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BANK OF AFRICA
BMCE GROUP

FINANCIAL COMMUNICATION

DECEMBER 31, 2020

BANK OF AFRICA

CONSOLIDATED FINANCIAL STATEMENTS AND EXPLANATORY NOTES
31 December 2020

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BANK OF AFRICA
BMCE GROUP

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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 704 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 LCB Bank 37% as of 31 december, 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 BOA GROUP which has operations in some fifteen countries. BANK OF AFRICA has since increased its stake in the pan-African bank to 72,4%.

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GROUPE BANK OF AFRICA BMCE GROUP

STATUTORY AUDITORS' LIMITED AUDIT CERTIFICATE RELATING TO THE PROVISIONAL CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

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 2020. This provisional financial position shows consolidated shareholders' equity of MAD 27.980.530K, including consolidated net income of MAD 1.363.819K. These provisional financial statements were drawn up by the Board of Directors 26 March 2021 against the evolving backdrop of the Covid-19 pandemic on the basis of the available information at that time.

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 4.7 billion dirhams as of end of 2020. 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 2020.

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 BANK OF AFRICA BMCE Group at 31 December 2020, in accordance with international accounting standards (IAS/IFRS).

Without in any way wishing to call into question the conclusion expressed above, we draw your attention to the appended note regarding the effects of the Covid-19 pandemic on the Group's provisional financial statements at 31 December 2020.

Casablanca, 26 March 2021

The Statutory Auditors

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

1.1. CONSOLIDATED BALANCE SHEET

The consolidated financial statements at 31 December 2020 were approved by the board of directors on 26 March 2021.

IFRS ASSETS	Note	31/12/20	31/12/19
Cash and amounts due from central banks and post office banks	**4.1**	**16 291 624**	**14 450 591**
Financial instruments at fair value through profit or loss		**-**	**-**
- Financial assets held for trading	4.2	29 529 201	29 913 430
- Other financial assets at fair value through profit or loss	4.2	774 086	794 295
Derivatives used for hedging purposes		**-**	**-**
Financial assets at fair value through equity		**-**	**-**
- Debt instruments recognised at fair value through recyclable equity	4.3	1 222 818	1 667 868
- Equity instruments reported at fair value through non-recyclable equity	4.3	4 642 101	4 446 599
Securities at amortized cost	**4.4**	**37 324 605**	**30 042 750**
Loans and receivables from credit institutions and similar, at amortized cost	**4.5**	**22 392 263**	**22 403 739**
Loans and receivables from customers, at amortized cost	**4.5**	**194 166 699**	**186 645 591**
Revaluation difference of hedged portfolios		**-**	**-**
Investments in insurance activities		**-**	**-**
Current tax asset	**4.8**	**797 935**	**920 499**
Deferred tax asset	**4.8**	**2 083 871**	**1 767 563**
Accruals and other assets	**4.9**	**6 751 532**	**6 631 296**
Non-current assets held for sale		**-**	**-**
Investments in companies accounted for by the equity method	**4.10**	**962 952**	**930 990**
Investment properties	**4.11**	**3 684 810**	**3 800 224**
Property, plant and equipment	**4.11**	**8 945 178**	**9 222 503**
Intangible assets	**4.11**	**1 310 012**	**1 079 156**
Goodwill	**4.12**	**1 032 114**	**1 032 114**
TOTAL IFRS ASSETS		**331 911 802**	**315 749 207**

(In thousand MAD)

IFRS LIABILITIES	Note	31/12/20	31/12/19
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	**4.7**	**14 111 265**	**16 346 393**
Debts due to credit institutions and similar	**4.5**	**59 960 481**	**45 071 844**
Debts to customers	**4.6**	**207 086 841**	**202 816 657**
Revaluation difference of hedged portfolios		**-**	**-**
Current tax liability	**4.8**	**877 982**	**1 396 103**
Deferred tax liability	**4.8**	**1 258 073**	**1 179 957**
Accruals and other liabilities	**4.9**	**9 634 263**	**10 379 406**
Debts related to non-current assets held for sale		**-**	**-**
Liabilities relating to insurance activity contracts		**-**	**-**
Provisions for risks and charges	**4.13**	**1 407 895**	**1 172 574**
Subsidies - public funds allocated and special guarantee funds		**-**	**-**
Subordinated debt	**4.6**	**9 594 473**	**9 590 170**
TOTAL DEBTS		**303 931 273**	**287 953 104**
Equity			
Capital and related reserves		**19 624 631**	**18 473 069**
Consolidated reserves		**-**	**-**
- Group share		1 587 064	1 474 765
- Minority share		4 283 718	4 149 154
Gains and losses recognized directly in equity		**-**	**-**
- Group share		609 900	618 563
- Minority share		511 398	504 535
Earning for the exercise		**-**	**-**
- Group share		737 832	1 921 510
- Minority share		625 987	654 507
TOTAL CONSOLIDATED EQUITY		**27 980 530**	**27 796 103**
TOTAL IFRS LIABILITIES		**331 911 802**	**315 749 207**

(In thousand MAD)

1.2. CONSOLIDATED INCOME STATEMENT

	Note	dec.-20	dec.-19
Interest and similar income		15 709 686	15 350 928
Interest and similar expense		-5 281 297	-5 436 906
Net Interest income	**2.1**	**10 428 389**	**9 914 022**
Fees received and commission income		3 098 389	3 240 485
Fees paid and commission expense		-456 931	-529 236
Net fee income	**2.2**	**2 641 458**	**2 711 249**
Net gains or losses resulting from net position hedges		-	-
Net gain on financial instruments at fair value through profit or loss	**2.3**	**377 678**	**353 259**
Net gains or losses on transaction assets/liabilities		310 364	343 728
Net gains or losses on other assets/liabilities at fair value through profit or loss		67 314	9 531
Net gains on financial instruments at fair value through equity	**2.4**	**226 137**	**231 334**
Net gains or losses on debt instruments recorded as recyclable CP		5 449	19 627
Remuneration of equity instruments recognised as non-recyclable CP		220 688	211 707
Net gains on derecognised financial assets at amortised cost			
Gains or losses resulting from the reclassification of financial assets at amortised cost to financial assets at fair value through profit or loss			
Gains or losses resulting from the reclassification of financial assets by CP as financial assets at fair value through profit or loss			
Net income from insurance activities			
Net income from other activities	2.5	792 923	1 235 176
Expenses from other activities	2.5	-464 539	-584 437
Net Banking Income		**14 002 045**	**13 860 603**
General Operating Expenses	2.6	-7 845 739	-7 117 766
Allowances for depreciation and amortization PE and intangible assets	2.6	-954 340	-947 015
Gross Operating Income		**5 201 967**	**5 795 821**
Cost of Risk		-3 451 978	-2 196 435
Operating Income		**1 749 989**	**3 599 386**
Share in net income of companies accounted for by equity method		59 700	69 866
Net gains or losses on other assets	2.7	67 658	-13 106
Change in goodwill		-	-
Pre-tax earnings		**1 877 347**	**3 656 146**
Corporate income tax	2.8	-513 528	-1 080 129
Tax Net income from discontinued activities or operations held for sale			
Net Income		**1 363 819**	**2 576 017**
Non-controlling interests		625 987	654 507
Net income attributable to parent		**737 832**	**1 921 510**

(In thousand MAD)

1.3. STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

	CHANGES IN EQUITY DEC 20							
	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 31.12.2018	**1 794 634**	**12 571 140**	**0**	**4 499 659**	**-490 350**	**18 375 083**	**5 466 427**	**23 841 511**
Change in the accounting methods								
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 31.12.2019	**1 998 205**	**16 474 864**	**0**	**4 461 090**	**-446 253**	**22 487 906**	**5 308 196**	**27 796 102**
Comptabilisation des pertes de crédit attendues (sur instruments financiers)								
Beginning balance of Shareholder's Equity 01.01.2020	**1 998 205**	**16 474 864**	**0**	**4 461 090**	**-446 253**	**22 487 906**	**5 308 196**	**27 796 102**
Operations on capital	57 861	1 093 701		-1 093 701		57 861		57 861
Share-based payment plans						0		0
Operations on treasury stock						0		0
Dividends				-255 802		-255 802	-502 837	-758 639
Net Income				**737 832**		**737 832**	**625 986**	**1 363 818**
Changes in assets and liabilities recognised directly in equity					-14 730	-14 730		-14 730
Transfer to earnings					54 597	54 597	33 724	88 321
Unrealized or deferred gains or losses	**0**	**0**	**0**	**0**	**39 867**	**39 867**	**33 724**	**73 591**
Change in the scope of consolidation						**0**		**0**
Others				**-508 237**		**-508 237**	**-43 967**	**-552 204**
Ending balance of Shareholder's Equity 31.12.2020	**2 056 066**	**17 568 565**	**0**	**3 341 182**	**-406 386**	**22 559 427**	**5 421 103**	**27 980 530**

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

	dec.-20	dec.-19
Net income	**1 363 819**	**2 576 017**
Gains and losses recognised directly in equity and subsequently reclassified to income	**142 651**	**27 964**
Transfer to earnings	142 651	27 964
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	**-81 976**	**68 026**
Actuarial gains and losses on defined benefit plans		
Items measured at fair value through non-recyclable equity	-81 976	68 026
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	**60 676**	**95 990**
Net income and gains and losses recognised directly in equity	**1 424 494**	**2 672 007**
Group share	733 603	2 006 084
Minority interests' share	690 891	665 923

(In thousand MAD)

1.5. CASH FLOW STATEMENTS AS OF 31 DECEMBER 2020

	NOTE	Dec 20	Dec 19
Net Income Before Tax		**1 877 347**	**3 656 146**
+/- Net depreciation/amortization expense on property, plant, and equipment and intangible assets	2.6	954 340	956 552
+/- Impairment of goodwill and other non- current assets			-
+/- Impairment of financial assets	2.7	190 303	118 603
+/- Net allowances for provisions	2.7	2 196 280	693 860
+/- Share of earnings in subsidiaries accounted for by equity method	4.10	-59 700	-55 210
+/- Net loss (income) from investing activities		-592 445	-507 520
+/- Net loss (income) from financing activities			-
+/- Other movements		74 622	34 548
Non monetary items included in pre-tax net income and other adjustments		**2 763 400**	**1 240 832**
+/- Cash flows related to transactions with credit institutions		10 498 337	2 949 832
+/- Cash flows related to transactions with customers		-8 189 863	1 762 667
+/- Cash flows related to transactions involving other financial assets and liabilities		-3 105 869	-9 109 225
+/- Cash flows related to transactions involving non financial assets and liabilities		-2 344 868	600 504
+/- Taxes paid		-1 111 654	-1 131 214
Net Decrease / (increase) in assets and liabilities from operating activities		**-4 253 917**	**-4 927 436**
Net Cash Flows from Operating Activities		**386 829**	**-30 458**
+/- Cash Flows related to financial assets and equity investments		-268 892	22 037
+/- Cash flows related to investment property		176 889	-98 686
+/- Cash flows related to PP&E and intangible assets		-32 510	-865 878
Net Cash Flows from Investing Activities		**-124 513**	**-942 527**
+/- Cash flows related to transactions with shareholders		-657 011	2 158 929
+/- Cash flows generated by other financing activities		-2 274 578	2 731 844
Net Cash Flows from Financing Activities		**-2 931 589**	**4 890 773**
Effect of movements in exchange rates on cash and equivalents		63 473	-33 948
Net increase/(Decrease) in cash and cash equivalents		**-2 605 799**	**3 883 840**
Net Balance of demand loans and deposits- credit institutions		**20 873 669**	**16 989 829**
Loan and loan of cash	4.1	14 450 591	14 310 554
Ending Balance of Cash and Equivalents		6 423 079	2 679 275
Net Balance of cash accounts and accounts with central banks and post office banks		**18 267 870**	**20 873 669**
Net Balance of demand loans and deposits- credit institutions	4.1	16 291 624	14 450 591
Loan and loan of cash		1 976 247	6 423 079
Net increase in cash and equivalents		**-2 605 799**	**3 883 840**

1.6. SUMMARY OF ACCOUNTING POLICIES APPLIED BY THE GROUP

1.6.1. Applicable accounting standards

The Group's first consolidated financial statements to be prepared 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 Group's consolidated financial statements 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.

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.

The 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 2020, 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

The 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.

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

At 31 December 2020, the Group carried out impairment tests to ensure that cash-generating units' carrying amount did not exceed their recoverable amount.

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.

1.6.1.2. 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

Dividends received on variable-income securities are presented in the aggregate "Remuneration of equity instruments recognised as non-recyclable equity instruments" when the Group's right to receive them is established.

Temporary acquisitions and sales

Repurchase agreements

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

The corresponding liability is 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

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 the 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 reinstatedunder net interest income over the remaining term of the loan.

Restructuring of assets classed as "Loans and receivables"

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

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

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

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

The discount is calculated as the difference between :

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

e. Issues of debt securities

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

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

f. Treasury shares

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

"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 31 December 2020, 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.

1.6.1.3. 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 the 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 the 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.

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

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

c. Intangible assets

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

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

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

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

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

1.6.1.4. 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.

The Operating leases

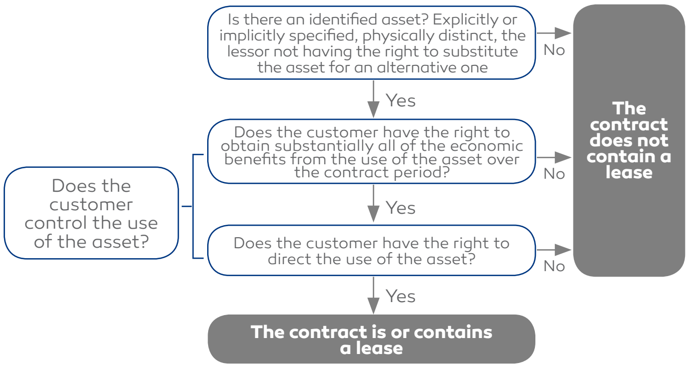
IFRS 16 'Leases' will supersede IAS 17 from 1 January 2019. It will change the way in which leases are accounted for.

For all lease agreements, the lessee will be required to recognise a right-ofuse 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 financelease 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 firsttime 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 contract does not contain a lease

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

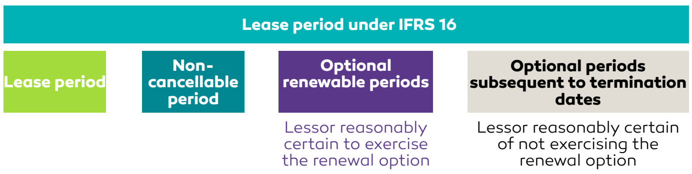
The period during which the Group has previously used particular types of property (leased or owned) and the underlying economic reasons thereof have been used to determine whether the group is reasonably certain of exercising an option or not.

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.

1.6.1.5. non-current assets held for sale and discontinued activities

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

At 31 December 2020, the Group did not recognise any assets as held for sale or discontinued activities

1.6.2. Employee benefits

Classification of employee benefits

a. Short-term benefits

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

b. Defined-contribution post-employment benefits

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

c. Defined-benefit post-employment benefits

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

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

d. Long-term benefits

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

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

e. Termination benefits

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

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

a. Calculation method

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

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

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

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

b. Accounting principles

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

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

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

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

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

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

1.6.3. 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's 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.

1.6.4. 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.

1.6.5. 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.

IFRIC 23 interpretation:

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

1.6.6. 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).

1.6.7. 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.

Note about the consolidated financial statements

The consolidated financial statements at 31 December 2020 have been prepared in a global and domestic context marked by the spread of the Covid-19 pandemic. This event has directly impacted the Group's annual results in two respects:

Accounting treatment of the Covid-19 donation

BANK OF AFRICA Group reiterated its commitment to the national cause by contributing MAD 1 billion to the Special Fund for managing the Covid-19 pandemic.

This amount has been factored into BANK OF AFRICA Group's annual results under general operating expenses.

Health crisis and IFRS 9 impact

BANK OF AFRICA Group's consolidated financial statements are prepared under International Financial Reporting Standards (IFRS).

IFRS 9 has introduced a new model for recognising impairment of financial assets based on expected credit losses. It has introduced a system of classification in 3 stages (buckets 1, 2 and 3) based on a definition of default (bucket 3) and a concept of material deterioration in credit risk (triggering a downgrade from bucket 1 to bucket 2).

The definition of default is consistent with the one defined in Circular 19G, with a rebuttable presumption that default does not occur later than when a financial asset is 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.

Risk deterioration is monitored with the help of systems for monitoring internal risks which includes, in particular, monitoring non-performing loans and past due loans.

A material 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 the financial instrument defaulting at the reporting date with the risk of the financial instrument defaulting at the time of initial recognition.

Each instrument is appraised to ascertain whether there has been a material 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 material increase in credit risk if one or more of the following criteria are met:

• Financial asset placed on the watchlist

• Restructured due to repayment difficulties, although not defaulting

• Past-due event

• Material adverse changes in the borrower's economic, commercial or financial operating environment

• Identifiable risks of financial difficulties, etc.

This standard introduces an impairment model which requires that expected credit losses or 'ECLs' are recognised for loans and debt instruments measured at amortised cost or fair value through other comprehensive income with recycling, for loan commitments and financial collateral arrangements not recognised at fair value as well as for receivables resulting from lease agreements and trade receivables. This approach aims to encourage early recognition of expected credit losses.

The expected losses for the various portfolios are calculated based on the three main risk criteria modelled using the available historical data for each portfolio segment: the 'Probability of Default' (PD) over one year or over the asset's lifetime, the 'Loss Given Default' (LGD) and 'Exposure At Default' (EAD). The historical loss method is used, where appropriate, for certain portfolios.

This standard has been designed to be forward looking, reflecting expectations of future credit events at each reporting date. Forward looking scenarios have therefore been incorporated into the ECL calculation models.

As far as the specific context of the 31 December 2020 reporting date is concerned, BANK OF AFRICA – BMCE Group has made a number of adjustments to anticipate, measure and steer the impacts from the current health crisis.

To ensure that the IFRS 9 model adequately takes into account the impact on the domestic economy from the current situation, prospective data and forward-looking scenarios have been revised, by taking into consideration their effects on probabilities of default (PD). This revision is based on the changes made to economic sector ratings.

The estimated impact factors in information available at 31 December 2020. It will be updated in light of changes to the economic environment and any additional information available ahead of future reporting dates.

II. NOTES TO THE INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2020

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), and debt instruments.

	dec 20			dec 19		
	Income	Expense	Net	Income	Expense	Net
Customer Items	**10 651 924**	**2 991 366**	**7 660 558**	**10 682 959**	**2 842 525**	**7 840 434**
Deposits, loans and borrowings	9 845 411	2 959 963	6 885 448	9 881 189	2 814 604	7 066 585
Repurchase agreements	0	31 403	-31 403	0	27 921	-27 921
Finance leases	806 513	0	806 513	801 770	0	801 770
Interbank Items	**1 148 716**	**1 443 917**	**-295 201**	**1 302 310**	**1 752 496**	**-450 186**
Deposits, loans and borrowings	917 652	1 116 498	-198 846	1 050 914	1 376 191	-325 277
Repurchase agreements	231 064	327 418	-96 355	251 396	376 304	-124 909
Borrowings issued by the Group		**846 014**	**-846 014**		**841 885**	**-841 885**
Instruments at fair value through equity			**0**			**0**
Debt instruments	**3 909 046**		**3 909 046**	**3 365 659**		**3 365 659**
TOTAL INTEREST INCOME/(EXPENSE)	**15 709 687**	**5 281 297**	**10 428 389**	**15 350 928**	**5 436 906**	**9 914 022**

(In thousand MAD)

2.2. NET FEE INCOME

	dec 20			dec 19		
	Income	Expense	Net	Income	Expense	Net
Net fee on transactions	**2 425 174**	**160 320**	**2 264 854**	**2 432 925**	**215 140**	**2 217 785**
With credit institutions			-			-
With customers	1 793 494		1 793 494	1 680 163		1 680 163
On custody	195 454	80 903	114 551	216 541	63 970	152 571
On foreign exchange	436 225	79 416	356 809	536 221	151 170	385 051
On financial instruments and off balance sheet			-			-
Banking and financial services	**673 215**	**296 612**	**376 604**	**807 560**	**314 096**	**493 464**
Income from mutual funds management			-			-
Income from electronic payment services	369 474	89 591	279 883	418 497	95 724	322 773
Insurance			-			-
Other	303 742	207 021	96 721	389 063	218 372	170 691
NET FEE INCOME	**3 098 389**	**456 931**	**2 641 458**	**3 240 485**	**529 236**	**2 711 249**

(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 20			dec 19		
	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	418 687	67 314	486 001	474 042	9 531	483 573
Derivative instruments	-108 323	0	-108 323	-130 314	0	-130 314
Repurchase agreements						
Loans						
Borrowings						
Remeasurement of interest rate risk hedged portfolios						
Remeasurement of currency positions						
TOTAL	**310 364**	**67 314**	**377 678**	**343 728**	**9 531**	**353 259**

(In thousand MAD)

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

	dec 20	dec 19
Remuneration of equity instruments recognised as non-recyclable equity instruments (Dividends)	220 688	211 707
TOTAL	**220 688**	**211 707**

(In thousand MAD)

2.5. NET INCOME FROM OTHER ACTIVITIES

	dec 20			dec 19		
	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	242 406	112 728	129 678	254 340	122 711	131 629
Net income from property development activities	0	0	0	0	0	0
Other banking income & expenses	406 551	326 218	80 333	694 425	378 380	316 046
Other operating income	143 966	25 593	118 373	286 411	83 347	203 064
TOTAL NET INCOME FROM OTHER ACTIVITIES	**792 923**	**464 539**	**328 384**	**1 235 176**	**584 437**	**650 739**

(In thousand MAD)

2.6. GENERAL OPERATING EXPENSES

	dec 20	dec 19
Staff expenses	3 872 226	3 896 797
Taxes	306 192	302 176
External expenses	3 486 812	2 671 462
Other general operating expenses	180 508	247 332
Allowances for depreciation and provisions of tangible and intangible assets	954 340	947 015
General Operating Expenses	**8 800 078**	**8 064 782**

(In thousand MAD)

2.7. COST OF RISK

	dec 20	dec 19
Net allocations for depreciations	**-2 173 842**	**-694 114**
Bucket 1	**-382 264**	**-116 931**
Including loans and receivables on EC and OA	-26 769	-5 853
Including customer loans and receivables	-175 278	37 726
Including off-balance-sheet commitments	11 182	-52 650
Including debt instruments	-191 400	-96 154
Including debt instruments accounted for by JV and recyclable CP	-	-
Bucket 2	**-419 957**	**-71 331**
Including loans and receivables on EC and OA	1 060	-1 167
Including customer loans and receivables	-423 033	-68 815
Including off-balance-sheet commitments	919	-1 366
Including debt instruments	1 097	17
Including debt instruments accounted for by JV and recyclable CP	-	-
Bucket 3	**-1 371 620**	**-505 852**
Including loans and receivables on EC and OA	137 236	-40 169
Including customer loans and receivables	-1 494 888	-454 464
Including off-balance-sheet commitments	-13 968	-17 783
Including debt instruments	-	6 564
Including debt instruments accounted for by JV and recyclable CP		
Amounts recovered from amortized loans	54 171	94 599
Losses on bad debt	-1 119 566	-1 548 430
Other	-212 741	-48 490
Cost of risk	**-3 451 978**	**-2 196 435**

2.8. NET GAINS ON OTHER ASSETS

	dec 20	dec 19
PP&E and intangible assets used in operations	49 411	8 878
Capital gains on disposals	49 411	15 796
Capital losses on disposals		6 918
Others	18 247	-21 984
Net Gain/Loss on Other Assets	**67 658**	**-13 106**

2.9. INCOME TAX

2.9.1. Current and deferred tax

	dec 20	dec 19
Current tax	797 935	920 499
Deferred tax	2 083 871	1 767 563
Current and deferred tax assets	**2 881 806**	**2 688 062**
Current tax	877 982	1 396 103
Deferred tax	1 258 073	1 179 957
Current and deferred tax liabilities	**2 136 055**	**2 576 060**

(In thousand MAD)

2.9.2. Net income tax expense

	dec 20	dec 19
Current tax expense	-715 711	-1 238 767
Net deferred tax expense	202 183	158 638
Net Corporate income tax expense	**-513 528**	**-1 080 129**

(In thousand MAD)

2.9.3. Effective tax rate

	dec 20	dec 19
Net income	1 877 347	2 576 017
Net corporate income tax expense	-513 528	-1 080 129
Average effective tax rate	**27.4%**	**41.9%**

(In thousand MAD)

Analysis of effective tax rate

	dec 20	dec 19
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	-9.6%	4.9%
Average effective tax rate	**27.4%**	**41.9%**

III. SEGMENT INFORMATION

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

- Banking in Morocco : BANK OF AFRICA;

- Asset management and Investment banking : BMCE Capital, BMCE Capital Bourse and BMCE Capital Gestion;

- Specialised financial services : Salafin, Maghrébail, Maroc Factoring, RM Experts and Acmar;

- International activities : BMCE International Holding, Banque de Développement du Mali, LCB Bank and BOA Group.

3.1. Earnings by business line

	dec 20					
	ACTIVITY IN MOROCCO	INVESTMENT BANKING	SPECIALISED FINANCIAL SERVICES	OTHERS	INTERNATIONAL ACTIVITIES	TOTAL
Net interest Income	4 620 008	54 667	662 434	-4 151	5 095 431	**10 428 389**
Net Fee income	1 024 382	153 763	20 392	0	1 442 921	**2 641 458**
Net Banking Income	**5 868 712**	**332 998**	**700 513**	**125 527**	**6 974 296**	**14 002 045**
General Operating Expenses & allowances for depreciation and amortization	-4 141 365	-297 625	-240 720	-87 297	-4 033 071	**(8 800 078)**
Operating Income	**1 727 346**	**35 373**	**459 793**	**38 230**	**2 941 225**	**5 201 967**
Corporate income tax	-32 352	-45 008	-95 012	-9 808	-331 349	**(513 528)**
Net Income Attributable to shareholders of the parent	**-111 374**	**82 566**	**43 757**	**-10 752**	**733 635**	**737 831**

(In thousand MAD)

	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	0	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)

3.2. ASSETS AND LIABILITIES BY BUSINESS ACTIVITY

	dec 20					
	ACTIVITY IN MOROCCO	INVESTMENT BANKING	SPECIALISED FINANCIAL SERVICES	OTHERS	INTERNATIONAL ACTIVITIES	TOTAL
TOTAL ASSETS	**204 540 156**	**990 356**	**16 840 891**	**106 223**	**109 434 177**	**331 911 803**
ASSETS ITEMS						
Available for sale assets	2 982 072	8 350	22 386	16 977	2 835 135	**5 864 920**
Customer loans	128 452 166	0	15 585 061	1	50 129 472	**194 166 699**
Financial assets at fair value	29 529 201	110 862	861	0	662 363	**30 303 288**
Held to maturity assets	8 454 148	0	0	0	28 870 456	**37 324 605**
LIABILITIES & SHAREHOLDERS EQUITY ITEMS						
Customer deposits	133 306 866	0	892 652	0	72 887 323	**207 086 841**
Shareholder's Equity	18 804 203	419 299	1 593 012	(203 048)	7 367 063	**27 980 530**

(In thousand MAD)

	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)

IV. NOTES TO THE BALANCE SHEET FOR THE YEAR ENDED DEC 31, 2020

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

	dec 20	dec 19
Cash	**4 338 124**	**4 281 536**
CENTRAL BANKS	11 921 071	10 097 007
TREASURY	27 685	67 333
GIRO	4 744	4 715
CENTRAL BANKS, TREASURY, GIRO	11 953 499	10 169 055
Cash, Central Banks, Treasury, Giro	**16 291 624**	**14 450 591**

(In thousand MAD)

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

	dec 20			dec 19		
	Trading book	Assets designated at fair value through profit or loss	Total	Trading book	Assets designated at fair value through profit or loss	Total
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS						
Negotiable certificates of deposits	**16 943 095**	**-**	**16 943 095**	**17 130 180**	**-**	**17 130 180**
Treasury bills and other eligible for central bank refinancing	15 647 344		15 647 344	16 673 191		16 673 191
Other negotiable certificates of deposits	1 295 751		1 295 751	456 989		456 989
Bonds	**1 071 913**	**-**	**1 071 913**	**2 425 052**	**-**	**2 425 052**
Government bonds	580 626		580 626	1 285 666		1 285 666
Other bonds	491 287		491 287	1 139 386		1 139 386
Equities and other variable income securities	**11 509 343**	**774 086**	**12 283 429**	**10 392 716**	**794 295**	**11 187 011**
Repurchase agreements	**-**		**-**	**-**		**-**
Loans	**-**		**-**	**-**		**-**
To credit institutions			0			0
To corporate customers			0			0
To private individual customers			0			0
Trading Book Derivatives	**4 850**	**0**	**4 850**	**-34 518**	**-**	**-34 518**
Currency derivatives	4 850		4 850	-34 518		-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	**29 529 201**	**774 086**	**30 303 287**	**29 913 430**	**794 295**	**30 707 725**
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 20			dec 19		
	Balance Sheet Value	unrealised gains	Unrealized losses	Balance Sheet Value	unrealised gains	Unrealized losses
Debt instruments recognised at fair value through recyclable equity	1 222 818	28 510	-8 188	1 667 868	5 756	-986
Equity instruments recognised at fair value through non-recyclable equity	4 642 101	1 644 938	-531 638	4 446 599	1 624 365	-528 048

(In thousand MAD)

4.4. SECURITIES AT AMORTISED COST

	dec 20	dec 19
Treasury bills and other bills mobilisable with central banks	**5 801 445**	**6 666 681**
Treasury bills and other bills mobilisable with central banks	4 940 727	5 798 982
Other negotiable debt securities	860 718	867 699
Bonds	**32 007 169**	**23 625 022**
Government bonds	29 442 689	21 537 841
Other Bonds	2 564 480	2 087 182
Depreciations	**-484 009**	**-248 954**
TOTAL DEBT INSTRUMENTS VALUED AT AMORTISED COST	**37 324 605**	**30 042 750**

(In thousand MAD)

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

Loans and receivables due from credit institutions

	dec 20	dec 19
Demand accounts	8 037 532	8 927 092
Loans	14 339 572	12 522 277
Including cash loans	*284 908*	*1 162 815*
Repurchase agreements	97 766	1 058 308
Total loans and receivables due from credit institutions, before impairment provisions	**22 474 870**	**22 507 677**
Provisions for impairment of loans and receivables due from credit institutions	-82 607	-103 938
Total loans and receivables due from credit institutions, net of impairment provisions	**22 392 263**	**22 403 739**

(In thousand MAD)

Amounts due to credit institutions

	dec 20	dec 19
Demand accounts	5 380 050	3 722 868
Borrowings	34 294 079	28 000 311
Including cash borrowings	*900 951*	*982 242*
Repurchase agreements	20 286 352	13 348 666
TOTAL	**59 960 481**	**45 071 844**

(In thousand MAD)

4.6. LOANS, RECEIVABLES AND AMOUNTS DUE FROM CUSTOMERS

LOANS AND RECEIVABLES DUE FROM CUSTOMERS

	dec 20	dec 19
Demand accounts	20 097 645	22 366 723
Loans to customers	156 274 631	149 857 647
Repurchase agreements	19 230 084	13 272 162
Finance leases	14 542 223	15 393 383
Total loans and receivables due from customers, before impairment provisions	**210 144 583**	**200 889 916**
Impairment of loans and receivables due from customers	-15 977 884	-14 244 325
Total loans and receivables due from customers, net of impairment provisions	**194 166 699**	**186 645 590**

(In thousand MAD)

BREAKDOWN OF AMOUNTS DUE TO CUSTOMERS BY BUSINESS ACTIVITY

	dec 20	dec 19
Activity in Morocco	128 452 166	118 488 373
Specialized Financial Services	15 585 061	16 783 701
International Activities	50 129 472	51 373 516
Investment Banking	0	0
Other Activities	1.00	1.00
Total	**194 166 698**	**186 645 590**
Allocated Debts		
Value at Balance sheet	**194 166 698**	**186 645 590**

(In thousand MAD)

BREAKDOWN OF AMOUNTS DUE TO CUSTOMERS BY GEOGRAPHICAL REGION

	dec 20	dec 19
Morocco	144 037 227	135 272 075
Africa	46 131 188	47 463 182
Europe	3 998 284	3 910 334
Total	**194 166 699**	**186 645 591**
Allocated Debts		
Value at Balance sheet	**194 166 699**	**186 645 591**

(In thousand MAD)

Breakdown of loans & receivables and commitments by BUCKET

	dec 20							
	Receivables and commitments				Depreciation			
	BUCKET 1	BUCKET 2	BUCKET 3	TOTAL	BUCKET 1	BUCKET 2	BUCKET 3	TOTAL
Financial assets at fair value through equity	**1 227 511**	**-**	**-**	**1 227 511**	**4 689**	**-**	**-**	**4 689**
Debt instruments accounted for by JV at recyclable CP	1 227 511			1 227 511	4 689			4 689
Financial assets at amortized cost	**233 347 022**	**18 734 128**	**18 346 917**	**270 428 067**	**1 964 282**	**2 724 683**	**11 855 532**	**16 544 497**
Loans and receivables from credit institutions	22 390 038	81 101	3 730	22 474 870	78 624	1 410	2 572	82 606
Loans and receivables from customers	173 148 370	18 653 027	18 343 186	210 144 583	1 401 649	2 723 273	11 852 961	15 977 883
Debt instruments	37 808 614			37 808 614	484 009	-		484 009
Total assets	**234 574 533**	**18 734 128**	**18 346 917**	**271 655 578**	**1 968 971**	**2 724 683**	**11 855 532**	**16 549 187**
Total off-balance sheet	**39 602 670**	**181 952**	**132 174**	**39 916 795**	**170 296**	**2 015**	**112 059**	**284 370**

	dec 19							
	Receivables and commitments				Depreciation			
	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	-	55 134	22 507 676	42 491	-	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**

Amounts due to customers

	dec 20	dec 19
On demand deposits	123 589 148	110 457 223
Term accounts	27 987 454	37 779 950
Savings accounts	40 416 733	38 630 433
Cash certificates	4 066 640	5 160 093
Repurchase agreements	1 441 848	841 915
Other items	9 585 018	9 947 043
TOTAL LOANS AND RECEIVABLES DUE TO CUSTOMERS	**207 086 841**	**202 816 657**

(In thousand MAD)

BREAKDOWN OF AMOUNTS DUE TO CUSTOMERS BY BUSINESS ACTIVITY

	dec 20	dec 19
Activity in Morocco	133 306 866	134 325 817
Specialized Financial Services	892 652	949 775
International Activities	72 887 323	67 541 065
Investment Banking	0	0
Other Activities	0	0
Total	**207 086 841**	**202 816 657**
Allocated Debts		
Value at Balance sheet	**207 086 841**	**202 816 657**

(In thousand MAD)

BREAKDOWN OF AMOUNTS DUE TO CUSTOMERS BY GEOGRAPHICAL REGION

	dec 20	dec 19
Morocco	134 199 518	135 275 592
Africa	71 263 744	65 790 252
Europe	1 623 579	1 750 813
Total	**207 086 841**	**202 816 657**
Allocated Debts		
Value at Balance sheet	**207 086 841**	**202 816 657**

(In thousand MAD)

4.7. DEBT SECURITIES, SUBORDINATED DEBT AND SPECIAL GUARANTEE FUNDS

	dec 20	dec 19
Other debt securities	**14 111 265**	**16 346 393**
Negotiable certificates of deposit	13 611 265	15 846 393
Bond issues	500 000	500 000
Subordinated debts	**9 594 473**	**9 590 170**
Subordinated debt	9 594 473	9 590 170
Redeemable subordinated debt	6 594 473	6 590 170
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	**23 705 738**	**25 936 563**

(In thousand MAD)

4.8. CURRENT AND DEFERRED TAX

	dec 20	dec 19
Current tax	797 935	920 499
Deferred tax	2 083 871	1 767 563
Current and deferred tax assets	**2 881 806**	**2 688 062**
Current tax	877 982	1 396 103
Deferred tax	1 258 073	1 179 957
Current and deferred tax liabilities	**2 136 055**	**2 576 060**

(In thousand MAD)

4.9. ACCRUED INCOME AND EXPENSES, OTHER ASSETS AND LIABILITIES

	dec 20	dec 19
Guarantee deposits and bank guarantees paid	147 920	144 667
Settlement accounts related to securities transactions	65 195	38 429
Collection accounts	376 043	429 990
Reinsurers' share of technical reserves		
Accrued income and prepaid expenses	1 775 157	817 509
Other debtors and miscellaneous assets	4 140 240	4 887 004
Inter-related Accounts	246 976	313 697
TOTAL ACCRUED INCOME AND OTHER ASSETS	**6 751 532**	**6 631 296**
Guarantee deposits received	8 411	9 252
Settlement accounts related to securities transactions	85 330	749 006
Collection accounts	1 570 548	1 332 305
Accrued expenses and deferred income	1 094 265	1 106 873
Other creditors and miscellaneous assets	6 875 708	7 181 970
TOTAL ACCRUED EXPENSES AND OTHER LIABILITIES	**9 634 263**	**10 379 405**

(In thousand MAD)

4.10. INVESTMENTS IN COMPANIES ACCOUNTED FOR UNDER THE EQUITY METHOD

	dec 20	dec 19
Euler Hermes Acmar	23 401	26 029
Banque de Développement du Mali	625 111	570 719
Eurafric	-22 090	-20 954
Africa Morocco Link	-19 459	-12 829
Société Conseil Ingenierie et Développement	149 109	148 073
Bank Al Tamwil wal Inmaa	102 955	128 106
Inverstments in equity methods companies belonging to BOA	103 925	91 845
Investments in associates	**962 952**	**930 990**

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

	Total Assets dec 2020	Net Banking Income or Net Revenues as of dec 2019	Company Income	Contribution in Net Income attributable to the parent company as of dec 2020
Acmar	621 765	156 601	-13 142	-2 628
Banque de Développement du Mali	16 920 275	693 050	233 386	74 958
Africa Morocco Link	288 000	203 000	-13 000	-6 630
Eurafric	248 919	290 952	5 061	-1 537
Société Conseil Ingenierie et Développement	595 572	222 069	2 332	907
Bank Al Tamwil wal Inmaa	634 988	13 610	-49 317	-25 152

(In thousand MAD)

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

Actifs financiers à la juste valeur par résultat	dec 20			dec 19		
	Gross Value	Accumulated depreciation amortization and impairment	Carrying Amount	Gross Value	Accumulated depreciation amortization and impairment	Carrying Amount
PP&E	**16 586 788**	**7 641 612**	**8 945 177**	**16 399 314**	**7 176 811**	**9 222 503**
Land and buildings	5 364 770	965 877	4 398 892	5 206 424	749 254	4 457 170
Equipment, furniture and fixtures	4 755 621	3 172 975	1 582 646	4 738 934	3 036 637	1 702 297
Plant and equipment leased as lessor under operating leases	0	0	0	0	0	0
Other PP&E	6 466 397	3 502 759	2 963 638	6 453 955	3 390 920	3 063 036
Intangible Assets	**2 838 934**	**1 528 922**	**1 310 012**	**2 510 479**	**1 431 323**	**1 079 156**
Purchased software	1 872 779	1 198 614	674 165	1 635 013	1 126 441	508 571
Internally-developed software	0	0	0	0	0	0
Other intangible assets	966 156	330 308	635 848	875 466	304 881	570 585
Investment Property	**3 821 904**	**137 094**	**3 684 810**	**3 926 892**	**126 668**	**3 800 224**

(In thousand MAD)

Change in property, plant and equipment

	dec 20	dec 19
Net value as of January 1st	**9 222 503**	**7 640 031**
Acquisition of the year	667 596	2 932 893
First time consolidations	-	-
Depreciation, Amortization of impaiment	(692 515)	(981 318)
Disposal of the year	(415 700)	(85 907)
Other variations	163 293	(283 195)
NET VALUE AT END OF PERIOD	**8 945 177**	**9 222 503**

Change in intangible assets

	dec 20	dec 19
Net value as of January 1st	**1 079 157**	**987 571**
Acquisition of the year	347 230	395 318
First time consolidations	-	-
Depreciation, Amortization of impaiment	(143 592)	(100 490)
Disposal of the year	23 319	(31 675)
Other variations	3 900	(171 568)
NET VALUE AT END OF PERIOD	**1 310 014**	**1 079 157**

Change in investment properties

	dec 20	dec 19
Net value as of January 1st	**3 800 225**	**3 730 378**
Acquisition of the year	38 000	157 190
First time consolidations	-	
Depreciation, Amortization of impaiment	(25 342)	(29 264)
Disposal of the year	(128 073)	(41 610)
Other variations	-	(16 469)
NET VALUE AT END OF PERIOD	**3 684 810**	**3 800 225**

CHARGES OF RENTAL CONTRACTS

CHARGES OF RENTAL CONTRACTS	dec 20	dec 19
Interest expense on rental debts	-52 667	-54 400
Depreciation charges for user fees	-227 010	-221 276

ASSET RELATED TO RIGHTS OF USE

ASSET RELATED TO RIGHTS OF USE	dec 20	dec 19
Property, plant and equipment	8 945 178	9 222 503
Including rights of use	1 092 975	1 190 571

LIABILITIES RELATED TO RENTAL DEBT

LIABILITIES RELATED TO RENTAL DEBT	dec 20	dec 19
Adjustment account and other liabilities	9 634 263	10 379 406
Including rental debt	1 091 001	1 199 456

4.12. GOODWILL

	dec 20	dec 19
Gross value at start of period	**1 032 114**	**1 032 114**
Accumulated impairment at start of period		
Carrying amount at start of period	**1 032 114**	**1 032 114**
Acquisitions		
Cessions		
Impairment losses recognized during the period		
Translation adjustments		
Subsidiaries previously accounted for by the equity method		
Other movements		
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 20	Net book value dec 19
Maghrébail	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
GROUP TOTAL	**1 032 114**	**1 032 114**

Sensitivity to changes in assumptions

(in thousand MAD)	BOA Group	SALAFIN	LOCASOM
Discount rate	**16.50**	**13.50**	**7.00%**
Adverse 50-basis points change	-380 060	-44 685	-51 757
Positive 50-basis points change	406 427	48 715	62 541

4.13. PROVISIONS FOR CONTINGENCIES AND CHARGES

	dec 20	dec 19
Total provisions at start of period	**1 172 573**	**1 039 395**
Additions to provisions	400 967	293 296
Reversals of provisions	-181 625	-165 979
Effect of movements in exchange rates and other movements	15 980	5 862
TOTAL PROVISIONS AT END OF PERIOD	**1 407 895**	**1 172 573**

(In thousand MAD)	Legal and fiscal risks	Obligations for post-employment benefits	Loan commitments and guarantees	Onerous contracts	Other provisions	Totalbook value
Opening balance	**39 617**	**465 462**	**301 079**	**0**	**366 416**	**1 172 574**
Provisions	41 894	38 813	2 281	0	317 979	400 967
Amounts used	-31 858	0	-6 135	0	-143 632	-181 625
Other activity	301	0	-3 266	0	18 945	15 980
Closing balance	**49 953**	**504 275**	**293 959**	**0**	**559 708**	**1 407 895**

4.14. FAIR VALUE

4.14.1. Fair value of financial instruments carried at amortised cost

	dec 20		dec 19	
	Book value	Estimated market value	Book value	Estimated market value
FINANCIAL ASSETS				
Loans and receivables due from credit institutions	22 392 263	22 410 191	22 403 739	22 412 197
Loans and receivables due from customers	194 166 699	195 112 087	186 645 591	187 710 345
Placements détenus jusqu'à leur échéance	37 324 605	37 811 718	30 042 750	30 279 750
Immeubles de placement	3 684 810	3 754 450	3 800 224	3 869 864
FINANCIAL LIABILITIES				
Loans and receivables due to credit institutions	59 960 481	59 960 481	45 071 844	45 071 844
Loans and receivables due to customers	207 086 841	207 086 841	202 816 657	202 816 657
Debt securities	14 111 265	14 111 265	16 346 393	16 346 393
Subordinated debts	9 594 473	9 594 473	9 590 170	9 590 170

4.14.2. Breakdown by measurement method of financial instruments recognised at fair value presented in accordance with IFRS 7 recommendations présentée conformément aux prescriptions de la norme IFRS 7

	dec 20			
	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS				
Financial instruments at-fair-value through profit or loss held for trading	30 303 287	-	-	30 303 287
of which financial assets at-fair-value through profit or loss	29 529 201			29 529 201
of which derivative financial instruments	774 086			774 086
Financial instruments designated as at-fair-value through profit or loss	1 547 261	-	4 317 658	5 864 920
Derivatives used for hedging purposes	1 222 818			1 222 818
Available for sale financial assets	324 443		4 317 658	4 642 101
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 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				

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

	dec 20			
(in thousand MAD)	Level 1	Level 2	Level 3	Total
ASSETS				
Loans and receivables due from credit institutions			22 410 191	22 410 191
Loans and receivables due from customers			195 112 087	195 112 087
Held-to-maturity financial assets			37 811 718	37 811 718
LIABILITIES				
Due to credit institutions			59 960 481	59 960 481
Due to customers			207 086 841	207 086 841
Debt securities issued			14 111 265	14 111 265
Subordinated debt			9 594 473	9 594 473

	dec 19			
(in thousand MAD)	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 20							dec 19						
	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	16 292						**16 292**	14 451						**14 451**
Financial assets at fair value through profit or loss							**0**							**0**
Financial assets held for trading						29 529	**29 529**						29 913	**29 913**
Other financial assets held for trading						774	**774**						794	**794**
Hedging derivatives						0	**0**							**0**
Financial assets at fair value through equity							**0**							**0**
Debt instruments accounted for at fair value through recyclable equity						1 223	**1 223**	0	283	57	780	548	0	**1668**
Equity instruments accounted for at fair value through non-recyclable equity						4 642	**4 642**						4 447	**4 447**
Securities at amortized cost		2 479	3 956	19 953	10 937		**37 325**		2 767	4 943	16 393	5 939		**30 043**
Loans and receivables from credit and similar institutions, at amortized cost	9 365	2 642	2 447	4 584	0	3 354	**22 392**	12 057	1 897	1 517	3 518	0	3 415	**22 404**
Loans and receivables from customers at amortized cost	20 992	37 513	24 556	51 967	45 323	13 816	**194 167**	22 955	32 724	24 429	47 295	43 871	15 372	**186 646**
Fair value revaluation of portfolio hedge							**0**							**0**
Insurance businesses investments							**0**							**0**
Payable tax asset						798	**798**						920	**920**
Deferred tax asset						2 084	**2 084**						1 768	**1768**
Adjustment accounts and other assets						6 752	**6 752**						6 631	**6 631**
Interests in companies valued using the equity method						963	**963**						931	**931**
Investment properties						3 685	**3 685**						3 800	**3 800**
Tangible capital asset acquisitions						8 945	**8 945**						9 223	**9 223**
Intagible capital asset acquisitions						1 310	**1 310**						1 079	**1079**
Goodwill						1 032	**1 032**						1 032	**1 032**
TOTAL ASSETS	**46 649**	**42 633**	**30 959**	**76 505**	**56 260**	**78 907**	**331 912**	**49 463**	**37 671**	**30 946**	**67 987**	**50 358**	**79 325**	**315 750**
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	7 346	38 553	7 105	6 453	503	0	**59 960**	5 615	28 759	4 641	5 228	516	312	**45 072**
Amounts due to customers	173 887	12 508	19 986	650	0	55	**207 087**	159 766	17 163	24 139	1 441	0	308	**202 817**
Debt securities issued		959	7 235	5 917	0	0	**14 111**		2 321	4 739	9 286	0	0	**16 346**
Payable tax liabilities						880	**880**						1 396	**1396**
Deferred tax liabilities						1 258	**1 258**						1 180	**1180**
Adjustment accounts and other liabilities						9 634	**9 634**						10 379	**10 379**
Provisions						1 408	**1 408**						1 173	**1173**
Subordinated debt and special guarantee funds		0	0	4 196	5 397	0	**9 593**		0	0	2 200	7 390	0	**9 590**
Equity						27 979	**27 979**						27 797	**27 797**
TOTAL LIABILITIES	**181 234**	**52 020**	**34 326**	**17 216**	**5 901**	**41 215**	**331 912**	**165 381**	**48 244**	**33 519**	**18 155**	**7 906**	**42 544**	**315 749**
LIQUIDITY GAPS	**-134 584**	**-9 387**	**-3 367**	**59 288**	**50 359**	**37 692**	**0**	**-115 918**	**-10 573**	**-2 573**	**49 831**	**42 452**	**36 782**	**0**

V. FINANCING ANG GUARANTEE COMMITMENTS

5.1. FINANCIAL COMMITMENT

	dec 20	dec 19
Financing commitments given	**11 693 224**	**11 977 829**
- To credit institutions	1 908 863	1 709 943
- To customers:	9 784 360	10 267 886
Confirmed letters of credit		
Other commitments given to customers		
Financing commitments received	**1 326 057**	**1 307 891**
From credit institutions	1 326 057	1 307 891
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 backup commitments on securities issuance.

5.2. GUARANTEE COMMITMENTS

	dec 20	dec 19
Guarantee commitments given	**28 223 572**	**31 251 628**
To credit institutions	9 258 040	10 465 226
To customers:	18 965 533	20 786 402
Sureties provided to tax and other authorities, other sureties		
Other guarantee commitments to customers		
Guarantee commitments received	**91 144 035**	**87 615 861**
From credit institutions	88 536 518	85 858 844
From the State and guarantee institutions	2 607 517	1 757 017

» 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 20	dec 19
Retirement allowances and equivalents	504 275	464 981
Special seniority premiums allowances		
Other		
TOTAL	**504 275**	**464 981**

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

Post-employment benefits	**-50 bp change in the rate**	**+50 bp change in the rate**
Discount rate	13 047	-11 679
Wage growth	-12 381	13 714
Long service awards	-50 bp change in the rate	+50 bp change in the rate
Discount rate	14 768	-13 731
Wage growth	-16 790	17 976

Economic assumptions	**dec 20**
Discount rate	2.75%
Long-term wage growth (inflation included)	3%
Taux de charges sociales patronales	10.96%
Social security contribution rate	
Demographic assumptions	Départ Volontaire
Retirement terms	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 20	dec 19
Normal cost	-3 563	9 228
Interest cost	13 654	14 170
Expected returns of funds		
Additional allowances		
Other		
Net cost of the period	10 091	23 398
Dont coût relatif aux indemnités de retraite et assimilées		
Dont autres...		

6.2.4. Changes in the provision recognised on the balance sheet

	dec 20	dec 19
Actuarial liability, beginning of the period	**464 981**	**441 583**
Normal cost	34 882	33 600
Interest cost	13 654	14 170
Experience gains/ losses	26 962	-
Other actuarial gains/ losses		
Depreciation of net gains/losses		
Paid benefits	-38 445	-24 372
Additional benefits		0
Other	2 241	-
Actuarial liability, end of the period	**504 275**	**464 981**
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. Changes in share capital and earnings per share

	dec 20	dec 19
SHARE CAPITAL (IN MAD)	2 056 066 480	1 998 205 000
Number of common shares outstanding during the year	205 606 648	199 820 500
NET INCOME ATTRIBUTABLE TO THE SHAR-HOLDER'S OF THE PARENT (IN MAD)	737 831 627	1 921 509 992
BASIC ERNINGS PER SHARE (IN MAD)	3,59	9,62
DILUTED EARNING PER SHARE (IN MAD)	3,59	9,62

7.1.2. Changes in share capital

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

TRANSACTIONS ON CAPITAL	In number	Unit value	In MAD
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
Number of shares outstanding at 31 December 2020	205 606 648	10	2 056 066 480

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			Parent
BMCE CAPITAL	Investment Bank	100.00%	100.00%	FC
BMCE CAPITAL GESTION	Assets Management	100.00%	100.00%	FC
BMCE CAPITAL BOURSE	Stock Brokerage	100.00%	100.00%	FC
MAROC FACTORING	Factoring	100.00%	100.00%	FC
MAGHREBAIL	Leasing	52.47%	52.47%	FC
SALAFIN	Consumer Loan	61.96%	61.96%	FC
BMCE EUROSERVICES	Financial Institution	100.00%	100.00%	FC
LCB Bank	Bank	37.00%	37.00%	FC
BMCE BANK INTERNATIONAL HOLDING	Bank	100.00%	100.00%	FC
BOA GROUP	Banking Holding	72.41%	72.41%	FC
LOCASOM	Car Rental	100.00%	97.39%	FC
RM EXPERTS	Debt Collection	100.00%	100.00%	FC
OPERATION GLOBAL SERVICE	Back office banking services	100.00%	100.00%	FC
FCP OBLIGATIONS PLUS	OPCVM	100.00%	100.00%	FC
BOA UGANDA	Bank	79.87%	78.63%	FC
BANQUE DE DEVELOPPEMENT DU MALI	Bank	32.38%	32.38%	EM
EULER HERMES ACMAR	Insurance	20.00%	20.00%	EM
EURAFRIC INFORMATION	IT System	41.00%	41.00%	EM
CONSEIL INGENIERIE ET DEVELOPPEMENT	Engineering	38.90%	38.90%	EM
AFRICA MOROCCO LINKS	Maritime Transport	51.00%	51.00%	EM
BANK AL TAMWIL WAL INMAA	Participating Bank	51.00%	51.00%	EM

BANK OF AFRICA holds 37% of LCB Bank'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.

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 20	dec 19
Short-term benefits	26 048	24 878
Post-employment benefits	2 870	1 956
Other long-term benefits	6 383	6 383

Short-term benefits relate to the fixed remuneration inclusive of social security contributions received by the main Executive Corporate Officers in respect of the 2020 financial year .

Post-employment benefits represent outstanding leave balances to be reimbursed in the event of departure, while end-of-service benefits include end-of-career bonuses and work medals to be paid to employees upon their departure.

7.3.2 Loans granted to the main Executive Corporate Officers

	dec 20	dec 19
A. Consumer loans	64 423	56 019
B. Mortgage loans	20 716	17 764
TOTAL	**85 139**	**73 783**

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

	dec 20		
	Gross amount	With holding tax	Net income paid
Physical and legal persons resident in Morocco	3 842	992	**2 850**
Physical and legal persons non resident in Morocco	3 235	485	**2 750**
TOTAL	**7 077**	**1 477**	**5 600**

	dec 19		
	Gross amount	With holding tax	Net income paid
Physical and legal persons resident in Morocco	3 842	992	**2 850**
Physical and legal persons non resident in Morocco	3 235	485	**2 750**
TOTAL	**7 077**	**1 477**	**5 600**

7.4. RELATED PARTY

7.2.2. 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	931 149	3 373 172	26 215	11 404 449
Current accounts	931 149	2 033 868	-	1 072 461
Loans		545 504	26 215	9 012 154
Securities		793 800		1 319 834
Capital lease				
Miscellaneous assets				15 234
Total	**931 149**	**3 373 172**	**26 215**	**11 419 683**
Liability				
Deposits	-	1 329 938	46 898	9 883 875
Current accounts		1 329 938	42 464	1 063 322
Other borrowings			4 434	8 820 553
Debts represented by a security				1 515 801
Miscellaneous liability				20 007
Total	**-**	**1 329 938**	**46 898**	**11 419 683**
Financing and guarantee commitments				
Commitments given				1 165 678
Commitments received				1 165 678

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		-58 402	-1 514	-250 350
Interest and similar expenses				313 785
Fees (income)		-40 758		-302 764
Fees (expenses)				68 862
Services provided				
Services procured	41 947			
Lease income		-51 727	-7 424	-224 296
Other		99 785		394 770

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, Shanghai, 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

One of the missions assigned to the Group Risk management is to strengthen the monitoring and control of credit, market, country and operational risks. It is also responsible for:

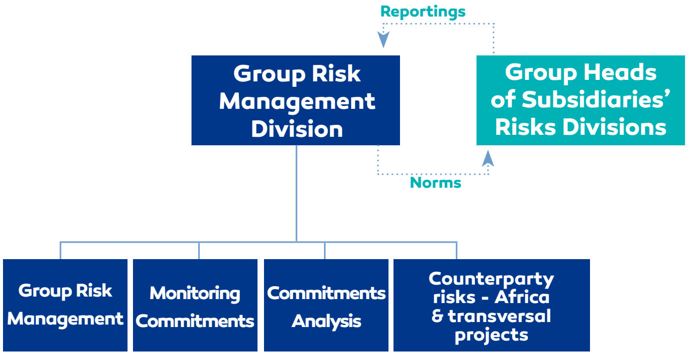
- Defining BANK OF AFRICA Group's risk policy;

- Definition and management taking and monitoring of commitments;

- Implementing of a credit risks control system, market transactions and operational risks;

The Group Risk management is composed of four entities:

- Group Risk management
- Monitoring commitments
- Commitments analysis
- Counterparty risks
- Africa & transversal 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 Declination in equity and operational measures of the Group's strategy and monitoring.

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

◗ The Steering Committee and Group Risk Management

After the 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. Supervisory Committee for Sensitive Accounts

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 followup 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;

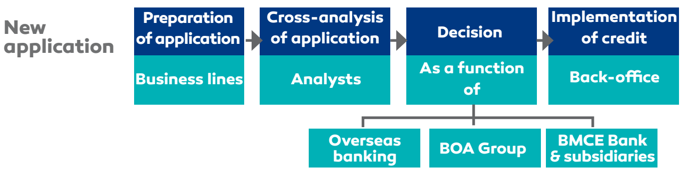
- The Decision, jointly taken by the Risk and Commercial Divisions – which includes at least one preliminary counterfactual analysis – applies to the applications assigned to the local Decision committees as well as to the central Decision committees. This involves a multilevel pyramid structure, where 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.

- Appeal to the highest authority having ruled on any other case of a related case with the highest level of high delegation (in case of a group).

8.2.1.2. Credit approval process

The following diagram provides an overview of the creditapproval process :



- The Commercial Division in charge of customer relations is responsible for preparing the credit application;

- Counterfactual analysis of the credit application is performed by credit analysts from the entity's Risk Division;

- The Decision is jointly taken by the Risk and Commercial Divisions, based on their respective levels of delegation;

- The loan is actually implemented by the back-office, which is a unit independent from the Risk and Commercial Divisions.

8.2.1.3. Decision making and choice of circuits

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

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

8.2.1.4. Delegation

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

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

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

8.2.1.5. Approval rules

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

The present delegation system defines the following decision levels:

- At local branch level;

- At "hub" level (BOA Group and Europe);

- At central 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

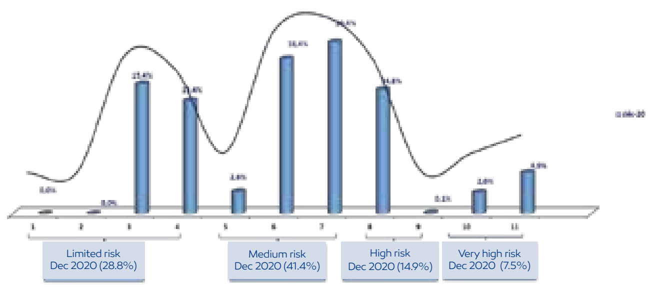
A counterparty code is assigned to each of the Bank's counterparties. The rating of each third party is carried out using the counterparty reference code in such a manner that, for all third parties (the counterparty type is single and unique), the assessment will be carried out by using a single rating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

	CATEGORY	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 31 December 2020, 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.

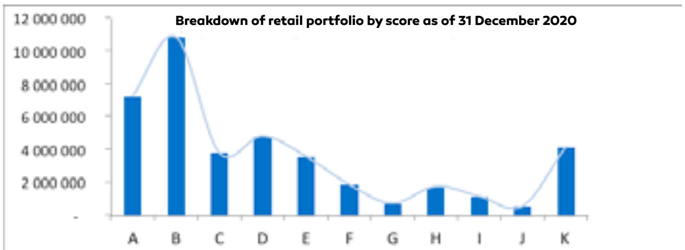
The behavioural score, for open accounts, is a dynamic risk assessment based on a customer's behaviour.

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

New and existing customers are assigned a credit approval score.

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 imple mented 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 2020:

	December 2020	
	Amount	% of the total
Commitments to 10 largest customers	16 644	14%
Commitments to 20 largest customers	23 429	20%
Commitments to 100 largest customers	42 667	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).

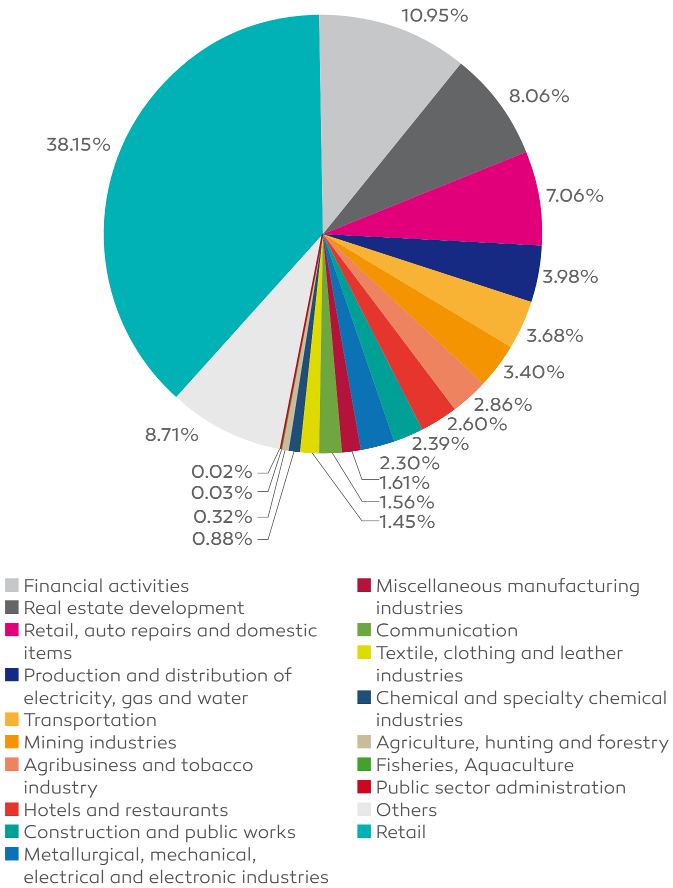
The objective is to model default risk using appropriate econometric techniques, using a random variable dependent, whose value is the result of the enumeration of realization of fault events.

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 Division is completed by the implementation of back Testing of the model every six months.

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

The breakdown of activities at the end of December 2020 is as follows:



8.4.2.2.4. Counterparties belonging to the same country

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

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

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

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

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

BMCE 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 ofeach counterparty;

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

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

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

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 167% on a consolidated basis at 31 December 2020, above the 100% regulatory limit set by Bank Al-Maghrib.

- 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 31 December 2020, with the trading book portfolio excluded, the impact from a 200-basis points change in interest rates on net interest income was an estimated at MAD 0.359 billion or 8.3% of projected net interest income.

The change in the economic value of shareholders' equity in the event of a 200-basis points shock was an estimated MAD 0.749 billion or 6.0% 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 Risk Committee, which defines Group market risk management policy and validates any amendment to the steering of market risk across the entire Group;
- The Group Market Risk Committee, which ensures the efficiency of the Market Risk Management System of the 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

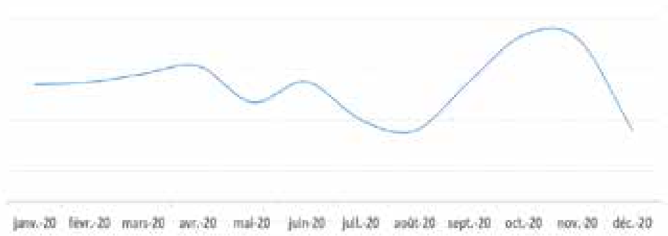
Different risk indicators reflecting the level of exposure to market risks are used within BANK OF AFRICA Group as follows :

◗ 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 has focused on events that create a high level of volatility in financial markets. These events include

- 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 EUR/USD volatility on EUR/MAD and USD/MAD;
- Repercussion of EUR/USD volatility on EUR/MAD volatility and USD/MAD 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 31 December, 2020, 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 23 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 47 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 4 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 7 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 37 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 74 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.

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

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

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

8.7.1.2.2. Operational risk management organisation

The framework governing operational risk management within 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 Department;
- 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.

8.7.1.2.3. 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.

8.7.1.3. 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.
- Closely monitoring the compliance with the assigned risk limits or thresholds.

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 frontoffice to back-office e.g. from branch level up until recognition in accounting terms.

8.8. ICAAP SYSTEM

The Internal Capital Adequacy Assessment Process (ICAAP) is a process for assessing internal capital adequacy. Its objective is to ensure that the Bank, on a continuous basis, has adequate internal capital in relation to its risk profile.

There are 3 essential elements to ICCAP:

- Determining and steering Bank of Africa S.A.'s risk appetite;

- Identifying and steering risks as well as establishing a capital buffer aimed at mitigating Pillar 2 risks (interest rate risk, liquidity risk, concentration risk, compliance risk etc.);

The Internal Capital Adequacy Assessment Process (ICAAP) enables the Bank to define a capital structure, dynamic projections of solvency ratios and additional capital requirements. To complement this process, the Bank carries out simulations and stress tests based on various criteria to assess the impact of risk factors on its resilience in terms of equity.

The introduction of a risk appetite framework has been achieved by incorporating two frames of reference: - A risk appetite framework which defines the governance and organisational scheme, the definition process and the Bank's risk appetite;

- A risk appetite statement which, consistent with the Group's development strategy, defines the risk appetite aspects which reflect the Bank's risk profile. These aspects have been broken down into quantitative indicators with related thresholds.

The Risk Department ensures that the risk appetite system is properly aligned to the capital allocation process and limits system. As far as the Group's main risks are concerned, the Group's risk appetite is governed by limits and alert thresholds. These indicators ensure that the Group is well-positioned to meet its target values and reach its goals in terms of profitability.

8.9. INTERNAL CRISIS RECOVERY PLAN (PRCI)

In response to new measures introduced under Bank Al Maghrib's Circular 4/W/2017 relating to the introduction of an Internal Crisis Recovery (PRCI), BANK OF AFRICA has taken the necessary steps to comply with this regulation.

The purpose of this prevention system is to assess BANK OF AFRICA Group's resilience, as a systemic institution, in the event of an extreme crisis and to identify the key drivers to restore its viability in terms of solvency, liquidity, asset quality and profitability. The various risks to which the group is exposed are also covered by this PRCI. These include credit risk, market risk, country risk, balance sheet risk, operational risk, cybercrime risk, non-compliance risk and reputational risk. restore its viability in terms of solvency, liquidity, asset quality and profitability. The various risks to which the group is exposed are also covered by this PRCI. These include credit risk, market risk, country risk, balance sheet risk, operational risk, cybercrime risk, non-compliance risk and reputational risk.

As a result, a taxonomy of the Group's risks has been developed in conjunction with the ICAAP system, with more robust internal stress tests based on extreme but plausible scenarios covering every category of risk to which the Group is exposed.

The work carried out has enabled the Group to draw up an inventory of which businesses are considered as significant, which operations are fundamental and which functions are critical in the event of a major crisis. Crisis scenarios have been drawn up and simulations and impact calculations carried out. In addition, a simulation of the Covid-19 health crisis has been factored in which assumes a pessimistic and extreme development of the pandemic, similar to the scenarios considered by the IMF.

As a result, for each estimated impact, recovery measures have been defined with objectives established to restore the Bank's financial viability via previously identified quantifiable drivers. As such, the list of recovery measures has been reviewed, detailing the preparatory and prerequisite measures and the operational and financial risks to facilitate implementation of recovery measures as well as prioritising the defined measures.

BANK OF AFRICA – BMCE GROUP has adopted a system of early warning indicators for crises with the aim of identifying crises in a timely manner as well as defining a set of indicators for triggering recovery measures. The monitoring of these indicators is carried out as part of the Group's overall risk management and monitoring system.

This plan is updated annually to ensure that is complies with the relevant regulatory requirements.

The aim is for it to become a genuine tool within the risk prevention process.

8.10. CORPORATE SOCIAL RESPONSABILITY

Underpinning BANK OF AFRICA - BMCE Group's management framework relating to its undertakings regarding the environment, climate change and social responsibility is a set of values and an underlying commitment to respecting human rights and the environment. This framework has been adopted by every one of the Group's banking and banking-related subsidiaries.

It should also be noted that this framework applies to all financial products and services offered by the Bank. As a result, BANK OF AFRICA - BMCE Group factors sustainable development considerations and goals into its commercial approach and manages the environmental, climate-related and social risks associated with its commercial commitments.

The risks resulting from environmental, climate-related and social (ECS) issues are inherent in any financial transaction. They translate into financial, legal, collateral-related or reputational impacts for the Bank.

The ECS risk identification, measurement and internal analysis systems are now closely linked to the day-to-day operational risk management process.

8.11. MEASUREMENT OF CAPITAL ADEQUACY

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 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	Dec 2020
Type of Exposure	Risk-Weighted Assets post-CRM
Balance-sheet items	168 378 863
Off balance sheet items: financing commitments	4 953 930
Off balance sheet items: guarantee commitments	10 010 747
Counterparty Risk: temporary disposals of securities relating to the bank portfolio	-
Counterparty Risk: temporary disposals of securities relating to the trading portfolio	281 062
Counterparty Risk: derivative products relating to the bank portfolio	-
Counterparty Risk: derivative products relating to the trading portfolio	384 286
Other assets / Other items	29 348 776
Settlement Risk	610 302
Total	213 967 966

Capital adequacy and composition

BANK OF AFRICA's share capital stood at MAD 2 056 066 480 made up of 205 606 648 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 31 December 2020, fixed maturity subordinated debt stood at almost MAD 6.4 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	21 274 247
Items to be included in Tier 1 capital	**25 399 339**
Share Capital	2 056 066
Consolidated reserves, including premiums related to share capital and not included in hidden reserves	19 305 041
Retained earnings	26 741
Net income for the previous period	735 684
Minority interests	3 275 807
Items to be deducted from Tier 1 capital	**4 125 092**
Good will	1 032 114
Other adjustments to Tier 1 capital	1 746 298
Immobilisations	1 310 012
Other deductions	36 668
Additional core capital	**1 000 000**
Perpetual subordinated debt	1 000 000
Tier 2 capital	**8 349 219**
Perpetual subordinated debt	7 337 534
Revaluation differences	785 834
Hidden reserves	225 851
Total	**30 623 466**

Capital Requirements by Risk Type	December 2020
Risk-weighted credit risks	213 967 966
Risk-weighted market risks	9 245 142
Risk-weighted operational assets	25 062 473
Total risk-weighted assets	248 275 581
Tier 1 Capital	22 274 247
Tier 1 Capital ratio	9.0%
Total capital	30 623 466
Capital adequacy ratio	12.3%