BMCE BANK

BMCE BANK CONSOLIDATED FINANCIAL STATEMENTS UNDER IAS / IFRS

JUNE 2009

BMCE BANK البنك المغربي للتجارة الخارجية

CONTENT

1. ACCOUNTING STANDARDS AND PRINCIPLES APPLIED BY THE GROUP

1.1 CONTEXT

The application of IAS/IFRS is obligatory starting from the fiscal year beginning on January 1st, 2008.

The paramount objective of the regulatory authorities is to provide credit institutions with an accounting framework in accordance with international standards in terms of disclosure and financial transparency.

BMCE Bank Group has adopted IFRS, approved by IASB to the consolidated accounts for the 2008 fiscal year compared to the 2007 fiscal year as well.

1.2 APPLICABLE ACCOUNTING STANDARDS

1.2.1 Consolidation

The scope of consolidation includes all domestic and foreign entities in which the Group has direct or indirect control. The consolidation method, i.e. full consolidation, proportional consolidation, and equity method, is respectively determined by whether the Group exercises exclusive control, joint control, or significant influence. However, joint ventures are consolidated using the proportional method or the equity method.

The new aspect brought by the International Financial Reporting Standards concerns Special Purpose Entities, distinct legal structures, formed specifically by the Group to realize a limited and well defined objective. These entities must be consolidated regardless of their legal form and country of implementation.

Are excluded from consolidation:

- Entities under temporary control, i.e. acquired to be disposed in the short term (within a 12 month period);
- Entities whose assets are held for transaction purposes and accounted for at fair value through profit or loss.

There is no control presumption in IAS 27, IAS 28, and IAS 31 and therefore subsidiaries in which the Group has 40% to 50% control are fully consolidated.

Options Adopted by BMCE Bank

Definition of the Consolidation Scope

BMCE Bank Group consolidates entities, regardless of their activity, in which it holds at least 20% of the voting power.

On the other hand, the Group consolidates entities meeting the following conditions:

- The subsidiary's total assets is greater than 0,5% of the parent company's ;
- The subsidiary's net assets is greater than 0,5% of the parent company's ;
- The subsidiary's banking revenues are greater than 0,5% of the parent company's ;

- Cumulated thresholds where the total of unconsolidated entities does not exceed 5% of the consolidated aggregate.

Exception

An entity having a non significant contribution has to be consolidated if it holds stakes in subsidiaries which meet one of the conditions mentioned above.

Exclusion from the Consolidation Scope

BMCE Bank excludes from its consolidation list entities in which it has control or exercises a significant influence, when at the their acquisition, the securities of these entities are held with the intention of reselling them in the short term. These securities are recorded in this case under ‘‘available for sale assets’’ at the fair value through profit or loss.

Also are excluded from the consolidation list participations (except for major participations) held by venture capitalists, which are optionally recorded as financial assets at fair value through profit or loss.

1.2.2 Tangible Fixed Assets

A tangible fixed asset is a long term asset held by the firm to be used for operations or lease.

Initial Recognition

Tangible fixed assets are initially recognized at purchase price plus directly attributable costs.

Subsequent Measurement

Subsequent to initial recognition, tangible fixed assets can be measured according to two methods:

- Cost method (recommended): assets are measured at cost less cumulated depreciation and any impairment losses;
- Reevaluation method (optional): assets are measured at fair value at the date of reevaluation less subsequent cumulated depreciation and any impairment losses. Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Reevaluation should be conducted on a sufficient regular basis so that the book value will not be significantly different from the fair value at the closing date.

Component-based Approach

Where an asset consists of a number of components that have different users or different patterns of consumption of economic benefits, each component is recognized separately and depreciated using a method appropriate to that component.

Depreciation rules

The depreciation of a tangible fixed asset is the cost of this asset less any residual value, which corresponds to the current value of the asset, taking into account its estimated age and condition over its useful life.

A tangible fixed asset is depreciated over its useful life, which corresponds to the period over which the entity expects to use this asset. The depreciation should reflect the consumption patterns of future economic benefits. The depreciation periods and methods have to be

reviewed periodically by the firm, and hence the depreciation expenses for the current and future fiscal years must be readjusted.

Even if the fair value of the asset is greater than its book value, depreciation is recognized, as long as the residual value does not exceed the book value.

Impairment

The amount of impairment is the excess of the carrying value over the recoverable value, which corresponds to the highest value between the net disposal price and the value in use.

Impairment losses are recognized when there is an indication of impairment (internal or external), which has to be valued at the end of each fiscal year.

Options Adopted by BMCE Bank

Initial Recognition

The Group has chosen the cost method instead of the reevaluation method, as specified by IAS16. However, the Group might use the reevaluation method for a part of its lands.

The borrowing costs are not included in the acquisition cost of a tangible fixed asset.

Residual Value

Given the nature of BMCE Bank's fixed assets, the Group did not retain any residual value, which therefore equals to zero. Actually, there is no sufficiently active market or replacement policy over a period that is shorter than the asset's useful life so that a residual value can be recognized.

Depreciation Period

The Group has adopted an identical depreciation scheme in the IAS/IFRS consolidated accounts.

Component-based Approach

Given the nature of the Group's activity, depreciation by component is essentially applied to buildings. For the opening balance sheet, the recognition of the historical depreciation cost by component is applied, using a different depreciation periods as a function of the construction characteristics.

Headquarters' Buildings Branch Offices

	Headquarters buildings		Branches	
	Period	Share %	Period	Share %
Shell	80 years	55%	80 years	65%
Facade	30 years	15%	-	-
General and Technical Installations	20 years	20%	20 years	15%
Fixtures and Fittings	10 years	10%	10 years	20%

Impairment

The Group considers that impairment is only applied to constructions and therefore the market value (appraisal value) is used for depreciation.

1.2.3 Investment property

According to IAS 40, an investment property comprises property assets held to generate rental income and capital gains. Unlike a fixed asset used in operations or in the provision of services, an investment property generates cash flows, independent from the other assets of the firm.

IAS 40 gives the choice for the measurement of an investment property:

- The fair value through profit or loss
- The amortized cost method

Any used method must be applied to all investment properties.

Options Adopted by BMCE Bank

Definition

The Group considers any non operating property as an investment property.

Measurement

BMCE Bank Group has adopted the amortized cost method for the measurement of its investment properties. The treatment in terms of measurement is identical to that used in the measurement of operating properties.

1.2.4 Intangible Fixed Assets

An intangible fixed asset is a non monetary and non physical asset.

It is:

- Identifiable in order to distinguish it from goodwill;
- Controlled if the firm has the power to get the future economic benefits generated from the underlying asset and if the firm can also restrain the access of a third party to its benefits.

IAS 38 states two phases for in-house intangible fixed assets.

Phase	fixed asset/expense
Research	expense
Development	fixed asset

Expenses resulting from the development phase are recorded under fixed assets if it is possible to demonstrate:

- the technical feasibility of the product
- the intention to carry out the project
- the capacity of the firm to sell or use the product
- the financial capacity to carry out the project
- that the firm will profit from the future economic benefits

Initial Recognition

An intangible fixed asset is initially recognized at cost that is equal to the amount of cash or cash equivalent paid or at the fair value of any counterpart given to purchase the asset at the acquisition or construction date.

IAS 38 refers to two options for the subsequent measurement of an intangible fixed asset:

- Amortized cost: assets are measured at cost less cumulated depreciation and any impairment losses;
- Reevaluation method: assets are measured at fair value at the date of reevaluation less subsequent cumulated depreciation and any impairment losses. Fair value has to be measured based on an active market. Reevaluation should be conducted in a sufficient regular basis so that the book value will not significantly different from the fair value at the closing date.

Amortization

Intangible fixed assets are amortized over a maximum period of 20 years. An intangible fixed asset enjoying an unlimited useful life period is not amortized. In this case, a depreciation test should be carried out at the end of each fiscal year.

The amortization method must reflect the consumption pattern of the future economic benefits.

Impairment loss

Impairment losses are recognized when there is an indication of impairment (internal or external), which has to be valued at the end of each fiscal year.

Options Adopted by BMCE Bank

For the first time adoption, BMCE Bank has chosen the amortized cost method.

It has decided to not include internally developed software on the opening balance sheet and to put in place a tracking system for development costs in the future.

For subsequent measurement of intangible fixed assets, the Group has adopted the amortized cost method.

Amortization

The Group has decided to maintain the currently used amortization periods.

Residual Value

Given the nature of BMCE Bank's intangible fixed assets, the Group considers that the concept of residual value is not relevant and thus did not retain any.

1.2.5 Securities

IAS 39 classifies financial assets into 4 categories, defined as a function of the management purpose.

Financial assets at fair value through profit or loss

It is classified under this category any financial asset meeting the following criteria:

It is considered a trading financial instrument because:

- It is acquired or contracted to be sold or purchased in the short term;
- It is part of a portfolio made of distinct financial instruments, for which exists a recent effective pattern of retained earnings in the short term;
- It is a derivative (except for hedging instruments);
- It is designated as so during its acquisition

Financial instruments can be classified under financial assets or liabilities at fair value through profit or loss, except for equity investments for which an active market does not exist and thus the fair value cannot be precisely measured.

Derivatives are also classified as financial assets or liabilities at fair value through profit or loss, except for hedging instruments.

Accounting Principles

Initial Recognition

Financial assets at fair value through profit or loss must be initially recognized at acquisition price, excluding transaction costs directly attributable to the acquisition, and accrued interest on fixed income securities.

Subsequent Measurement

Securities in this category are measured at fair value. Changes in fair value are presented in the profit and loss account. These securities are not subject to amortization.

Held-to-maturity Investments

Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturity that an entity has the intention and ability to hold until maturity. These securities do not include financial instruments initially designated as assets or liabilities at fair value through profit or loss or loans and receivables.

An entity cannot classify securities under held to maturity investments if it has, during the current fiscal year or during the two previous fiscal years, sold or reclassified before maturity a significant portion of these securities. This restriction is not applicable to disposals:

- near maturity (less than three months) where a change in interest rates has no significant impact on the fair value of the securities;
- occur after the accumulation of a substantial portion of the initial principal (about 90% of the asset's carried amount);
- attributable to an isolated and incontrollable event, which could not be predicted;
- between the group entities (intra-group transactions).

An entity does not have the intention to hold a financial asset until maturity if one of the following criteria is met:

- The entity intends to hold the financial asset for an undetermined period ;
- The entity is willing to sell the asset as a response to changes in interest rates or risks, to liquidity needs, to changes in the availability and yield of alternative investments, to changes in the funding base, and foreign exchange risks ;
- The issuer has the right to pay for the financial asset an amount that is well below its amortized cost.

An entity does not have the ability to hold a financial asset until maturity if one of the following two criteria is not met:

- It does not have adequate financial resources to continue the financing of its held-to maturity investments ;
- It is subject to an existing legal constraint or other, which could distrust its intention to

hold the financial asset until maturity.

Accounting Principles

Initial Recognition

Held to maturity investments must be initially accounted for at acquisition price, plus transactions costs directly attributable to the acquisition, and accrued interest on fixed income securities (in a related receivables account).

Subsequent Measurement

Subsequent to initial recognition, held to maturity investments are accounted for at amortized cost using the effective interest method, which builds in amortization of premium or discount.

Impairment loss

When there is objective evidence of measurable decrease in value, an impairment loss is recognized for the difference in the carrying amount and the estimated recoverable value.

The estimated recoverable value is measured through discounted future cash flows at the original effective interest rate.

Any subsequent decrease in the impairment loss is credited to the profit and loss account.

Principles of Allocation to profit or loss

The amortized cost is recognized in ‘’interest income’’ and changes in the amount of impairment losses are taken to the profit or loss account under ‘’cost of risk’’

Capital gains realized on the disposal, in the cases specified by IAS 39, are accounted for under ‘’ capital gains or losses on held-to-maturity investments’’.

Loans and receivables

Loans and receivables are assets rather than derivatives with fixed or determinable payments and which are not quoted in an active market. The following assets are not classified under this category:

- Assets that the entity has the intention to sell immediately or in the short term; these assets are classified under ‘’assets held for trading purposes’’and financial assets at fair value through profit or loss;
- Assets that the entity designates as available for sell;
- Assets of which a significant portion of the investment could not be recovered for other reasons than the deterioration of the loan; these assets are classified under ‘’available-for-sale financial assets’’.

Accounting Principles

Loans and receivables are recognized at amortized cost, net of provisions for impairment loss.

Impairment Loss

When there is objective evidence of measurable decrease in value, an impairment loss is recognized for the difference in the carrying amount and the estimated recoverable value.

Any subsequent decrease in the impairment loss is credited to the profit and loss account.

Principles of Allocation to profit or loss

The amortized cost is recognized in ‘’interest income’’ and changes in the amount of impairment losses are taken to the profit or loss account under ‘’cost of risk’’

Capital gains realized on the disposal, in the cases specified by IAS 39, are accounted for under ‘’ capital gains or losses on held-to-maturity investments’’.

Available for sale financial assets

These are financial assets other than derivatives, loans and receivables, held to maturity investments, or financial assets at fair value through profit or loss.

Accounting Principles

According to IAS 39, the accounting principles for ‘’available for sale financial assets’’ are as follows:

Initial Recognition

Available for sale financial assets are initially recognized at the acquisition price plus transaction costs directly attributable to the acquisition, and accrued interest on fixed income securities (in a related receivables account).

Subsequent Measurement

The changes in the fair value of these securities are recognized in shareholders’ equity. On disposal or on recognition of an impairment loss, unrealized gains and losses on fixed income securities are taken to the profit or loss account, using effective interest method.

Impairment Loss

When there is objective evidence of measurable decrease in value for equity securities, or the occurring of credit risk for debt securities, unrealized capital losses are transferred from shareholders’ equity to the profit or loss account.

Any subsequent decrease in the impairment loss is credited to the profit and loss account for debt securities, but not for equity securities. Any positive change in the fair value of the latter will be recognized in the shareholders’ equity, whereas any negative change in the fair value will be accounted for in the profit or loss account.

Recognition Principles

The fair value of available for sale financial assets is recognized in the following accounts:

- ‘’interest income’’ for the amount corresponding to the amortized cost for the period;
- ‘’net income on available for sale financial assets’’ for the amount corresponding to the amortized cost for the period ;
- ‘’cost of risk’’ for changes in the amount of impairment losses on fixed income securities ;
- ‘’changes in the value of available for sale financial assets’’, under shareholders’ equity, for changes in the fair value.

Options adopted by BMCE Bank

BMCE Bank Group has chosen a classification as a function of the intention of management and the nature of securities.

At the opening balance sheet, all securities are recognized, at their acquisition, at fair value:

- Debt securities: nominal value adjusted for premium/discount, reimbursement premiums, and coupons;
- Equity securities: market price of the shares or asset value at the date of purchase.

The portfolio is made of the following securities:

- Equity investments;
- Trading securities;
- Regulated securities.

Equity investments

Classification

These securities are classified as available-for-sale financial assets, recognized at fair value.

Valuation

Listed securities: the reference value is the last stock price

Unlisted securities: the fair value is measured according to an internal model.

Impairment Loss

Listed securities: decrease by 20% in the stock price over the last 6 months;

Unlisted securities: according to impairment indications for the opening balance sheet and the monitoring of provisioning.

Trading securities

Classification

The purpose of management is defined in accordance with the future management of the Trading Room. At the opening balance sheet, the securities managed under the trading room were essentially for trading purposes.

Valuation

Listed Securities: the fair value corresponds to the market share

Unlisted Securities: the fair value is measured according to an internal model.

Regulated Securities

These securities are classified as held-to-maturity financial assets.

1.2.6 Impairment

Portfolio Impairment

If there is no objective evidence of impairment, whether it is significant or not, the financial asset is included in a portfolio of securities having the same credit risk characteristics to be collectively assessed.

Indication of Impairment

In a portfolio assessment, an objective evidence of impairment can be reduced to observable

events indicating a measurable decrease in the estimated future cash flows of a group of loans, since the initial recognition, although this decrease can be associated with the different loans making this portfolio:

- Adverse changes in the capacity of borrowers or;
- A national or local economic situation correlated to the default payment on the assets of the portfolio.

Individual Impairment

An impairment loss is recognized when there is objective evidence or several objective indications of a decrease in the value of loans, including:

- Significant financial difficulties of the issuer or the debtor;
- A breach in the contract resulting from a default payment (interest or principal);
- The granting by the lender to the borrower, for economic or legal reasons related to financial difficulties, of a facility that the lender did not expect in other circumstances;
- The increasing likelihood of bankruptcy or other restructuring of the borrower;
- The disappearance of an active market for that financial asset following financial difficulties, or;
- Observable events indicating a measurable decrease in the estimated future cash flows of a group of financial assets, since the initial recognition, although this decrease can be associated with every single asset in the portfolio:
    - Adverse changes in the solvency of borrowers;
    - A national or local economic situation correlated to the default payment on the assets of the portfolio.

Impairment Method

IAS 39 does not distinguish different methods for the assessment of individually and collectively impaired assets.

Instead, the only principle is to provision the excess of the book value (carrying amount) on the recovered value.

The recoverable value is the present value, discounted at the effective interest rate, of the estimated future cash flows of the asset (or a group of assets).

An impairment loss is recognized when there is an evidence of a measurable decrease in the value (impact on the cash flows of the asset).

Given the valuation technique of recoverable values under IFRS, companies must be able to correlate the observed objective evidence of impairment and its impact on the expected cash flows of the portfolio.

Impairment Loss

Under IFRS, the amount of impairment is the difference between the carrying amount and the recoverable value, which corresponds to the present value of the estimated recoverable cash flows, discounted at the effective interest rate.

Options Adopted by BMCE Bank

Portfolio Impairment

Only an observable decrease in value is subject to impairment according to IAS 39. Expected losses are not subject to impairment.

As for portfolio impairment, BMCE Bank has identified a certain number of criteria for the analysis of the behavior of loans and receivables, and their categorization in types of anomalies that will be used for the constitution of homogenous groups of assets.

The used method consists of assessing a portfolio of loans, classified under surveillance during the last fiscal years, in order to determine the level at which loans will be considered as ‘’non performing’’. This is applied, along with the impairment loss defined under IFRS, to these loans to measure the portfolio impairment.

Individual Impairment

The Group considers that it is possible and necessary to apply the contagion principle to identify outstanding loans with objective evidence of a decrease in value according to IFRS standards.

To measure the impact at the opening balance sheet, BMCE Bank’s portfolio of nonperforming loans was broken down as follows:

- ‘’Large loans’’:
    - Review of every individual loan application by BMCE Bank in order to calculate the estimated recovered cash flows over a time horizon;
    - The impairment under IFRS corresponds to the difference between the debit balance and the sum of the expected recovered amount;
- The loans not included in the large loans category are subject to an extrapolation on the basis of the impairment rate used for large loans.

1.2.7 Goodwill

The cost of a business combination

The cost of a business combination is measured as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the acquirer in exchange for control of the acquired entity plus any costs directly attributable to the combination. General administrative costs, on the other hand, are recognised as expenses.

Recognition of the cost of a business combination in the assets acquired and the liabilities and contingent liabilities assumed.

The acquirer must recognise the acquired entity’s identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria, at fair value at the acquisition date. Any difference between the cost of
a business combination and the acquirer’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised under Goodwill.

Goodwill

Goodwill acquired must be recognised as an asset from the acquisition date. It is initially recognised at its historical cost i.e. the excess cost of the business combination over the acquirer’s interest in the net fair value of the identifiable assets, liabilities and contingent

liabilities.

After initially being recognised at historical cost, Goodwill must subsequently be recognised at cost less cumulative impairment.

Goodwill may not be amortised but, instead, is tested for impairment.

Policies adopted by BMCE Bank

- In accordance with IFRS 1, BMCE Bank has decided not to amortise existing Goodwill ;
- Goodwill will not be amortised ;
- Impairment tests will be conducted regularly. Impairment tests are conducted at least once every year to identify potential impairment.

1.2.8 Translation differences

IAS 21 "The effects of changes in foreign exchange rates" contains the following general provisions concerning translation differences:

- Non-monetary items that are measured in terms of historical cost in a foreign currency remain at historical cost;
- Non-monetary items that are measured at fair value are translated using the exchange rates when the fair value was determined;
- Monetary items are translated using the closing rate;
- Items of income and expenditure are translated at exchange rates at the transaction dates except for amortisation charges and provisions for non-monetary items which are translated at historical cost.

Exchange differences for monetary items are recognised in profit or loss in the period in which they arise.

Translation of financial statements of foreign subsidiaries

Assets and liabilities are translated at closing exchange rates:

- Items of income and expenditure are translated the exchange rates prevailing at the date of each transaction but, for convenience, may be translated at average exchange rates over the period except in the case of material changes;
- Translation differences are posted to shareholders' equity, although the share of minority interests must be clearly differentiated.

Policies adopted by BMCE Bank

In the case of equity securities of non-consolidated companies qualified as assets available for sale (AFS), translation differences will be a constituent of fair value recognised in shareholders' equity.

BMCE Bank Group has considered its overall translation differences at the adoption date to be zero for all its foreign activities.

The consequences are, therefore, as follows:

- Translation differences or reserves are reclassified under opening shareholders' equity;
- Translation differences accumulated prior to the IFRS adoption date are not to be taken into consideration when determining income on the future disposal of the

activities in question. On subsequent disposal, the entity will not recognise these differences in income. On the other hand, any translation difference arising after IFRS adoption by the subsidiaries in question will be recognised in income.

1.2.9 Non-current assets held for sale and discontinued activities

Held-for-sale classification

Under IFRS 5, an entity must classify a non-current asset (or disposal group) as held for sale if its carrying amount is primarily recovered through sale rather than from ongoing use.

An asset (or disposal group) may only be classified as held for sale if it meets the conditions of being available for immediate sale in its current state and if its sale is highly probable.

NB: If these criteria are not met, the held-for-sale classification must not be used.

Non-current assets are valued at the lower of the following two values:

- The carrying amount at the time of being classified as held for sale adjusted for any depreciation, impairment loss or revaluation prior to the asset being classified as held for sale and ;
- The recoverable value at the date of the decision to change.

Measurement

A non-current asset held for sale must be measured at the lower of its carrying amount and fair value less costs to sell.

Non-current assets or disposal groups that are held for sale are not depreciated.

Accounting for impairment and subsequent write-backs

For assets carried at fair value, any subsequent or initial impairment loss less required costs to sell are recognised immediately in profit or loss.

A write-back for subsequent gains in fair value less required costs to sell can only be recognised to the extent that it is does not exceed the cumulative impairment loss that has been previously recognised.

Policies adopted by BMCE Bank

BMCE Bank does not have any non-current assets meeting the definition and criteria of “non-current assets held for sale”.

1.2.10 Provisions

A provision is a liability of uncertain timing or amount.

A liability is a present liability arising from past events whose settlement is expected to result in an outflow of resources (economic benefits).

Measurement

The amount recognised as a provision must be the best estimate of the expenditure required to settle the present liability at the closing balance sheet date.

According to IAS 37, the amount of the provision must be discounted if the impact is material.

The Standard states that a company must recognize a provision if the following three criteria are met:

- A present liability towards a third party;
- High probability of resources outflow to settle the liability;
- The amount can be estimated reliably.

Policies adopted by BMCE Bank

First-time adoption:

- The Bank has discounted those provisions meeting the three criteria outlined above if the impact is material;
- Incompatible provisions are written back to shareholders' equity.

1.2.11 Out-of-market loans

Under IFRS, a loan's entry value is equal to its fair value plus the internal and external transaction costs directly attributable to the issue of the loan.

Fair value is equal to:

- The nominal value if the loan is "in the market" and if there are no transaction costs;
- The sum of future expected cash flows discounted at the market rate; any difference between the loan's market rate and contractual rate results in immediate recognition of a write-down through income which may be subsequently written back over the loan's life ;

The decision to classify an issued loan "out-of-market" is made if the issuer has offered very advantageous financing terms by comparison with those generally offered by competitors in order to win a customer.

If this is the case, a write-down relating to the difference between the market rate and contractual rate is recognised in income and is amortised over the loan's life at the effective interest rate.

Policies adopted by BMCE Bank

BMCE Bank must therefore decide which loans have been issued by the Group at rates considered to be "out-of-market".

In the absence of clear guidelines on the concept of "out-of-market", the Bank has decided to apply Bank Al-Maghrib's minimum lending rates.

1.2.12 Leases

According to IAS 17, a lease is a contract by which the owner (or lessor) transfers the right of use of an asset to the lessee in return for payments with an option to purchase the asset at maturity.

Classification of leases

IAS 17 makes a distinction between two types of lease:

- A lease is classified as a finance lease if it transfers a substantial portion of the risks and rewards incident to ownership of an asset. Title may or may not be transferred in

fine.

A lease contract is classified as an operating lease if it does not transfer a substantial portion of the risks and rewards incident to ownership.

IAS 17 provides five examples which would normally lead to a lease being classified as a finance lease:

- The lease transfers ownership of the asset to the lessee by the end of the lease term;
- The lessee has the option to purchase the asset at a price which is substantially lower than fair value at the date the option becomes exercisable on the basis that, at the inception of the lease, it is reasonably certain that the option will be exercised;
- The lease term is for the major part of the economic life of the asset, even if title is not transferred;
- At the inception of the lease, the present value of the minimum lease payments amounts to at least a substantial portion of the fair value of the leased asset ; and
- The leased assets are of a specialised nature such that only the lessee can use them without major modifications being made.

Accounting for finance leases

- The lessor should record an asset held under a finance lease in the balance sheet as a receivable at an amount equal to the net investment in the lease ;
- Finance lease payments should be apportioned between the finance charge and the reduction of the outstanding liability;
- Finance income should be recognised based on a pattern reflecting a constant periodic rate of return on the lessor's net investment outstanding in respect of the finance lease.
- An operating lease does not transfer to the lessee all risks and rewards incident to ownership.

Accounting for operating leases

- Assets held under operating leases should be recorded on the lessor's balance sheet according to the nature of the asset;
- Income statement – the lease payments should be recognised as an expense in income over the lease term on a straight-line basis, unless another systematic basis is more representative of the time pattern in which use benefit is derived from the diminished leased asset;
- The depreciation policy for leased assets should be consistent with the policy normally adopted by the lessor for similar assets and must be calculated on the basis outlined in IAS 16 (plant, property and equipment) and IAS 38 (intangible fixed assets).

Policies adopted by BMCE Bank

The entities concerned by application of the standard relating to leases are Maghrebail and Salafin.

The contracts entered into by both these entities meet the definition of finance leases.

As all BMCE Group's lease contracts are classified as finance leases, the accounting treatment currently employed at a consoldiated level is in accordance with IFRS. The impact is therefore zero.

1.2.13 Employee benefits

Classification of employee benefits

Short-term benefits

These relate to benefits due within the 12 months following the close of the period in which staff members have provided the corresponding services. They are recognised as expenses in the period in which they are consumed.

Post-employment defined contribution schemes

The employer makes a fixed payment contribution to an external fund and has no other liability. Benefits received are determined as a function of contributions made plus any interest and are recognised as expenses in the period in which they are consumed.

Post-employment defined benefit schemes

These are defined as all post-employment benefits other than those relating to defined contribution schemes. The employer undertakes to make available a certain level of benefit after an employee's departure, whatever the liability's cover. Provisions are required.

Long-term benefits

These relate to benefits which are not due within the 12 months following the close of the period in which staff members have provided the corresponding services. Provisions are required if the benefit depends on an employee's length of service.

Termination payments

Termination payments are made in the event of dismissal or voluntary redundancy. The company may book provisions if it is clearly committed to making employees redundant.

Funding and accounting principles for post-employment defined benefit schemes and other long-term benefits.

Valuation principles

The valuation method adopted is the projected unit credit method which apportions benefits by service on a pro-rata basis. This method comprises two phases:

1. An assessment of long-term benefits, relating to future cash flows, based on actuarial assumptions;
2. Apportioning the long-term benefits over the period of activity during which BMCE Bank benefits from the service of its employees.

The main actuarial assumptions

- Financial assumptions i.e. the discount rate and rate of inflation;
- Socio-economic assumptions – salary inflation, the rate of retirement and retirement age;
- Life expectancy assumptions – medical expenses in relation to health benefit schemes.

Accounting principles

Definitions

- Net present value of the gross liability i.e. the actuarial value of employee benefits or actuarial liability;

- Non-recognised items – unrealised gains and losses to be amortised in the future or non-recognised items.

Accounting for post-employment benefits

The provision required is equal to the net liability less non-recognised items. There are two categories of non-recognised items:

- In the event that the company opts for the corridor method, actuarial gains and losses, comprising the difference between the actual liability's estimated net present value at the closing balance sheet date on the basis of the opening net present value and events arising during the period, result from one of the following two factors:
    - (i) Changes to actuarial assumptions made between the opening and closing balance sheet dates in the light of specific events arising during the period or changes to the general economic environment i.e. assumption-based actuarial gains and losses ;
    - (ii) Differences between initial expectations of employees' socio-economic behaviour or the general economic environment during the period – reflected in actuarial assumptions – and what actually occurred i.e. experience-based actuarial gains and losses ;
- Past service cost, arising from changes to scheme arrangements, which is the term used to describe the change in the liability for employee service in prior periods.

Non-amortised items are amortised differently, depending on the situation:

- Past service cost is amortised on a straight-line basis over the average period until the amended benefits become vested.

The corridor rule consists of amortising at least over one period and generally over the remaining active service life of employees, at the closing balance sheet date, the portion of net accumulative non-recognised actuarial gains and losses equal to or exceeding 10% of the actuarial liability at the opening balance sheet date or the fair value of assets, whichever is the greater.

Accounting for other long-term benefits

The provision required at each closing balance sheet date is equal to the liability's current value.

Options adopted by BMCE Bank

A provision is required, at each closing balance sheet date, equal to the liability's current value, in respect of actuarially assessed defined benefits using the projected unit credit method.

Employee benefits recognised relate to end-of-career bonuses and termination benefits.

No provision has been booked relating to post-employment health cover due to the lack of required information.

1.2.14 Restructured loans

Restructured loans are loans whose terms, including interest received by BMCE Bank, have been modified due to difficulties encountered by the counterparty.

Accounting principles

When a loan is restructured due to the borrower's financial situation, future cash flows are discounted at the original effective interest rate and the difference between this amount and the loan's carrying amount is immediately recognised in the cost of risk. This write-down is incorporated over the life of the loan in interest income.

Policies adopted by BMCE Bank

Restructured loans have been identified by cross-checking consolidated loans in the accounting statements held for accounting purposes against management records held for monitoring loan commitments for loans of above ten million dirhams.

In each case, the write-down at the date of renegotiation has been calculated based on original maturities and renegotiation terms.

The write-down is calculated as the difference between:

- The sum, at the date of renegotiation, of contractual initial cash flows, discounted at the effective interest rate ;
- And the sum, at the date of renegotiation of renegotiated initial cash flows, discounted at the effective interest rate.

For the opening balance, the write-down net of amortisation is recognised by a decrease in the value of loans outstanding against shareholders' equity with amortisation charged to net banking income.

On a recurring basis, write-downs are charged to income at the time of restructuring.

1.2.15 Treasury shares

When an entity buys back its own shares, they must be deducted from shareholders' equity. Any profit or loss must not be recognised in income on purchase, sale, issue or cancellation of a company's Treasury stock. Treasury shares may be acquired or held by the entity or members of the consolidated entity. The counterpart payment made or received must be recognised directly in shareholders' equity.

Treasury securities held for an employee stock-option scheme must be deduced from consolidated shareholders' equity, regardless of why they were acquired.

Policies adopted by BMCE Bank

All BMCE securities held by Group entities must be cancelled by deducting shareholders' equity.

The entity deducts directly from shareholders' equity, net of any related tax credit in income, distributions to equity shareholders.

Transaction costs relating to shareholders' equity, with the exception of equity issuance costs, directly attributable to the acquisition of an entity, must be recognised by deducting shareholders' equity, net of any related tax credit in income.

Only BMCE Bank Maroc is concerned by the application of this standard.

1.2.16 Effective interest rate

IAS 39 defines the effective interest rate as the rate which equates the net present value of

future cash flows and the loan's initial carrying amount, which incorporates transaction costs and fees.

Costs and royalties to be included when calculating the effective interest rate

Costs

IAS 39 provides for transaction costs to be amortised over the period at the effective interest rate.

These are marginal costs directly attributable to the acquisition, issue or exit of a financial asset or financial liability.

Fees

IAS 18 differentiates between 3 fee categories depending on the nomenclature:

- Fees forming an integral part of a financial instrument's effective interest rate;
    - Origination fees on loan sanctioning;
    - Commitment fees received;
- Fees received in line with services are provided;
- Fees for completion of an important act.

Accounting principles

Issued loans are recognised at amortised cost at the effective interest rate.

Policies adopted by BMCE Bank

Analysis has shown that costs and fees are not material. It was decided, therefore, not to amortise them for the purpose of first-time adoption. Transaction costs and fees must be regularly monitored to ensure that they are not material.

Depending on the outcome, the Group will decide whether transaction costs and fees for loans maturing after one year will be amortised or not. Loans maturing in less than one year will be held at historical cost.

1.2.17 Customer deposits

Accounting principles

Initial measurement

When a financial liability is recognised initially, an entity shall measure it at fair value plus, in the case of a financial liability not at fair value through income, transaction costs that are directly attributable to the acquisition or issue of the financial liability.

Subsequent measurement

After initial recognition, a financial liability must be measured at amortised cost using the effective interest rate, except for:

- Financial liabilities at fair value, through profit and loss;
- Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.

Policies adopted by BMCE Bank

- Currently, the Group categorises all deposits under "Other financial liabilities". No

deposit is categorised under "Financial liabilities held for trading purposes";

- BMCE Bank deposits systematically have a maturity of no more than one year. It was concluded, therefore, that the impact from calculating a write-down and its amortisation over the life of the deposit was not material;
- No other item needs to be incorporated in the calculation regarding either existing or new deposits;
- No restatement has been made for sight deposits and savings accounts;
- Interest-bearing deposits must be categorised under loans and advances and treated accordingly.

1.2.18 Deferred taxes

Deferred tax is a correction made to the tax charge and/or the net position with the aim of smoothing the impact from taxable temporary differences.

A deferred tax asset is a tax which is recoverable in the future. A tax liability is a tax which is payable in the future.

In the event of changes to tax rates or tax rules, the impact on deferred taxes is recognised according to the matching principle – if the deferred tax was initially recognised in shareholders' equity, the adjustment is also recognised in shareholders' equity, otherwise through income.

Policies adopted by BMCE Bank

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

Deferred tax assets are not recognised unless recovery of future taxable profit is probable. The probability of recovery may be ascertained by evaluating the business plans of the companies in question.

Under IFRS, the phrase "probable recovery" must be interpreted as meaning that "recovery is more probable than improbable". This could result, in certain cases, of recognising a high level of deferred tax assets than under generally accepted accounting principles, where this phrase is often interpreted as implying "a high level of probability".

1.2.19 Derivatives

A derivative is a financial instrument (firm or optional) whose value varies as a function of the value of an underlying variable such as an interest rate, commodity or security price. These are generally highly-geared instruments which require no or limited initial investment. Derivative instruments include swaps, options, futures and forward contracts.

Derivatives (swaps, options etc.) are recognised on the balance sheet at fair value.

At each balance sheet, they are marked to market on the balance sheet. Changes in fair value are recognised in income.

Policies adopted by BMCE Bank

Analysis conducted internally has concluded that BMCE Group does not undertake hedging activities.

The restatement at 30 June 2009 relates to the comprehensive nature of derivative products.

IFRS BALANCE SHEET

(In thousand MAD)

ASSETS	June 2009	2 008
Cash and amounts due from central banks and post office banks	**8 601 778**	**8 761 642**
Financial assets at fair value through profit or loss	**22 467 163**	**16 830 734**
Derivatives used for hedging purposes	**-**	**-**
Available-for-sale financial assets	**1 753 250**	**1 396 746**
Loans and receivables due from credit institutions	**20 743 036**	**21 586 233**
Loans and receivables due from customers	**88 854 768**	**85 709 392**
Remeasurement adjustment on interest rate risk hedged assets	**-**	**-**
Held-to-maturity financial assets	**5 503 636**	**5 928 425**
Current tax assets	**713 891**	**602 944**
Deferred tax assets	**349 730**	**369 578**
Accrued income and other assets	**3 983 096**	**4 210 653**
Non current assets held for sale	**-**	**-**
Investment in subsidiaries consolidated under the equity method	**207 134**	**191 437**
Investment property	**511 632**	**505 076**
Property, plant and equipment	**4 076 845**	**3 570 068**
Intangible assets	**619 858**	**547 948**
Goodwill	**416 710**	**249 969**
TOTAL ASSETS	**158 802 527**	**150 460 845**

LIABILITIES & SHAREHOLDERS EQUITY	June 2009	2 008
Due to Central Banks and Post Office Banks	**-**	**-**
Financial liabilities at fair value through profit or loss	**8 107**	**280**
Derivatives used for hedging Purposes	**-**	**-**
Due to Credit institutions	**15 630 775**	**12 647 116**
Due to customers	**113 074 729**	**113 449 746**
Debt securities	**5 872 478**	**4 587 442**
Remeasurement adjustment on interest rate risk hedged portfolios	**-**	**-**
Current tax liabilities	**369 620**	**375 331**
Deferred tax liabilities	**950 065**	**935 380**
Accrued expenses and other liabilities	**7 598 339**	**5 719 501**
Liabilities related to non-current assets held for sale	**-**	**-**
Technical reserves of insurance companies	**-**	**-**
Provisions for contingencies and charges	**300 971**	**325 453**
Subsidies, assigned public funds and special guarantee funds	**-**	**-**
Subordinated debts	**5 033 366**	**4 155 748**
Stockholders equity	**-**	**-**
Stockholders equity group share	**-**	**-**
Capital and related reserves	**5 203 772**	**3 300 401**
Consolidated reserves	**1 421 136**	**1 524 790**
Unrealized or deferred gains or losses –Group Share	**49 055**	**- 98 699**
Net earnings	**453 350**	**830 442**
Minority Interests- Reserves	2 524 711	**2 101 347**
Minority Interests- Unrealized or deferred gains or losses	- 7 765	**-**
Minority Interests- Net earnings	319 818	606 567
TOTAL LIABILITIES & SHAREHOLDERS EQUITY	**158 802 527**	**150 460 845**

IFRS CONSOLIDATED INCOME STATEMENT

IFRS INCOME STATEMENT - JUNE 2009	June 2009	2 008
+ Interests and assimilated revenues	4 892 455	4 507 567
- Interests and assimilated charges	- 2 827 032	- 2 479 611
Net Interest income	2 065 423	2 027 956
+ Fees received	686 510	694 379
- Fees paid	- 78 212	- 67 282
Net fee income	608 298	627 097
+/- Net gains or losses on financial instruments at fair value through profit or loss	486 540	357 259
+/- Net gains or losses on available for sale financial assets	57 157	107 763
Income from market transactions	543 697	465 022
+ Other banking revenues	206 273	36 546
- Other banking expenses	- 97 234	- 66 107
Net Banking Income	3 326 457	3 090 514
- General Operating Expenses	- 1 808 282	- 1 699 572
- Allowances for depreciation and amortization of PP&E and intangible assets	- 190 035	- 153 262
Gross Operating Income	1 328 140	1 237 680
- Cost of Risk	- 271 812	- 93 814
Operating Income	1 056 328	1 143 866
+/- Share in net income of companies accounted for by equity method	20 814	12 644
+/- Net gains or losses on other assets	- 3 436	5 027
+/- Change in goodwill	-	-
Pre-tax earnings	1 073 706	1 161 537
+/- Corporate income tax	- 300 538	- 339 821
Net earnings	773 168	821 716
Minority interests	319 818	352 600
Net earnings – Group Share	453 350	469 116

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY	Share Capital	Reserves related to stock	Treasury stock	Reserves & consolidated earnings	Unrealized or deferred gains or losses	Shareholder's Equity Group Share	Minority interests	Total
Ending balance of Shareholder's Equityn12/31/2007	**1 587 514**	**4 632 595**	**-2 210 289**	**2 691 468**	**-122 075**	**6 579 213**	**580 531**	**7 159 744**
Beginning Balance of adjusted Shareholder's Equity 01/01/2007	**1 587 514**	**4 632 595**	**-2 210 289**	**2 691 468**	**-122 075**	**6 579 213**	**580 531**	**7 159 744**
Operations on capital		**748 150**		**-537 617**		**210 533**	**-65 201**	**145 332**
Share-based payment plans								
Operations on treasury stock			**-1 457 569**			**-1 457 569**		**-1 457 569**
Dividends				**-485 222**		**-485 222**		**-485 222**
Net earnings				**830 442**		**830 442**	**606 567**	**1 437 009**
PP&E and intangible assets:Revaluations and disposals (A)						**-**	**-**	**-**
Financial instruments: change in fair Value and transfer to earnings (B)				-223 412	83 423	**-139 989**	**-**	**-139 989**
Currency translation adjustments: Changes and transfer to earnings (C)					-60 047	**-60 047**	**-**	**-60 047**
Unrealized or deferred gains or losses (A)+ (B) + (C)				**-223 412**	**23 376**	**-200 036**	**-**	**-200 036**
Change in the scope of consolidation				79 573		**79 573**	1 586 017	**1 665 590**
Ending Balance of Shareholder's Equity 12/31/2007	**1 587 514**	**5 380 745**	**-3 667 858**	**2 355 232**	**-98 699**	**5 556 934**	**2 707 914**	**8 264 848**
Impact of changes in Accounting methods								
Ending Balance of adjusted Shareholder's Equity 12/31/2007	**1 587 514**	**5 380 745**	**-3 667 858**	**2 355 232**	**-98 699**	**5 556 934**	**2 707 914**	**8 264 848**
Operations on capital		**351 989**		**-336 565**		**15 424**	**51 074**	**66 498**
Share-based payment plans						**-**		**-**
Operations on treasury stock			**1 551 382**	**37 705**		**1 589 087**		**1 589 087**
Dividends				**-490 942**		**-490 942**	**-269 863**	**-760 805**
Net earnings				**453 350**		**453 350**	**319 818**	**773 168**
PP&E and intangible assets:Revaluations and disposals (E)						**-**		**-**
Financial instruments: change in fair Value and transfer to earnings (F)				-98 699	147 754	**49 055**	15 477	**64 532**
Currency translation adjustments:Changes and transfer to earnings (G)				-28 925		**-28 925**	82	**-28 843**
Unrealized or deferred gains or losses (E)+ (F) + (G)				**-127 624**	**147 754**	**20 130**	**15 559**	**35 689**
Change in the scope of consolidation				**-16 670**		**-16 670**	**12 262**	**-4 408**
Ending Balance of adjusted Shareholder's Equity 12/31/2008	**1 587 514**	**5 732 734**	**-2 116 476**	**1 874 486**	**49 055**	**7 127 313**	**2 836 764**	**9 964 077**

CASH FLOW STATEMENT- JUNE 2009

	JUNE 2008	2008	JUNE 2009
Pre-tax net income	**1 161 537**	**2 109 906**	**1 073 706**
Net depreciation/amortisation expense on property, plant, and equipment and intangible assets	153 262	331 554	190 035
Impairment of goodwill and other non current assets	9 184	-	-
Net addition to provisions	151 863	-49 227	-49 265
Share of earnings in subsidiaries accounted for by equity method	-	-16 190	321 077
Net loss (income) from investing activities	-	32 771	20 814
Net loss (income) from financing activities	79 170	-104 526	-
Other movements	-13 448	-183 129	-
Non monetary items included in pre-tax net income and other adjustments	-510 686	-	2 780
Cash flows related to transactions with credit institutions	**-130 655**	**11 253**	**485 441**
Cash flows related to transactions with customers	-7 485 327	1 637 471	3 826 856
Cash flows related to transactions involving other financial assets and liabilities	4 333 006	5 807 682	-3 238 929
Cash flows related to transactions involving non financial assets and liabilities	-4 813 240	-9 361 721	-2 405 322
Taxes paid	4 983 620	-470 061	-163 183
Net Increase (Decrease) in cash related to assets and liabilities generated by operating activities	-415 576	-575 106	-300 538
Net Cash Flows from Operating Activities	**-3 397 517**	**-2 961 735**	**-2 281 116**
Cash Flows related to financial assets and equity investments	**-2 366 635**	**-840 576**	**-721 969**
Cash flows related to investment property	394 628	-113 024	-131 539
Cash flows related to PP&E and intangible assets	98 616	-	-
Net Cash Flows from Investing Activities	-378 518	-527 816	-330 000
Cash flows related to transactions with shareholders	**114 726**	**-640 840**	**-461 539**
Cash flows generated by other financing activities	-525 471	-985 222	175 026
Net Cash Flows from Financing Activities	2 302 406	3 143 491	848 618
Effect of movements in exchange rates on cash and equivalents	**1 776 935**	**2 158 269**	**1 023 644**
Net Increase in Cash and equivalents	-	-	-
	-474 974	**676 853**	**-159 864**
Beginning Balance of Cash and Equivalents			
Net Balance of cash accounts and accounts with central banks and post office banks	**9 181 188**	**8 084 789**	**8 761 642**
Net Balance of demand loans and deposits- credit institutions	9 181 188	8 084 789	8 761 642
Ending Balance of Cash and Equivalents	-	-	-
Net Balance of cash accounts and accounts with central banks and post office banks	**8 706 214**	**8 761 642**	**8 601 778**
Caisse, Banques centrales, CCP (actif & passif)	8 706 214	8 761 642	8 601 778
Net Balance of demand loans and deposits- credit institutions	-	-	-
NET INCREASE IN CASH AND EQUIVALENTS	-474 974	676 853	-159 864

2. NOTES TO CONSOLIDATED INCOME – JUNE 2009

2.1 Net Interest Income

(In thousand MAD)

	June 2009			June 2008		
	Income	Expense	Net	Income	Expense	Net
Customer Items	**4 498 100**	**2 348 391**	**2 149 709**	**3 885 957**	**1 997 414**	**1 888 543**
Deposits, loans and borrowings	3 093 533	1 201 340	1 892 193	2 499 479	750 435	1 749 044
Repurchase agreements	1 933		1 933	6 607	119 413	-112 806
Finance leases	1 402 634	1 147 051	255 583	1 379 871	1 127 566	252 305
Interbank items	**224 343**	**231 446**	**-7 103**	**419 923**	**342 357**	**77 566**
Deposits, loans and borrowings	154 470	117 568	36 902	244 949	237 482	7 467
Repurchase agreements	69 873	113 878	-44 005	174 974	104 875	70 099
Debt securities issued	**-**	**-**	**-**	**-**	**-**	**-**
Cash flow hedge instruments	**-**	**-**	**-**	**-**	**-**	**-**
Interest rate portfolio hedge instruments	**-546**	**-**	**-546**	**-**	**-**	**-**
Trading book	**172 839**	**247 195**	**-74 356**	**201 459**	**139 840**	**61 619**
Fixed income securities	172 839	151 382	21 457	201 731	81 736	119 995
Repurchase agreements	-	-	-	-	-	-
Loans/borrowings	-	-	-	-272	0	-272
Debt securities	-	95 813	-95 813	-	58 104	-58 104
Available for sale financial assets	**-**	**-**	**-**	**228**	**-**	**228**
Held to maturity financial assets	**-2 281**	**0**	**-2 281**	**-**	**-**	**-**
Total interest income (expense)	**4 892 455**	**2 827 032**	**2 065 423**	**4 507 567**	**2 479 611**	**2 027 956**

2.2 Net Fee Income

(In thousand MAD)

	Income	Expense	Net
Net fee on transactions	**339 775**	**- 6 755**	**333 020**
With credit institutions			-
With customers	265 483		265 483
On custody	33 968		33 968
On foreign exchange	40 324	- 6 755	33 569
On financial instruments and off balance sheet		-	-
Banking and financial services	**346 735**	**- 71 457**	**275 278**
Income from mutual funds management	-	- 15 482	15 482
Income from electronic payment services	104 706	- 30 523	74 183
Insurance	3 695		3 695
Other	238 334	- 25 452	212 882
NET FEE INCOME	**686 510**	**- 78 212**	**608 298**

2.3 Gain/Loss on Financial Instruments at Fair Value through Profit or Loss

(in thousand MAD)

	June 2009			June 2008		
	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	470 675		470 675	309 676		309 676
Derivative instruments	15 866		15 866	47 583		47 583
Repurchase agreements						
Loans						
Borrowings						
Remeasurement of interest rate risk hedged portfolios						
Remeasurement of currency positions						
TOTAL	**486 541**	**-**	**486 541**	**357 259**	**-**	**357 259**

2.4 Net Gain/Loss on Available-for-sale Financial Assets

(in thousand MAD)

	June 2009	June 2008
Fixed income securities	**205**	**-**
Disposal gains and losses	205	-
Equity and other variable-income securities	**56 952**	**107 763**
Dividend income	15 203	51 594
Impairment provisions		
Net disposal gains	41 749	56 169
TOTAL	**57 157**	**107 763**

2.5 Net Income From Other Activities

(in thousand MAD)

	June 2009			June 2008		
	Income	Expense	Net	Income	Expense	Net
Net income from insurance activities			-			-
Net income from investment property	20 409		20 409	5 086	343	4 743
Net income from assets held under operating leases	78 323		78 323			-
Net income from property development activities			-			-
Other	107 541	97 234	10 307	31 460	65 764	-34 304
Total net income from other activities	**206 273**	**97 234**	**109 039**	**36 546**	**66 107**	**-29 561**

2.6 Cost of Risk for the Period

(In thousand MAD)

	June 2009	June 2008
Impairment provisions	**-390 828**	**-301 892**
Impairment provisions on loans and advances	-373 060	-289 525
Impairment provisions on held to maturity financial assets (excluding interest rate risks)		
Provisions on off balance sheet commitments	-893	
Other provisions for contingencies and charges	-16 875	-12 367
Write back of provisions	**164 050**	**222 968**
Write back of Impairment provisions on loans and advances	83 793	222 968
Write back of Impairment provisions on held to maturity financial assets (excluding interest rate risks)		
Write back of Provisions on off balance sheet commitments	547	
Write back of other provisions for contingencies and charges	79 710	
Changes in provisions	**-45 034**	**-14 890**
Losses on counterparty risk on available for sale financial assets (fixed income securities)		
Losses on counterparty risk held to maturity financial assets		
Loss on irrecoverable loans and advances not covered by impairment provisions		
Loss on irrecoverable loans and advances covered by impairment provisions	-41 009	-77 818
Discount on restructured products	1 871	8 764
Recoveries on amortized loans and advances	4 212	54 164
Losses on off balance sheet commitments		
Other losses	-10 108	
Cost of Risk	**-271 812**	**-93 814**

2.7 Net Gain/Loss on Other Assets

(in thousand MAD)

	June 2009	June 2008
PP&E and intangible assets used in operations	**-5 043**	**5 027**
Capital Gains on Disposals	198	33 044
Capital Losses on Disposals	5 241	28 017
Equity interests		
Capital Gains on Disposals		
Capital Losses on Disposals	1 607	
Net Gain/Loss on Other Assets	**-5 043**	**5 027**

2.8 Income Tax

2.8.1 Current and deferred tax

(in thousand MAD)

	June 2009	June 2008
Current tax	713 891	602 944
Deferred tax	349 730	369 578
Current and deferred tax assets	**1 063 621**	**972 522**
Current tax	369 620	375 331
Deferred tax	950 065	935 381
Current and deferred tax liabilities	**1 319 685**	**1 310 712**

2.8.2 Net Corporate income tax expense

(in thousand MAD)

	June 2009	June 2008
Current tax expense	-320 006	415 576

Net deferred tax expense	19 468	-75 755
Net Corporate income tax expense	**-300 538**	**339 821**

2.8.3 Effective tax rate

(in thousand MAD)

	June 2009	June 2008
Net income	773 168	821 716
Net corporate income tax expense	-300 538	-339 821
Average effective tax rate	**-38,9%**	**-41,4%**

Analysis of effective tax rate

	June 2009	June 2008
Standard tax rate	37,0%	37,0%
Differential in tax rates applicable to foreign entities	1,0%	1,0%
Reduced tax rate		
Permanent differences		1,0%
Change in tax rate		2,6%
Deficit carry over	1,0%	-2,0%
Other items		1,8%
Average effective tax rate	**39,0%**	**41,4%**

3 INDUSTRY INFORMATION

3.1 GENERAL INFORMATION

The Group is composed of 4 core businesses:

- Activity in Morocco: BMCE BANK SA
- Asset Management: BMCE Capital, BMCE Capital Bourse, BMCE Capital Gestion, Casablanca Finance Market
- Specialized Financial Services: Salafin, Maghrébail, Maroc Factoring, Euler Hermes Acmar
- International Activities: BMCE Bank Off Shore, BMCE Paris, BMCE International (Madrid), Banque de développement du Mali, La Congolaise de Banque, MediCapital Bank, Bank Of Africa,

3.2 SEGMENT INFORMATION

3.2.1 Income by Operational segment

	June 2009					
	ACTIVITY IN MOROCCO	ASSET MANAGEMENT	SPECIALISED FINANCIAL SERVICES	INTERNATIONAL ACTIVITIES	OTHERS	TOTAL
Net interest Income	1 021 779	(1 604)	247 770	802 102	(4 624)	2 065 423
Net Fee income	280 532	86 710	2 767	238 289	0	608 298
Net Banking Income	1 648 594	108 910	253 388	1 245 926	69 639	3 326 457
General Operating Expenses & allowances for depreciation and amortization	(1 021 273)	(100 485)	(72 417)	(772 009)	(32 133)	(1 998 317)
Operating Income	627 320	8 425	180 971	473 918	37 506	1 328 140
Corporate income tax	(124 897)	(13 999)	(87 945)	(65 867)	(7 830)	(300 538)
Net Earnings Group Share	283 356	(5 378)	62 640	86 735	25 997	453 350

3.2.2 Assets & Liabilities by operational segment

	ACTIVITY IN MOROCCO	ASSET MANAGEMENT	SPECIALISED FINANCIAL SERVICES	INTERNATIONAL ACTIVITIES	OTHERS	TOTAL
Total assets	118 264 740	330 953	8 851 155	31 048 204	307 475	158 802 527
Assets items						
Available for sale assets	1 216 352	14 691	21 909	473 600	26 698	1 753 250
Customer loans	61 548 546	77	10 239 495	17 066 650		88 854 768
Held to maturity assets	1 942 777	168	27	3 560 664		5 503 636
Liabilities & shareholders equity items						

Customer deposits	88 457 884	1 407	675 354	23 940 084		113 074 729
Shareholders equity	6 481 782	74 838	1 045 191	2 315 966	46 300	9 964 077

4. RISK EXPOSURE AND HEDGING STRATEGIES

4.1 RISK MANAGEMENT SYSTEM

4.1.1 Types of risks

4.1.1.1 Credit risk

Inherent in the banking activity, credit risk is the risk of clients' default on the bank's loans in full or in time. This might cause a financial loss for the bank. It is the most widespread type of risk and can be correlated with other risk categories.

4.1.1.2 Market risk

Market risk is he risk of loss caused by the unfavourable market factors such as exchange rates, interest rates, stock prices, mutual funds... It is also related to settlement risk, which can be described as follows:

- Pre-settlement risk: pre-settlement risk is the risk of loss due to a counterparty defaulting on a contract with the Bank during the life of a transaction. The Pre-settlement risk is calculated in terms of the replacement cost of such contract by another one on a mark to market basis.
- Settlement risk: settlement risk takes place at a simultaneous exchange of values with counterparty for the same value date, when the Bank is not able to verify if the settlement has actually taken place, while it has already initiated the transfer of its side.

4.1.1.3 Interest rate and liquidity risks

The interest rate risk is the vulnerability of the financial situation of an institution to unfavourable change in interest rates.

Liquidity risk is defined as the risk for the institution of not being able to honour its commitments to maturity in normal conditions,

4.1.1.4 Operational Risk

Operational risk is the possibility of losses arising from inadequate or failed internal processes, people and systems or from external events.

This definition includes legal risk but excludes strategic and reputation risks.

4.1.1.5 Other Risks

4.1.1.5.1 Risk of Equity Investments

This risk occurs when BMCE Bank invests, holds in its portfolio, or acquires equity or quasi equity holdings in entities other than its own subsidiaries. These investments may include ordinary shares, preferred stock, derivatives, warrants, options or futures.

4.1.1.5.2 Country Risk

The country risk includes political risk and transfer risk.

The political risk is usually caused by an action of a country's government, such as nationalization or expropriation, or independent events such as a war or a revolution, which affect the ability of customers to meet their obligations.

The risk transfer is the risk that a resident client cannot acquire foreign currency in his country so that he can meet his commitments abroad.

4.1.2 Organization of risk management

4.1.2.1 General control system

At the Group level, BMCE Bank has a General Control body that is mandated to carry out inspections and audit in different operational segments both in Morocco and abroad.

4.1.2.2. Group Risk Management

The mission of Group Risk Management is to monitor credit, market and operational risks, with an active contribution to:

- the definition of BMCE BANK's risk policy;
- the set up of a control system for credit, market and operational risks;
- the definition and management of a decision-making process and monitoring of commitments.

The Group Risk Management is composed of:

- Group Risk Management Division, which is in charge of monitoring risks (credit, market and operational) for BMCE Bank Group, supported by Group entities;
- The Credit Analysis and Management Division, which examines the lending policy for BMCE Bank clients.

4.1.3 Governance bodies

4.1.3.1 General Management Committee

The members of the General Management Committee include Directors and General Managers, General Managers and Deputy General Managers. They meet on a weekly basis.

The missions of the Committee encompass the following:

- Ensure and decide on the implementation of strategic and operational orientations as adopted by BMCE Bank and affiliated entities in coherence with the decisions of the Executive Committee;
- Set the objectives, priority and competencies of the collegiate management units pertaining to the Bank and those of its affiliated entities;

- Decide the allocation of key resources in the Bank and affiliated entities;
- Decide on the implementation of actions pursuant to Human Resources, organisation and IT contributing to the development of the Bank;
- Give impetus to major transversal projects impacting the operation and development of the institution;
- Decide on all unsolved issues under the competence of the entities of the Bank and Internal committees;
- Set all the limits and aggregated risk levels in the framework of the activities of the Bank and its affiliated entities;
- Authorise all the major commitments as well as those above the competency of the Credit Committee;
- Follow-up on the budgets and expenditures of the various Bank entities and the gaps existing in relation to the set objectives;
- Ensure the implementation of a coherent communications on products and financial policies;
- Encourage the development of participation-based management focusing on values of excellence, high performance, commitment and merit.

4.1.3.2 The Audit and Internal Control Committee

The Audit and Internal Control Committee (AICC) is a governance body established within the Bank and is directly under its Board of Directors.

Its mission is to ensure a third level control through the structures of the Bank. In other words, the AICC (i) assess the relevance and permanence of accounting policies, (ii) controls the existence, the adequacy and implementation of internal procedures and processes for control, monitoring and surveillance of banking risks and prudential ratios (iii) examine the accounts and consolidated before submission to the Board of Directors, and (iv) keep close watch on the quality of information released to shareholders.

In this regard, the Committee permanently ensures the follow up and the achievement of the objectives and missions, defined as below:

- Verification of internal operations and procedures;
- Assessment, control and supervision of risks;
- Verification of the reliability of collection, processing, dissemination and conservation of accounting data;
- Effective circulation of documentation and information internally and externally;
- Assessment of coherence and adequacy of the established control systems;
- Assessment of the pertinence of the corrective measures proposed or implemented;
- Ensure compliance of accounting and coherence of the internal control systems at the level of each entity with a financial vocation belonging to the Group;
- Examination of company and consolidated accounts before submittal to approval by the Board of Directors;
- Devising of the annual report on activity, earnings and internal control submitted for examination by the Board of Directors;

- Information at least once per year, to the Board of Directors regarding the amount of nonperforming loans, the debt collection processes, as well as the outstanding amount of restructured loans and the situation of reimbursement;
- Keep close watch on the quality of the information released to the shareholders.

4.1.3.3 Credit Committees

Senior Credit Committee

Authorities: approve loan applications whose amount is less or equal to MAD 50 million and advice on loans exceeding MAD 50 million. The latter are subject to the approval of the CEO.

The missions of the Committee include:

- develop the Bank's risk management strategy;
- initiate a Stress Testing for the portfolio in light of a major exogenous event;
- review the Product Programs proposals;
- set the concentration criteria for the portfolio;
- establish pricing guidelines;
- review the major commitments/loans before their submittal to the CEO;
- generally, review the items on the agenda by the chairman of the Credit Committee, the Senior Risk Manager or other senior members of the Credit Committee.

Composition: CEO and Directors and General Managers of the Retail Bank and the Bank Corporate, Senior Risk Manager (SRM) and General Managers of the Retail Bank and Corporate Bank.

4.1.3.4 Risk Management Committees

These committees include:

4.1.3.4.1 Downgrading Committee

This committee is in charge of classifying non performing loans and meets monthly.

4.1.3.4.2 Risk Management Committee

The mission of this committee is monitoring:

- changes in exposure to market risks;
- approval of new products;
- approval of limits.

4.1.3.4.3 Operational Risk Committee

The mission of this Committee includes the periodic review of:

- Changes in exposure to risks and the environment controlling these risks;
- Identification of key areas of risk, in terms of activities and type of risk;

- Definition of preventive and corrective actions put in place to reduce the level of risk;
- Amount of capital to allocate for operational risks, the cost of preventive actions and insurance.

4.2 CREDIT RISK

4.2.1 Lending policy, procedures, and provisions

4.2.1.1 Lending procedures

The procedure for granting loans at BMCE Bank is based on two approaches:

a. A standardized approach for products to individuals subject to "Product Programs'', which define, for each product, the rules of risk management for the marketing of the product. Indeed, risk policy rests on two pillars: The use of a fact sheet, which states the approval criteria, and based on which the assessment Risk is conducted. This fact sheet explains the credit terms and verifies compliance and the meeting of the loan standards. If the loan does not meet the standards set by all the acceptance risk criteria, the request must be rejected unless an exception is granted by the Committee; A system of delegation which identifies the authority levels for loan granting. It ensures compliance of the decision making process and the integrity of the credit agent. Each loan application passes through all subordinated entities until its approval.

b. A customized approach based on the specific needs of clients based on three principles: (i) Loan portfolio Management, which allows the Senior Management to have sufficient information to assess the risk profile of the customer; (ii) the delegation of approval authority to individuals (intuitu personae) on the basis of their experience, judgment, competence, education and professional training; (iii) the balance of power, the facilities being granted based on the judgment of at least three persons " Troika ".

For certain levels of risk, approval of the Senior Credit Committee or the President of the Bank must be sought. Note also that an independent control of the credit quality and compliance with procedures is provided by the General control and external auditors. Similarly, The Group's Risks Division independently ensures the continuity of the risk management quality and respect for rules and procedures.

4.2.1.2 Risk Control Procedures

Group Risk Division, through the entity in charge of the ''Group Credit Risk Management'', ensures the following missions:

- Prevention of credit risk
- Contribution to the global lending policy
- Permanent surveillance of credit risk

4.2.1.3 Provisions

Substandard, doubtful and loss loans are subject to provisions, equivalent at least of 20%, 50% and 100% of their respective amounts, net of guarantees and accrued interest on non-performing loans. Provisions for loss loans are made on a case by case basis, whereas provisions for substandard and doubtful loans are made in a comprehensive manner. Guarantees according to their nature, are deducted, according to the amounts stipulated the Central Bank, from the provisions.

The provisioning is subject to control and monitoring by the General Control, the Statutory Auditors, and the Audit and Internal Control Committee.

If the Group determines that there is no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

As for portfolio impairment, an objective evidence of impairment exists when there are observable data indicating that there is a measurable decrease in the estimated cash flows from a group of loans since the initial recognition of these assets, although this decrease cannot be identified with the individual financial assets within the group. This objective evidence includes:

- Adverse changes in the payment status of the borrowers in the group;
- National or local economic conditions that correlate with defaults on the assets in the group.

4.2.1.4 Rating system

A rating system was put in place in 2004, validated by the General Management Committee and the Audit and Internal Control Committee.

The system is two-dimensional, combining a credit rating to assess the risk inherent in the transaction and financial rating obtained on the basis of the financial situation of the borrower in the last 3 years, potential development, and industry, the rating of the parent company, country risk and Delinquency.

The rating scale includes 11 levels grouped into 4 risk categories varying from ‘’ very high risk" to “limited risk”. The rating ranges from 1 for the lowest risk to 6 for the highest risk (See scale below).

Rating	Definition	Category	
1	**Extremely stable in the short and medium terms; very stable in the long term** ; solvent or creditworthy even in serious financial distress	**Low risk**	**Investment grade**
1.5	**Very stable in the short and medium terms; stable in the long term**; sufficient solvency even		

	inpersistant negative events		
2	**Solvent in the short and medium terms;** even after serious hardship or difficulties ; slightly negative events might be absorbed in the long term		
2.5	**Very stable in the short term**; no material adverse effect expected within the year; sufficient financial strength to survive in the medium term ; uncertain long term creditworthiness	**Moderate risk**	
3	**Stable in the short term** ; no material adverse effect expected within the year ; only slightly negative events could be absorbed in the medium term		
3.5	**Limited capacity** to absorb unexpected negative events		
4	**Very limited capacity** to absorb unexpected negative events	**High risk**	**Sub-investment grade**
4.5	**Weak creditworthiness** (principal and interests)**.** Any change in the economic and commercial conditions would make timely reimbursement difficult		
5	**Inability to serve debt** (principal and interests) in due time. Creditworthiness is linked to positive evolution of economic and commercial conditions	**Very high risk**	
5.5	**Very high default risk,** inability to serve debt (principal and interests) in due time. Default payment on part of principal and interests		
6	Default payment on principal and interests		

4.2.2 Hedging and risk mitigation policy

Credit guarantees

For individual customers, the Bank requires for every loan application a salary deduction authority. Mortgage loans are covered by first mortgage. For agreement loans, i.e. loans granted to the employees of client enterprises. In this case, the Bank has the legal guarantee of the employer.

For client enterprises, the guarantees policy is based on detailed analysis of counterparties and risks involved. For large enterprises, which have reached a high growth level with no risk, no collateral is required. However, for some Corporations, the Bank holds guarantees (collaterals and bank guarantees).

For medium and small sized companies, and very small businesses, guarantees are required, given the high risk level. As for project finance, the asset financed is taken as collateral, and according to the size of the project and the sector, guarantee funds are required.

4.2.3 Loan Book Breakdown

Diversification by counterparty

The diversification of counterparties is regularly monitored, as part of the concentration risk management. In this regard, concentration limits have been set by sectors, counterpart and group counterparts. Regular reports are submitted to Bank Al-Maghrib, including group exposures.

4.3 MARKET RISK

Market risk is the risk of negative implications on the income statement or balance sheet; it is the risk of adverse fluctuations in the value of financial instruments following the change in markets parameters including: interest rates, exchange rates, stock prices, prices of raw materials and their implied volatility.

The measurement of market risks incurred by the bank is made mainly according to the standard approach of Basel II agreements. This indeed explains the complete methodology to apply in all positions at the trading level across all factors of market risk.

In parallel, the bank expects to launch projects of market risk measurement using the advanced methods namely the VaR, which reflects interdependencies between risk variables (in this case the interest rate and exchange rate).

4.4 LIQUIDITY AND INTEREST RATE RISKS (ALM)

In order to maintain a balance sheet at equilibrium, in a context of a strong growth in assets, the management of liquidity and interest rate risks system should:

- Ensure the stability of earnings against the change in interest rates, with a sustained net interest income and optimised economic value of equity;
- Manage an adequate level of liquidity, allowing the bank to meet its obligations at any time, away of any potential crisis;
- Ensure that the risk inherent in foreign exchange does reduce the margin of the bank;
- Adjust the bank’s strategy so as to fully capture the growth opportunities offered by the macroeconomic environment.

4.4.1 Liquidity Risk

The bank's strategy in terms of liquidity risk management aims at adjusting the structure of its resources in phase with the development of its business activity.

Liquidity risk is defined as the inability of the Bank to meet its obligations when unexpected needs occur and that the bank's liquid assets cannot cover them.

Such an event might be induced by other causes than liquidity, such as default of counterparts, or adverse changes in the market, resulting in potential losses.

Two major sources for liquidity risk:

- The inability to raise adequate funds to meet short term obligations, especially a massive withdrawal of deposits or cash outflows including off balance sheet items;
- Unbacked assets or liabilities or the financing of medium and long term assets by short term liabilities.

An adequate level of liquidity is a level that allows the Bank to finance the growth of its assets and meet its obligations once they are due, putting it away from any potential crisis.

Two indicators can measure the liquidity of the Bank:

- Liquidity ratio, as defined by the central bank
- Cumulative static gaps for a 12 months period.

Periodic or cumulative gaps in local or foreign currency measure the bank's risk of liquidity in the short, medium and long terms. This allows estimating the net refinancing needs on different buckets and determining the appropriate coverage.

4.4.2 Interest Rate Risk

Interest rate risk is the risk of reducing the margins of the Bank due to changes in interest rates. The latter also impacts the discounted value of expected future cash flows.

The degree of the impact on the economic value of assets and liabilities depends on how sensitive the balance sheet items are to the change in interest rates.

The interest rate risk can be assessed through stress testing, based on an interest rate shock of 200 basis points, as recommended by Basel Committee.

The Bank's strategy in terms of interest rate risk management aims at stabilizing earnings against any change in interest rates, with a sustained net interest income and optimized economic value of equity.

Changes in interest rates can have negative impact on the Bank's net interest income, and thus cause serious deviation from initial forecasts.

To counter these discrepancies, the ALM department regularly matches uses with resources of the same nature, and defines the tolerance level for a maximum deviation in net interest income from the forecasted net banking income.

Periodic or cumulative gaps in local or foreign currency measure the bank's risk of liquidity in the short, medium and long terms. This allows estimating the net refinancing needs on different buckets and determining the appropriate coverage.

4.4.3 Sensitivity of the value of banking book

4.4.3.1 Interest rate stress testing and sensitivity Analysis

ALM department performs stress testing simulations in order to measure the impact of a change in interest rates on net interest income and the economic value of equity.

As of June 30, 2009, an interest rate shock of 200 basis points would have an impact of MAD 30 million on net banking income.

Likewise, an interest rate shock of 200 basis points would have an impact of MAD 103 million on the economic value of equity, which represents 1.4% of the Bank's regulatory capital as of June 30, 2009.

4.4.3.2 Liquidity Stress testing

In order to assess the Bank's liquidity in a crisis situation, ALM department performs stress testing in case of a pressure on resources (massive withdrawal of deposits). These scenarios allow an assessment of the bank's capacity to meet its obligations in situations of liquidity crisis.

Three Scenarios are defined:

Scenario 1: this scenario takes into account a pressure on demand deposits for 3 months, while maintaining the credit activity. The liquidity behaviour is studied thanks to liquidity gaps on the first three months. This stress test assumes the withdrawal of 30% of time deposits (10% per month).

Scenario 2: this scenario takes into account a pressure on demand deposits for 10 days, while maintaining the credit activity. The objective of this scenario is to test the capacity of the Bank to meet its obligations, following the withdrawal of volatile time deposits, on a very short period (10 days).

Scenario 3: This is the worst case scenario, with a maximum pressure on deposits in a major crisis situation, where the bank looses the totality of demand deposits in 10 days.

4.5 OPERATIONAL RISKS

4.5.1 Operational risks management policy

4.5.1.1 Operational risks management objectives

The management of operational risks aims at:

- Assess operational risks;
- Evaluate the control process;
- Manage the operational risks.

4.5.1.2 Classification

Operational risks can be classified and analyzed according to 3 axes:

- Causes;
- Unique events;
- Consequences (financial impact or other).

4.5.1.3 Relationship with other risk categories (market and credit risks)

Operational risks management is potentially related to the management of other risks (market and credit risks) at two levels:

- At a global level, the Bank's risk aversion is analysed and monitored
- At a detailed level, certain operational risks are directly related to the management of market and credit risks.

4.5.2 Organization of operational risks management

The framework for the operational risk management at BMCE Bank Group is structured around three guiding principles:

- Set a target system in line with the Group's organization and the best practices;
- Entrust the different Group's business units and subsidiaries with the daily management of operational risk;
- Ensure the separation of the functions ''Audit/Control'' and operational risk management.

The operational risks management at the Bank implies 4 major entities:

- Operational Risk Management Department;
- BMCE Bank branch network;
- Functional entities of BMCE Bank;
- Subsidiaries.

4.5.3 Fundamental principles

The priority strategic objective of the operational risk management system at BMCE Bank is twofold:

- Reduce the exposure to operational risks;
- Optimize funds requirements for operational risks.

The internal system for measuring operational risk is closely related to the daily management of risk through:

- Collection of events;
- Risk mapping;
- Key risk indicators;
- Exposure to operational risks and incurred losses are regularly reported to the entity concerned, general management, and to the board;
- The management system is properly documented, to ensure compliance with a set of formalized controls, procedures and corrective measures for non-compliance;
- Internal and/or external auditors are called to periodically review the management process and systems for measuring operational risk. These reviews concern the activities of the units and the independent function of the operational risk management;
- Completeness: the internal data on losses take into account all activities and risk exposures of business units and services in all geographic locations;
- Consolidation: the historical data on loss are restored according to the two axes corresponding to eight business lines and seven risk categories, as stipulated by the Basel Committee and this according to objective criteria properly documented.

4.5.3.1 Control and mitigation of operational risks

Several types of attitudes can be considered for operational risk management:

- strengthening controls;
- covering risks, particularly through insurance;
- avoiding risks, especially through redeployment of activities;
- developing business continuity plans;

The Group BMCE has a solid control system, enabling a significant reduction of operational risks. However, in terms of operational risks management, it retains full discretion via its system to identify the optimal behaviour on a case by case basis, according to the different risk types previously defined.

The Group also has insurance policies to mitigate the risks related to damages, fraud, theft of securities and civil liability.

4.5.3.2 Aggregation of risks

In terms of organization, operational risk coordinators were appointed, to report risk events and losses for each business line, entity and subsidiary at the Group level.

4.5.3.3 Mitigation of risks

Any identified major risk is reported to top management for any corrective measure to be undertaken by the operational risks committee.

4.5.4 Business Continuity Plan

A regulatory project, the business continuity plan responds to a growing emphasis on minimizing the effects of disruption of activities, given their interdependence and resources including human, logistic and information technology.

It is a set of measures and procedures to maintain, under various scenarios, including extreme shock, the running, on a temporary basis of the main services of the Bank and the planned recovery of activities.

The strategic transversal principles of the continuity of activities are:

- BMCE Bank's social responsibility to its customers is to have their deposits available. The non respect of this obligation in crisis time would have an impact on public order. This principle prevails over all others.
- BMCE Bank must ensure its commitments to the interbank compensation system in Morocco.
- BMCE Bank intends to give priority to legal and contractual commitments (on Credits and Commitments) it has made, before taking further commitments.
- BMCE Bank intends to maintain its international credibility priority and ensure its commitments vis-à-vis Foreign Correspondents
- The Group's clients have priority over other beneficiaries of its services.
- The services are taken into account in their implementation ‘’Front to back’’ (for example, from the branch to the accounting).

5. BALANCE SHEET NOTES – JUNE 2009

5.1 Financial assets, financial liabilities, and derivatives at fair value through profit or loss

	June 2009			2008		
	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	**8 165 360**		**8 165 360**	**5 808 584**		**5 808 584**
Treasury bills and other eligible for central bank refinancing	7 954 446		7 954 446	5 379 613		5 379 613
Other negotiable certificates of deposits	210 914		210 914	428 971		428 971
Bonds	**119 561**		**119 561**	**704 645**		**704 645**
Government bonds	119 561		119 561	135 794		135 794
Other bonds			0	568 851		568 851
Equities and other variable income securities	**14 179 779**		**14 179 779**	**10 317 505**		**10 317 505**
Repurchase agreements						
Loans						
to credit institutions						
to corporate customers						
to private individual customers						
Trading Book Derivatives	**2 463**		**2 463**			
Currency derivatives	2 285		2 285			
Interest rate derivatives	178		178			
Equity derivatives						
Credit derivatives						
Other derivatives						
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**22 467 163**	**-**	**22 467 163**	**16 830 734**	**-**	**16 830 734**
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						
Credit institutions						
Corporate customers						
Debt securities						
Trading Book Derivatives	**8 107**		**8 107**	**280**		**280**
Currency derivatives	8 107		8 107	1 335		1 335
Interest rate derivatives			0	67		67
Equity derivatives			0	-1 122		-1 122
Credit derivatives						
Other derivatives						
TOTAL FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	**8 107**	**-**	**8 107**	**280**	**-**	**280**

5.2 Breakdown of financial instruments by type of fair price measurement

	30/06/09				31/12/08			
	Market Price	Model with observable parameters	Model with non observable parameters	TOTAL	Market Price	Model with observable parameters	Model with non observable parameters	TOTAL
FINANCIAL ASSETS								
Financial assets held for trading purposes at fair value through profit or loss	22 467 163			22 467 163	16 830 734			16 830 734
Financial assets at fair value through profit or loss under the fair value option								
FINANCIAL LIABILITIES								
Financial liabilities held for trading purposes at fair value through profit or loss	8 107			8 107	280			280
Financial liabilities at fair value through profit or loss under the fair value option								

5.3 Available for sale financial assets

(In thousand MAD)

	June 2009	2008
Negociable certificates of deposit		
Treasury bills and other bills eligible for central bank refinancing		
Other negotiable certificates of deposit		
Bonds		
Government bonds		
Other bonds		
Equities and other variable-income securities	**1 753 250**	**1 396 746**
of which listed securities	238 139	271 860
of which unlisted securities	1 515 111	1 124 886
Total available-for-sale financial assets, before impairment provisions	**1 753 250**	**1 396 746**
of which unrealised gains and losses		
of which fixed-income securities		
of which loaned securities		
Provisions for impairment of available-for-sale financial assets		
Fixed-income securities		
Variable-income securities		
Total available-for-sale financial assets, net of impairment provisions	**1 753 250**	**1 396 746**
of which fixed-income securities, net of impairment provisions		

5.4 Interbank and money-market items

Loans and receivables due from credit institutions

(In thousand MAD)

	June 2009	2008
Demand accounts	7 825 859	7 096 508
Loans	12 917 177	14 037 045
Repurchase agreements		452 680
Total loans and receivables due from credit institutions, before impairment provisions	**20 743 036**	**21 586 233**
Provisions for impairment of loans and receivables due from credit institutions		
Total loans and receivables due from credit institutions, net of impairment provisions	**20 743 036**	**21 586 233**

Due to Credit Institutions

(In thousand MAD)

	June 2009	2008
Demand accounts	1 727 000	2 069 331
Borrowings	9 520 263	8 310 722
Repurchase agreements	4 383 512	2 267 063
Total Due to Credit Institutions	**15 630 775**	**12 647 116**

5.5 Loans and receivables due from customers

Loans and receivables due from customers

(In thousand MAD)

	June 2009	2008
Demand accounts	12 969 250	13 437 216
Loans to customers	70 242 580	67 220 881
Repurchase agreements	812 847	1 445 847
Finance leases	7 648 971	6 938 013
TOTAL LOANS AND RECEIVABLES DUE FROM CUSTOMERS, BEFORE IMPAIRMENT PROVISIONS	**91 673 648**	**89 041 957**
Impairment of loans and receivables due from customers	-2 818 880	-3 332 565
TOTAL LOANS AND RECEIVABLES DUE FROM CUSTOMERS, NET OF IMPAIRMENT PROVISIONS	**88 854 768**	**85 709 392**

Breakdown of Customer Loans by Business Segment

(In thousand MAD)

	June 2009	2008
Activity in Morocco		59 363 292
Specialized Financial Services		9 836 347
International Activities		16 509 753
Asset Management		
Total	**0**	**85 709 392**

Breakdown of Customer Loans by Geographic area

(In thousand MAD)

	June 2009	2008
Activity in Morocco	60 861 227	59 363 292
Specialised Financial Services	10 239 496	9 836 347
International Activities	17 753 968	16 509 753
Asset Management	77	
Total	**88 854 768**	**85 709 392**
Accrued Interest		
Balance Sheet Value	**88 854 768**	**85 709 392**

Due to Customers

(In thousand MAD)

	June 2009	2008
Demand deposits	49 529 623	49 269 587
Term accounts	36 093 700	44 323 025
Regulated savings accounts	14 020 867	11 640 128
Deposit Receipts	4 149 340	3 946 971
Repurchase agreements	9 281 199	4 270 035
Total due to customers	**113 074 729**	**113 449 746**

Breakdown of Customer Deposits by Economic agent

(In thousand MAD)

	June 2009	2008
Activity in Morocco	88 019 618	89 124 032
Specialised Financial Services	675 354	709 333
International Activities	24 378 350	23 616 381
Asset Management	1 407	
Total	**113 074 729**	**113 449 746**
Accrued Interest		
Balance Sheet Value	**113 074 729**	**113 449 746**

Breakdown of Customer Deposits by Geographic area

(In thousand MAD)

	June 2009	2008
Morocco	88 696 379	89 833 365
Africa	22 848 851	22 218 247
Europe	1 529 499	1 398 134
Total	**113 074 729**	**113 449 746**
Accrued Interest		
Balance Sheet Value	**113 074 729**	**113 449 746**

5.6 Debt securities, subordinated debt & public and special guarantee funds

(in thousand MAD)

	June 2009	2008
Other debt securities	**5 872 478**	**4 587 442**
Negotiable certificates of deposit	5 872 478	4 587 442
Bond issues		
Subordinated debt	**4 199 562**	**3 290 060**
Redeemable subordinated debt	4 199 562	3 290 060
Undated subordinated debt		0
Subordinated Notes	**788 585**	**789 172**
Redeemable subordinated notes		
Undated subordinated notes	788 585	789 172
Public Funds and special guarantee funds	**45 219**	**76 516**
Total	**10 905 844**	**8 743 190**

5.7 Held-to-maturity financial assets

(in thousand MAD)

	June 2009	2008
Negotiable certificates of deposit	**5 450 947**	**5 928 425**
Treasury bills and other bills eligible for central bank refinancing	4 548 376	4 748 069
Other negotiable certificates of deposit	902 571	1 180 356
Bonds	**52 689**	**0**
Government bonds		
Other bonds	52 689	
Total held-to-maturity financial assets	**5 503 636**	**5 928 425**

5.8 Current and deferred taxes

(in thousand MAD)

	June 2009	2008
Current taxes	713 891	602 944
Deferred taxes	349 730	369 578
Current and deferred tax assets	**1 063 621**	**972 522**
Current taxes	369 620	375 331
Deferred taxes	950 065	935 381
Current and deferred tax liabilities	**1 319 685**	**1 310 712**

5.9 Accrued income/expense and other assets/liabilities

(in thousand MAD)

	June 2009	2008
Guarantee deposits and bank guarantees paid	2 641	1 998
Settlement accounts related to securities transactions	12 995	95 966
Collection accounts	1 814 380	1 507 691
Reinsurers' share of technical reserves		
Accrued income and prepaid expenses	538 278	281 272
Other debtors and miscellaneous assets	1 614 802	2 323 726
Total accrued income and other assets	**3 983 096**	**4 210 653**
Guarantee deposits received	21 535	19 676
Settlement accounts related to securities transactions	4 676 308	3 034 429
Collection accounts	1 462 587	1 014 679
Accrued expenses and deferred income	514 833	662 367
Other creditors and miscellaneous liabilities	923 073	988 350
Total accrued expenses and other liabilities	**7 598 336**	**5 719 501**

5.10 Investments in associates (companies carried under the equity method)

(in thousand MAD)

	June 2009	2008
Euler Hermes Acmar	14 099	13 315
Banque de Développement du Mali	144 261	135 481
Casablanca Finance Markets	42 514	42 641
EAI	6 260	
Hanouty	-	
Investments in associates	**207 134**	**191 437**

Financial data as published by the Group's principal associates under local generally accepted accounting principles are as follows:

(in thousand MAD)

	Total Assets June 2009	Net Banking Income or Net Revenues June 2009	Net income June 2009
Euler Hermes Acmar	275 099	9 052	784
Banque de Développement du Mali	5 335 028	157 727	21 442
Casablanca Finance Markets	481 634	3 460	419
EAI	44 207	40 237	1 988
Hanouty	27 284	59 435	-13 498

5.11 Property, plant and equipment and intangible assets used in operations

(In thousand MAD)

	June 2009			2008		
	Gross Value	Accumulated depreciation amortization and impairment	Carrying Amount	Gross Value	Accumulated depreciation amortization and impairment	Carrying Amount
PP&E	**6 854 864**	**2 778 019**	**4 076 845**	**5 999 141**	**2 429 073**	**3 570 068**
Land and buildings	2 193 943	540 102	1 653 841	2 826 365	452 190	2 374 175
Equipment, furniture and fixtures	2 646 965	1 265 047	1 381 918	2 115 076	1 325 908	789 168
Plant and equipment leased as lessor under operating leases						0
Other PP&E	2 013 956	972 870	1 041 086	1 057 700	650 975	406 725
Intangible Assets	**985 706**	**365 848**	**619 858**	**853 699**	**305 751**	**547 948**
Purchased software	540 249	255 787	284 462	598 375	241 840	356 535
Internally-developed software						
Other intangible assets	445 457	110 061	335 396	255 324	63 911	191 413
Investment Property	**537 548**	**32 472**	**505 076**	**506 748**	**30 866**	**475 882**

5.12 Goodwill

(in thousand MAD)

	June 2009	2008
Gross value at start of period	**249 969**	**26 086**
Accumulated impairment at start of period		
Carrying amount at start of period	**249 969**	**26 086**
Acquisitions	121 090	213 037
Divestments		
Impairment losses recognised during the period		
Translation adjustments		
Subsidiaries previously accounted for by the equity method		
Other movements	45 651	10 846
Gross value at end of period	**416 710**	**249 969**
Accumulated impairment recognised during the period		
Carrying amount at end of period	**416 710**	**249 969**

Goodwill by core business is as follows:

(in thousand MAD)

	Carrying amount 06/2009	Carrying amount 12/2008
Maghrébail	10 618	10 618
Banque de développement du Mali	3 588	3 588
SALAFIN	5 174	5 174
Maroc Factoring	1 703	1 703
Bmce Capital Bourse	2 618	2 618
Bmce International (Madrid)	3 354	3 354
Bank Of Africa	233 328	223 015
Locasom	115 947	
EAI		
Hanouty	39 888	
Other	492	-101
TOTAL	**416 710**	**249 969**

5.14 Provisions for contingencies and charges

(In thousand MAD)

	June 2009	2008
Total provisions at start of period	325 453	272 753
Adeditions to provisions	17 768	83 547
Reversals of provisions	-42 250	-30 847
Provisions utilized		
Effect of movements in exchange rates and other movements		

Total provisions at end of period	300 971	325 453

6. FINANCING COMMITMENTS AND GUARANTEES

6.1 FINANCING COMMITMENTS

(in thousand MAD)

	June 2009	June 2008
Financing commitments given	**17 169 648**	**16 995 140**
- To credit institutions	39 606	177 402
- to customers:	17 130 042	16 817 738
Confirmed letters of credit		
Other commitments given to customers		
Total financing commitments given		
Financing commitments received:	**1 614 739**	**1 217 679**
From credit institutions	1 614 739	1 217 679
From customers		

6.2 GUARANTEE COMMITMENTS

(in thousand MAD)

	June 2009	June 2008
Guarantee commitments given	**14 340 230**	**12 947 474**
To credit institutions	3 628 139	3 245 859
To customers:	10 712 091	9 701 615
Sureties provided to tax and other authorities, other sureties		
Other guarantees		
Guarantee commitments received	**18 194 100**	**18 868 816**
From credit institutions	17 397 775	18 026 953
From the State and gurantee institutions	796 325	841 863

7. SALARIES AND EMPLOYEE BENEFITS

7.1 Description of evaluation method

Salary and employee benefit expenses corresponds to medal and end of career compensation. Assessment of the commitment related to these two benefits was conducted following the method of credit unit projected, as advocated by the standard IAS 19.

7.2 Summary of provisions and description of existing schemes

7.2.1 Provisions for post-employment benefits and other long-term benefits granted to employees

(in thousand MAD)

	June 2009	June 2008
Retirement allowances and equivalents	212 112 383	203 940 823
Special seniority premiums allowances		
Other		
TOTAL		

7.2.2 Assumptions

(in percentage)

	June 2009	June 2008
Discount rate	4.25%	3.75% - 4%
Rate of increase in salaries	5%	5%
Expected return on assets	N/A	N/A
Other	11%	11%

7.3 Cost of post- employment plans

(in thousand MAD)

	June 2009	June 2008
Normal cost	7 045 904	6 351 666
Interest cost	4 484 394	4 144 980
Expected returns of funds		
Amortization of actuarial gains/ losses		
Amortization of net gains/ losses	-	-
Additional allowances		
Other		
Net cost of the period	**11 530 298**	**10 496 646**

7.4 Provision evolution included in the balance sheet

7.4.1 Evolution of actuarial liability

(in thousand MAD)

	June 2009	June 2008
Actuarial liability, beginning of the period	**206 691 897**	**203 940 825**
Normal cost	7 045 904	6 351 666
Interest cost	4 484 394	4 144 978
Experience gains/ losses		
Other actuarial gains/ losses		
Paid benefits	- 6 109 812	- 10 496 646
Additionnal benefits		
Other		
Actuarial liability, end of the period	**212 112 383**	**203 940 823**

8. ADDITIONNAL INFORMATION

8.1 Changes in share capital and earnings per share

	2007	2008
Share Capital (MAD)	1 587 513 900	1 587 513 900
Number of shares	158 751 390	15 875 139
Net earnings group share (MAD)	453 350 000	469 116 000
EPS (MAD) (1)	2,9	29,6

(1) Stock split: Nominal value reduced from 100 MAD to 10 MAD in 2008

8.2 Scope of consolidation

Company	Activity	% of voting interests	% of ownership interests	Method
BMCE BANK	Banking	100,00%	100,00%	Parent company
MAROC FACTORING	Factoring	100,00%	100,00%	F.C
SALAFIN	Consumer Credit	75,00%	75,00%	F.C
MAGHREBAIL	Leasing	35,90%	35,90%	F.C
BMCE INTERNATIONAL (MADRID)	Banking	100,00%	100,00%	F.C
BMCE CAPITAL	Investment Banking	100,00%	100,00%	F.C
BMCE CAPITAL BOURSE	Stock Brokerage	100,00%	100,00%	F.C
BMCE CAPITAL GESTION	Asset Management	100,00%	100,00%	F.C
LA CONGOLAISE DE BANQUE	Banking	25,00%	25,00%	F.C
MEDICAPITAL BANK PLC	Banking	100,00%	100,00%	F.C
BANK OF AFRICA	Banking	42,50%	42,50%	F.C
LOCASOM	Car Rental	76,00%	76,00%	F.C
CASABLANCA FINANCE MARKETS	Investment Banking	33,33%	33,33%	E.M
HANOUTY	Distribution	35,40%	35,40%	E.M
EURAFRIC INFORMATION	IT	41,00%	41,00%	E.M
EULER HERMES ACMAR	Insurance	20,00%	20,00%	E.M
BANQUE DE DEVELOPPEMENT DU MALI	Banking	27,38%	27,38%	E.M

8.3 Business combinations

In April 2009, BMCE Bank acquired a 35,4% equity stake in the distribution company HANOUTY SHOP for MAD 37,5 million and 70% in LOCASOM SA for 216 MMAD.

Generated goodwill is of 40 MMAD for the HANOUTY share and of 116 MMAD for LOCASOM SA share.

The goodwill will be reviewed in the consolidated accounts as of 12/31/2009 according to the IFRS 3 standard.

8.4 Related parties

8.4.1 Related-party balance sheet items

(in thousand MAD)

	Consolidated entities under the proportionate method	Consolidated entities under the equity method	Consolidated entities under the full consolidation method
Assets			
Loans, advances and securities			**3 799 759**
Demand accounts			775 487
Loans			3 011 137
Securities			8 300
Finance Leases			4 835
Other Assets			**37 639**
Total			**3 837 398**
Passif			
Deposits			**3 786 186**
Demand accounts			856 566
Other borrowings			2 929 620
Debt securities			
Other liabililties			**51 213**
Total			**3 837 399**
Financing Commitments & Guarantee Commitments			
Financing commitments given			1 469 710
Guarantee commitments given			1 469 712

8.4.2 Related-party profit and loss items

(in thousand MAD)

	Consolidated entities under the proportionate method	Consolidated entities under the equity method	Consolidated entities under the full consolidation method
Interest income			64 876
Interest expense			-52 559
Commission income			59 763
Commission expense			-15 473
Services provided			29 334
Services received			-46 692
Lease income			43 059
Other			-82 309

8.4.3 Benefits awarded to the Group's corporate officers

(in MAD)

	June 2009
Short term benefits	
Post-employment benefits	6 072 813
Other long term benefits	
Termination benefits	
Share based payment	