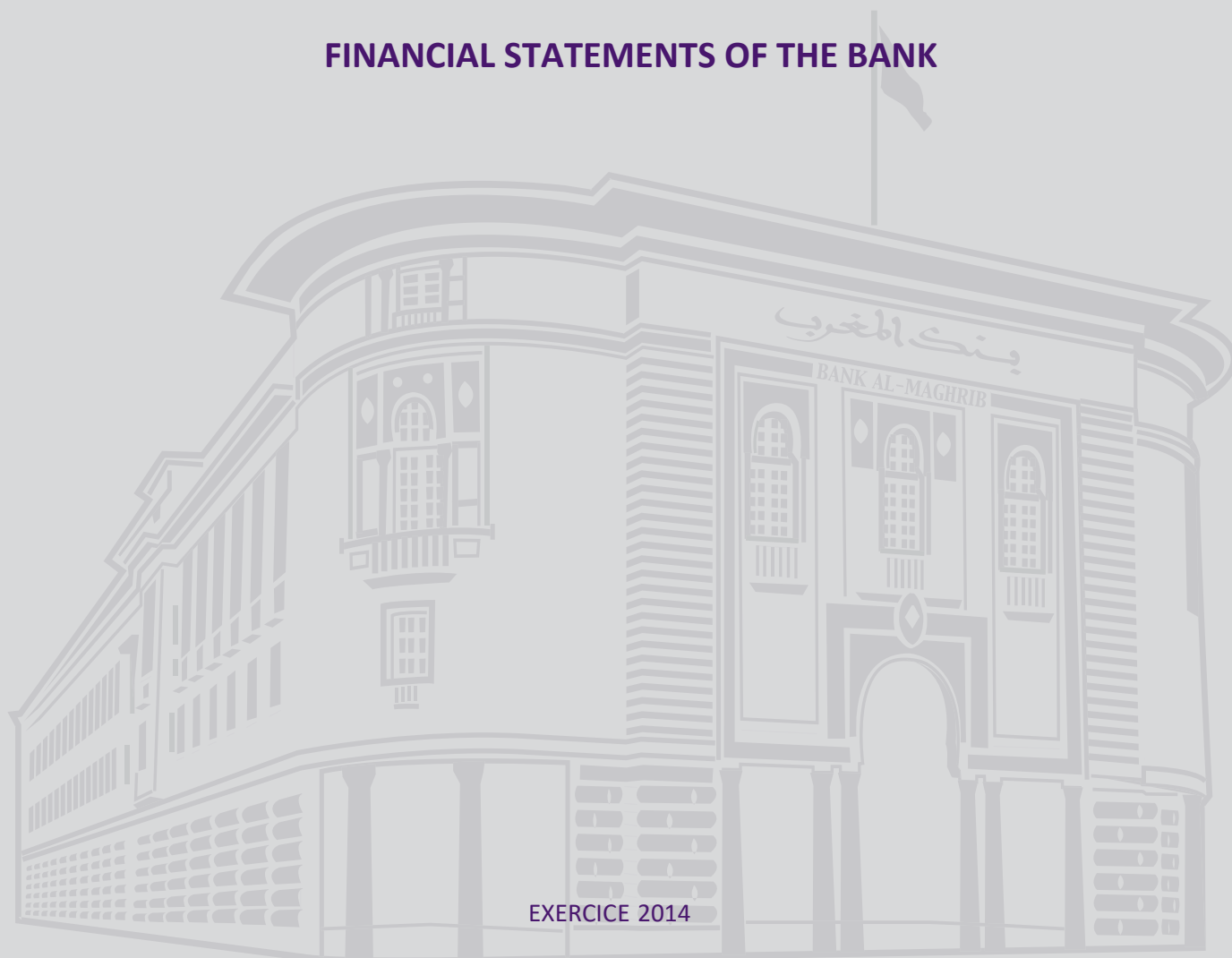




## FINANCIAL STATEMENTS OF THE BANK



EXERCICE 2014





In this report, figures are rounded to the nearest thousand dirhams. Therefore, totals and sub-totals do not always correspond to the sum of the relevant rounded-off figures.

## 3-I Overview of the financial position for the fiscal year 2014<sup>(\*)</sup>

**Table 3-1-1: Key figures**

In thousands of dirahms	2014	2013	Change in %
Total balance sheet	238 270 950	240 171 971	-1%
Use of capital ratio	60%	63%	-6%
Total revenues	3 989 547	4 803 899	-17%
Total expenses (Including corporate tax)	3 177 645	3 630 840	-12%
Net income	811 902	1 173 059	-31%
Average outstanding amount of BAM's interventions	55 622 784	70 706 747	-21%
Operating ratio	55%	45%	23%

### HIGHLIGHTS OF THE YEAR

- The Central Bank continued in 2014 to implement an accommodative monetary policy:
  - The required reserve ratio was reduced by 200 basis points to 2 percent (Board's decision in March);
  - The key rate was revised downward from 3.00 percent to 2.75 percent (Board's decision in September);
  - The key rate was reduced for the second time by 25 basis points to 2.50 percent (Board's decision in December).
- Bank liquidity conditions improved due to higher foreign currency assets and lower required reserve ratio, which prompted the Central Bank to reduce its interventions in the money market.
- Net foreign exchange reserves consolidated by 20 percent, year on year, to 181 billion dirhams, following the significant foreign currency inflows due to donations from the Gulf countries and international bond yields (OCP and Treasury) as well as to the easing in the trade deficit.
- The ECB reduced in June and September its key rate bringing it from 0.25 percent to 0.05 percent and a negative deposit rate (-0.20 percent) was applied.

### 3-1-1 Balance sheet

**Table 3-1-2: Balance sheet by transaction**

In thousands of dirahms	2014	2013	Change %
<b>Including</b>			
<b>Currency in circulation</b>	<b>191 457 660</b>	<b>182 079 842</b>	<b>5%</b>
<b>Transactions with foreign countries (Including)</b>	<b>-163 714 498</b>	<b>-134 126 868</b>	<b>22%</b>
Holdings and investments in gold and foreign currencies	177 271 038	152 884 659	16%
SDR holdings	7 417 983	3 178 007	>100%
Revaluation account of foreign exchange reserves	9 566 096	8 685 391	10%
<b>Transactions with the State (Including)</b>	<b>2 849 650</b>	<b>2 506 672</b>	<b>14%</b>
Treasury account	2 117 412	2 212 364	-4%
Hassan II Fund account	646 837	276 025	>100%
<b>Net position of credit institutions</b>	<b>-32 479 412</b>	<b>-52 308 245</b>	<b>-38%</b>
Claims on Moroccan credit institutions	42 232 212	72 116 650	-41%
Deposits and liabilities to Moroccan banks	9 752 800	19 808 405	-51%

Assets-liabilities

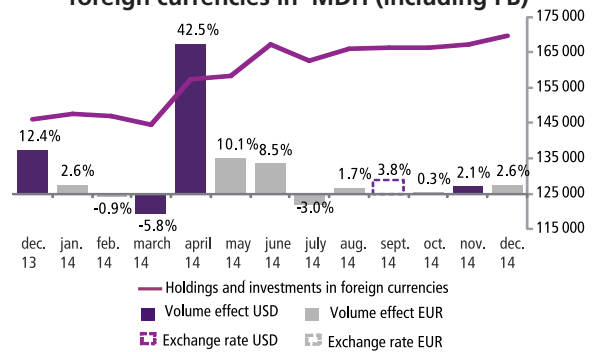
\* The change in the balance sheet and profit and loss account items is addressed in more details in the comments section of the financial statements. For purposes of analysis, the balance sheet and profit and loss account items were adjusted in this part of the report.

At the end of the fiscal year 2014, **the total balance sheet** stood at **238,270,950 KDH**, representing an annual decline of nearly 1 percent. This change was mainly due to the combined effect of a sharp contraction in loans granted to banks as part of monetary regulation and consolidation of holdings in foreign currency. In the assets and liabilities sides, it results from a decrease in Moroccan banks' current accounts assets and an increase in notes and coins in circulation.

**Currency in circulation**, the main component of liabilities (80 percent), reached, at the end of the year, **191,457,660 KDH**, up 5 percent, a rate close to that recorded in the last two years, reflecting higher demand for banknotes.

**Transactions with foreign countries** continued their growth in 2014, which reached 22 percent to **163,714,498 KDH**, driven by higher holdings and investments in foreign currencies, main item of this aggregate. The latter rose by 16 percent, due to the consolidation of foreign exchange reserves, after declines in 2011 and 2012 and a break up with this trend in 2013.

**Chart 3-1-1: Change in holdings and investments in foreign currencies in MDH (including FB)**



FB: Foreign banknotes

It should be noted that net foreign reserves closed the year 2014 with a strong increase of 20 percent to **181 billion dirhams**. This trend was essentially attributed to an easing of 6 percent in the trade deficit, international bond yields of the OCP (1.55 billion dollars in April) and the Treasury (1 billion euros in June) and collection of donations from the Gulf Cooperation Council, totaling 13.1 billion dirhams.

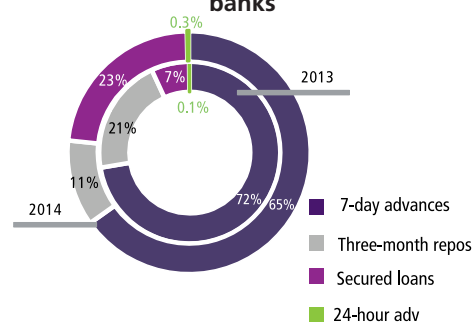
The increase in transactions with foreign countries is also due to an increase in 2014 in the Bank's SDR holdings, following the acquisition of **320 million SDR** in the first quarter of this year, in order to restore a neutral position vis-à-vis the IMF.

Moreover, owing to the dollar appreciation between 2013 and 2014 from 8.15 to 9.04 dirhams, holdings and investments in gold, another component of this aggregate, moved up 11 percent to **7,692,458 KDH**, as against a decline of 30 percent in 2013.

The balance of **transactions with the State** amounted to **2,849,650 KDH**, up 342,978 KDH (+14 percent), mainly due to higher deposits of Hassan II Fund for Economic and Social Development (+370,811 KDH).

**Net position of credit institutions** stood in 2014 at **32,479,412 KDH**, from 52,308,245 KDH a year earlier, impacted by a reduction in the bank liquidity deficit. This change was made possible thanks in particular to significant foreign exchange inflows (donations and yields) and lower minimum required amount under the monetary reserve. Against this backdrop, the Bank reduced the amount of its injections, which totaled at the end of the year 41,852,088 KDH (-42 percent) and bank deposits fell to 9,752,800 KDH (-51 percent).

**Chart 3-1-2 : Average outstanding amount of claims on banks**



### 3-1-2 Income

**Table 3-1-3 : Net income of the fiscal year**

In thousands of dirahms	2014	2013	Var %
Income of foreign exchange reserve management transactions	775 119	1 032 482	-25%
Income of monetary policy transactions	1 633 494	2 006 355	-19%
Income of other transactions	558 311	457 194	22%
<b>Income of activities</b>	<b>2 966 925</b>	<b>3 496 031</b>	<b>-15%</b>
General operating income	-1 642 263	-1 569 079	5%
<b>Gross operating income</b>	<b>1 324 662</b>	<b>1 926 952</b>	<b>-31%</b>
Noncurrent income	34 325	-19 062	>100%
Corporate taxes	-547 085	-734 831	-26%
<b>Net income</b>	<b>811 902</b>	<b>1 173 059</b>	<b>-31%</b>

At the end of 2014, the Bank generated a **net income of 811,902 KDH**, down 31 percent compared to 2013. This change reflects decreases in the income of the Bank's activities and particularly income of foreign exchange reserve management transactions (-25 percent) and monetary policy conduct (-19 percent). However, it should be noted that these declines were partially offset by a 22 percent improvement in the income of the Bank's other operations.

**Foreign exchange reserve management transactions** showed in 2014 very low if not negative yields for investments in euros, generating an income of **775,119 KDH**, down 257,363 KDH compared to 2013, despite an increase in outstanding foreign currency investments. Under this unfavorable conditions, the bond portfolio generated interests of 1,224,427 KDH, down 344,994 KDH (-22 percent) compared to 2013, as the matured securities acquired in the past at high rates were reinvested at very low rates.

The income of **monetary policy operations** corresponds exclusively to interests received on the Bank's interventions in the money market since December 2013, when a decision was taken not to pay interests on required reserves. This resulted in a decline in the associated expenses by 116,084 KDH in 2014. This income fell by 19 percent to **1,633,494 KDH**, due to a drop in average outstanding liquidity injections, which moved down, year on year, from 70,706,747 KDH to 55,622,784 KDH, following a liquidity deficit easing in the year 2014. Thus, interests received from these operations decreased by 488,945 KDH (-23 percent) compared to the previous fiscal year.

Income from **other operations** covering mainly the commissions received under services provided to customers and sales of Dar As-Sikkah, increased by 22 percent to **558,311 KDH**. The partnership that the Bank concluded in 2014 with the Crane Currency Group to manufacture banknotes for the international market drained an additional revenue of 39,642 KDH. Foreign exchange operations generated commissions of 418,501 KDH, up 27 percent, particularly due to the volume of transactions in 2014.

**General operating expenses** registered a contained increase of 5 percent to **1,642,263 KDH**, mainly due to an 8 percent rise in depreciations, in connection with the modernization of information systems and of the Bank's fiduciary production tool.

Chart 3-1-3 : Structure of revenues and expenses

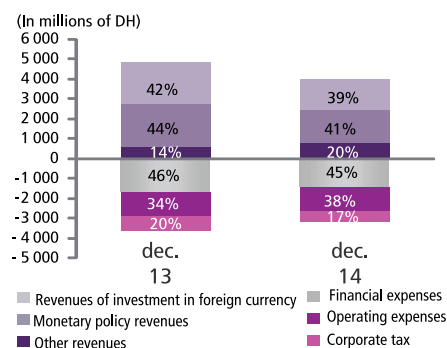
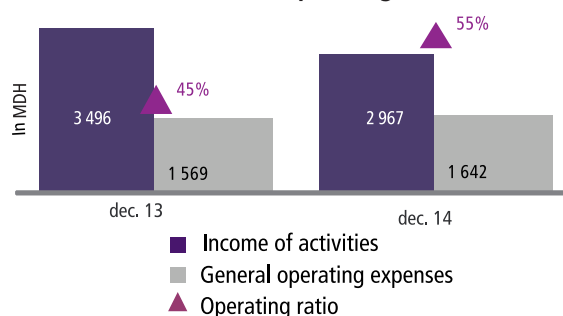


Chart 3-1-4 : Operating ratio







## 3-2 Financial statements

### 3-2-1 Balance sheet (Assets)

**Table 3-2-1: Assets as at December 31, 2014**

In thousands of dirhams	Notes	2014	2013
Holdings and investments in gold	1	7 692 458	6 940 913
Holdings and investments in foreign currency	2	169 578 580	145 943 746
- Holdings and investments held in foreign banks		11 979 318	19 895 981
- Foreign Treasury bills and similar securities		153 507 463	122 550 633
- Other holdings in foreign currency		4 091 798	3 497 131
Holdings in international financial institutions	3	8 821 380	4 510 071
- IMF subscription-Reserve tranche		1 107 835	1 073 181
- Special Drawings Rights holdings		7 417 983	3 178 007
- Subscription to the Arab Monetary Fund		295 561	258 883
Lending to the Government		-	-
- Conventional advances		-	-
- Overdraft facilities advances		-	-
- Other facilities		-	-
Claims on Moroccan credit institutions and similar bodies	4	42 232 212	72 116 650
- Securities received under repurchase agreements		-	14 004 034
- Advances to banks		41 852 088	58 001 937
- Other claims		380 124	110 679
Treasury bills - Open market operations		-	-
Other assets	5	6 653 282	7 162 173
Fixed assets	6	3 293 037	3 498 419
<b>Total assets</b>		<b>238 270 950</b>	<b>240 171 971</b>

### 3-2-2 Balance sheet (Liabilities)

**Table 3-2-2: Liabilities as at December 31, 2014**

In thousands of dirhams	Notes	2013	2012
<b>Banknotes and coins in circulation</b>	<b>7</b>	<b>191 457 660</b>	<b>182 079 842</b>
- Banknotes in circulation		188 703 752	179 436 597
- Coins in circulation		2 753 909	2 643 245
<b>Liabilities in gold and in foreign currency</b>	<b>8</b>	<b>5 260 598</b>	<b>7 335 333</b>
- Liabilities in gold		-	-
- Liabilities in foreign currency		5 260 598	7 335 333
<b>Liabilities in convertible dirhams</b>	<b>9</b>	<b>196 194</b>	<b>200 210</b>
- Liabilities to international financial institutions		190 971	193 880
- Other liabilities		5 222	6 330
<b>Deposits and liabilities in dirhams</b>	<b>10</b>	<b>16 947 983</b>	<b>26 978 301</b>
Current account of the Treasury		2 117 412	2 212 364
Deposits and liabilities in dirhams to Moroccan banks		9 752 800	19 808 405
- Current accounts		9 752 800	19 808 405
- Liquidity-withdrawal accounts		-	-
- Deposit facility accounts		-	-
Deposits of general government and public institutions		2 461 356	2 285 290
Other accounts		2 616 415	2 672 241
<b>Other liabilities</b>	<b>11</b>	<b>10 707 436</b>	<b>9 824 254</b>
<b>Special Drawings Rights Allocations</b>	<b>3</b>	<b>7 355 033</b>	<b>7 046 927</b>
Equity capital and the like (including)	<b>12</b>	<b>5 534 143</b>	<b>5 534 045</b>
- Equity capital		500 000	500 000
- Reserves		5 001 340	5 001 340
- Retained earnings		24 164	21 105
<b>Net income of the fiscal year</b>		<b>811 902</b>	<b>1 173 059</b>
<b>Total liabilities</b>		<b>238 270 950</b>	<b>240 171 971</b>

### 3-2-3 Off-balance sheet

**Table 3-2-3: Off-balance sheet as at December 31, 2014**

In thousands of dirhams	Notes	2014	2013
<b>Spot foreign exchange transactions</b>			
Spot delivery of currencies		-	-
Spot purchase of dirhams		-	-
<b>Forward foreign exchange transactions</b>			
Foreign currencies receivable		-	-
Foreign currencies payable		-	-
<b>Currency exchange-deposit transactions</b>	<b>13</b>	<b>1 971 243</b>	<b>4 892 800</b>
<b>Foreign exchange transaction-arbitrage operations</b>			
Foreign currencies receivable		307 325	823 807
Foreign currencies payable		306 441	821 123
<b>Off-balance currency adjustment</b>			
<b>Liabilities on derivatives</b>		-	-
<b>Liabilities on securities</b>			
	<b>14</b>		
Securities received on advances granted		22 546 127	69 064 400
Securities received on advances to be granted		11 225 200	3 493 000
Other guarantees received on advances granted		19 541 768	6 920 000
Advances to be granted		23 002 063	-
Foreign securities receivable		1 096 900	102 114
Securities deliverable		1 799 438	-
<b>Other liabilities</b>			
	<b>15</b>		
Received market guarantees		49 786	40 906
Liabilities of guarantees received for staff loans		835 443	814 862
Financing liabilities granted to the staff		63 665	39 182
Other granted liabilities		1 000	1 000

### 3-2-4 Profit and loss account

**Table 3-2-4: Profit and loss account as at December 31, 2014**

In thousands of dirhams	Notes	2014	2013
<b>Revenues</b>		<b>3 989 547</b>	<b>4 803 899</b>
Interests earned on holdings and investments in gold and foreign currency	16	1 266 372	1 594 441
Interests earned on claims on credit institutions and similar bodies	17	1 633 494	2 122 439
Other interests earned	18	8 439	8 247
Commissions earned	19	481 431	411 751
Other financial revenues	20	70 025	58 963
Sales of produced goods and services	21	200 264	168 366
Miscellaneous revenues	22	40 422	42 084
Reversal of depreciation		-	-
Reversal of provisions	23	232 348	389 405
Noncurrent revenues	24	56 752	8 202
<b>Expenses</b>		<b>3 177 645</b>	<b>3 630 840</b>
Interests paid on liabilities in gold and foreign currency	25	7 380	4 479
Interests paid on deposits and liabilities in dirham	26	170 102	276 111
Commissions paid	27	13 115	12 776
Other financial expenses	28	475 480	739 548
Staff expenses	29	720 808	708 634
Purchase of materials and supplies	30	187 389	235 337
Other external expenses	31	301 768	284 869
Depreciation and provisions expenses	32	737 440	608 403
Noncurrent expenses	33	17 077	25 852
Corporate taxes	34	547 085	734 831
<b>Net income</b>		<b>811 902</b>	<b>1 173 059</b>

## 3-2-5 Main accounting rules and evaluation methods

### 3-2-5-1 Legal framework

The financial statements are developed and presented in conformity with the BAM Chart of Accounts, approved by the National Accounting Board in May 2007.

The Bank applies the accounting requirements specified in the General Accounting Standard for issues common to companies in terms of assessing the stock and its fixed and other assets, and applies particular assessments for all its specific operations.

The financial statements, as cited under Article 55 of Law No. 76-03 bearing the Statutes of Bank Al-Maghrib, include the balance sheet, off-balance sheet, profit and loss account (PLA) and additional information statement (AIS).

### 3-2-5-2 Evaluation methods

#### Foreign exchange operations

Foreign exchange operations include spot and forward purchases and sales of foreign currencies, whether for Bank Al-Maghrib's own account or as part of intermediation with banks. These transactions are entered in the corresponding off-balance sheet accounts on their commitment date. Then, they are recorded in the balance sheet accounts on the value date or on the date of liquidity delivery.

#### Assets and liabilities in gold and foreign currency

Assets and liabilities in gold and foreign currency are converted into dirhams based on the applied exchange rate of foreign currencies on the closing date of the fiscal year.

Profits and losses resulting from this operation are entered in the account of exchange reserves reassessment posted in the liabilities of the Bank's balance sheet, in accordance with the provisions of the agreement governing this account, concluded between Bank Al-Maghrib and the Government on December 29, 2006. This agreement sets the minimum threshold of 2.5 percent of BAM's net foreign assets, at which the balance of this account shall be maintained, and provides for a mechanism for allocation of provision to, or withdrawal from this account, in cases of deficit or surplus compared to the required minimum. This reassessment mechanism has no fiscal impact.

Revenues and expenses in foreign currencies are converted at the exchange rate on the date of the transaction.

## Securities

The securities acquired as part of the exchange reserve management are classified by purpose: portfolio of transaction, portfolio of securities held for sale or investment portfolio.

**Transaction portfolio:** It consists of securities purchased with the intention, right from the start, to re-sell them within a deadline not exceeding six months. They are recorded at their purchase price, including costs and, if need be, accrued coupons. Gains and losses resulting from the monthly evaluation of such securities at the market price are entered in the corresponding profit and loss accounts.

At the end of 2014, Bank Al-Maghrif holds no transaction security in its portfolio.

**Portfolio of securities held for sale** consists of securities other than those classified under transaction or investment securities. They are purchased with the intention of holding them for more than six months, with no intention from the Bank to hold them to maturity. Their recording shall respect the following rules:

- Entries into the portfolio are recorded in the balance sheet at their purchase price, excluding costs and, if need be, excluding accrued coupons;
- The differences (discounts or premiums) between securities' purchase price and redemption price are not amortized over the duration of these securities holding;
- The unrealized losses resulting from the difference between the book value and the market value of these securities are subjected to depreciation provisioning on a weekly basis. However, unrealized gains are not entered in accounts.

It is worth reminding that as of October 2008, the Bank came up with a sub-category in its securities held for sale to include discount securities. These securities are recorded at their purchase price, including interests. Discount securities are spread over the life of the securities and entered in the revenue accounts at the end of each month.

**Investment portfolio** consists of securities acquired with the intention of being held until maturity. They are entered in accordance with the following rules:

- They are recorded at their purchase price, excluding costs and, when applicable, accrued coupons as well;
- Gains on these securities are not recorded;
- Losses on these securities are recorded only when the Bank believes that the security, which suffers a loss, will be probably sold in the following fiscal year and in the case where there is a probable risk of default of the issuer;

- The differences (discounts or premiums) between securities' purchase price and redemption price are amortized on a straight-line basis over the remaining life of the securities.

As at December 31, 2014, no provision is recorded for this portfolio.

### Other foreign assets

The Bank holds a portfolio of securities denominated in US dollars. The management of this portfolio is delegated to the World Bank by virtue of delegation contracts.

These securities are recorded at their market value. In fact, they are initially recorded at their purchase price; the capital gains or losses incurred at the end of each month are entered in the appropriate profit and loss accounts, on the basis of the month-end market values, duly audited and reported by authorized agents.

### Tangible and intangible fixed assets

Tangible and intangible fixed assets are recorded at their purchase cost. They are posted on the assets side of the balance sheet at a net value representing their acquisition cost minus accumulated depreciations.

Fixed assets, including incidental expenses, are amortized according to the straight-line method, depending on the estimated duration of use of the goods, and by applying the depreciation rate in force.

The depreciation periods adopted, according to the nature of each fixed asset, are as follows:

**Table 3-2-5 : Fixed assets depreciation periods**

Real properties	20 years
Fixtures, fittings and facilities	5 years
Dar As-Sikkah equipment	10 years
Office equipment, computing materials and software, vehicles and other materials	5 years
Office furniture	10 years

### Financial fixed assets

Shareholdings in Moroccan and foreign financial institutions are entered in the assets side of the balance sheet for their net value representing their acquisition cost minus the provisions set up at the closing date. Regarding foreign holdings, their value is converted into dirhams at the historical rate of the currency.

The provisions for depreciation of these unlisted securities are evaluated at the end of the fiscal year following the net asset value method, based on the last financial statements available.

## Inventories

Inventories are composed of:

- Consumable materials and supplies;
- Raw material for the manufacturing of banknotes and coins (paper, ink, and blanks);
- Finished goods and in-process inventory (secured documents and export-oriented notes);
- Commemorative coins.

Consumable materials and supplies are recorded in the balance sheet at their purchase price, minus the provisions for their depreciation, if need be, at the closing date.

Raw materials are recorded in the balance sheet at their purchase price plus the handling costs, and minus the provisions for their depreciation, if need be.

Finished goods and in-process inventory are recorded in the balance sheet at their production cost, minus the provisions for their depreciation, if need be.

### 3-2-5-3 Financial risk management system

#### Risk description

The financial risks to which the Bank is exposed while managing foreign exchange reserves are:

- The credit risk, defined as:
  - Firstly, the payment default risk (counterparty risk) which corresponds to a risk of economic loss due to the inability of a counterparty to fulfill its obligations,
  - And secondly, the credit rating reduction risk, relating to the risk of lowering credit rating by one or more rating agencies.
- The market risk, which is the risk of loss arising from adverse changes in market factors. It concerns, inter alia, risks related to movements in interest or foreign exchange rates.

#### Governance framework

The risk management governance adopted by Bank Al-Maghrif is based on its strong involvement in the process, a clear definition of rules and procedures and continuous risk monitoring by independent bodies to ensure that risks are tracked and these same rules are applied. The governance framework is composed of three main bodies:

- **The Monetary and Financial Committee (MFC)**, which ensures adequacy of the risk management system, approves risk limits and monitors the overall development of portfolios in terms of the



risk cost. Moreover, investment guidelines and the strategic allocation of assets are determined by the MFC at the beginning of each year, before submission to the Board.

- **The Risk Committee**, which monitors compliance with investment guidelines and examines on a monthly basis the developments of risks and performances prior to submission to the MFC.
- **The Audit Committee**, in charge of assessing the quality of the risk management system and reviewing the consistency of the internal risk monitoring framework with procedures and regulations in force. Moreover, this Committee reviews the Bank's overall exposures in terms of risks.

Regular analysis and reports are prepared to inform the parties concerned of the necessary elements in the relevant decision-making process.

### **Financial risk management**

The principles, tools and limits adopted by the Bank aim to ensure that potentially negative consequences of financial risks faced by foreign assets are controlled in the best conditions. To this end, the system in place involves several key elements, namely risk identification, risk appetite assessment, implementation of mitigation measures, monitoring and management of these risks and periodic review of the adequacy of the entire system.

Financial risks are monitored and managed rigorously in order to comply with the rules and decisions adopted by the MFC and the Bank Board.

These risks are managed based on a key principle, namely the independence of the entity in charge of operational activities from the control body.

Credit risk is managed on the basis of specific studies, particularly on the basis of a careful analysis of financial data, leading to the establishment of global and unitary credit limits, reviewed on a biannual basis. Exposures in terms of the amount and type of transaction are monitored and tracked on a daily basis. The operational framework has been strengthened since 2008, particularly by using a synthetic credit risk monitoring indicator. The adopted metric helps to better assess exposure to credit risk, whether global or unitary.

To assess market risk, the Bank adopted a set of indicators, such as the effective duration of portfolios, sensitivity to changes in rates and value at risk for aggregate estimate of overall risk-taking.

The foreign exchange risk is managed by replication of the basket used to determine the value of the dirham with a maximum deviation.

In general, the Bank's exposure to market risk remains marginal, due to a systematic hedging

of the currency position and a low risk of interest rates, a consequence of a low sensitivity of portfolios of securities held for sale.

In 2014, against the backdrop of low or even negative rates, the risk management system was strengthened by the establishment of a more formal framework. As such, the adoption of new risk measurement indicators and consolidation of reporting statements helped ensure more effective monitoring of investment activities. Meanwhile, the reserve management strategy was adapted, while ensuring compliance with investment guidelines laid down by the Bank Board. In 2014, it remained focused on diversifying investments and maintaining a good quality of assets held.

### 3-2-5-4 Comments on the balance sheet items

#### Note 1: Assets and investments in gold

Gold assets are composed of those deposited in Morocco and abroad. Since the end of 2006, these assets are evaluated at market prices. Gains and losses resulting from this operation are allocated to the reevaluation account of foreign exchange reserves.

Table 3-2-6 : Assets and investments in gold

	2014	2013
Gold price per ounce in dirhams <sup>(1)</sup>	10 844	9 793
Quantity of gold ounces	709 368	708 767
<b>Market value <sup>(2)</sup></b>	<b>7 692 458</b>	<b>6 940 913</b>
Gold stock (in tonnes)	22	22

<sup>(1)</sup> Gold price USD/DH  
<sup>(2)</sup> In millions of dirhams

The 11 percent increase in the exchange value of these assets and investments is mainly attributed to the appreciation of the dollar from 8.15 to 9.04 dirhams, year on year.

#### Note 2: Assets and investments in foreign currency

This item represents the equivalent in dirhams of assets in convertible foreign currencies, which are held in the form of demand deposits, time deposits and foreign securities.

Table 3-2-7 : Breakdown by type of investment

In thousands of dirhams	2014	Share	2013	Share
Demand deposits	1 456 732	1%	4 477 290	3%
Time deposits	7 891 395	5%	13 296 467	9%
Securities held for sale <sup>(1)</sup>	117 587 160	69%	96 119 659	66%
Investment securities	35 920 303	21%	26 430 975	18%
Miscellaneous <sup>(2)</sup>	6 722 989	4%	5 619 355	4%
<b>Total</b>	<b>169 578 580</b>	<b>100%</b>	<b>145 943 746</b>	<b>100%</b>

<sup>(1)</sup> Taking into account provisions for depreciation of securities

<sup>(2)</sup> Including accrued interest and management authorizations

At the end of 2014, assets and foreign currencies investments were up 16 percent to 169,578,580 KDH, due to the consolidation of foreign assets. Their share in the balance sheet rose to 71 percent from 61 percent a year earlier. This item is dominated by bond securities whose share moved up, year on year, from 84 percent to 90 percent.

During the first half of 2014, the bank continued to implement the foreign currency assets management strategy adopted in 2013, aiming at maintaining a very good credit quality of assets and a short duration, and diversifying investments.

In the second half, this strategy was adapted to the new context of negative yields in the euro area and rising foreign exchange reserves. For this purpose, investments in the investment tranche was raised, while extending their duration.

**Table 3-2-8 : Breakdown by remaining life**

	2014	2013*
≤ 1 year	55%	72%
> 1 year	45%	28%
<b>Total</b>	<b>100%</b>	<b>100%</b>

(\*) Refined calculation of the indicator, row by row instead of an aggregation by country

### Note 3: Assets with international financial institutions

This item, reflecting positions with the IMF and AMF, almost doubled in 2014 (+96 percent) to 8,821,380 KDH, due to a significant increase in SDR holdings.

#### Position with the IMF

This includes on the assets side:

- IMF subscription - Reserve tranche: composed of the fraction (14.5 percent) of Morocco's quota in the capital of the IMF, paid by Bank Al-Maghrib. It is composed of:

- **The available tranche**: 70.46 million SDR (923,113 KDH) paid by Bank Al-Maghrib in foreign currency. This tranche, which could be used by our country when needed, is included in the foreign exchange reserves of our Institute;

**Table 3-2-9 : Position with the IMF**

In thousands of dirhams	2014	2013	Change in %
<b>Assets</b>			
IMF subscription - Reserve tranche	1 107 835	1 073 181	3%
SDR assets	7 417 983	3 178 007	>100%
<b>Total</b>	<b>8 525 819</b>	<b>4 251 187</b>	<b>&gt;100%</b>
<b>Liabilities</b>			
SDR allocations	7 355 033	7 046 927	4%
Accounts No.1 and 2	184 833	188 909	-2%
<b>Total</b>	<b>7 539 866</b>	<b>7 235 836</b>	<b>4%</b>

- **The mobilized tranche:** 14.70 million SDR (184,722 KDH) equivalent to the subscription in national currency by Bank Al-Maghrib, deposited in the IMF "Account No.1" open in the books of our Institute.

- **SDR holdings:** This account records the equivalent of Bank Al-Maghrib's assets with the IMF. It records, in the debit side, SDR purchase transactions by the Bank and the remunerations paid by the IMF, while in the credit side, it records payments of commissions on SDR allocations on a quarterly basis and reimbursement of Morocco's borrowings. In 2014, the Bank purchased 320 million SDR to restore a neutral position vis-à-vis the IMF. It also settled the commitment fee on the IMF Precautionary and Liquidity Line (PLL), amounting to 7,058,400 SDR (equivalent to 90,423 KDH). These assets rose between 2013 and 2014, from 3,178,007 KDH to 7,417,983 KDH.

The SDR allocations item is registered in the liabilities side. It corresponds to the value in dirhams of the amounts of SDR allocations granted by the IMF to Morocco as a member country. In 2009, this account was credited with 5.7 billion dirhams, representing Morocco's share in the general allocation and special allocation (475.8 million SDR) granted by the IMF to member countries.

Quarterly commissions are paid by the Bank to the IMF on these allocations.

### AMF subscription

This account represents the fraction paid by the Bank for the paid-in subscription in the capital of the AMF.

Morocco's participation in this institution amounts to 35.82 million Arab dinars, divided between Bank Al-Maghrib and the Treasury as follows:

- 200,000 Arab dinars paid in national currency and deposited in the AMF account open in Bank Al-Maghrib books. The share paid by BAM amounts to 150,000 Arab dinars (5,648 KDH);
- 16.18 million Arab dinars subscribed in foreign currency, of which 7.52 million Arab dinars subscribed by the Bank (295,561 KDH).

It should be noted that Bank Al-Maghrib began in April 2014 to settle the first tranche (0.65 million Arab dinars) under its contribution to the AMF capital increase, whose release by member countries is scheduled over the five-year period 2014-2018;

- 19.44 million Arab dinars, of which 9.11 million attributable to Bank Al-Maghrib for the AMF capital increase by incorporation of reserves, which took place in 2005 (5.88 million Arab dinars) and in 2013 (3.23 million Arab dinars).

#### Note 4: Claims on Moroccan credit institutions and similar bodies

This item comprises refinancing operations of credit institutions as part of the monetary policy conduct. They totaled, at year-end, 41,852,088 KDH, down 42 percent compared to 2013, in light of a context marked by a reduced liquidity deficit.

The latter was covered by means of:

- Main operations through 7-day advances at auction at the key rate, the main instrument for implementing the monetary policy. At the end of 2014, these advances stood at 23,002,088 KDH as against 52,001,937 KDH;

**Table 3-2-10 : Structure of claims on banks**

In thousands of dirhams	2014	2013	Change in %
<b>Repurchase agreements</b>	<b>23 002 088</b>	<b>66 005 970</b>	<b>-65%</b>
7-day advances	23 002 088	52 001 937	-56%
24-hour advances	-	-	-
Three-month repos	-	14 004 034	-100%
<b>Secured loans</b>	<b>18 850 000</b>	<b>6 000 000</b>	<b>&gt;100%</b>
<b>Total</b>	<b>41 852 088</b>	<b>72 005 970</b>	<b>-42%</b>

- Long-term operations intended to fill the bank liquidity deficit for a period longer than that of the main operations:
  - Repos whose last operation matured in November 2014;
  - Secured loans, initiated in December 2012, as part of the measures implemented by the Bank to further improve VSME's access to financing, by expanding the collateral eligible for monetary policy operations to private bills. These loans are granted at the average interest rate over the period considered. The growth of the amounts accorded under this instrument accelerated in 2014, following the introduction in December 2013 of the new program for financing VSMEs over a minimum period of two years, in light of persistently difficult economic conditions and further deceleration in bank credit. Four secured loan operations, totaling 19,000,000 KDH, were carried out by the Bank in 2014 as part of this new mechanism;
- Standing facilities allowing credit institutions to obtain liquidity for a period of 24 hours, at a key rate plus one hundred basis points.

The Bank may also, under monetary regulation, use currency swap transactions, which are part of the long-term category, and intervene in the secondary market of Treasury securities, an instrument belonging to the category of structural operations whose objective is to manage a sustainable situation of excess or insufficient liquidity. In 2014, the Bank did not use these two instruments.

#### Note 5: Other assets

This item includes, inter alia, cash accounts and equalization accounts which are mainly composed of expenses to be spread out over many fiscal years, expenses recognized in advance, and

revenues due, and any other debtor amount pending equalization. This item fell, year on year, from 7,162,173 KDH to 6,653,282 KDH, down 7 percent.

## Note 6: Fixed assets

**Table 3-2-11 : Fixed assets**

In thousands of dirhams	2014	2013	Change in %
(Including)			
Equity securities	73 016	73 200	-0,3%
Tangible and intangible fixed assets	6 063 447	5 904 986	3%
<b>Gross fixed assets</b>	<b>6 794 271</b>	<b>6 629 420</b>	<b>2%</b>
Depreciation and provisions	3 501 234	3 131 000	12%
<b>Net fixed assets</b>	<b>3 293 037</b>	<b>3 498 419</b>	<b>-6%</b>

The Bank's net fixed assets fell by 6 percent to 3,293,037 KDH, mainly due to a decline in the net value of tangible and intangible fixed assets. This trend particularly reflects an increase in the cumulative value of depreciations and provisions, following the recognition of depreciations for the fiscal year 2014, which amounted to 369,766 KDH in 2014, as against 340,939 KDH a year earlier, up 8 percent following the commissioning of several fixed assets of the Bank.

## Equity securities

The gross value of Bank Al-Maghrib's portfolio of equity securities remained almost stable from one year to another, at 73,016 KDH.

**Table 3-2-12 : Equity securities**

In thousands of dirhams	2014	2013	Change in %
<b>Securities held in Moroccan institutions (including)</b>	<b>26 765</b>	<b>26 765</b>	<b>-</b>
Dar Ad-Damane	1 265	1 265	-
Maroclear	4 000	4 000	-
Casablanca Finance City Authority	20 000	20 000	-
<b>Securities held in foreign financial institutions</b>	<b>46 252</b>	<b>46 436</b>	<b>-0,4%</b>
Ubac Curaçao	23 228	23 228	-
Swift	519	519	-
Arab Monetary Fund	5 648	5 833	-3%
Arab Trade Financing Program	16 856	16 856	-
<b>Gross total of equity securities</b>	<b>73 016</b>	<b>73 200</b>	<b>-0,3%</b>

## Tangible and intangible fixed assets

**Table 3-2-13 : Tangible and intangible fixed assets**

In thousands of dirhams	2013 Gross amount	Increase	Decrease	2014 Gross amount
Real properties	2 240 809	64 728	-	2 305 538
Land	232 679	-	78	232 601
Construction and works in progress	166 319	36 121	57 667	144 773
Fixtures, fittings and facilities	205 073	17 812	388	222 497
Furniture, materials, vehicles and equipment of social character	2 282 670	84 430	6 870	2 360 230
Intangible fixed assets	537 078	109 883	94 982	551 979
Others	240 359	5 866	395	245 829
<b>Total</b>	<b>5 904 986</b>	<b>318 840</b>	<b>160 380</b>	<b>6 063 447</b>

At the end of 2014, the gross outstanding amount of the Bank's investments in tangible and intangible fixed assets totaled 6,063,447 KDH, up 158,461 KDH compared to 2013, broken down mainly as follows:

- 35 percent corresponding to operating and non-operating projects, including, particularly, the construction of Laayoune agency and extension of Dar As-Sikkah print room;
- 18 percent relating to the production of banknotes, including, mainly, accessories for equipping the new banknote manufacturing line and the purchase of grinding machine of intaglio plate;
- 14 percent corresponding to recurring equipment mainly for redesigning the network infrastructure of some sites of Bank Al-Maghrib and purchase of counting and counterfeit detection machines;
- 9 percent mainly for reinforcing the information system arrangements.

### Note 7: Banknotes and coins in circulation

The amount of this item covers the difference between banknotes and coins issued by the Bank and those deposited with the Bank.

It showed in 2014 an annual growth of 5 percent to 191,457,660 KDH, in conjunction with higher demand for banknotes. Month on month, it trended overall in accordance with its seasonal pattern. Indeed, it recorded peaks in the third and fourth quarters of 2014 following summertime, the month of Ramadan and the celebration of religious festivities.

### Note 8: Liabilities in gold and foreign currency

This entry mainly comprises currency deposits of foreign banks. It stood at 5,260,598 KDH, down 2,074,735 KDH (-28 percent), due to lower Bank's liabilities in foreign currencies.

### Note 9: Liabilities in convertible dirhams

This item includes the Bank's liabilities in convertible dirhams towards foreign banks, international financial institutions (IMF, AMF, IBRD) and nonresidents.

The IMF "Account No.1" constitutes the major component of this entry. The assets of this account as well as those of "Account No.2" of the IMF, which are readjusted annually to take into consideration the parity of the dirham against SDR, amounted in 2014 to 184,833 KDH.

**Table 3-2-14 : Liabilities in convertible dirhams**

In thousands of dirhams	2014	2013	Change in %
<b>Liabilities to international financial institutions</b>	<b>190 971</b>	<b>193 880</b>	<b>-2%</b>
Liabilities to foreign banks	5 242	4 961	6%
Ordinary accounts of international financial institutions	185 730	188 919	-2%
<b>Other liabilities</b>	<b>5 222</b>	<b>6 330</b>	<b>-17%</b>
<b>Total</b>	<b>196 194</b>	<b>200 210</b>	<b>-2%</b>

### Note 10: Deposits and liabilities in dirhams

This item mainly includes:

- The current account of the Treasury, whose balance stood at the end of 2014 at 2,117,412 KDH. It is remunerated according to the requirements below, in accordance with the agreement signed between the Ministry of Economy and Finance and Bank Al-Maghrib on July 28, 2009:

**Table 3-2-15 : Deposits and liabilities in dirhams**

In thousands of dirhams	2014	2013	Change in %
Current account of the Treasury	2 117 412	2 212 364	-4%
Current account of Moroccan banks	9 752 800	19 808 405	-51%
Liquidity withdrawals	-	-	-
Deposit facilities	-	-	-
Deposits of general government and public institutions	2 461 356	2 285 290	8%
Other accounts	2 616 415	2 672 241	-2%
<b>Total</b>	<b>16 947 983</b>	<b>26 978 301</b>	<b>-37%</b>



- The tranche lower or equal to 2 billion dirhams is remunerated at the rate of 7-day advances minus fifty basis points;
- The tranche above 2 billion dirhams and up to 3 billion dirhams is remunerated at the rate of 7-day advances minus one-hundred basis points;
- The tranche higher than 3 billion dirhams is not remunerated.
- Current accounts of Moroccan banks, held mainly to honor their commitments regarding the required reserve, with a minimum of 2 percent of their liabilities were must be respected on average over the period of observation. These accounts were halved to 9,752,800 KDH, following a 200 basis points decline in the required reserve ratio in March 2014. The remuneration of this reserve was canceled by decision of the Bank Board on December 17, 2013.

The 51 percent decrease in current accounts of Moroccan banks largely covers a decline in deposits and liabilities in dirhams.

- Deposits of general government and public institutions, including the account of Hassan II Fund for Economic and Social Development, remunerated at the rate of 7-day advances, minus 50 basis points.

This item can also accommodate, in a context of excess liquidity:

- 7-day liquidity withdrawals as unsecured deposits by tenders, remunerated at the key rate minus fifty basis points;
- 24-hour deposit facilities allowing banks to place, on their own initiative, a cash surplus. The remuneration applied to these deposits is the key rate minus one hundred basis points.

### Note 11: Other liabilities

This entry includes, mainly:

- Miscellaneous creditors, primarily consisting of tax and fiscal withholdings, other sums payable to the State, and third parties, and contributions to provident funds and institutions for social security pending settlement. They show a balance of 845,256 KDH at the end of 2014, as against 918,730 KDH a year earlier.

**Table 3-2-16 : Other liabilities**

In thousands of dirhams	2014	2013	Change in %
Other securities transactions	1 086	1 086	-
Miscellaneous creditors	845 256	918 730	-8%
Equalization accounts	202 326	158 240	28%
Amounts claimable after receipt of payment	7 157	22 992	-69%
Provisions for risks and expenses	85 516	37 815	>100%
Foreign exchange reevaluation account	9 566 096	8 685 391	10%
<b>Total</b>	<b>10 707 436</b>	<b>9 824 254</b>	<b>9%</b>

- The equalization accounts, mainly composed of transactions between branches, expenses to be paid and revenues recognized in advance and any other debtor amount pending settlement;
- Amounts claimable after receipt of payment, including accounts making up the counterpart of securities presented for payment;
- Provisions for risks and expenses allowing to note the existing losses and expenses related to operations executed during the fiscal year and that are most likely realized. They were brought in 2014 to 85,516 KDH through an allocation of 50,000 KDH to cover liabilities of social funds.
- Foreign exchange reevaluation account includes the exchange variations resulting from the assessment of holdings and liabilities in gold and in foreign currency, based on the year-end average exchange rates, in accordance with the provisions of the agreement signed between Bank Al-Maghrif and the State to regulate this account.

This agreement also stipulates that in case of an insufficiency vis-à-vis to the required minimum, a reserve for foreign exchange losses deducted from the net profit is constituted. The credit balance of this account can neither be posted in the revenues of the fiscal year, nor distributed or allocated to any other usage.

The increase of 880,704 KDH in the revaluation account between 2013 and 2014 is due to the combined effect of the appreciation of the dollar and the depreciation of the euro in 2014.

### Note 12: Equity capital and the like

Equity capital and the like amounted to 5,534,143 KDH at the end of 2014, as against 5,534,045 KDH in 2013.

**Table 3-2-17 : Equity capital**

In thousands of dirhams	2014	2013
Capital	500 000	500 000
Reserves	5 001 340	5 001 340
General reserve funds	500 000	500 000
Special reserve funds	4 501 340	4 501 340
Other equity capital	8 639	11 600
Retained earnings	24 164	21 105
<b>Total</b>	<b>5 534 143</b>	<b>5 534 045</b>

### 3-2-5-5 Comments on off-balance sheet items

The Bank keeps record of off-balance sheet liabilities, detailing both given and received commitments. Off-balance sheet accounts are registered to debit when the liabilities materialize

on maturity or in case of realization by a debit on the balance sheet, and to credit side in the opposite case.

The off-balance sheet liabilities include liabilities in foreign currency, liabilities on securities and other liabilities.

### Note 13: Foreign exchange transactions

**Table 3-2-18 : Foreign exchange transactions**

In thousands of dirhams	2014	2013
Foreign exchange transactions- currency deposits	1 971 243	4 892 800
Foreign exchange transactions-arbitrage operations		
Foreign currencies receivable	307 325	823 807
Foreign currencies payable	306 441	821 123

### Note 14: Liabilities on securities

This heading records mainly securities pledged to Bank Al-Maghrib to secure various advances to banks (debt securities issued or guaranteed by the State, negotiable debt securities, private claims, etc.).

**Table 3-2-19 : Liabilities on securities**

In thousands of dirhams	2014	2013
Securities received on advances granted	22 546 127	69 064 400
Securities received on advances to be granted	11 225 200	3 493 000
Other guarantees received on advances granted	19 541 768	6 920 000
Advances to be granted	23 002 063	-
Foreign securities receivable	1 096 900	102 114
Foreign securities deliverable	1 799 438	-

### Note 15 : Other liabilities

**Table 3-2-20 : Other liabilities**

In thousands of dirhams	2014	2013
Received market guarantees	49 786	40 906
Guarantees liabilities received for staff loans	835 443	814 862
Financing liabilities granted to the staff	63 665	39 182
Other granted liabilities	1 000	1 000

## 3-2-5-6 Comments on profit and loss account items

### Note 16: Interests earned on investments in gold and in foreign currency

This item is strongly correlated with levels of foreign exchange reserves and interest rates. It includes interests from foreign exchange reserves management transactions, which are, mainly:

- Bond market investments in foreign Treasury bills and similar securities (investment portfolio and portfolio of securities held for sale);
- International money market investments (Treasury portfolio);
- SDR holdings with the IMF;
- Loans of foreign Treasury bills.

Interests generated by these transactions fell by 21 percent compared to 2013 to 1,266,372 KDH, reflecting adverse market conditions in 2014. Bond yields thus shrank by 22 percent to 1,224,427 KDH. This change covers:

- A 45 percent decrease in interest of the "investment" portfolio, following a drop in its average outstanding amount and reinvestment at very low rates of matured securities that offered higher rates;
- And a 19 percent increase in interest generated by the portfolio of securities held for sale, mainly reflecting an increase in its average outstanding amount.

Interest on gold and money market investments increased to 12,931 KDH and 16,138 KDH, respectively, due to the strengthening of the gold lending transactions in view of the attractiveness of the deposit rates, and the gradual increase in the outstanding amount of money market investments.

**Table 3-2-21 : Interests earned on holdings in gold and in foreign currency**

In thousands of dirhams	2014	2013	Change in %
<b>Interest received</b>			
Investments in gold	12 931	2 478	>100%
Foreign Treasury bills and similar securities	1 224 427	1 569 421	-22%
Holdings and investments in foreign banks	16 506 (*)	11 896	39%
Claims on the IMF	6 434	2 343	>100%
Other interests	6 074	8 304	-27%
<b>Total</b>	<b>1 266 372</b>	<b>1 594 441</b>	<b>-21%</b>

(\*) Includes interests on money market investments amounting to 16,138KDH and that earned on current accounts with foreign banks amounting to 368 KDH.

### **Note 17: interests received on claims on Moroccan credit institutions and similar bodies**

These are interests received by the Bank on various advances to credit institutions as part of the monetary policy conduct (for remuneration conditions, see Note 4 of the balance sheet).

These interests dropped by 23 percent to 1,633,494 KDH, in conjunction with a decline in the bank liquidity need, which resulted in lower volume of BAM interventions. It should be noted that the overall decrease of 50 basis points in the key rate in the last quarter of 2014, did not have a strong impact on these revenues this year.

To regulate the monetary market, the Bank intervened mainly through 7-day advances whose average outstanding amount fell, year on year, from 51,157,591 KDH to 36,266,079 KDH, thus generating interest of 1,066,828 KDH as against 1,534,728 KDH in 2013. It also carried out four secured loan operations, under the program for supporting VSMEs financing whose interest totaled 371,040 KDH, showing a significant increase compared to 2013. Meanwhile, it used incidentally repo transactions whose interest decreased to 189,039 KDH (-57 percent), following the non-renewal of matured operations.

#### Note 18: Other interests earned

This item covers interests due to the Bank under loans granted to its staff. This interest remains almost stable, from one year to the next, at 8,439 KDH.

#### Note 19: Commissions earned

Commissions are deducted by the Bank in payment of banking transactions for customers, which cover, mainly, foreign exchange operations and the centralization of the Treasury's auction operations.

They amounted to 481,431 KDH, up 17 percent compared to 2013, due to higher commissions on foreign exchange operations (+27 %). The amount of those deducted by the Bank on the centralization of the Treasury's auction operations fell by 26 percent this year, as the Treasury did not resort much to the primary market to finance its deficit.

#### Note 20: Other financial revenues

Other financial revenues, which mainly cover gains generated from foreign currency transactions, rose at the end of 2014 to 70,025 KDH, up 19 percent, in conjunction with an increase in gains from

**Table 3-2-22 : Interests received on claims on Moroccan credit institutions and similar bodies**

In thousands of dirhams	2014	2013	Change in %
<b>Interest received</b>			
7-day advances	1 066 828	1 534 728	-30%
Repurchase agreement	189 039	440 116	-57%
24-hour advances	6 588	4 023	64%
Secured loans	371 040	143 342	>100%
Other interest	-	231	-100%
<b>Total</b>	<b>1 633 494</b>	<b>2 122 439</b>	<b>-23%</b>

**Table 3-2-23 : Commissions earned**

In thousands of dirhams	2014	2013	Change in %
Foreign exchange commission	418 501	329 836	27%
Management of Treasury bills	53 954	73 204	-26%
Other commissions	8 975	8 711	3%
<b>Total</b>	<b>481 431</b>	<b>411 751</b>	<b>17%</b>

**Table 3-2-24 : Other financial revenues**

In thousands of dirhams	2014	2013	Change in %
Gains from investment securities sales	23 801	11 084	>100%
Deferral of discounts on foreign securities	11 854	17 873	-34%
Gains in management authorizations	27 465	18 318	50%
Other revenues	6 906	11 689	-41%
<b>Total</b>	<b>70 025</b>	<b>58 963</b>	<b>19%</b>

foreign investment securities sales (+12,717 KDH) and those from management authorizations (+9,146 KDH), combined with a decline in deferral of discounts on foreign securities (-6,019 KDH).

#### **Note 21: Sales of produced goods and services**

This item includes revenues from sales of various produced goods and services provided by the Bank, which cover mainly secured documents produced by Dar As-Sikkah, including the biometric passport. The selling price of these documents is fixed on the basis of data from the analytical system established by the Bank. This item also consists of changes in inventories of finished products, in-process production and commemorative coins.

The increase in this item to 200,264 KDH (+19 percent) was particularly attributed to the sale proceeds from foreign banknotes produced by Dar As-Sikkah, amounting to 39,642 KDH, as part of the agreement concluded with Crane Currency. Sales of secured documents generated 141,258 KDH, a level almost similar to 2013, with nearly 90 percent corresponding to biometric passports, while inventories of finished goods and in-process production rose overall by 9,416 KDH.

#### **Note 22: Miscellaneous revenues**

Miscellaneous revenues include, inter alia, the recovery of costs paid by Bank Al-Maghrib and the contribution of banks to the Moroccan Gross Settlement Systems. This item showed a slight decrease of 4 percent, down from 42,084 KDH to 40,422 KDH.

#### **Note 23: Reversals of provisions**

Reversals of provisions in 2014 cover mainly those constituted under the depreciation of foreign investment securities (see Table 3-2-30 of Note 32 of the PLA).

#### **Note 24: Noncurrent revenues**

This item includes exceptional noncurrent revenues, with a significant impact both in absolute and relative figures.

It posts a balance of 56,752 KDH at end 2014 from 8,202 KDH a year earlier, up 48,550 KDH, mainly reflecting the recognition, in noncurrent revenues, of the balance of a commitment account in foreign currency prescribed in 2014, amounting to 53,341 KDH.

#### **Note 25: Interests paid on liabilities in gold and in foreign currency**

At the end of 2014, interests paid on liabilities in gold and foreign currency amounted to 7,380 KDH, including 7,357 KDH as commissions paid quarterly by the Bank on SDR allocations accorded by the IMF to Morocco as a member country (see Note 3 of the balance sheet).

### Note 26: Interests paid on deposits and liabilities in dirhams

It covers particularly interests paid by the Bank, mainly on deposits at the account of Hassan II Fund for Economic and Social Development and the Treasury current account (for payment conditions, see Note 10 of the balance sheet). The 38 percent decrease results mainly from the elimination of the remuneration of the required reserve as of December 19, 2013.

This item can also include, in a context of excess liquidity, interests paid by the Bank under liquidity withdrawals, deposits facilities and swap of dirhams against currencies.

### Note 27: Commissions paid

These are commissions paid in exchange for financial services provided to the Bank. They stood at 13,115 KDH and include, inter alia, custody fees for foreign securities (5,924 KDH), management authorizations (2,916 KDH) and custody fees for Moroccan securities (4,006 KDH).

### Note 28: Other financial expenses

This item covers losses on foreign currency transactions including, mainly, losses on investment securities sales, which dropped by 43 percent in 2014, taking into account the nature of securities comprising the portfolio and deferral of premiums on Treasury bills and similar securities, which trended similarly, at -2 percent (securities purchased above par).

### Note 29: Staff expenses

This item includes mainly the salaries and wages, allowances and bonuses paid to the Bank staff, employer basic and supplementary contributions to Bank Al-Maghrib Staff Pension Fund and contributions to the Mutual Fund, and various insurance premiums.

The balance of this item stood in late 2014 at 720,808 KDH, a contained increase of 2 percent compared to 2013.

**Table 3-2-25 : Interest on liabilities in dirhams**

In thousands of dirhams	2014	2013	Change in %
<b>Interest paid</b>			
Required reserve account	-	116 084	-100%
Other accounts (including)	145 607	138 747	5%
Treasury account	67 119	62 390	8%
<b>Total</b>	<b>170 102</b>	<b>276 111</b>	<b>-38%</b>

**Table 3-2-26 : Other financial expenses**

In thousands of dirhams	2014	2013	Change in %
Losses in investment securities sales	339 465	600 251	-43%
Deferral of premiums on foreign securities	120 197	122 968	-2%
Capital losses in management mandates	11 145	9 824	13%
Other expenses	4 674	6 505	-28%
<b>Total</b>	<b>475 480</b>	<b>739 548</b>	<b>-36%</b>

### Note 30: Purchases of materials and supplies

Raw materials (paper, ink, coin blanks, electronic chips and precious metals) are used in the manufacturing of coins and banknotes, secured documents and commemorative coins. This item also includes changes in inventories of raw materials and supplies as well as rebates, discounts and payment deductions obtained on purchases, and granted to the Bank by its suppliers.

The 20 percent decrease in this item to 187,389 KDH particularly results from a decline of 15,847 KDH in the fees of purchasing materials and supplies, combined with rising stocks whose change stood at the end of 2014 at -56,161 KDH as against -24,082 KDH a year earlier.

**Table 3-2-27 : Staff expenses**

In thousands of dirhams	2014	2013	Change in %
Staff salaries and social security contributions	699 217	687 617	2%
Training expenses	6 934	5 297	31%
Other expenses	14 657	15 720	-7%
<b>Total</b>	<b>720 808</b>	<b>708 634</b>	<b>2%</b>

### Note 31: Other external expenses

They include Bank overheads and current expenditure covering, inter alia, computer maintenance, building upkeep, rental, water and electricity consumption as well as various taxes.

These expenses increased by 6 percent to 301,768 KDH, after virtual stagnation in 2013, mainly due to higher costs for information system maintenance arising from strategic investments and the continued outsourcing certain Bank activities.

**Table 3-2-28 : Purchases of materials and supplies**

In thousands of dirhams	2014	2013	Change in %
Purchase of raw materials	146 306	179 094	-18%
Purchase of consumable materials and supplies	22 397	31 993	-30%
Other purchases	18 685	24 249	-23%
<b>Total</b>	<b>187 389</b>	<b>235 337</b>	<b>-20%</b>



## Note 32 : Depreciations and provisions

### Depreciations

**Table 3-2-29 : Depreciations**

In thousands of dirhams	2014	2013
<b>Depreciations of tangible and intangible fixed assets</b>	<b>369 766</b>	<b>340 939</b>
Real properties *	116 859	118 297
Furniture and equipment	174 581	155 285
Other tangible fixed assets	43	43
Intangible fixed assets	78 283	67 313
Amortization expenses of other costs to be spread out over many fiscal years	5 905	5 462
Amortization expenses of previous fiscal years	8 550	4 526
<b>Total</b>	<b>384 220</b>	<b>350 926</b>

(\*) Including fixtures, fittings and facilities

### Provisions

**Table 3-2-30 : Provisions**

In thousands of dirhams	Outstanding amount 31/12/2013	Expenses	Reversals	Other changes	Outstanding amount 31/12/2014
<b>Provisions for depreciation</b>					
Foreign Treasury bills and similar securities	410 276	237 775	371 858	-48	276 240
Miscellaneous stocks and values	3 655	4 121	3 655		4 121
Moroccan equity securities	3 000	3 900			6 900
Foreign equity securities					
Other provisions					
<b>Provisions for risks and expenses posted under liabilities</b>					
Provisions for risks and expenses	39 617	11 680	13 892		37 404
Other provisions	42 042			41 631	411
<b>Total</b>		<b>257 476</b>	<b>389 405</b>		

For the terms of the constitution and reversal of provisions, see Section on "Assessment Methods" and Note 11 of the balance sheet.

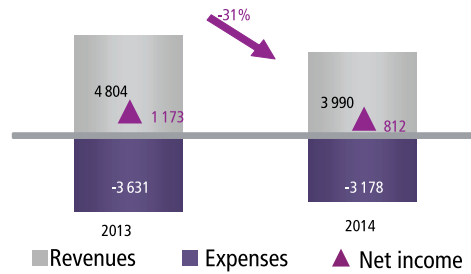
### Note 33: Noncurrent expenses

Noncurrent expenses mainly include the amount of the solidarity social contribution on profits, calculated based on 2 percent of the Bank's net income (16,569 KDH).

### Note 34: Corporate tax

The tax rate is fixed at 37 percent under Article 19 of the General Tax Code, which is the taxation level applied to credit institutions under common law.

Chart 3-2-1 : Change in revenues, expenses and net income (in millions of dirhams)



## 3-3 Statutory Audit Report

*(This is a free translation into English of our audit report signed and issued in French and is provided solely for the convenience of English speaking users. This report should be read in conjunction and construed solely in accordance with, Moroccan law and Moroccan professional auditing standards).*

### **STATUTORY AUDIT REPORT FISCAL YEAR ENDED DECEMBER 31<sup>st</sup>, 2014**

In accordance with our engagement as statutory auditors by the Bank's Board, we have audited the accompanying financial statements including the balance sheet, the profit and loss account and the attached disclosures here attached of BANK AL MAGHRIB for the year ended December 31<sup>st</sup>, 2014, which show a net equity of 5 534 143 thousands of Moroccan Dirhams and a net profit of 811 902 thousands of Moroccan Dirhams.

#### **Management's Responsibility**

Management is responsible for the preparation and fair presentation of these financial statements, in accordance with generally accepted accounting principles and standards in Morocco. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation of the financial statements that are free from material misstatement and making accounting estimates that are reasonable in the circumstances.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with generally accepted auditing standards in Morocco. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall financial statements presentation.

We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

**Opinion on the financial statements**

We certify that the financial statements mentioned in the first paragraph show, in all material aspects, a fair view of the results of the operations for the year ended as well as of the financial situation and the assets of BANK AL MAGHRIB on December 31st, 2014, in accordance with generally accepted accounting principles in Morocco.

Without disputing the above opinion, we would note that assets and liabilities in gold and currencies have been assessed according to the principles provided in the statement A1 of the attached disclosures.

**Specific Procedures and Disclosures**

We have notably ensured the correspondence of the information provided in the management report with the Bank's financial statements.

March 24<sup>th</sup>, 2015

**Deloitte Audit**

**Fawzi BRITEL**  
Partner

**Deloitte Audit**  
288, Boulevard Zerktouni  
- CASABLANCA -  
Tél : 05 22 22 40 25/26/34/81  
Fax : 05 22 22 40 78

## **3-4 Approval by the Bank Board**

In compliance with article 55 of Law No 76-03 bearing Statutes of Bank Al-Maghrib, the financial statements are hereby submitted by the Governor for approval by the Board.

At its meeting on March 24, 2015, after having taken cognizance of the statutory auditor's opinion on the sincerity of the financial statements and their conformity with the information given in the Bank's management report, the Board approved the 2014 financial statements and net income distribution.



---

**Bank Al-Maghrib**  
**Finance and Strategy Department**

---