



BMCE BANK

BMCE BANK CONSOLIDATED FINANCIAL STATEMENTS UNDER IAS/IFRS

June 30, 2012

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**STATUTORY AUDITORS STATEMENT
IFRS CONSOLIDATED FINANCIALS
AS OF JUNE 30, 2012**

LIMITED REVIEW ATTESTATION OF THE INTERIM CONSOLIDATED SITUATION AS AT JUNE 30, 2012 (this is a free translation of the original French text for information purposes only)

We have conducted a limited review of the interim situation of the Banque Marocaine du Commerce Extérieur and its subsidiaries (BMCE Bank Group) including the consolidated balance sheet, the consolidated income statement, the global income statement, the cash flow statement, the statement of changes in shareholders' equity and a selection of explicative notes to the financial statements covering the period from January 1st to June 30th, 2012. This interim situation shows a consolidated net equity of KMAD 15.867.553, including a consolidated net profit of KMAD 525.112.

We conducted our limited review in accordance with the professional standards in Morocco. Those standards require that we plan and perform the limited review in order to obtain a moderate assurance about whether the interim situation of the consolidated financial statements mentioned above in the first paragraph are free from significant misstatement. A limited review consists essentially of interviews with the personnel of the company and the analytical review of the financial data; in thus provides a lower level of assurance than an audit. We did not carry out an audit and as a consequence, we do not express an audit opinion.

BMCE Bank has been subject during the year 2010 to a tax control over the period 2006 to 2009 of corporate tax (IS), income tax (IR) and value added tax (VAT). Disagreeing with the tax adjustments notified, the bank introduced in 2011 an appeal to the local commission of taxation. In the current state of the procedure, we are not able to estimate the potential impacts of this control over the results and equity of the Group on June 30, 2012.

Based on our limited review, except the impact of the situation described in the paragraph above, we did not identify any fact that makes us believe that the attached consolidated financial statements does not give a true and fair view of the results of the operations for the ended period, as well as the financial situation and assets of the BMCE Bank Group as at June 30, 2012, in accordance with IAS/IFRS international accounting standards.

Casablanca, September 27th, 2012

The Statutory Auditors

FIDAROC GRANT THORNTON



Faïçal MEKOUAR
Partner

ERNST & YOUNG



Bachir TAZI
Partner



1. CONTEXT

The application of IAS/IFRS is obligatory starting from the fiscal year 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.

2. APPLICABLE ACCOUNTING STANDARDS

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.

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.

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

Any 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 their acquisition, the securities of these entities are held with the intention of reselling them in 12 months.

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

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 recognised 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 recognised separately and depreciated using an appropriate method 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 recognised, 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 recognised 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 revaluation method, as specified by IAS16. The entry cost of an asset includes borrowing costs incurred in compliance with IAS 23 (page 9).

Residual Value

Given the nature of BMCE Bank's fixed assets, the Group did not retain any residual value, except for equipment transport of the subsidiary LOCASOM. 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 recognised.

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

	Period	QP	Period	QP
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.

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 amortised 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 amortised 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.

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 recognised 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 :

- Amortised 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.

Amortisation

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

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



Impairment Loss

Impairment losses are recognised 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 amortised cost method.

It has been 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 amortised cost method.

Amortisation

The Group has decided to maintain the currently used amortisation 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.

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 recognised 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 amortisation.

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 uncontrollable 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 amortised cost.

Any 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 amortised cost using the effective interest method, which builds in amortisation of premium or discount



Impairment loss

When there is objective evidence of measurable decrease in value, an impairment loss is recognised 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.

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 recognised at amortised cost, net of provisions for impairment loss.

Impairment Loss

When there is objective evidence of measurable decrease in value, an impairment loss is recognised 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.

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 recognised 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 recognised in shareholders’ equity. On disposal or on recognition of an impairment loss, unrealised 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, unrealised 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 recognised in the shareholders’ equity, whereas any negative change in the fair value will be accounted for in the profit or loss account.

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.

The portfolio is made of the following securities :

- Equity investments ;
- Trading securities ;
- Regulated securities

Securities

Classification

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

Valuation

Listed securities : the reference value is the last stock price.

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

Impairment Loss

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

Unlisted securities : according to impairment indications for the monitoring of provisioning.

Trading Room

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.

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 ;
- A national or local economic situation correlated to the default payment on the assets of the portfolio.

Individual Impairment

An impairment loss is recognised 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 methodologies 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 recognised 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 categorisation 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” based on statistical studies. 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.

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. Expenses related to the acquisition are accounted in 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.

Options 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.

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.

Options 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.

2.9. 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 recognise a provision if the following three criteria are met :

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

Options 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.

2.10. 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.

Options 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.

2.11. 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 ;

- 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).

Options Adopted by BMCE Bank

The entities concerned by application of the standard relating to leases are Maghrébail, Salafin, Locasom as well as some subsidiaries of BOA Group.

The contracts entered into Maghrébail, Salafin and BOA subsidiaries meet the definition of leases. However, contracts of Locasom meet the definition of a finance lease.

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

2.12. 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

Assessment and accounting principles of the Post-employment benefits 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.

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

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 :

- 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 ;

- 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. This allowance is recognized under the «provisions» item of liabilities.

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

Long service award "médaille du travail": compensation paid to employees when they reach 6 levels of seniority between 15 and 40 years.

Compensation at retirement: bonus granted during retirement depends on age, resulting from enterprise agreement

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

2.13. 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.

Options 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 one 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.

2.14. 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 deducted from consolidated shareholders' equity, regardless of why they were acquired.

Options Adopted by BMCE Bank

All BMCE Bank 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.

2.15. 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 provided ;

- Fees for completion of an important act.

Accounting principles

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

Options 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.

2.16. 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 recognition or when the continuing involvement approach applies.

Options 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.

2.17. DEFERRED TAXES

Deferred taxes are recognized when they are temporary differences between the book and tax value of assets and liabilities.

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.

Options 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”.

2.18. 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-g geared instruments which require none 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.

Options Adopted by BMCE Bank

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

2.19. SHARE-BASED PAYMENT

This standard deals with the payment of share based transactions in which and that are settled in equity instruments in return for goods or services are received as consideration for equity instruments. The payment can also be concluded by the equivalent of equity instruments issued.

In fiscal year 2010, BMCE Bank carried out a capital increase in cash reserved for employees of BMCE BANK Group.

An expense was recorded in the consolidated accounts taking into consideration the terms of this offer and the requirements of IFRS 2 and IAS 39.

BALANCE SHEET



Assets	NOTES	June 12	Dec 11
Cash and amounts due from central banks and post office banks		7 456 159	6 391 958
Financial assets at fair value through profit or loss	5.1	32 108 242	31 732 316
Derivatives used for hedging purposes		-	-
Available-for-sale financial assets	5.2	2 771 192	2 330 377
Loans and receivables due from credit institutions	5.3	17 706 162	23 822 680
Loans and receivables due from customers	5.4	129 143 841	121 342 658
Remeasurement adjustment on interest rate risk hedged assets		-	-
Held-to-maturity financial assets	5.6	10 097 987	9 590 911
Current tax assets	5.7	272 847	408 979
Deferred tax assets	5.7	377 969	321 084
Accrued income and other assets	5.8	4 493 249	4 559 041
Non current assets held for sale		-	-
Investment in companies consolidated under the equity method	5.9	410 735	399 358
Investment property	5.10	622 576	547 099
Property, plant and equipment	5.10	5 142 512	5 064 126
Intangible assets	5.10	707 297	645 081
Goodwill	5.11	945 046	832 470
TOTAL ASSETS		212 255 814	207 988 138

(In thousand MAD)

LIABILITIES & SHAREHOLDERS EQUITY	NOTES	June 12	Dec 11
Due to Central Banks and Post Office Banks		66 599	-
Financial liabilities at fair value through profit or loss	5.1	13 106	1 752
Derivatives used for hedging purposes		-	-
Due to credit institutions	5.3	30 557 789	24 848 609
Due to customers	5.4	134 905 932	139 152 010
Debt securities	5.5	12 584 898	12 008 860
Remeasurement adjustment on interest rate risk hedged portfolios		-	-
Current tax liabilities	5.7	163 954	324 592
Deferred tax liabilities	5.7	967 348	934 127
Accrued expenses and other liabilities	5.8	11 869 261	8 971 070
Liabilities related to non-current assets held for sale		-	-
Technical reserves of insurance companies		-	-
Provisions for contingencies and charges	5.12	457 274	457 440
Subsidies, assigned public funds and special guarantee funds		-	-
Subordinated debts	5.5	4 802 100	4 904 381
Shareholders Equity			
Group Share		12 157 697	12 428 604
<i>Share capital and reserves</i>		10 482 463	10 451 134
<i>Consolidated reserves</i>		1 215 628	1 045 085
<i>Unrealised gains and losses</i>		99 417	82 186
<i>Net Income</i>		360 189	850 199
Minority interests		3 709 856	3 956 693
TOTAL LIABILITIES & SHAREHOLDERS EQUITY		212 255 814	207 988 138

(In thousand MAD)

INCOME STATEMENT



	NOTES	June 12	June 11
+ Interests and assimilated revenues		5 038 703	4 564 397
- Interests and assimilated charges		-2 275 228	-1 980 890
Net interest income	2.1	2 763 475	2 583 507
+ Fees received		915 761	801 684
- Fees paid		-143 418	-156 155
Net fee income	2.2	772 343	645 529
+/- Net gains or losses on financial instruments at fair value through profit or loss	2.3	486 866	504 984
+/- Net gains or losses on available for sale financial assets	2.4	137 140	171 430
Income from market transactions		624 006	676 414
+ Other banking revenues	2.5	378 421	310 642
- Other banking expenses	2.5	-158 318	-160 427
Net Banking Income		4 379 927	4 055 665
- General Operating Expenses		-2 328 814	-2 187 805
- Allowances for depreciation and amortization of 1&E and intangible assets		-274 995	-237 065
Gross Operating Income		1 776 118	1 630 795
- Cost of Risk	2.6	-1 046 198	-506 319
Operating Income		729 920	1 124 476
+/- Share in net income of companies accounted for by equity method		31 916	30 842
+/- Net gains or losses on other assets	2.7	-16 921	-5 649
+/- Change in goodwill		-	-
Pre-tax earnings		744 915	1 149 669
+/- Corporate income tax	2.8	-219 803	-365 161
Net earnings		525 112	784 508
Minority interests		164 923	267 610
Net earnings - Group Share		360 189	516 898

(In thousand MAD)

NET INCOME AND GAINS AND LOSSES DIRECTLY RECOGNISED IN SHAREHOLDERS EQUITY

	june 12	Dec 11
Net earnings	525 112	1 507 754
Currency translation adjustment	-1 936	-2 911
Reevaluation of available for sale financial assets	82 378	65 433
Reevaluation of hedging instruments		
Reevaluation of fixed assets		
Actuarial gains and losses on defined plans		
Proportion of gains and losses directly recognised in shareholders equity on companies consolidated under equity method		
Total gains and losses directly recognised in shareholders equity	80 442	62 522
Net income and gains and losses directly recognised in shareholders equity	605 554	1 570 276
Group Share	459 606	932 386
Minority interests	145 948	637 890

(In thousand MAD)

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY



	Share Capital	Reserves related to stock	Treasury stock	Reserves & consolidated earnings	Unrealised or deferred gains or losses	Shareholder's Equity Group Share	Minority interests	Total
Ending balance of Shareholder's Equity 12.31.2010	1 719 514	8 719 711	0	1 972 189	-20 979	12 390 435	3 428 530	15 818 965
Change in the accounting methods								
Beginning Balance of adjusted Shareholder's Equity 12.31.2010	1 719 514	8 719 711	0	1 972 189	-20 979	12 390 435	3 428 530	15 818 965
Operations on capital		11 909		-36 548		-24 639	276 523	251 884
Share-based payment plans						0		0
Operations on treasury stock						0	0	0
Dividends				-510 486		-510 486	-242 559	-753 045
Net earnings				850 199		850 199	657 555	1 507 754
PP&E and intangible assets : Revaluations and disposals (A)						0		0
Financial instruments : change in fair Value and transfer to earnings (B)				-8 029	103 165	95 136	-19 665	75 471
Currency translation adjustments : Changes and transfer to earnings (C)				23 758		23 758	-23 169	589
Unrealized or deferred gains or losses (A)+ (B) + (C)	0	0	0	15 729	103 165	118 894	-42 834	76 060
Change in the scope of consolidation				-177 271		-177 271	-120 522	-297 793
Ending Balance of Shareholder's Equity 12.31.2011				-218 528		-218 528		-218 528
Impact of changes in accounting methods	1 719 514	8 731 620	0	1 895 284	82 186	12 428 604	3 956 693	16 385 297
Ending Balance of adjusted Shareholder's Equity 12.31.2011								
Operations on capital	1 719 514	8 731 620	0	1 895 284	82 186	12 428 604	3 956 693	16 385 297
Share-based payment plans		31 329		-31 329		0	104 367	104 367
Operations on treasury stock						0		0
Dividends				-558 833		-558 833	-331 168	-890 001
Net earnings				360 189		360 189	164 923	525 112
PP&E and intangible assets: Revaluations and disposals (E)						0		0
Financial instruments: change in fair Value and transfer to earnings (F)				22 776	17 231	40 007	-18 976	21 031
Currency translation adjustments: Changes and transfer to earnings (G)				-25 757		-25 757	-9 698	-35 455
Unrealized or deferred gains or losses (E)+ (F) + (G)	0	0	0	-2 981	17 231	14 250	-28 674	-14 424
Change in the scope of consolidation				-86 513		-86 513	-156 285	-242 798
Others				0		0		0
Ending Balance of adjusted Shareholder's Equity 06.30.2012	1 719 514	8 762 949	0	1 575 817	99 417	12 157 697	3 709 856	15 867 553

(In thousand MAD)

CASH FLOW STATEMENT 06/30/2012



	June-12	dec-11	June-11
Pre-tax net income	744 915	2 181 527	1 149 669
+/- Net depreciation/amortization expense on property, plant, and equipment and intangible assets	1 483 097	2 963 886	1 452 860
+/- Impairment of goodwill and other non- current assets	0	0	
+/- Impairment of financial assets	29 606	165 026	59 844
+/- Net allowances for provisions	939 009	659 723	409 554
+/- Share of earnings in subsidiaries accounted for by equity method	-31 916	-44 591	-30 751
+/- Net loss (income) from investing activities	-420 746	-1 465 434	-782 925
+/- Net loss (income) from financing activities	0	0	
+/- Other movements	-116 826	95 910	-210 941
Non monetary items included in pre-tax net income and other adjustments	1 882 224	2 374 520	897 641
+/- Cash flows related to transactions with credit institutions	9 530 466	10 723 883	5 485 976
+/- Cash flows related to transactions with customers	-14 115 328	-10 060 593	-2 892 407
+/- Cash flows related to transactions involving other financial assets and liabilities	-423 774	-3 805 482	-3 650 681
+/- Cash flows related to transactions involving non financial assets and liabilities	2 931 019	-28 000	711
+/- Taxes paid	-271 580	-626 156	-330 743
Net Increase (Decrease) in cash related to assets and liabilities generated by operating activities	-2 349 197	-3 796 348	-1 387 144
Net Cash Flows from Operating Activities	277 942	759 699	660 166
+/- Cash Flows related to financial assets and equity investments	-435 023	-1 090 685	-468 704
+/- Cash flows related to investment property	-284	-177	-26
+/- Cash flows related to PP&E and intangible assets	-555 044	-1 298 024	-542 222
Net Cash Flows from Investing Activities	-990 351	-2 388 886	-1 010 952
+/- Cash flows related to transactions with shareholders	-893 348	-339 866	-258 385
+/- Cash flows generated by other financing activities	519 848	703 344	-1 088 137
Net Cash Flows from Financing Activities	-373 500	363 478	-1 346 522
Effect of movements in exchange rates on cash and equivalents	-6 490	-30 074	41 524
Net Increase in Cash and equivalents	-1 092 399	-1 295 783	-1 655 784
Beginning Balance of Cash and Equivalents	10 638 001	11 933 784	11 933 784
Net Balance of cash accounts and accounts with central banks and post office banks	6 391 958	8 033 096	8 033 096
Net Balance of demand loans and deposits- credit institutions	4 246 043	3 900 688	3 900 688
Ending Balance of Cash and Equivalents	9 545 602	10 638 001	10 278 000
Net Balance of cash accounts and accounts with central banks and post office banks	7 389 560	6 391 958	5 245 559
Net Balance of demand loans and deposits- credit institutions	2 156 042	4 246 043	5 032 441
Net increase in cash and equivalents	-1 092 399	-1 295 783	-1 655 784

(In thousand MAD)

2. NOTES TO CONSOLIDATED INCOME 06/30/12



2.1 - NET INTEREST INCOME

	June-12			June-11		
	Income	Expense	Net	Income	Expense	Net
Customer Items	4 169 163	1 431 331	2 737 832	3 729 168	1 363 180	2 365 988
Deposits, loans and borrowings	3 885 914	1 370 905	2 515 009	3 393 255	1 267 980	2 125 275
Repurchase agreements		60 426	-60 426		95 200	-95 200
Finance leases	283 249		283 249	335 913		335 913
Interbank items	367 242	475 612	-108 370	366 223	269 171	97 052
Deposits, loans and borrowings	247 338	450 006	-202 668	278 747	250 620	28 127
Repurchase agreements	119 904	25 606	94 298	87 476	18 551	68 925
Debt securities issued	0	0	0	0	0	0
Cash flow hedge instruments	0	0	0	0	0	0
Interest rate portfolio hedge instruments	0	0	0	0	0	0
Trading book	413 959	368 285	45 674	362 630	348 539	14 091
Fixed income securities	413 959	257 391	156 568	362 630	233 547	129 083
Repurchase agreements			0			0
Loans/borrowings			0			0
Debt securities	0	110 894	-110 894	0	114 992	-114 992
Available for sale financial assets			0			0
Held to maturity financial assets	88 339		88 339	106 376		106 376
Total interest income (expense)	5 038 703	2 275 228	2 763 475	4 564 397	1 980 890	2 583 507

(In thousand MAD)

2.2 - NET FEE INCOME

	Income	Expense	Net
Net fee on transactions	327 420	90 282	237 138
With credit institutions			-
With customers	131 015		131 015
On custody	71 424	65 733	5 691
On foreign exchange	124 981	24 549	100 432
On financial instruments and off balance sheet			-
Banking and financial services	588 341	53 136	535 205
Income from mutual funds management			-
Income from electronic payment services	122 877	18 725	104 152
Insurance			-
Other	465 464	34 411	431 053
NET FEE INCOME	915 761	143 418	772 343

(In thousand MAD)

2.3 - GAIN/LOSS ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 12			June 11		
	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	521 017		521 017	493 359		493 359
Derivative instruments	-34 151		-34 151	11 625		11 625
Repurchase agreements						
Loans						
Borrowings						
Remeasurement of interest rate risk hedged portfolios						
Remeasurement of currency positions						
TOTAL	486 866	-	486 866	504 984	-	504 984

(In thousand MAD)



2.4 - NET GAIN/LOSS ON AVAILABLE-FOR-SALE FINANCIAL ASSETS

	June 12	June 11
Fixed income securities	0	0
Disposal gains and losses		
Equity and other variable-income securities	137 140	171 430
Dividend income	154 903	182 918
Impairment provisions	-17 708	-13 820
Net disposal gains	-55	2 332
TOTAL	137 140	171 430

(In thousand MAD)

2.5 - NET INCOME FROM OTHER ACTIVITIES

	June 12			June 11		
	Income	Expense	Net	Income	Expense	Net
Net income from insurance activities			0			0
Net income from investment property	0	0	0	0	0	0
Net income from assets held under operating leases	118 746	44 571	74 175	108 564	45 940	62 624
Net income from property development activities	0	0	0	0	0	0
Other	259 675	113 747	145 928	202 078	114 487	87 591
Total net income from other activities	378 421	158 318	220 103	310 642	160 427	150 215

(In thousand MAD)

2.6 - COST OF RISK

	June-12	June-11
Impairment provisions	-1 213 013	-669 449
Impairment provisions on loans and advances	-1 148 597	-609 001
Impairment provisions on held to maturity financial assets (excluding interest rate risks)		
Provisions on off balance sheet commitments	-1 423	-56
Other provisions for contingencies and charges	-62 993	-60 392
Write back of provisions	180 243	177 849
Write back of impairment provisions on loans and advances	110 697	151 243
Write back of impairment provisions on held to maturity financial assets (excluding interest rate risks)		
Write back of provisions on off balance sheet commitments	823	191
Write back of other provisions for contingencies and charges	68 723	26 415
Changes in provisions	-13 428	-14 719
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	-13 428	-17 713
Discount on restructured products		
Recoveries on amortized loans and advances	0	2 994
Losses on off balance sheet commitments		
Other losses		
Cost of Risk	-1 046 198	-506 319

(In thousand MAD)



2.7 - NET GAIN/LOSS ON OTHER ASSETS

	June 12	June 11
PP&E and intangible assets used in operations	0	0
Capital gains on disposals		
Capital losses on disposals		
Equity interests	0	0
Capital gains on disposals	0	0
Capital losses on disposals	0	0
Others	-16 921	-5 649
Net Gain/Loss on Other Assets	-16 921	-5 649

(In thousand MAD)

2.8 - INCOME TAX

2.8.1 - CURRENT AND DEFERRED TAX

	June 12	Dec 11
Current tax	272 847	408 979
Deferred tax	377 969	321 084
Current and deferred tax assets	650 816	730 063
Current tax	163 954	324 592
Deferred tax	967 348	934 127
Current and deferred tax liabilities	1 131 302	1 258 719

(In thousand MAD)

2.8.2 - NET INCOME TAX EXPENSE

	June 12	June 11
Current tax expense	-253 269	-308 536
Net deferred tax expense	33 466	-56 625
Net Corporate income tax expense	-219 803	-365 161

(In thousand MAD)

2.8.3 - EFFECTIVE TAX RATE

	June 12	June 11
Net income	525 112	784 508
Net corporate income tax expense	-219 803	-365 161
Average effective tax rate	-41,9%	-46,5%

ANALYSIS OF EFFECTIVE TAX RATE

	June 12	June 11
Standard tax rate	37,0%	37,0%
Differential in tax rates applicable to foreign entities		
Reduced tax rate		
Permanent differences		
Change in tax rate		
Deficit carry over		5,0%
Other items	4,9%	4,5%
Average effective tax rate	41,9%	46,5%

3 - SEGMENT INFORMATION



3.1 - GENERAL INFORMATION

The Group is composed of the following core businesses :

- **Activity in Morocco** : BMCE Bank SA, BMCE Bank Offshore
- **Asset Management** : BMCE Capital, BMCE Capital Bourse, BMCE Capital Gestion, Casablanca Finance Market
- **Specialized Financial Services** : Salafin, Maghrébaïl, Maroc Factoring, Euler Hermes Acmar
- **International Activities** : BMCE Paris, BMCE International (Madrid), Banque de Développement du Mali, La Congolaise de Banque, BMCE Bank International (London), Bank Of Africa

3.2 - SEGMENT INFORMATION

3.2.1 INCOME BY OPERATIONAL SEGMENT

	ACTIVITY IN MOROCCO	ASSET MANAGEMENT	SPECIALISED FINANCIAL SERVICES	OTHERS	INTERNATIONAL ACTIVITIES	TOTAL
Net interest Income	1 369 286	6 216	271 072	-2 887	1 119 788	2 763 475
Net Fee income	331 716	51 835	75 691	0	313 101	772 343
Net Banking Income	1 930 410	84 715	277 360	72 796	2 014 646	4 379 927
General Operating Expenses & allowances for depreciation and amortization	-1 201 970	-94 031	-77 832	-38 460	-1 191 516	(2 603 809)
Operating Income	728 440	-9 316	199 528	34 336	823 130	1 776 118
Corporate income tax	-135 691	-9 858	-41 820	-4 483	-27 951	(219 803)
Net Earnings Group Share	156 373	11 502	48 271	18 482	125 561	360 189

(In thousand MAD)

3.2.2 ASSETS & LIABILITIES BY OPERATIONAL SEGMENT

	ACTIVITY IN MOROCCO	ASSET MANAGEMENT	SPECIALISED FINANCIAL SERVICES	OTHERS	INTERNATIONAL ACTIVITIES	TOTAL
TOTAL ASSETS	144 665 317	346 190	13 516 923	161 859	53 565 525	212 255 814
ASSETS ITEMS						
Available for sale assets	1 306 137	109 271	15 817	18 159	1 321 808	2 771 192
Customer loans	88 814 494	634	12 405 816	0	27 922 897	129 143 841
Held to maturity assets	1 816 960	0	27	0	8 281 000	10 097 987
LIABILITIES & SHAREHOLDERS EQUITY ITEMS						
Customer deposits	93 646 697	0	1 069 357	0	40 189 878	134 905 932
Shareholders equity	11 891 657	75 095	1 106 401	-99 182	2 893 582	15 867 553

(In thousand MAD)

	MOROCCO	EUROPE	SUB SAHARAN AFRICA	TOTAL
Total Asset	158 690 289	4 579 583	48 985 942	212 255 814
Net Banking Income	2 365 281	187 870	1 826 776	4 379 927

(In thousand MAD)



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 the 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 Presettlement 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 unfavorable 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

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.

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. Risk-Management Organisation

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.

The country risk management system is based on the following axes:

- Identification of Country Risk
- Exposure Calculation and consolidation by country
- Development of internal rating and Country Profile
- Allocation of Limits by Country
- Reporting and Alerts
- Provisioning

Monitoring and supervision of the Group's exposure to country risk are insured through monthly reporting from the subsidiaries to Risk Management Group.

This reporting covers the situation at the end of month of:

- Exposures by country, geographic area, industry, risk class, by balance sheet and off balance items ...
- Indicators of Credit Risk (NPL ratio, provisions, NPL coverage ratio ...)

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. 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 aggregated and consolidated accounts 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 flow 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 aggregated 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.

Furthermore, back in July 2007, the Board of Directors set up the CACI Group –a body instituted within the Bank, its subsidiaries, as well as entities integrated into the consolidation scope. CACI’s tasks consist of seeing the integrity of accounts and ensure full adherence to the legal and regulatory obligations across the various structures of the Bank and all the subsidiaries/branches of the Bank, both in Morocco and abroad.

The tasks of the Group CACI (or, AICC) intertwine with those of the Bank CACI, even if they are extended to cover the entities placed within the consolidation scope. More explicitly, they include: (i) reviewing proposals for the appointment or renewal of the statutory auditors for Group entities, by analyzing their intervention programmes, checking the outcomes of their verification, their recommendations, as well as the corrective measures proposed or implemented; (ii) whenever it is necessary, asks for any internal or external audit.

4.1.3.2. Major Risks Monitoring Committee

The Major Risks Monitoring Committee is issued from the Internal Audit and Control Committee. It consists of non-executive directors (CACI members). The meetings of the committee are held on a quarterly basis. In the framework of the prerogatives devolving to it, the Committee :

- Evaluates and makes recommendations on the quality of risks;
- Ascertains that management norms and internal

procedures, as set by the competent bodies in the area of credit risks ;

- Monitors the limits of credit risks (sector-based, major risks...).

4.1.3.3. General Management Committee

The General Management Committee, which is chaired by the Director & Delegate General Manager to the Chairman, gathers together the Director & Delegate General Manager in charge of Remedial Management; Delegate General Managers, the Adviser to the General Management, and the General Controller. Associate Members include the Chairman of the Board of BMCE Capital and the other Deputy General Managers of BMCE Bank. The meetings of the Committee are held on a weekly basis.

In the framework of the prerogatives devolving to it, the Committee is in charge of :

Steering Activities :

- Steers the drawing up of the strategic plan of BMCE Bank and affiliated entities, in tandem with the decisions taken by the Group Strategic Committee and takes care of its implementation ;
- Give impetus to the main cross-cutting projects which impact on the operation and the development of the Bank;
- Translates the strategic plan into clear budgetary objectives for the Bank’s various entities;
- Validates annual budgets and follows up on the allocation and optimisation of resources made available to the entities of the Bank;
- Monitors the effective execution of the Bank’s budgetary plan and that of each of its entities. It also sees to the implementation of corrective actions in case of gaps;
- Decides on the tariff policy relating to products and services, while ensuring that the business lines remain profitable;
- Evaluates opportunities for launching new activities, products, and services and follows up on implementation;
- Arbitrates on operational questions pertaining to the various Bank’s Divisions, and internal committees for which it also sets the objectives;
- Sees to the efficiency of organisation by undertaking all the actions necessary relating to human resources, organisation, computing, logistics, and security as would contribute to the development of the Bank.

Internal Control, Audit, and Risk Management :

- Formulates orientations in terms of the Bank’s risk policy and ascertains its alignment with the Group’s risk policy;
- On the basis of the propositions made by the entity in charge of risk management, it sets and follows the limits and levels of aggregate risks for each of the Bank’s business lines;
- Ensures observance of regulatory ratios, compliance with the regulations governing risks, and the efficiency of internal control.



Human Resources :

- Examines the policy of Bank personnel remuneration, training, mobility, and recruitment;
- Ascertains that operational priorities are in adequacy with the recruitment and training policy;
- Follows up on the career management of the Bank's high-flyers.

Other Prerogatives:

- Sees to it that there is a coherent commercial, corporate, and financial communication;
- Arbitrates on possible conflicts of interest and all unresolved files falling within the competency of the various Bank entities and internal committees;
- Proposes the main Bank development poles to the Group Strategic Committee.

4.1.3.4. The Credit Committee

Senior Credit Committee

It is chaired by the Chief Executive Officer of the Bank and vice-chaired by the Director & Delegate General Manager to the Chairman. Depending on the market concerned, there are two committees: one is in charge of the Enterprise market while the other is in charge of the Private/Professionals market. The committees, which gather together the Bank's senior managers, convene twice a week.

4.1.3.5. Declassification Committee

The task of this Committee, which meets on a monthly basis, consists in dealing with anomalous accounts.

4.1.3.6. Group Market Risk Committee

The Group Market Risk Committee sees to the efficiency of the steering mechanism as it applies to risks related to BMCE Bank Group market operations and to ensure its adequacy and conformity with the established risk management policy.

In this respect, the Committee takes care of the following missions, among others:

- Following up on the evolution of exposure to market risks;
- Surveying the evolution of exposure to market risks;
- Approving new products;
- Approving limits.

4.1.3.7. 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. Decision Procedures

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

- A standardised approach for products to individuals subject to "Product Programmes", which define, for each product, the rules of risk management for the marketing of the product. Indeed, risk policy relies 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.
- A customised 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.

Implementation of the new network reorganization by Region within BMCE Bank was accompanied by a change in the delegation system to include this new dimension, through the allocation of delegations of authority to these regional structures and the establishment of a Regional Credit Committee.

4.2.2. Diversification by Counterparty

Assessed by taking the entire loans granted to a single beneficiary, the diversification of the loan portfolio remains a major concern for the Bank's risk policy. Possible concentrations are subject to regular review, and if the need should arise, corrective measures are taken.

4.2.3. Sector-based Diversification

Sector-based diversification of the credit portfolio, likewise, receives particular attention, sustained by prospective analysis which allows for a proactive and dynamic management of the Bank's exposures. It relies on research and studies which express an opinion on the evolution of given sectors and identify the factors which account for the risks incurred by the main actors.



4.2.4. Monitoring

Through the entity in charge of “the Group Credit Risk Management”, the Group Risk Division takes care of the following tasks at BMCE Bank Group :

- Prevention of credit risks ;
- Contribution to the overall credit policy ;
- On-going monitoring of credit risk.

As a key function in risk control process, such preventive management consists in anticipating situations where risk is likely to worsen and to bring in the appropriate adjustments. In the exercise of this function, the entity is called upon to :

- Monitor the regularity of commitments: conformity of the purpose for which the loan is sought, observance of the authorised rating, examination of default in payment, review of overdue loan repayments.
- Detect debts showing persistent weakness signs, on the basis of a certain number of flashing warning signals ;
- Together with the branch network, follow up on the evolution of the main risks (non performing loans, the most important commitments/ or the most sensitive ones) ;
- Determine files that are eligible for downgrading, in view of the regulations in force governing non performing loans.

4.2.5. Non Performing Loans

With a view to identify non performing loans which are eligible for provisioning in compliance with the regulation in force, an exhaustive review of the Bank’s portfolio is undertaken on a monthly basis, with the help of a statement of risk-prone accounts, designed by means of reference to the criteria governing the classification of non performing loans instituted by Circular no. 19 issued by the Central Bank, as well as other additional security criteria adopted by the Bank.

It should be noted that the additional risk management indicators have been set up in order to spot forerunning signs of a worsening risk.

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.

Depending on their nature, guarantees are deducted, according to the portion stipulated by BAM’s Circular, from the provisions calculation base.

Provisioning is subjected to control and follow-up on the part of General Control, External Auditors and the Audit and Internal Control Committee. Having determined that there exists no objective indication of depreciation for financial assets considered on an individual basis, whether significant or not, the aforementioned entities include the assets within a group of financial assets showing the characteristics of similar credit risk and subject them collectively to a depreciation test.

In the framework of a collective examination, an objective depreciation indicator may be summed up in observable

indicators which suggest a measurable diminution in the estimated cash-flow coming from a group of loans ever since these were entered in the accounts for the first time, though this diminution may still not be connected with the various loans which make up this group, notably :

- Unfavorable modification in the capacity of borrowers which are part of the group, or ;
- A national or local economic situation which is in correlation to default in the payment among the assets which are part of the group.

4.2.6. Remedial Management : Debt collection

Recovery

In order to improve the efficiency of the recovery of failed debts, a revamped out-of-court recovery system was set up within the Bank. The system consists of two entities –one dedicated to the activities of the corporate network, while the other is devoted to the Private/Professional network.

The entities are tasked with the following :

- Permanently oversee the regularity and the quality of the entire Bank’s commitments ;
- Follow-up on the settlement of any insufficiency, either through the network, or directly with the customers concerned;
- Adopt a proactive approach designed to prevent any degradation of the outstanding debts.

4.2.7. Internal ratings

From July 2008 and in the pursuit of its dynamic optimization and sophistication of these tools of risk management, BMCE BANK has launched an ambitious project on setting up a system of internal ratings for all segments Basel counterparts, with the exception of the segment “Retail” as well as for scoring transactions.

This project which is part of the BMCE Group perimeter (including local subsidiaries) is currently being deployed with the attainment and realization of the two following objectives :

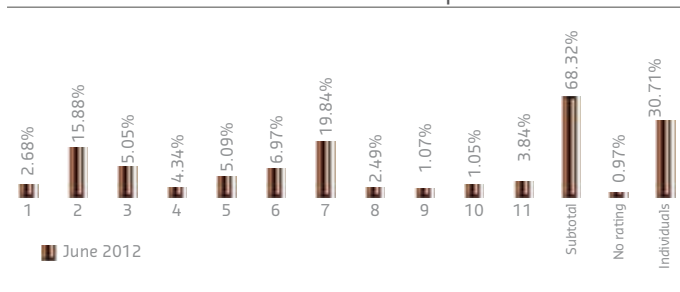
- Prepare the introduction force in advanced for BASEL II methods and that, by setting-up in advance of internal rating models for calculating risk-weighted assets under the Basel regulations
- Operationally apply internal notation into the business processes of the Bank and its subsidiaries (eg: use of the notation for the system of delegation, pricing, targeting commercial and marketing) by facilitating the further decision to grant credit



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

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.

Breakdown of Commitments as per Class of Risk



4.2.8. Hedging and Risk Mitigation Policy

4.2.8.1. 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 corporations, 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 supported by a systematic recourse to the “Caisse Centrale de Garantie”. As for project finance, the financed asset is taken as collateral, and according to the size of the project and the sector, guarantee funds are required.

4.2.8.2. Sector concentration Limits

These limits are defined on the basis of historical default and on the basis of an optimisation of the consumption of capital. These limits are fixed according to the portfolio vision and they are stated in terms of sector, type, and maturity.

Breakdown of loans to credit institutions by geographic area

	June 12			Dec 11		
	Performing Loans	NPLs	Provisions	Performing Loans	NPLs	Provisions
Morocco	10 658 459	76 842	35 237	15 302 970	59 838	35 237
Europe	1 234 534	0	0	2 008 660	.	.
sub saharan Africa	5 771 476	4 138	4 050	6 486 360	4 177	4 088
Total	17 664 469	80 980	39 287	23 797 990	64 015	39 325
Allocated Debts						
Provisions						
Net Value	17 664 469	80 980	39 287	23 797 990	64 015	39 325

In thousand MAD

4.2.8.3. Counterpart concentration limits

The limits of counterparts are handled, according to two approaches whose fundamentals, principles and methodologies differ :

- For non-standard loans: the counterpart limits are set by decision-making entities, depending on customers’ needs the risks incurred. The maximum is set at 20% of our equity capital.
- For standard loans: the counterpart limits for this type of loans are provided for by the Product Programme governing standard products. In the framework of the execution of budgets, product-based limits are set during the drawing up of the provisional budgets.

Breakdown of loans to customers by geographic area

	June 12			Dec 11		
	Performing Loans	NPLs	Provisions	Performing Loans	NPLs	Provisions
Morocco	99 775 476	5 546 025	4 100 561	94 244 601	5 260 133	3 553 487
Europe	2 974 693	863	863	2 597 726	9 199	7 621
sub saharan Africa	24 704 092	2 512 921	2 268 805	22 087 836	2 423 958	1 719 687
Total	127 454 261	8 059 809	6 370 229	118 930 163	7 693 290	5 280 795
Allocated Debts						
Provisions						
Net Value	127 454 261	8 059 809	6 370 229	118 930 163	7 693 290	5 280 795

In thousand MAD

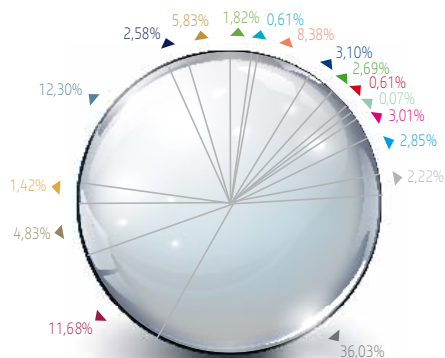


4.2.8.4. Commitments Breakdown

The mechanism governing the bank's concentration risk management is based on quantitative measurement of different types of concentration and their confrontation with their respective limits (per activity sector; contra groups, and so forth....). This strategy, which is validated by the Bank's decision-taking authorities, is reviewed on a yearly basis.

4.2.8.5. Breakdown of Commitments per Sector

The Bank's exposures as of end of June 2011 -domestic activity- by sector are as follows :



- ▶ Industries textiles, de l'habillement et du cuirs
- ▶ Administrations publiques
- ▶ Commerces, réparations automobiles et d'articles domestiques
- ▶ Industries alimentaires et du tabac
- ▶ Batiments et travaux publics
- ▶ Agriculture, chasse, sylviculture
- ▶ Pêche, Aquaculture
- ▶ Industries manufacturières diverses
- ▶ Industries métallurgiques, mécaniques, électriques et électroniques
- ▶ Industries chimiques et parachimiques
- ▶ Autres sections
- ▶ Affaires immobilières
- ▶ Transport et Communications
- ▶ Industries extractives
- ▶ Activités financières*
- ▶ Hôtels et restaurants
- ▶ Production et distribution d'électricité, de gaz et d'eau

(*) Transformation de créances sur MAGHREBAIL en obligations 2.6 Milliards de DH et Remboursement FINANCE COM 800 millions de DH

4.3. MARKET RISK

Market risks are defined as potential losses on balance sheet positions and off-balance sheet after changes in market prices, they cover:

- The interest rate risk,
- The equity price risk,
- The exchange rate risk,
- The commodity risk

And two types of credit risk on market transactions:

- Counterparty risk,
- Settlement risk

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

On a consolidated basis

Capital Requirements	Amounts
Capital Requirement for raw material prices Risk	498
Capital Requirement for Interest Rate Risks	898 873
Capital Requirement for change Risks on Property Investment	72 609
Capital Requirement for Foreign Exchange Risks	104 870
Capital Requirement for market Risks	1 076 850
Total Risk Weighted Assets on Market Risk	13 460 626

4.3.1 Market risk management process

The main governance bodies for the market risk management within BMCE Bank Group are :

- ▣ The Group's Market Risk Committee, which ensures the efficiency of the risk control system relating to market transactions of BMCE Bank Group and its relevance to the policy of BMCE Bank Group risk management ;
- ▣ The Group Market Risk Department which centralizes the management of market risks of BMCE Bank Group as a function of the Front Office of the Group, which gives optimal objectivity in the management of market risk and arbitrage between different activities on market transactions.

Description of the market risk management system

BMCE Bank's market risk management system is based on :

- ▣ Limits ;
- ▣ Risk Indicators ;
- ▣ Capital Requirement ;



Limits

Counterparty limits on market transactions

The process of granting counterparty limits and excess in exposure limits on market transactions is governed within BMCE Bank Group via a system of delegation of powers framed by different procedures depending on the type of counterparty.

Market limits

Taken to control the market risks within the Group BMCE and diversification of trading, a set of market limits was introduced, and is available as follows:

Sop / Loss limits by business line over different time horizons;

- ▣ Exposure limits by activity ;
- ▣ Exposure limits by duration for the Dirham denominated interest rate ;
- ▣ Exposure limits by currency and time for the currency cash FX ;
- ▣ Greeks limits for derivatives ;
- ▣ Exposure limits by currency for the FX activity ;
- ▣ Transaction limits

Regulatory limits

Apart from monitoring the limits put in place internally, BMCE Bank Group ensures compliance with regulatory limits set by Bank Al-Maghrib as :

- ▣ The minimum capital regulatory adequacy ratio of 8% ;
- ▣ The exposure limit on the foreign currency should not exceed 10% on Capital ;
- ▣ The limit on the aggregate foreign exchange which does not exceed 20% of Capital.

Risk indicators

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

- ▣ Overall Value at Risk (VaR) and by type of asset

Value-at-Risk is a probabilistic global measure of the market risk. It summarizes the risk through the calculation of any potential loss on a time horizon and a given degree of probability. Unlike traditional indicators of risk, value at risk combines various risk factors and measures their interaction, thus taking into account the diversification of portfolios.

A daily calculation of Value at Risk and overall type of asset is provided at BMCE Bank Group through the software KVAR that allows the calculation of the value at risk and its backtesting using several approaches, the historical approach and Monte Carlo approach.

- ▣ Stress Testing by Risk Factor

A set of stress tests are conducted daily for each activity of trading. These stress tests are based on hypothetical scenarios set up, and reflect the exposure of the trading

group's losses in case of moderate fluctuations, averages and extremes of market risk factors.

Thus, hypothetical scenarios are based on the following stress components:

- Change in interest rates ;
- Translation of the yield curve ;
- Change in exchange rates ;
- Devaluation ;
- Change in the basket ;
- Movement of currency volatility ;
- Change in the price of the underlying asset ;

▣ Overall Sensitivity and portfolio duration or by activity for the interest rate exposure.

▣ The sensitivities of type delta, gamma, vega, theta, rho for derivative exposure.

Capital Requirements

The regulatory capital requirements under the Market Risk of BMCE Bank Group can appropriately assess the exposure of the Group to various market risks.

Counterparty Risk on derivatives transactions

BMCE Bank Group has established a rigorous monitoring of counterparty risk on derivatives:

▣ Effective and potential credit risk is calculated for each derivative contract and included in the monitoring of counterparty exposures ;

▣ Any return must have an adequate credit line granted under existing procedures.

Besides this, the Bank signs during operations on derivatives contracts managers, based on the model issued by the International Swaps and Derivatives Association (ISDA). This type of contract allows offsetting debit and credit positions of a defaulting counterpart and provides in some cases a security deposit which reduces the risk.

4.4. OPERATIONAL RISK

Operational risk can be defined as the risk of loss or incident resulting from insufficient or unsuccessful internal processes, people and systems, or from external events

4.4.1. Operational Risk Management Policy

4.4.1.1 Objective of Operational Risk Management

The Operational Risk Management system seeks to achieve the following objectives :

- Assess and prevent operational risks ;
- Evaluate the control process ;
- Undertake corrective actions in the face of major risks.

4.4.1.2 Classification

Operational risks or loss may be analysed and categorised according to two principles, which need to be distinguished: causes and consequences, in terms of impact (financial or other). They are then categorised per Basel Event type.



4.4.1.3 Links with credit and market risks

Operational risk management is potentially linked to the management of credit and market risks. The link is two-fold :

- At the global level, reflection on the global level of aversion to risks incurred by the Bank (and eventually the allocation of capital) calls for “trans-risk” analysis and follow up
- More specifically, certain operational risks may be linked directly to the management of market and credit risks.

4.4.2. Organisation of Operational Risk 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 organisation 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.

Operational risks interlocutors have been appointed at the level of the aforementioned entities, namely :

- Operational Risk Correspondents (or, CRO) ;
- Operational Risk Coordinators (or, CORO) ;
- Operational Risk Relays (RRO).

The scope of operational risk management also concerns the various group subsidiaries :

- BMCE Capital,
- Maghrébaïl,
- Salafin,
- Maroc Factoring,
- BMCE Bank International UK
- BMCE Bank International Madrid
- La Congolaise de Banque

4.4.3. Governance of Operational Risk Management

- The Group Operational Risk Committee ;
- The Business-line-based Operational Risk Follow-up Committee ;
- The Subsidiary Operational Risk Committee.

The task of these committees consists in the periodic review of the following :

- Evolution of exposure to operational risks and the control environment of these risks ;
- Identification of the main risk areas, in terms of activities and type of risk ;
- Definition of preventive and corrective actions to take in order to curb risk levels ;
- The amount of equity capital allocated to operational risks, the cost of preventive actions to take, and the cost of insurance to take out.

Fundamental Principles

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

- Reduce the exposure to operational risks ;
- Optimize capital 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 formalised 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.

The management of BMCE Bank Group operational risks has been fully automated through the use of a dedicated tool, namely MEGA GRC. Accordingly, the gathering of data pertaining to risk events, the mapping of operational risks, as well as the key risk indicators are today handled by this tool which has been deployed at the level of the bank as well as its Morocco and Europe-based subsidiaries.

Internal data that is likely to become a major component in the in-house calculation model of equity capital meet the following conditions :

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.

Containment and Mitigation of Operational Risks Several types of attitudes may be considered in the management of operational risks :

- Enhancing controls ;
- Covering risks, by taking out insurance ;
- Avoiding risks, notably by the re-deployment of activities ;
- Elaborating business continuity plans.

BMCE Bank Group has a secure and very strong control system apt to considerably reduce operational risks.

Nevertheless, as far as the management of operational risk via a dedicated apparatus is concerned, it reserves itself all the latitude necessary to identify on a case-per-case basis optimal behavior to adopt, depending on the different risk types which are made explicit beforehand.

Furthermore, the Group has insurance policies designed to mitigate risks attendant to damage to premises, fraud, theft of valuables, and third party liability ...

Aggregation of risks

Based on CRO, or Operational Risk Correspondents, the organisational system set in place makes it possible to secure feedback of risk event according to the Basel typologies (eight business lines) as well as per loss category. This applies to all trade management, as well as to the various Group subsidiaries.

Mitigation of Risk

Any major risk that has been identified and reported to the Top Management of the Bank results in the drawing up of a corrective and/or preventive action plan, which is then implemented by the Operational Risk Committee, which convenes on a quarterly basis.

4.4.4. Business Continuity Plan

Driven by a regulatory trend, the Business Continuity

Plan responds to the growing importance granted to the minimisation of the effects of interruption of activities, owing to the interdependence links between them and to the resources they rely on (being human, computing, or logistical). Based on sundry crisis scenarios –including situations of extreme shock—the plan consists of a set of measures and procedures aimed to keep up (albeit in a temporary and eroded fashion, if the need should arise) the provision of essential services and thereafter to ensure planned resumption of business activities.

The cross-cutting strategic principles underlying the business continuity are as follows :

- BMCE Bank has social responsibility vis-à-vis its clientele.

This means that the latter should be able to avail itself of the liquidity it has entrusted with the Bank. Non compliance with this obligation in times of crisis may well have an impact on public law and order. This principle prevails above

all the other principles ;

- BMCE Bank must guarantee its commitments through the interbank compensation system on the Moroccan market ;
- BMCE Bank, as a matter of priority, intends to abide by the legal and contract commitments (as they relate to the credit and commitments area) which it has already underwritten, before making any other commitments ;
- BMCE Bank intends to uphold its international credibility and guarantee its commitments vis-à-vis foreign correspondents.

BMCE Bank customers are given priority over other beneficiaries to benefit from the Bank's services. The latter are taken into account in front-to-back operations –in other words, from the branch office to the accounting service.

The year 2009 saw the deployment of the business continuity plan. Several simulations to test the reliability and performance of this plan have been carried out in several regions across the Kingdom

4.5. ASSET LIABILITY MANAGEMENT

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.

- Formulates the ALM policy
- Organize and facilitate the ALM subcommittees
- Have a thorough knowledge of the types of risks inherent in the Bank's activities and stay informed of the evolution of these risks based on the trend of financial markets, of risk management practices, and activity of the Bank;
- Review and approve procedures to limit risks inherent in the Bank's credit activity, investment, trading and other activities and significant products;
- Master the reporting systems that measure and daily control the main sources of risk;
- Periodically review and approve risk limits accordance with any changes in the institution's strategy, approve new products and respond to significant changes in market conditions;
- Ensure that the various lines of business are properly managed by HR with a level of knowledge, experience and expertise consistent with the nature of supervised activities.

4.5.1. 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.

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 major factors may generate a liquidity risk :

- The inability of the establishment to raise the necessary funds to face unexpected situations over the short term, notably in case of massive withdrawal of deposited assets and maximal drawing of off-balance-sheet commitments.

- Non backing of assets and liabilities or the financing of medium and long term assets by means of short-term liabilities

A liquidity level is deemed acceptable when it enables the Bank to finance the evolution of its assets and to meet its commitments as soon as they are due for payment, thereby shielding the Bank against any possible crisis.

In this respect, two indicators serve to assess the Bank's liquidity profile :

- 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.

4.5.2. 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 optimised 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.

4.5.3. Sensitivity of the value of banking book

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.

An interest rate shock of 200 basis points on the Net Banking Income is estimated at MAD+170 million in 2011. Likewise, an interest rate shock of 200 basis points would have an impact of MAD 305 million on the economic value of equity or 2.67% of the regulatory capital.

Stress Testing applied to Liquidity

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 loses the totality of demand deposits in 10 days.

In 2011, the 12-month-span liquidity gap shows a liquidity surplus of 9.9 billion MAD compared with +5.9 billion MAD to the end of December 2010. Furthermore, the liquidity ratio (1 month liquid assets to 1 month liabilities) stands at 101.87%.

4.6. CAPITAL COMPONENTS AND CAPITAL ADEQUACY

The Main Characteristics of the components of Capital

Share Capital

BMCE Bank has a capital of MAD 1,719,633 900, consisting of 171,193,690 ordinary shares with a nominal value of 10 MAD, fully paid. Each action usually gives a right to vote.

Subordinated debts

Total subordinated debt added up to about 4.3 billion MAD in 2011.

Evaluation of the Capital Adequacy

BMCE BANK Group has opted for the standard approach, as presented in the circulars issued by Bank Al-Maghrib (BAM), (or, the Central Bank of Morocco). The circulars in question are :



- ▣ Circular no. 26/G/2006 relative to regulatory requirements in equity capital for credit institutions and similar entities ;
- ▣ Circular no. B3/G/2006 relative to the methods of calculating credit risk weighted assets ;
- ▣ Circular no. 25/G/2006 relative to the minimum requirement of capital adequacy ratio for credit institutions and similar entities;
- ▣ Circular no. 24/G/2006 relative to capital.

These circulars cover all the risks taken by the Bank. In fact, the methods of calculating market risks are governed by these selfsame circulars, according to the standard approach.

Regulatory capital requirements for credit risks are applied on an individual basis for each entity in the Group and on a consolidated basis at the level of BMCE Bank Group.

As for the standardised approach, it is similar to the one used according to Cooke's methodology which is based on the principle of flat rate weighting, but it takes into account risk-mitigation techniques. The three parameters: Probability of Default (PD); Exposure at Default (EAD) and Loss Given Default (LGD) are set by the regulator in the form of weighting to apply to PD, EAD and LGD.

NB : the Approach adopted by BMCE Bank Group for the calculation of its regulatory capital

According to the Internal Rating Based Foundation (IRBF), the Loss Given Default (LGD) is a regulatory parameter which is provided, taking into consideration the guarantees received, according to certain calculation methods.

According to the Internal Rating Based Approach (IRBA), the Bank must provide internal estimates of LGD that are validated by historical default rate. These historical data must be produced by using an economic definition of loss.

NB: In 2009, BMCE Bank Group launched an internal rating project for the purpose of preparing for advanced methods

Capital Components

Pursuant to the standardised approach, BMCE Bank Group capital is calculated in conformity with Circular no. 26/G/2006 relative to regulatory capital requirements for credit institutions and similar entities and to Circular no. 24/G/2006 relative to capital.

Capital Requirements by Type of Risks on a Consolidated Base

	June-12
Credit Risk	129 030
Market Risk	13 460
Operational Risk	13 984
Total of Weighted Risks	156 476
Tier I	13 743
Tier I Ratio	8,78%
Net Equity	19 398
Capital Adequacy	12,40%

5 - BALANCE SHEET NOTES AS OF JUNE 30, 2012



5.1. FINANCIAL ASSETS, FINANCIAL LIABILITIES, AND DERIVATIVES AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 12			Dec 11		
	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	10 544 145	0	10 544 145	7 493 340	0	7 493 340
Treasury bills and other eligible for central bank refinancing	7 839 816		7 839 816	6 979 579		6 979 579
Other negotiable certificates of deposits	2 704 329		2 704 329	513 761		513 761
Bonds	576 799	0	576 799	433 914	0	433 914
Government bonds			0			0
Other bonds	576 799		576 799	433 914		433 914
Equities and other variable income securities	20 953 580	0	20 953 580	23 763 897	0	23 763 897
Repurchase agreements	0	0	0	0	0	0
Loans	0	0	0	0	0	0
To credit institutions						
To corporate customers						
To private individual customers						
Trading Book Derivatives	33 718	0	33 718	41 165	0	41 165
Currency derivatives	33 141		33 141	40 588		40 588
Interest rate derivatives	577		577	577		577
Equity derivatives						
Credit derivatives						
Other derivatives						
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	32 108 242	0	32 108 242	31 732 316	0	31 732 316
Of which loaned securities						
Excluding equities and other variable-income securities						
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS						
Borrowed securities and short selling						
Repurchase agreements						
Borrowings	0	0	0	0	0	0
Credit institutions						
Corporate customers						
Debt securities						
Trading Book Derivatives	13 106	0	13 106	1 752	0	1 752
Currency derivatives	13 106		13 106	1 752		1 752
Interest rate derivatives			0			0
Equity derivatives			0			0
Credit derivatives						
Other derivatives						
TOTAL FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	13 106	0	13 106	1 752	0	1 752

(In thousand MAD)

BREAKDOWN OF FINANCIAL INSTRUMENTS BY TYPE OF FAIR PRICE MEASUREMENT

	June 12				Dec 11			
	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	32 108 242			32 108 242	31 732 316			31 732 316
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	13 106			13 106	1 752			1 752
Financial liabilities at fair value through profit or loss under the fair value option								

(In thousand MAD)



5.2 - AVAILABLE FOR SALE FINANCIAL ASSETS

	June 12	Dec 11
Negotiable certificates of deposit	0	0
Treasury bills and other bills eligible for central bank refinancing		
Other negotiable certificates of deposit		
Bonds	0	0
Government bonds		
Other bonds		
Equities and other variable-income securities	3 088 665	2 628 596
Of which listed securities	435 019	435 416
Of which unlisted securities	2 653 646	2 193 180
Total available-for-sale financial assets, before impairment provisions	3 088 665	2 628 596
Of which unrealized gains and losses	-317 473	-298 219
Of which fixed-income securities		
Of which loaned securities	-317 473	-298 219
Total available-for-sale financial assets, net of impairment provisions	2 771 192	2 330 377
Of which fixed-income securities, net of impairment provisions		

(In thousand MAD)

5.3 - INTERBANK AND MONEY-MARKET ITEMS

Loans and receivables due from credit institutions

	June 12	Dec 11
Demand accounts	5 941 517	5 911 143
Loans	11 668 095	17 945 572
Repurchase agreements	135 837	5 310
Total loans and receivables due from credit institutions, before impairment provisions	17 745 449	23 862 025
Provisions for impairment of loans and receivables due from credit institutions	-39 287	-39 345
Total loans and receivables due from credit institutions, net of impairment provisions	17 706 162	23 822 680

(In thousand MAD)

Due to Credit Institutions

	June 12	Dec 11
Demand accounts	3 004 373	2 348 107
Borrowings	16 228 953	13 583 608
Repurchase agreements	11 324 463	8 916 894
Total Due to Credit Institutions	30 557 789	24 848 609

(In thousand MAD)



5.4 - LOANS AND RECEIVABLES DUE FROM CUSTOMERS

Loans and receivables due from customers

	June 12	Dec 11
Demand accounts	18 820 699	17 335 789
Loans to customers	99 138 393	89 763 953
Repurchase agreements	7 816 775	9 910 252
Finance leases	9 738 203	9 650 410
Total loans and receivables due from customers, before impairment provisions	135 514 070	126 660 404
Impairment of loans and receivables due from customers	-6 370 229	-5 317 746
Total loans and receivables due from customers, net of impairment provisions	129 143 841	121 342 658

(In thousand MAD)

Breakdown of Customer Loans by Business Segment

	June 12	Dec 11
Activity in Morocco	88 814 490	83 659 441
Specialized Financial Services	12 405 820	12 290 691
International Activities	27 922 897	25 391 404
Asset Management	634	1 122
Other Activities	0	0
Total	129 143 841	121 342 658
Allocated Debts		
Value at Balance sheet	129 143 841	121 342 658

(In thousand MAD)

Breakdown of Customer Loans by Geographic area

	June 12	Dec 11
Morocco	101 220 945	95 951 254
Sub saharan Africa	24 948 203	22 792 100
Europe	2 974 693	2 599 304
Total	129 143 841	121 342 658
Allocated Debts		
Value at Balance sheet	129 143 841	121 342 658

(In thousand MAD)

Due to Customers

	June 12	Dec 11
Demand deposits	56 493 333	57 769 414
Term accounts	51 010 789	52 986 886
Regulated savings accounts	21 595 332	19 881 953
Deposit Receipts	3 877 091	4 911 391
Repurchase agreements	1 929 387	3 602 366
Total due to customers	134 905 932	139 152 010

(In thousand MAD)

Breakdown of Customer Deposits by business segment

	June 12	Dec 11
Activity in Morocco	93 646 697	100 669 553
Specialized Financial Services	1 069 357	1 342 518
International Activities	40 189 878	37 139 939
Asset Management	0	0
Other Activities	0	0
Total	134 905 932	139 152 010
Allocated Debts		
Value at Balance sheet	134 905 932	139 152 010

(In thousand MAD)



Breakdown of Customer Deposits by Geographic area

	June 12	Dec 11
Morocco	94 716 054	102 012 071
Sub saharan Africa	38 829 812	36 114 558
Europe	1 360 066	1 025 381
Total	134 905 932	139 152 010
Allocated Debts		
Value at Balance sheet	134 905 932	139 152 010

(In thousand MAD)

5.5 - Debt Securities and Subordinated Debts

	June 12	Dec 11
Other debt securities	12 584 898	12 008 860
Negotiable certificates of deposit	12 584 898	12 008 860
Bond issues		
Subordinated debts	4 604 890	3 803 161
Subordinated debt	4 604 890	3 803 161
Redeemable subordinated debt	1 830 480	3 803 161
Undated subordinated debt	2 774 410	
Subordinated Notes	0	860 172
Redeemable subordinated notes		
Undated subordinated notes		860 172
Public Funds and special guarantee funds	197 210	241 048
Total	17 386 998	16 913 241

(In thousand MAD)

5.6 - Held-to-maturity financial assets

	June 12	Dec 11
Negotiable certificates of deposit	9 270 062	8 756 623
Treasury bills and other bills eligible for central bank refinancing	9 264 283	8 721 040
Other negotiable certificates of deposit	5 779	35 583
Bonds	827 925	834 288
Government bonds		
Other bonds	827 925	834 288
Total held-to-maturity financial assets	10 097 987	9 590 911

(In thousand MAD)

5.7 - Current and deferred taxes

	June 12	Dec 11
Current taxes	272 847	408 979
Deferred taxes	377 969	321 084
Current and deferred tax assets	650 816	730 063
Current taxes	163 954	324 592
Deferred taxes	967 348	934 127
Current and deferred tax liabilities	1 131 302	1 258 719

(In thousand MAD)



5.8 - Accrued income/expense and other assets/liabilities

	June 12	Dec 11
Guarantee deposits and bank guarantees paid	4 811	5 110
Settlement accounts related to securities transactions	33 938	24 020
Collection accounts	295 130	297 910
Reinsurers' share of technical reserves		
Accrued income and prepaid expenses	500 766	356 710
Other debtors and miscellaneous assets	3 658 604	3 875 291
Total accrued income and other assets	4 493 249	4 559 041
Guarantee deposits received	59 445	60 221
Settlement accounts related to securities transactions	6 657 848	4 230 455
Collection accounts	1 262 963	685 798
Accrued expenses and deferred income	389 205	365 626
Other creditors and miscellaneous liabilities	3 499 800	3 628 970
Total accrued expenses and other liabilities	11 869 261	8 971 070

(In thousand MAD)

5.9 - Investments in associates (companies carried under the equity method)

	June 12	Dec 11
Euler Hermes Acmar	22 837	21 180
Banque de Développement du Mali	197 268	184 792
Casablanca Finance Markets	31 628	31 752
Eurafric Information	-6 779	-3 503
Hanouty	3 783	7 165
Investments in associates	118 479	112 177
Investments in equity methods companies belonging to subsidiaries	43 519	45 795
Investments in equity methods companies	410 735	399 358

(In thousand MAD)

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

	Total Assets June 12	Net Banking Income or Net Revenues	Net income
Euler Hermes Acmar	395 121	44 779	1 657
Banque de Développement du Mali	7 101 434	399 606	22 750
Casablanca Finance Markets	297 904	3 208	299
Eurafric Information	211 913	1 234	-2 422
Hanouty	26 285	-3 147	-1 612
Société Conseil Ingénierie et Développement	488 747	41 833	10 969

(In thousand MAD)

5.10 - Property, plant and equipment and intangible assets used in operations

	June 12			Dec 11		
	Gross Value	Accumulated depreciation amortization and impairment	Carrying Amount	Gross Value	Accumulated depreciation amortization and impairment	Carrying Amount
PP&E	8 403 984	3 261 472	5 142 512	8 152 649	3 088 523	5 064 126
Land and buildings	2 603 023	573 328	2 029 695	2 617 698	534 135	2 083 563
Equipment, furniture and fixtures	2 940 326	1 342 419	1 597 907	2 859 747	1 290 230	1 569 517
Plant and equipment leased as lessor under operating leases	0	0	0	0	0	
Other PP&E	2 860 635	1 345 725	1 514 910	2 675 204	1 264 158	1 411 046
Intangible Assets	1 452 705	745 408	707 297	1 339 715	694 634	645 081
Purchased software	901 184	443 493	457 691	821 009	410 414	410 595
Internally-developed software	0	0	0	0	0	
Other intangible assets	551 521	301 915	249 606	518 706	284 220	234 486
Investment Property	674 175	51 599	622 576	594 302	47 203	547 099
Total	9 622 603	3 616 027	6 006 576	9 695 206	3 728 192	5 967 014

(In thousand MAD)



5.11 - Goodwill

	June 12	Dec 11
Gross value at start of period	832 470	531 006
Accumulated impairment at start of period		
Carrying amount at start of period	832 470	531 006
Acquisitions	112 576	403 987
Cessions		
Impairment losses recognized during the period		
Translation adjustments		
Subsidiaries previously accounted for by the equity method		
Other movements		-102 523
Gross value at end of period	945 046	832 470
Accumulated impairment at end of period		
Carrying amount at end of period	945 046	832 470

(In thousand MAD)

Goodwill by core business is as follows

	Carrying amount June 12	Carrying amount Dec 11
Maghrébaïl	10 617	10 617
Banque de Développement du Mali	3 588	3 588
Salafin	5 174	5 174
Maroc Factoring	1 703	1 703
BMCE Capital Bourse	2 618	2 618
BMCE International (Madrid)	3 354	3 354
Bank Of Africa	207 863	207 863
Locasom	98 725	98 725
Hanouty	0	0
CID	14 555	14 555
Other	596 849	484 273
TOTAL	945 046	832 470

(In thousand MAD)

5.12 - Provisions for contingencies and charges

	Dec 11	Dec 10
Total provisions at start of period	457 440	349 988
Additions to provisions	64 085	93 783
Reversals of provisions	-69 546	14 713
Effect of movements in exchange rates and other movements	0	
Gross value at end of period	5 295	-1 044
Total provisions at end of period	457 274	457 440

(In thousand MAD)

6 - FINANCING COMMITMENTS AND GUARANTEES



6.1 - Financing commitments

	June 12	Dec 11
Financing commitments given	14 759 220	17 113 203
- To credit institutions	1 696 870	1 401 513
- To customers:	13 062 350	15 711 690
Confirmed letters of credit		
Other commitments given to customers		
Financing commitments received	1 340 045	1 926 289
From credit institutions	1 340 045	1 926 289
From customers	0	0

(In thousand MAD)

6.2 - Guarantee commitments

	June 12	Dec 11
Guarantee commitments given	20 061 119	18 996 469
To credit institutions	8 088 951	6 745 730
To customers:	11 972 168	12 250 739
Sureties provided to tax and other authorities, other sureties		
Other guarantees		
Guarantee commitments received	35 421 969	32 303 600
From credit institutions	33 889 643	30 263 580
From the State and guarantee institutions	1 532 327	2 040 020

(In thousand MAD)

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

	June 12	Dec 11
Retirement allowances and equivalentes	230 142 681	230 679 497
Special seniority premiums allowances		
Other		
TOTAL	230 142 681	230 679 497

7.2.2 Assumptions

	June 12	Dec 11
Discount rate	4,50%	4,50%
Rate of increase in salaries	3%	3%
Expected return on assets	N/A	N/A
Other	11%	11%

7.3 COST OF POST- EMPLOYMENT PLANS

	June 12	Dec 11
Normal cost	8 523 138	14 571 320
Interest cost	4 886 652	9 842 698
Expected returns of funds		
Amortization of actuarial gains/ losses		
Amortization of net gains/ losses	-	11 352 669
Additional allowances		
Other		
Net cost of the period	13 409 790	35 766 687

7.4 PROVISION EVOLUTION INCLUDED IN THE BALANCE SHEET

	June 12	Dec 11
Actuarial liability, beginning of the period	230 679 497	219 185 849
Normal cost	8 523 138	25 923 989
Interest cost	4 886 652	9 842 698
Experience gains/ losses		
Other actuarial gains/ losses		
Depreciation of net gains/losses		-
Paid benefits	-13 946 606	-24 273 039
Additional benefits		
Other		
Actuarial liability, end of the period	230 142 681	230 679 497

8 - Additional information



8.1 CHANGES IN SHARE CAPITAL AND EARNINGS PER SHARE

	June 12	Dec 11
Share Capital (MAD)	1 719 633 900	1 719 633 900
Number of shares	171 963 390	171 963 390
Net earnings group share (MAD)	360 189 000	850 199 000
EPS (MAD)	2,1	4,9

8.2 - SCOPE OF CONSOLIDATION

Company	Activity	% of voting interests	% of ownership interests	Method
BMCE BANK	Banking			Parent company
BMCE CAPITAL	Investment Bank	100,00%	100,00%	full consolidation
BMCE CAPITAL GESTION	Asset Management	100,00%	100,00%	full consolidation
BMCE CAPITAL BOURSE	Financial Intermediation	100,00%	100,00%	full consolidation
MAROC FACTORING	Factoring	100,00%	100,00%	full consolidation
MAGHREBAIL	Leasing	51,00%	51,00%	full consolidation
SALAFIN	Consumer Loans	74,48%	74,48%	full consolidation
BMCE INTERNATIONAL MADRID	Banking	100,00%	100,00%	full consolidation
LA CONGOLAISE DES BANQUES	Banking	25,00%	25,00%	full consolidation
BMCE BANK INTERNATIONAL UK	Banking	100,00%	100,00%	full consolidation
BANK OF AFRICA	Banking	59,48%	59,48%	full consolidation
LOCASOM	Car Rental	100,00%	97,31%	full consolidation
RM EXPERTS	recovery	100,00%	100,00%	full consolidation
BANQUE DE DEVELOPPEMENT DU MALI	Banking	27,38%	27,38%	Equity method
CASABLANCA FINANCE MARKETS	Investment Bank	24,56%	24,56%	Equity method
EULER HERMES ACMAR	Insurance	20,00%	20,00%	Equity method
HANOUTY	Distribution	45,55%	45,55%	Equity method
EURAFRIC INFORMATION	Information Technology Services	41,00%	41,00%	Equity method
CONSEIL INGENIERIE ET DEVELOPPEMENT	Study Office	38,90%	38,90%	Equity method

8.3 - RELATED PARTIES

8.3.1 - Relationship between consolidated companies of the group

	Consolidated entities under the proportionate method	Consolidated entities under the equity method	Consolidated entities under the full consolidation method
Assets			
Loans, advances and securities		21 866	7 809 320
Demand accounts		4 441	3 463 010
Loans		17 425	871 363
Securities			3 474 947
Finance Leases			
Other Assets			415 321
Total			8 224 641
Liabilities			
Deposits		9 860	4 480 205
Demand accounts		9 860	4 305 153
Other borrowings			175 052
Debt securities			3 267 987
Other liabilities			476 449
Total			8 224 641
Financing Commitments & Guarantee Commitments			
Financing commitments given			667 169
Guarantee commitments given			667 169

(In thousand MAD)



8.3.2 - Related-party profit and loss items

	Consolidated entities under the proportionate method	Consolidated entities under the equity method	Consolidated entities under the full consolidation method
Interest income		-8 506	-109 605
Interest expense		11 050	113 320
Commission income			-26 525
Commission expense			13 108
Services provided			
Services received			
Lease income			-65 791
Other			75 476

(In thousand MAD)



BMCE Bank

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PO checking account : Rabat 1030
Social security : 10.2808.5
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