80 457	**402 016**
TOTAL NET INCOME FROM OTHER ACTIVITIES	**1 137 982**	**463 024**	**674 958**	**1 036 084**	**495 692**	**540 392**

(In thousand MAD)

2.6. GENERAL OPERATING EXPENSES

	dec-18	dec-17
Staff expenses	3 779 625	3 698 510
Taxes	304 419	122 816
External expenses	2 970 647	1 616 331
Other general operating expenses	140 136	1 577 621
Allowances for depreciation and provisions of tangible and intangible assets	620 980	747 408
General Operating Expenses	7 815 807	7 762 686

(In thousand MAD)

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2.7. 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-18
Net allocations for depreciations	**-1 571 517**
Bucket 1	**130 261**
Including loans and receivables on EC and OA	*2 950*
Including customer loans and receivables	*48 024*
Including off-balance-sheet commitments	*85 051*
Including debt instruments	*-7 326*
Including debt instruments accounted for by JV and recyclable CP	*1 562*
Bucket 2	**121 767**
Including loans and receivables on EC and OA	*-1 303*
Including customer loans and receivables	*82 405*
Including off-balance-sheet commitments	*2 691*
Including debt instruments	*37 974*
Including debt instruments accounted for by JV and recyclable CP	*-*
Bucket 3	**-1 823 545**
Including loans and receivables on EC and OA	*360*
Including customer loans and receivables	*-1 767 952*
Including off-balance-sheet commitments	*-78 329*
Including debt instruments	*22 377*
Including debt instruments accounted for by JV and recyclable CP	*-*
Amounts recovered from amortized loans	**52 617**
Losses on bad debt	**-365 896**
Other	**51 417**
Cost of risk	**-1 833 379**

	dec-17
Allocations to provisions	**-2 964 249**
Provisions on depreciations of loans and receivables	-2 778 762
Provisions on depreciations of held-to-maturity securities	
Provision commitments by signature	-38 106
Other provisions for risks and charges	-147 381
Reversals of provisions	**2 402 843**
Reversals of provisions for depreciation of loans receivables	2 231 922
Reversals of provisions for depreciations of held-to-maturity securities (rate risk free)	
Reversals of provisions commitments by signature	
Reversals of other provisions for risk and charges	170 921
Variation of provisions	**-1 232 774**
Losses for counterparty risk of financial assets available-for-sale (fixed income securities)	
Losses for counterparty risk of financial assets held-to-maturity	
Losses on irrecoverable loans and receivables with no provision	
Losses on irrecoverable loans and receivables with provision	-1 268 763
Discounts on restructured products	
Recoveries of amortized loans and receivables	35 989
Losses on commitments by signature	
Other losses	
COST OF RISK	**-1 794 180**

(In thousand MAD)

2.8. NET GAINS ON OTHER ASSETS

	dec-18	dec-17
PP&E and intangible assets used in operations	**-17 398**	**0**
Capital gains on disposals		
Capital losses on disposals	17 398	
Others	23 608	14 815
Net Gain/Loss on Other Assets	**6 210**	**14 815**

(In thousand MAD)

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2.9. INCOME TAX

2.9.1. Current and deferred tax

	dec-18	01/01/2018 FTA	dec-17
Current tax	783 556	855 725	855 725
Deferred tax	1 615 532	1 802 409	793 123
Current and deferred tax assets	**2 399 088**	**2 658 134**	**1 648 848**
Current tax	769 014	740 856	740 856
Deferred tax	1 179 765	1 601 333	1 598 944
Current and deferred tax liabilities	**1 948 779**	**2 342 189**	**2 339 800**

(In thousand MAD)

2.9.2. Net income tax expense

	dec-18	dec-17
Current tax expense	-1 003 034	-1 063 443
Net deferred tax expense	159 460	68 893
Net Corporate income tax expense	**-843 574**	**-994 550**

(In thousand MAD)

2.9.3. Effective tax rate

	dec-18	dec-17
Net income	2 808 722	2 843 782
Net corporate income tax expense	-843 574	-994 550
Average effective tax rate	**30,0%**	**35,0%**

(In thousand MAD)

Analysis of effective tax rate

	dec-18	dec-17
Standard tax rate	37,0%	37,0%
Differential in tax rates applicable to foreign entities		
Reduced tax rate		
Permanent differences		
Change in tax rate		
Reportable deficit		
Other items	-7,0%	-2,0%
Average effective tax rate	**30,0%**	**35,0%**

(In thousand MAD)

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III. SEGMENT INFORMATION

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

- **Banking in Morocco :** BMCE Bank's Moroccan business;
- **Asset management and Investment banking :** BMCE Capital, BMCE Capital Bourse and BMCE Capital Gestion;
- **Specialised financial services :** Salafin, Maghrébail, Maroc Factoring, RM Experts and Acmar;
- **International activities :** BMCE International Holding, Banque de Développement du Mali, La Congolaise de Banque, BMCE Bank International and Bank Of Africa.

3.1. Earnings by business line

	dec-18					
	ACTIVITY IN MOROCCO	INVESTMENT BANKING	SPECIALISED FINANCIAL SERVICES	OTHERS	INTERNATIONAL ACTIVITIES	TOTAL
Net interest Income	4 208 303	30 416	693 085	-14 454	4 764 817	9 682 167
Net Fee income	1 153 827	160 521	23 045	0	1 175 811	2 513 204
Net Banking Income	5 593 863	343 167	729 591	143 272	6 423 575	13 233 468
General Operating Expenses & allowances for deprecia-tion and amortization	-3 244 194	-295 744	-269 192	-100 197	-3 906 480	(7 815 807)
Operating Income	2 349 669	47 423	460 399	43 075	2 517 095	5 417 661
Corporate income tax	-380 412	-41 378	-113 199	-9 364	-299 221	(843 574)
Net Income Attributable to shareholders of the parent	665 151	98 154	112 808	6 159	948 898	1 831 170

(In thousand MAD)

	dec-17					
	ACTIVITY IN MOROCCO	INVESTMENT BANKING	SPECIALISED FINANCIAL SERVICES	OTHERS	INTERNATIONAL ACTIVITIES	TOTAL
Net interest Income	4 196 358	45 549	723 380	-17 713	4 727 791	9 675 365
Net Fee income	1 108 878	169 119	15 322		1 123 377	2 416 696
Net Banking Income	**5 704 128**	**364 293**	**752 916**	**146 951**	**6 399 267**	**13 367 555**
General Operating Expenses & allowances for deprecia-tion and amortization	-3 366 046	-281 741	-227 367	-89 695	-3 797 837	(7 762 686)
Operating Income	**2 338 082**	**82 552**	**525 549**	**57 256**	**2 601 430**	**5 604 869**
Corporate income tax	-556 552	-51 216	-162 388	-16 732	-207 662	(994 550)
Net Income Attributable to shareholders of the parent	**973 512**	**121 063**	**179 094**	**-28 253**	**790 905**	**2 036 321**

(In thousand MAD)

LET'S DREAM TOGETHER OF A NEW RESPONSIBLE WORLD...

3.2. Assets and liabilities by business activity

	dec-18					
	ACTIVITY IN MOROCCO	INVESTMENT BANKING	SPECIALISED FINANCIAL SERVICES	OTHERS	INTERNATIONAL ACTIVITIES	TOTAL
TOTAL ASSETS	**178 593 133**	**863 975**	**17 876 020**	**200 249**	**98 014 015**	**295 547 392**
ASSETS ITEMS						
Available for sale assets	2 325 525	6 823	19 618	22 550	3 014 176	5 388 692
Customer loans	112 536 900	70	16 132 363	0	50 633 541	179 302 874
Financial assets at fair value	25 104 686	97 566	861	0	913 109	26 116 222
Held to maturity assets	3 832 558	0	0	0	21 483 289	25 315 847
LIABILITIES & SHAREHOLDERS EQUITY ITEMS						
Customer deposits	128 441 420	0	895 925	0	63 136 860	192 474 205
Shareholder's Equity	14 761 599	363 228	1 730 403	(132 498)	7 118 779	23 841 511

(In thousand MAD)

	01/01/2018 FTA					
	ACTIVITY IN MOROCCO	INVESTMENT BANKING	SPECIALISED FINANCIAL SERVICES	OTHERS	INTERNATIONAL ACTIVITIES	TOTAL
TOTAL ASSETS	**204 523 139**	**693 752**	**11 076 662**	**(415 344)**	**95 136 607**	**311 014 816**
ASSETS ITEMS						
Available for sale assets	2 193 801	97 719	20 398	21 517	3 050 449	5 383 884
Customer loans	118 390 934	96	14 423 705		49 169 535	181 984 270
Financial assets at fair value	33 809 849	192 764	3		1 242 869	35 245 485
Held to maturity assets	3 286 607				23 162 946	26 449 553
LIABILITIES & SHAREHOLDERS EQUITY ITEMS						
Customer deposits	135 672 596	17 076	739 090		62 354 836	198 783 598
Shareholder's Equity	14 191 342	358 467	1 470 727	(639 611)	6 716 912	22 097 837

(In thousand MAD)

LET'S DREAM TOGETHER OF A NEW RESPONSIBLE WORLD...

IV. NOTES TO THE BALANCE SHEET FOR THE YEAR ENDED 31 DECEMBER 2018

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

	dec-18	01/01/2018 FTA	dec-17
CASH	**4 283 818**	**3 645 258**	**3 645 258**
CENTRAL BANKS	9 703 011	9 554 881	10 561 672
TREASURY	318 964	1 006 777	1 006 777
GIRO	4 761	283 978	283 978
CENTRAL BANKS, TREASURY, GIRO	**10 026 736**	**10 845 636**	**11 852 427**
Cash, Central Banks, Treasury, Giro	**14 310 554**	**14 490 894**	**15 497 685**

(In thousand MAD)

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

Financial assets and liabilities recognized at fair value through profit or loss represent transactions negotiated for trading purposes

	dec-18			01/01/2018 FTA		
	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	**7 850 145**	**0**	**7 850 145**	**13 997 669**		**13 997 669**
Treasury bills and other eligible for central bank refinancing	7 577 675		7 577 675	13 486 149		13 486 149
Other negotiable certificates of deposits	272 470		272 470	511 520		511 520
Bonds	**1 432 273**	**0**	**1 432 273**	**1 133 601**		**1 133 601**
Government bonds	999 176		999 176	475 893		475 893
Other bonds	433 096		433 096	657 708		657 708
Equities and other variable income securities	**15 832 484**	**1 011 536**	**16 844 020**	**18 659 595**	**1 437 396**	**20 096 991**
Repurchase agreements	-		-	-		-
Loans	-		-	-		-
To credit institutions			0			
To corporate customers			0			
To private individual customers			0			
Trading Book Derivatives	**-10 215**	**0**	**-10 215**	**17 224**		**17 224**
Currency derivatives	-10 215		-10 215	16 647		16 647
Interest rate derivatives			0	577		577
Equity derivatives			0			
Credit derivatives			0			
Other derivatives			0			
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**25 104 686**	**1 011 536**	**26 116 222**	**33 808 089**	**1 437 396**	**35 245 485**
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					**1 737 600**	**1 737 600**
Credit institutions					1 737 600	1 737 600
Corporate customers						
Debt securities						
Trading Book Derivatives				**37 094**		**37 094**
Currency derivatives				37 094		37 094
Interest rate derivatives						
Equity derivatives						
Credit derivatives						
Other derivatives						
TOTAL FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS				**37 094**	**1 737 600**	**1 774 694**

(In thousand MAD)

LET'S DREAM TOGETHER OF A NEW RESPONSIBLE WORLD...

4.3. FINANCIAL ASSETS AT FAIR VALUE THROUGH EQUITY

	31/12/2018		
	Balance Sheet Value	unrealised gains	Unrealized losses
Debt instruments recognised at fair value through recyclable equity	1 402 639	901	-17 345
Equity instruments recognised at fair value through non-recyclable equity	3 986 053	1 582 357	-545 052

(In thousand MAD)

4.4. SECURITIES AT AMORTISED COST

	31-dec-18	01/01/2018 FTA
Treasury bills and other bills mobilisable with central banks	**5 066 899**	**5 603 947**
Treasury bills and other bills mobilisable with central banks	5 023 497	5 532 488
Autres Titres de Créances Négociables	43 402	71 459
Bonds	**20 397 838**	**21 024 613**
Government bonds	16 420 029	17 750 410
Other Bonds	3 977 809	3 274 203
Depreciations	-148 889	-179 007
TOTAL DEBT INSTRUMENTS VALUED AT AMORTISED COST	**25 315 848**	**26 449 553**

(In thousand MAD)

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

Loans and receivables due from credit institutions

	31-dec-18	01/01/2018 FTA	31-dec-17
Demand accounts	7 339 328	8 291 678	8 291 678
Loans	13 968 918	13 523 250	13 523 250
Including cash loans	304 165	186 045	186 045
Repurchase agreements	37 630	3 430 874	3 430 874
Total loans and receivables due from credit institutions, before impairment provisions	**21 345 876**	**25 245 802**	**25 245 802**
Provisions for impairment of loans and receivables due from credit institutions	-95 482	-98 678	-68 751
Total loans and receivables due from credit institutions, net of impairment provisions	**21 250 394**	**25 147 124**	**25 177 051**

(In thousand MAD)

Amounts due to credit institutions

	31-dec-18	31-dec-17
Demand accounts	2 905 998	4 874 113
Borrowings	28 317 243	30 481 573
Including cash borrowings	1 047 509	168 500
Repurchase agreements	12 501 969	9 603 254
TOTAL	**43 725 210**	**44 958 940**

(In thousand MAD)

LET'S DREAM TOGETHER OF A NEW RESPONSIBLE WORLD...

4.6. LOANS, RECEIVABLES AND AMOUNTS DUE FROM CUSTOMERS

Loans and receivables due from customers

	31-dec-18	01/01/2018 FTA	31-dec-17
Demand accounts	22 879 106	26 047 637	24 743 400
Loans to customers	145 939 070	142 472 636	142 472 636
Repurchase agreements	9 815 519	12 203 716	12 203 716
Finance leases	14 594 299	13 773 123	13 773 123
Total loans and receivables due from customers, before impairment provisions	**193 227 994**	**194 497 112**	**193 192 875**
Impairment of loans and receivables due from customers	-13 925 121	-12 512 842	-9 377 885
Total loans and receivables due from customers, net of impairment provisions	**179 302 874**	**181 984 270**	**183 814 990**

(In thousand MAD)

Breakdown of amounts due from customers by business activity

	31-dec-18	01/01/2018 FTA	31-dec-17
Activity in Morocco	112 536 900	118 390 934	118 209 182
Specialized Financial Services	16 132 363	14 423 705	14 713 386
International Activities	50 633 541	49 169 535	50 892 326
Investment Banking	70	96	96
Other Activities	-		-
Total	**179 302 874**	**181 984 270**	**183 814 990**
Allocated Debts			
Value at Balance sheet	**179 302 874**	**181 984 270**	**183 814 990**

(In thousand MAD)

Breakdown of amounts due from customers by geographical region

	31-dec-18	01/01/2018 FTA	31-dec-17
Morocco	128 669 333	132 814 735	132 922 664
Sub saharan Africa	46 281 694	44 937 825	46 643 948
Europe	4 351 847	4 231 711	4 248 378
Total	**179 302 874**	**181 984 271**	**183 814 990**
Allocated Debts			
Value at Balance sheet	**179 302 874**	**181 984 271**	**183 814 990**

(In thousand MAD)

Breakdown of loans & receivables and commitments by BUCKET

	Receivables and commitments			
	BUCKET 1	BUCKET 2	BUCKET 3	TOTAL
Financial assets at fair value through equity	**1 403 746**	**-**	**-**	**1 403 746**
Debt instruments accounted for by JV at recyclable CP	1 403 746			1 403 746
Financial assets at amortized cost	**206 823 803**	**17 375 491**	**15 839 314**	**240 038 608**
Loans and receivables from credit institutions	21 282 989		62 887	21 345 876
Loans and receivables from customers	160 551 174	16 900 393	15 776 427	193 227 995
Debt instruments	24 989 640	475 097		25 464 737
Total assets	**208 227 549**	**17 375 491**	**15 839 314**	**241 442 354**
Total off-balance sheet	**41 302 875**	**167 523**	**143 605**	**41 614 003**

Ventilation des dépreciations par BUCKETs

	Depreciation			
	BUCKET 1	BUCKET 2	BUCKET 3	TOTAL
Financial assets at fair value through equity	**1 107**	**-**	**-**	**1 107**
Debt instruments accounted for by JV at recyclable CP	1 107			1 107
Financial assets at amortized cost	**1 441 164**	**2 235 683**	**10 492 645**	**14 169 492**
Loans and receivables from credit institutions	32 606		62 876	95 482
Loans and receivables from customers	1 263 393	2 231 959	10 429 769	13 925 121
Debt instruments	145 165	3 724		148 889
Total assets	**1 442 271**	**2 235 683**	**10 492 645**	**14 170 599**
Total off-balance sheet	**165 838**	**1 568**	**122 802**	**290 209**

Amounts due to customers

	31-dec-18	31-dec-17
On demand deposits	104 025 228	119 258 376
Term accounts	35 272 676	40 101 156
Savings accounts	36 360 381	23 497 437
Cash certificates	6 216 003	5 210 624
Repurchase agreements	914 037	3 592 561
Other items	9 685 880	7 123 444
TOTAL LOANS AND RECEIVABLES DUE TO CUSTOMERS	**192 474 205**	**198 783 598**

(In thousand MAD)

LET'S DREAM TOGETHER OF A NEW RESPONSIBLE WORLD...

Breakdown of amounts due to customers by business activity

	31-dec-18	31-dec-17
Activity in Morocco	128 441 420	135 672 596
Specialized Financial Services	895 925	739 090
International Activities	63 136 860	62 354 836
Investment Banking	0	17 076
Other Activities	0	0
Total	**192 474 205**	**198 783 598**
Allocated Debts		
Value at Balance sheet	**192 474 205**	**198 783 598**

(In thousand MAD)

Breakdown of amounts due to customers by geographical region

	31-dec-18	31-dec-17
Morocco	129 337 345	136 428 762
Sub saharan Africa	61 510 364	60 741 686
Europe	1 626 496	1 613 150
Total	**192 474 205**	**198 783 598**
Allocated Debts		
Value at Balance sheet	**192 474 205**	**198 783 598**

(In thousand MAD)

4.7. DEBT SECURITIES, SUBORDINATED DEBT AND SPECIAL GUARANTEE FUNDS

	31-dec-18	31-dec-17
Other debt securities	**13 582 981**	**15 101 490**
Negotiable certificates of deposit	13 082 981	14 601 490
Bond issues	500 000	500 000
Subordinated debts	**9 585 289**	**11 446 992**
Subordinated debt	9 585 289	11 446 992
Redeemable subordinated debt	6 585 289	8 446 992
Undated subordinated debt	3 000 000	3 000 000
Subordinated Notes		
Redeemable subordinated notes		
Undated subordinated notes		
Public Funds and special guarantee funds		**1 762**
Total	**23 168 270**	**26 550 244**

(In thousand MAD)

4.8. CURRENT AND DEFERRED TAXES

	31-dec-18	01/01/2018 FTA	31-dec-17
Current taxes	783 556	855 725	855 725
Deferred taxes	1 615 532	1 802 409	793 123
Current and deferred tax assets	**2 399 088**	**2 658 134**	**1 648 848**
Current taxes	769 014	740 856	740 856
Deferred taxes	1 179 765	1 601 333	1 598 944
Current and deferred tax liabilities	**1 948 779**	**2 342 189**	**2 339 800**

(In thousand MAD)

4.9. ACCRUED INCOME AND EXPENSES, OTHER ASSETS AND LIABILITIES

	31-dec-18	31-dec-17
Guarantee deposits and bank guarantees paid	144 340	45 921
Settlement accounts related to securities transactions	86 594	113 893
Collection accounts	405 489	473 609
Reinsurers' share of technical reserves		
Accrued income and prepaid expenses	811 606	573 641
Other debtors and miscellaneous assets	5 301 929	4 560 301
Inter-related Accounts	449 310	327 712
TOTAL ACCRUED INCOME AND OTHER ASSETS	**7 199 268**	**6 095 077**
Guarantee deposits received	20 444	32 333
Settlement accounts related to securities transactions	1 009 167	5 524 109
Collection accounts	1 410 897	1 242 262
Accrued expenses and deferred income	1 088 065	481 157
Other creditors and miscellaneous assets	5 821 451	6 139 816
TOTAL ACCRUED EXPENSES AND OTHER LIABILITIES	**9 350 024**	**13 419 677**

(In thousand MAD)

LET'S DREAM TOGETHER OF A NEW RESPONSIBLE WORLD...

4.10. INVESTMENTS IN COMPANIES ACCOUNTED FOR UNDER THE EQUITY METHOD

	31-dec-18	31-dec-17
Euler Hermes Acmar	21 586	20 215
Banque de Développement du Mali	537 969	403 094
Eurafric	-20 949	-14 273
Africa Morocco Link	-9 600	**607 4-**
Société Conseil Ingenierie et Développement	153 270	152 052
Bank Al Tamwil wal Inmaa	107 288	-
Investments in equity methods compagnies belonging to BOA	84 796	86 556
Investments in companies accounted for under the equity method	**874 360**	**643 037**

(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	Contribution in Net Income attributable to the parent
Acmar	575 904	186 412	16 855	3 371
Banque de Développement du Mali	14 098 725	622 112	194 079	63 596
Africa Morocco Link	202 232	266 757	16 834	8 585
Eurafric	188 444	267 641	-11 756	-6 607
Société Conseil Ingenierie et Développement	152 550	266 263	24 560	9 554
Bank Al Tamwil wal Inmaa	320 191	1 217	-55 371	-28 239

(In thousand MAD)

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

	31-dec-18			31-dec-17		
	Gross Value	Accumulated depreciation amortization and impairment	Carrying Amount	Gross Value	Accumulated depreciation amortization and impairment	Carrying Amount
PP&E	**13 776 687**	**6 136 656**	**7 640 031**	**13 109 310**	**5 806 510**	**7 302 800**
Land and buildings	3 844 214	261 415	3 582 799	4 031 041	423 811	3 607 230
Equipment, furniture and fixtures	4 349 154	2 731 219	1 617 935	4 018 645	2 497 926	1 520 719
Plant and equipment leased as lessor under operating leases	0	0	0	0	0	0
Other PP&E	5 583 319	3 144 022	2 439 297	5 059 624	2 884 773	2 174 851
Intangible Assets	**2 083 805**	**1 096 234**	**987 571**	**2 078 628**	**1 140 820**	**937 808**
Purchased software	1 346 753	872 690	474 063	1 463 476	874 855	588 621
Internally-developed software	0	0	0	0	0	0
Other intangible assets	737 052	223 544	513 508	615 152	265 965	349 187
Investment Property	**3 822 825**	**92 447**	**3 730 378**	**3 906 376**	**81 937**	**3 824 439**

(In thousand MAD)

Change in property, plant and equipment

	31/12/18	31/12/17
Net value as of January, 1st	**7 302 800**	**6 988 824**
Acquisition of the year	423 480	827 768
Entrées de périmètre	-	-
Depreciation, Amortization of impaiment	(513 740)	(511 081)
Disposal of the year	(41 272)	(199 179)
Reclassifications	468 763	196 468
NET VALUE AT END OF PERIODE	**7 640 031**	**7 302 800**

(In thousand MAD)

Change in intangible assets

	31/12/18	31/12/17
Net value as of January, 1st	**937 808**	**828 970**
Acquisition of the year	221 397	288 055
Entrées de périmètre	-	43 725 210
Depreciation, Amortization of impaiment	(86 885)	(205 450)
Disposal of the year	(77 046)	(16 550)
Reclassifications	(7 703)	42 783
NET VALUE AT END OF PERIODE	**987 571**	**937 808**

(In thousand MAD)

Change in investment properties

	31/12/18	31/12/17
Net value as of January, 1st	**3 824 439**	**3 746 146**
Acquisition of the year	70 141	
Entrées de périmètre		
Depreciation, Amortization of impaiment	(20 462)	(8 769)
Disposal of the year	(143 740)	(101 467)
Reclassifications	-	-
NET VALUE AT END OF PERIODE	**3 730 378**	**3 824 439**

(In thousand MAD)

LET'S DREAM TOGETHER OF A NEW RESPONSIBLE WORLD...

4.12. GOODWILL

	31-dec-18	31-dec-17
Gross value at start of period	**852 310**	**852 310**
Accumulated impairment at start of period		
Carrying amount at start of period	**852 310**	**852 310**
Acquisitions		
Cessions		
Impairment losses recognized during the period		
Translation adjustments		
Subsidiaries previously accounted for by the equity method		
Other movements	179 804	0
Gross value at end of period	**1 032 114**	**852 310**
Accumulated impairment at end of period		
CARRYING AMOUNT AT END OF PERIOD	**1 032 114**	**852 310**

(In thousand MAD)

The following table provides a breakdown of goodwill:

(In thousand MAD)	31/12/2018 book Value	31/12/2017 book Value
Maghrébail	10 617	10 617
Banque de développement du Mali	3 588	3 588
Salafin	184 978	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	**1 032 114**	**852 310**

(In thousand MAD)

Sensitivity to changes in assumptions

(In thousand MAD)	Group Bank Of Africa	LOCASOM
Cost of capital	18%	8,5%
Unfavorable change of 200 basis points	-1 601 375	-178 050
Favorable change of 200 basis points	2 066 035	381 104

4.13. PROVISIONS FOR CONTINGENCIES AND CHARGES

(In thousand MAD)	31-dec-18	01/01/2018 FTA	31-dec-17
Total provisions at start of period	**1 087 637**	**832 490**	**685 204**
Additions to provisions	109 315	255 147	279 774
Reversals of provisions	-152 609		-170 869
Effect of movements in exchange rates and other movements	-4 947		38 381
TOTAL PROVISIONS AT END OF PERIOD	**1 039 395**	**1 087 637**	**832 490**

	Legal and fiscal risks	Obligations for post-employment benefits	Loan commitments and guarantees	Onerous contrats	Other provisions	Total book value
Opening balance	**21 424**	**424 343**	**279 497**		**362 372**	**1 087 636**
Provisions	8 793	17 241	-9 412		92 693	109 315
Amounts used	-6 538		-20 005		-126 066	-152 609
Other activity	-196		45 631		-50 383	-4 947
Closing balance	**23 484**	**441 583**	**295 711**		**278 617**	**1 039 395**

4.14. FAIR VALUE

4.14.1. 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 December 31, 2018. 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 2018 :

	31-dec-18		01/01/2018 FTA	
	Book value	Estimated market value	Book value	Estimated market value
FINANCIAL ASSETS				
Loans and receivables due from credit institutions valued at amortized cost	21 250 394	21 264 422	25 147 124	25 151 799
Loans and receivables due from customers valued at amortized cost	179 302 874	179 601 283	181 984 271	182 759 842
Securities valued at amortized cost	25 315 848	25 366 370	26 449 553	26 531 736
Investment properties	3 730 378	3 800 018	3 824 439	3 894 079
FINANCIAL LIABILITIES				
Loans and receivables due to credit institutions	43 725 210	43 725 210	44 958 940	49 708 268
Loans and receivables due to customers	192 474 205	192 474 205	198 783 598	190 050 335
Debt securities	13 582 981	13 582 981	15 101 490	13 186 303
Subordinated debts	9 585 289	9 585 289	11 448 754	10 493 376

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

Loans and receivables

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

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

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

Loans and receivables due from credit institutions

Loans and receivables due from credit institutions totalled MAD 21.2 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 6.2 billion MAD, amortisable over a short period, with a faire value that is 14 million MAD higher than the carrying amount.

Loans and receivables due from customers

As of December 31, 2018, outstandings of loans and receivables due from customers totalled 179.3 billion MAD, consisting primarily of cash loans, overdraft facilities and floating rate loans.

Outstanding of fixed-rate loans primarily consist of consumer loans amortisable over a short period (average maturiy 2.3 years) and fixed-rate mortgage loans amortisable over an average period of almost 7.2 years.

The sensitivity analysis of the Bank's fixed rate loan book shows a fair value that is 298 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 43.7 million MAD 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 192,5 billion MAD, 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 35 billion MAD, 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.

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

Les dettes représentées par un titre

L'encours des dettes représentées par un titre s'élève à 13.6 milliards de dirhams, constitué principalement des certificats de dépôts émis par la banque essentiellement pour des maturités de 3 mois, 6 mois et 1 an.

La valeur de marché ainsi retenue pour les dettes représentées par un titre est la valeur comptabilisée.

Subordinated debt

Outstanding subordinated debt, which totalled 9.6 billion MAD, are recognised at the carrying amount due to the predominance of floating-rate issues and perpetual subordinated debt outstandings.

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

	dec-18			
	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS				
Financial instruments at-fair-value through profit or loss held for trading	26 116 222	-	-	26 116 222
of which financial assets at-fair-value through profit or loss	25 104 686			25 104 686
of which derivative financial instruments	1 011 536			1 011 536
Financial instruments designated as at-fair-value through profit or loss	1 555 495	-	3 833 196	5 388 692
Derivatives used for hedging purposes	1 402 638			1 402 638
Available for sale financial assets	152 857		3 833 196	3 986 054
FINANCIAL LIABILITIES				
Financial instruments at-fair-value through profit or loss held for trading				
Financial instruments designated as at-fair-value through profit or loss				
Derivatives used for hedging purposes				

	01/01/2018 FTA			
	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS				
Financial instruments at-fair-value through profit or loss held for trading	35 245 485	-	-	35 245 485
of which financial assets at-fair-value through profit or loss	33 808 089			33 808 089
of which derivative financial instruments	1 437 396			1 437 396
Financial instruments designated as at-fair-value through profit or loss	1 335 403		4 048 481	5 383 884
Derivatives used for hedging purposes	1 335 403			1 335 403
Available for sale financial assets			4 048 481	4 048 481
FINANCIAL LIABILITIES				
Financial instruments at-fair-value through profit or loss held for trading			37 094	37 094
Financial instruments designated as at-fair-value through profit or loss			1 737 600	1 737 600
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.

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

	dec-18			
	Level 1	Level 2	Level 3	Total
ASSETS				
Loans and receivables due from credit institutions			21 264 422	21 264 422
Loans and receivables due from customers			179 601 283	179 601 283
Held-to-maturity financial assets			25 366 370	25 366 370
LIABILITIES				
Due to credit institutions			43 725 210	43 725 210
Due to customers			192 474 205	192 474 205
Debt securities issued			13 582 981	13 582 981
Subordinated debt			9 585 289	9 585 289

	01/01/2018 FTA			
	Level 1	Level 2	Level 3	Total
ASSETS				
Loans and receivables due from credit institutions			25 151 799	25 151 799
Loans and receivables due from customers			182 759 842	182 759 842
Held-to-maturity financial assets			26 531 736	26 531 736
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

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.

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◗ 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. FINANCIAL AND GUARANTEE COMMITMENTS

5.1. FINANCIAL COMMITMENT

	31-dec-18	31-dec-17
Financing commitments given	**10 433 663**	**13 008 783**
- To credit institutions	1 152 550	1 349 684
- To customers:	9 281 113	11 659 099
Confirmed letters of credit		
Other commitments given to customers		
Financing commitments received	**2 518 082**	**1 906 864**
From credit institutions	2 518 082	1 906 864
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.

5.2. GUARANTEE COMMITMENTS

	31-dec-18	31-dec-17
Guarantee commitments given	**31 180 340**	**31 435 965**
To credit institutions	10 742 293	10 577 462
To customers :	20 438 048	20 858 503
Sureties provided to tax and other authorities, other sureties		
Autres garanties d'ordre à la clientèle		
Guarantee commitments received	97 549 646	97 117 142
From credit institutions	95 300 914	95 421 642
From the State and guarantee institutions	2 248 732	1 695 500

◗ **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, real estate guarantees, 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. SYNTHESIS AND DESCRIPTION OF PROVISIONS OF EXISTING SCHEMES

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

	dec-18	dec-17
Retirement allowances and equivalents	441 583	424 824
Special seniority premiums allowances		
Other		
TOTAL	**441 583**	**424 824**

NB : the provision for employee benefits measured in accordance with IAS 19 is recognised in the «Provisions for contingencies and charges» caption of the liabilities item.

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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	-10 880	9 894
Wage growth	10 714	-11 705
Long service awards	**-50 bp change in the rate**	**+50 bp change in the rate**
Discount rate	-13 131	12 188
Wage growth	14 921	-16 006

Economic assumptions	31/12/18
Taux d'actualisation	3,30%
Discount rate	3%
Long-term wage growth	
	10,61%-10,96%

Demographic assumptions	
Retirement terms	voluntary leave
Retirement age	60 years
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-18	dec-17
Normal cost	3 224	4 893
Interest cost	13 536	12 220
Expected returns of funds		
Amortization of actuarial gains/ losses		
Amortization of net gains/ losses		
Additional allowances	16 760	17 112
Other		
Net cost of the period		

6.2.4. Changes in the provision recognised on the balance sheet

	dec-18	dec-17
Actuarial liability, beginning of the period	**424 824**	**329 668**
Normal cost	32 526	26 105
Interest cost	13 536	12 220
Experience gains/ losses	-	72 177
Other actuarial gains/ losses	-	
Depreciation of net gains/losses	-	
Paid benefits	-29 302	-21 212
Additional benefits	0	
Other	-	5 866
Actuarial liability, end of the period	**441 584**	**424 824**
Whose relative cost to the assimilated retirement benefits		
Others		

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 As of December 31, 2015	179 463 390	10	1 794 633 900
Number of shares outstanding As of December 31, 2016	179 463 390	10	1 794 633 900
Number of shares outstanding As of December 31, 2017	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-17	dec-16
SHARE CAPITAL (IN MAD)	1 794 633 900	1 794 633 900
Number of common shares outstanding during the year	179 463 390	179 463 390
NET INCOME ATTRIBUTABLE TO THE SHARHOLDER'S OF THE PARENT (IN MAD)	1 831 169 832	2 036 321 801
BASIC ERNINGS PER SHARE (IN MAD)	10,20	11,35
DILUTED EARNING PER SHARE (IN MAD)	10,20	11,35

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

denomination	Business line	% of control	% of interest	Consolidation method
BMCE BANK	Bank			Mère
BMCE CAPITAL	Investment Bank	100,00%	100,00%	F.C
BMCE CAPITAL GESTION	Assets Management	100,00%	100,00%	F.C
BMCE CAPITAL BOURSE	Stock Brokerage	100,00%	100,00%	F.C
MAROC FACTORING	Factoring	100,00%	100,00%	F.C
MAGHREBAIL	Leasing	52,47%	52,47%	F.C
SALAFIN	Consumer Loan	60,79%	60,79%	F.C
BMCE EUROSERVICES	Financial Institution	100,00%	100,00%	F.C
LCB Bank	Bank	37,00%	37,00%	F.C
BMCE BANK INTERNATIONAL HOLDING	Bank	100,00%	100,00%	F.C
BOA GROUP	Banking Holding	72,85%	72,85%	F.C
LOCASOM	Car Rental	100,00%	97,39%	F.C
RM EXPERTS	Debt Collection	100,00%	100,00%	F.C
BANQUE DE DEVELOPPEMENT DU MALI	Bank	32,38%	32,38%	E.M
EULER HERMES ACMAR	Insurance	20,00%	20,00%	E.M
EURAFRIC INFORMATION	IT System	41,00%	41,00%	E.M
CONSEIL INGENIERIE ET DEVELOPPEMENT	Engineering	38,90%	38,90%	E.M
AFRICA MOROCCO LINKS	Maritime Transport	51,00%	51,00%	E.M
BANK AL TAMWIL WAL INMAA	Participating Bank	51,00%	51,00%	E.M

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

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

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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.

	31/12/18	31/12/17
Short-term benefits	21 061	20 278
Post-employment benefits	1 568	634
Other long-term benefits	6 179	4 846

Short-term benefits relate to the fixed remuneration inclusive of social security contributions received by the main Executive Corporate Officers in respect of the 2018 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

	31/12/18			31/12/17		
	Gross Amount	With holding tax	Net amount paid	Gross amout	Tax with holding	Net amount paid
Natural and legal persons Resident in Morocco	3 485	885	2 600	2 842	692	2 150
Physical and legal persons non Resident in Morocco	3 823	573	3 250	3 353	503	2 850
TOTAL	7 308	1 458	5 850	6 195	1 195	5 000

Loans granted to the main Executive Corporate Officers

	31/12/18	31/12/17
Consumer loans	37 492	18 087
Mortgage loans	12 965	9 331
Total	50 457	27 418

7.4. RELATED-PARTY BALANCE SHEET ITEMS

Relationship between BMCE Bank and consolidated companies and the Parent Company.

Naturally transactions with consolidated companies are fully eliminated with regard to the outstandings at the end of the period. Outstandings at end of period under transactions with companies consolidate under the equity method and the Parent Company are maintained in the consolidated financial statements.

7.4.1 Transactions between consolidated Group companies

	Parent Company (FINANCE COM)	Sister Companies	Companies consolidated according to the equity method	Companies consolidated through full integration
Asset				
Loans, advances and securities	**1 158 421**	**2 884 512**	**65 060**	**11 320 285**
Current accounts	1 158 421	2 087 842	29 592	10 814 585
Loans		674 062	35 468	505 700
Securities		122 607		0
Capital lease				
Miscellaneous assets				**8 830**
Total	**1 158 421**	**2 884 512**	**65 060**	**11 329 115**
Liability				
Deposits	-	**1 751 112**	**20 043**	**11 121 711**
Current accounts		1 751 112	20 043	10 793 965
Other borrowings				327 746
Debts represented by a security				**198 677**
Miscellaneous liability				**8 728**
Total	**-**	**1 751 112**	**20 043**	**11 329 115**
Financing and guarantee commitments				
Commitments given				1 382 931
Commitments received				1 382 931

Related party profit and loss items

	Société Mère (FINANCE COM)	Sociétés Soeurs	Entreprises consolidées par mise en équivalence	Entreprises consolidées par intégration gobale
Interest and similar income		-34 657	-3 583	-316 835
Interest and similar expenses				407 009
Fees (income)		-48 413		-374 366
Fee (expenses)				61 756
Services provided				
Services procured	39 500			
Lease income		-70 587	-7 192	-235 307
Other		83 498		457 297

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.

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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

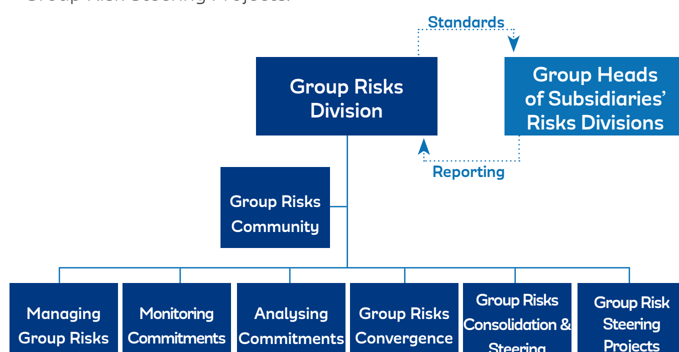
◗ Group Risk Division

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 Risk Division Group is composed of six entities :

- The Group Risk Management Division
- Monitoring Commitments
- The Commitments Analysis Division
- Group Risks Convergence
- Group Risks Consolidation & Steering
- Group Risk Steering 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 Group Executive Managing Director. 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.

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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. Supervisory Committee for Sensitive Accounts

As part of the portfolio monitoring, the supervisory committee for sensitive accounts (central and restricted) meets monthly to monitor the remediation of risk accounts and anomaly accounts.

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

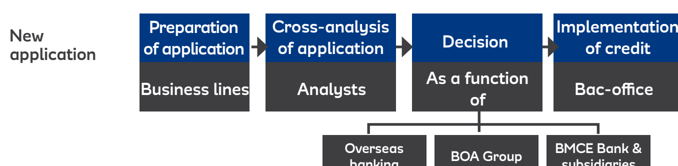
8.2.1.1. General principles

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

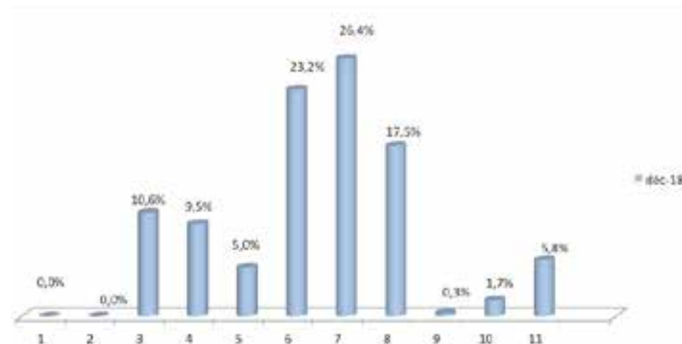
A counterparty code is assigned to each of the Bank's counterparties. The rating of each third party is carried out using the counterparty reference code in such a manner that, for all third parties (the counterparty type is single and unique), the assessment will be carried out by using a single rating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

CATÉGORIE		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 30 december 2018, the breakdown of the portfolio by asset class was as follows :



8.3.3. Retail customer scoring system

Scoring for the Retail Customer segment consists of modeling statistics of default and risk behaviour.

The bank has a behavioural scorecard - Rating Basel 2 for employee, professional and very small business customers. The rating from A to K is posted at the CRM level with explanatory comments, the frequency of updating the quotation is daily.

An allocation score grid for individuals holding a credit was modelled. The junction between the notation Company and Retail Scoring is achieved through the rating of conventions.

A consumer credit decision-making system has been put in place and rolled out in October 2018.

A scorecard for MRE has been modeled, validated and put into production in 2017.

A model of behavioral Scoring of professionals was finalized and developed in 2014, deployment was carried out in 2015, and backesting and recalibration of the model was done in 2017.

A model of behavioral scoring of SMEs was set up and deployed at the end of 2017 with a display of a rating from A to K.

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.

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 Risk Group's main operational tasks within the credit risk control and monitoring system frameworks can be summarized as follows:

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

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- 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

A l'instar des contrôles à priori, les contrôles à posteriori sont assurés par le Pôle Risque Groupe.

L'objectif de ces contrôles est d'assurer la mesure, la maîtrise et la surveillance des risques de crédit avec une vision portefeuille et non seulement contrepartie. Une attention particulière est ainsi portée sur la qualité du crédit, l'anticipation et la prévention des irrégularités et des risques d'une part, et au contrôle et à la surveillance du suivi des risques par la Filière Commerciale d'autre part.

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 2018:

	December 2018	
	Amount	% of the total
Commitments to 10 largest customers	14 591	13%
Commitments to 20 largest customers	20 615	19%
Commitments to 100 largest customers	39 192	35%

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

The Group has a methodology for setting sector limits based on a statistical model based on the historical default rate and the number of counterparties by business sector and risk class (rating).

The objective is to model default risk using appropriate econometric techniques, using a random variable dependent, whose value is the result of the enumeration of realization of fault events.

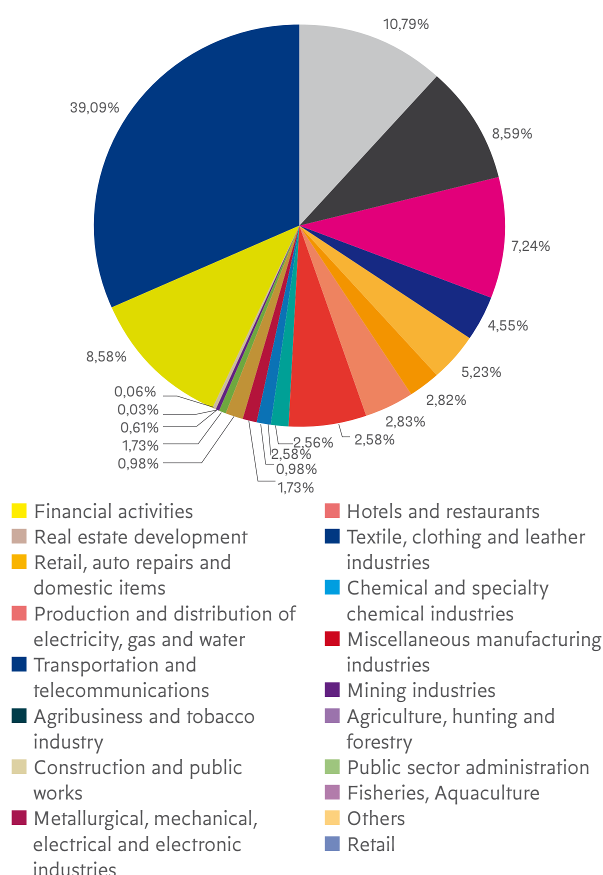
The approach is based on assumptions of the independence of the counterparties and the non-correlation of defaults. Thus, the key notion of this methodological approach is the probability of default of a counterparty given. This probability is measured through the use of the rate failure of the rating pair / business sectors.

The model also allows you to calibrate the envelopes to be allocated to each business sector, particularly in view of the development plan of the bank and the sector's loss experience. This approach adopted by the Group Risk Division is completed by the implementation of back Testing of the model every six months.

The review of the sectoral limits is carried out every six months in consultation with the commercial sector and the Intelligence Centre The

bank's economics, which provide their business vision and costing of the macroeconomic and sectoral perspectives. The opinions of these entities thus make it possible to challenge and further strengthen the relevance of the model in relation to the economic context.

The breakdown of the Group's customer commitments by sector at the end of December 2018 is as follows:



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:

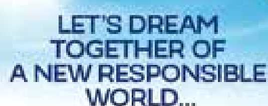
· Post-rating authorisation and fundamental analysis of each counterparty;

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

Realized reporting provide an overview of the global commitment of BMCE Bank of Africa against foreign bank counterparties. They reflect the commitment by countries which includes all assets in the balance sheet and Off-balance sheet representing claims on residents of foreign countries.

In addition to these statements, the Group Risk Division develops a monthly analytical report on the foreign exhibitions of BMCE Bank of Africa. Use this report to assess the level of foreign exhibitions of BMCE Bank of Africa Group and is a dashboard for monitoring the evolution of the risk inherent in each country. The Group's country risk policy is illustrated as follows:

Group Risk Management has begun work to extend the country risk management system at all its subsidiaries in Africa and this within the framework of the Convergence project for the deployment of the Group Internal and Risk Management Control.



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

Risk accounts represent a risk that is likely to increase subsequently resulting in a cost to the Bank. They are made up of commitments that present, i. e. a proven deterioration in quality risks identified by quantitative criteria, i.e. a deterioration potential risks identified by qualitative criteria.

Risk accounts consist of accounts that:

- Are frozen: The notion of frozen accounts means current accounts that, after merger, if planned, do not have any credit movements over a period of 30 days (excluding credit release...) covering at least less the amount of premiums charged to these accounts and a portion there of significant of said debit balances
- Record unpaid debts such as:
- outstanding amortizable loans with a maturity date that is not paid after its term;
- outstanding loans repayable in one instalment are not honoured after their due date. term ;
- trade receivables expected by the Bank and returned unpaid,
- Persistent exceedances, beyond one month, by in relation to the authorizations granted. However, in order to avoid possible operational risks, the entities control on a weekly basis, the authorized exceedances of a certain level (local discretion of each entity).
- Record exposures for which reimbursement is possible be uncertain due to considerations related to other information quantitative or qualitative negative on the client such as: a rating in high risk, events and disputes concerning the main shareholders (death, legal redress...).

These criteria are minimum requirements for the detection of risk accounts.

The Commercial Division, which through its knowledge and daily monitoring of its relationships, and the Group Risk Division highlight and present as a risk account any other account, if they deem it necessary.

Assessment, intervention and complementarity between the Sectors Commercial and Risks remain decisive in the identification accounts requiring registration as a risk account.

The responsibility for the day-to-day monitoring of these risks rests with the Commercial channel. However, the detection of these risk accounts on The monthly basis is the responsibility of the Risk Management Department. The detection is carried out, for quantitative criteria, by means of extractions of applications and operating systems.

As soon as these characterized and certain risks are identified, the Risk Management Department asks for explanations from the Commercial Channel. The latter puts in place works all the means at its disposal to ensure the recovery of the claim.

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.

Frequent checks are carried out, in particular on the quality of the files of anomaly or risk accounts and on the first-class guarantees.

8.4.3. 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.

8.4.4. 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.

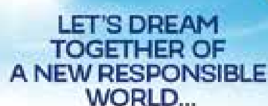
Thus, for all property loans (home purchase loans and real estate development loans), the Group systematically possesses mortgages on the financed property as well as insurance cover.

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.

8.4.5. 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 results of the stress test are made known to the Steering Committee and Group Risk Management and the Group Risk Committee.

8.4.6. 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.

8.4.7. Implementation of the risk control system by overseas subsidiaries

The operationnalisation phase of the Convergence Programme progressed well in 2018 in line with Group targets. This involved new subsidiaries implementing the different systems, resulting in expanded geographical coverage to the entire Group.

Credit risk system

Phase 1: Organisation, delegation scheme, management and reporting

The Operational Risk Management system's launch has been finalized for nearly all of BMCE Bank of Africa Group's subsidiaries.

RO mapping was established for each subsidiary across 15 areas of activity (Lots 1 & 2), with the exception of BOA Rwanda, BOA Burundi, BOA DRC (lot2) and BOA Group Hub. An annual RO mapping review is planned at each subsidiary level in accordance with the Group's RO Management Policy.

Phase 2: Stress tests and concentration ratios

Work was carried out in 2018 to develop a new, more simplified model for managing concentration risks.

The phase 2 "Stress Tests and Concentration Ratios deployment work was carried out on the 7 subsidiaries in WAEMU region, i.e BoA Togo, BoA Senegal, BoA Côte d'Ivoire, BoA Mali, BoA Burkina Faso, BoA Niger and BoA Benin, in addition to BoA France and Moroccan subsidiaries.

The deployment was carried out through training sessions and a deployment kit was developed and distributed, including the presentation of the methodology, calculation tools and procedures related to stress tests and concentration ratios.

Operational risk system

The deployment of the Operational Risks system has been finalised in order to the 15 BOA subsidiaries (Burkina Faso, Benin, Côte d'Ivoire, Senegal, Niger, Madagascar, Mali, Kenya, Uganda, Tanzania, Red Sea, Ghana, DRC, Togo and France) as well as for the Moroccan subsidiaries (Salafin, Maghrebail, Maroc Factoring, Bmce Capital), BMCE Euroservices, LCB, BBI Madrid and BBI London.

The elaboration of the operational risk mapping of Lot 1 and 2 with the BCB and BOA Rwanda is scheduled for the 2019 financial year.

Phase 2: HR, IT, General Resources, Savings, Mobile Banking, Management Financial, Legal, Marketing & Communication, Treasury, Debt Collection, Security & Insurance

In 2017, the mapping of operational risks was extended to all the other remaining domains of Lot 2 and finalized for all French- and English-speaking BOA subsidiaries, with the exception of BOA DRC. The deployment of the RO mapping batch 2 for the latter is scheduled for 2019.

The deployment of domains not yet covered by mapping of BMCE BANK and the Moroccan subsidiaries is planned for the H2 2018 and H1 2019.

Group Risk Community

The BMCE Bank Of Africa Group's Risk Community has reached a level of maturity perceptible through policies, practices and culture common risks.

An ARM («Associate in Risk Management») certified training is issued to members of the Group Risk Community by the Business Risk Academy.

This training enables Risk employees to acquire the following specific risk management techniques. Its objectives are to to meet the challenges of Risk Management while promoting interactions between members of the Community, synergy between subsidiaries and the strengthening of a common risk culture.

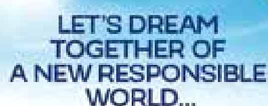
In the first half of 2018, the main achievements of the ARM training are as follows:

- 65 French-speaking employees & 15 English-speaking employees have passed module 54.

- 32 French-speaking employees & 14 English-speaking employees have passed modules 54 and 56.

- 14 French-speaking employees successfully completed the 3 ARM modules (54, 55 and 56) and must receive ARM certification, after validating the module ethical.

The training was conducted from December 3rd to December 7th, 2018, for Module 55, 2nd French edition.



8.5. 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 Coverage Ratio (LCR) was 193% on a consolidated basis at June 30, 2018, above the regulatory limit of 80% set by Bank Al Maghrib for 2018.

- The profile of cumulative impasses: the technique of periodic or cumulative impasses / Gap in dirhams and currencies, makes it possible to assess the level of liquidity risk incurred by the Bank in the short, medium and long term.

This technique makes it possible to estimate the net refinancing needs on different horizons and determine the appropriate terms of coverage.

Echéancier par maturité

· The following charts show the balance of financial assets and liabilities by contractual maturity date.

· The maturities of financial assets and liabilities measured at fair value in the trading book and in the fair value portfolio are deemed to be - not set to be - to the extent that these financial instruments are liquid, intended to to be sold, refunded or repurchased before the date of their contractual maturity.

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	dec 18							dec 17						
	From	D-Day to 3 months after	3 months to 1 year	1 to 5 years	5+ years	Non-fixed term	Total	From	D-Day to 3 months after	3 months to 1 year	1 to 5 years	5+ years	Non-fixed term	Total
Cash values, central banks, public treasury, postal check service	14 311						14 311	15 498						15 498
Financial assets at fair value through profit or loss							0						34 003	34 003
Financial assets held for trading						25 105	25 105							0
Other financial assets held for trading						1 012	1 012							0
Hedging derivatives							0							0
Available-for-sale assets							0						10 531	10 531
Financial assets at fair value through equity							0							0
Debt instruments accounted for at fair value through recyclable equity			533	870			1 403							0
Equity instruments accounted for at fair value through non-recyclable equity						3 986	3 986							0
Held-to-maturity assets							0		1 552	2 999	11 968	6 498		23 017
Securities at amortized cost		1 965	3 775	14 350	5 226		25 316							0
Loans and receivables from credit and similar institutions, at amortized cost	8 900	1 812	1 861	4 783	718	3 177	21 250	12 696	3 460	2 153	5 012	773	1 083	25 177
Loans and receivables from customers at amortized cost	22 437	27 351	24 619	46 865	42 960	15 069	179 301	24 882	30 953	24 581	43 736	43 921	15 742	183 815
Fair value revaluation of portfolio hedge							0							0
Insurance businesses investments							0							0
Payable tax asset						784	784						856	856
Deferred tax asset						1 614	1 614						793	793
Adjustment accounts and other assets						7 199	7 199						6 095	6 095
Interests in companies valued using the equity method						874	874						643	643
Investment properties						3 730	3 730						3 824	3 824
Tangible capital asset acquisitions						7 640	7 640						7 303	7 303
Intagible capital asset acquisitions						988	988						938	938
Goodwill						1 032	1 032						852	852
TOTAL ASSETS	**45 647**	**31 127**	**30 788**	**66 868**	**48 904**	**72 210**	**295 545**	**53 076**	**35 965**	**29 733**	**60 716**	**51 192**	**82 663**	**313 345**
Central banks, public treasury, postal check service							0							0
Financial liabilities at fair value through profit or loss							0			1 769			6	1 775
Amounts due to credit and similar institutions	5 036	25 898	4 666	7 296	820	0	43 716	6 383	26 699	5 263	6 101	502	11	44 959
Amounts due to customers	151 152	14 923	24 784	1 622	0	0	192 481	151 630	27 789	15 973	2 729	0	664	198 785
Debt securities issued		1 485	6 633	5 466	0	0	13 583		1 620	5 353	8 128	0	0	15 101
Payable tax liabilities						769	769						741	741
Deferred tax liabilities						1 180	1 180						1 599	1 599
Adjustment accounts and other liabilities						9 344	9 344						13 420	13 420
Provisions						1 043	1 043						832	832
Subordinated debt and special guarantee funds		0	0	1 199	8 386	0	9 585		1 783	56	0	9 610	0	11 449
Equity						23 843	23 843						24 684	24 684
TOTAL LIABILITIES	**156 188**	**42 307**	**36 083**	**15 581**	**9 207**	**36 179**	**295 544**	**158 013**	**57 891**	**28 414**	**16 958**	**10 112**	**41 957**	**313 345**
LIQUIDITY GAPS	-110 541	-11 179	-5 295	51 287	39 698	36 031	0	-104 937	-21 926	1 319	43 758	41 080	40 706	0

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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.

As of end of December 2018, the impact of a variation in interest rates of 200bp on the interest margin is estimated at -0.075 MMDH, ie -1.2% of the projected 2018 net banking income (when excluding the trading book portfolio, the impact stands at -0.373 billion dirhams, or -6.02% of the projected 2018 net banking income).

The change in the equity capital's economic value when the rate shock is 200bps is estimated at 0.850 MMDH or 5.00% of the regulatory capital (excluding the book trading portfolio, the impact is 0.789 MMDH or 4.64% of the regulatory capital).

At the end of June 2018, the impact of a 200 bps change in interest rates on the interest margin is estimated at MAD 187 million, or 3.0% of the 2018 forecast NBI, below the ALCO limit set at 5%.

The change in the economic value of the Equity capital in the face of a 200 bps rate shock is estimated at MAD 367 million, or 2.2% of the regulatory Equity capital, below the ALCO limit set at 20%.

8.6. MARKET RISK

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 of Africa, 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)

8.6.1. Market risk management policy

8.6.1.1. Governance

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

- General Management, which implements market risk management strategies and policies approved by the Board of Directors;
- Group Market Risk Committee, which defines Group market risk management policy and validates any amendment to the steering of market risk across the entire Group;
- The Group Market Risk Committee, which ensures the efficiency of the Market Risk Management System of the BMCE Bank Of Group Africa and its adequacy with the risk management policy of Group market;
- 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

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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.

8.6.2. Description of the Market Risk Management Policy

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

- Limits ;
- Risk indicators ;
- Capital requirements ;

8.6.2.1. Limits

• Counterparty limits in market transactions

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

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

• Market limits

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

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

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

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 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.

8.6.2.2. Risk indicators

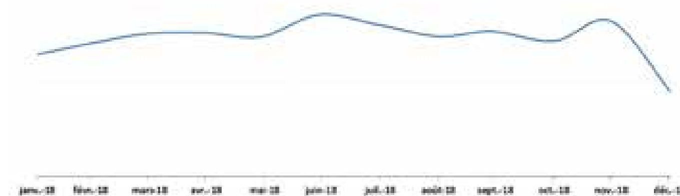
Different risk indicators reflecting the level of exposure to market risks are used within BMCE Bank Group as follows :

• 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 :

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As of December 31, 2018, the results of the stress tests were as follows:

a- Fixed income securities portfolio

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

This scenario would result in an 81 Million MAD impact on the P&L

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

This scenario would result in a 161 Million MAD impact on the P&L

b- Equity portfolio

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

This scenario would result in a 4 Million MAD impact on the P&L

2nd scenario : depreciation of 25% of the value of the equity portfolio

This scenario would result in a MAD 6 Million impact on the P&L

c- Foreign exchange

A 1st scenario: A 2.5% rise or fall in the value of the Dirham

This scenario would result in a 56 Million MAD impact on the P&L

2nd scenario: A 5% rise or fall in the value of the Dirham

This scenario would result in a 113 Million MAD impact on the P&L

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.

8.7. 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.

8.7.1. Operational risk management policy

8.7.1.1. 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.

The management of operational risks through the implementation of preventive actions and / or corrective address the identified major risks.

The risk management system is regularly reviewed and monitored, allowing continuous improvement of said device.

8.7.1.2. 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.

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

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

- Overall level, analysis of the Bank's overall level of risk aversion (and in terms of allocation of capital) must be carried and monitoring of "trans-risks";
- Detailed level, some operational risks can be directly linked to market and credit risk management.

8.7.1.2.2. Operational risk management organisation

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

- Define a target policy consistent with BMCE Bank Group's business organisation and inspired by best practice;
- Involve and empower business lines and subsidiaries in the day-to-day management of operational risk management;
- Ensure that Audit/Control function is separate from the Operational Risk Management function.

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

- BMCE Bank's Group Operational Risk Department;
- BMCE Bank network;
- BMCE Bank business divisions;
- Subsidiaries.

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

- Operational Risk Correspondents (CRO);
- Operational Risk Coordinators (CORO);
- Operational Risk Liaison Officers (RRO).

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

8.7.1.2.3 Governance of operational risk management

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

- Group Operational Risks Committee held as part of the Risk Committee Group;
- 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.

8.7.1.3 Fundamental methodoloy 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;

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- Mapping operational risks,

- Key risk indicators.

The data produced are part of the process of monitoring and control of operational risk profile.

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.

8.7.1.4 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;
- Provide close monitoring of to ensure compliance with risk limits or thresholds assigned

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.

8.7.2. Business continuity plan

The implementation and maintenance in operational condition of the Business continuity by BMCE BOA entities aim primarily at ensure the continuity of the essential activities of each Group entity in the event of a disaster (business survival principle), while responding to the regulatory measures.

The Group's overall business continuity plan aims to enable appropriate, consistent, synchronized and effective management of situations that may affect all or some of the Group's entities.

This system is adapted to the Group's organization and is based on structures and procedures that ensure its effectiveness.

The PCA covers claims impacting Human Resources, the information systems, logistics systems, suppliers when they are critical resources for the conduct of the bank, as well as other miscellaneous resources that are considered as essential for the delivery of critical services to external actors to whom the bank is committed.

BMCE BOA's general business continuity policy meets the following requirements the following main objectives:

* Comply with the principle of survival,

* Reduce or cover risks to contain the residual in the limits decided by the management of the entities and the Group's strategy, taking into account the cost and effectiveness of the solutions to be implemented,

* Ensure coordination, consistency and coherence of business continuity in view of the Group's decentralized organization,

* Keep the situation under control in case of crises,

* Comply with regulations and recommendations of the Regulator (in particular Directive DN 47/G/2007 and the circular 4/W/2014 of BANK AL-MAGHRIB).

8.7.3. Corporate and Social Responsibility:

CSR issues are an integral part of the operational risk management system, through an identification management, analysis, evaluation and risk monitoring approch.

The CSR identification, measurement and risk analysis systems are now closely linked to the day-to-day management of operational risks.

8.7.4. 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.

Parent company	june-18	dec-18	june-19	dec-19
Tier 1 capital	12 760	12 333	16 042	17 335
Total capital ratio	18 290	18 169	21 727	22 620
Total risk-weighted assets	125 348	130 400	132 581	136 344
Tier 1 capital ratio	10,2%	9,5%	12,1%	12,7%
Capital adequacy ratio	14,6%	13,9%	16,4%	16,6%

Group	june-18	dec-18	june-19	dec-19
Tier 1 capital	22 226	23 222	26 847	29 547
Total capital ratio	29 283	30 227	33 702	36 002
Total risk-weighted assets	232 044	242 259	248 593	258 680
Tier 1 capital ratio	9,6%	9,6%	10,8%	11,4%
Capital adequacy ratio	12,6%	12,5%	13,6%	13,9%

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Level of exposure to counterparty risk based on methods applied to off-balance sheet items

Credit Risk-Weighted assets	31/12/2018
Type of Exposure	Risk-Weighted Assets Post CRA
Balance-sheet items	
Off balance sheet items: financing commitments	156 625 743
Off balance sheet items: guarantee commitments	4 358 746
Counterparty Risk: temporary disposals of securities relating to the bank portfolio	10 241 650
Counterparty Risk: temporary disposals of securities relating to the trading portfolio	-
Counterparty Risk: derivative products relating to the bank portfolio	98 280
Counterparty Risk: derivative products relating to the trading portfolio	-
Other assets / Other items	381 731
Settlement Risk	28 524 134
Total	302 161
Total	**200 532 446**

CAPITAL COMPOSITION AND ADEQUACY

Main characteristics of items constituting shareholders' equity

BMCE Bank's share capital stood at 1,719,633,900 made up of 179,463,390 ordinary shares, each with a nominal value of 10 dirhams. The shares are fully paid-up. Each ordinary share entitles the holder to one voting right.

As of end of December 2018, fixed maturity subordinated debt stood at almost 6.2 billion MAD.

Measurement of capital adequacy

BMCE Bank Group has opted for the standardised approach to calculating risk-weighted assets as prescribed by Bank Al-Maghrib circulars (BAM):

Since 30 June 2014, capital adequacy ratios have been calculated in accordance with Basel III regulatory standards as defined by BAM.

The method for calculating capital was reviewed in the light of these new regulations and temporary measures have been adopted for a period until 2019.

The circulars governing these declarations are as follows:

· Circular No. 26/G/2006 relating to calculating capital requirements based on the standardised approach for hedging credit institutions' credit, market and operational risks;

· Circular No. 8/G/2010 relating to calculating capital requirements based on internal approaches for hedging credit institutions' credit, market and operational risks;

· Circular No. 14/G/13 relating to capital requirements for credit institutions

Composition of capital and capital adequacy ratio

Tier 1 capital	**20 324 973**
Items to be included in Tier 1 capital	**23 979 471**
Share Capital	1 794 634
Consolidated reserves, including premiums related to share capital and not included in hidden reserves	16 091 348
Retained earnings	
Net income for the previous period	1 651 430
Minority interests	4 442 059
Items to be deducted from Tier 1 capital	**3 654 497**
Goodwill	1 032 114
Other adjustments to Tier 1 capital	1 445 705
Immobilisations	987 396
Other deductions	189 282
Additional core capital	**2 000 000**
Perpetual subordinated debt	2 000 000
Items to be deducted from capital	**98 740**
Non-current assets	98 740
Tier 2 capital	**7 184 305**
Perpetual subordinated debt	6 223 562
Revaluation differences	758 487
Investment subsidies	202 256
Hidden reserves	**127 740**
Items to be deducted from capital	98 740
Non-current assets	29 000
Total	**29 282 798**

Capital Requirements by Risk Type	Dec. 2018
Risk-weighted credit risks	200 532 446
Risk-weighted market risks	7 928 949
Risk-weighted operational assets	23 582 527
Total risk-weighted assets	232 043 923
Tier 1 Capital	22 226 234
Tier 1 Capital ratio	9.6%
Total capital	29 282 799
Capital adequacy ratio	12.6%