BMCE BANK INTERNATIONAL

Company registration No. 5321714 (England and Wales)

BMCE BANK INTERNATIONAL PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

Directors	D. Suratgar * (Chairman) M. Afrine (appointed 4 October 2013) C. Fisher * I. Plenderleith, CBE * B. Benjelloun-Toumi (appointed 15 February 2013) * M. Agoumi (appointed 15 February 2013) * M. Bircharef (resigned 14 June 2013)
Secretary	TMF Corporate Administration Services Limited
Company number	5321714
Registered office	26 Upper Brook Street London W1K 7QE
Registered auditors	Mazars LLP Tower Bridge House St. Katharine's Way London E1W 1DD
Bankers	Barclays Bank Plc 1st Floor 99 Hatton Gardens London EC1N 8DN

* Non executive Directors

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The Directors present their Strategic Report for BMCE Bank International plc for the year ended 31 December 2013.

Results

The results for the year are set out on page 11. The profit after tax for the year ended 31 December 2013 amounted to £2,803,000 (2012: £1,274,000 profit). Profit before tax and discontinued activities increased by 59% to £1,540,000. This was the result of a 25% increase in operating income to 2013: £ 12,759,000, mainly from the corporate Banking business. The return on equity increased by 3.0% from 2.6 % to 5.6%

The results reflect the continuing growth of the Bank. This is the second year that the Bank has made a profit. Prior to 2012, the revenues had not grown sufficiently to off-set the costs of setting up the Bank. The plans for the Bank to grow its business in its target market of Africa remain. The global slow-down caused a delay rather than a change in strategy. The Bank is now developing more synergies with other parts of the BMCE group, in particular with the Bank of Africa which resulted in improving revenues for the year.

Review and analysis of business during the current year

The Bank continued, throughout the year, its principal activities of Corporate and Investment Banking, focusing on trade, structured and project finance and corporate lending for target customers based in Africa or with an interest in the region and Treasury and Capital Markets, focusing on currency and interest rate markets of the region.

The Bank has reassessed its risk profile and risk appetite during the past two years and has, as a result, reduced its largest direct lending exposures and targeted growth in off-balance sheet positions. This has seen off balance positions increasing by 98% from last year. This change in focus has seen a greater diversification of risk, removing any concentration on large unsecured exposures. There has also been a reduction in risk by the increase of credit mitigation techniques such as insurance, counter-guarantees and collateral.

The remittance transfer business in France, whereby the Bank transferred cash on behalf its ultimate parent Company's customers, was sold in December 2012 for a £1.2 million gain to a fellow subsidiary BMCE Euroservices SA. This was part of a rationalisation process of the business in Europe. During 2013 the Bank continued to operate this business on behalf of BMCE Euroservices whilst it established the infrastructure it required to take on this business line.

Total operating expenses increased marginally from £10.4 million in 2012 to £10.8 million in 2013. This was due to an increase in other general overheads, management actions in the second half of the year are expected to reverse this trend in 2014.

The Bank outsourced its Information Technology requirements and assets to a fellow subsidiary of BMCE Group, IT Information Services, with effect from 1st October 2013. This is a part of a rationalisation of the group's IT management strategy and is expected to produce significant cost savings for the Bank in 2014.

During 2013 the Bank earned some fees for Corporate Advisory Service, these initial fees were from fellow group companies but it is planned to offer such services to non-connected counterparties.

Expenses have remained under control. Actions have been taken which will further reduce overheads in 2014.

Key Performance Indicators

The following are key performance indicators for the Bank:

£'000	*2013*	*2012*	% change
Operating income	12,759	10,211	+ 25%
Profit before tax and discontinued activity	1,540	969	+ 59%
Profit for the year	2,803	1,274	+ 120%
Return on equity	5.6%	2.6%	+ 3 %
Capital Ratio (Capital as percentage of risk weighted assets)	24%	29%	- 5%
Off-balance Sheet- Guarantees and Letters of Credit	131,423	66,317	+ 98%

Development and Financial Performance during the year.

- The Bank continued to develop the business in its Paris office.
- A new loan synergy and syndications department was established which is now generating revenues and is planned to expand in 2014.
- The commodities finance business slowed during the first half of 2013 but recovered towards the end of the year and prospects are good for 2014.
- Overheads have been tightly controlled and there are further savings to be realised in 2014.
- The Bank outsourced its Information Technology and related assets to a fellow subsidiary of BMCE Group, IT Information Services, with effect from 01 October 2013. This is a part of a rationalisation of the group's IT management strategy and is expected to produce significant cost savings for the Bank in 2014.
- The remittance advice business which was sold during December 2012, continued to produce revenues during 2013 because the Bank carried out this service on behalf of its fellow subsidiary BMCE Euroservices SA which was still establishing its systems and procedures. This revenue has now ceased.

Financial Position at the Reporting Date

- The Bank's total assets as at 31 December 2013 were £214.8 million down from £241.2 million the previous year. The reduction was due to the level of loans and advances to customers and was part of a strategy to improve the risk profile. Longer term large scale loans have been reduced in favour of a more diversified portfolio including more short term off-balance sheet positions. It is planned to maintain a similar risk profile in 2014 but increase on and off balance sheet positions.
- The non-income generating assets, for example tangible and intangible assets have reduced from £24.7 million as at 31 December 2012 to £23.1 million as at £31 December 2013. There have been further reductions since the year end.

Strategy For 2014

During 2014 the consolidation and repositioning of the Bank will continue. The Bank will face the following key challenges:

1. Completion of the Investment Bank:

- Resolutely turned towards Africa, the Bank has not yet reached its end objectives as an Investment Bank. The business advisory, fund manager and brokerage of asset business streams are still not fully established. We aim to be the benchmark for investment in Africa with a complete portfolio of Banking products. The year 2014 will also see some new staff positions that will add solidity to the building of the new business.

2. Switch to a New Central Information Technology System

- A project to centralise the information technology systems commenced in 2013, the first phase will be completed in March 2014. There are important implications in the development of the new system that will allow a significant reduction of human intervention and thus operational risk. The availability of improved management information and the possibility of implementing Dashboards are expected to facilitate decision-making. The system is designed to be flexible and exploitable by the Management.

3. Organisation of Governing Bodies:

- The goal is to make the decision-making process more effective. Governance within the Bank will be achieved by the following bodies:
- The Board of Directors consisting of five non-executive Directors and the Chief Executive Officer, and others regularly invited including the Managing Director Head of Risk and the Chief Financial Officer. The Board approves the overall strategy and the broad guidelines of the Bank.
- The Board Risk Committee consists of two non-executive Directors and the Managing Director Head of Risk; other members of the Board and the Chief Financial Officer are invited. The Risk Committee monitors and assesses the adequacy and effectiveness of risk

management policies and processes. It monitors the full range of risks, financial and non-financial including credit, market, liquidity, funding, capital, operational and regulatory risks.

- The Audit Committee consists of two non-executive Directors and the Head of Internal Audit. Other members of the Board, the Chief Financial Officer and the Head of Risk are invited. The committee monitors the adequacy and effectiveness of controls, processes, governance, integrity of financial statements and objectivity of internal and external auditors.

- The Compensation Committee consists of the Chief Executive Officer and two other members of the Board of Directors and decides the remuneration policy.

- Other committees the decision-making process of the Bank are :

    - Executive Committee,
    - Asset and Liability management Committee,
    - Credit Committee

4 Achievement of business objectives:

- Achieving our goals will undoubtedly be as a result of continuing our marketing efforts with ongoing cost-control and further optimization of the return against risk.

- Commercial Effort:
    - Synergy: we expect strong benefits from the Group synergy for both of the components " Buy Side " and " Sell Side ".

- Commercial Conquest : Capitalising on the Brand "BMCE" for the acquisition of new customers while emphasizing the Geographic and sector diversification of our "Target Market" and maintaining the level of "Risk Appetite" defined by the Board.

- Orientation towards Fee Earning Business: It is important for our Bank to complete the product range by moving more and more towards the fee earning business.

- Control over overheads :
    - Rationalization of costs : Moving to new premises in Paris that are more appropriate
    - Outsourcing IT: This operation will produce substantial savings .

Mohammed Afrine
Director
23 April 2014

David Suratgar
Chairman

Report of the Directors
The Directors of BMCE Bank International PLC present their report and financial statements for the year ended 31 December 2013.

Principal activities
The Bank is authorised and regulated by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA).

The Bank's principal activities are Corporate and Investment Banking, focusing on trade, structured and project finance and corporate lending for target customers based in Africa or with an interest in the region and Treasury and Capital Markets, focusing on currency and interest rate markets of the region. The Bank also maintains a branch in Paris.

Dividend
No dividend was paid during the year (2012: £Nil). The Directors do not recommend the payment of a final dividend for this financial year (2012: £ Nil).

Future Plans

- Banque Marocaine du Commerce Exterieur S.A. (BMCE) intends to continue to develop synergies between BMCE Bank International and its fellow subsidiary BMCE International Spain and with other group companies in Africa.
- The Paris office will relocate to more appropriately sized premises in May 2014.
- Further details about the Bank's strategy for the forthcoming financial year are provided in the Strategic Report.

Financial instruments
The Bank's risk management objectives and policies are discussed in Note 32.

Directors
The following Directors have held office since 1 January 2013:

D. Suratgar * (Chairman)

C. Fisher *

I. Plenderleith, CBE *

The following Directors have resigned:

M. Bircharef (14 June 2013)

The following Directors were appointed:

B. Benjelloun-Toumi (15 February 2013) *

M. Agoumi (15 February 2013) *

M. Afrine (4 October 2013)

* Non executive Directors

Directors' interests

None of the Directors has, or had during the year under review, any beneficial interest in the shares of the Company.

Going concern

As set out in the Review of the Business section, the Bank took significant actions during 2012 to improve its financial position mainly on its cost base, this resulted in 2012 being the first profitable year for the Bank. The benefits of these actions have continued with the result that profits increased in 2013. The three years business plan shows an ongoing growth of our profits to a forecasted £7.7 million profit in 2016.
Our parent Company provided additional capital of £8 million during October 2012, and has continued its robust support through 2013.
As a consequence, the Directors consider the Bank is well placed to manage its business risks despite the current uncertain economic outlook.

Having made due enquiries and in light of the matters outlined in the preceding paragraphs, the Directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs) have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Change of auditors

Ernst and Young resigned as auditors of BMCE Bank International plc. The shareholders offered the audit for tender and following a selection process appointed Mazars LLP as auditors. It is the policy of the group to rotate auditors, and the decision to change auditors for the Bank is consistent with this approach.

Directors' statement of disclosure to auditors

Each of the Directors confirms that:

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Bank's auditors are unaware;
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Bank's auditors are aware of that information.

Signed on behalf of the Board

Mohammed Afrine
Director
23 April 2014

David Suratgar
Chairman

We have audited the financial statements of BMCE Bank International plc for the year ended 31 December 2013 which comprise the Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flow, Statement of Changes in Equity and the related notes 1 to 32. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of Directors and auditor

As explained more fully in page 7 to 8 in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. This report is made solely to the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Rudi Lang (Senior Statutory Auditor)
for and on behalf of Mazars LLP Chartered Accountants and Statutory Auditor
Mazars LLP
Tower Bridge House
St. Katharine's Way
London
E1W 1DD

Date: 23 April 2014

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 £ 000s	2012 £ 000s
Interest and similar income		6,057	7,886
Interest expense and similar charges		(1,034)	(2,409)
Net interest income	4	5,023	5,477
Fee and commission income		4,670	2,981
Fee and commission expense		(160)	(235)
Net fee and commission income	5	4,510	2,746
Net trading income	6	1,813	1,440
Other operating income	7	1,413	548
Net operating income		12,759	10,211
Personnel expenses	8	(4,338)	(4,286)
Depreciation of property, plant and equipment	19	(334)	(647)
Amortisation of intangible assets	20	(577)	(1,064)
Other operating expenses	9	(5,585)	(4,422)
Total operating expenses before impairment losses		(10,834)	(10,419)
Impairment provisions	10	(385)	(23)
Recurring operating profit / (loss) before tax		1,540	(231)
Non recurring revenue items	11	-	1,200
Profit before taxation		1,540	969
Taxation	12	66	-
Profit from discontinued activity	11	1,197	305
Profit for the year		**2,803**	**1,274**

The notes on pages 16 – 52 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 £ 000s	2012 £ 000s
Profit for the year		2,803	1,274
Other comprehensive (loss) / income			
Fair value (loss) / gain on available for sale investments		(678)	1,124
Exchange differences on translation of foreign operations		(64)	(168)
Other comprehensive (loss) /income for the year, net of tax	**13**	(742)	956
Total comprehensive income for the year, net of tax		2,061	2,230

All the above items will be recycled to profit or loss.

The notes on pages 16 - 52 form part of these financial statements

BALANCE SHEET
FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 £ 000s	2012 £ 000s
Assets			
Cash and balances with central banks	14	2 472	2 533
Due from banks	14	89 285	72 152
Derivative financial instruments	16	474	78
Loans and advances to customers	17	57 507	102 241
Financial investments - available for sale	18	42 067	39 458
Property, plant and equipment	19	1 166	2 119
Goodwill and other intangible assets	20	8 362	11 155
Deferred tax assets	12	3 878	3 812
Other assets	21	9 672	7 683
Total assets		**214 883**	**241 231**
Liabilities and equity			
Due to banks	22	97 048	115 966
Derivative financial instruments	16	14	172
Due to customers	23	48 456	55 985
Other liabilities	24	3 815	5 878
Provisions	25	30	100
Subordinated debt	26	15 117	14 788
Total liabilities		164 480	192 889
Equity attributable to equity holders of parent			
Share capital	27	102 173	102 173
Other reserves	27	(848)	(106)
Accumulated losses	27	(50 922)	(53 725)
Total equity		50 403	48 342
Total liabilities and equity		**214 883**	**241 231**

The notes on pages 16 - 52 form part of these financial statements.

Approved by the board and authorised for issue on 23 April 2014.

Mohammed Afrine
Director

David Suratgar
Chairman

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 £ 000s	2012 £ 000s
Cash flows from operating activities			
Profit/(loss) before tax		1,540	969
Adjustments for:			
Change in operating assets	28	37,610	29,605
Change in operating liabilities	28	(28,738)	(20,212)
Other items included in profit before tax	28	1,868	(1,520)
Net cash flows generated by operating activities		**12,280**	**8,842**
Cash flows from investing activities			
Purchase of financial investments		(31,500)	(27,267)
Proceeds from sales of financial investments		27,314	33,131
Proceeds from disposal of property, plant and equipment		655	979
Proceeds from disposal of intangible assets		2,446	
Purchase of property, plant and equipment		-	-
Purchase of intangible assets		(59)	(400)
Net cash flows generated by investing activities		**(1,144)**	**6,443**
Cash flows from financing activities			
(Repayment) /Proceeds from intercompany loan		-	(28,827)
Proceed from issue of shares	27	-	8,000
Net (outflow)/inflow from financing activities		**-**	**(20,827)**
Cash flows from discontinued activities			
Profit before tax		1,197	305
Net Cash flows generated by discontinued activities		**1,197**	**305**
Net increase /(decrease) in cash and cash equivalents		**12,333**	**(5,237)**
Cash and cash equivalents at the beginning of the year		64,017	69,254
Net (decrease)/increase in cash and cash equivalents		12,333	(5,237)
Cash and cash equivalents at the end of the year	**14**	**76,350**	**64,017**

Net foreign exchange difference on cash is immaterial because foreign currency cash positions are settled and matured on a daily basis, hence foreign currency cash would only be revalued from the previous day.

The notes in pages 16 - 52 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	Share capital £ 000s	Other reserves £ 000s	Accumulated losses £ 000s	Total £ 000s
Balance as at 1 January 2012		94,173	(1,062)	(55,990)	37,121
Profit for the year		-	-	1,274	1,274
Other Comprehensive Income		-	956	-	956
Total Comprehensive Income		**94,173**	**(106)**	**(54,716)**	**39,351**
Share capital issued		8,000	-	-	8,000
Capital Contribution		-	-	991	991
Balance as at 31 December 2012	**27**	**102,173**	**(106)**	**(53,725)**	**48,342**
Balance as at 1 January 2013		**102,173**	**(106)**	**(53,725)**	**48,342**
Profit for the year		-	-	2,803	2,803
Other Comprehensive Income		-	(742)	-	(742)
Total Comprehensive Income		**102,173**	**(848)**	**(50,922)**	**50,403**
Share capital issued		-	-	-	-
Capital Contribution		-	-	-	-
Balance as at 31 December 2013	**27**	**102,173**	**(848)**	**(50,922)**	**50,403**

The notes in pages 16 – 52 form part of these financial statements.

NOTE 1

Corporate Information

In these financial statements, BMCE Bank International PLC is referred to as the "Bank". The statements comprise the financial statements of BMCE Bank International plc as an individual entity but do not include the results of the dormant subsidiary MediCapital Finance SA. The bank also maintains a foreign branch that is located in Paris.

The Bank provides Corporate and Investment Banking and Treasury services in Europe and North, West and Central Africa. The principal activities of the Bank are described in Note 3.

BMCE Bank International PLC is incorporated and domiciled in England and Wales and is authorised and regulated by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA). Its registered office is at 26 Upper Brook Street, London, W1K 7QE, United Kingdom.

The ultimate parent undertaking and ultimate controlling party is Banque Marocaine du Commerce Exterieur S.A. (BMCE), a Company incorporated in Morocco. BMCE International (Holdings) PLC, a Company incorporated in the United Kingdom and registered in England and Wales, is the immediate holding Company for the Bank.

Copies of the consolidated financial statements prepared in respect of Banque Marocaine du Commerce Exterieur S.A. may be obtained from 140 Avenue Hassan II 2100 Casablanca.

NOTE 2

Accounting policies

NOTE 2.1

Basis of preparation

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments, financial assets and financial liabilities held at fair value through profit or loss and available for sale investments that have been measured at fair value.

The Bank is a parent entity, however in accordance with section 401 of the Companies Act; it is exempt from the requirement to prepare consolidated financial statements as its results and position are included within the consolidated financial statements of BMCE. These financial statements therefore include the financial performance and position of the Bank only.

These financial statements have been prepared on a going concern basis. The reasons for this approach are set out in the Directors' Report.

Banque Marocaine du Commerce Exterieur S.A. (BMCE), the Company's parent, has committed to providing the Bank with cash resources to cover its expenses and obligations for the forthcoming year so as to avoid the possibility of its being unable to continue as a going concern.

Statement of compliance to IFRS

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU').

The Bank presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current) is presented in Note 32 Maturity analysis of liabilities.

NOTE 2.2

Significant accounting judgements and estimates

In the process of preparing the financial statements for the Bank, management has used its judgement, estimates and assumptions in determining the amounts recognised. Due to the inherent uncertainty in making estimates, actual results reported in future periods may differ from those estimates. It is not anticipated that such differences would be material. The most significant use of judgements and estimates are as follows:

(1) Amortisation of development costs

The Bank begins to amortise development costs when the assets listed in the accounts are considered to be in the location and condition necessary for them to be capable of operating in the manner that is intended by management. The Bank reassesses the useful lives of the capitalised development costs each year and amortises the remaining cost over the re-assessed useful life.

(2) Fair value

The fair values of financial investments are determined based upon a combination of values derived from an external model and broker prices. The valuation of financial instruments is described in more detail in note 16. Management consider that, with the exception of held for trading financial instruments, derivatives and available for sale investments that are held at fair value, all other financial assets and financial liabilities are held on an amortised cost basis which approximates to fair value.

(3) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profits will be available against which the losses can be utilised in the future. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Detailed plans are produced for the next financial year, and using this as a basis, forecasts are produced for the following three years. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

(4) Impairment

Problem loans and advances including financial investments which are held to maturity and debt securities classified as available-for-sale investments are reviewed at each reporting date to assess whether an allowance for impairment should be recorded in the income statement. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. The method used to calculate impairment provisions is to estimate future cash flows and then discount these at the original rate of return for the loans and advances and financial instruments being considered. The impairment provision is calculated as the difference between the net present value and the carrying value.

The amounts of impairment provisions can be seen in Note 17.

Goodwill is reviewed at each reporting date and the evaluation requires significant management judgement in estimating the present value of future estimated cash flows expected to be derived from the cash generating units to which goodwill has been allocated.

Other intangible assets are reviewed for any indication of impairment at each reporting date. Where there is such an indication, judgement is required in the estimation of the present value of the future cash flows expected to be derived from the asset or the cash generating unit to which it is allocated.

(5) Onerous Contracts

Contracts are reviewed and if considered as potentially onerous then an assessment is conducted to determine whether a provision is required and if so the amount. The method of calculation of the provision is to estimate the amount of future cash outflows under the contract which are no longer expected to bring the benefits anticipated when the contract was agreed, and discount these cash outflows to obtain the present value of the cost of the contract. The provision is then released to the income statement over the remaining life of the contract in such a way that the net cost of the contract to the income statement is equivalent to the benefit obtained from the contract. On 01 April 2012 the parent Company took responsibility for the onerous contract without charge. The provision has therefore been released to equity as a capital contribution.

NOTE 2.3

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

(1) Foreign currency translation

The financial statements are presented in pounds sterling, which is the Bank's functional and presentational currency. The functional currency of the foreign branch in Paris is Euros.

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the dates of the transactions. The foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the income statement. Unrealised gains and losses on unsettled transactions are also taken to the income statement.

Non-monetary items measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. The results of the foreign branch are translated into the bank's presentational currency on a monthly basis at the month end market exchange rate. All balances at the end of the period are converted at the period end rate. Any foreign exchange differences arising are accounted through the translation reserves.

(2) Financial instruments – initial recognition and subsequent measurement

(i) Date of recognition

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognised on the trade date. Derivatives are also recognised on a trade date basis.

(ii) Initial recognition of financial instruments

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through profit and loss, any directly attributable incremental cost of acquisition or issue.

(iii) Derivatives recorded at fair value through profit or loss

Derivatives which include foreign exchange contracts are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives held for trading are included in 'Net trading income'.

(iv) Financial assets or financial liabilities held for trading – trading securities

Financial assets or financial liabilities held for trading, comprising financial instruments held for trading other than derivatives, are recorded in the statement of financial position at fair value. Changes in fair value are recognised in 'Net trading income'. Interest and expenses are recorded in 'Net trading income' according to the terms of the contract, or when the right to the payment has been established. Included in this classification are equities other than those designated as available for sale which have been acquired principally for the purpose of selling in the near term.

(v) Financial guarantees

The Bank gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the financial statements at fair value, in 'Other liabilities' being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amortised premium and the best estimate of expenditure required settling any financial obligation arising as a result of the guarantee.

Any increase in liability relating to financial guarantees would be taken to the income statement in 'Credit loss expense'. The premium received is recognised in the income statement in 'Net fees and commission income' on a straight line basis over the life of the guarantee.

(vi) 'Day 1' profit

Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Bank immediately recognises the difference between the transaction price and fair value (a Day 1 profit) in the income statement in 'Net trading income'. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognised in the income statement when the inputs become observable, or when the instrument is derecognised.

(vii) Available-for-sale financial investments

Available-for-sale financial investments which consist of equity and bond instruments are those which are designated as available-for-sale or do not qualify to be classified as designated at fair value through profit or loss, held-to-maturity or loans and advances.

After initial measurement, available-for-sale investments are subsequently measured at fair value. Unrealised gains and losses are recognised directly in equity in the 'Available-for-sale reserve'. When the security is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the income statement in 'Other operating income' or 'Other operating expenses'. Where the Bank holds more than one investment in the same security they are deemed to be disposed of on a first-in-first-out basis. Interest earned whilst holding available-for-sale financial investments is reported as interest income using the effective interest rate. Dividends earned whilst holding available-for-sale financial investments are recognised in the income statement as 'Other operating income' when the right of the payment has been established. The losses arising from impairment of such investments are recognised in the income statement in 'Impairment losses on financial investments' and removed from the available-for-sale reserve.

(viii) Loans and advances to Banks and customers

These are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as 'Financial assets held for trading', designated as 'Financial investment – available-for-sale' or 'Financial assets designated at fair value through profit or loss'. After initial measurement, loans and advances to Banks and customers are subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The amortisation is included in 'Interest and similar income' in the income statement.

(3) Derecognition of financial assets and financial liabilities

(i) Financial assets
A financial asset is derecognised where:

- The rights to receive cash flows from the asset have expired; or
- The Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
- Either (a) the Bank has transferred substantially all the risks and rewards of the asset, or (b) the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the assets. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

(ii) Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same counterparty on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability and the difference in the respective carrying amounts is recognised in profit or loss.

(4) Determination of fair value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and offer price for short positions), without any deduction for transaction costs.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist and other relevant valuation models.

(5) Impairment of financial assets

The Bank assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter Bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(i) Due from Banks and loans and advances to customers

For amounts that are carried at amortised cost, the Bank assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.
If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with

similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the 'Credit loss expense'.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the effective interest rate at the relevant reporting date. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Bank's internal credit grading system that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Bank. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the years on which the historical loss experience is based and to remove the effects of current conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the Bank and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(ii) Subordinated debt

Subordinated debt is carried at amortised cost.

(iii) Available-for-sale financial instruments

For available-for-sale financial instruments, the Bank assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. Objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss that had been recognised in other comprehensive income is removed from equity and recognised in the income statement.

(iv) Renegotiated Loans

Where possible the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original effective interest rate (EIR) as calculated before the modification of the terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual impairment assessment, calculated using the loan's original EIR.

(6) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

(7) Leasing

Bank as a lessee
The leases entered into by the Bank as lessee are operating leases. Any rentals payable are charged to the income statement on a straight line basis over the lease term and included in 'Operating expenses'.

Bank as a lessor
Leases where the Bank does not transfer substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease receipts are recognised as income in the income statement on a straight line basis over the leased term. All leases where the Bank is a lessor are sub-leases of operating leases where the Bank is the lessee.

(8) Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Interest and similar income and expense

For all financial instruments measured at amortised cost and interest bearing financial instruments classified as available-for-sale financial investments, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payment or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as an impairment loss.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the original effective interest rate applied to the new carrying amount.

(ii) Fee and commission income

The Bank earns fee and commission income from a diverse range of services it provides to its customers in connection with its principal activities, and providing corporate advisory services.

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan.

(iii) Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

(iv) Net trading income

All gains and losses from changes in fair value and related interest income or expense and dividends for financial assets and financial liabilities held for trading are included in net trading income.

(9) Cash and cash equivalents

Cash and cash equivalents as referred to in the cash flow statement comprise cash on hand, balances with central Banks and amounts due from Banks on demand or with an original maturity of three months or less.

(10) Tangible assets

Tangible assets which consist of computer hardware and furniture and equipment are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method to write down the cost of tangible assets to their residual values over their estimated useful lives. The estimated useful lives were re-assessed as at 1st January 2013. The residual estimated useful lives from 01 January 2013 are as follows:

Fixtures and leasehold improvements	up to	20 years
Computer hardware		3 to 5 years
Furniture and equipment		5 years

(11) Other intangible assets

Intangible assets include the value of development costs and computer software. Expenditure on internally developed intangible assets, excluding development expenditure is taken to the income statement in the year in which it is incurred. Development expenditure is recognised as an intangible asset only after its technical feasibility and commercial viability can be demonstrated. Intangible assets acquired separately are measured on initial recognition at cost. Following the initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.
Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives. The estimated useful lives were re-assessed as at 1st January 2013. The residual estimated useful lives from 01 January 2013 are as follows:

Computer software	3 to 5 years
Development costs	3 to 5 years

(12) Business combinations and goodwill

Business combinations are accounted for using the purchase method of accounting. This involves recognising identifiable assets (including previously unrecognised intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Bank's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Bank's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities acquired are assigned to those units. Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Bank at which the goodwill is monitored for internal management purposes; and
- is not larger than an operating segment as defined under IFRS 8 Operating Segments.

(13) Impairment of non-financial assets

The Bank assesses at each reporting date, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired, whether there is an indication that a non-financial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Bank makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

(14) Pension benefits

The Bank operates a defined contribution pension plan. The contribution payable to a defined contribution plan is in proportion to the services rendered to the Bank by the employees and is recorded as an expense under 'Personnel expenses'.

(15) Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(16) Taxes

(i) Current tax

Current tax and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

(ii) Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Detailed plans are produced for the next financial year, and using this as a basis, forecasts are produced for the following years.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax relating to items recognised directly in equity are also recognised in equity and not in the income statement.

(17) Standards adopted during the year

During the year, the following new standards, amendments and interpretations have become effective:

- IAS 1 (amendment) 'Presentation of Financial Statements' – Revision to items presented within other comprehensive income;

- IAS 19 (amendment) 'Employee Benefits' – Revision to post-employment benefits and termination benefits;

- IFRS 13 'Fair Value Measurement; - Annual Improvements 2009-2011 Cycle;

- IFRS 7 (amendment) 'Financial instruments: Disclosure' Offsetting financial assets and financial liabilities, and IAS 32 (amendment) 'Financial instruments: Presentation;

None of these new standards, amendments or interpretations had a material impact on these financial statements upon first-time adoption.

(18) Standards issued but not yet effective

At the date of authorisation of these financial statements the following standards, amendments and interpretations were in issue but not yet effective. These standards, amendments, and interpretations have not been adopted early and have not been applied to these financial statements

- IFRS 10 'Consolidated Financial Statements' – effective for accounting periods beginning on or after 1 January 2014;

- IFRS 11 'Joint Arrangements' – effective for accounting periods beginning on or after 1 January 2014;

- IFRS 12 'Disclosure of Interests in Other Entities' – effective for accounting periods beginning on or after 1 January 2014;

- IFRS 10 (amendment) 'Consolidated financial statements', IFRS 11 (amendment) 'Joint arrangements' and IFRS 12 (amendment) 'Disclosure of interest in other entities', transition guidance – effective for accounting periods beginning on or after 1 January 2014;

- IFRS 10 'Consolidated Financial Statements'(amendment) for Investment Entities – effective for accounting periods beginning on or after 1 January 2014;

- IAS 36 'Impairment of Assets' (amendment) for the Recoverable Amount Disclosures for Non-Financial Assets – effective for accounting periods beginning on or after 1 January 2014;

- IAS 39 'Financial Instruments: Recognition and Measurement (amendment) for novations of derivatives – effective for accounting periods beginning on or after 1 January 2014;

- Annual Improvements 2010-2012 Cycle – effective for accounting periods beginning on or after 1 July 2014;

- Annual Improvements 2011-2013 Cycle – effective for accounting periods beginning on or after 1 July 2014;

- IAS 19 'Employee Benefits' (amendment) to Employee Contributions – effective for accounting periods beginning on or after 1 July 2014;

- IFRS 14 'Regulatory Deferral Accounts' – effective for accounting periods beginning on or after 1 January 2016;

- IFRS 9 'Financial instruments' – effective date is unspecified.

The standards, amendments, and interpretations, which are relevant to the Company, and may have a material effect on the Company's forthcoming financial statements are as follows. The adoption of all other standards, amendments, and interpretations are not expected to have a material impact.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. In subsequent phases, the Board will address impairment and hedge accounting. The adoption of the first phase of IFRS 9 will primarily have an effect on the classification and measurement of the Bank's financial assets. The Bank is currently assessing the impact of adopting IFRS 9, however, the impact of adoption depends on the assets held by the Bank at the date of adoption, and it is not practical to quantify the effect.

IAS 32 Amendments to Offsetting Financial Assets and Financial Liabilities

IAS 32 is effective from 1st January 2014. The circumstances in which netting is permitted have been clarified; in particular what constitutes a currently legally enforceable right of set-off and the circumstances in which gross settlement systems may be considered to be net settlement. There will be no impact on shareholders equity, income statement, other comprehensive income or cash flows.

NOTE 3

Segment reporting

The primary segment reporting format is determined to be business segments as the Bank's risks and rates of return are affected predominantly by differences in the products and services provided. The operating businesses are organised and managed according to the nature of the products and services, with each segment representing a strategic business unit that offers different products and serves different markets.
For management purposes, the Bank is organised into three business segments:

Corporate and Investment Banking

Principally providing Investment Banking services including structured and project finance, corporate finance, loan advisory and structuring services and other credit facilities for corporate and institutional customers.

Treasury and Capital Markets

Principally engaged in sales and market making activities in the treasury sector. Provides market and product access for a range of corporate and institutional customers and trading on our own account. Provides internal cash funding at market rates for Corporate and Investment Banking activities.

Other

Other central functions which are not directly attributable to Corporate and Investment Banking nor Treasury and Capital Markets and which are managed and controlled centrally are presented as "other".

The group's geographical segments are based on the location of the clients with whom business has been conducted for Corporate and Investment Banking and for the individual markets accessed for Treasury and Capital Markets activities.

Remittance Services (discontinued in 2012)

The Bank provided remittance services to customers of its ultimate parent Company who wish to transfer monies to Morocco. The Bank received compensation from its ultimate parent Company to cover the costs incurred in the transactions. At the end of 2012 the Bank sold this business to a fellow subsidiary and this is therefore a discontinued activity for BMCE Bank International Plc. The fellow subsidiary did not have the systems available to operate this business when it initially purchased the business. BMCE Bank International PLC supplied these services to this Company during 2013 pending the fellow subsidiary establishing the capability to carry out the business itself.

NOTE 3

Operating segment information

The following table presents income and certain asset and liability information regarding the Bank's business segments for the year ended 31 December 2013.

2013	Treasury and Capital Markets £ 000s	Corporate and Investment Banking £ 000s	Other £ 000s	Total £ 000s
External operating income				
Net interest income	2,321	2,731	(29)	5,023
Net fees and commission income	-	3,137	1,373	4,510
Net trading income	808	-	475	1,283
Realised gain on disposal of	530	-	-	530
investment securities				0
Operating income from	(337)	(566)	903	0
other segments				0
Other operating income	-	97	1,316	1,413
Total operating income	3,322	5,399	4,038	12,759
Operating expenses				
Personnel expenses	(169)	(503)	(3,666)	(4,338)
Depreciation	-	-	(334)	(334)
Amortisation	-	-	(577)	(577)
Other operating expenses	-	-	(5,585)	(5,585)
Impairment losses on financial investments	-	(385)	-	(385)
Total operating expenses	(169)	(888)	(10,162)	(11,219)
Segment results	**3,153**	**4,511**	**(6,124)**	**1,540**
Operating Profit				1,540
Profit from discontinued activities (note 11)				1,197
Income tax expense				66
				2,803
Assets and liabilities				
Segment assets	116,237	73,151	25,495	214,883
Total assets				214,883
Segment liabilities	20,043	126,062	18,735	164,840
Total liabilities				164,840
Other segment information				
Capital expenditure:				
Tangible assets			10	10
Intangible assets			162	162

2012	Treasury and Capital Markets £ 000s	Corporate and Investment Banking £ 000s	Remittance services (discontinued) £ 000s	Other £ 000s	Total £ 000s
External operating income					
Net interest income	1 768	4 554	-	(845)	5 477
Net fees and commission income	-	2 746	8	-	2 754
Net trading income	462	-	-	(58)	404
Realised gain on disposal of investment securities	1 036	-	-	-	1 036
Operating income from other segments	(446)	(805)	-	1 251	-
Other operating income	-	209	4 807	339	5 355
Total operating income	2 820	6 704	4 815	687	15 026
Operating expenses					
Personnel expenses	(139)	(579)	(2 822)	(3 569)	(7 108)
Depreciation			(55)	(592)	(647)
Amortisation			-	(1 064)	(1 064)
Other operating expenses			(1 634)	(4 476)	(6 110)
Impairment losses on financial investments			-	(23)	(23)
Total operating expenses	(139)	(579)	(4 510)	(9 724)	(14 952)
Segment results	**2 681**	**6 125**	**305**	**(9 037)**	**74**
Non recurring items				1 200	1 200
Operating profit					**1 274**
Income tax expense					0
Profit for the year					**1 274**
Assets and liabilities					
Segment assets	108 457	108 006	1 443	23 325	241 231
Total assets					241 231
Segment liabilities	120 849	51 274	-	20 766	192 889
Total liabilities					192 889
Other segment information					
Capital expenditure:					
Tangible assets	-	-	-	5	5
Intangible assets	-	-	-	361	361

No individual customer contributes more than 10% of the Bank's revenue

Information about geographical areas

The bank operates in four geographical locations: UK, Africa, Europe and the rest of the world. The Bank's external net operating income is allocated based on the location of the transaction counterparty.

Non-current assets are allocated based on the location in which they are located.

	2013 £ 000s	2012 £ 000s
External net operating income		
- Attributable to the UK	537	1,802
- Attributable to Europe	7,232	4,034
- Attributable to other foreign countries	4,990	4,375
	12,759	**10,211**
Tangible and intangible assets		
- Attributable to the UK	157	2,585
- Attributable to Europe	9,371	10,689
- Attributable to other foreign countries	-	-
	9,528	**13,274**

NOTE 4	2013 £ 000s	2012 £ 000s
Net interest income		
(i) Interest and similar income		
Due from banks	2,751	3,041
Loans and advances to customers	1,874	3,201
Financial investments - held-to-maturity	-	-
Financial investments - available-for-sale	1,432	1,554
Other	-	90
Total	6,057	7,886
(ii) Interest and similar charges		
Due to banks	782	1,695
Due to customers	252	714
Other		-
Total	1,034	2,409

NOTE 5

	2013 £ 000s	2012 £ 000s
Net fee and commission income		
(i) Fee and commission income		
Credit related fees and commissions	371	701
Corporate banking fees	2,861	2,280
Corporate finance advisory fees	1,438	-
Total	4,670	2,981
(ii) Fees and commission expense		
Fees and commission expense	46	64
Other fees paid	114	171
Total	160	235

NOTE 6

	2013 £ 000s	2012 £ 000s
Net trading income		
Equities	0	21
Derivatives	(13)	(61)
Foreign exchange	1,296	444
Fixed income	530	1,036
Other	-	-
Total	1,813	1,440

NOTE 7

	2013 £ 000s	2012 £ 000s
Other operating income		
Rent received from subletting of premises	1,411	548
Other income	2	-
Total	1,413	548

NOTE 8	2013 £ 000s	2012 £ 000s
Personnel expenses		
Wages and salaries	3,156	2,304
Social security costs	705	1,527
Pension costs - defined contribution plans	255	428
Other benefits	222	27
Total	4,338	4,286

Directors' remuneration and disclosure of highest paid director are disclosed in note 30.

Number of employees

The average monthly number of employees (including directors) during the year was:		
- Board	4	4
- Corporate and Investment Banking	9	12
- Treasury and Capital Markets	2	2
- Operations and support	32	36
- Services performed on behalf of ultimate parent (service discontinued)	-	60

NOTE 9

Other operating expenses

Included in other operating expenses are the following:		
Marketing Expense	10	218
Premises	2,622	2,305
Administrative	1,856	235
Professional fees	675	400
Audit Fees	140	235
Other fees paid to the auditors		
Taxation services	5	8
Regulatory advice	15	-

NOTE 10

Impairment (losses) / recoveries

Loans and advances to customers (Note 18)	(385)	(23)
Total	(385)	(23)

NOTE 11

Non-recurring revenue items

Realised gain on sale of remittance transfer business	-	1,200
Total	0	1,200

At the end of 2012 the bank sold its remittance transfer business based in France to a fellow subsidiary. This therefore became a discontinued activity for BMCE Bank International Plc. Additional consideration was paid in 2013 of £1,197,000 which has been recognised during the current year.

Profit from discontinued activity	1,197	305

NOTE 12

Taxation	2013 £ 000s	2012 £ 000s
Current tax		
Current Income tax	-	-
Deferred tax		
Relating to origination and reversal of temporary differences	(3,100)	117
Change in tax rate	(136)	(217)
Recognition of /(Write down of previously recognised) deferred tax assets	3,302	100
	66	0
Reconciliation of the total tax charge		
Profit before tax	2,737	1,274
Income tax calculated at a tax rate of 23.25% (2012: 24.5%)	(636)	(312)
Expenses not deductible	(212)	(419)
Effect of previously unrecognised tax losses	914	731
Income tax benefit reported in the income statement	66	0

	2013 **£000s**	**2012** **£000s**
The deferred tax asset is due to temporary differences on the following:		
Intangible assets	-	3,339
Tax losses available	3,591	271
Property, plant and equipment	233	148
Financial investments - avaliable for sale	54	54
Total	3,878	3,812

Deferred tax has been recognised at the rate that has been substantively enacted 2013 20% (2012: 23%)

When assessing the deferred tax asset recognised, the Bank has taken a prudent view of future profits. The forecasts used for this purpose are based primarily on cost savings already achieved and require very limited growth in revenues. Management expects profits to exceed those utilised in assessing the deferred tax asset and have adopted a business plan that reflects this higher level of anticipated revenues. The Bank's taxable profits will exceed its accounting profits, the most significant non-deductible items being depreciation, amortisation, and some provisioning and unrealised losses.

The following deferred tax assets are unrecognised at the reporting date because in the view of the Directors, adopting the prudent approach referred to above, the recovery of the asset is uncertain. This asset will be recognised when the Bank has greater certainty on sufficiency of taxable profits.

	2013 £000s	2012 £000s
Losses	5,232	8,806
Difference between tax written down value and net book value of assets	1,477	802
Total	6,709	9,608

Legislation already enacted at the reporting date means that with effect from 01 April 2015 the corporate tax rate reduced to 20% (from 21%). On the basis that it is anticipated that the Company's deferred tax assets are expected to unwind after 1 April 2015 the closing deferred tax asset balance has been tax affected at the lower rate of 20%. The tax losses do not have an expiry date.

NOTE 13

Components of other comprehensive (loss)/income	2013 Before tax £000s	2013 Tax £000s	2013 Net of tax £000s	2012 Before tax £000s
Unrealised profit/ (loss) on Financial Investments - Available for sale	(678)	-	(678)	1,124
Exchange differences on translating foreign operations	(64)	-	(64)	(168)
Total other comprehensive income/ (loss)	(742)	-	(742)	956

NOTE 14

Cash and cash equivalents	2013 £000s	2012 £000s
Cash and balances with central banks		
Cash on hand	31	28
Balances with central banks	2 441	2 505
Total cash (I)	2 472	2 533
Due from banks		
Current accounts with other banks	41 887	36 318
Money market placements with other banks	31 991	25 166
Total cash and cash equivalent from banks (II)	73 878	61 484
Total cash and cash equivalent (I + II)	76 350	64 017
Loans and advances to banks (III)	15 407	10 668
Total due from banks (II + III)	89 285	72 152

NOTE 15

Fair Value Hierarchy

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities; and

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Financial investments that are listed and categorised as held for trading, and that are available for sale are valued using level 1 prices. Derivative financial instruments are valued using level 2 techniques; the values are modelled using market observable inputs and the value compared against the counterparty's valuation.

	2013 £000s Level 1	2013 £000s Level 2	2012 £000s Level 1	2012 £000s Level 2
Financial assets held for trading				
Equity securities - listed	-	-	7	-
Derivatives	-	474	-	78
Financial investments - available for sale	42 067	-	39 451	-
Financial liabilities - derivatives	-	(14)	-	(172)

No transfers have taken place between the level 1 and 2 categories during the current or prior year.

NOTE 16

Derivative financial instruments

The table below shows the fair values of derivative financial instruments, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the reporting date and are indicative of neither the market risk nor the credit risk.

For the valuation techniques used, please see Note 15.

As of 31 December 2013 the Bank has positions in the following types of derivatives:

	Fair value of assets 2013	Fair value of liabilities 2013	Notional amount 2013	Fair value of assets 2012	Fair value of liabilities 2012	Notional amount 2012
Derivatives held for trading:	**£ 000s**	**£ 000s**	**£000s**	**£ 000s**	**£ 000s**	**£000s**
Forward foreign exchange	18	14	3 422	59	21	476
Foreign Exchange swaps	456	-	75 906	18	-	9 924
Interest rate swaps	-	-	-	-	151	4 080
Total	474	14	79 328	78	172	14 480

Swaps

Swaps are contractual agreements between two parties to exchange movements in interest or foreign currency rates and equity indices based on specified notional amounts.

Derivative financial instruments held for trading purposes

The Bank takes positions with the expectation of profiting from favourable movements in prices, rates or indices. Also included under this heading are derivatives that represent economic hedges; the Bank does not apply hedge accounting principles as permitted by IAS 39.

NOTE 17

	2013 £ 000s	2012 £ 000s
Loans and advances to customers		
Corporate lending	57 507	102 241
Total	57 507	102 241

The above loans are not actively traded in the primary or secondary markets and in the absence of other evidence (such as deterioration in credit rating) the carrying value represents management's best estimate of fair value.

Impairment allowance for loans and advances to customers

A reconciliation of the allowance for impairment losses for loans and advances is as follows:

	2013 £ 000s	2012 £ 000s
At 1 January	938	4 626
Provision charge	385	23
Released through interest income	(99)	(1 215)
Written off	(619)	(2 597)
Exchange rate movement	(7)	101
At 31 December	598	938
Individual impairment provision	598	938
	598	938
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	6 709	27 835
	6 709	27 835

The Bank carries out a risk assessment of all impaired loans and estimates the recoverable amounts using all available data on the customer e.g. its performance in repaying other creditors, the country and market conditions. The Bank now assesses all loans individually so a collective impairment provision is not necessary.

NOTE 18

Financial investments	Available-for-sale 2013 £ 000s	Available-for-sale 2012 £ 000s
Government debt securities	13 302	21 368
Other debt securities	28 765	18 090
Total	42 067	39 458

None of the assets have been pledged as security.

NOTE 19

Property Plant and Equipment	Total £ 000s	Furniture and equipment £ 000s	Computer hardware £ 000s
Cost			
At 1 January 2013	3 468	2 941	527
Disposals	(975)	(445)	(530)
Exchange adjustments	45	42	3
At 31 December 2013	2 538	2 538	-
Depreciation			
At 1 January 2013	1 349	1 098	251
Charge for the year	334	294	40
Disposals	(320)	(28)	(292)
Exchange adjustments	9	8	1
At 31 December 2013	1 372	1 372	-
Net book value			
At 31 December 2013	**1 166**	**1 166**	-
Cost			
At 1 January 2012	6 433	5 444	989
Disposals	(2 906)	(2 459)	(447)
Exchange adjustments	(59)	(44)	(15)
At 31 December 2012	3 468	2 941	527
Depreciation			
At 1 January 2012	2 660	2 268	392
Charge for the year	647	521	126
Disposals	(1 927)	(1 681)	(246)
Exchange adjustments	(31)	(10)	(21)
At 31 December 2012	1 349	1 098	251
Net book value			
At 31 December 2012	2 119	1 843	276

NOTE 20

Goodwill and Intangible assets	Total £ 000s	Development costs £ 000s	Computer software £ 000s	Goodwill £ 000s	Other £ 000s
Cost					
At 1 January 2013	30 992	4 288	13 470	13 038	196
Additions	59	59	-	-	-
Disposals	(18 018)	(4 347)	(13 475)	0	(196)
Exchange adjustments	183	-	5	178	-
At 31 December 2013	13 216	-	-	13 216	-
Amortisation					
At 1 January 2013	14 983	3 480	11 503	-	-
Charge for the year	577	100	477	-	-
Disposals	(15 572)	(3 580)	(11 992)	-	-
Exchange adjustments	12	-	12	-	-
At 31 December 2013	-	-	-	-	-
Impairment	4 854	-	-	4 854	-
Net book value					
At 31 December 2013	**8 362**	**-**	-	**8 362**	**-**
Cost					
At 1 January 2012	30 939	4 172	13 337	13 229	201
Additions	400	116	284	-	-
Disposals	-	-	-	-	-
Exchange adjustments	(347)	-	(151)	(191)	(5)
At 31 December 2012	30 992	4 288	13 470	13 038	196
Amortisation					
At 1 January 2012	13 995	3 253	10 742	-	-
Charge for the year	1 064	333	731	-	-
Disposals	-	-	-	-	-
Exchange adjustments	(76)	(106)	30	-	-
At 31 December 2012	14 983	3 480	11 503	-	-
Impairment	4 854	-	-	4 854	-
Net book value					
At 31 December 2012	11 155	808	1 967	8 184	196

All computer software was sold as part of the outsourcing of IT services to the Bank's fellow subsidiary IT Information Services. The disposal proceeds were the estimated book value at the time of the transfer.

Impairment testing of goodwill

Goodwill acquired through business combinations with indefinite lives has been allocated to two individual cash-generating units (CGUs) for impairment testing as follows:

- Corporate and Investment Banking
- Treasury and Capital Markets

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	2013 £ 000s	2012 £ 000s
Corporate and Investment Banking	5 597	6 383
Treasury and Capital Markets	2 765	1 801
Total	8 362	8 184

Key assumptions used in value in use calculations
The recoverable amounts of the above CGUs have been determined based on a value in use calculation, using cash flow projections in perpetuity based on business plans approved by senior management for 3 years with an assumption of steady 4% growth in future years and then discounted at a rate of 16%. These assumptions are considered by management to be prudent. For example current average gross domestic product growth rates in the African market are about 7%. These business plans, which also form the basis of the assessment of the deferred tax recognition (see note 13), assume:

- No significant impairments over a provision rate of 0.5% per annum of the loan book.
- An ongoing cost reduction programme including premises savings and eliminating resource duplication.
- Adequate capital to cover asset growth

The calculation of value in use for both of the CGUs does not lead to any impairment. The sensitivity to the key assumptions before a write down is required and holding other factors constant is that:

- The discount rate would need to exceed 20%, or
- Projected growth rates during the budget period would need to contract to less than 2 %

Interest margins
Interest margins are based on management assessments and are in line with average values achieved in 2013. These are maintained over the budget period for anticipated market conditions.

Discount rates
Discount rates reflect management's estimated return on capital employed (ROCE) bench-marked against external sources.

Projected growth rates
Projected growth rates are based on the Bank's ability to fully utilise its capital, together with its assessment of market conditions in Africa.

	2013 £ 000s	2012 £ 000s
NOTE 21		
Other assets		
VAT recoverable	91	216
Prepayments	512	686
Rent deposit	854	787
Due from ultimate parent undertaking	6,756	4,299
Other sundry debtors	1,459	1,695
Total	9,672	7,683

NOTE 22	2013 £ 000s	2012 £ 000s
Due to banks		
Current Accounts	46,676	755
Term deposits from banks	34,682	11,756
Inter-company loans less than 1 year	11,853	13,861
Due to ultimate parent undertaking	3,837	89,594
Total	97,048	115,966

Due to fellow subsidiaries are money market deposits from members of the Bank of Africa Group. These deposits are at commervial arms length rates

NOTE 23	2013 £ 000s	2012 £ 000s
Due to customers		
Current accounts	23,006	34,266
Term deposits	25,450	21,719
Total	48,456	55,985

NOTE 24		
Other liabilities		
Accounts payable	489	1,730
Accruals	1,351	640
Other taxes and social security costs	293	263
Other creditors	1,682	3,245
Total	3,815	5,878

NOTE 25	2013 £ 000s	Movements £ 000s	2012 £ 000s
Provisions			
Provision in respect of litigation recognised through other general overheads in the income statement. Expected to be determined during 2014	30	(70)	100

NOTE 26		
Subordinated debt		
€17m issued on 31st May 2010 - due 31st May 2020	15,117	14,788
Total	15,117	14,788

NOTE 27

Share capital and reserves	2013 £'000s	2012 £'000s
Share capital		
Authorised		
150,000,000 Ordinary shares of £1 each		
Issued, called up and fully paid		
Ordinary shares of £1 each:		
Balance at 1 January (102,173,000 shares)	102,173	94,173
Increase in ordinary shares	-	8,000
Balance at 31 December (102,173,000 shares)	102,173	102,173

8,000,000 shares of £1 each were issued and fully paid in October 2012.
All shares rank equally with one vote per share. There is no entitlement to fixed income

Reserves		
Available for sale investment reserve	(497)	181
Foreign currency Transalation	(351)	(287)
Total Other Reserves	(848)	(106)
Accumulated Losses	(50,922)	(53,725)
Total Reserves	(51,770)	(53,831)

Accumulated Losses includes a £956,000 capital contribution in 2012 arising from the ultimate parent company taking over an onerous contract relating to the bank's previous premises.

NOTE 28	2013 £ 000s	2012 £ 000s
Additional cash flow information		
Cash and balances with central banks	2,472	2,533
Current accounts with other banks	41,887	36,318
Money market placements with other banks	31,991	25,166
Cash and cash equivalent (note 15)	**76,350**	**64,017**
Net decrease / (increase) in:		
Due from banks	(4,739)	1,303
Financial assets held for trading	(396)	(61)
Loans and advances to customers	44,734	28,463
Other assets	(1,989)	(100)
Change in operating assets	37,610	29,605
Net increase/(decrease) in:		
Due to banks	(18,918)	(10,605)
Derivative financial instruments	(158)	(54)
Due to customers	(7,529)	(3,073)
Other liabilities	(2,133)	(6,480)
Change in operating liabilities	(28,738)	(20,212)
Depreciation and amortisation	911	1,711
Impairment provisions	385	23
Gain on AFS	(530)	(1,036)
Net gain on foreign exchange	(1,296)	(444)
Net loss on derivatives	13	61
Gain on sale of remittance transfer business	-	(1,200)
Non-cash items included in profit/(loss) before tax	(517)	(885)

The above analysis shows the Bank has treated all demand customer deposits as repayable immediately, however long term business relationships means that this is not the case in practice. The Bank has adequate arrangements to meet its liquidity requirements.

The majority of the inter bank funding is comprised of a series of term deposits from the ultimate parent Company with staggered maturities.

NOTE 29

Contingent liabilities and commitments

These are credit-related instruments which include guarantees and commitments to extend credit. The contractual amounts represent the amount at risk should the contract be fully drawn upon and the client defaults. Since a significant portion of guarantees and commitments are expected to expire without being drawn upon, the total of the contract amounts is not representative of future cash requirements.

These obligations are not recognised on the balance sheet but they contain credit risk and are therefore part of the overall risk of the Bank.

The total outstanding commitments and contingent liabilities are as follows:

	2013 £ 000s	2012 £ 000s
Contingent liabilities		
Financial guarantees	28,869	12,381
Letters of credit	102,554	53,936
	131,423	66,317
Commitments		
Undrawn commitments to lend	3,122	2,305
	3,122	2,305
Total	134,545	68,622

Other contingent liabilities
In the normal course of business, the Bank is exposed to certain legal issues, which can involve litigation and arbitration, and may result in contingent liabilities.

Operating lease commitments

Bank as lessee
The Bank was committed to making the following cumulative payments under non-cancellable operating leases in the year. These leases have an average life of between one to ten years with rental review at the end of their life. The Bank has committed to relocate its Paris branch and has taken on a new six year lease with effect from 1st February 2014. The lease is to be shared with other group companies, the Bank's committed share is to pay £100,000 per annum.

Future non-cancellable operating lease payments as at 31 December are as follows.

	2013 £ 000s	2012 £ 000s
Within one year	551	1,079
After one year but not more than five years	400	450
After five years but not more than ten years	408	-
Total	1,359	1,529

Bank as lessor
The Bank has subleased a portion of its Paris premises. This sublease expires 1/05/2014. The Bank has committed to vacate these premises by that date. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals under the non-cancellable operating leases as at 31 December are as follows:

	2013 £ 000s	2012 £ 000s
Within one year	158	155
Total	158	155

NOTE 30

Related party disclosure and ultimate controlling party

The Bank is a wholly owned subsidiary of BMCE International (Holdings) PLC. The ultimate parent undertaking and ultimate parent Company of the Bank is Banque Marocaine du Commerce Exterieur S.A. (BMCE).

During the year there have been transactions between the Bank, its parent Company, the ultimate parent Company and other related parties. The Bank receives and provides a range of services from the parent and related parties, including loans and guarantees and various administrative services.

	2013 £000s	2012 £000s
Compensation of key management personnel of the group		
Short-term employee benefits	520	542
Post-employment pension(defined contribution)	25	33
Total	545	575
Directors' remuneration:		
Short-term employee benefits	444	455
Post-employment pension (defined contribution)	7	21
Total	451	476

The non-executive Directors do not receive pension entitlements from the Bank.
Key management personnel are the Directors and senior management of the Bank.

Transactions with related parties

	£ 000s 2013 BMCE	£ 000s 2013 BOA	£ 000s 2013 IT IS	£ 000s 2013 ES
Interest charged	1,173	46	-	
Interest received	459	153	-	
Fees and commission paid	2	-	200	
Fees and commission received	1,609	239	-	
Remittance services income	-	-	-	5,493
Amounts owed to	23,614	17,544	200	
Amounts owed by	106,431	4,077	2,491	
Financial guarantees and commitments given	4,421	20,726		
Financial guarantees received	11,195			
	2012	**2012**	**2012**	**2012**
Interest charged	2,644	1.70012	-	-
Interest received	247	1	-	-
Fees and commission paid	-	6	-	-
Fees and commission received	111	248	-	-
Remittance services income	4,815	-	-	-
Amounts owed to	104,382	13,861	-	-
Amounts owed by	12,425	1,114	-	1,200
Financial guarantees and commitments given	2,117	3,129	-	-
Financial guarantees received	5,249	-	-	-

BOA = Bank of Africa Group (owned by BMCE with more than 50% of shares)
BMCE = Banque Marocaine Commercial Exterieur
IT IS - IT Information Services
ES = Euroservices SA

The outstanding balances at the year end arose from the ordinary course of business and are unsecured. The interest, fees and commissions paid to or received from related parties are at normal commercial rates.

The Bank outsourced its Information technology tangible and intangible assets to a fellow subsidiary, IT Information Services (ITIS)with effect from 1st October 2013. The sale value of these assets of £2,491,000 was owed by ITIS to the Bank at the reporting Bank. The Bank was charged £200,000 by ITIS for the supply of Information Services in relation to the fourth quarter of 2013. This amount was payable to ITIS by the Bank at the reporting date.

NOTE 31

Investment in subsidiary

The Bank owns 100% of its subsidiary MediCapital Finance S.A., its country of registration and operations being in France. The principal activity of MediCapital Finance S.A. was to provide advisory services on mergers and acquisitions. On 24 January 2011 the activities of the subsidiary MediCapital Finance S.A. were ceased. Provisions relating to the costs of the cessation of this business were included in the results for 2010. The assets and liabilities of MediCapital Finance have been taken on by the Bank and are fully provided. There is no impact on the results of the Bank in 2013 or 2012.

NOTE 32

Risk Management
Introduction
Effective risk management is an ongoing fundamental strategy for the Bank. Whilst it is in general a key capability for a successful financial services provider, risk management also plays a significant role in the Bank's current stage of development and is critical to the Bank's target of reaching profitability. The key components of the Bank's risk management infrastructure are:

- Governance
- Risk management processes

The main risks facing the Bank are:
- Credit risk
- Liquidity risk
- Market risk
- Operational risk
- Concentration risk

These risks are sufficiently mitigated by the Bank's effective risk management processes which are comprehensively detailed in its risk policy manuals.

- **Governance**

The board of Directors is responsible for the overall risk management approach and for approving the risk strategies. It is supported by a number of committees as follows:

- **Risk Management Department (RMD) and Risk Committee**

The RMD is organised along traditional risk functions: Market/Liquidity, Credit, and Operational risks. The RMD is responsible for implementing, measuring and maintaining risk related procedures to ensure that an independent control process is present.

The Risk Committee assists the Board in monitoring the adequacy and effectiveness of the Bank's risk management policies and processes.
The Credit Risk Committee approves all credit applications.

- **Treasury Asset and Liability Committee (TALCO)**

TALCO is responsible for assisting the board and senior management in the oversight of risk policies, strategies and processes.
The role of TALCO is to assist the Bank in fulfilling its responsibilities relating to the oversight of the Bank's market risk management policies, strategies and processes that have the potential to impact significantly on the Bank's earnings performance and capital.

TALCO's responsibilities include management and review of:

- the Bank's exposure to market risk and its hedging strategy
- the Bank's liquidity
- the usage of capital including ensuring external regulatory requirements are met
- risk management processes
- other categories of risk linked to market risk (country risk, counterparty risk)
- regulatory developments and their impact on the prices of marketable assets
- the valuation of market assets and the measurement of market risk
- market risk limits.

Internal Audit and Audit Committee

Audit Committee's responsibilities include:

- oversight of the Internal Audit department which is responsible for conducting periodic internal audits of the business on a risk-based approach and reporting its findings to senior management and the Audit Committee.
- Guidance to the Board to ensure the financial statements of the Bank comply with statutory requirements and accounting standards
- Reporting to the Board on the adequacy of accounting records, and the system of internal controls
- Review with external auditors the basis for the financial statements prepared by management
- Discuss with management any significant disagreements between the external auditors and management
- Remuneration of the auditors and recommendation of their appointment and re-appointment to the shareholders

Measuring and reporting systems

The monitoring and controlling of risk is primarily performed against limits established by the Bank. These limits are established using an approved 'Credit Policies and Procedures Manual', 'Market Risk Policies and Procedures Manual' and 'Operational Risk Policies and Procedures Manual'. Additionally, a qualitative and quantitative approach within this framework is used.

Daily reports are generated from information compiled from all business systems, then examined and analysed to identify control risks appropriately and promptly. These reports include (but are not limited to) exposure reports (counterparty exposure, country exposure, sector exposure), excess reports and concentration risks across all counterparties, countries and industries.

Mitigation

As part of its overall risk management strategy the Bank may use derivatives and other financial instruments to manage exposures to interest rates, foreign currencies, equity price risks, credit risks and to pre-hedge those expected from future transactions.

Concentration Risk

Risk concentrations arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk the Bank's policies and procedures include specific guidelines regarding the importance of portfolio diversification. Identified concentrations of credit risks are controlled and managed accordingly. Selective hedging may be used within the Bank to manage risk concentrations at both the relationship and industry levels.

The Bank has country limits and sector limits set in place and monitored accordingly in order that the Bank's portfolio is maintained at a level that is appropriately diversified.

NOTE 32.1

Credit risk

Credit risk is one of the major risk areas for the Bank and is defined as the risk of loss from default by debtors (including bond issuers) or trading counterparties.

All such risks taken by the Bank must have been approved at the appropriate levels, and must adhere to the policies and procedures contained within the Credit Risk Policy Manual. Monitoring credit risks on a day-to-day basis, and making sure that exposures are within approved limits, is a major task of the Risk Management Department.

The Bank has an established credit review process to provide a periodic assessment of the creditworthiness of counterparties. An internal credit risk classification system is used to assess and allocate a credit risk grade notwithstanding the external rating assigned.

Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The following table shows the maximum exposure to credit risk for the components of the statement of financial position, including derivatives. The maximum exposure is shown gross, before the effect of mitigation through the use of collateral agreements:

	Notes	Gross maximum exposure 2013 £ 000s	Gross maximum exposure 2012 £ 000s
Cash and balances with central banks	14	2 472	2 533
Due from banks	14	89 285	72 152
Financial assets held for trading	16	474	78
Loans and advances to customers	17	57 507	102 241
Financial investment - available for sale	18	42 068	39 458
Other assets	21	9 672	7 683
Total		201 478	224 145
Contingent liabilities	29	131 423	66 317
Commitments	29	3 122	2 305
Total		134 545	68 622
Total credit risk exposure		336 023	292 767

Risk concentrations of the maximum exposure to credit risk

Concentrations of risks are managed by client/counterparty, by geographical region and by industry sector. The maximum gross credit exposure by risk concentration as of 31 December 2013 was £35,958,000. This exposure arises from the discounting of letters of credit from an African Bank.

Geographical analysis

The Bank's concentration of maximum exposure to credit risk, before taking into account any collateral held or other credit enhancements can be analysed by the following geographical regions:

	Banking activities 2013 £ 000s	Trading activities 2013 £ 000s	Total 2013 £ 000s
Europe	76,085	18	76,103
United Kingdom	29,846	2,457	32,303
Africa	58,409	(2,001)	56,408
Others	36,662	-	36,662
Total	**201,002**	**474**	**201,477**

	Banking activities 2012 £ 000s	Trading activities 2012 £ 000s	Total 2012 £ 000s
Europe	78,154	-	78,154
United Kingdom	29,749	-	29,749
Africa	173,935	-	173,935
Others	10,851	78	10,929
Total	**292,689**	**78**	**292,767**

An industry sector analysis of the Bank's financial assets, before and after taking into account collateral held or other credit enhancements, is as follows:

	Gross maximum exposure 2013 £ 000s	Net maximum exposure 2013 £ 000s	Gross maximum exposure 2012 £ 000s	Net maximum exposure 2012 £ 000s
Agriculture	8 644	8 642	3 734	2 383
Banking and finance	265 940	209 584	203 316	181 004
Construction and heavy goods	10 357	358	13 333	9 915
Consumables wholesaling	60	60	15 285	14 037
Energy	5 601	5 601	7 023	7 023
Governments	5 445	5 445	8 068	8 068
Individuals	276	142	630	280
Commodities extraction and production	21 347	16 916	32 433	9 539
Recreational	530	530	836	836
Technology, and telecommunications	1 480	1 078	2 703	1 989
Transport and shipping	16 343	10 462	5 406	3 978
Total	**336 023**	**258 818**	**292 767**	**239 052**

Overall the Bank has obtained collateral and guarantees with carrying amounts of approximately £77,203,000 (2012: £53,715,100).

Carrying amount per class of financial assets whose terms have been renegotiated

The below table shows the carrying amount of renegotiated financial assets, net of credit mitigation by class:

	2013 £ 000s	2012 £ 000s
Loans and advances to customers		
Corporate Lending	919	15 993
Total	**919**	**15 993**

Credit quality per class of financial assets

The credit quality of financial assets is managed by the Bank using internal credit ratings. Credit Risk Grades (CRG) generally apply to clients, but can also be applied to specific transactions where considered appropriate. All facilities are considered to have the CRG of the client unless specifically stated otherwise. The latter will occur only where the transactions are considered to have a credit risk different to the legal entity concerned, an example being where some facilities or transactions are guaranteed by a stronger entity, or where the source of repayment is from a stronger entity in a ring-fenced structured finance transaction.
The following table shows the credit quality by class of asset for loan-related balance sheet lines, based on the Bank's credit rating system, using the industry standard credit rating agency definition of investment grade, e.g. Moody's Investors Service Baa3 or better, Fitch Ratings BBB- or better:

2013	Notes	Investment grade £ 000s	Non investment grade £ 000s	Impaired £ 000s	Total £ 000s
Due from banks	15	55,990	33,295	-	89,285
Financial assets held for trading	16	-	474	-	474
Loans and advances to customers	18	-	51,900	5,607	57,507
Financial instruments - available for sale	19	17,864	24,203	-	42,067
Total		73,854	109,872	5,607	189,333

2012	Notes	Investment grade £ 000s	Non investment grade £ 000s	Impaired £ 000s	Total £ 000s
Due from banks	15	60,459	11,693	-	72,152
Financial assets held for trading	16	-	78	-	78
Loans and advances to customers	18	196	69,771	32,274	102,241
Financial instruments - available for sale	19	18,179	21,279	-	39,458
Total		78,834	102,821	32,274	213,929

NOTE 32.2

Liquidity risk

Liquidity risk is the risk that the Bank may encounter difficulty in meeting obligations associated with financial liabilities when they fall due under normal and stressed conditions.

The Bank has obtained funding, with appropriate maturities, from its ultimate parent in order to meet its liquidity needs.

In stressed situations, the Bank will utilise funding arrangements under market repurchase agreements and deposits from the parent Company. This funding will be provided on an arms-length basis. The liquidity position is assessed and managed under a variety of scenarios. The most important of these is to maintain limits on the ratio of net liquid assets to customer liabilities, set to reflect market conditions.

Net liquid assets consist of cash, short term Bank deposits and liquid equity securities available for immediate sale, less deposits from Banks and other borrowings. The Bank focuses on net liquid assets due to mature within the next eight days and also those due to mature within the next month. However the Bank also monitors all assets and liabilities over their contractual maturities.
The ultimate parent Company Banque Marocaine Commercial Exterieur has committed to provide interBank funding deposits to a maximum of £200 million, or equivalent in foreign currency, at an interest rate of maximum 1.5% until 31 December 2014.

Liquidity risk and funding management

The table below shows the contractual expiry by maturity of the Bank's contingent liabilities and commitments:

2013	Less than 3 months £ 000s	3 to 12 months £ 000s	1 to 5 years £ 000s	Over 5 years £ 000s	Total £ 000s
Contingent Liabilities	26,208	80,266	24,949	-	131,423
Commitments	3,122	-	-	-	3,122
Total	**29,330**	**80,266**	**24,949**	**0**	**134,545**

2012	Less than 3 months £ 000s	3 to 12 months £ 000s	1 to 5 years £ 000s	Over 5 years £ 000s	Total £ 000s
Contingent Liabilities	28,568	18,829	18,900	20	66,317
Commitments	-	2,305	-	-	2,305
Total	**28,568**	**21,134**	**18,900**	**20**	**68,622**

The table below summarises the maturity profile of the Bank's financial liabilities at 31 December 2013 based on contractual undiscounted repayment obligations.

Financial liabilities As at 31 December 2013	1 month or less £ 000s	1 to 3 months £ 000s	3 to 12 months £ 000s	1 to 5 years £ 000s	5 years or more £ 000s	Total £ 000s
Due to banks	54,759	5,231	13,787	23,271		97,048
Derivatives	14					14
Due to customers	26,487	8,553	13,149	267		48,456
Subordinated debt	369				14,748	15,117
Other liabilities	2,133	1,712				3,845
Total undiscounted financial liabilities 2013	**83,762**	**15,496**	**26,936**	**23,538**	**14,748**	**164,480**

Financial liabilities As at 31 December 2012	1 month or less £ 000s	1 to 3 months £ 000s	3 to 12 months £ 000s	1 to 5 years £ 000s	5 years or more £ 000s	Total £ 000s
Due to banks	29,659	3,874	82,433			115,966
Derivatives			172			172
Due to customers	32,335	6,248	12,376	5,026		55,985
Subordinated debt					14,788	14,788
Other liabilities	1,839	4,139				5,978
Total undiscounted financial liabilities 2012	**63,833**	**14,261**	**94,981**	**5,026**	**14,788**	**192,889**

NOTE 32.3

Market risk

Market risk is defined as the risk of losses on financial instruments arising from changes in risk factors. The current risk factors are interest rate risk and foreign exchange rate risk.

Market risk may be propagated by other forms of financial risk such as credit and market liquidity risks, prices potentially moving adversely for a number of reasons, including credit downgrading of securities held, general negative economic factors, and reduced liquidity. The key specific types of market risk relevant to the Bank are:

- Interest rate risk
- Foreign exchange risk
- Price risk on available for sale assets

The Bank's control framework has been designed using a risk-based approach i.e. to address the business risks which have been identified as being the most relevant to the Bank as a result of the type of business undertaken and according to the way its operations have been organised.

The other specific market type risks are managed and have the following potential financial impacts as follows:

- **Interest rate risk**

Interest rate risk is the risk to earnings or capital arising from movement of interest rates. It arises from differences between the timing of rate changes and the timing of cash flows (re-pricing risk); from changing rate relationships among yield curves that affect Bank activities (basis risk); from changing rate relationships across the spectrum of maturities (yield curve risk); and, from interest-rate-related options embedded in Bank products (option risk). The evaluation of interest rate risk must consider

the impact of complex, illiquid, hedging strategies or products, and also the potential impact on fee income that is sensitive to changes in interest rates.

The current low level of the trading book means there is no significant interest rate risk at this time. The total sensitivity of all assets and liabilities held has been calculated as follows:

Parallel shift in interest rates	*Gain / (Loss) £'000 in profit / loss*	*Gain/ (loss) £'000 in profit / loss*
	2013	**2012**
- 2%	1,487	588
+ 2%	(1,725)	(668)

- **Foreign exchange risk**

Foreign exchange risk is the risk that the value of a financial instrument denominated in foreign currency will fluctuate in domestic currency terms due to changes in exchange rates. The risks are monitored on a daily basis.
Currently all significant foreign exchange positions are hedged and so there is no significant foreign exchange risk

- **Price risk on available for sale assets.**

The Bank holds available for sale securities, which in accordance with International Accounting Standards are marked to market through other reserves. The unrecognised gains and losses on these bonds are monitored by the Treasury and Capital Markets traders and reported to the TALCO committee which makes decisions on whether or not to dispose of these assets. The policy is to hold assets with a maximum residual maturity of 7 years and only in markets where the Bank has experience in order to minimise risk. A 1% price reduction would result in a loss of approximately £400,000. Similarly a 1% price rise would result in a gain of approximately £400,000.

NOTE 32.4
Operational risk
Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks but it endeavours to manage these risks through its control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes.

Additional information required by the Capital Requirements Directive (CRD)

The following disclosures are in accordance with the requirements of the Capital Requirements Directive. The numbers in this appendix are as submitted to the Financial Services Authority and do not reflect late adjustments to the financial statements which are not considered to be material.

Scope

These requirements are in respect of the Bank. There are no major impediments on the transfer of funds or regulatory capital within the Bank. BMCE Bank International plc reports on an unconsolidated basis for regulatory purposes.

Capital

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision.

Capital management

The primary objectives of the Bank's capital management policies are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value. The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities.

Regulatory capital

	2013 £ 000s	2012 £ 000s
Actual Capital		
Tier 1	37 537	37 894
Tier 2	14 748	14 443
Total capital	52 285	52 337
Required capital pre capital planning buffer	30 007	25 664
Capital planning buffer	21 430	21 430
Required capital including buffer	51 437	47 094
Surplus Capital	848	5 243
Risk weighted assets	214 000	182 600
Tier 1 capital ratio	18%	21%
Total capital ratio	24%	29%

Capital Structure and Adequacy

The requirement for BMCE Bank International plc to monitor and control the adequacy of its capital to support its current and future activities is part of the remit of the Treasury Asset and Liability Committee (TALCO). The TALCO meets regularly and discusses, inter alia, the current capital adequacy position, future projections of capital adequacy including the impact of proposed new business.

As at 31 December 2013 the regulatory capital of the Bank was:

	2013 £ 000s	2012 £ 000s
Tier 1	47 593	46 077
Deductions from tier 1	(10 056)	(8 184)
Tier 2	14 748	14 443
Total capital after deductions	52 285	52 337

The Bank has no tier 3 capital.

The pillar 1 capital requirements are:

	2013 £ 000s	2012 £ 000s
Credit risk	12 244	9 471
Interest rate risk	2 508	2 579
Equity risk		-
Foreign currency risk	4	69
Operational risk	2 391	2 546

During 2011 the FCA requested that the Bank establish a capital planning buffer of £21.4 million. This is included in the required capital in the calculations above. The FCA requested that this buffer was in place by 31 October 2012. The calculation of the buffer was based on stress tests conducted during April 2011 using the positions and forecasts at that time. Since that date the risk profile of the Bank has changed and it is the opinion of the management that if the calculations were re-performed the capital planning buffer requirement would be reduced; which would increase the surplus capital shown above.

The main component of the Bank's risk is credit risk. The main components of the Bank's credit risk are its financial instruments that are available for sale, loans to customers, interBank money market placements and trade finance activities. The Bank adopts the standardised approach for measuring credit risk.

Credit risk

The Bank operates credit limits for individual counterparties, and groups of counterparties as well as country limits. All new credit exposures must be approved by the risk department in advance. Exposures against limits are monitored by the Risk Department. Credit risk is mitigated, where appropriate, by export credit guarantee schemes; or by taking cash collateral or third party guarantees. The largest exposures to counterparties and countries are reported to, monitored and controlled by, the TALCO committee.

An analysis of exposures by maturity is included in note 32.2.

An analysis of exposures by geographical region and industrial sector is included in note 32.1.

Regulatory exposure values by exposure class are:

	2013 £ 000s	2012 £ 000s
Central governments or central banks	2 472	2 533
Institutions	142 338	101 570
Corporate	66 999	111 537
Retail	276	234
Short term claims on institutions and corporate	74 682	64 410
Other items	11 938	11 863
Total	298 705	292 147

The following exposures are deducted from the capital base:

	2013 £ 000s	2012 £ 000s
Goodwill	8 362	8 184

The Bank uses the following External Credit Assessment Institutions:

- Fitch Ratings
- Moody's Investors Service

These ratings are applied to the exposures to Institutions and central governments.

Market risk

The exposures that are subject to market risk are:

- Interest rate swaps
- Foreign exchange open positions
- Available for sale instruments

Equity risk is measured using the standardised approach. The trading book equities are quoted but are not part of any qualifying equity index. There are no short positions and hence no netting.

The Bank calculates the general market risk on its interest rate swaps by using the maturity method. The swaps are standard fixed / floating swaps. The risk is calculated by the standardised method of placing the cash flows into time bands.

The Bank applies the ordinary credit default swap PRR (Position Risk Requirement) method. A valuation change capital charge is added to a default capital charge. The aggregate charge is limited to the maximum loss possible under the swaps.

Operational risk

The Bank calculates its operational risk capital requirement by using the basic indicator approach.

Interest Rate Risk – non trading book

The Bank has minimal interest rate risk, the total interest rate risk, and the impact of interest rate movements is disclosed in note 32.

Remuneration Policy

The Bank has a remuneration committee which consists of members of the Board of Directors. This committee makes decisions on remuneration for each employee based on recommendations by the Chief Executive Officer.

No employee receives shares or other variable remuneration.

Non-cash benefits are those that are standard within the industry; the most significant being private medical insurance and season ticket loans.

Total remuneration is disclosed in note 8. Remuneration of key personnel is disclosed in note 30. The number of employees is such that further analysis is not material and would be confidential.