



FINANCIAL COMMUNICATION DECEMBER 2019

BANK OF AFRICA

FINANCIAL REPORT 31 December 2019

BANK OF AFRICA

140, Avenue Hassan II
PO. BOX 20 039 Casa Principale
Phone : 05 22 20 04 92 / 96
Fax : 05 22 20 05 12
Capital : 1 998 204 600 MAD
Swift : bmce ma mc
Telex : 21.931 - 24.004
Trade Register : casa 27.129
CCP : Rabat 1030
CNSS : 10.2808.5
Tax Identification Number : 01085112
Trading tax : 35502790

GOVERNANCE & DEVELOPMENT GROUP-FINANCIAL COMMUNICATION

Tél : 05 22 49 80 03 / 05 22 46 28 06
Fax : 05 22 26 49 65
E-mail : relationsinvestisseurs@bmcebank.co.ma

BMCE BANK PORTAIL : www.bmcebank.ma

INTERNATIONAL TRADE WEB SITE : www.bmctrade.com

BMCE CAPITAL PORTAIL : www.bmcecapital.com

Summary

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

- 1.1. Consolidated Balance Sheet
- 1.2. Consolidated income statement
- 1.3. Statement of Net Income and Gains and Losses Recognised Directly in Shareholders' Equity
- 1.4. Statement of Changes in Shareholders' Equity
- 1.5. Cash Flow Statements at 31 december 2019
- 1.6. Summary of Accounting Policies Applied by the Group

II. NOTES TO THE INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

- 2.1. Net Interest Income
- 2.2. Net Fee Income
- 2.3. Net Gains on Financial Instruments at Fair Value Through Profit or Loss
- 2.4. Net Gains on Available-For-Sale Financial Assets
- 2.5. Net Income From Other Activities
- 2.6. General Operating Expenses
- 2.7. Cost of Risk
- 2.8. Net Gains on Other Assets
- 2.9. Income Tax

III. SEGMENT INFORMATION

- 3.1. Earnings by business line
- 3.2. Assets and Liabilities by Business Activity

IV. NOTES TO THE BALANCE SHEET FOR THE YEAR ENDED 31 DECEMBER 2019

- 4.1. Cash, Amounts due From Central Banks, banks and the Post Office
- 4.2. Assets and liabilities at fair value through profit or loss
- 4.3. Available-For-Sale Financial Assets
- 4.4. Interbank Transactions, Receivables and Amounts due From Credit Institutions
- 4.5. Loans, Receivables and Amounts due From Customers
- 4.6. Debt Securities, Subordinated Debt and Special Guarantee Funds
- 4.7. Held-To-Maturity Financial Assets
- 4.8. Current and Deferred Tax
- 4.9. Accrued Income and Expenses, Other Assets and Liabilities
- 4.10. Investments in Companies Accounted for Under the Equity Method
- 4.11. Property, Plant and Equipment and Intangible Assets Used in Operations and Investment Property
- 4.12. Goodwill
- 4.13. Provisions for Risks and Charges
- 4.14. Juste valeur

V. FINANCING AND GUARANTEE COMMITMENTS

- 5.1. Financing Commitments
- 5.2. Guarantee Commitments

VI. SALARY AND EMPLOYEE BENEFITS

- 6.1. Description of Calculation Method
- 6.2. Summary of Provisions and Description of Existing Schemes

VII. ADDITIONAL INFORMATION

- 7.1. Changes in Share Capital and Earnings Per Share
- 7.2. Scope of Consolidation
- 7.3. Executive compensation
- 7.4. Related parties

VIII. NOTE CONCERNING RISKS

- 8.1. Risk Management Policy
- 8.2. Credit Risk
- 8.3. Rating Model
- 8.4. Exposure to Credit Risk
- 8.5. Description of the Policy for Managing Liquidity and Interest Rate Risks
- 8.6. Market Risk
- 8.7. Operational Risk

Established in 1959 and privatised in 1995, Bank of Africa is a universal bank which offers a diversified range of products and services through a domestic network of 732 branches. Bank of Africa, Morocco's third largest bank in terms of market share for deposits and loans, currently has operations in about thirty countries in sub-Saharan Africa, Europe and Asia.

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

The Group's activities in Morocco

Bank of Africa's activities in Morocco include:

- Retail Banking, sub-divided by market specialisation - retail customers, professional banking customers, private clients and Moroccans living abroad;
- Corporate Banking, including SMEs and large enterprises.

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

- BMCE Capital, the Bank's investment banking subsidiary, is organised by business line on an integrated basis which include asset management, wealth management, brokerage and capital markets activities as well as M&A and other corporate advisory services.
- Specialised financial services, whose products are primarily marketed via the branch network, the aim being to develop intra-Group commercial and operational synergies – consumer credit, leasing, bank-insurance, factoring and vehicle leasing. RM Experts, subsidiary specialising in recovery, was established in 2010.

Bank of Africa's international activities

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

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

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

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

Bank of Africa's development accelerated in 2008 following the acquisition of a 35% stake in Bank of Africa which has operations in 18 countries. Bank of Africa has since increased its stake in the pan-African bank to 71.4%.



37, Bd Abdellatif Ben Kaddour
20 050 Casablanca
Maroc



11, Avenue Bir Kacem
Souissi
10 000 Rabat - Maroc

BANK OF AFRICA GROUP BMCE GROUP

CERTIFICATION OF THE AUDITORS ON THE CONSOLIDATED INTERIM STATUS FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2019

We have performed a limited audit of the provisional financial position of BANK OF AFRICA BMCE GROUP and its subsidiaries, comprising the consolidated statement of financial position, consolidated income statement, consolidated cash flow statement, consolidated statement of changes in shareholders' equity and a selection of explanatory notes for the period from 1 January to 31 December 2019. This provisional financial position shows consolidated shareholders' equity of MAD 27,796,103K, including consolidated net income of MAD 2,576,017 K.

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

Bank of Africa BMCE Group possesses a stock of non-operating real estate assets, acquired as dation-in-payment. These assets represented a total of 4.8 billion dirhams as of end of 2019. Given the risks inherent in these real estate assets, particularly uncertainties about their resale value and the period of time required to liquidate them, we are therefore unable to give an opinion about the value of these assets at 31 December 2019.

On the basis of our limited audit, we have not identified any items that lead us to believe that the attached consolidated financial statements do not give a true and fair view of income from operations over the period and of the financial position and assets of BMCE Bank Group at 31 December 2019, in accordance with international accounting standards (IAS/IFRS).

Casablanca, 27 March 2020

The Statutory Auditors

ERNST & YOUNG

Abdeslam BERRADA ALLAM
Associé

KPMG

Fouad LAHGAZI
Associé

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

1.1. CONSOLIDATED BALANCE SHEET

The consolidated financial statements at 31 december 2019 were approved by the board of directors on 27 march 2020.

IFRS ASSETS	Dec 19	Dec 18
Cash and amounts due from central banks and post office banks	14 450 591	14 310 554
Financial instruments at fair value through profit or loss	-	-
- Financial assets held for trading	29 913 430	25 104 686
- Other financial assets at fair value through profit or loss	794 295	1 011 536
Derivatives used for hedging purposes	-	-
Financial assets at fair value through equity	-	-
- Debt instruments recognised at fair value through recyclable equity	1 667 868	1 402 639
- Equity instruments reported at fair value through non-recyclable equity	4 446 599	3 986 053
Securities at amortized cost	30 042 750	25 315 848
Loans and receivables from credit institutions and similar, at amortized cost	22 403 739	21 250 394
Loans and receivables from customers, at amortized cost	186 645 591	179 302 874
Revaluation difference of hedged portfolios	-	-
Investments in insurance activities	-	-
Current tax asset	920 499	783 556
Deferred tax asset	1 767 563	1 615 532
Accruals and other assets	6 631 296	7 199 267
Non-current assets held for sale	-	-
Investments in companies accounted for by the equity method	930 990	874 360
Investment properties	3 800 224	3 730 378
Property, plant and equipment	9 222 503	7 640 031
Intangible assets	1 079 156	987 571
Goodwill	1 032 114	1 032 114
TOTAL IFRS ASSETS	315 749 207	295 547 393

(In thousand MAD)

IFRS LIABILITIES	Dec 19	Dec 18
Central Banks, Treasury, Postal Check Service	-	-
Financial liabilities at fair value through profit or loss	-	-
- Financial liabilities held for trading purposes	-	-
- Financial liabilities at fair value through profit or loss on option	-	-
Derivatives hedging	-	-
Debt securities issued	16 346 393	13 582 981
Debts due to credit institutions and similar	45 071 844	43 725 210
Debts to customers	202 816 657	192 474 205
Revaluation difference of hedged portfolios	-	-
Current tax liability	1 396 103	769 014
Deferred tax liability	1 179 957	1 179 765
Accruals and other liabilities	10 379 406	9 350 024
Debts related to non-current assets held for sale	-	-
Liabilities relating to insurance activity contracts	-	-
Provisions for risks and charges	1 172 574	1 039 395
Subsidies - public funds allocated and special guarantee funds	-	-
Subordinated debt	9 590 170	9 585 289
TOTAL DEBTS	287 953 104	271 705 883
Equity		
Capital and related reserves	18 473 069	14 365 774
Consolidated reserves	-	-
- Group share	1 474 765	1 584 607
- Minority share	4 149 154	3 977 575
Gains and losses recognized directly in equity	-	-
- Group share	618 563	593 531
- Minority share	504 535	511 300
Earning for the exercise	-	-
- Group share	1 921 510	1 831 171
- Minority share	654 507	977 552
TOTAL CONSOLIDATED EQUITY	27 796 103	23 841 510
TOTAL LIABILITIES IFRS	315 749 207	295 547 393

(In thousand MAD)

1.2. CONSOLIDATED INCOME STATEMENT

IFRS CONSOLIDATED INCOME STATEMENT	Dec 19	Dec 18
Interest and similar income	15 350 928	14 934 916
Interest and similar expense	-5 436 906	-5 252 749
Net Interest income	9 914 022	9 682 167
Fees received and commission income	3 240 485	2 990 545
Fees paid and commission expense	-529 236	-477 341
Net fee income	2 711 249	2 513 204
Net gains or losses resulting from net position hedges	-	-
Net gain on financial instruments at fair value through profit or loss	353 259	136 275
Net gains or losses on transaction assets/liabilities	343 728	138 632
Net gains or losses on other assets/liabilities at fair value through profit or loss	9 531	-2 357
Net gains on financial instruments at fair value through equity	231 334	226 865
Net gains or losses on debt instruments recorded as recyclable CP	19 627	-
Remuneration of equity instruments recognised as non-recyclable CP	211 707	226 865
Net gains on derecognised financial assets at amortised cost	-	-
Gains or losses resulting from the reclassification of financial assets at amortised cost to financial assets at fair value through profit or loss	-	-
Gains or losses resulting from the reclassification of financial assets by CP as financial assets at fair value through profit or loss	-	-
Net income from insurance activities	-	-
Net income from other activities	1 235 176	1 137 982
Expenses from other activities	-584 437	-463 024
Net Banking Income	13 860 603	13 233 468
General Operating Expenses	-7 117 766	-7 194 827
Allowances for depreciation and amortization PE and intangible assets	-947 015	-620 980
Gross Operating Income	5 795 821	5 417 661
Cost of Risk	-2 196 435	-1 833 379
Operating Income	3 599 386	3 584 281
Share in net income of companies accounted for by equity method	69 866	61 804
Net gains or losses on other assets	-13 106	6 210
Change in goodwill	-	-
Pre-tax earnings	3 656 146	3 652 295
Corporate income tax	-1 080 129	-843 574
Tax Net income from discontinued activities or operations held for sale	-	-
Net Income	2 576 017	2 808 722
Non-controlling interests	654 507	977 552
Net income attributable to parent	1 921 510	1 831 170

(In thousand MAD)

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

	Dec 19	Dec 18
Net income (loss)	2 576 017	2 808 722
Gains and losses recognised directly in equity and subsequently reclassified to income	27 964	28 168
Transfer to earnings	27 964	28 168
Financial assets at fair value through recyclable equity	-	-
Revaluation differences	-	-
Gains and losses recognised directly in equity and which will not subsequently be reclassified to income	68 026	-63 583
Actuarial gains and losses on defined benefit plans	-	-
Items measured at fair value through non-recyclable equity	68 026	-63 583
Share of gains and losses recognised directly in equity on companies accounted for by the equity method	-	-
Total gains and losses recognized directly in equity	95 990	-35 415
Net income and gains and losses recognised directly in equity	2 672 007	2 773 307
Group share	2 006 084	1 827 885
Minority interests' share	665 923	945 422

(In thousand MAD)

1.4. STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

	CHANGES IN EQUITY DEC 19							
	Share Capital	Reserves related to stock	Treasury stock	Reserves & consolidated earnings	Unrealised or deferred gains or losses	Shareholder's Equity attributable to parent	Non-controlling interests	Total
Ending balance of adjusted Shareholder's Equity 12.31.2017	1 794 634	11 953 769	0	5 409 550	-449 872	18 708 081	5 976 343	24 684 424
Change in the accounting methods				-1 574 096		-1 574 096	-1 012 491	-2 586 587
Beginning Balance of Shareholder's Equity 12.31.2017	1 794 634	11 953 769	0	3 835 454	-449 872	17 133 985	4 963 852	22 097 837
Operations on capital		617 371		-617 371		0		0
Share-based payment plans						0		0
Operations on treasury stock						0		0
Dividends				-897 317		-897 317	-563 957	-1 461 274
Net Income				1 831 171		1 831 171	977 552	2 808 723
Changes in assets and liabilities recognised directly in equity					-409	-409	-371	-780
Transfer to earnings					-40 068	-40 068	-42 226	-82 295
Unrealized or deferred gains or losses	0	0	0	0	-40 478	-40 478	-42 597	-83 075
Change in the scope of consolidation				194 375		194 375	257 949	452 325
Others				153 346		153 346	-126 372	26 974
Ending balance of Shareholder's Equity 12.31.2018	1 794 634	12 571 140	0	4 499 659	-490 350	18 375 083	5 466 427	23 841 511
Recognition of expected credit losses (on financial instruments)								
Beginning balance of Shareholder's Equity 01.01.2019	1 794 634	12 571 140	0	4 499 659	-490 350	18 375 083	5 466 427	23 841 511
Operations on capital	203 571	3 903 724		-445 698		3 661 597		3 661 597
Share-based payment plans						0		0
Operations on treasury stock						0		0
Dividends				-897 317		-897 317	-600 722	-1 498 039
Net Income				1 921 510		1 921 510	654 507	2 576 017
Changes in assets and liabilities recognised directly in equity					67 246	67 246		67 246
Transfer to earnings					-23 149	-23 149	-31 181	-54 330
Unrealized or deferred gains or losses	0	0	0	0	44 096	44 096	-31 181	12 915
Change in the scope of consolidation				-170 937		-170 937	33 527	-137 410
Others				-446 127		-446 127	-214 362	-660 489
Ending balance of Shareholder's Equity 12.21.2019	1 998 205	16 474 864	0	4 461 090	-446 253	22 487 906	5 308 196	27 796 102

1.5. CASH FLOW STATEMENTS AS OF DECEMBER 31, 2019

	NOTE	Dec 19	Dec 18
Net Income Before Tax		3 656 146	3 652 296
+/- Net depreciation/amortization expense on property, plant, and equipment and intangible assets	2,6	956 552	630 876
+/- Impairment of goodwill and other non- current assets		-	-
+/- Impairment of financial assets		118 603	-15 026
+/- Net allowances for provisions		693 860	1 523 643
+/- Share of earnings in subsidiaries accounted for by equity method	4,10	-55 210	-61 366
+/- Net loss (income) from investing activities		-507 520	-465 450
+/- Net loss (income) from financing activities		-	-
+/- Other movements		34 548	470 864
Non monetary items included in pre-tax net income and other adjustments		1 240 832	2 083 541
+/- Cash flows related to transactions with credit institutions		2 949 832	217 244
+/- Cash flows related to transactions with customers		1 762 667	-7 885 804
+/- Cash flows related to transactions involving other financial assets and liabilities		-9 109 225	10 541 583
+/- Cash flows related to transactions involving non financial assets and liabilities		600 504	-4 878 370
+/- Taxes paid		-1 131 214	-641 628
Net decrease / (increase) in assets and liabilities from operating activities		-4 927 436	-2 646 975
Net Cash Flows from Operating Activities		-30 458	3 088 862
+/- Cash Flows related to financial assets and equity investments		22 037	-418 474
+/- Cash flows related to investment property		-98 686	95 806
+/- Cash flows related to PP&E and intangible assets		-865 878	-477 724
Net Cash Flows from Investing Activities		-942 527	-800 392
+/- Cash flows related to transactions with shareholders		2 158 929	-949 034
+/- Cash flows generated by other financing activities		2 731 844	-5 109 235
Net Cash Flows from Financing Activities		4 890 773	-6 058 269
Effect of movements in exchange rates on cash and equivalents		-33 948	-248 827
Net increase/(decrease) in cash and cash equivalents		3 883 840	-4 018 626
Net Balance of demand loans and deposits- credit institutions		16 989 829	21 008 455
Loan and loan of cash	4,1	14 310 554	14 490 894
Ending Balance of Cash and Equivalents		2 679 275	6 517 561
Net Balance of cash accounts and accounts with central banks and post office banks		20 873 669	16 989 829
Net Balance of demand loans and deposits- credit institutions	4,1	14 450 591	14 310 554
Loan and loan of cash		6 423 079	2 679 275
Net increase in cash and equivalents		3 883 840	-4 018 626

1.6. SUMMARY OF ACCOUNTING POLICIES APPLIED BY THE GROUP

1.6.1. Applicable accounting standards

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

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

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

The consolidated financial statements at 30 June 2019 have been prepared in accordance with IFRS standards, with first-time application of two new IFRS standards as of 1 January 2019:

- The IFRIC 23 interpretation, which clarifies the manner in which uncertainty over income tax treatments must be accounted for in the Group's financial statements;
- IFRS 16, which changes the way in which leases are accounted for.

IFRIC Interpretation 23:

This interpretation is intended to clarify IAS 12 'Income taxes', which contains measures relating to recognition and measurement of current or deferred tax assets or liabilities.

This interpretation deals with income tax-related risks. The interpretation is to be applied to determine income tax-related items when there is uncertainty over income tax treatments by an entity under the applicable tax provisions. Tax risk naturally arises from uncertainty regarding a tax position adopted by the entity that might be questioned by the tax authority.

The interpretation provides a choice of two transition methods as follows:

- Full retrospective approach, provided that the company is in possession of the necessary information without taking into account circumstances that have occurred over time; or
- Modified retrospective approach, by recognising the cumulative impact under opening shareholders' equity for the financial period in which the interpretation is first applied, in which case, the comparative information for the financial period in which the interpretation is first applied is not restated.

The Group has opted for the modified retrospective approach in respect of this interpretation by recognising the cumulative impact under opening shareholders' equity at 1 January 2019.

IFRS 16:

IFRS 16 'Leases' will supersede IAS 17 from 1 January 2019. It will change the way in which leases are accounted for.

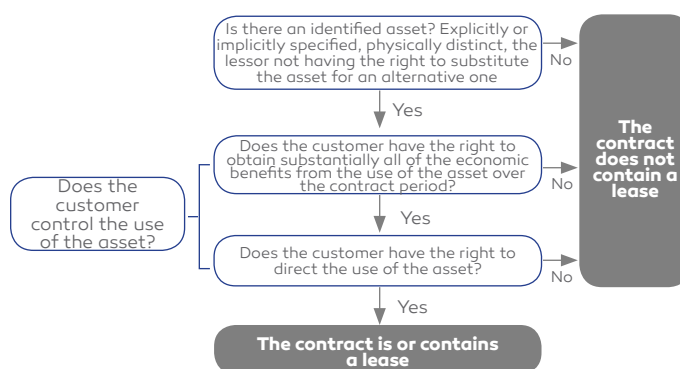
For all lease agreements, the lessee will be required to recognise a right-of-use asset on its balance sheet representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. In its income statement, the

lessee will separately recognise the depreciation of the right-of-use asset and the interest expense on the lease liability. This treatment, which is currently applied by lessees to finance-lease transactions, will subsequently be extended to operating leases.

Policies adopted:

The transition method chosen by Bank of Africa Group is the modified retrospective approach by which the lease liability is recognised at the present value of remaining lease payments at the time of first-time application (01/01/2019) with a right-of-use asset of an equivalent amount recognised at the same time. Consequently, first-time application of IFRS 16 had no impact on shareholders' equity.

To identify leases that fall within the scope of this standard, the following criteria shall apply:



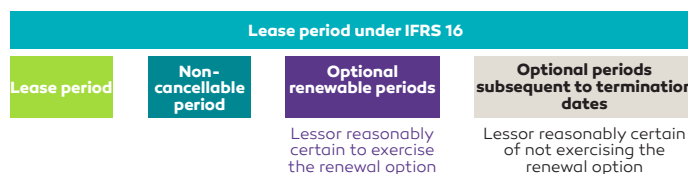
The Group has adopted two simplification measures provided for under IFRS 16 regarding short-term contracts (up to 12 months) and contracts whose underlying assets are of limited value. The IASB recommends a guideline threshold of USD 5,000 or less.

The lease period:

The period during which the Group has previously used particular types of property (leased or owned) and the underlying economic reasons thereof have been used to determine whether the group is reasonably certain of exercising an option or not.

The lease periods applied therefore depend on the type of property:

- For commercial leases, a period of 9 years on average has been applied;
- For residential leases, a period of 3 years;
- For leased vehicles, the period applied is that of the contract.



The liability related to the lease is equal to the present value of the lease payments and estimated payments at the end of the contract (early termination penalties if applicable and/or residual value guarantees if applicable).

The rate used to discount these payments is the incremental borrowing rate which is the rate of interest that a lessee would have to pay to borrow over a similar term to that of the lease liability.

1.6.2. Consolidation principles

a. Scope of consolidation

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

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

- The subsidiary's total assets exceed 0.5% of the parent company's;
- The subsidiary's net assets exceed 0.5% of the parent company's;
- The subsidiary's banking income exceeds 0.5% of the parent company's ;
- "Cumulative" thresholds which ensure that the combined total of entities excluded from the scope of consolidation does not exceed 5% of the consolidated total.

b. Consolidation methods

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

At 31 December 2019, no Group subsidiary was jointly controlled.

c. Consolidation rules

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

Elimination of intragroup balances and transactions

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

Translation of financial statements prepared in foreign currencies

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

d. Business combinations and measurement of goodwill

Cost of a business combination

The cost of a business combination is measured as the aggregate fair value of assets acquired, liabilities incurred or assumed and equity instruments issued by the acquirer in consideration

for control of the acquired company. Costs attributable to the acquisition are recognised through income.

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

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

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

Goodwill

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

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

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

Measurement of goodwill

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

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

As of December 31, 2019, the group carried out impairment tests to ensure that the book value of the cash-generating units is always lower than the recoverable value.

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

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

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

- If the subsidiary's recoverable amount is more than the carrying amount, then there is no reason to book an impairment charge;
- If the subsidiary's recoverable amount is less than the carrying amount, the difference is recognised as an impairment charge. It will be allocated to goodwill as a priority and subsequently to other assets on a pro-rata basis.

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

- A revenue-based approach, commonly known as the “dividend discount model”, is a standard method used by the banking industry. The use of this method depends on the subsidiary’s business plan and will value the subsidiary based on the net present value of future dividend payments. These flows are discounted at the cost of equity.

- The “discounted cash flow method” is a standard method for measuring firms in the services sector. It is based on discounting available cash flows at the weighted average cost of capital.

Step acquisitions

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

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

1.6.3. Financial assets and liabilities

a. Loans and receivables

Loans and receivables include credit provided by the Group.

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

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

b. Securities

Classification of securities

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

- Depreciated cost;

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

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

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

- business model defined by the company

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

The management methods relate to the way the company

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

IFRS 9 distinguishes three management models:

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

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

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

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

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

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

; or

- equity instruments (i.e. shares).

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

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

- always measured at fair value through profit or loss,

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

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

- financial liability at amortised cost;

- financial liability at fair value through profit or loss;

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

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

- under certain conditions when the liability contains embedded derivatives

; or

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

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

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

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

Temporary acquisitions and sales

Repurchase agreements

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

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

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

Securities lending and borrowing transactions

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

Date of recognition of securities transactions

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

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

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

c. Foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies

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

d. Impairment and restructuring of financial assets

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

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

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

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

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

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

The definition of default is consistent with the one outlined in Circular 19G with a rebuttable assumption of default occurring when amounts are no later than 90 days past due.

The definition of default is used consistently to assess whether there is an increase in credit risk and to measure expected credit losses.

The monitoring of risk degradation is based on the monitoring systems of the internal risks, including in particular the monitoring of receivables and unpaid bills.

The significant increase in credit risk may be assessed on an individual or collective basis (by grouping together financial instruments based on common credit risk characteristics), taking into account all reasonable and supportable information and comparing the risk of default of the financial instrument at the reporting date with the risk of default of the financial instrument at the date of initial recognition.

Each instrument is assessed to ascertain whether there has been a significant increase in credit risk based on indicators and thresholds that vary depending on the kind of exposure and counterparty type.

A financial asset is also considered to have undergone a significant increase in credit risk if one or more of the following criteria are met:

- Financial asset placed on the watchlist
- Reorganised due to payment difficulties, although not defaulting
- Past-due event
- There are material adverse changes in the borrower's economic, commercial or financial operating environment
- Risks of financial difficulties have been identified, etc.

In order to compensate for the fact that some factors or indicators may not be available at a financial instrument level, on an individual basis, the standard allows for the entity to carry out an assessment as to whether there has been a significant increase in credit risk on appropriate groups or portions of a portfolio of financial instruments.

Shared credit risk characteristics may be used to constitute portfolios for the purpose of carrying out an assessment as to whether there has been a significant increase in credit risk on a collective basis. Shared credit risk characteristics include instrument type, credit risk ratings, collateral type, date of initial recognition, remaining term to maturity, industry, the borrower's geographical location, the value of the collateral relative to the financial asset if it has an impact on the probability of default occurring (for example, non-recourse loans in some countries, or on loan-to-value ratios), the distribution channel, the reason for raising finance, etc..

Expected credit losses are defined as being an estimate of credit losses weighted by the probability of their occurring over the financial instrument's expected lifetime. They are measured on an individual basis, for each exposure.

The calculation of impairment losses is based on three main criteria:

Probabilities of Default (PD)

The Probability of Default (PD) is the likelihood of a borrower defaulting on its financial obligations over the subsequent 12 months (1-year PD) or over the contract's remaining maturity (lifetime PD). The PD is the probability of a borrower defaulting over a particular time horizon 't'. The PD used to estimate expected losses according to IFRS 9 is calculated for each homogeneous risk class.

For financial assets that are in 'Bucket 1' (i.e. healthy, non-sensitive), a 12-month PD is calculated i.e. the probability of default occurring in the 12 months following the reporting date.

For financial assets in 'Bucket 2' (i.e. healthy, sensitive), a PD to maturity is calculated. And, by definition, financial assets in 'Bucket 3' (i.e. defaulting) have a PD of 1.

In order to calculate the 1-year PD for a given loan, Bank of Africa has divided the portfolios' loans into homogeneous risk classes that are segmented on the basis of external ratings or delinquency classes.

Lifetime PDs are calculated by applying rating migration matrices to 1-year PDs, the latter resulting from external credit rating systems or delinquency classes. Rating migration matrices are determined by modelling, for each portfolio, how defaults develop between the date of initial recognition and a contract's maturity. Rating migration matrices are developed on the basis of statistical observations.

Loss Given Default (LGD)

The Loss Given Default (LGD) is the expected credit loss as a percentage of the exposure at default. The Loss Given Default is expressed as a percentage of EAD and is calculated using Global Recovery Rates (GRRs). GRRs are assessed by homogeneous risk class for a certain type of collateral based on historical recovery rates.

For sizeable loans in difficulty, if statistical modelling is not possible (limited number of observations, special characteristics, etc.), the expected future recoverable flows are estimated by Bank of Africa Group's recovery subsidiary. The LGD is the difference between the contractual cash flows and the estimated expected cash flows (including principal and interest).

Exposure At Default (EAD)

It is based on the amount to which the Group expects to be actually exposed at the time of default, either over the subsequent 12 months or over the remaining period to maturity.

The Group draws on existing concepts and systems to set these parameters. Expected credit losses on financial instruments are measured as the product of these three parameters.

Under IFRS 9, recognition of expected credit losses is based on forward-looking macroeconomic conditions.

The parameters are adjusted after factoring in the prevailing economic conditions based on macroeconomic research provided by in-company industry experts. As a result of this research and the expert opinion provided, PDs may be revised (upwards or downwards depending on the outlook) over a three-year horizon. The inclusion of other macroeconomic indicators is currently being phased in.

The organisational and management approach used to determine these scenarios is the same as that adopted for the budgeting process. These are reviewed annually based on suggestions from the economic research team and are validated by the General Management Committee.

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

- When acquiring shares: all shares are considered as part of Bucket 1 regardless of the issuer's rating,
- In subsequent evaluations:
- In the event of a downgrade of the issuer's rating, the security changes to bucket 2
- On the basis of credit losses proven to be at maturity if the counterparty is in default - Bucket 3

Forbearance

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

Restructuring of assets classed as “Loans and receivables”

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

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

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

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

The discount is calculated as the difference between :

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

e. Issues of debt securities

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

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

f. Treasury shares

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

As of December 31st, 2019, the Group does not hold any treasury shares.

g. Derivative instruments

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

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

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

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

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

i. Determining the fair value of financial instruments

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

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

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

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

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

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

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

j. Income and expenses arising from financial assets and liabilities

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

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

k. Cost of risk

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

l. Offsetting financial assets and liabilities

A financial asset and a financial liability are offset and the net amount presented in the balance sheet if, and only if, the Group

has a legally enforceable right to offset the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.6.4. Property plant and equipment and intangible assets

a. Property, plant and equipment

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

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

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

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

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

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

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

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

Component-based matrix adopted by Bank of Africa

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

Impairment

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

b. Investment property

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

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

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

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

c. Intangible assets

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

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

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

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

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

1.6.5. Leases

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

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

a. Lessor accounting

Finance leases

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

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

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

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

Operating leases

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

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

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

b. Lessee accounting

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

Finance leases

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

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

Operating leases

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

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

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

At 30th June 2019, the Group did not recognise any assets as held for sale or discontinued activities.

1.6.7. Employee benefits

Classification of employee benefits

a. Short-term benefits

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

b. Defined-contribution post-employment benefits

The employer pays a fixed amount in respect of contributions into an external fund and has no other liability. Benefits received are determined on the basis of cumulative contributions paid plus any

interest and are recognised as expenses in the year in which they are earned.

c. Defined-benefit post-employment benefits

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

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

d. Long-term benefits

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

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

e. Termination benefits

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

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

a. Calculation method

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

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

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

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

b. Accounting principles

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

Actuarial gains or losses arise on differences related to changes in assumptions underlying calculations (early retirement, discount rates etc.) or between actuarial assumptions and what actually

occurs (rate of return on pension fund assets etc.) constitute.

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

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

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

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

1.6.8. Share-based payments

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

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

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

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

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

1.6.9. Provisions recorded under liabilities

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

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

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

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

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

1.6.10. Current and deferred taxes

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

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

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

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

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

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

1.6.11. Cash flow statement

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

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

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

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

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

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

balance sheet and in the disclosure of information in the notes to the financial statements.

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

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

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

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

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

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

II. NOTES TO THE INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

2.1. NET INTEREST INCOME

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

	Dec 19			Dec 18		
	Income	Expense	Net	Income	Expense	Net
Customer Items	10 682 959	2 842 525	7 840 434	10 818 793	2 830 855	7 987 938
Deposits, loans and borrowings	9 881 189	2 814 604	7 066 585	10 199 494	2 799 843	7 399 651
Repurchase agreements	0	27 921	-27 921	0	31 012	-31 012
Finance leases	801 770	0	801 770	619 299	0	619 299
Interbank Items	1 302 310	1 752 496	-450 186	1 289 625	1 464 925	-175 300
Deposits, loans and borrowings	1 050 914	1 376 191	-325 277	1 084 082	1 194 800	-110 718
Repurchase agreements	251 396	376 304	-124 909	205 543	270 125	-64 582
Borrowings issued by the Group		841 885	-841 885	0	956 969	-956 969
Instruments at fair value through equity			0			0
Debt instruments	3 365 659		3 365 659	2 826 498		2 826 498
TOTAL INTEREST INCOME/(EXPENSE)	15 350 928	5 436 906	9 914 022	14 934 916	5 252 749	9 682 167

(In thousand MAD)

2.2. NET FEE INCOME

	Dec 19			Dec 18		
	Income	Expense	Net	Income	Expense	Net
Net fee on transactions	2 432 925	215 140	2 217 785	2 243 610	248 194	1 995 416
With credit institutions			-			-
With customers	1 680 163		1 680 163	1 537 760	-	1 537 760
On custody	216 541	63 970	152 571	216 942	73 617	143 325
On foreign exchange	536 221	151 170	385 051	488 908	174 577	314 331
On financial instruments and off balance sheet			-			-
Banking and financial services	807 560	314 096	493 464	746 935	229 147	517 788
Income from mutual funds management			-			-
Income from electronic payment services	418 497	95 724	322 773	388 448	88 300	300 148
Insurance			-			-
Other	389 063	218 372	170 691	358 487	140 847	217 640
NET FEE INCOME	3 240 485	529 236	2 711 249	2 990 545	477 341	2 513 204

(In thousand MAD)

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

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

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

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

	Dec 19			Dec 18		
	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	474 042	9 531	483 573	199 404	-2 357	197 047
Derivative instruments	-130 314	0	-130 314	-60 772	0	-60 772
Repurchase agreements						
Loans						
Borrowings						
Remeasurement of interest rate risk hedged portfolios						
Remeasurement of currency positions						
TOTAL	343 728	9 531	353 259	138 632	-2 357	136 275

(In thousand MAD)

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

	Dec 19	Dec 18
Remuneration of equity instruments recognised as non-recyclable equity instruments (Dividends)	211 707	226 865
TOTAL	211 707	226 865

2.5. NET INCOME FROM OTHER ACTIVITIES

	Dec 19			Dec 18		
	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	254 340	122 711	131 629	277 075	121 348	155 727
Net income from property development activities	0	0	0	0	0	0
Other banking income & expenses	694 425	378 380	316 046	486 955	325 604	161 351
Other operating income	286 411	83 347	203 064	373 952	16 072	357 880
TOTAL NET INCOME FROM OTHER ACTIVITIES	1 235 176	584 437	650 739	1 137 982	463 024	674 958

(In thousand MAD)

2.6. GENERAL OPERATING EXPENSES

	Dec 19	Dec 18
Staff expenses	3 896 797	3 779 625
Taxes	302 176	304 419
External expenses	2 671 462	2 970 647
Other general operating expenses	247 332	140 136
Allowances for depreciation and provisions of tangible and intangible assets	947 015	620 980
General Operating Expenses	8 064 782	7 815 807

(In thousand MAD)

2.7. COST OF RISK

	Dec 19	Dec 18
Net allocations for depreciations	-694 114	-1 571 517
Bucket 1	-116 931	130 261
Including loans and receivables on EC and OA	-5 853	2 950
Including customer loans and receivables	37 726	48 024
Including off-balance-sheet commitments	-52 650	85 051
Including debt instruments	-96 154	-7 326
Including debt instruments accounted for by JV and recyclable CP	-	1 562
Bucket 2	-71 331	121 767
Including loans and receivables on EC and OA	-1 167	-1 303
Including customer loans and receivables	-68 815	82 405
Including off-balance-sheet commitments	-1 366	2 691
Including debt instruments	17	37 974
Including debt instruments accounted for by JV and recyclable CP	-	-
Bucket 3	-505 852	-1 823 545
Including loans and receivables on EC and OA	-40 169	360
Including customer loans and receivables	-454 464	-1 767 952
Including off-balance-sheet commitments	-17 783	-78 329
Including debt instruments	6 564	22 377
Including debt instruments accounted for by JV and recyclable CP	-	-
Amounts recovered from amortized loans	94 599	52 617
Losses on bad debt	-1 548 430	-365 896
Other	-48 490	51 417
Cost of risk	-2 196 435	-1 833 379

2.8. NET GAINS ON OTHER ASSETS

	Dec 19	Dec 18
PP&E and intangible assets used in operations	8 878	-17 398
Capital gains on disposals	15 796	-
Capital losses on disposals	6 918	17 398
Others	-21 984	23 608
Net Gain/Loss on Other Assets	-13 106	6 210

2.9. INCOME TAX

2.9.1. Current and deferred tax

	Dec 19	Dec 18
Current tax	920 499	783 556
Deferred tax	1 767 563	1 615 532
Current and deferred tax assets	2 688 062	2 399 088
Current tax	1 396 103	769 014
Deferred tax	1 179 957	1 179 765
Current and deferred tax liabilities	2 576 060	1 948 779

(In thousand MAD)

2.9.2. Net income tax expense

	Dec 19	Dec 18
Current tax expense	-1 238 767	-1 003 034
Net deferred tax expense	158 638	159 460
Net Corporate income tax expense	-1 080 129	-843 574

(In thousand MAD)

2.9.3. Effective tax rate

	Dec 19	Dec 18
Net income	2 576 017	2 808 722
Net corporate income tax expense	-1 080 129	-843 574
Average effective tax rate	41,9%	30,0%

(In thousand MAD)

Analysis of effective tax rate

	Dec 19	Dec 18
Standard tax rate	37,0%	37,0%
Differential in tax rates applicable to foreign entities		
Reduced tax rate		
Permanent differences		
Change in tax rate		
Reportable deficit		
Other items	4,9%	-7,0%
Average effective tax rate	41,9%	30,0%

III. SEGMENT INFORMATION

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

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

3.1. Earnings by business line

	Dec 19					
	ACTIVITY IN MOROCCO	INVESTMENT BANKING	SPECIALISED FINANCIAL SERVICES	OTHERS	INTERNATIONAL ACTIVITIES	TOTAL
Net interest Income	4 417 685	64 541	681 730	-5 929	4 755 996	9 914 022
Net Fee income	1 200 251	159 570	21 665	-	1 329 763	2 711 249
Net Banking Income	5 951 214	362 732	722 703	115 983	6 707 972	13 860 603
General Operating Expenses & allowances for depreciation and amortization	-3 367 955	-306 697	-239 943	-98 892	-4 051 295	(8 064 782)
Operating Income	2 583 259	56 035	482 759	17 091	2 656 677	5 795 821
Corporate income tax	-544 388	-52 301	-153 086	-9 954	-320 399	(1 080 129)
Net Income Attributable to shareholders of the parent	899 925	113 233	139 594	-6 450	775 208	1 921 510

(In thousand MAD)

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

(In thousand MAD)

3.2. Assets and liabilities by business activity

	Dec 19					
	ACTIVITY IN MOROCCO	INVESTMENT BANKING	SPECIALISED FINANCIAL SERVICES	OTHERS	INTERNATIONAL ACTIVITIES	TOTAL
TOTAL ASSETS	192 052 523	1 242 527	18 163 535	216 902	104 073 720	315 749 206
ASSETS ITEMS						
Available for sale assets	2 763 938	10 470	20 768	20 621	3 298 671	6 114 467
Customer loans	118 488 373	0	16 783 701	1	51 373 516	186 645 591
Financial assets at fair value	29 913 430	110 161	861	0	683 273	30 707 725
Held to maturity assets	4 410 000	0	0	0	25 632 750	30 042 750
LIABILITIES & SHAREHOLDERS EQUITY ITEMS						
Customer deposits	134 325 817	0	949 775	0	67 541 065	202 816 657
Shareholder's Equity	18 597 007	399 863	1 669 895	(168 950)	7 298 292	27 796 107

(In thousand MAD)

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

(In thousand MAD)

IV. NOTES TO THE BALANCE SHEET AS OF 31 DECEMBER 2019

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

	Dec 19	Dec 18
Cash	4 281 536	4 283 818
CENTRAL BANKS	10 097 007	9 703 011
TREASURY	67 333	318 964
GIRO	4 715	4 761
CENTRAL BANKS, TREASURY, GIRO	10 169 055	10 026 736
Cash, Central Banks, Treasury, Giro	14 450 591	14 310 554

(In thousand MAD)

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

	Dec 19			Dec 18		
	Trading book	Assets designat- ed at fair value through profit or loss	Total	Trading book	Assets designat- ed at fair value through profit or loss	Total
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS						
Negotiable certificates of deposits	17 130 180	0	17 130 180	7 850 145	0	7 850 145
Treasury bills and other eligible for central bank refinancing	16 673 191		16 673 191	7 577 675		7 577 675
Other negotiable certificates of deposits	456 989		456 989	272 470		272 470
Bonds	2 425 052	0	2 425 052	1 432 273	0	1 432 273
Government bonds	1 285 666		1 285 666	999 176		999 176
Other bonds	1 139 386		1 139 386	433 096		433 096
Equities and other variable income securities	10 392 716	794 295	11 187 011	15 832 484	1 011 536	16 844 020
Repurchase agreements	-	-	-	-	-	-
Loans	-	-	-	-	-	-
To credit institutions			0			0
To corporate customers			0			0
To private individual customers			0			0
Trading Book Derivatives	-34 518	0	-34 518	-10 215	0	-10 215
Currency derivatives	-34 518		-10 215	-10 215		-10 215
Interest rate derivatives			0			0
Equity derivatives			0			0
Credit derivatives			0			0
Other derivatives			0			0
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	29 913 430	794 295	30 707 725	25 104 686	1 011 536	26 116 222
Of which loaned securities						
Excluding equities and other variable-income securities						
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS						
Borrowed securities and short selling						
Repurchase agreements						
Borrowings						
Credit institutions						
Corporate customers						
Debt securities						
Trading Book Derivatives						
Currency derivatives						
Interest rate derivatives						
Equity derivatives						
Credit derivatives						
Other derivatives						
TOTAL FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS						

4.3. FINANCIAL ASSETS AT FAIR VALUE THROUGH EQUITY

	Dec 19			Dec 18		
	Balance Sheet Value	unrealised gains	Unrealized losses	Balance Sheet Value	unrealised gains	Unrealized losses
Debt instruments recognised at fair value through recyclable equity	1 667 868	5 756	-986	1 402 639	901	-17 345
Equity instruments recognised at fair value through non-recyclable equity	4 446 599	1 624 365	-528 048	3 986 053	1 582 357	-545 052
						(In thousand MAD)

4.4. SECURITIES AT AMORTISED COST

	Dec 19	Dec 18
Treasury bills and other bills mobilisable with central banks	6 666 681	5 066 899
Treasury bills and other bills mobilisable with central banks	5 798 982	5 023 497
Other negotiable debt securities	867 699	43 402
Bonds	23 625 022	20 397 838
Government bonds	21 537 841	16 420 029
Other Bonds	2 087 182	3 977 809
Depreciations	-248 954	-148 889
TOTAL DEBT INSTRUMENTS VALUED AT AMORTISED COST	30 042 750	25 315 848
		(In thousand MAD)

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

LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS

	Dec 19	Dec 18
Demand accounts	8 927 092	7 339 328
Loans	12 522 277	13 968 918
<i>Including cash loans</i>	<i>1 162 815</i>	<i>304 165</i>
Repurchase agreements	1 058 308	37 630
Total loans and receivables due from credit institutions, before impairment provisions	22 507 677	21 345 876
Provisions for impairment of loans and receivables due from credit institutions	-103 938	-95 482
Total loans and receivables due from credit institutions, net of impairment provisions	22 403 739	21 250 394
		(In thousand MAD)

Amounts due to credit institutions

	Dec 19	Dec 18
Demand accounts	3 722 868	2 905 998
Borrowings	28 000 311	28 317 243
<i>Including cash borrowings</i>	<i>982 242</i>	<i>1 047 509</i>
Repurchase agreements	13 348 666	12 501 969
TOTAL	45 071 844	43 725 210
		(In thousand MAD)

4.6. LOANS, RECEIVABLES AND AMOUNTS DUE FROM CUSTOMERS

LOANS AND RECEIVABLES DUE FROM CUSTOMERS

	Dec 19	Dec 18
Demand accounts	22 366 723	22 879 106
Loans to customers	149 857 647	145 939 070
Repurchase agreements	13 272 162	9 815 519
Finance leases	15 393 383	14 594 299
Total loans and receivables due from customers, before impairment provisions	200 889 916	193 227 994
Impairment of loans and receivables due from customers	-14 244 325	-13 925 121
Total loans and receivables due from customers, net of impairment provisions	186 645 590	179 302 874

(In thousand MAD)

BREAKDOWN OF AMOUNTS DUE TO CUSTOMERS BY BUSINESS ACTIVITY

	Dec 19	Dec 18
Activity in Morocco	118 488 373	112 536 900
Specialized Financial Services	16 783 701	16 132 363
International Activities	51 373 516	50 633 541
Investment Banking	0	70
Other Activities	1,00	-
Total	186 645 590	179 302 874
Allocated Debts		
Value at Balance sheet	186 645 590	179 302 874

(In thousand MAD)

BREAKDOWN OF AMOUNTS DUE TO CUSTOMERS BY GEOGRAPHICAL REGION

	Dec 19	Dec 18
Morocco	135 272 075	128 669 333
Africa	47 463 182	46 281 694
Europe	3 910 334	4 351 847
Total	186 645 591	179 302 874
Allocated Debts		
Value at Balance sheet	186 645 591	179 302 874

(In thousand MAD)

Breakdown of loans & receivables and commitments by BUCKET

	Dec 19				Dec 18			
	Receivables and commitments			TOTAL	Depreciation			TOTAL
	BUCKET 1	BUCKET 2	BUCKET 3	TOTAL	BUCKET 1	BUCKET 2	BUCKET 3	TOTAL
Financial assets at fair value through equity	1 670 649	-	-	1 670 649	2 781	-	-	2 781
Debt instruments accounted for by JV at recyclable CP	1 670 649			1 670 649	2 781			2 781
Financial assets at amortized cost	221 226 961	15 371 015	17 091 320	253 689 296	1 516 007	2 301 870	10 779 341	14 597 218
Loans and receivables from credit institutions	22 452 542	0	55 134	22 507 676	42 491	0	61 447	103 938
Loans and receivables from customers	168 550 807	15 302 923	17 036 186	200 889 916	1 225 658	2 300 774	10 717 894	14 244 326
Debt instruments	30 223 612	68 092		30 291 704	247 858	1 096		248 954
Total assets	222 897 610	15 371 015	17 091 320	255 359 945	1 518 788	2 301 870	10 779 341	14 599 999
Total off-balance sheet	42 625 611	299 696	304 150	43 229 457	218 489	2 934	74 153	295 576

	Dec 18				Dec 17			
	Receivables and commitments			TOTAL	Depreciation			TOTAL
	BUCKET 1	BUCKET 2	BUCKET 3	TOTAL	BUCKET 1	BUCKET 2	BUCKET 3	TOTAL
Financial assets at fair value through equity	1 403 746	-	-	1 403 746	1 107	-	-	1 107
Debt instruments accounted for by JV at recyclable CP	1 403 746			1 403 746	1 107			1 107
Financial assets at amortized cost	206 823 803	17 375 491	15 839 314	240 038 608	1 441 164	2 235 683	10 492 645	14 169 492
Loans and receivables from credit institutions	21 282 989		62 887	21 345 876	32 606		62 876	95 482
Loans and receivables from customers	160 551 174	16 900 393	15 776 427	193 227 995	1 263 393	2 231 959	10 429 769	13 925 121
Debt instruments	24 989 640	475 097		25 464 737	145 165	3 724		148 889
Total assets	208 227 549	17 375 491	15 839 314	241 442 354	1 442 271	2 235 683	10 492 645	14 170 599
Total off-balance sheet	41 302 875	167 523	143 605	41 614 003	165 838	1 568	122 802	290 209

Amounts due to customers

	Dec 19	Dec 18
On demand deposits	110 457 223	104 025 228
Term accounts	37 779 950	35 272 676
Savings accounts	38 630 433	36 360 381
Cash certificates	5 160 093	6 216 003
Repurchase agreements	841 915	914 037
Other items	9 947 043	9 685 880
TOTAL LOANS AND RECEIVABLES DUE TO CUSTOMERS	202 816 657	192 474 205

(In thousand MAD)

BREAKDOWN OF AMOUNTS DUE TO CUSTOMERS BY BUSINESS ACTIVITY

	Dec 19	Dec 18
Activity in Morocco	134 325 817	128 441 420
Specialized Financial Services	949 775	895 925
International Activities	67 541 065	63 136 860
Investment Banking	0	0
Other Activities	0	0
Total	202 816 657	192 474 205

Allocated Debts

Value at Balance sheet	202 816 657	192 474 205
-------------------------------	--------------------	--------------------

(In thousand MAD)

BREAKDOWN OF AMOUNTS DUE TO CUSTOMERS BY GEOGRAPHICAL REGION

	Dec 19	Dec 18
Morocco	135 275 592	129 337 345
Africa	65 790 252	61 510 364
Europe	1 750 813	1 626 496
Total	202 816 657	192 474 205

Allocated Debts

Value at Balance sheet	202 816 657	192 474 205
-------------------------------	--------------------	--------------------

(In thousand MAD)

4.7. DEBT SECURITIES, SUBORDINATED DEBT AND SPECIAL GUARANTEE FUNDS

	Dec 19	Dec 18
Other debt securities	16 346 393	13 582 981
Negotiable certificates of deposit	15 846 393	13 082 981
Bond issues	500 000	500 000
Subordinated debts	9 590 170	9 585 289
Subordinated debt	9 590 170	9 585 289
Redeemable subordinated debt	6 590 170	6 585 289
Undated subordinated debt	3 000 000	3 000 000
Subordinated Notes	0	0
Redeemable subordinated notes		
Undated subordinated notes	0	0
Public Funds and special guarantee funds		
Total	25 936 563	23 168 270

(In thousand MAD)

4.8. CURRENT AND DEFERRED TAXES

	Dec 19	Dec 18
Current taxes	920 499	783 556
Deferred taxes	1 767 563	1 615 532
Current and deferred tax assets	2 688 062	2 399 088
Current taxes	1 396 103	769 014
Deferred taxes	1 179 957	1 179 765
Current and deferred tax liabilities	2 576 060	1 948 779

(In thousand MAD)

4.9. ACCRUED INCOME AND EXPENSES, OTHER ASSETS AND LIABILITIES

	Dec 19	Dec 18
Guarantee deposits and bank guarantees paid	144 667	144 340
Settlement accounts related to securities transactions	38 429	86 594
Collection accounts	429 990	405 489
Reinsurers' share of technical reserves		
Accrued income and prepaid expenses	817 509	811 606
Other debtors and miscellaneous assets	4 887 004	5 301 929
Inter-related Accounts	313 697	449 310
TOTAL ACCRUED INCOME AND OTHER ASSETS	6 631 296	7 199 268
Guarantee deposits received	9 252	20 444
Settlement accounts related to securities transactions	749 006	1 009 167
Collection accounts	1 332 305	1 410 897
Accrued expenses and deferred income	1 106 873	1 088 065
Other creditors and miscellaneous assets	7 181 970	5 821 451
TOTAL ACCRUED EXPENSES AND OTHER LIABILITIES	10 379 405	9 350 024

(In thousand MAD)

4.10. INVESTMENTS IN COMPANIES ACCOUNTED FOR UNDER THE EQUITY METHOD

	Dec 19	Dec 18
Euler Hermes Acmar	26 029	21 586
Banque de Développement du Mali	570 719	537 969
Eurafric	-20 954	-20 949
Africa Morocco Link	-12 829	-9 600
Société Conseil Ingenierie et Développement	148 073	153 270
Bank Al Tamwil wal Inmaa	128 106	107 288
Investments in equity methods companies belonging to BOA	91 845	84 796
Investments in associates	930 990	874 360

Financial data of the main companies accounted for under the equity method

	Total Assets	Net Banking Income or Net Revenues as of Dec 2019	Company Income	Contribution in Net Income attributable to the parent company as of Dec 2019
Acmar	600 180	194 580	22 216	4 443
Banque de Développement du Mali	14 552 231	649 346	230 856	74 842
Africa Morocco Link	287 056	267 839	2 170	1 107
Eurafric	226 451	249 718	5 021	-49
Société Conseil Ingenierie et Développement	652 705	233 585	1 681	654
Bank Al Tamwil wal Inmaa	516 994	8 043	-59 180	-30 182

(In thousand MAD)

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

	Dec 19			Dec 18		
	Gross Value	Accumulated depreciation amortization and impairment	Carrying Amount	Gross Value	Accumulated depreciation amortization and impairment	Carrying Amount
PP&E	16 399 314	7 176 811	9 222 503	13 776 687	6 136 656	7 640 031
Land and buildings	5 206 424	749 254	4 457 170	3 844 214	261 415	3 582 799
Equipment, furniture and fixtures	4 738 934	3 036 637	1 702 297	4 349 154	2 731 219	1 617 935
Plant and equipment leased as lessor under operating leases	0	0	0	0	0	0
Other PP&E	6 453 955	3 390 920	3 063 036	5 583 319	3 144 022	2 439 297
Intangible Assets	2 510 479	1 431 323	1 079 156	2 083 805	1 096 234	987 571
Purchased software	1 635 013	1 126 441	508 571	1 346 753	872 690	474 063
Internally-developed software	0	0	0	0	0	0
Other intangible assets	875 466	304 881	570 585	737 052	223 544	513 508
Investment Property	3 926 892	126 668	3 800 224	3 822 825	92 447	3 730 378

(In thousand MAD)

Change in property, plant and equipment

	Dec 19	Dec 18
Net value as of January 1st	7 640 031	7 302 800
Acquisition of the year	2 932 893	423 480
First time consolidations	-	-
Depreciation, Amortization of impairment	(981 318)	(513 740)
Disposal of the year	(85 907)	(41 272)
Other variations	(283 195)	468 763
NET VALUE AT END OF PERIOD	9 222 503	7 640 031

Change in intangible assets

	Dec 19	Dec 18
Net value as of January 1st	987 571	937 808
Acquisition of the year	395 318	221 397
First time consolidations	-	-
Depreciation, Amortization of impairment	(100 490)	(86 885)
Disposal of the year	(31 675)	(77 046)
Other variations	(171 568)	(7 703)
NET VALUE AT END OF PERIOD	1 079 157	987 571

Change in investment properties

	Dec 19	Dec 18
Net value as of January 1st	3 730 378	3 824 439
Acquisition of the year	157 190	70 141
First time consolidations	-	-
Depreciation, Amortization of impairment	(29 264)	(20 462)
Disposal of the year	(41 610)	(143 740)
Other variations	(16 469)	-
NET VALUE AT END OF PERIOD	3 800 225	3 730 378

CHARGES OF RENTAL CONTRACTS

	Dec 19
Interest expense on rental debts	-54 400
Depreciation charges for user fees	-221 276

ASSET RELATED TO RIGHTS OF USE

	Dec 19	Dec 18
Property, plant and equipment	9 222 503	7 640 031
Including rights of use	1 190 571	

LIABILITIES RELATED TO RENTAL DEBT

	Dec 19	Dec 18
Adjustment account and other liabilities	10 379 406	9 350 024
Including rental debt	1 199 456	

4.12. GOODWILL

	Dec 19	Dec 18
Gross value at start of period	1 032 114	852 310
Accumulated impairment at start of period		
Carrying amount at start of period	1 032 114	852 310
Acquisitions		
Cessions		
Impairment losses recognized during the period		
Translation adjustments		
Subsidiaries previously accounted for by the equity method		
Other movements		179 804
Gross value at end of period	1 032 114	1 032 114
Accumulated impairment at end of period		
CARRYING AMOUNT AT END OF PERIOD	1 032 114	1 032 114

(In thousand MAD)

The following table provides a breakdown of goodwill :

	Net book value Dec 19	Net book value Dec 18
Maghrébaïl	10 617	10 617
Banque de développement du Mali	3 588	3 588
SALAFIN	184 978	184 978
Maroc Factoring	1 703	1 703
BMCE Capital Bourse	2 618	2 618
BMCE International (Madrid)	3 354	3 354
Bank Of Africa	711 976	711 976
LOCASOM	98 725	98 725
CID	14 555	14 555
TOTAL GROUPE	1 032 114	1 032 114

4.13. PROVISIONS FOR CONTINGENCIES AND CHARGES

	Dec 19	Dec 18
Total provisions at start of period	1 039 395	1 087 637
Additions to provisions	293 296	109 315
Reversals of provisions	-165 979	-152 609
Effect of movements in exchange rates and other movements	5 862	-4 947
TOTAL PROVISIONS AT END OF PERIOD	1 172 573	1 039 395

(In thousand MAD)	Legal and fiscal risks	Obligations for post-employment benefits	Loan commitments and guarantees	Onerous contracts	Other provisions	Total book value
Opening balance	23 484	441 583	295 711	0	278 617	1 039 395
Provisions	22 054	23 879	71 814	0	175 549	293 296
Amounts used	-5 751	0	-86 892	0	-73 336	-165 979
Other activity	-170	0	20 446	0	-14 414	5 862
Closing balance	39 617	465 462	301 079	0	366 416	1 172 574

4.14. FAIR VALUE

4.14.1. Fair value of financial instruments carried at amortised cost

	Dec 19		Dec 18	
	Book value	Estimated market value	Book value	Estimated market value
FINANCIAL ASSETS				
Loans and receivables due from credit institutions	22 403 739	22 412 197	21 250 394	21 264 422
Loans and receivables due from customers	186 645 591	187 710 345	179 302 874	179 601 283
Placements détenus jusqu'à leur échéance	30 042 750	30 279 750	25 315 848	25 366 370
Immeubles de placement	3 800 224	3 869 864	3 730 378	3 800 018
FINANCIAL LIABILITIES				
Loans and receivables due to credit institutions	45 071 844	45 071 844	43 725 210	43 725 210
Loans and receivables due to customers	202 816 657	202 816 657	192 474 205	192 474 205
Debt securities	16 346 393	16 346 393	13 582 981	13 582 981
Subordinated debts	9 590 170	9 590 170	9 585 289	9 585 289

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

	Dec 19			
	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS				
Financial instruments at-fair-value through profit or loss held for trading	30 707 725	-	-	30 707 725
of which financial assets at-fair-value through profit or loss	29 913 430			29 913 430
of which derivative financial instruments	794 295			794 295
Financial instruments designated as at-fair-value through profit or loss	1 987 249	-	4 127 218	6 114 467
Derivatives used for hedging purposes	1 667 868			1 667 868
Available for sale financial assets	319 381		4 127 218	4 446 599
FINANCIAL LIABILITIES				
Financial instruments at-fair-value through profit or loss held for trading				
Financial instruments designated as at-fair-value through profit or loss				
Derivatives used for hedging purposes				

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

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

	Dec 19			
	Level 1	Level 2	Level 3	Total
ASSETS				
Loans and receivables due from credit institutions			22 412 197	22 412 197
Loans and receivables due from customers			187 710 345	187 710 345
Held-to-maturity financial assets			30 279 750	30 279 750
LIABILITIES				
Due to credit institutions			45 071 844	45 071 844
Due to customers			202 816 657	202 816 657
Debt securities issued			16 346 393	16 346 393
Subordinated debt			9 590 170	9 590 170

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

	Dec 19							Dec 18						
	From	D-Day to 3 months after	3 months to 1 year	1 to 5 years	5+ years	Non-fixed term	Total	From	D-Day to 3 months after	3 months to 1 year	1 to 5 years	5+ years	Non-fixed term	Total
Cash values, central banks, public treasury, postal check service	14 451						14 451	14 311						14 311
Financial assets at fair value through profit or loss							0							0
Financial assets held for trading						29 913	29 913						25 104	25 104
Other financial assets held for trading						794	794						1 011	1 011
Hedging derivatives							0							0
Financial assets at fair value through equity							0							0
Debt instruments accounted for at fair value through recyclable equity	0	283	57	780	548	0	1 668			533	870			1 403
Equity instruments accounted for at fair value through non-recyclable equity						4 447	4 447						3 986	3 986
Securities at amortized cost		2 767	4 943	16 393	5 939		30 043		1 965	3 775	14 350	5 226		25 316
Loans and receivables from credit and similar institutions, at amortized cost	12 057	1 897	1 517	3 518	0	3 415	22 404	8 900	1 812	1 861	4 783	718	3 177	21 250
Loans and receivables from customers at amortized cost	22 955	32 724	24 429	47 295	43 871	15 372	186 646	22 437	27 351	24 619	46 866	42 960	15 070	179 303
Fair value revaluation of portfolio hedge							0							0
Insurance businesses investments							0							0
Payable tax asset						920	920						784	784
Deferred tax asset						1 768	1 768						1 616	1 616
Adjustment accounts and other assets						6 631	6 631						7 199	7 199
Interests in companies valued using the equity method						931	931						874	874
Investment properties						3 800	3 800						3 730	3 730
Tangible capital asset acquisitions						9 223	9 223						7 640	7 640
Intangible capital asset acquisitions						1 079	1 079						988	988
Goodwill						1 032	1 032						1 032	1 032
TOTAL ASSETS	49 463	37 671	30 946	67 987	50 358	79 325	315 750	45 647	31 127	30 788	66 869	48 905	72 211	295 547
Central banks, public treasury, postal check service							0							0
Financial liabilities at fair value through profit or loss							0							0
Amounts due to credit and similar institutions	5 615	28 759	4 641	5 228	516	312	45 072	5 038	25 900	4 667	7 297	823	0	43 725
Amounts due to customers	159 766	17 163	24 139	1 441	0	308	202 817	151 145	14 923	24 784	1 622	0	0	192 474
Debt securities issued		2 321	4 739	9 286	0	0	16 346		1 485	6 633	5 466	0	0	13 583
Payable tax liabilities						1 396	1 396						769	769
Deferred tax liabilities						1 180	1 180						1 180	1 180
Adjustment accounts and other liabilities						10 379	10 379						9 350	9 350
Provisions						1 173	1 173						1 039	1 039
Subordinated debt and special guarantee funds		0	0	2 200	7 390	0	9 590		0	0	1 199	8 386	0	9 585
Equity						27 797	27 797						23 842	23 842
TOTAL LIABILITIES	165 381	48 244	33 519	18 155	7 906	42 544	315 749	156 183	42 308	36 084	15 583	9 209	36 180	295 547
LIQUIDITY GAPS	-115 918	-10 573	-2 573	49 831	42 452	36 782	0	-110 536	-11 181	-5 296	51 286	39 696	36 031	0

V. FINANCING AND GUARANTEE COMMITMENTS

5.1. FINANCIAL COMMITMENT

	Dec 19	Dec 18
Financing commitments given	11 977 829	10 433 663
- To credit institutions	1 709 943	1 152 550
- To customers:	10 267 886	9 281 113
Confirmed letters of credit		
Other commitments given to customers		
Financing commitments received	1 307 891	2 518 082
From credit institutions	1 307 891	2 518 082
From customers	-	-

► Financing commitments given to credit and similar institutions

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

► Financing commitments given to customers

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

► Financing commitments received from credit and similar institutions

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

5.2. GUARANTEE COMMITMENTS

	Dec 19	Dec 18
Guarantee commitments given	31 251 628	31 180 340
To credit institutions	10 465 226	10 742 293
To customers :	20 786 402	20 438 048
Sureties provided to tax and other authorities, other sureties		
Autres garanties d'ordre à la clientèle		
Guarantee commitments received	87 615 861	97 549 646
From credit institutions	85 858 844	95 300 914
From the State and guarantee institutions	1 757 017	2 248 732

► Guarantee commitments given to credit and similar institutions.

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

► Guarantee commitments given to customers

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

► Guarantee commitments received from credit and similar institutions

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

► Guarantee commitments received from the State and other organisations

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

VI. SALARY AND EMPLOYEE BENEFITS

6.1. DESCRIPTION OF CALCULATION METHOD

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

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

► Caisse Mutualiste Interprofessionnelle Marocaine (CMIM) scheme

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

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

6.2. SYNTHESIS AND DESCRIPTION OF PROVISIONS OF EXISTING SCHEMES

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

	Dec 19	Dec 18
Retirement allowances and equivalents	464 981	441 583
Special seniority premiums allowances		
Other		
TOTAL	464 981	441 583

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

6.2.2. Basic assumptions underlying calculations

Indemnité de fin de carrière	Variation Taux -50 pb	Variation Taux +50 pb
Taux d'actualisation	-11 309	10 302
taux de croissance des salaires	11 912	-13 039
Médaille du travail	Variation Taux 50- pb	Variation Taux 50+ pb
Taux d'actualisation	-13 337	12 395
taux de croissance des salaires	16 691	-17 932

Economic assumptions	Dec 19
Discount rate	3,30%
Long-term wage growth (inflation included)	3%
Demographic assumptions	
Retirement terms	Départ Volontaire
Retirement age	60 ans
Mortality table	PM 60/64 - PF 60/64

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

6.2.3. Cost of post-employment plans

	Dec 19	Dec 18
Normal cost	9 228	3 224
Interest cost	14 170	13 536
Expected returns of funds		
Amortization of actuarial gains/ losses		
Amortization of net gains/ losses		
Additional allowances	23 398	16 760
Other		
Net cost of the period		

6.2.4. Changes in the provision recognised on the balance sheet

	Dec 19	Dec 18
Actuarial liability, beginning of the period	441 583	424 824
Normal cost	33 600	32 526
Interest cost	14 170	13 536
Experience gains/ losses	-	-
Other actuarial gains/ losses	-	-
Depreciation of net gains/losses	-	-
Paid benefits	-24 372	-29 302
Additional benefits	0	0
Other	-	-
Actuarial liability, end of the period	464 981	441 584
Whose relative cost to the assimilated retirement benefits		
Others		

VII. ADDITIONAL INFORMATION

7.1. CHANGES IN SHARE CAPITAL AND EARNINGS PER SHARE

7.1.1. Share capital transactions

	Dec 19	Dec 18
SHARE CAPITAL (IN MAD)	1 998 205 000	1 794 633 900
Number of common shares outstanding during the year	199 820 500	179 463 390
NET INCOME ATTRIBUTABLE TO THE SHAREHOLDER'S OF THE PARENT (IN MAD)	1 921 509 992	1 831 169 832
BASIC EARNINGS PER SHARE (IN MAD)	9,62	10,20
DILUTED EARNING PER SHARE (IN MAD)	9,62	10,20

7.1.2. Earnings per share

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

TRANSACTIONS ON CAPITAL	In number	Unit value	In MAD
Number of shares outstanding at 31 December 2016	179 463 390	10	1 794 633 900
Number of shares outstanding at 31 December 2017	179 463 390	10	1 794 633 900
Number of shares outstanding at 31 December 2018	179 463 390	10	1 794 633 900
Number of shares outstanding at 31 December 2019	199 820 500	10	1 998 205 000

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

7.2. SCOPE OF CONSOLIDATION

denomination	Business line	% of control	% of interest	Consolidation method
BANK OF AFRICA	Bank			Mère
BMCE CAPITAL	Investment Bank	100,00%	100,00%	I.G.
BMCE CAPITAL GESTION	Assets Management	100,00%	100,00%	I.G.
BMCE CAPITAL BOURSE	Stock Brokerage	100,00%	100,00%	I.G.
MAROC FACTORING	Factoring	100,00%	100,00%	I.G.
MAGHREBAIL	Leasing	52,47%	52,47%	I.G.
SALAFIN	Consumer Loan	60,79%	60,79%	I.G.
BMCE EUROSERVICES	Financial Institution	100,00%	100,00%	I.G.
LCB Bank	Bank	37,00%	37,00%	I.G.
BMCE BANK INTERNATIONAL HOLDING	Bank	100,00%	100,00%	I.G.
BOA GROUP	Banking Holding	72,41%	72,41%	I.G.
LOCASOM	Car Rental	100,00%	97,39%	I.G.
RM EXPERTS	Debt Collection	100,00%	100,00%	I.G.
OPERATION GLOBAL SERVICE	Services Back-Office Bancaire	100,00%	100,00%	I.G.
FCP OBLIGATIONS PLUS	OPCVM	100,00%	100,00%	I.G.
BOA UGANDA	Bank	91,25%	77,65%	I.G.
BANQUE DE DEVELOPPEMENT DU MALI	Bank	32,38%	32,38%	M E E
EULER HERMES	Insurance	20,00%	20,00%	M E E
ACMAR	IT System	41,00%	41,00%	M E E
EURAFRIC INFORMATION	IT System	41,00%	41,00%	M E E
CONSEIL INGENIERIE ET DEVELOPPEMENT	Engineering	38,90%	38,90%	M E E
AFRICA MOROCCO LINKS	Maritime Transport	51,00%	51,00%	M E E
BANK AL TAMWIL	Participating Bank	51,00%	51,00%	M E E
WAL INMAA	Bank	51,00%	51,00%	M E E

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

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

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

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

7.2.1. Related-party balance sheet items

Relationship between Bank of Africa and consolidated companies and the Parent Company.

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

7.3. Remuneration paid to the main directors

7.3.1 Remuneration paid to the main directors

	Dec 19	Dec 18
Short-term benefits	24 878	21 061
Post-employment benefits	1 956	1 568
Other long-term benefits	6 383	6 179

Short-term benefits relate to the fixed remuneration inclusive of social security contributions received by the main Executive Corporate Officers in respect of the 2019 financial year .

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

7.3.2 Loans granted to the main Executive Corporate Officers

	Dec 19	Dec 18
A. Consumer loans	56 019	37 492
B. Mortgage loans	17 764	12 965
TOTAL	73 783	50 457

7.3.3 Directors' fees paid to members of the board of directors

	Dec 19		
	Gross amount	With holding tax	Net income paid
Personnes physiques et morales Résidentes au Maroc	3 842	992	2 850
Personnes physiques et morales non Résidentes au Maroc	3 235	485	2 750
TOTAL	7 077	1 477	5 600

	Dec 18		
	Gross amount	With holding tax	Net income paid
Physical and legal persons resident in Morocco	3 485	885	2 600
Physical and legal persons non resident in Morocco	3 823	573	3 250
TOTAL	7 308	1 458	5 850

7.4. Related party

7.4.1. Related party profit and loss items

	Parent company (FinanceCom*)	Sister companies	Companies consolidated according to the equity method	Companies consolidated through full integration
Asset				
Loans, advances and securities	1 519 233	4 525 782	48 251	11 143 448
Current accounts	1 519 233	2 675 762	18 952	973 471
Loans		566 694	29 299	10 169 977
Securities		1 283 325		-0
Capital lease				
Miscellaneous assets				19 347
Total	1 519 233	4 525 782	48 251	11 162 795
Liability				
Deposits	-	2 182 656	8 193	10 950 630
Current accounts		2 182 656	8 193	973 465
Other borrowings				9 977 165
Debts represented by a security				199 819
Miscellaneous liability				12 346
Total	-	2 182 656	8 193	11 162 795
Financing and guarantee commitments				
Commitments given				1 630 205
Commitments received				1 630 205

7.4.2. Related party profit and loss items

	Parent company (FinanceCom*)	Sister companies	Companies consolidated according to the equity method	Companies consolidated through full integration
Interest and similar income		-52 733	-2 866	-329 436
Interest and similar expenses				401 712
Fees (income)		-52 733		-345 963
Fees (expenses)				65 176
Services provided				
Services procured	41 871			
Lease income		-53 133	-8 527	-211 742
Other		88 073		420 247

1 - FUNDAMENTAL ACCOUNTING PRINCIPLES

1.1- Credit institutions are obliged to publish financial statements each financial year which give a true and fair view of their assets, financial position and results.

1.2- Providing a true and fair view will necessarily depend on compliance with seven fundamental accounting principles recommended under General Accounting Standards.

1.3- When transactions, events and positions are accounted for in compliance with fundamental accounting principles and recommendations from Accounting Standards for Credit Institutions, the financial statements are presumed to give a true and fair view of the credit institution's assets, financial position, assumed risks and results.

1.4- In the event that, after applying these principles, the financial statements do not give a true and fair view, the credit institution is obliged to provide all necessary information in the additional information statement so as to be able to give a true and fair view.

1.5- In the exceptional event that, after strictly applying one of these principles or recommendations, the financial statements do not give a true and fair view, the credit institution is obliged to depart from established accounting principles.

Any eventual departure must be mentioned in the additional information statement and must be duly justified. It must also indicate the impact on the credit institution's assets, financial position, assumed risks and results.

1.6- The main fundamental accounting principles adopted are listed hereafter:

- Going concern principle
- Consistency principle
- Historical cost principle
- Time period principle
- Prudence principle
- Objectivity principle
- Materiality principle

2.1. Presentation

The financial statements comprise:

- Head office accounts
- The accounts of domestic branches
- The accounts of overseas branches and representative offices (Paris branch, Tangier Offshore)

Any transactions or balances between group entities are eliminated on consolidation.

2.2 General principles

The financial statements have been prepared in accordance with generally accepted accounting principles applicable to credit institutions.

The presentation of Bank of Africa's financial statements complies with Accounting Standards for Credit Institutions.

2.3 Amounts due from credit institutions and customers and signature loans

General presentation of amounts due

- Amounts due from credit institutions and customers are classified on the basis of their initial maturity or economic purpose:

- Demand or term deposits in the case of credit institutions;

- Operating loans, equipment loans, consumer loans, property loans and other loans in the case of customers.

- Off-balance sheet signature loans relate to irrevocable funding commitments and guarantees.

- Repurchase agreements involving securities are recognised under the relevant receivables entry (credit institutions, customers).

- Values awaiting collection, which are only credited to the remitter on actual receipt or after a contractual period, are not recognised on the balance sheet but are accounted for materially.

- Accrued interest on these receivables is recognised under "Related receivables" through the income statement.

Non-performing customer loans

- Non-performing customer loans and advances are recognised and measured in accordance with applicable banking regulations.

- The main applicable provisions can be summarised as follows:

- Non-performing loans and advances are, depending on the level of risk, classified as "substandard", "doubtful" or "irrecoverable".

- After deducting the proportion of the guarantee required under current legislation, provisions are recognised as follows:

- 20% in the case of substandard loans;

- 50% in the case of doubtful loans;

- 100% in the case of irrecoverable loans.

Impairment provisions for credit risks on assets are deducted from the assets' carrying amount.

- On downgrading healthy loans and advances as non-performing loans, interest thereon is no longer calculated and recognised. It is only recognised as income when received.

- Losses on irrecoverable loans are recognised when the possibility of recovering non-performing loans is deemed to be nil.

- Provision write-backs for non-performing loans are recognised when the latter undergo an improvement, are effectively repaid or restructured with partial or total loan repayment.

2.4 Amounts owing to credit institutions and customers

Amounts owing to credit institutions and customers are classified in the financial statements on the basis of their initial maturity or type:

- Demand or term deposits in the case of credit institutions;

- Demand accounts in credit, savings accounts, term deposits and other customer accounts in credit.

Included under these various headings, depending on the category of counterparty, are repurchase agreements involving securities or movable assets.

Interest accrued on these payables is recognised under "Related payables" through the income statement.

2.5 Securities portfolio

2.5.1 General presentation

Securities transactions are recognised and measured in accordance with the provisions of the Credit Institutions Accounting Plan.

Securities are classified according to their legal type (debt security or equity security) as well as the purpose for which they were acquired (trading securities, available-for-sale securities, held-to-maturity securities and long-term investment securities).

2.5.2 Trading securities

Securities are considered to be Trading securities if they are:

- Bought or sold with the express intention of selling them or repurchasing them in the near future to make a profit;
- Held by the credit institution in the context of its role as market-maker, their classification as trading securities being conditional on them seeing significant trading volume as a function of market conditions;
- Acquired or sold in the context of specialised portfolio management activity comprising derivative instruments, securities or other instruments managed together with recent evidence that a short-term profit-taking approach has been adopted;
- The subject of a sales undertaking in the context of arbitrage activity.

Trading securities are recognised at cost less dealing charges plus accrued interest, where applicable. Dealing charges are recognised directly through the income statement. Securities that have been sold are valued on the basis of the same rules.

2.5.3 Available-for-sale securities

Fixed income or floating rate securities are considered to be Available-for-sale securities if they are acquired with a view to being held for an indefinite period and that the institution may decide to sell them at any time.

By default, this category includes securities that fail to satisfy the criteria for recognition under another category of securities.

Available-for-sale securities are recognised at cost plus charges and accrued interest.

Securities transferred from the "Portfolio securities" and "Equity securities and Investments in related companies" categories are valued either prior to or at the time of transfer based on the rules relating to their original category. They are reclassified under Available-for-sale securities on the basis of this carrying amount.

Securities transferred from the "Held-to-maturity securities" category are reclassified at their net carrying amount at the time of transfer.

2.5.4 Held-to-maturity securities

Held-to-maturity securities are debt securities which are acquired or which have been transferred from another category of securities for the purpose of being held until maturity in order to generate regular income over the long-term.

These securities are recognised ex-coupon at the time of acquisition.

At each balance sheet date, the securities are valued at cost, regardless of their market value. Accordingly, unrealised profit or loss is not recognised.

2.5.5 Long-term investment securities

This category comprises securities whose long-term ownership is deemed useful to the Bank. These securities are categorised according to the provisions established by Accounting Standards for Credit Institutions as follows:

- Equity securities;
- Investments in related companies;
- Portfolio securities
- Other similar assets.

At each balance sheet date, they are valued on the basis of

generally-accepted criteria such as utility value, share of net assets, future earnings prospects and share price performance. Impairment provisions are booked for unrealised losses on a case by case basis.

2.5.6 Repurchase agreements

Securities delivered under repurchase agreements are recognised on the balance sheet. The amount received, which represents the liability to the transferee, is recognised on the balance sheet under liabilities.

Securities received under reverse repos are not recognised on the balance sheet, although the amount received, which represents the receivable due from the transferor, is recognised on the balance sheet under assets.

2.6. Foreign currency-denominated transactions

Receivables, amounts owing and signature loans denominated in foreign currencies are translated into dirhams at the average exchange rate prevailing at the balance sheet date.

Foreign currency differences on contributions from overseas branches and on foreign currency borrowings hedged against exchange rate risk are recorded on the balance sheet under other assets or other liabilities as appropriate. Any translation gains and losses arising from the translation of non-current securities acquired in a foreign currency are recorded as translation differences under the category of securities in question.

Foreign currency differences on other accounts held in foreign currencies are recognised through the income statement.

Income and expenses in foreign currency are translated at the exchange rate prevailing on the day they are recognised.

2.7. Translation of financial statements denominated in foreign currencies

The 'closing rate' method is used to translate financial statements denominated in foreign currencies.

Translation of balance sheet and off-balance sheet items

All assets, liabilities and off-balance sheet items of the foreign entity (Paris Branch) are translated based on the exchange rate prevailing at the closing date.

Shareholders' equity (excluding net income for the financial year) is measured at different historical rates (additional charges) and constitutes reserves. The difference arising from this correction (closing rate less historical rate) is recorded under "Translation differences" under shareholders' equity.

Translation of income statement items except for depreciation and amortisation expenses and provisions, which are translated at the closing rate, are translated at the average exchange rate for the financial year. However, income statement items have been translated at the closing rate since this method does not result in any material difference by comparison with the average exchange rate method.

2.8. General risk provisions

These provisions are booked, at the discretion of the management, to address future risks relating to banking operations which cannot be currently identified or accurately measured.

Provisions booked are added back for taxation purposes.

2.9. Intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment are recognised on the balance sheet at cost less accumulated amortisation and depreciation, calculated using the straight line method over the estimated life of the assets in question.

Intangible assets are categorised under operating and non-operating non-current assets and are amortised over the following periods:

Category	Amortisation period
Lease rights	Non-amortisable
Patents and brands	For the period under patent protection
Research & development assets	1 year
IT software	5 years
Other goodwill items	Non amortisable

Plant, property and equipment are categorised under operating and non-operating non-current assets and are amortised over the following periods:

Category	Amortisation period
Land	Non amortisable
Operating premises:	
Built before 1986	20 years
Built after 1986	40 years
Office furniture	10 years
IT hardware	5 years
Vehicles	5 years
Fixtures, fittings and equipment	10 years
Shares in non-profit companies	Non amortisable

2.10 Deferred charges

Deferred charges comprise expenses which, given their size and nature, are likely to relate to more than one financial year.

2.11 Statutory provisions

Statutory provisions, particularly those relating to taxation, are booked in application of statutory or regulatory requirements. The decision as to whether or not to book such provisions is effectively a management decision motivated, in particular, by a desire to derive a tax benefit.

If the criteria for booking and utilising such provisions are met and they have been booked to be able to benefit from a definite tax break, statutory provisions, with the exception of accelerated amortisation reserves, are treated as tax-free reserves.

2.12 Recognition of interest income and fee income on the income statement

Interest income

Income and expenditure earned on capital actually lent or borrowed are considered as interest income.

Income and expenditure earned on an accruals basis, which remunerates risk, are considered as interest equivalent. This category includes fees on guarantee and financing commitments (guarantees, collateral etc.).

Interest accrued on capital actually lent or borrowed is recognised under related receivables and payables accounts through the income statement.

Interest equivalent is immediately recognised through the income statement upon invoicing.

Fee income

Income and expenditure, calculated on a flat-rate basis, which remunerate a service provided, are recognised as fees upon invoicing.

2.13 Non-recurring income and expenditure

This consists exclusively of income and expenditure arising on an exceptional basis. Such items are rare, in principle, as they are unusual by nature and occur infrequently.

2.14 Retirement obligations

Retirement obligations (Wissam Al Choghl, compensation payments for early retirement) not covered by pension schemes and managed by external independent providers (non-mandatory) are not provisioned.

VIII - NOTE CONCERNING RISKS

8.1. RISK MANAGEMENT POLICY

8.1.1. Risk categories

8.1.1.1. Credit risk

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

8.1.1.2. Market risk

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

8.1.1.3. Global liquidity and interest rate risk

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

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

8.1.1.4. Operational risk

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

8.1.1.5. Country risk

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

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

8.1.2. Risk management organization

8.1.2.1. Risk control bodies

► Group Risk Division

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

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

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

- The Group Risk Management Division

- Monitoring Commitments
- The Commitments Analysis Division
- Group Risks Convergence
- Group Risks Consolidation & Steering
- Group Risk Steering Projects.



8.1.2.2. Governance bodies

► Group Risk Committee

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

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

► Group Audit and Internal Control committee

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

Group Audit and Internal Control Committee assists the Board of Directors on internal control, by ensuring the existence and maintenance of an internal control system adapted to the Group's organization, the reliability of financial information intended for the Board of Directors and third parties, the examination of the corporate and consolidated accounts before their submission to the Board of Directors.

► General Management Committee

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

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

► The Steering Committee and Group Risk Management

After the Bank of Africa Group's General Management Committee, the Steering Committee and Risk Management assists in the management and monitoring of effective and operational of piloting device Group risks (Bank Of Africa S.A and its direct and indirect subsidiaries) and the consistency of Group activities with the policies fixed of risks and limitations:

This Committee ensures the efficiency of the piloting device of the risks (credit, market, country and operational) and its adequacy with the level of risk appetite defined within the framework of the risk management policy.

8.1.2.3. Credit Committees

► Senior Credit Committee

The Senior Credit Committee reviews and approves, on a weekly basis, credit applications from customers of the Bank and of the Group within its delegated powers. Operating rules and powers differ depending on the degree of risk incurred as well as the nature of the Bank's credit portfolio segment in question - Business, Corporate or Personal & Professional Banking customers.

The Credit Committee's scope also covers Group entities. It assesses and issues, via the Senior Credit Committee - Group Entities, decisions regarding risk-taking with regard to certain counterparties or groups of counterparties within the banking and trading portfolio in respect of domestic operations as well as for individual counterparties in respect of overseas operations based on predefined thresholds by subsidiary.

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

► Regional Credit Committee

The Regional Credit Committee (CCR) enjoys delegated powers enabling it to rule on counterparties at a regional level in accordance with the existing scheme of delegation. The Committee meets on a weekly basis. Each region's Regional Director decides on when the CCR will meet and informs all members accordingly.

Regional Directors decide on meeting dates and inform committee members.

8.1.2.4. Loan Commitments Monitoring Committee (CSE)

As part of its portfolio monitoring remit, the Loan Commitments Monitoring Committee (CSE) (at head office or on a select basis) meets on a monthly basis to follow up on the various initiatives implemented for the purpose of resolving, recovering and cleaning-up accounts showing anomalies. The Committee also reviews customer dossiers that are eligible for downgrade and decides on what action to take.

Bodies responsible for following up and monitoring, operating at four levels, three of which are at head office, oversee the process of monitoring the loan commitments situation.

8.2. CREDIT RISK

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

This policy is available in specific policies and procedures appropriate to the nature of activities and counterparties.

8.2.1. Credit decision cycle

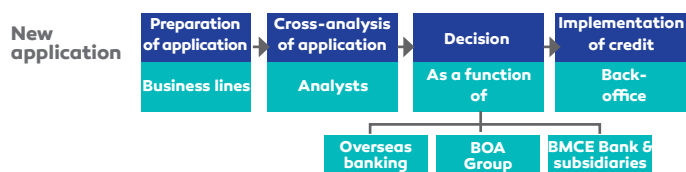
8.2.1.1. General principles

The approval process at Bank of Africa Group level respects the "Troïka" principle and is based on the following principles:

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

8.2.1.2. Credit approval process

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



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

8.2.1.3. Decision making and choice of circuits

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

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

8.2.1.4. Delegation

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

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

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

8.2.1.5. Approval rules

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

The present delegation system defines the following decision levels:

- At local branch level;
- At “hub” level (BOA Group and Europe);
- At central Bank of Africa level.

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

8.2.1.6. Credit application contents

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

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

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

The Commercial Division is responsible for preparing the credit application and its contents.

The credit application shall remain the single point of reference for any credit decision; it should contain all the signatures or stamps that guarantee the accuracy of the information provided therein.

8.3. RATING MODEL

Bank of Africa has an internal rating tool covering several customer segments.

8.3.1. Key rating rules

8.3.1.1. Rating’s uniqueness

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

8.3.1.2. Rating’s integrity

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

8.3.1.3. Rating’s singularity

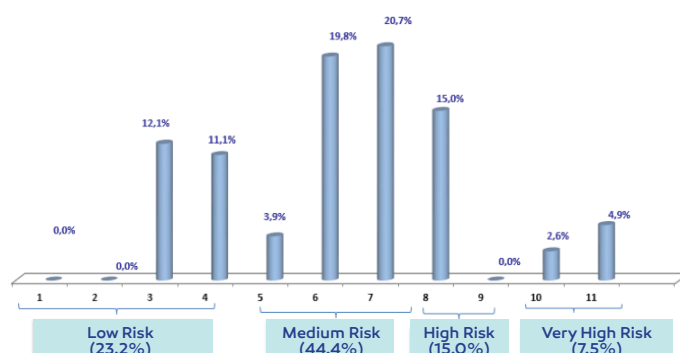
A counterparty code is assigned to each of the Bank’s counterparties. The rating of each third party is carried out using the counterparty reference code in such a manner that, for all third parties (the counterparty type is single and unique), the assessment will be carried out by using a single rating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

8.3.2. Rating scale

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

	CATE-GORY	CLASS	DEFINITION
Investment grade	Limited risk	1	Extremely stable short- and medium-term; very stable long-term; solvent despite serious disruptions;
		2	Very stable short- and medium- term; stable long-term; sufficiently solvent despite persistently negative events;
		3	Solvent short- and medium-term despite significant difficulties; moderately negative developments can be withstood long-term;
		4	Very stable short-term; no expected change to threaten the loan in the coming year; sufficiently solid medium-term to be able to survive; long-term outlook still uncertain;
Medium risk	5	Stable short-term; no expected change to threaten the loan in the coming year; can only withstand small negative developments medium-term;	
	6	Ability limited to withstand unexpected negative developments;	
	7	Ability very limited to withstand unexpected negative developments;	
Sub-investment grade	High risk	8	Ability limited to repay interest and principal on time; any change in internal and external economic and commercial conditions will make it difficult to fulfil obligations;
		9	Incapable of repaying interest and principal on time; fulfilling obligations dependent on favourable internal and external commercial and economic conditions;
	Very high risk	10	Very high risk of default; incapable of repaying interest and principal on time; partial default in repayment of interest and capital;
		11	Total default in repayment of interest and capital.

As of 30 June 2018, the breakdown of the portfolio by asset class was as follows :



8.3.3. Retail customer scoring system

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

Two types of score have been introduced, a behavioural score and a credit approval score.

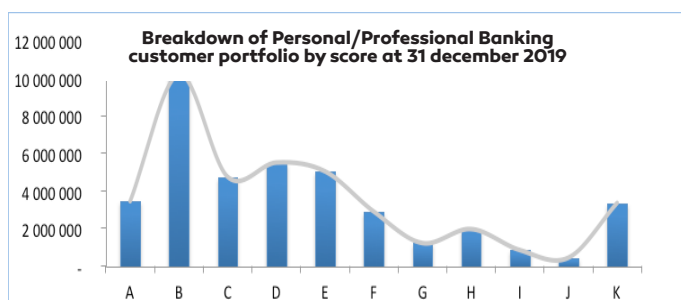
The behavioural score, for open accounts, is a dynamic risk assessment based on a customer's behaviour.

Only customers that are known to the Bank may be assigned a behavioural score.

Each of the Bank's customers is assigned a rating from A to K which is updated on a monthly basis and on a daily basis in the event of any incident.

Class	Description		
A	Very low risk	E-	High risk
A-		F-	
B	Low risk	F-	Very high risk
B-		G-	
C	Average risk	G-	Major risk
C-		H-	
D	Average-high risk	H-	Proven risk
D-		I	
E		I	Sub-standard
		J	Doubtful
		L	Loss

Four separate behavioural scoring models have been introduced for specific market segments: personal banking customers, professional banking customers, Moroccans living abroad and small businesses.



The credit approval score is a one-off rating that is assigned on opening a line of credit.

A decision support system has been introduced for approving consumer loans.

8.4. CREDIT RISK CONTROL AND MONITORING PROCEDURE

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

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

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

The risk Division's main objective is to ensure the efficiency running of a forward-looking alert system that allows the Commercial Division to optimize risk management as well as anticipating potential risks so

that the bank's portfolio may be properly managed. The risk Division also ensures that the Commercial Division is monitoring properly and provides alerts for accounts in default.

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

8.4.1. Pre-checks

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

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

- Credit proposal data:
- Compliance with the appropriate delegation level;
- Legal documentation compliance;
- Conditions and reservations expressed before initial use of funds or the facility ;
- Data entered in the information systems.

8.4.2. Post-checks

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

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

8.4.2.1. Portfolio monitoring

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

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

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

8.4.2.2. Concentration limits

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

- Individual counterparties ;
- Interest groups ;
- Counterparties belonging to the same industry or country.

8.4.2.2.1. Individual counterparties

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

The following table shows commitments to the bank's main debtors at the end of December 2019:

	December 2019	
	Amount	% of the total
Commitments to 10 largest customers	14 513	13%
Commitments to 20 largest customers	20 881	19%
Commitments to 100 largest customers	40 961	37%

8.4.2.2.2. Interest groups

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

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

8.4.2.2.3. Counterparties belonging to the same company

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

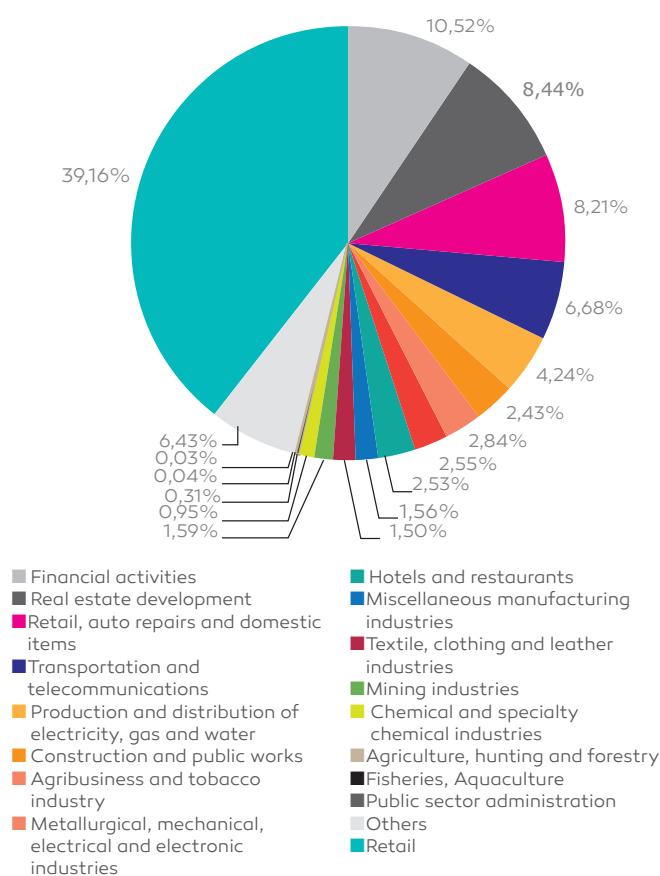
The objective is to model default risk using appropriate econometric techniques, using a random variable dependent, whose value is the result of the enumeration of realization of fault events.

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

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

The review of the sectoral limits is carried out every six months in consultation with the commercial sector and the Intelligence Centre The bank's economics, which provide their business vision and costing of the macroeconomic and sectoral perspectives. The opinions of these entities thus make it possible to challenge and further strengthen the relevance of the model in relation to the economic context.

The breakdown of the Group's customer commitments by sector The breakdown of activities at the end of December 2019 is as follows:



8.4.2.2.4. Counterparties belonging to the same country

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

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

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

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

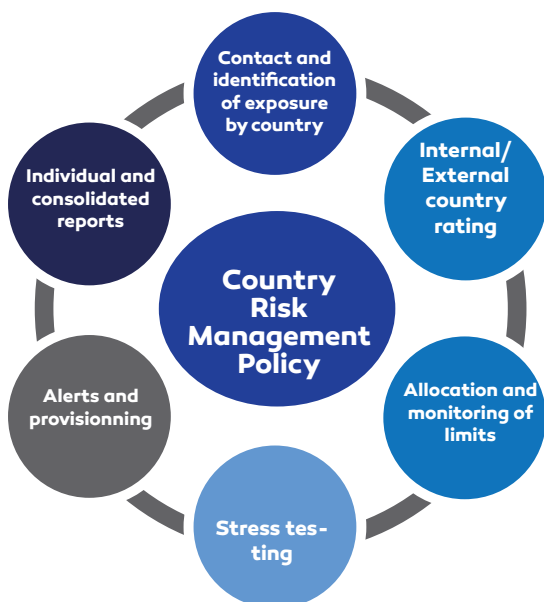
This system has been designed in such a way that limits rise in proportion to the increase in country risk. The level of commitments is determined on the basis of the country risk level, reflected in the rating attributed to each country and the percentage of shareholders' equity of each Group entity.

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

- Post-rating authorisation and fundamental analysis of each counterparty;
- Monthly monitoring, with the findings sent to the Central Bank in the form of a regulatory statement.

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

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



8.4.2.3. System for evaluating, controlling and monitoring risks

8.4.2.3.1. System for detecting risks and anomalies

High-risk accounts and those showing anomalies represent a risk that is likely to subsequently increase and therefore generate a cost for the Bank. These consist of customer loan commitments that are still healthy, but which reveal:

- Either a visible deterioration in risk quality as measured against quantitative criteria (Doubtful - in arrears, Sub-standard, frozen (lack of any ledger entry and overdrawn), persistent overruns, etc.);

The main examples of this type include:

- Debit balances on demand accounts for which no actual credit entry has been recorded, covering at least the overdraft fees charged to these accounts as well as a significant part of the said debit balances;
- Outstanding amortised loans that have not been settled within 30 days of their maturity date;
- Outstanding loans that are repayable by means of a single repayment and that have not been honoured within 30 days of their maturity date;
- Trade receivables discounted by the Bank and returned unpaid;
- Persistent overruns, beyond one month, by comparison with the authorisations granted. So as to avoid incurring any operational risks, however, the entities will monitor, on a weekly basis, the authorised overruns of a certain level (at each local entity's discretion).

- Or a potential deterioration in risk quality as measured against qualitative criteria that is likely to subsequently deteriorate and therefore generate a cost for the Bank. These indicators may include incidents of a legal nature (garnishee orders, attachments, etc.) or account-related (loss of income, overdrawn balances, authorisations or guarantees maturing, etc.) or negative information specific to a counterparty (non-performing loans at a competitor bank, deterioration in either its financial position, its credit quality or collateral), or incidents and disputes relating to the main shareholders (death, receivership or liquidation, etc.) or difficulties encountered in a counterparty's business sector etc.

Furthermore, other risk criteria relating to credit dossiers are rigorously monitored by the Bank's various entities such as:

- Loan arrears committees;
- Unsecured collateral (beyond expiry of the notary public's commitment period);
- Credit lines that remain unused for more than 6 months;
- Funded projects revealing irregularities or difficulties that may impact the ability or likelihood of repayment;
- Etc.

These criteria represent the minimal conditions imposed on the Bank as far as detection and monitoring is concerned under BAM Circular 19/G. In fact, the Risk and Commercial functions detect, monitor and submit for analysis and review by the Loan Commitments Monitoring Committee each dossier that they consider sufficiently sensitive for it to be discussed.

As such, Group Risks' General Management, via Permanent Monitoring of Commitments (PSPE), is the designated reference data source relating to risk criteria detection and has prerogatives relating to analysing and qualifying these data.

8.4.2.3.3. Annual account review

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

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

8.4.2.3.4. Theme-based checks

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

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

8.4.2.3.6. System for monitoring risks and anomalies

The overall approach to dealing with high-risk accounts and those showing anomalies is underpinned by two main actions: Loan resolution/Loan recovery on the one hand and Following up/Monitoring on the other:

- Loan resolution/Loan recovery:

A 3-phased approach for all customer segments:

1) Commercial loan resolution → 2) Loan recovery – Sub-standard → 3) Loan recovery – Non-performing

- Responsibility for each phase is assumed by a different body;
- Transitioning between each phase is governed by objective maturity criteria and is subject to existing decision-making processes and/or arbitration by governance bodies at head office;

Accelerating transition to the Loan recovery – Sub-standard phase is possible if there has been a deterioration in credit quality on the proposal of the commercial department, the Risk function's loan recovery functions and/or a decision taken by the Loan Commitments Monitoring Committee.

- Dossiers in the Loan recovery – Sub-standard phase are jointly monitored by Group Risks and the competent CSE. This is also the case for dossiers undergoing restructuring and/or a framework agreement with the customer and those returned to the Network for an observation period of at least 6 months.

→ Following up and monitoring loan commitments

The process for following up and monitoring operations is underpinned by two key bodies operating at two levels:

- 1st level follow-up by the Commercial department and by the Regional Loan Commitments Monitoring Committee (CRSE).
- 2nd level joint yet independent monitoring by the Risk function and by the Loan Commitments Monitoring Committee (CSE).

8.4.3. Loan classification

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

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

8.4.4. Guarantees

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

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

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

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

8.4.5. Stress-tests Conduct

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

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

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

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

8.4.6. Credit risk reporting

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

These reports are in addition to the various regulatory reports that have to be prepared by the Risk Division in order to satisfy regulatory requirements at the Group and local levels. These also

include reports relating to the financial statements as well as other risk-related reports prepared by other departments of the entity. These reports are designed to present an overview of risk management carried out by the various entities.

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

8.4.7. Implementation of the risk control system by overseas subsidiaries

Throughout 2019, Group Risks' General Management ensured that the system for monitoring and controlling credit, market, country and operational risk was bolstered at Bank of Africa Group level.

Another highlight of 2019 was the launch of the transformation programme, which is entirely consistent with the Bank's strategic vision. This programme aims to bolster and provide a fillip to the 'Risk' function and, in turn, that of the Group.

Credit risk management system

Batch 1: Organisation, scheme of delegation, steering and reporting

The roll-out of the credit risk management system (Batch 1) was completed at each subsidiary except BCB.

Batch 2: Stress tests and concentration ratios (Batch 2)

The credit risk management system (Batch 2) was rolled-out within each subsidiary except BCB. It is currently being rolled-out within BBI UK.

Operational risk management system

- The roll-out of the operational risk management system (Batches 1 and 2) was completed at each subsidiary

- Batch 2 is currently being rolled-out within Moroccan subsidiaries and is yet to be rolled-out within BBI London.

- The operational risk management system is yet to be rolled-out within BCB.

Group Risk Community

The Group Risk Community has now reached a certain level of maturity as a result of a common set of risk policies and practices.

In 2019, the Group Risk Community's main achievements related to training leading to the Risk Management (ARM) certificate delivered by the Business Risk Academy:

- ARM 55 (Edition 1): 11 English-speaking participants, with an 82% pass rate;

- ARM 55 exam (Edition 2): for French-speaking participants, with a 70% pass rate;

- ARM 54 (Edition 4): 11 French-speaking participants. The exam was due to take place in September 2019.

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

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

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

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

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

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

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

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

In this regard, each of the Bank's entities will have its own budget and objectives, validated by the general management team on a medium-term basis. This enables the relevant bodies to ensure orderly monitoring and control of the three-year plan while balance sheet stability and compliance with regulatory capital requirements.

The ALM department regularly tracks changes in the Bank's balance sheet structure by comparison with the plan's objectives

and indicates any divergence during ALCO committee meetings, attended by representative of all entities, and any required corrective measures.

Liquidity Risk

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

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

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

The following two major sources may generate liquidity risk :

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

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

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

- The Liquidity Coverage Ratio (LCR) was 254% on a consolidated basis at December 31, 2019, above the regulatory limit of 100% set by Bank Al Maghrib for 2019.
- The profile of cumulative impasses: the technique of periodic or cumulative impasses / Gap in dirhams and currencies, makes it possible to assess the level of liquidity risk incurred by the Bank in the short, medium and long term.

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

Interest Rate Risk

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

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

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

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

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

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

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

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

Sensitivity of the value of the banking portfolio

Simulation-based stress-tests are conducted to measure the impact of changes in interest rates on net interest income and on economic value of equity.

At December 31st, 2019, with the trading book portfolio excluded, the impact from a 200-basis points change in interest rates on net interest income was an estimated -MAD 0.362 billion or 9.3% of projected net interest income in 2019.

The change in the economic value of shareholders' MAD 0.412 billion or 2.9% of regulatory capital.

8.6. MARKET RISK

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

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

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

Mapping of financial instruments

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

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

8.6.1. Market risk management policy

8.6.1.1. Governance

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

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

8.6.1.2. Description of the Market Risk Management Policy

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

- Limits ;
- Risk indicators ;
- Capital requirements ;

8.6.1.2.1. Limits

▸ Counterparty limits in market transactions

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

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

▸ Market limits

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

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

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

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

▸ Regulatory limits

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

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

8.6.1.2.2. Risk indicators

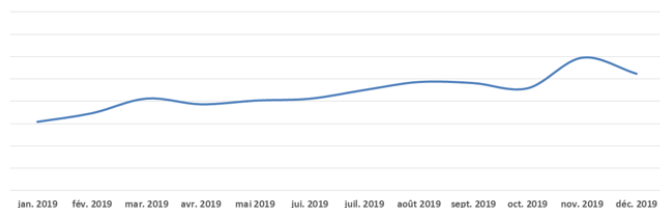
Different risk indicators reflecting the level of exposure to market risks are used within Bank of Africa Group as follows :

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

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

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

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



► Stressed VaR

The Group has established different scenarios for calculating stressed VaR.

The Group chose events that create significant volatility in the financial markets. Such events included:

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

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

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

► Stress-testing by risk factor

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

As at December 31, 2019, the results of the stress tests were as follows:

a- Fixed income portfolio

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

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

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

This scenario would result in a MAD 129 million impact on the P&L.

b- Equity portfolio

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

This scenario would result in a MAD 9 million impact on the P&L.

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

This scenario would result in a MAD 14 million impact on the P&L.

c- Foreign exchange

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

This scenario would result in a MAD 126 million impact on the P&L.

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

This scenario would result in a MAD 252 million impact on the P&L.

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

8.7. OPERATIONAL RISK

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

8.7.1. Operational risk management policy

8.7.1.1. Operational risk management objective

The operational risk management policy has the following objectives:

- Assess and prevent operational risks;
- Assess controls;
- Implement preventive and/or corrective action for major risks.

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

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

8.7.1.2. Classification

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

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

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

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

8.7.1.1.2. Operational risk management organisation

The framework governing operational risk management within Bank of Africa Group is based on three main objectives:

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

Operational risk management at Bank of Africa Group involves four major entities :

- Bank of Africa's Group Operational Risk Direction;
- Bank of Africa network;
- Bank of Africa business divisions;
- Subsidiaries.

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

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

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

8.7.1.1.3. Governance of operational risk management

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

- Group Operational Risks Committee;
- Operational Risk Monitoring (Business Lines) Committee;
- Operational Risk (Subsidiaries) Committee.

These committees are tasked with periodically:

- Reviewing changes in the exposure to operational risks and in the environment for controlling such risks;
- Identifying the main areas of risk, in terms of activities and risk types;
- Defining preventive and corrective action required to reduce the level of risk ;
- Reviewing the amount of capital to be allocated to operational risks, the cost of preventive action required and the costs of insurance.

8.7.1.1.3. Fundamental methodology principles

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

- Reduce exposure to operational risks;
- Optimise capital requirements relating to operational risks.

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

- Collecting risk events;
- Mapping operational risks,
- Key risk indicators.

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

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

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

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

8.7.1.4. Operational risk control and mitigation

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

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

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

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

8.7.2. Business continuity plan

The Business Continuity Plan is a response to the rising demand to minimise the impact in the event of any interruption to the Bank's operations. This is due to a growing reliance on the resources underpinning those operations, including human, IT or logistical resources.

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

A targeted rescue organisation has been set up, along with alternative locations and backup systems. A specific project is underway at Group level, with disaster avoidance planning a priority.

The strategic transversal principles underpinning the Business Continuity Plan are as follows:

• Bank of Africa has a moral responsibility to allow its customers access to the funds that they have entrusted to it. Any breach of this obligation in times of crisis may have an impact on public order.

This principle shall prevail above any other.

• Bank of Africa must guarantee its commitments towards Morocco's interbank clearing system;

• Bank of Africa intends, as a priority, to comply with every one of the existing legal and contractual commitments entered into (relating to loans and other commitments) before it enters into any other commitment;

• Bank of Africa intends to maintain its international credibility by guaranteeing, as a priority, its commitments vis-à-vis foreign correspondents;

• Bank of Africa Group's existing customers take priority over all others benefiting from its services.

• Services are provided along the entire chain from front-office to back-office e.g. from branch level up until recognition in accounting terms.

8.7.4. Corporate Social Responsibility

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

The systems for identifying and measuring internal CSR risk analyzes are now closely linked to the day-to-day management of operational risks.

8.7.5. Measurement of capital adequacy

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

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

These threshold calculated for the Bank of Africa Group comply with the regulatory prerogatives established by Bank Al- Maghrib.

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

Credit Risk-Weighted assets	30/06/2019
Type of Exposure	Actifs pondérés après ARC
Balance-sheet items	164 825 530
Off balance sheet items:	
financing commitments	4 624 202
Off balance sheet items: guarantee commitments	11 081 817
Counterparty Risk: temporary disposals of securities relating to the bank portfolio	-
Counterparty Risk: temporary disposals of securities relating to the trading portfolio	140 490
Counterparty Risk: derivative products relating to the bank portfolio	-
Counterparty Risk: derivative products relating to the trading portfolio	397 939
Other assets / Other items	28 264 495
Settlement Risk	330 884
Total	209 665 357

Main characteristics of items constituting shareholders' equity

Bank of Africa's share capital stood at MAD1998204600 made up of 199 820 460 ordinary shares, each with a nominal value of 10 dirhams. The shares are fully paid-up. Each ordinary share entitles the holder to one voting right.

At December 31, 2019, fixed maturity subordinated debt stood at almost MAD 6.2 billion.

Measurement of capital adequacy

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

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

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

The circulars governing these declarations are as follows:

- Circular No. 26/G/2006 relating to calculating capital requirements based on the standardised approach for hedging credit institutions' credit, market and operational risks;
- Circular No. 8/G/2010 relating to calculating capital requirements based on internal approaches for hedging credit institutions' credit, market and operational risks;
- Circular No. 14/G/13 relating to capital requirements for credit institutions

Composition of capital and capital adequacy ratio

Tier 1 capital	22 988 684
Items to be included in Tier 1 capital	26 887 264
Share Capital	1 998 205
Consolidated reserves, including premiums related to share capital and not included in hidden reserves	19 467 975
Retained earnings	24 500
Net income for the previous period	1 737 963
Minority interests	3 658 621
Items to be deducted from Tier 1 capital	3 898 581
Good will	1 032 114
Other adjustments to Tier 1 capital	1 690 261
Immobilisations	1 035 931
Other deductions	140 274
Additional core capital	1 800 000
Perpetual subordinated debt	1 800 000
Items to be deducted from capital	7 185 754
Non-current assets	0
Tier 2 capital	7 185 754
Perpetual subordinated debt	6 223 562
Revaluation differences	760 617
Hidden reserves	201 575
Items to be deducted from capital	29 000
Non-current assets	0
Other deductions	29 000
Total	31 945 439

Capital Requirements by Risk Type	déc 19
Risk-weighted credit risks	209 665 357
Risk-weighted market risks	9 186 342
Risk-weighted operational assets	24 492 864
Total risk-weighted assets	243 344 564
Tier 1 Capital	24 788 684
Tier 1 Capital ratio	10.2%
Total capital	31 945 439
Capital adequacy ratio	13.1%