بنك المغرب
BANK AL-MAGHRIB

ANNUAL REPORT
ON BANKING SUPERVISION

2017

بنك المغرب

ANNUAL REPORT
ON BANKING SUPERVISION

2017

SOMMAIRE

FOREWORD BY THE GOVERNOR

Ten years after the onset of the global financial crisis, the world economy strengthened further in 2017, both in the major advanced economies and in emerging ones. Nationally, economic growth improved from 1.1 percent in 2016 to 4.1 percent, driven by a robust increase, of 15.4 percent, in agricultural value added and growth of 2.7 percent in nonagricultural activities.

Boosted by its diversified activities and its international development, domestic banking sector continued to show good resilience, despite a national environment marked by modest lending growth and a still high cost of risk. The solvency and tier 1 capital ratios remain above the Basel minimum requirements at 13.9 percent and 11 percent, respectively. Non-performing loans have stabilized their ratio at 7.5 percent after successive increases since 2012.

In terms of profitability, and on a consolidated basis, the nine banking groups achieved a higher net income-group share, up 9.2 percent, as against 6 percent in 2016, generating a return on assets of 0.9 percent and a return on equity of 10.2 percent. On an individual basis, the lower cost of risk, for the first time since 2008, combined with the higher net banking income, caused the net income to improve by 17.6 percent, as against a normalized decrease of 1.7 percent a year ago.

In a still risk-laden environment, Bank Al-Maghrib continued to vigilantly monitor the quality of bank assets and banks' exposure to interest rate risk. On the other hand, new emerging risks are receiving increased attention, mainly those caused by the technology and digitalization wave and those inherent to environmental change and transition to a low carbon economy.

In addition, the supervisory framework for systemically important banks «SIB» has been further enhanced with the adoption of regulations requiring them to prepare an internal crisis recovery plan aiming the identification of a list of several solutions they intend to implement to return to a healthier situation, in response to possible extreme shocks, so as to limit the impact on the financial system. At the same time, the Bank is working, in coordination with the Ministry of Economy and Finance and with the assistance of the World Bank, to adopt a legal system for banking resolution in line with international standards.

To further consolidate the financial base of the banking sector, a new generation of structural reforms is under way, in line with international standards, to enhance loan classification and provisioning rules. In consultation with the operators, Bank Al-Maghrib is working on a gradual implementation to preserve the banking stakeholders' ability to finance the economy.

With regard to accounts consolidation, Bank Al-Maghrib supported the credit institutions, as part of the project of adopting the international accounting standard "IFRS 9" on financial instruments, effective as of the first of January 2018. This standard marks a break with the approach to the depreciation of bank credit portfolios, by mainly introducing a forward-looking provisioning of loans as soon as they are granted.

Bearing in mind the challenges involved in the first application of this standard, Bank Al-Maghrib is reviewing the transitional provisions to be put in place for a gradual absorption of the impacts induced in terms of prudential equity of banking groups.

As part of strengthening cross-border supervision, Bank Al-Maghrib broadened its international cooperation framework, particularly with the conclusion in 2017 of 3 new agreements on the banking supervision coordination with the Central Banks of Tanzania, Rwanda and Jordan, bringing the number of these conventions to 12 covering most of host countries. At the same time, it continued to closely monitor the projects of harmonizing risk management, internal control and anti-money laundering and counter-terrorist financing arrangements across the network of banking groups' subsidiaries in Africa.

In terms of maintaining financial integrity of the banking sector, Bank Al-Maghrib continued its efforts to enhance the banking regulatory framework of anti-money laundering and counter-terrorist financing with the standards of the Financial Action Task Force «FATF» and reviewed, in this context, the circular relating to due vigilance of credit institutions, while strengthening its control system in the field.

In a context of increasing digitalization of banking services, Bank Al-Maghrib paid particular attention to cyber-attack risks and their management by banking players. It finalized the list of banks designated as Infrastructures of Vital Importance, in coordination with the National Defense Administration's Department of Security of Information Systems. These banks were requested to identify their Sensitive Information Systems with a view to subjecting them to enhanced security measures.

In preparation for the changeover to the flexible exchange rate regime, the Bank also conducted inspections of exchange rate, interest rate and foreign currency liquidity risk management systems with banks active in the foreign exchange market.

In addition, Bank Al-Maghrib continued to work to protect the customers of credit institutions. To this end, it carried out checks to ensure that these institutions implement the provisions of Law No. 31-08 enacting consumer protection measures, Article 503 of the Commercial Code relating to account closure and provisions of the regulatory framework for customer complaint handling.

The Bank remained attentive to the proliferation and actions of certain so-called pyramid selling companies that raise funds from the public, outside any regulatory framework. It investigated the cases of companies declared by banks, while calling them to ensure greater vigilance.

On the other hand, in coordination with the Ministry of Economy and Finance and the Moroccan Capital Market Authority, the Bank ensured that the public was warned about the use of Bitcoin as a means of payment to purchase products and services. To this end, the three authorities warned the public of the risks associated with the use of "virtual currencies" and relating particularly to the lack of consumer protection, highly speculative nature of these assets and their potential use for illicit or criminal purposes, including money laundering and terrorist financing.

The year 2017 was also marked by the gradual start of the participative banking activity during the second half of the year, notably through the marketing of the real estate Mourabaha, while the other products still have to be approved by the Higher Council of Ulemas «CSO»(Muslim scholars "CSO"). During this year, the Bank worked intensively to support operators in preparing the contractual framework for products, while improving the related prudential framework. The accounting framework enacted by Bank Al-Maghrib was adopted by the National Accounting Council.

The Bank also worked with the Directorate-General for Taxation to supplement certain tax provisions to ensure that participatory and conventional banking products and services are treated equally, while contributing, with stakeholders, to preparations for the implementation of the other components essential to the participatory ecosystem relating mainly to Takaful insurance, Sukuks certificates and participatory guarantee.

HIGHLIGHTS OF 2017

January 2	: Bank Al-Maghrib published a press release about the granting of approvals to participatory banks and windows.
January 15	: The banking mobility code, adopted by the banks in 2016, entered into force under the impulse of Bank Al-Maghrib.
February 20	: Bank Al-Maghrib participated in Accra, Ghana, in the 15th meeting of the Working Group on Digital Financial Services (DFS).
February 28	: Bank Al-Maghrib organized, in Rabat, a regional workshop on facilitating implementation of IFSB prudential standards, in collaboration with the Islamic Financial Services Board (IFSB) and with the support of the Islamic Development Bank.
March 3	: Bank Al-Maghrib's Governor met with the National Federation of microcredit associations.
March 22	: An agreement on banking supervision, exchange of information and general cooperation was signed with the Central Bank of Rwanda.
March 22	: Meeting of the Board of Directors of the Deposit Guarantee Funds Management Company, under the chairmanship of Bank Al-Maghrib's Governor.
March 22	: Holding of the Board of Directors of the Moroccan Banking Mediation Center, under the chairmanship of Bank Al-Maghrib's Governor.
March 31	: Holding of the 3rd meeting of the Credit Institutions Committee, in its restricted composition, pursuant to Banking Law No. 103-12.
April 22	: Bank Al-Maghrib participated in the 25th Plenary Meeting of MENAFATF, held in Kuwait.
May 10	: Bank Al-Maghrib organized the 3rd meeting of the College of Supervisors of BMCE Bank group.
May 11	: Bank Al-Maghrib organized the 3rd meeting of the College of Supervisors of Credit Populaire du Maroc group.
May 16	: Bank Al-Maghrib organized in Casablanca the 5th edition of the Euro-Mediterranean seminar under the theme "Digital Transformation: Financial Inclusion and Stability", in partnership with the World Bank and the French Central Bank.
May 22	: Bank Al-Maghrib participated in Amman, Jordan, in the 2nd annual meeting of the College of Supervisors of Arab Bank.
May 23	: Holding of the bi-annual meeting of Bank Al-Maghrib with the Board of the Moroccan Bankers Association (GPBM).
June 19	: An agreement on banking supervision, exchange of information and general cooperation was signed with the Central Bank of Jordan.
June 21	: Holding of the 11th meeting of the Internal Financial Stability Committee at Bank Al-Maghrib.
June 23	: 5th meeting of the Coordinating Systemic Risk Monitoring Committee.

July 4	: Bank Al-Maghrib participated in the annual meeting of the College of Supervisors of Societe Generale Group, organized in Paris by the French Prudential Control and Resolution Authority (ACPR).
July 6	: Bank Al-Maghrib participated in the annual meeting of the College of Supervisors of Credit Agricole Group, organized in Paris, by the French Prudential Control and Resolution Authority (ACPR).
July 12	: Bank Al-Maghrib organized the 2nd board of the VSME Observatory.
July 18	: Holding of the 4th meeting of the Credit Institutions Committee, in its extended and restricted composition, pursuant to Banking Law No. 103-12.
July 20	: The Higher Council of Ulemas «CSO» approved Mourabaha real estate contracts and accounts agreements.
September 12	: An agreement on banking supervision, exchange of information and general cooperation was signed with the Central Bank of Tanzania.
November 17	: Bank Al-Maghrib participated in Abu Dhabi in the 41st Ordinary Session of the Board of Governors of Arab Central Banks and Monetary Institutions.
November 2	: Bank Al-Maghrib organized the 4th meeting of the College of Supervisors of Attijariwafa Bank group.
20 novembre	: Bank Al-Maghrib participated in Antalya in the 12th meeting of the Financial Stability Board's Regional Consultative Group for the Middle East and North Africa.
November 30	: Holding of the semi-annual meeting of Bank Al-Maghrib with the Board of the Professional Group of Banks of Morocco (GPBM).
December 2	: Bank Al-Maghrib participated in the 26th Plenary Meeting of MENAFATF, held in Manama.
December 11	: Bank Al-Maghrib participated in the 30th meeting of the Arab Monetary Fund's Committee on Banking Supervision, in Abu Dhabi.
December 12	: Bank Al-Maghrib organized in Rabat the 2nd edition of the Regional Symposium on Financial Stability
December 12	: Bank Al-Maghrib participated in the OECD Regional Conference on Corporate Governance in Rabat.
December 20	: Holding of the 12th meeting of the Internal Financial Stability Committee at Bank Al-Maghrib.
December 20	: Holding of the 6th meeting of the Coordinating Systemic Risk Monitoring Committee.

KEY FIGURES OF THE BANKING SYSTEM

1 - Structure of the banking system

- Number of credit institutions and similar bodies : 86

- Banks : 24
  including participatory banks : 5
- Finance companies : 32
- Offshore banks : 6
- Microcredit associations : 13
- Payment institutions specializing in fund transfer intermediation : 9
- Other institutions : 2

- Network:

- In Morocco:
  - 6,388 banking agencies, equal to 5,450 inhabitants per agency
  - 7,025 automated teller machines
- Abroad: 1,405 banking agencies

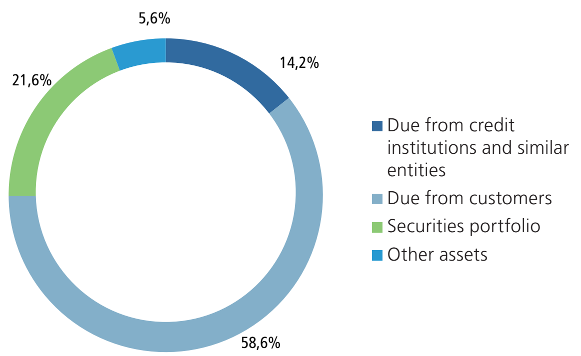
- Staff of credit institutions and similar entities: 54,651

2 - Banks' activity and profitability indicators - on an individual basis

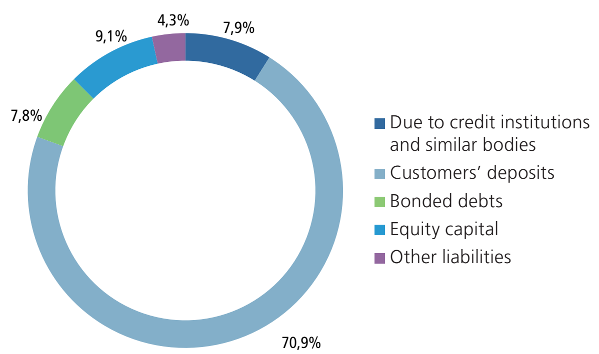
Amount in billion dirhams	2015	2016*	2017
Total balance sheet	1.145	1.199	1.271
Loans by disbursement (net of provisions) (1)	750	775	800
Customers' deposits	819	854	901
Equity (excluding profit for the year)	104	109	115
Net banking income	43,6	45,1	46,0
Gross operating income	23,7	23,3	23,5
Net income	9,4	9,2	10,8
Average yield of assets	4,82%	4,86%	4,53%
Average cost of liabilities	1,69%	1,50%	1,38%
Average operating ratio	49,1%	49,3%	50,6%
Return on assets (ROA)	0,8%	0,8%	0,9%
Return on equity (ROE)	9,1%	8,6%	9,5%
Non-performing loans ratio (NPL)	7,4%	7,6%	7,5%
NPL coverage ratio	68%	69%	71%

(1) Including loans to finance companies
*Adjusted data due to the impact of an exceptional transaction

Structure of banks' assets



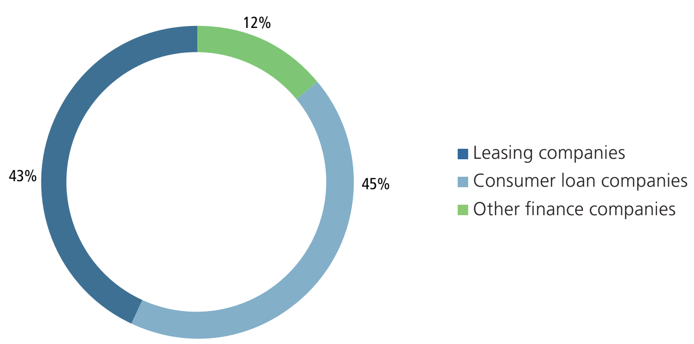
Structure of banks' liabilities



3 - Finance companies' activity and profitability indicators

Amount in billion dirhams	2015	2016	2017
Total balance sheet	103	106	113
Loans by disbursement (net of provisions)	91	94	99
Net banking income	5,3	5,8	6
Gross operating income	3,3	3,6	3,7
Net income	1,5	1,6	1,7
NPL ratio	9,8%	9,4%	9,4%
Return on assets (ROA)	1,5%	1,5%	1,5%
Return on equity (ROE)	15,0%	15,8%	15,5%

Share of each category of finance companies in total assets



4 - Microcredit associations' activity and profitability indicators

Amount in billion dirhams	2015	2016	2017
Total balance sheet	6,9	7,4	7,4
(Gross) outstanding loans	5,9	6,4	6,6
NPL ratio	3,8%	2,9%	3,3%
Net income	0,25	0,21	0,18

5 - Offshore banks' activity and profitability indicators

Amount in billion dirhams	2015	2016	2017
Total balance sheet	41,0	48,1	42,7
(Gross) outstanding loans	13,3	18,2	18,5
Customers' deposits	4,3	5,6	6,5
Net income	0,49	0,46	0,5

6 - Activity and profitability indicators of the nine banking groups - on a consolidated basis

Amount in billion dirhams	2015	2016	2017
Total balance sheet	1.359	1.432	1.540
Loans by disbursement to customers (net of provisions)	887	924	969
Customers' deposits	933	973	1.038
Equity-group share	116	124	130
Net banking income	61	64	67
Gross operating income	30	31	32
Net income-group share	11,5	12,2	13,3
Average operating ratio	50,7%	50,8%	51,5%
Return on assets (ROA)	0,8%	0,8%	0,9%
Return on equity (ROE)	9,9%	9,8%	10,2%

CHAPTER I

CHANGE IN THE STRUCTURE, ACTIVITY AND PROFITABILITY OF THE BANKING SECTOR

1 - Change in the banking sector landscape

In 2017, banks continued to develop their banking network nationally and regionally, thereby contributing to the rate of public access to banking services and promotion of financial inclusion. While at the national level, the opening of branches slowed significantly compared to previous years and Moroccan banking groups further consolidated their presence regionally, following the acquisition of two new banks, one in Egypt and another in Niger.

1.1- Structure of the banking system and shareholding

Following the approval of five new participatory finance stakeholders, Bank Al-Maghrib's expanded its scope of control in 2017 to cover 86 credit institutions and similar entities, including 19 conventional banks, including 3 with a participatory window, 5 participatory banks, 32 finance companies, 6 offshore banks, 13 microcredit associations, 9 funds transfer companies, the Deposit and Management Fund (CDG) and the Central Guarantee Fund (CCG).

The finance companies sector includes 32 institutions, down one unit following the withdrawal of approval from a consumer loan company. The number of units in the money transfer business sector dropped by one unit to 9, also following the withdrawal of approval from one company.

Table 1: Change in the number of credit institutions and similar entities

	2012	2013	2014	2015	2016	2017
Banks	**19**	**19**	**19**	**19**	**19**	**19**
Majority foreign-owned banks	7	7	7	7	7	7 (*)
Majority state-owned banks	5	5	5	5	5	5
Participatory banks	**-**	**-**	**-**	**-**	**-**	**5**
Finance companies	**36**	**35**	**34**	**34**	**33**	**32**
Consumer loan companies	18	17	16	16	15	14
Leasing companies	6	6	6	6	6	6
Real estate loan companies	2	2	2	2	2	2
Surety companies	2	2	2	2	2	2
Factoring companies	2	2	2	2	2	2
Payment-means management companies	3	3	3	3	3	3
Other companies	3	3	3	3	3	3
Offshore banks	**6**	**6**	**6**	**6**	**6**	**6**
Microcredit associations	**13**	**13**	**13**	**13**	**13**	**13**
Payment institutions specializing in fund transfer intermediation	**10**	**9**	**10**	**10**	**10**	**9**
Other institutions	**2**	**2**	**2**	**2**	**2**	**2**
Total	**86**	**84**	**84**	**84**	**83**	**86**

(*) Including 3 with a participatory window.

Private shareholding accounts for a share of 69 percent of the capital of Moroccan banks, which consists mainly of holdings of private groups, insurance companies, social security bodies and foreign banking groups. Seven banks and seven finance companies are essentially owned by foreign stakeholders. Non-majority foreign shareholding strengthened, owing to the establishment of participatory banks, in partnership with banking players from the Gulf countries. The number of institutions controlled by the public shareholding remained stable at 5 banks and 4 finance companies.

The number of listed credit institutions in 2017 decreased to 11, including six banks, following the withdrawal of a finance company from the listing. These institutions represent more than 34 percent of market capitalization.

At the cross-border level, two banking groups acquired two banks, one in Egypt and another in Niger. The 3 Moroccan banking groups are thus present abroad in 33 countries.

These groups are located in 26 countries in Africa: 10 countries in West Africa (including 8 in the zone of the West African Economic and Monetary Union), 6 countries in Central Africa, 6 in East Africa, 3 in the Maghreb and one country in Southern Africa. These groups have a network of 1,405 branches, hold 7.2 million accounts and manage 2.5 million bank cards.

In the rest of the world, Moroccan banks are also located in 7 countries in Europe through 3 subsidiaries and 11 branches. They also operate through 48 representative offices, in 11 countries located mainly in Europe.

1.2- Change in the banking network

In a context of digitalization of banking services and increasing use of technology, the growth of the banking network continues to slow down since 2012, to 1.7 percent in 2017 from 2.3 percent in 2016, 3.8 percent in 2015 and 9 percent on average during the period 2007-2016. The number of branches thus stood at 6,388, up 105 branches as against 144 a year earlier, including 61 new branches opened by conventional banks. The newly created participatory banks started their activity in the second half of 2017 and thus opened 44 branches at the end of 2017.

Chart 1: Change in the banking network

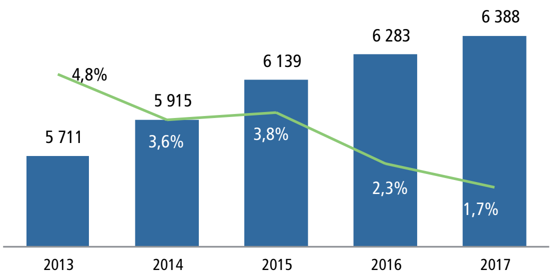
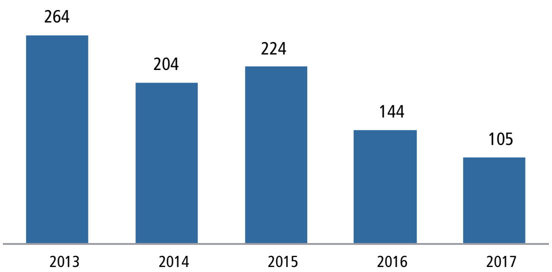


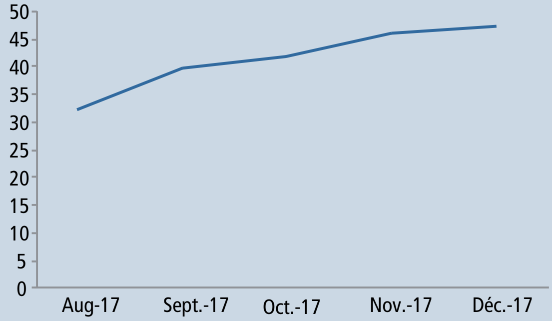
Chart 2: Number of additional branches opened annually



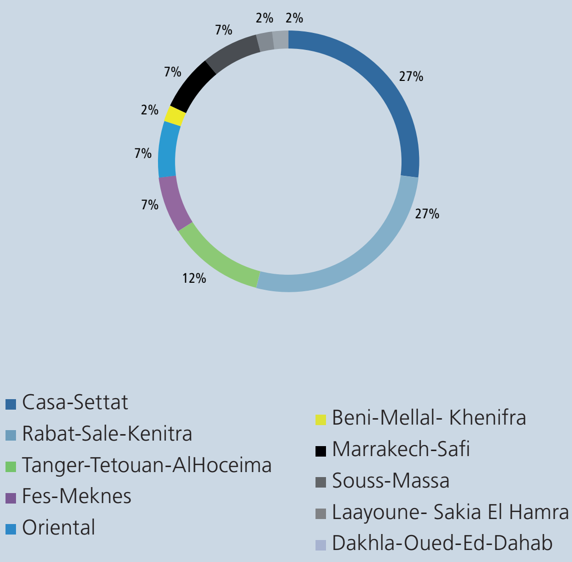
Box 1 : Banking network and participatory windows

Participatory banks started their activity in the second half of 2017. Their network reached 44 branches at the end of 2017. Most of the network branches are in Morocco's big cities. The Casablanca-Settat and Rabat-Sale-Kenitra regions each account for 27 percent of total agencies, followed by the Tangier-Tetouan-Al Hoceima region with a 12 percent share.

Network of participatory banks



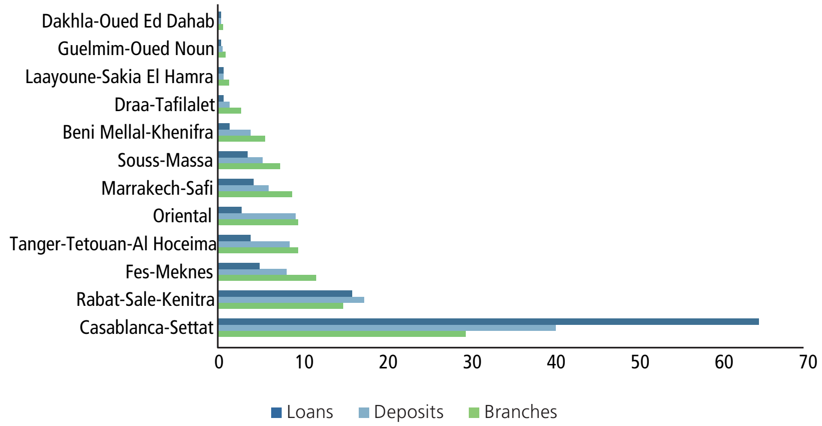
Breakdown of participatory banking branches and windows by geographical location at end-2017



Consequently, the bank density, measured by the number of inhabitants per branch, is close to 5,450. The density, measured by the number of branches per 10,000 inhabitants, stood at nearly 2 branches, as against less than one branch fifteen years ago.

The regional breakdown of the network, deposits and loans remained broadly stable, compared to previous years. The region of Casablanca-Settat represents a share of 29 percent of branches, 39 percent of deposits and 64 percent of loans, followed by the region of Rabat-Sale-Kenitra with 15 percent of branches, 17 percent of deposits and 16 percent of loans. The region of Fes-Meknes represents 11 percent of branches, more than 8 percent of deposits and about 4 percent of loans.

Chart 3: Share of each region in the total banking network, deposits and loans (in %)



In the Tangier offshore zone, banks have 5 branches and one subsidiary, unchanged from previous years.

The network of finance companies stands, at the end of 2017, at 250 own branches[1], of which 56 percent are held by consumer loan companies and 21 percent by real estate loan companies.

The network of microcredit associations grew by 4.5 percent to 1.757 units, after a rise of 6.3 percent a year earlier.

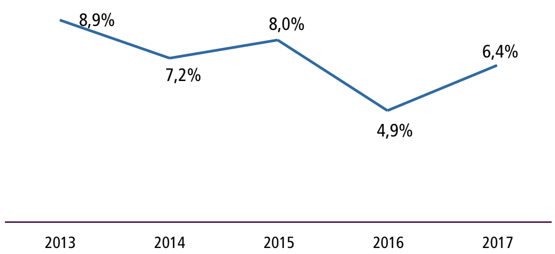
The network of funds transfer companies expanded by 16.6 percent, from 28.3 percent in 2016, reaching 4,204 points of sale, divided into 832 own branches and 3,372 branches managed by payment agents with whom the companies signed representation contracts.

1.3- Change in the number of bank accounts

At end- 2017, the number of bank accounts increased by 6.4 percent to almost 26 million, after increasing 4.9 percent at the end of 2016.

1 Excluding the network of payment means management companies.

Chart 4: Change in the number of bank accounts

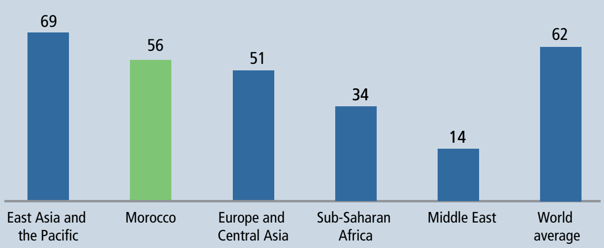


The number of accounts opened by participatory banks stood at around 27 thousand accounts at end-2017.

Box 2 : Holding bank accounts - Use of data from the Bank Accounts Registry

Thanks to the bank accounts registry, set up by Bank Al-Maghrib, a bancarization indicator can be now calculated, counteracting the impact of multiple bank accounts and limited to the accounts of individuals in relation to the adult population (whose age is above 15 years). This shows a rate of around 56 percent as against almost 62 percent on world average.

Percentage of adults with at least one bank account



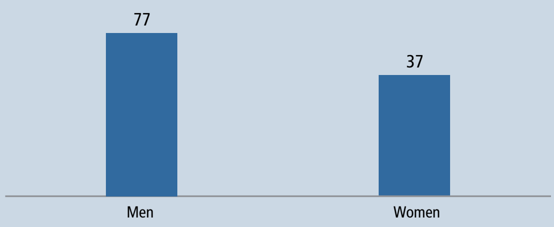
Source: Global Findex Database, Bank Accounts Registry and HCP

This rate differs depending on individual characteristics such as gender, age and socio-professional category. In fact, according to the same data from the Bank Accounts Registry, 77 percent of adult men have an account with a bank, as against 37 percent of women.

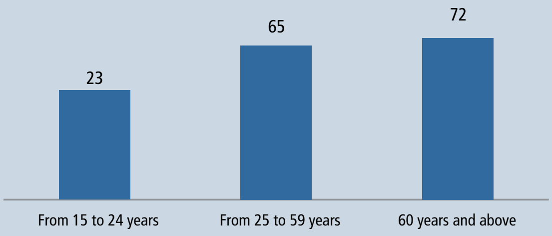
Box 2 : Suite

By age group and based on data from the Bank Accounts Registry, 23 percent of people aged from 15 to 24 years hold one bank account. Older groups hold at least one bank account to the tune of 65 percent for the population aged from 25 to 59 years and 72 percent for those aged over 60 years.

Population with at least one bank account by gender (in %)



Population with at least one bank account by age group (in %)

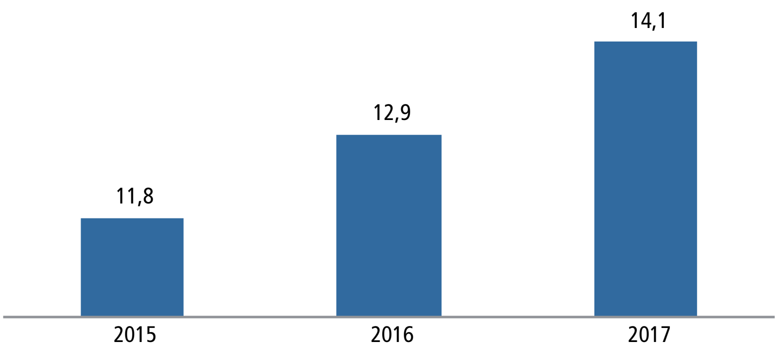


Source: The Bank Accounts Registry and HCP

1.4- Change in banking cards

The use of bank cards grew by 9.4 percent to 14.1 million at the end of 2017, the bulk of which remains used for withdrawal and payment transactions (93.3 percent as against 92.1 percent in 2016). Moroccan cards recorded for payments and withdrawals 323.6 million operations, amounting to 267.1 billion dirhams, up 10.4 percent and 9.4 percent, respectively.

Chart 5: Change in the number of banking cards in circulation (in million)



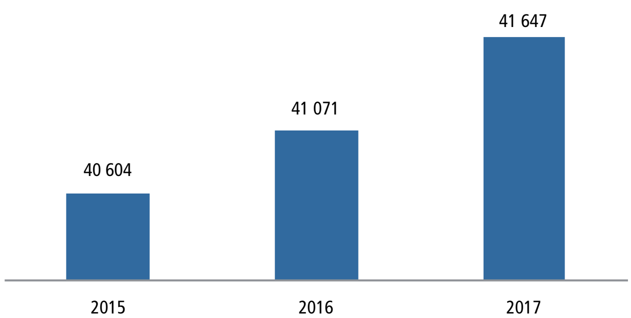
Following the same trend as branch network, the automated teller machine (ATM) network expanded by 3 percent, as opposed to 4.5 percent one year earlier. Their number increased by 204 new units to 7,025 units at end-2017.

1.5- Staff of credit institutions and similar bodies

The staff of credit institutions and similar bodies totaled, by the end of December 2017, 54,651 employees, 76.2 percent of whom are employed by banks, around 8 percent by finance companies, 13.3 percent by Microfinance institutions (MFI) and almost 2 percent by funds transfer companies.

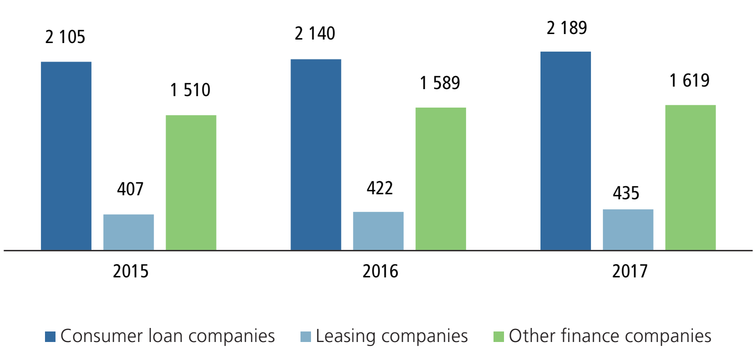
Banks increased their staff by 576 new employees (or 1.4 percent) to 41,647 employees, 47 percent of whom aged from 25 to 35 years, nearly 30 percent from 35 to 45 years and 18 percent aged 45 years and above. This development mainly concerned female staff, thereby reinforcing their share in the total workforce of the banking sector to 43 percent from 36 percent a decade ago.

Chart 6: Change in the number of banks' personnel



The finance companies sector employs 4,243 persons, i.e. an additional 92 employees compared to 2016 (+2.2 percent). The vast majority of this workforce is hired by consumer loan companies and leasing companies.

Chart 7: Change in the number of finance companies' personnel



The workforce hired by consumer loan companies posted a 2.3 percent increase as against 3.1 percent for leasing companies, 1.4 percent for factoring companies and 3.5 percent for real estate loan companies.

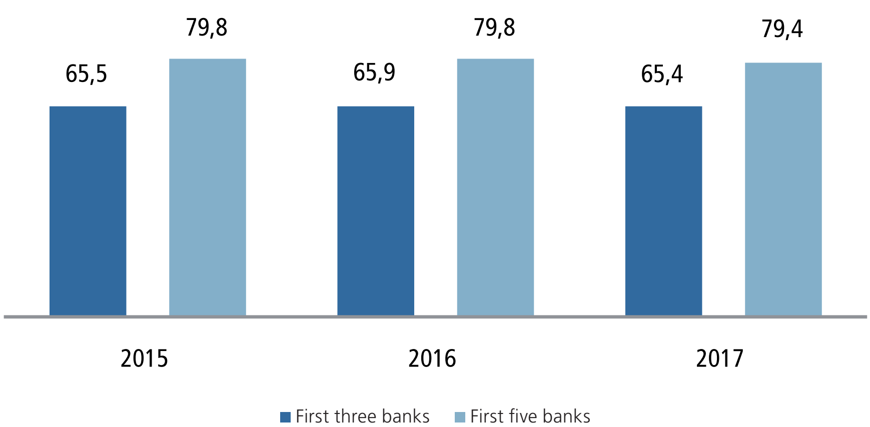
The number of employees hired by microcredit associations rose by 2.5 percent to 7,254 and the number of those recruited by funds transfers companies increased by 8.4 percent from one year to the next to reach 1,016 employees.

1.6- Change in the banking concentration

1.6.1- Concentration of banking activity on a social basis

Measured by the proportion of total assets, collected deposits and granted loans, the banking system concentration eased slightly in 2017. Indeed, the contribution of the top three banks in the sector's total assets fell from 65.9 percent in 2016 to 65.4 percent and that of the top five banks decreased by 0.4 percentage point to 79.4 percent.

Chart 8: Concentration of total assets (in %)



Regarding deposits, the share of the three first banks in the sector's fell by 0.2 point to 65.9 percent and that of the top five banks fell by 0.5 point to 80.3 percent. Similarly, the contribution of the first three banks in the distribution of loans dropped, year on year, by 0.7 percentage point to 64.1 percent, and that of the top five banks decreased by 0.5 percentage point to 81.1 percent.

Chart 9: Concentration of deposits (in %)

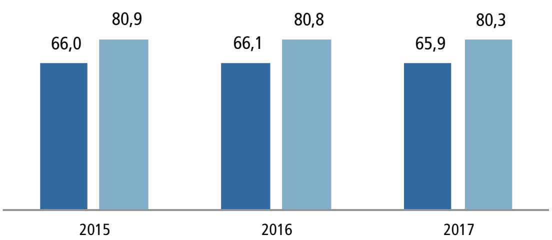
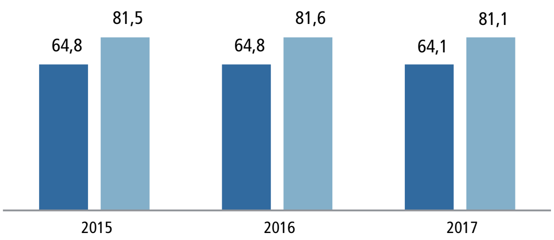


Chart 10: Concentration of loans (in %)



According to Herfindahl-Hirshman Index, the concentration level of total assets, deposits and loans of banks remained unchanged from recent years (0.17), reflecting a moderately concentrated banking market.

Depending on the shareholding status, the share of private-owned banks with majority Moroccan capital grew by 0.3 point for branches to 53.6 percent. This share remained at 66.5 percent for total deposits. However, it decreased by 0.6 percentage point and by 0.4 point to 64.6 percent and 66.2 percent respectively for loans and total assets.

Chart 11: Concentration according to the status of shareholding - 2017 (in %)

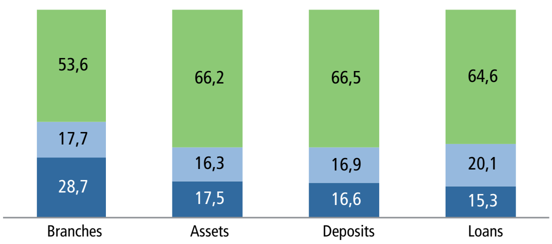
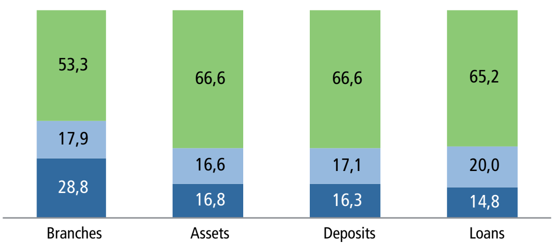


Chart 12: Concentration according to the status of shareholding - 2016 (in %)



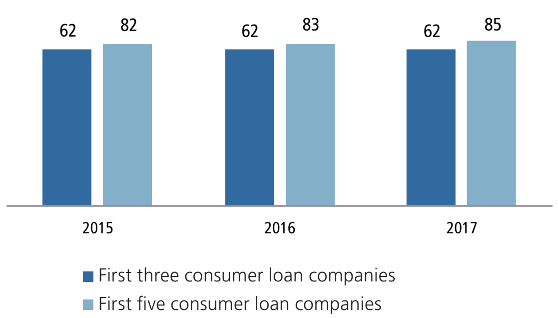
The market share of majority foreign-owned banks dropped, with proportions of 17.7 percent for branches (-0.2 point), 16.3 percent for total assets (-0.3 point), 16.9 percent for deposits (-0.2 point). The share of loans moved up 0.1 point to 20.1 percent.

The share of majority state-owned banks increased by 0.7 point to 17.5 percent in terms of total assets and by 0.3 point to 16.6 percent for deposits and by 0.5 point to 15.3 percent for loans. On the other hand, their weight in open branches fell slightly by 0.1 point to 28.7 percent.

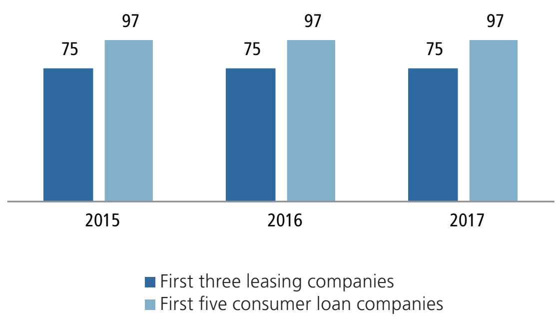
1.6.2- Concentration of finance companies' activity

In 2017, the share of the three main consumer loan companies in total assets remained unchanged, with a share of 62 percent. However, the share of the top five companies grew by two points to 85 percent. Nearly 98 percent of the sector's activity is carried out by 9 companies affiliated to financial institutions.

Chart 13: Concentration of total assets of consumer loan companies (in %)



Chapter 14: Concentration of total assets of leasing companies (in %)



In the leasing sector, the shares of total assets of the top three and top five companies remained stable at 75 percent and 97 percent, respectively.

1.6.3- Concentration of microcredit associations' activity

The contribution of the 3 and 5 micro-credit associations in the distribution of loans did not change compared to 2016. It remained at 91.8 percent and 97.6 percent, respectively.

1.6.4- Concentration of funds transfer companies' activity

In terms of the volume of funds transfers, the contribution of the first 3 payment institutions in total transfers decreased by 2.6 percentage points from 90.1 percent to 87.5 percent and that of the first 5 institutions remained at around 98 percent.

1.6.5- Concentration of banking activity on a consolidated basis

On a consolidated basis, the concentration level of credit activity did not change significantly compared to 2016, as the shares of the first 3 and 5 banking groups in total loans stood at 64 percent and 81 percent, respectively.

Table 2 : Change in the concentration of loans on a consolidated basis

	Equipment loans and cash facilities			Real estate loans			Consumer loans			Total loans		
	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017
The first 3 banking groups	63	64	63	65	64	64	63	63	65	65	65	64
The first 5 banking groups	83	83	83	81	81	81	80	79	82	81	81	81

The analysis by purpose shows that for cash facilities and equipment loans, the share of the top three banking groups fell by one percentage point to 63 percent and that of the first five groups stabilized at 83 percent. Regarding real estate loans, these shares stagnated at 64 percent and 81 percent. As to consumer loans, the share of the top three and five groups rose by 2 and 3 points to 65 and 82 percent, respectively.

2 - Activity and profitability of banks on individual basis

In a context marked by a slight strengthening of the national and international economy, banking activity was characterized by a slow growth of loans and a fall in the cost of risk.

The banking activity is analyzed on the basis of balance sheets describing their activity in Morocco. The activity carried out abroad through branches and agencies remains weak.

2.1- In a context of slow credit recovery, the activity of banks' securities portfolio expanded

At the end of 2017, the total balance sheet of the banking sector amounted to 1,271 billion dirhams, up 6 percent from one year to the next, as against 4.7 percent in 2016 and 3.8 percent in 2015. As a ratio to GDP, it stood at 120 percent, or two percentage points higher than the previous year. The share of bank assets in foreign currencies increased by 0.7 point to 8.1 percent, as Moroccan banks purchased foreign currency for clients' foreign exchange hedging. Almost 4.2 percent of these assets are held with non-resident agents.

Loans accorded to customers grew moderately in 2017, while the Treasury bonds portfolio increased significantly.

Table 3 : Change in banks' assets (Activity in Morocco)

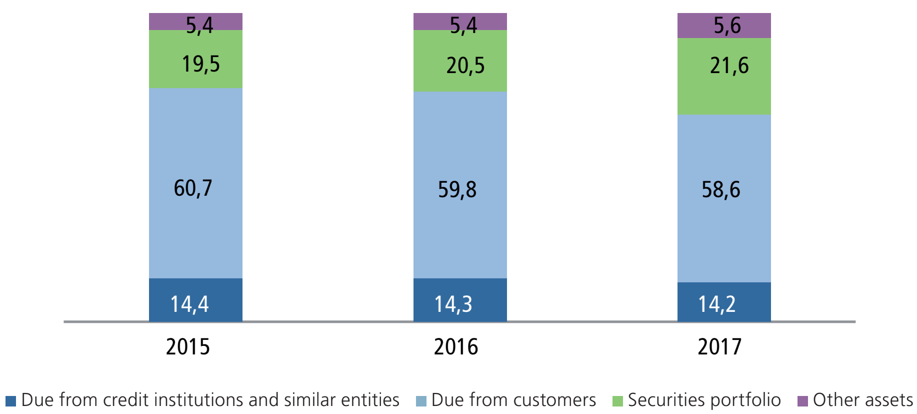
(In million of dirhams)

	2015	2016	2017	Change 2016/2017 (in %)
Due from credit institutions and similar entities	**164 774**	**170 930**	**180 290**	**5,5**
Due from customers	**695 345**	**716 444**	**744 578**	**3,9**
Securities portfolio	**223 732**	**245 522**	**274 187**	**11,7**
Including Treasury bills	118 552	118 343	139 203	17,6
Fixed assets	**27 242**	**31 205**	**35 377**	**13,4**
Other assets	**34 381**	**34 658**	**36 661**	**5,8**
Total assets	**1 145 474**	**1 198 759**	**1 271 093**	**6,0**

Headings net of amortization and provisions

These changes brought the share of due from customers and that of securities portfolio to 58.6 percent and 21.6 percent, respectively, from 59.8 percent and 20.5 percent a year earlier. The share of due from credit institutions and similar entities remained at 14.2 percent.

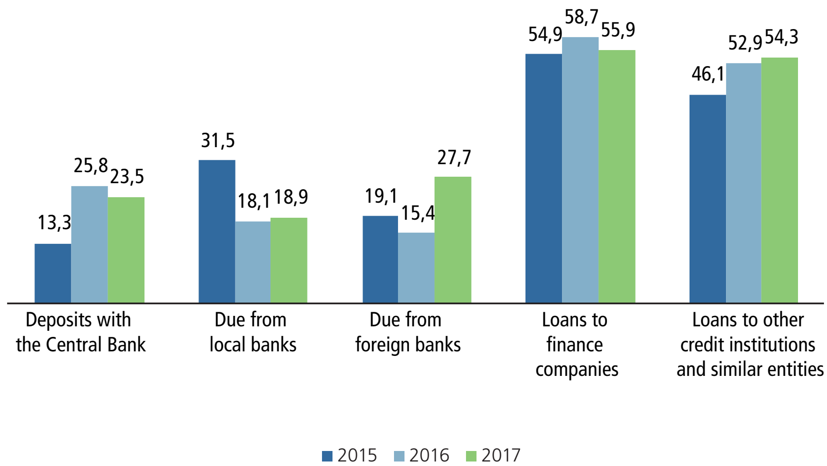
Chart 15: Structure of bank assets (in %)



2.1.1- Due from credit institutions and similar entities rose, mainly due to higher due from foreign banks

Compared with 2016, due from credit institutions and similar entities grew by 5.5 percent, thanks particularly to due from banks located abroad and, to a lesser extent, a recovery of claims on local banks and other credit institutions and similar entities.

Chart 16: Loans to credit institutions and similar entities (in billion of dirhams)



Due from local banks, amounting to 18.9 billion, showed an increase of 4.5 percent after a sharp decline of 42.5 percent in 2016. Of this total, financial loans grew by 23,2 percent to 5.4 billion dirhams and repurchase agreements appreciated by 4.7 percent to nearly 6 billion dirhams. On the other hand, fluctuating cash facilities fell by 5.7 percent to 7.6 billion.

After having almost doubled in 2016 following the increase in the required reserve ratio, deposits of banks with the Central Bank declined by 9.1 percent at the closing date to 23.5 billion of dirhams.

Outstanding loans granted by banks to finance companies decreased by 4.8 percent to 55.9 billion, as against a 7.1 percent growth in 2016, as these companies increasingly resorted to the private debt market. This trend covers decreases of 8.3 percent in cash facilities to 15.3 billion and 3.4 percent in financial loans to 40.5 billion.

After declining 19.5 percent in the previous year, due from foreign-based banks rebounded 80.1 percent to 27.7 billion, reflecting the rise in banks' foreign currency assets for purposes of clients' foreign exchange hedging. Similarly, loans to other credit institutions and similar entities continued to grow by 2.6 percent to 54.3 billion, albeit at a slower pace compared to 2016.

By type of money, foreign currency-denominated due from credit institutions and similar entities increased by 23.1 percent to almost 53 billion dirhams, reflecting higher investments with foreign banks. Conversely, dirham-denominated debts contracted by 0.4 percent to 127.4 billion, after a rise of 4.1 percent in 2016.

2.1.2- Customer loans continued to evolve slowly

In 2017, gross outstanding loans amounted to 836.7 billion dirhams, up 3.2 percent as against 3.9 percent a year earlier. As a ratio to GDP, outstanding loans fell by one point to 79 percent.

Of this total, foreign currency loans, with a share of 2.2 percent, dropped by 10.7 percent to 16.7 billion dirhams.

Outstanding loans to nonfinancial corporations slowed to 2.6 percent, after a rise of 3.4 percent in 2016, owing to an increase of 2.3 percent to 376 billion dirhams for private firms and 5.3 percent to 49 billion for state-owned companies. The growth of bank lending to households stabilized at 4 percent to stand at nearly 273 billion dirhams.

Overall, the deceleration in bank lending affected mainly loans to the public sector, whose pace of growth moved down from 15.1 percent in 2016 to 6.5 percent in 2017, due to a slow growth of loans to corporations and the general government, observed mainly at the end of the year. In contrast, loans to the private sector, businesses and households grew by 2.8 percent to 746.3 billion dirhams, after a rise of 2.7 percent a year earlier.

Credit excluding financial loans grew by 3.4 percent, as against 3.9 percent in the previous year.

Chart 17: Change in loans granted by banks (in %)

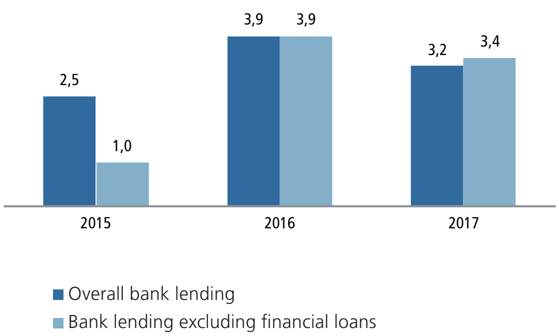
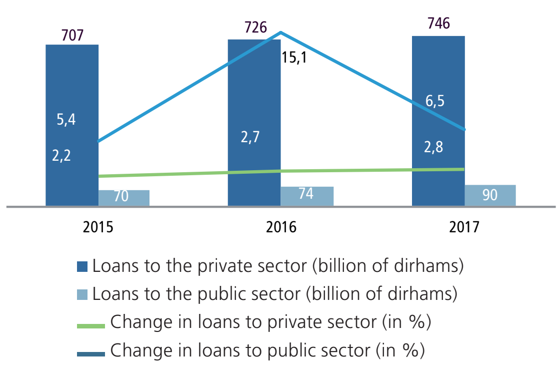
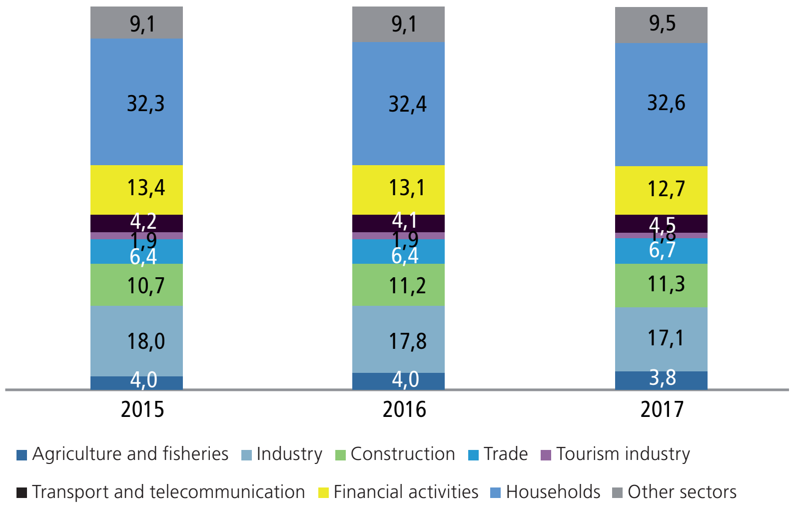


Chart 18: Bank loans to public and private sectors



Confirming the historical trend, the sectoral breakdown of banking loans shows a good diversification.

Chart 19: Sectoral breakdown of disbursement loans granted by banks (in %)

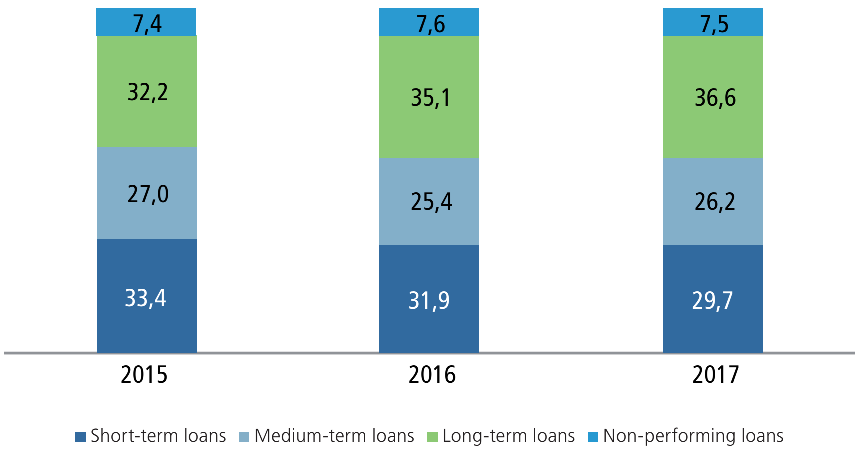


The rise in loans to companies reflects mainly increases rates of 14 percent to 37.7 billion dirhams in lending to the transport and communication sector and 8.6 percent to 56.3 billion in loans to the trade sector. The share of these two sectors thus rose to 4.5 percent and 6.7 percent, respectively. The construction and public activities sector received an outstanding credit, which moved up 3.9 percent to 94.5 billion and its share stabilized at 11.3 percent.

However, after growing by 4.6 percent in 2016, loans to the primary sector decreased by 3.8 percent to 31.5 billion, representing 3.8 percent of total loans. Similarly, credit to the tourism sector contracted by 3.2 percent, after a rise of 4.5 percent a year earlier, while its share in total loans remained stable at 1.8 percent.

The industrial sector received outstanding loans amounting to 143.3 billion, down 0.7 percent from the previous year, while its share in total loans fell by 0.7 point to 17.1 percent. This decline covers a 7.8 percent drop in loans to companies operating in the water and energy production and distribution sector, offset by respective increases of 16.2 percent and 1 percent in loans to the mining and manufacturing sectors.

Chart 20: Structure of disbursement loans granted by banks by their term (in %)



By maturity, medium and long-term loans, benefiting from increases in real estate and equipment loans, were up 7.2 percent to 525.6 billion dirhams and their share rose by 2.3 points to 62.8 percent. Outstanding short-term loans, which continued its decline since 2013, dropped in 2017 by 4.2 percent to nearly 248 billion.

2.1.3 The securities portfolio grew, mainly owing to an increase in Treasury bills

In a context of slow credit growth, the outstanding securities portfolio held by banks amounted to 275.4 billion dirhams, up 11.5 percent compared to 9.6 percent at the end of 2016. Their share thus stood at 21.6 percent of total bank assets, from 20.5 percent in 2016.

The analysis according to the purposive accounting shows that the trading securities portfolio grew by 10.8 percent to 147 billion dirhams, as against 25.4 percent in the previous year. This change is attributed to an increase of 29.7 percent in Treasury bills to 82.7 billion, while title deeds declined by 10 percent to 56.8 billion dirhams. At the same time, the outstanding held-for-sale portfolio grew by 12.1 percent to 53.4 billion, due to a 43.1 percent increase in the portfolio of title deeds, mainly in the form of non-money market fund shares/units. Similarly, Treasury bills and other debt securities posted respective increases of 3.7 percent and 3.9 percent.

Table 4: Change in banks' securities portfolio

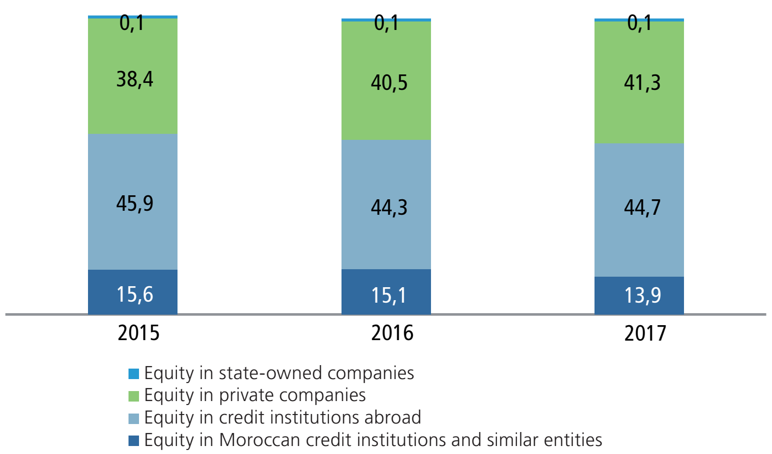
(Gross amount in million of dirhams)

	2015	2016	2017	Change 2016/2017 (in %)
Trading securities	105 793	132 623	146 991	10,8
Held-for-sale securities	46 252	47 620	53 367	12,1
Investment securities	36 300	27 337	28 339	3,7
Equity securities and similar assets	37 112	39 417	46 742	18,6
Total of securities portfolio	**225 457**	**246 997**	**275 439**	**11,5**

Investment securities, consisting of debt securities, grew 3.7 percent to 28.3 billion dirhams, after a decline of 24.7 percent in 2016, driven by a 3.9 percent increase in Treasury bills.

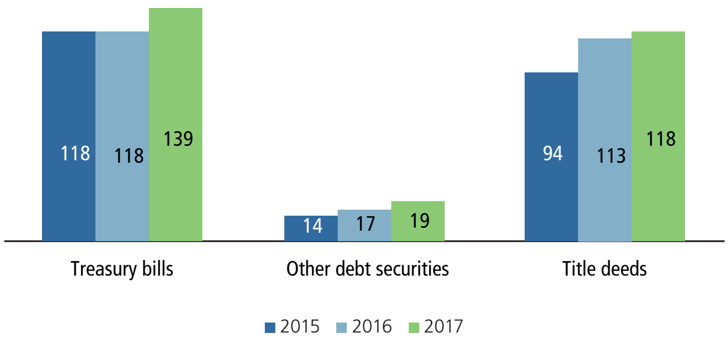
As a result of the strengthening of certain shareholdings as well as the acquisition or creation of banks in Morocco and abroad, the portfolio of shareholdings was up 18.6 percent to 46.7 billion, as against 6.2 percent in 2016. This trend reflects an increase of 24.4 percent to 18.5 billion in equities in private companies, particularly those with a financial nature. Shareholdings in credit institutions based abroad grew by 23 percent to 20.1 billion dirhams, or nearly 45 percent of the total portfolio of shareholdings and 17.4 percent of banks' capital at book value.

Chart 21: Breakdown of banks' equity portfolio by type of counterparty (in %)



The breakdown of the securities portfolio by legal nature indicates that the portfolio of Treasury bills moved up 17.8 percent to 138.7 billion dirhams, representing nearly 50 percent of the overall portfolio and 10.9 percent of bank assets, compared to 48 percent and 9.8 percent respectively in the previous year.

Chart 22 :Change in banks' securities portfolio by legal nature (in billion of dirhams)



The portfolio of other debt securities, consisting mainly of bonds and negotiable debt securities, increased by 12.6 percent to 18.8 billion dirhams. Title deeds held by banks across all portfolios (fund units/shares, shares of undertakings for collective investments in securitization) showed an increase of 4.8 percent, as against 20.4 percent in 2016, while their share in the overall portfolio shrank by 3 points to 43 percent.

Outstanding provisions for depreciation of the securities portfolio, nearly 85 percent of which are allocated to hedge equity securities and similar assets, decreased by 16.2 percent to nearly 2 billion dirhams.

2.2- Change in bank liabilities was driven by higher deposits and robust bond liabilities

Table 5 : Change in banks' liabilities (Activity in Morocco)

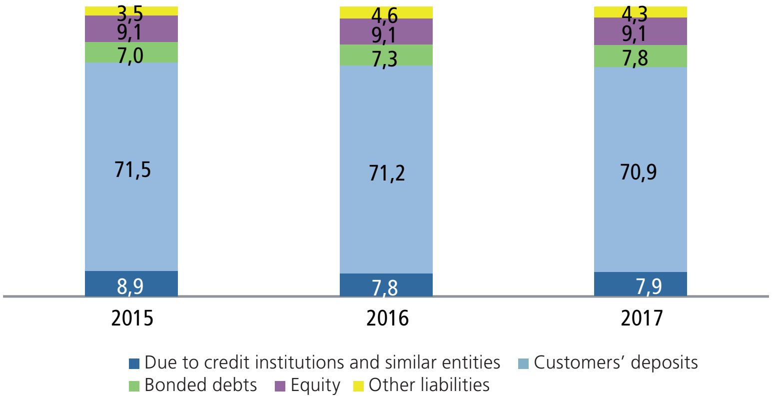
(In million of dirhams)

	2015	2016	2017	Change 2016/2017(in %)
Due to credit institutions and similar entities	**102 843**	**93 687**	**100 199**	**7,0**
Customers' deposits	**819 212**	**854 081**	**901 412**	**5,5**
Bonded debts	**79 971**	**87 034**	**99 354**	**14,2**
- Issued debt securities	49 721	52 645	57 875	9,9
- Subordinated debts	30 250	34 389	41 479	20,6
Equity	**104 280**	**108 792**	**115 428**	**6,1**
Net income	**9 362**	**12 258**[3]	**10 830**	**-11,6**
Other liabilities	**29 806**	**42 907**	**43 870**	**2,2**
Total liabilities	**1 145 474**	**1 198 759**	**1 271 093**	**6,0**

In 2017, deposits collected from customers contributed nearly two thirds to growth in bank liabilities. Similarly, liabilities in the form of equity and bonded debt expanded. In a context of increasing foreign currency bank holdings and tightening of dirham-denominated liquidity, banks used increasingly refinancing from the Central Bank.

2 Without restatement.

Chart 23: Structure of banks' liabilities (in %)



Thus, while remaining broadly stable, the structure of liabilities was marked by a rise in bonded debt. At end-December 2017, the share of this debt in liabilities grew by 0.5 point to 7.8 percent, while the share of deposits collected from customers lost 0.3 point to 70.9 percent. The shares of due to credit institutions and equity remained stable at 7.9 percent and 9.1 percent, respectively.

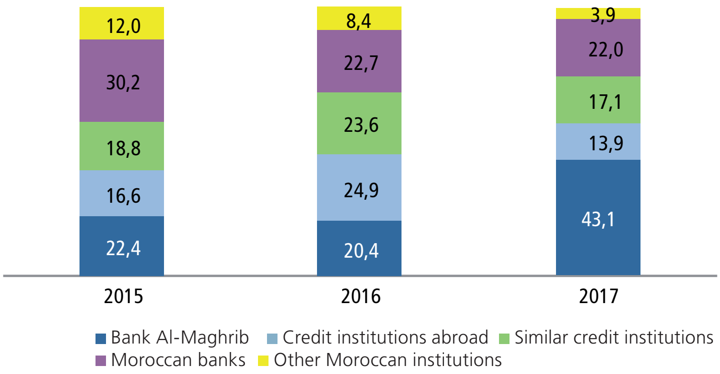
The proportion of foreign currency- denominated liabilities in the total fell by 1.6 point to 4.4 percent, following a decline in that held by non-residents from 2.1 percent to 1.4 percent.

2.2.1- Receivables from credit institutions and similar entities recovered, due to higher borrowings from the Central Bank

After two successive years of decline, debt to credit institutions and similar entities recorded an increase of 7 percent to 100.2 billion dirhams in 2017, of which 28 percent are denominated in foreign currencies, as against 51 percent at the end of 2016. This change is mainly attributed to the banks' increased use of advances from Bank Al-Maghrib, owing to a tightening of bank liquidity in dirhams, following an increase in foreign currency bank holdings. This trend follows banks' acquisition of currencies in conjunction with customers' operations of foreign exchange hedging.

At the end of 2017, the global amount of the Bank's interventions reached 43.2 billion, as against 19.1 billion a year earlier. These advances include 39 billion as 7-day advances and 3.2 billion as secured loans granted under the VSME refinancing program.

Chart 24: Breakdown of bank debts due to credit institutions by type of counterparty (in %)



By contrast, interbank debt once again declined, albeit at a slower pace, with a rate of 3.6 percent, reflecting a drop of 3.8 percent in repurchase agreements and 0.8 percent in cash borrowings as well as an increase of 22.5 percent in financial borrowings. Due to credit institutions abroad fell sharply by 40.2 percent to 13.9 billion dirhams, in conjunction with the long-term foreign currency position of Moroccan banks.

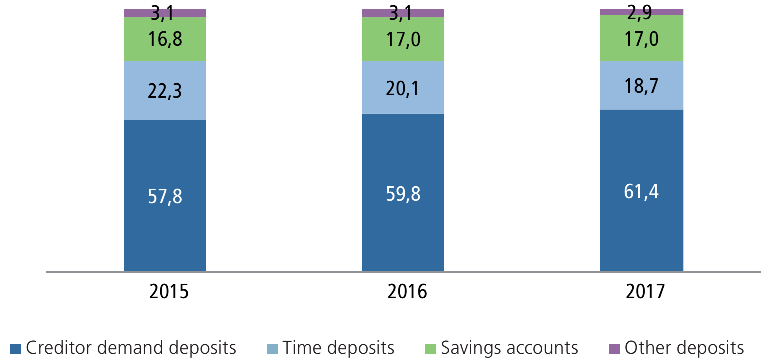
2.2.2- Liabilities collected from customers grew, driven mainly by non-interest-bearing deposits

Deposits collected from customers rose by 5.5 percent to 901.4 billion dirhams, or nearly 85 percent of GDP at current prices. Representing 97.5 percent of the total, dirham-denominated deposits registered an increase of 5.2 percent, from 4.1 percent in 2016 and currency deposits appreciated by 20 percent, from 10 percent last year.

By category, demand deposits improved by 8.3 percent to 553.3 billion dirhams and deposits in savings accounts increased by 5.4 percent to 153.4 billion. In contrast, time deposits contracted by 2.2 percent to 168.2 billion for both corporations and individuals, owing to low rates of remuneration. Other deposits, consisting mainly of volatile repurchase agreements, rose by 4.2 percent, from 1.3 percent in 2016, standing at 26.5 billion.

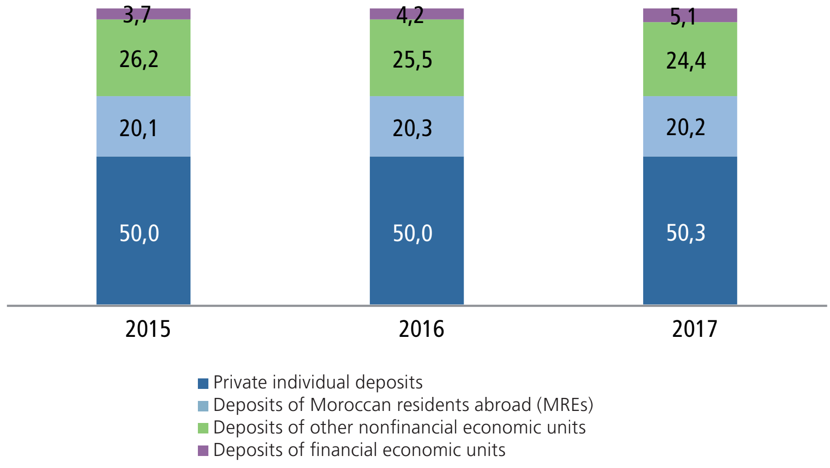
As a result, the share of time deposits dropped again to 18.7 percent, while that of demand deposits increased to 61.4 percent and the proportion of savings accounts remained at 17 percent.

Chart 25: Change in the share of various deposits' categories with banks (in %)



By economic agent, deposits by resident private individuals rose by 6.4 percent to 452.5 billion dirhams, from 5.7 percent at the end of 2016, driven by an increase of 8.1 percent in demand deposits and 5.4 percent in deposits in savings accounts. Currency deposits by private individuals grew by 14.6 percent, compared to a 5.3 percent decline a year earlier, while their share in total deposits by resident individuals remained low at 1.1 percent.

Chart 26: Structure of deposits with banks by economic agent (in %)



Meanwhile, the growth of deposits by Moroccans residents abroad (MREs) slowed slightly from 5.5 percent to 5.1 percent to 181.6 billion dirhams. Of this total, their demand deposits grew by 8.2 percent and their savings accounts by 7.5 percent, while their time deposits decreased by 0.7 percent.

With a 6.1 percent increase in demand deposits and a 13.1 percent decline in time deposits, deposits by other non-financial agents[3] recovered 1.4 percent to reach 219.8 billion, after a drop of 0.7 percent in 2016. Their foreign currency deposits increased by 20 percent, from 19 percent at the end of 2016.

Deposits of financial units, consisting primarily of UCITS, insurance companies and social security bodies, totaled 46 billion dirhams, posting a marked increase of 25.8 percent, as against 22.7 percent in the previous year. Taken separately, deposits of UCITS, consisting of 57 percent of time deposits, rose by 41.7 percent to 25.9 billion, as opposed to 30.3 percent in 2016. After a decline of 17.7 percent in 2016, deposits of insurance companies, representing 10 percent of liabilities collected from financial units, grew by 15.6 percent to 4.6 billion, of which 46 percent as demand deposits and 43 percent as time deposits. After a drop of 18 percent, the foreign currency deposits of the financial units more than doubled to 720 million dirhams.

2.2.3- Long-term bank liabilities continue to grow thanks to increased use of bonded debt

The total outstanding amount of bonded debt of banks grew 14.2 percent to 99.4 billion dirhams. This growth reflects a 9.9 percent recovery of outstanding debt securities issued to 57.9 billion, thanks to an increase in issues of 21 percent for bonds and 10.3 percent for certificates of deposit. 63 percent of these certificates are held by UCITS, 27 percent by credit institutions and similar entities and 2 percent by insurance companies and social security bodies.

Chart 27: Change in banks' bonded debts (in billion of dirhams)

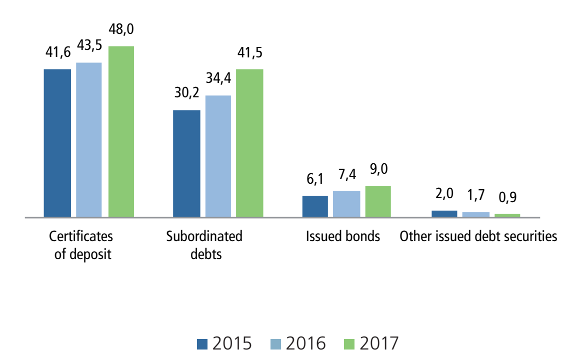
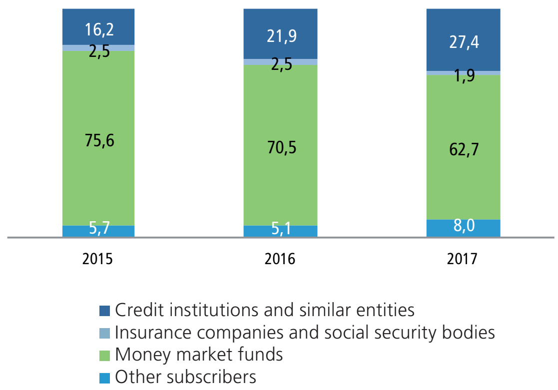


Chart 28: Outstanding certificates of deposit by type of subscribers (in %)



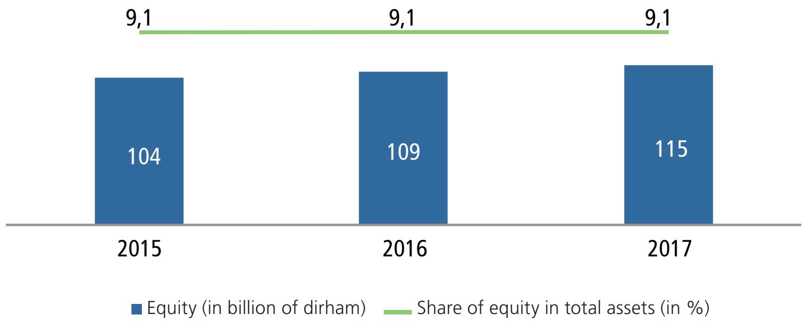
To strengthen their solvency ratios regarding to the regulatory requirements, banks issued subordinated debt, which rose 20.6 percent to 41.5 billion, as against 13.7 percent a year earlier.

3 Other non-financial agents include private corporations and the public sector.

2.2.4- Banks' equity continued to strengthen

After a 4.3 percent increase in 2016, the growth of banks' equity accelerated to 6.1 percent, thanks to the carry-over of a portion of income. It totaled nearly 115 billion dirhams, which is a share in liabilities that remains stable at 9.1 percent.

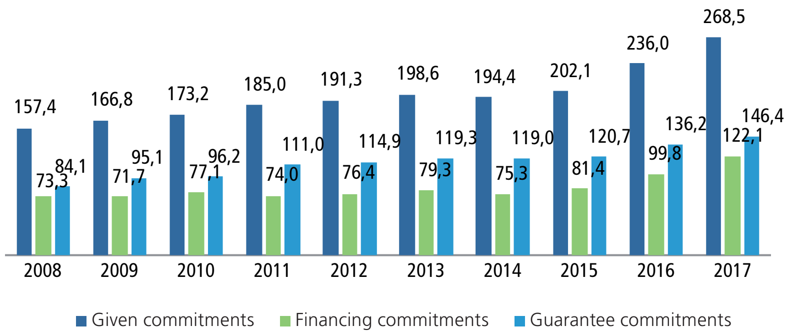
Chart 29: Change in banks' equity



2.3- Banks' off-balance sheet commitments increased due to higher financing and guarantee commitments given to customers.

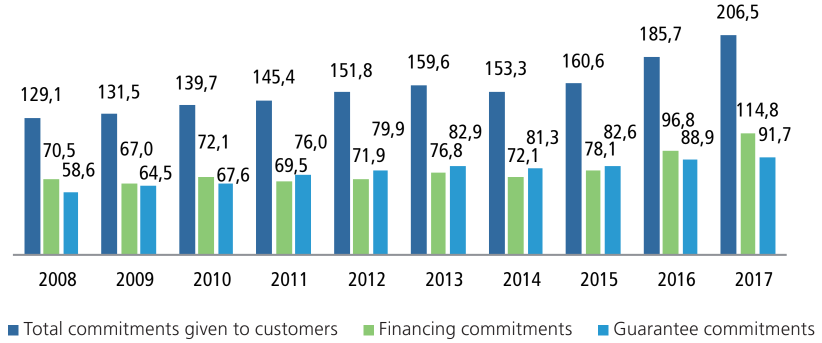
The exposures of Banks' off-balance sheet commitments consist mainly of given or received guarantee and financing commitments, as well as commitments on foreign exchange operations and derivatives

Chart 30: Change in commitments given to banks (in billion of dirhams)



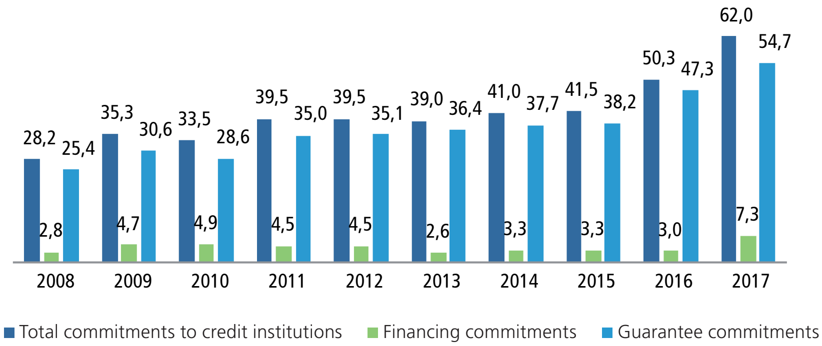
Commitments given by banks rose by 13.8 percent to 268.5 billion dirhams, as against 16.7 percent in the previous year, reflecting respective increases of 22.4 percent and 7.5 percent in financing commitments and guarantee commitments to 122.1 billion and to 146.4 billion, respectively.

Chart 31: Change in commitments given by banks to customers (in billion of dirhams)



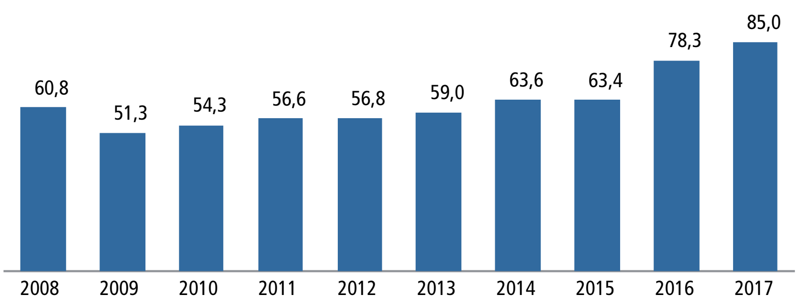
Commitments to customers, representing 77 percent of the total given commitments, grew by 11.2 percent to 206.5 billion dirhams. Financing commitments, with a 56 percent share, rose by 18.6 percent to 114.8 billion and guarantee commitments moved up 3.1 percent to 91.7 billion dirhams.

Chart 32: Change in commitments given by banks to credit institutions (in billion of dirhams)



At the same time, the commitments given to credit institutions and similar entities, made up of 88 percent of guarantee commitments, increased by 23.4 percent to 62 billion. Of this total, financing commitments more than doubled to 7.3 billion, while guarantee commitments grew by 15.8 percent to 54.7 billion dirhams.

Chart 33: Change in commitments received from banks (in billion of dirhams)



Received commitments rose by 8.5 percent to 85 billion dirhams. Of this total, guarantee commitments received from credit institutions and similar entities grew by 8.7 percent to 74.7 billion dirhams, while the amount of received financing commitments, representing 3 percent of the total, decreased by 47.8 percent to 2.8 billion.

Foreign currency commitments on-spot foreign exchange transactions decreased by 40.4 percent to 12.6 billion. Likewise, off-balance sheet commitments on forward foreign exchange transactions fell by 9.3 percent to 81 billion.

Commitments on derivatives, corresponding to hedging operations or transactions carried out on behalf of customers, fell by 8.1 percent to a notional amount of nearly 47 billion dirhams. This trend covers decreases of 23.8 percent in commitments on exchange rate instruments to 21.3 billion and of 53.8 percent in commitments on interest rate instruments to 6.7 billion, partially offset by an increase of 113 percent in commitments on other instruments to 19.4 billion.

2.4- Net income improved when restated due to a significant nonrecurring transaction in 2016

In 2017, banks recorded a decrease in net income, due to the sharp decline in nonrecurring revenue and income from market operations, while the cost of risk fell. Nonetheless, the 2016 financial year was marked by a significant nonrecurring transaction that caused a considerable increase in the sector's cumulative net income. Restated due to this transaction, the profit margin achieved by banks in 2017 was tilted on the upside.

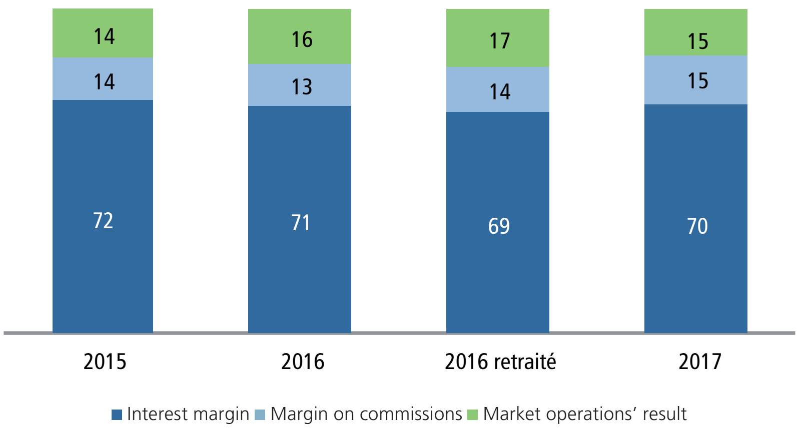
In the elaborations in this section, the change in banks' profitability components is calculated on the basis of the 2016 data restated due to this exceptional operation. It is based on the analysis of the main intermediate operating totals of banks resulting from their activity in Morocco.

Chart 34: Change in management intermediate balances (in billion of dirhams)

2.4.1- Net banking income improved thanks to the uptrend in interest margin and margin on commissions

The net banking income (NBI) stood at 46 billion dirhams, up 2 percent, as against 3.4 percent in 2016, thanks to a recovery in the interest margin and an increase in the margin on commissions. Income from market operations fell back.

Chart 35: Structure of the net banking income (in %)



Owing to the fall in the financing costs, the interest margin improved by 3.8 percent to 30.9 billion dirhams, after a drop of 2.2 percent recorded in 2016. Thus, its share in NBI increased by one point to 70 percent, from one year to the next.

Net interest income on customer operations grew by 7.5 percent to almost 30 billion dirhams, driven by an increase of 2.4 percent in interest earned on loans to 38.7 billion and a decline of 11.8 percent in interest paid on deposits to 8.8 billion dirhams, due to a drop of 18.2 percent in interest paid on time deposits.

After a rise of 25.5 percent in the previous year, the net interest income on transactions with credit institutions and similar entities fell by 20 percent to 1.5 billion dirhams, in conjunction with the significant increase of 37.1 percent in interest paid on borrowings to 2.5 billion dirhams, particularly owing to the higher volume of refinancing transactions with the Central Bank.

Net interest income from debt securities increased from 23 million to a charge of 520 million dirhams. This trend is attributable to a decrease of 10.2 percent in interest earned on securities held to 2.8 billion and an increase of 7.6 percent in interest paid on debt securities issued to 3.3 billion dirhams, owing to higher emissions.

The margin on commissions rose 9.4 percent to 6.9 billion, from 6 percent a year earlier, reflecting an 8.5 percent increase in commissions earned and a stagnation of commissions paid. Commissions earned on service delivery moved up 9.6 percent to 7.2 billion, as against 7.9 percent last year. Commissions on operating accounts and means of payment, representing nearly 55 percent of the total, grew by 6.8 percent to 1.5 billion and 7.3 percent to 2.4 billion, respectively, due to increases of 6.4 percent in the number of open accounts and 9.4 percent in cards in circulation. Similarly, commissions on sales of insurance products rose 22.7 percent to 311 million, due to a 19 percent increase in these products. Commissions on management and deposit of securities grew 23.4 percent to 474 million, in conjunction with an increase in assets held and commissions on credit services moved up 5.9 percent to 542 million. Conversely, commissions received on advisory and assistance activities fell by 20.4 percent to 67 million dirhams. Commissions on foreign exchange transactions dropped by 12.3 percent, to 322 million dirhams.

Income from market operations contracted by 12.7 percent to 6.9 billion dirhams, after improving by 25.4 percent in 2016. This drop mainly covers declines of 53.2 percent in income from operations on held-for-sale securities to 795 million dirhams and 12 percent in trading securities to 3.8 billion dirhams, while the year 2016 was marked by a higher value of the portfolios concerned. Income from foreign exchange transactions increased by 15.8 percent to 2.1 billion dirhams. Similarly, income on derivatives evolved positively from 16 million to 171 million dirhams.

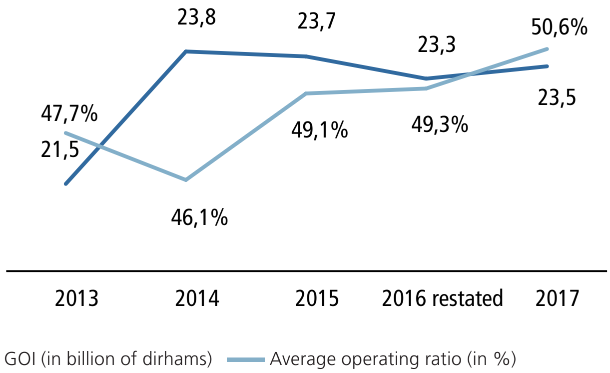
2.4.2- Gross operating income was up in 2017, despite significantly high general operating expenses

Investments made by banks to modernize their information systems, in a context of digital development, and the expansion of their workforce, led to an increase of 4.6 percent in their general operating expenses to 23.3 billion, as against 3.9 percent in 2016. This change, faster than the NBI, resulted in a deterioration of 1.3 point in the average operating ratio to 50.6 percent.

By category, staff expenses, representing 47.5 percent of general operating expenses, grew by 4.7 percent to 11 billion dirhams, from 4.1 percent in 2016. External expenses[4], which represente 39 percent of the total, rose by 4.4 percent to 9 billion dirhams, from 5 percent in 2016. Amortization and depreciation allocation of intangible and tangible fixed assets increased by 3.1 percent to aim 2.2 billion dirhams.

4 External expenses consist mainly of maintenance and repair costs, remunerations of fees and intermediaries, transportation and travel as well as advertising costs.

Chart 36: Change in GOI and average operating ratio of banks



As a result, gross operating income (GOI) increased by 1 percent to 23.5 billion dirhams, after a 1.8 percent drop in 2016.

2.4.3- The cost of risk fell in 2017 for the first time in almost a decade

For the first time since 2008, the cost of risk, amounting to 6.8 billion dirhams, posted a decrease of 22.8 percent, after a rise of 4 percent in 2016. This cost absorbed 28.7 percent of GOI, compared with 37.6 percent a year earlier. Measured as a ratio to outstanding loans, it represented 0.8 percent, as against 1.1 percent in 2016.

Chart 37: Banks' cost of risk compared to GOI

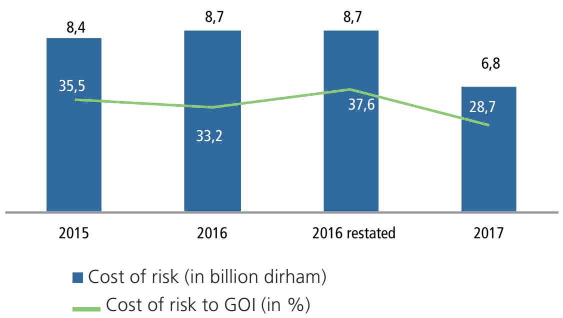
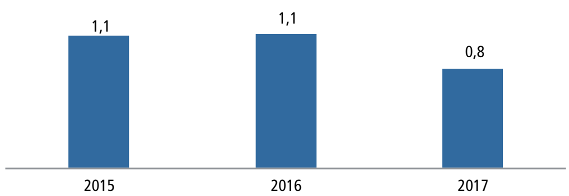


Chart 38: Banks' cost of risk compared to loans (in %)



The fall in the cost of risk impacted depreciation allocations, which were down 5 percent, after a rise of 13.7 percent in 2016. Reversals of provisions showed an increase of 11.6 percent, as against 24.5 percent in 2016. Of this total, the cost of credit risk, corresponding to allocations net of reversals of provisions for non-performing loans, fell by 31.7 percent to 5.1 billion, after a drop of 6.9 percent in 2016. However, other allocations net of reversals, covering other risks and depreciation allocations for general risks, increased by 30.4 percent to 1.6 billion dirhams.

As a result, the current income rose 15.3 percent to 16.8 billion dirhams, compared with a 5 percent decline in 2016. While still negative, the extraordinary income rose from 480 million to 830 million dirhams, particularly in connection with tax expenses.

Chart 39: Change in banks' ROA (in %)

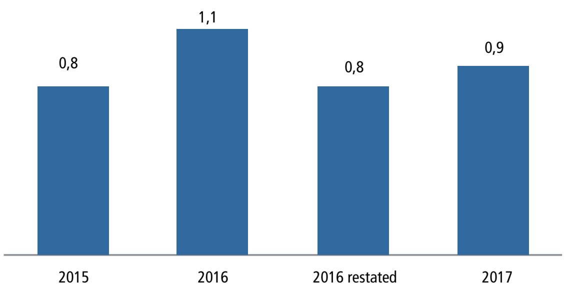
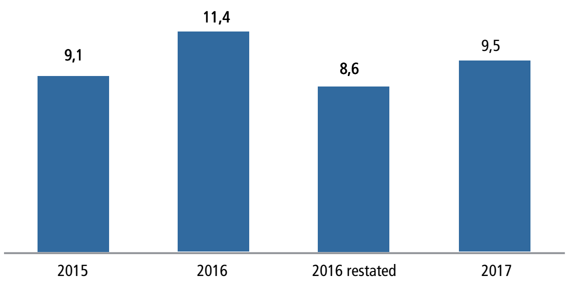


Chart 40: Change in banks' ROE (in %)

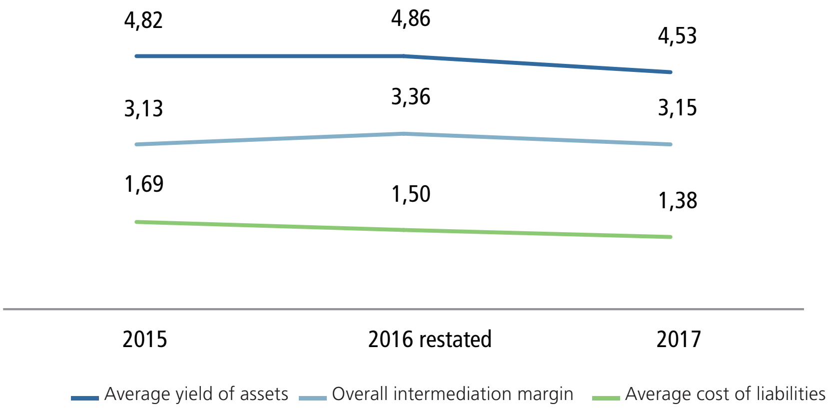


In total, banks' net income amounted to 10.8 billion dirhams, up 17.6 percent[5], after a fall of 1.7 percent in 2016. Thus, return on assets (ROA) expanded slightly by 0.1 point to 0.9 percent and return on equity (ROE) increased by 0.9 point to 9.5 percent.

Not restated due to the 2016 exceptional transaction, the net income is down 11.6 percent.

2.4.4- The overall intermediation margin shrank, due to lower yields on securities

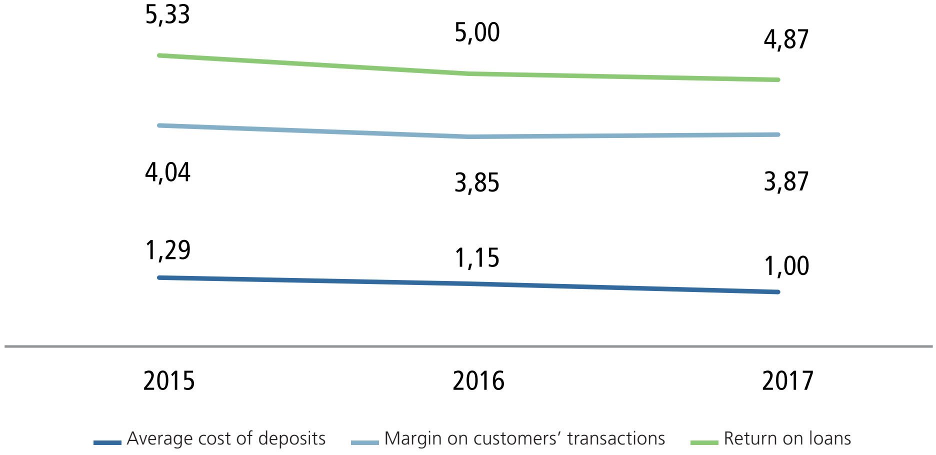
Chart 41: Change in banks' overall intermediation margin (in %)



Banks's overall intermediation margin decreased by 21 basis points to 3.15 percent, following the fall of 33 basis points in yield of assets to 4.53 percent, a rate higher than the cost of liabilities by 12 basis points to 1.38 percent.

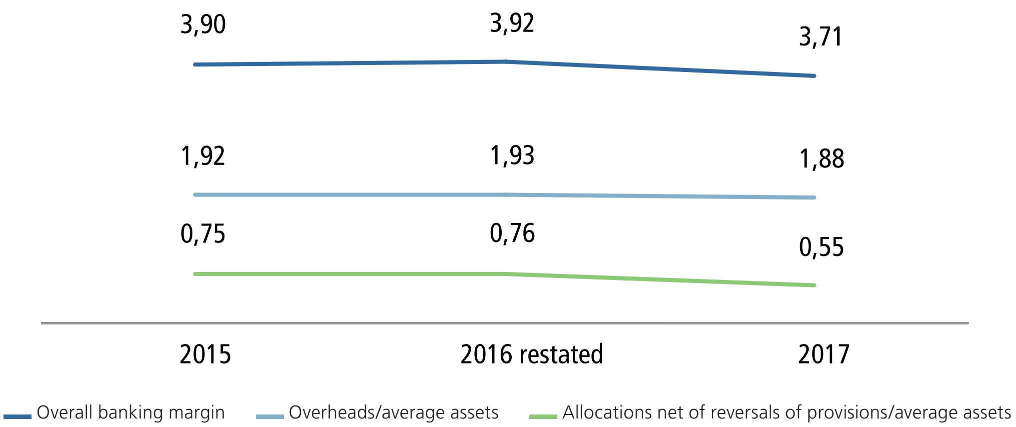
5 Based on 2016 net income restated due to a significant exceptional transaction.

Chart 42: Change in banks' margin on customer transactions (in %)



The margin on customer transactions is almost stable at 3.87 percent, due to concomitant declines of 13 basis points in the return on loans to 4.87 percent and 15 basis points in the average deposit cost to 1 percent.

Chart 43: Change in the overall banking margin, overheads and cost of risk (in %)



The overall banking margin, as measured by the ratio of NBI to average assets, dropped by 21 basis points to 3.71 percent. It was absorbed by overheads at 1.88 percent, as against 1.93 percent and by the cost of risk at 0.55 percent, as opposed to 0.76 percent in 2016.

Box 3: Activity and profitability of participatory banks

The 2017 analysis of the activity and profitability of participatory banks covered five participatory banks and one window[6] that started their activity in the second half of this year.

These banks posted total assets of 2.5 billion dirhams, more than two-thirds of which are held by 3 banks.

The financing activity started in October 2017, through Mourabaha real estate contracts, the standard contract of which obtained the assent of the Higher Council of Ulemas. Outstanding amounts of this financing stood at 159 million at end-December 2017.

Customer deposits amounted to 570 million dirhams at end-December 2017.

In terms of profitability, the participatory banks closed their first financial year, with a cumulative negative net profit of 175 million dirhams.

3 - Activity and profitability of finance companies

3.1- The activity of finance companies grew faster, particularly thanks to both professional and household leasing activities

Table 6: Change in finance companies' assets

(in million of dirhams)

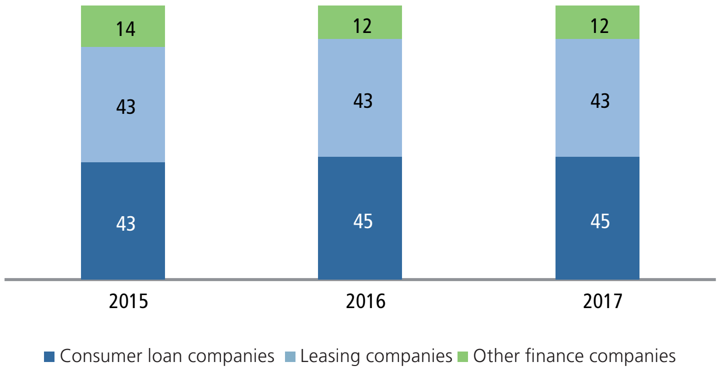
	2015	2016	2017	Change 2016/2017(in %)
Due from credit institutions and similar entities	5 664	4 864	6 224	28,0
Due from customers	90 658	94 276	99 002	5,0
Securities portfolio	1 167	1 396	1 699	21,7
Fixed assets	1 419	1 428	1 384	-3,1
Total assets	3 582	4 034	4 558	13,0
Total assets	**102 490**	**105 998**	**112 867**	**6,5**

Headings net of depreciation and provisions

At the end of 2017, the volume of finance companies, as measured by total assets, amounted to 112.9 billion dirhams. It rose by 6.5 percent, from 3.4 percent in 2016 and 3.3 percent in 2015, driven particularly by higher due from customers, representing an 88 percent share of assets and faster investments with credit institutions.

6 Two other participatory windows started their activity in early 2018.

Chart 44: Share of different categories of finance companies in the sector's total assets (in %)



Consumer credit companies and leasing companies had their share in the sector's total assets maintained at 45 percent and 43 percent, respectively

Table 7: Change in consumer loan companies' assets

(in million of dirhams)

	2015	2016	2017	Change 2016/2017(in %)
Due from credit institutions and similar entities	**593**	**703**	**616**	**-12,4**
Due from customers	**40 063**	**42 832**	**45 726**	**6,8**
Including lease with a purchase option	10 830	13 496	15 804	17,1
Securities portfolio	**17**	**197**	**17**	**-91,4**
Fixed assets	**746**	**713**	**675**	**-5,3**
Other assets	**2 588**	**2 923**	**3 319**	**13,5**
Total assets	**44 007**	**47 368**	**50 353**	**6,3**

Headings net of depreciation and provisions

The activity of consumer loan companies improved by 6.3 percent in 2017 to 50.4 billion, as against 7.6 percent a year earlier. The gross outstanding amount of loans to customers, constituting more than 90 percent of assets, moved up 6.3 percent to 49.6 billion dirhams, as against 5 percent a year earlier. This trend continues to be driven by the 17.1 percent development of leasing operations with a purchase option to 15.8 billion, coupled with the momentum of the car sales market. Personal loans granted by these companies recorded a further decline of 1.7 percent to 21.8 billion dirhams, as against 3.7 percent a year earlier.

Table 8: Change in leasing companies' assets

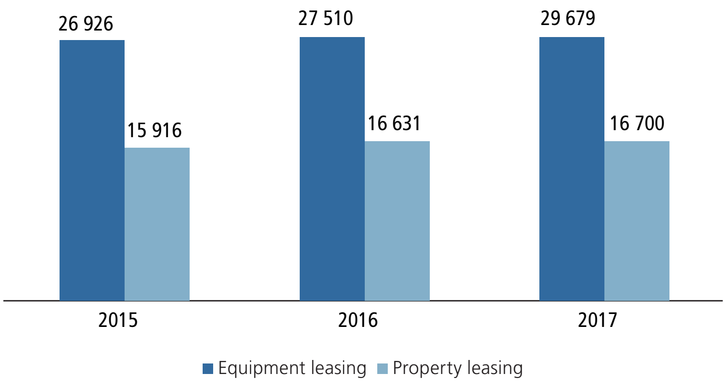
(In million of dirhams)

	2015	2016	2017	Change 2016/2017(in %)
Leasing fixed assets	**42 841**	44 141	46 380	5,1
Other customer loans	**125**	197	223	13,3
Securities portfolio	**18**	18	268	1 356,3
Other assets	**901**	1 034	1 074	3,8
Total assets	**43 885**	**45 390**	**47 945**	**5,6**

Headings net of depreciation and provisions

Meanwhile, leasing companies accumulated total assets of nearly 48 billion dirhams, up 5.6 percent, as against 3.4 percent in 2016. Their outstanding gross credit grew by 5.7 percent to nearly 49.6 billion dirhams.

Chart 45: Change in the outstanding amount of equipment and property leasing transactions (in million of dirhams)



The outstanding amount of equipment leasing transactions, representing nearly 64 percent of the total, rose by 7.9 percent to 29.7 billion, from 2.2 percent at the end of 2016. That of real estate leasing operations grew slightly by 0.4 percent to 16.7 billion, as against 4.5 percent in the previous year.

Chart 46: Breakdown of equipment leasing production by type of equipment (in %)

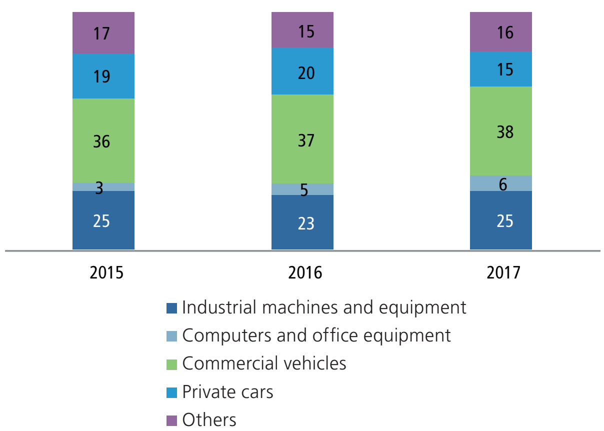
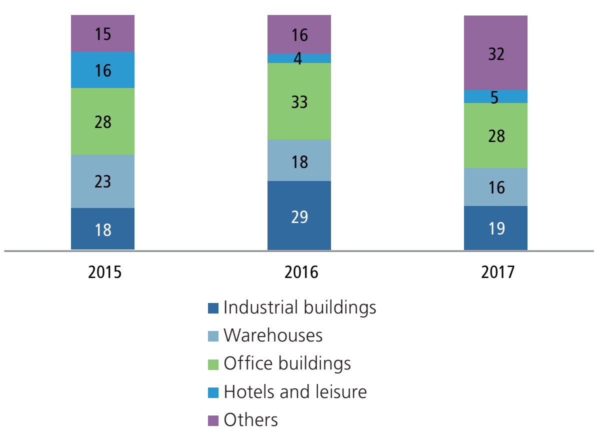


Chart 47: Breakdown of property leasing production by type of financed fixed assets (in %)



In 2017, leasing companies increased their lending by 9.4 percent to 15.3 billion[7], of which 81 percent as equipment leasing. This trend benefited the financing of commercial vehicles, industrial machinery and equipment, as well as computers and office equipment. Meanwhile, private car financing fell by 11.5 percent, after a 9.7 percent rise in the previous year.

Sectoral analysis of leasing companies' production shows that funding allocated to industrial sectors moved up 9 percent to 2.5 billion dirhams, mainly benefiting food industries, metallurgical, mechanical, electrical and electronic industries, companies operating in water and electricity production and distribution as well as textile and clothing industries.

Property leasing production fell by 4 percent to almost 3 billion. This decline particularly affected the financing of industrial buildings, office buildings and warehouses.

3.2 - Finance companies increased their use of the private debt market

The banking indebtedness of finance companies fell by 1.8 percent to 62.7 billion dirhams, after a rise of 9 percent a year ago. This decrease was offset by these companies' increased use of bonds issued by finance companies, take advantage of favorable market conditions. The outstanding amount of these securities, totaling 17.3 billion, recovered by 45.2 percent, after a drop of 26.3 percent a year earlier. Other liabilities increased by 16.3 percent to nearly 11 billion for debt to customers and 3.1 percent to 10.7 billion dirhams for equity.

7 Data from the Professional Association of Finance Companies.

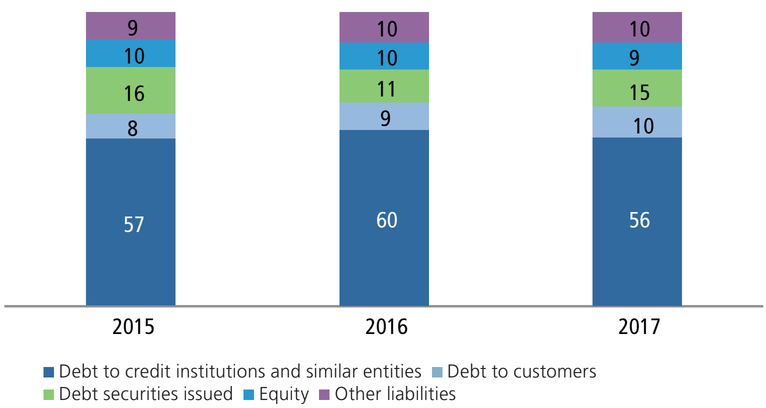
Table 9: Change in finance companies' liabilities

(In million of dirhams)

	2015	2016	2017	Change 2016/2017(in %)
Debt to credit institutions and similar entities	58 554	63 800	62 656	-1,8
Debt to customers	8 283	9 421	10 958	16,3
Debt securities issued	16 196	11 942	17 336	45,2
Equity	9 997	10 387	10 713	3,1
Net income	1 497	1 643	1 666	1,4
Other liabilities	7 963	8 805	9 538	8,3
Total liabilities	**102 490**	**105 998**	**112 867**	**6,5**

In view of these developments, the structure of liabilities changed compared to 2016, with a decrease of 4 percentage points in banking indebtedness to 56 percent and an increase in debt securities issued to 15 percent.

Chart 48: Change in the structure of finance companies' liabilities (in %)



A rate of 69 percent of finance companies' bonds are issued by consumer loan companies and 31 percent by leasing companies. UCITS are the main subscribers to such bonds with a 70 percent share, followed by credit institutions and similar entities (28 percent) and insurance companies and social security bodies (2 percent).

Table 10: Change in liabilities of consumer loan companies

(in million of dirhams)

	2015	2016	2017	Change 2016/2017(in %)
Debt to credit institutions and similar entities	18 244	21 318	19 073	-10,5
Debt to customers	6 021	6 944	8 580	23,6
Debt securities issued	9 480	8 020	11 117	38,6
Equity	5 392	5 684	5 883	3,5
Net income	851	875	923	5,5
Other liabilities	4 019	4 527	4 777	5,5
Total liabilities	**44 007**	**47 368**	**50 353**	**6,3**

At the end of 2017, the bank indebtedness of consumer credit companies contracted by 10.5 percent to 19 billion dirhams, after a rise of 16.8 percent in the previous year, while its share in liabilities fell by 8 points to 37 percent in 2017. The outstanding amount of debt securities issued, whose proportion rose by 5 points to 22 percent, showed a significant increase of 38.6 percent to an outstanding of 11 billion and debt to customers, with a 17 percent share, grew by 23.6 percent to 8.6 billion, including nearly 8.4 billion as guarantee deposits.

Constituting nearly 12 percent of liabilities, equity of these companies rose by 3.5 percent to 5.9 billion dirhams, as against 5.4 percent one year ago.

Table 11: Change in leasing companies' liabilities

(In million of dirhams)

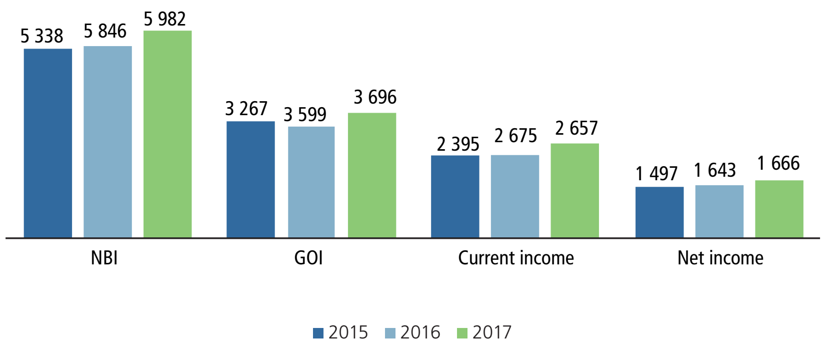
	2015	2016	2017	Change 2016/2017(in %)
Debt to credit institutions and similar entities	**31 156**	**35 051**	**35 161**	**0,3**
Debt to customers	**514**	**518**	**522**	**0,8**
Debt securities issued	**6 510**	**3 715**	**5 710**	**53,7**
Equity	**3 065**	**3 077**	**3 176**	**3,2**
Net income	**253**	**342**	**384**	**12,2**
Other liabilities	**2 387**	**2 687**	**2 992**	**11,3**
Total liabilities	**43 885**	**45 390**	**47 945**	**5,6**

Bank debts of leasing companies stabilized at 35 billion dirhams, after an increase of 12.5 percent a year earlier. However, their share in liabilities fell by 4 points to 73 percent. On the other hand, the outstanding amount of debt securities issued, representing nearly 12 percent of these liabilities, appreciated by 53.7 percent, after a decline of 43 percent to 5.7 billion a year ago. Also, capital at book value rose 3.2 percent to more than 3 billion dirhams, representing nearly 7 percent of liabilities.

3.3- Net income of the consumer loan and leasing companies continued to improve

After having increased by 9.7 percent in 2016, the cumulative net income of finance companies increased by 1.4 percent in 2017, to 1.7 billion dirhams. This change covers divergent trends across sectors. While consumer loan and leasing companies continued to achieve higher income, the income of other categories of finance companies fell, notably surety, factoring and payment means management companies.

Chart 49: Change in management intermediate balances of finance companies (in million of dirhams)

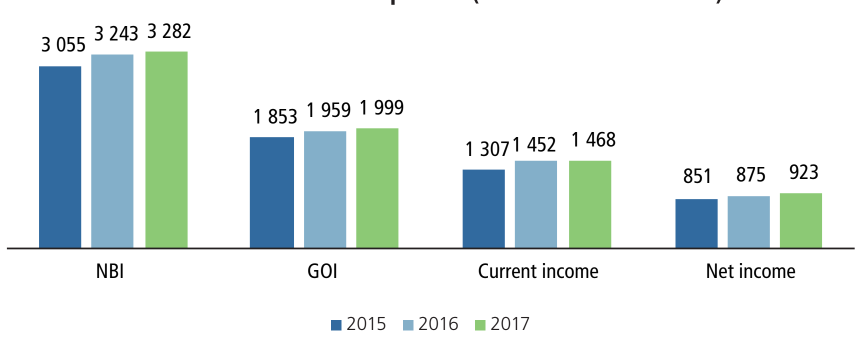


In fact, the NBI of finance companies rose by 2.3 percent to 6 billion dirhams, as against 9.5 percent in 2016. This change covers increases of 1.9 percent in the interest margin, 5.9 percent in the margin on commissions and 1.5 percent in income from leasing operations.

With a 2.7 percent increase in the general operating expenses of these companies to 2.4 billion dirhams, their average operating ratio stabilized at 40 percent. Gross operating income grew by 2.7 percent, as against 10.2 percent a year ago to stand at 3.7 billion. It was absorbed by the cost of risk at 28.1 percent, compared to 25.7 percent in 2016.

The average return on assets (ROA) of these companies stabilized at 1.5 percent and their average return on equity (ROE) fell by 0.3 point to 15.5 percent.

Chart 50: Change in management intermediate balances of consumer loan companies (in million of dirhams)



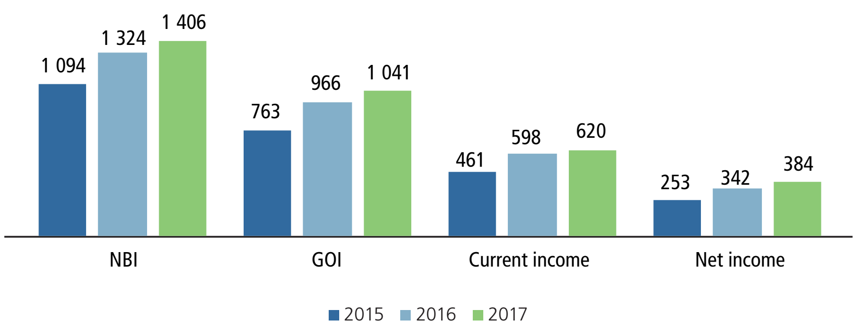
By category, consumer loan companies generated a net banking income of nearly 3.3 billion dirhams, slightly up 1.2 percent, as against 6.2 percent in 2016. This slowdown is attributed to the stagnation of the interest margin and a 5.1 percent decline in the income from leasing operation with a purchase option, as opposed to 1.7 percent a year ago. The margin on commissions grew by 7 percent, as opposed to 18.5 percent a year earlier.

The general operating expenses of these companies rose by 1.1 percent compared with 6 percent to more than 1.3 billion dirhams, resulting in an average operating ratio of 40 percent, unchanged from the last two years. The resulting GOI was up 2 percent to nearly 2 billion, as against 5.7 percent last year.

After falling 6.5 percent in 2016, the cost of risk rose by 4.7 percent to 531 million dirhams, accounting for nearly 27 percent of GOI, compared with 26 percent in 2016. Of this total, allocations net of reversals of provisions for non-performing loans slightly increased by 1 percent and other allocations net of reversals, mainly those related to tax expenses, moved down from 14.4 million to a negative amount of 4.3 million dirhams. Current income thus moved up 1 percent and extraordinary income moved down from 100 million to 9.9 million dirhams, while remaining negative.

As a result, net income generated by consumer loan companies stood at 923.4 million dirhams, up 5.5 percent from 2.8 percent last year. Consequently, the return on assets (ROA) was 1.8 percent, unchanged from 2016, and the return on equity (ROE) stood at 15.7 percent, from 15.4 percent in 2016.

Chart 51: Change in management intermediate balances of leasing companies (in million of dirhams)



The net banking income of leasing companies rose again by 6.1 percent to 1.4 billion dirhams, as opposed to 21.1 percent in the previous year. The acceleration of 2016 was due to the effects of nonrecurring transactions. Thus, the interest margin (including income from leasing transactions) fell to 6.7 percent to 1.4 billion, from 21.7 percent a year ago. The margin on commissions, which remains negative, increased, year on year, from 1.1 million to 7 million dirhams.

General operating expenses rose by 2 percent to 367.5 million dirhams, as against 7.4 percent, generating a fall of 1.1 percentage point in the average operating ratio to 26.1 percent. Under these conditions, GOI grew by 7.8 percent to more than one billion dirhams, compared to 26.6 percent a year earlier.

Following an increase of nearly 17 percent in allocations net of reversals of provisions for non-performing loans, the cost of risk of leasing companies stood at 421 million dirhams, up 14.4 percent, from 22 percent in 2016, absorbing 40.4 percent of GOI from 38.1 percent a year earlier.

The overall net income generated by leasing companies rose by 12.2 percent to 384.2 million dirhams, compared to 35.2 percent in 2016. As a result, the return on assets (ROA) remained stable at 0.8 percent, while the return on equity (ROE) improved by almost 1.1 point to 12.1 percent, year on year.

Regarding the other components of the finance companies sector, the net income of real estate loan companies increased by 3 percent to 101 million dirhams. Conversely, factoring and payment means management companies recorded respective decreases in their net income of 9.8 percent and 14.3 percent.

4 - Activity and profitability of offshore banks

There are 6 offshore banks, including 5 subsidiaries and one branch of approved banks in Morocco. Their activities mainly concern the provision of banking and financing services to companies located in the Tangier offshore zone and the other free zones, the financing, the hedging, the guarantee as well as the execution of settlement flows for economic operators carrying out transactions with counterparties abroad.

Table 12: Change in offshore banks' assets

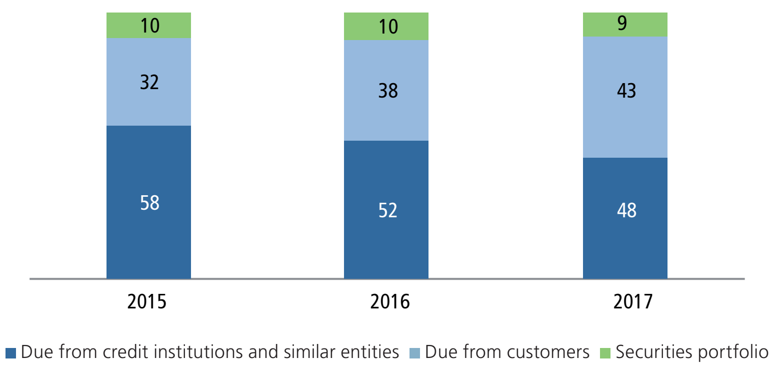
(In million of dirhams)

	2015	2016	2017	Change 2016/2017(in %)
Due from credit institutions and similar entities	**23 699**	**25 181**	**20 524**	**-18,5**
Due from customers	**13 294**	**18 147**	**18 536**	**2,1**
Securities portfolio	**3 796**	**4 484**	**2 901**	**-35,3**
Other assets	**180**	**277**	**696**	**151,5**
Total assets	**40 969**	**48 089**	**42 657**	**-11,3**

Headings net of depreciation and provisions.

At the end of 2017, the activity of offshore banks, as measured by the total balance sheet corresponding to an equivalent dirham value, stood at 42.7 billion dirhams, down 11.3 percent, after a rise of 17.4 percent in 2016. This contraction reflects a decline of 18.5 percent in due from credit institutions to 20.5 billion dirhams, after a rise of 6.3 percent a year earlier, and a drop of 35.3 percent in the securities portfolio to 2.9 billion. Due from customers recorded a rise of only 2.1 percent to 18.5 billion dirhams, after a significant increase of 36.5 percent in 2016. Outstanding non-performing loans from these banks stood at 58 million dirhams, representing 0.3 percent of loans.

Chart 52: Structure of offshore banks' assets (%)



As a result, the share of due from customers in assets moved up, year on year, from 38 percent to 43 percent, while the proportion of credit institutions and similar entities fell by 4 points to 48 percent and that of the securities portfolio fell by one point to 9 percent.

Table 13: Change in offshore banks' liabilities

(In million of dirhams)

	2015	2016	2017	Change 2016/2017(in %)
Due to credit institutions and similar entities	**35 368**	**41 092**	**34 619**	**-15,8**
Customers' deposits	**4 293**	**5 602**	**6 500**	**16,0**
Equity	**627**	**643**	**641**	**-0,3**
Other liabilities	**681**	**752**	**897**	**19,4**
Total liabilities	**40 969**	**48 089**	**42 657**	**-11,3**

Offshore banks' debts to credit institutions and similar entities, constituting more than 81 percent of their liabilities, fell by 15.8 percent to 34.6 billion, after having recorded an increase of 16.2 percent a year earlier. They include liabilities raised from credit institutions in Morocco at 66 percent and liabilities raised from non-resident credit institutions at 34 percent. Deposits collected from customers, with a 15.2 percent share, grew by 16 percent to 6.5 billion, compared to 31 percent in 2016. They include deposits of non-residents to the tune of 33 percent.

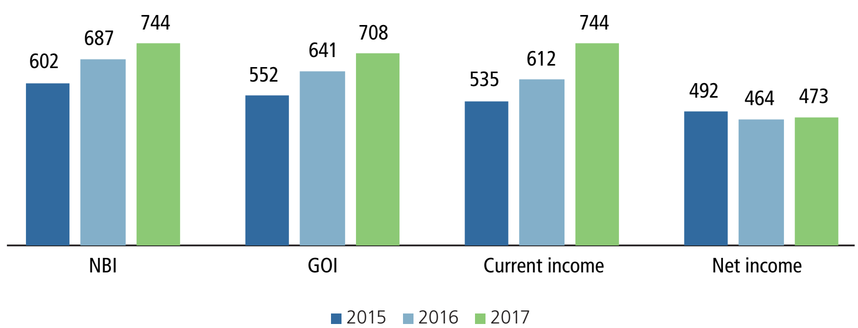
Offshore banks' capital at book value, amounting 641 million dirhams at end-December 2017, decreased by 0.3 percent from 2016. Measured as a ratio to total assets, it accounted for 1.5 percent.

Financing commitments given by offshore banks amounted 330 million dirhams, down 5.6 percent, reflecting a 65 percent decline in commitments to credit institutions and the like to 104 million dirhams and an increase in commitments to customers from 54 to 226 million dirhams.

Given guarantee commitments grew by 31 percent to 1.4 billion dirhams, after a 39 percent decrease at the end of 2016, reflecting a 94 percent increase for guarantee commitments to credit institutions and the like to 696.4 million dirhams and a 1.6 percent decrease in guarantee commitments to customers to 682 million dirhams.

Received guarantee commitments fell by 21.7 percent to nearly 13 billion dirhams.

Chart 53: Change in management intermediate balances of offshore banks (in million of dirhams)



At the end of 2017, offshore banks recorded a net banking income of 744 million dirhams, up 8.4 percent from 14 percent in 2016, in conjunction with an improvement of 43.2 percent in the margin on commissions to 36.5 million dirhams and the income from market transactions, which moved from a deficit balance of 9.6 million to a surplus of 15.4 million, owing to higher income on the held-for-sale portfolio. The interest margin rose 3 percent to 692 million dirhams, as against 21 percent a year earlier.

The net income generated by offshore banks rose by nearly 2 percent to 473 million dirhams, after a decrease of 5.7 percent in 2016, a year marked by a higher cost of risk.

5 - Activity and profitability of microcredit associations

The network of the microcredit sector includes 1,757 points of sale, up 4.5 percent compared to 2016. The number of customers grew by 3 percent to 925,000 customers, nearly half of whom are women.

Table 14: Change in the assets of microcredit associations

(In million of dirhams)

	2015	2016	2017	Change 2016/2017(in %)
Due from credit institutions and similar entities	832	792	655	-17,3
Due from customers	5 746	6 234	6 437	3,3
Fixed assets	192	201	251	24,7
Other assets	172	183	227	24,6
Total assets	6 942	7 410	7 570	2,2

Headings net of depreciation and provisions.

Loans granted to customers by microcredit associations totaled a gross outstanding amount of 6.6 billion dirhams, recording a rise of 3.7 percent, as against 7.7 percent a year ago. As a result, the average outstanding credit remained at 7,000 dirhams. The sector has three associations that account for nearly 92 percent of loans to customers.

Loans to micro enterprises account for 89 percent of the total, down one point from the last two years and almost 70 percent is concentrated in urban areas, compared to 66 percent a year earlier. The share of individual loans expanded further, from 68 percent to 70 percent.

Outstanding non-performing loans rose by 20 percent to more than 220 million dirhams, after a fall of 19 percent in 2016, giving a risk ratio of 3.3 percent, from 2.9 percent a year earlier. These loans are covered by provisions amounting to 82 percent, as against 80 percent in 2016.

Due from credit institutions and the like, made up mainly of investment transactions with banks, represent 9 percent of the total assets, down 17.3 percent to 655 million dirhams.

Table 15: Change in liabilities of microcredit associations

(In million of dirhams)

	2015	2016	2017	Change 2016/2017(in %)
Debt to credit institutions and similar entities	3 876	3 989	3 938	-1,3
Equityet assimiles	2 300	2 663	2 780	4,4
Other liabilities	766	758	852	12,4
Total Liabilities	6 942	7 410	7 570	2,2

Due to credit institutions, composed of 83 percent of indebtedness with local banks, contracted by 1.3 percent, after a rise of 2.9 percent to 3.9 billion dirhams. Thus, it represents 52 percent of liabilities of microcredit associations.

Equity of microcredit associations. consolidated by 4.4 percent to 2.8 billion dirhams, or 37 percent of liabilities.

The microcredit associations. sector closed the 2017 financial year with a net profit of 179 million dirhams, showing a drop of 15 percent, after that of 14 percent in 2016. This trend is attributed to increases of 6 percent in operating expenses to 1.1 billion dirhams and 1 percent in the cost of risk to 348 million dirhams. The net banking income increased by 5 percent to 1.6 billion dirhams. Average yields of assets and equity fell to 2.3 percent and 6.4 percent, respectively, from 2.8 percent and 8.3 percent a year earlier.

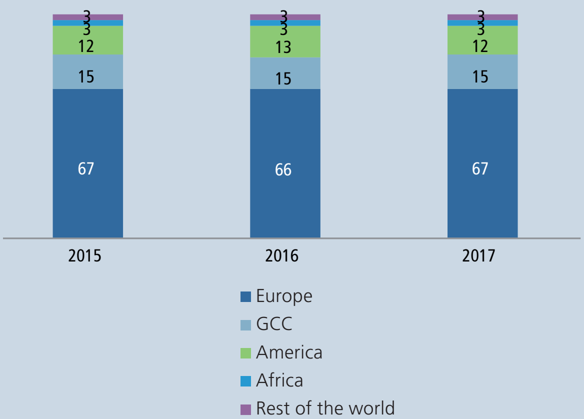
6 - Activity and profitability of funds transfer companies

In the financial year 2017, payment institutions specializing in funds transfer had a total balance sheet of 1.4 billion dirhams, up 8.8 percent compared to 2016. Equity amounted to 615 million dirhams, from 594 million dirhams and indebtedness grew by 35 percent to 200 million dirhams.

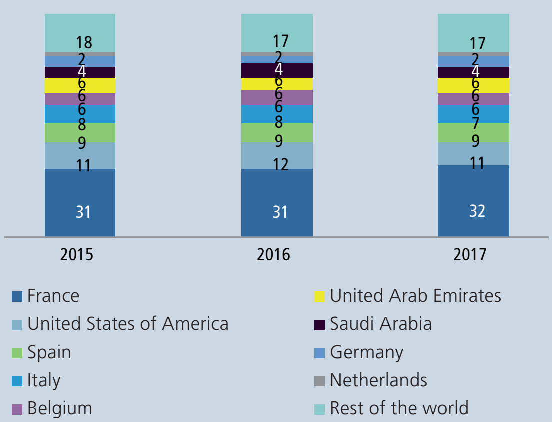
Box 4: Money transfer operators (MTO)

Money transfers received from abroad through Money Transfer Operators (MTO) were executed at 68 percent by payment institutions specializing in money transfer and at 32 percent by banks. The breakdown of these transfers by origin shows a predominant share from Europe (67 percent), followed by the Gulf countries (15 percent) and America (12 percent). Transfers from Africa represent 3 percent of the total.

Change in MTO transfers by group (in %)



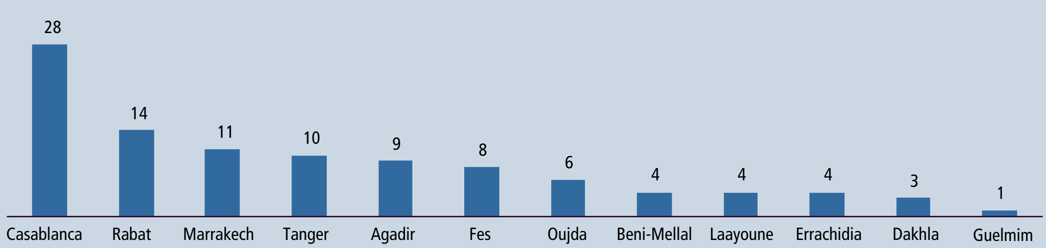
Breakdown of MTO transfers by sending country



Nearly 83 percent of MTO transfers are issued in 9 countries.

More than half of these transfers were intended to 3 main regions: Casablanca-Settat (28 percent), Rabat-Kenitra (14 percent) and Marrakech-Safi (11 percent).

Share of cities receiving international MTO transfers (in %)

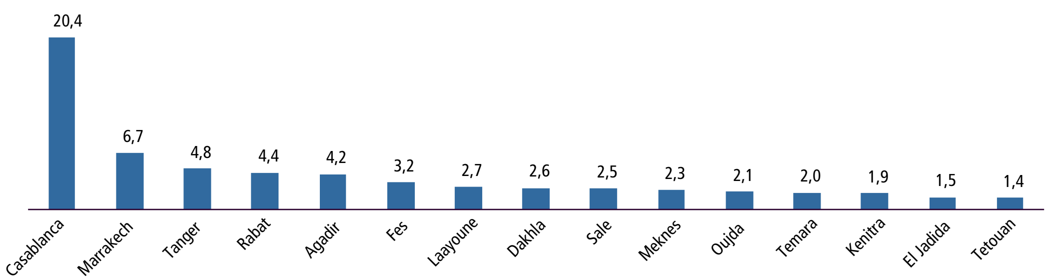


8 Money Transfer Operators.

International MTO transfers executed by payment institutions specializing in fund transfer intermediation grew by 16.5 percent compared to 2016 to 23 billion dirhams.

With regard to national transfers, these institutions achieved a volume of 28.5 billion dirhams at the end of 2017, as against 24.8 billion dirhams a year earlier, or 15.5 percent

Chart 54: Share of cities in issuing national transfers (%)



In terms of profitability, turnover of payment institutions specializing in fund transfer intermediation grew by 15.2 percent in 2017 to 1.1 billion dirhams, in conjunction with the higher activity and larger network of these companies. Their net income remained at 123 million dirhams.

7 - Activity and profitability of the banking groups

The activity and profitability on a consolidated basis is analyzed based on the financial statements, prepared in accordance with the International Financial Reporting Standards (IFRS) of nine banking groups, holding 93 percent of market share on an individual basis. This analysis makes it possible to integrate banks' activity and income achieved by the companies under their control in Morocco and abroad.

The activity and profitability indicators of the nine banking groups improved in 2017, thanks to the sectoral and geographic diversification of their activities. This trend reflects the organic growth of the groups as well as the changes in the scope of consolidation, following external growth operations and strengthening of their holdings in certain subsidiaries.

7.1- The banking groups' activity accelerated thanks to a good contribution of their activity abroad

The nine banking groups recorded a total asset of 1,540 billion dirhams, up 7.6 percent, as against 5.4 percent in 2016. This trend reflects, on the assets side, an increase in loans and due from customers and assets available for sale. On the liabilities side, this trend is attributed to an increase in debt to customers.

In view of these developments, the share of financial assets available for sale grew by 0.8 point to 8.4 percent and that of loans and due from credit institutions and similar entities by 0.8 point to 5.4 percent. The proportion of loans and due from customers and held-to-maturity investments fell by 1.6 point and 0.5 point to 62.9 percent and 3.1 percent, respectively.

Chart 55: Structure of banks' assets - on a consolidated basis (in %)

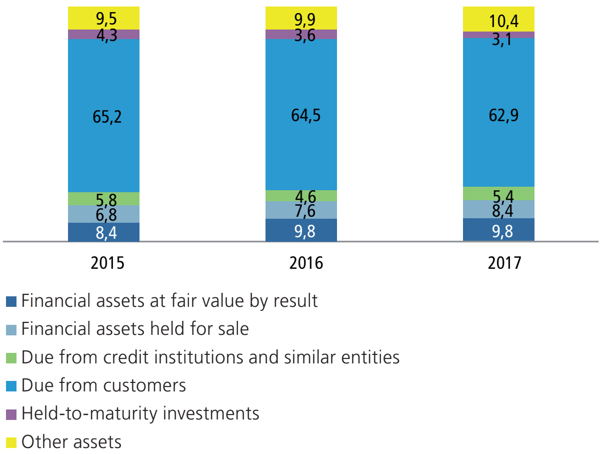
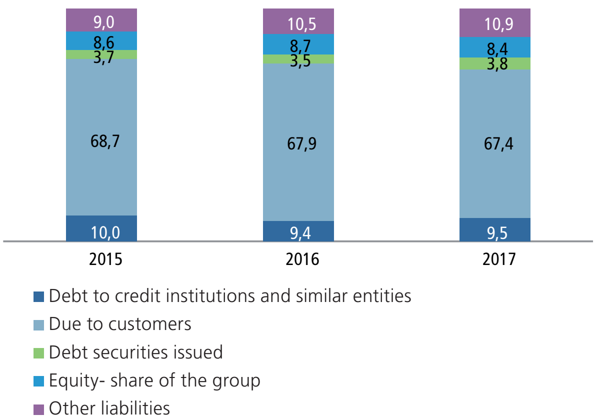


Chart 56: Structure of banks' liabilities - on a consolidated basis (in %)



At the same time, deposits collected from customers continue to be the largest item of liabilities with a share of 67.4 percent. This share stood at 9.5 percent for due to credit institutions, 3.8 percent for debt securities issued and 8.4 percent for equity.

7.1.1 - Banking groups' assets increased, driven mainly by the growth of dues from customers and a substantial increase in available-for-sale assets

Table 16: Change in banks' assets on a consolidated basis

(In million of dirhams)

	2015	2016	2017	Change 2016/2017 (in %)
Financial assets at fair value by result	114 798	139 906	150 555	7,6
Financial assets held for sale	92 819	108 345	129 241	19,3
Due from credit institutions and similar entities	78 784	65 185	83 034	27,4
Due from customers	886 552	923 864	969 202	4,9
Held-to-maturity investments	58 157	50 882	47 352	-6,9
Other assets	127 639	144 018	161 021	11,8
Total assets	**1 358 749**	**1 432 200**	**1 540 405**	**7,6**

At the end of 2017, loans and due from customers grew by 4.9 percent to 969.2 billion dirhams, as against 4.2 percent at the end of 2016. The same trend was also recorded by due from credit institutions, which grew by 27.4 percent to 83 billion, after a decline of 17.3 percent a year ago.

After a 16.7 percent increase in 2016, financial assets available for sale, consisting mainly of non-consolidated equity securities and other fixed securities, were up again 19.3 percent to 129.2 billion dirhams. Following the same trend, financial assets at fair value by result, consisting mainly of held-for-trading financial instruments, registered a growth rate of 7.6 percent to 150.6 billion, as against 22 percent a year ago. On the other hand, held-to-maturity investments shrank further by 6.9 percent to 47.4 billion, after a 12.5 percent fall in 2016.

7.1.2- Banks' liabilities grew thanks to higher customer deposits

Table 17: Change in banks' liabilities on a consolidated basis

(In million of dirhams)

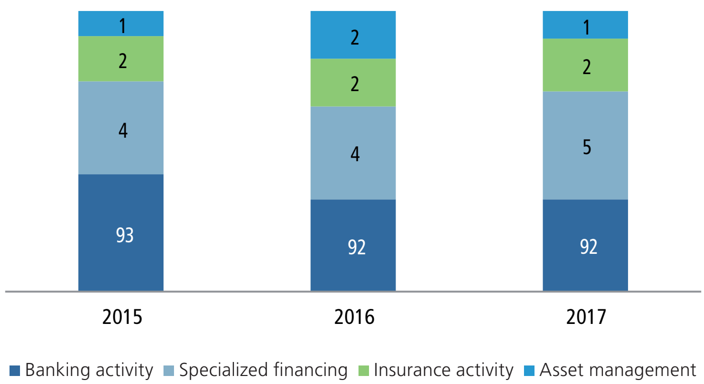
	2015	2016	2017	Change 2016/2017(in %)
Financial liabilities at fair value by result	**3 248**	**3 229**	**2 560**	**-20,7**
Due to credit institutions and similar entities	**135 257**	**134 851**	**146 524**	**8,7**
Due to customers	**933 478**	**972 611**	**1 038 059**	**6,7**
Debt securities issued	**50 418**	**50 590**	**59 072**	**16,8**
Equity - group share	**116 306**	**124 233**	**129 758**	**4,4**
Including net income	11 478	12 167	13 286	**9,2**
Other liabilities	**120 042**	**146 686**	**164 432**	**12,1**
Total liabilities	**1 358 749**	**1 432 200**	**1 540 405**	**7,6**

The banking groups' liabilities were driven by the collection of deposits, which rose by 6.7 percent, from 4.2 percent a year earlier. After a stagnation in 2016, debt securities rose by 16.8 percent, reflecting the use of bonded debt by banks in Morocco. Debts with credit institutions and the like grew by 8.7 percent, due to an increase in Bank Al-Maghrib's advances. The equity - share of the group appreciated by 4.4 percent to 129.8 billion dirhams.

7.1.3- The structure of the banking groups' activity by business remained broadly stable

The consolidated activity of the banking groups covers banking activities in Morocco and those conducted abroad through subsidiaries or branches, the sectors of insurance and asset management as well as specialized financing. It is still dominated by the large share of the banking component, which accounts for nearly 92 percent, unchanged from the previous year. The share of finance companies increased by one point (5 percent) to the detriment of asset management activities (1 percent). The contribution of insurance activities stabilized at 2 percent.

Chart 57: Contribution of various businesses to total assets of banking groups (in %)

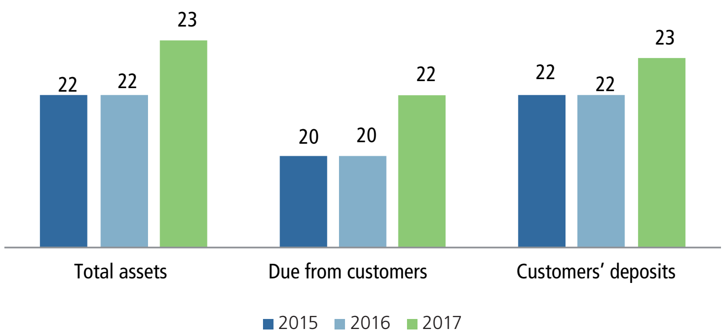


7.1.4- The activity of subsidiaries abroad accelerated

At the end of 2017, the total assets of foreign-based subsidiaries of the 3 cross-border Moroccan banking groups posted an increase of 16 percent, equaling 275 billion dirhams, contributing 23 percent to their activity. Nearly 75 percent of this volume is achieved in sub-Saharan Africa.

In terms of loans, the international activity of subsidiaries showed a rise of 13.3 percent to 153.6 billion dirhams, as against 6.7 percent a year earlier. Its share in the overall portfolio of activity appreciated by 2 points to 22 percent. Deposits collected by subsidiaries abroad amounted to 181 billion, posting an increase of 13.1 percent, from 3.2 percent a year earlier, or a 23 percent share of the total deposits of the three banking groups.

Chart 58: Contribution of banking subsidiaries abroad to the balance-sheet main headings of the three major groups (in %)



7.1.5- Non-performing loan ratio on a consolidated basis remained broadly stable

In 2017, the outstanding non-performing loans continued to decelerate. After respective increases of 6.4 percent and 10.4 percent in 2016 and 2015, this outstanding amount rose by 3.7 percent to nearly 86 billion dirhams. As a result, the risk ratio remained at 8.3 percent. The non-performing loans were covered by provisions up to 73 percent, up 400 basis points from the previous year.

Chart 59: Change in non-performing loans and the risk ratio on a consolidated basis

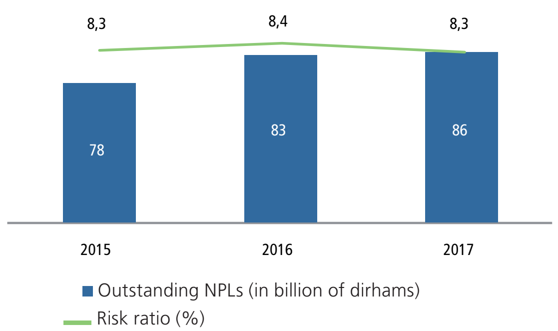
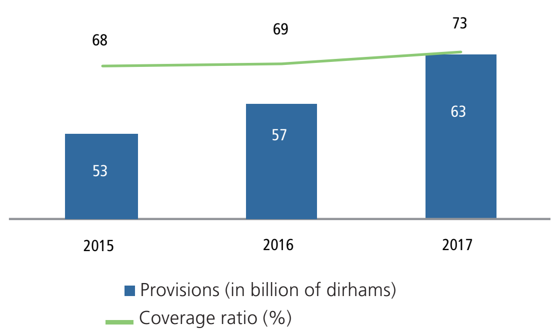


Chart 60: Change in provisions and coverage ratio on a consolidated basis

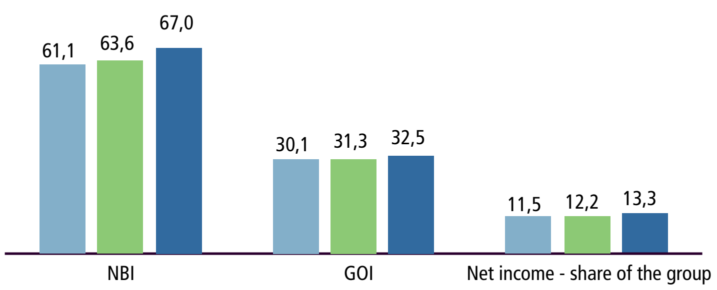


Non-performing loans of subsidiaries abroad, particularly in sub-Saharan Africa, totaled an outstanding amount of 15.3 billion dirhams, representing a stable risk ratio of 9.6 percent. Following monitoring actions by Bank Al-Maghrib and the host authorities, these loans continued to be covered by provisions at 80 percent, improving by 8 points compared to 2016.

7.2- Growth in the banking groups' net income was driven by higher NBI and lower cost of risk

The analysis of the consolidated income and expense accounts of the nine banking groups, as at end-2017, shows an improved income, reflecting a higher net banking income (NBI) and a lower cost of risk.

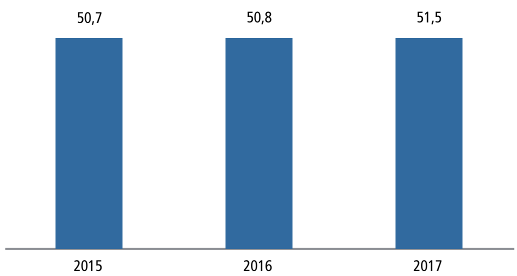
Chart 61: Change in management intermediate balances on a consolidated basis (in billion of dirhams)



■ 2015 ■ 2016 ■ 2017

The NBI amounted to 67 billion dirhams, up 5.4 percent, as against 4.1 percent in the previous year. This trend is attributed to a 4.8 percent increase in the interest margin to 44.7 billion and a 9.8 percent appreciation of the margin on commissions to 12.3 billion dirhams. Income from market activities fell by 1 percent to 8.4 billion dirhams, owing to a drop in banks' activity in Morocco.

Chart 62: Banks' average operating ratio - Consolidated basis (in %)



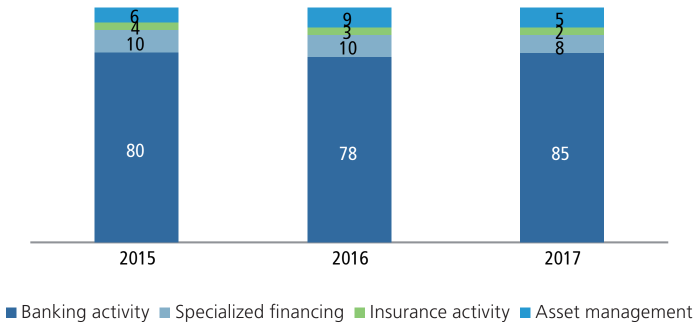
Investments made within the expansion of the banking groups contributed to the increase of their general operating expenses. These totaled nearly 34.5 billion dirhams, up 7 percent, from 4.1 percent at the end of 2016. As a result, the average operating ratio rose by 0.7 percentage point to 51.5 percent and the gross operating income (GOI) was up 3.8 percent to 32.5 billion dirhams.

The cost of risk, on a consolidated basis, decreased by 2.9 percent to 9.6 billion, absorbing 29.7 percent of GOI, compared to 31.7 percent in the previous year.

Overall, the nine banking groups closed the fiscal year 2017 with a net income - share of the group of 13.3 billion, up 9.2 percent, from 6 percent in 2016. Thus, the return on assets (ROA) improved by 0.1 point to 0.9 percent and return on equity (ROE) by 0.4 point to 10.2 percent.

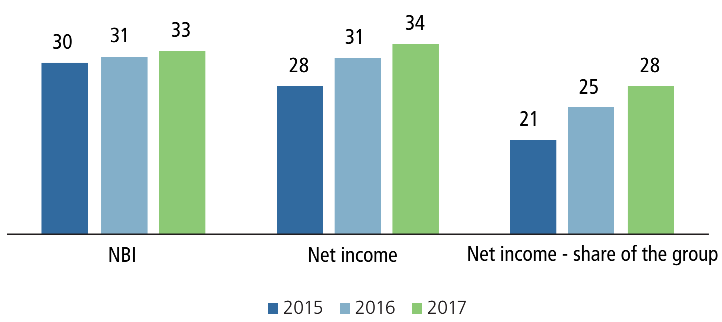
By business line, it seems that the contribution of the banking activity to the net income - share of the group rose further in 2017 to 85 percent, up 7 points compared to 2016, driven mainly by the strengthening of this activity both in Morocco and abroad. For the other business lines, their contribution to this income fell by 4 points to 5 percent for the asset management business, by 2 points to 8 percent for specialized financing activities and by one point to 2 percent for insurance activities

Chart 63: Contribution of various businesses to the net income - share of the group of the banking groups (in %)



The activity of subsidiaries abroad generated a higher NBI, which increased by 14.6 percent to 16.9 billion dirhams, of which nearly 79 percent was achieved in sub-Saharan Africa. Its contribution to the banking groups' net banking income grew by 2 points to 33 percent and to the net income - share of the group by 3 points to 28 percent thanks to a wider scope of consolidation.

Chart 64: Contribution of the banking subsidiaries abroad to the main income headings of the three major banking groups (in%)



Thus, the net income - share of the group made abroad grew by 24.5 percent to 2.9 billion dirhams, after a rise of 21.6 percent a year earlier.

CHAPTER II

BANKING RISKS

In 2017, credit grew at a moderate pace, especially to corporations. This trend was coupled with a slowdown in the growth of the volume of non-performing loans and a stagnation of the average risk ratio generated by banks.

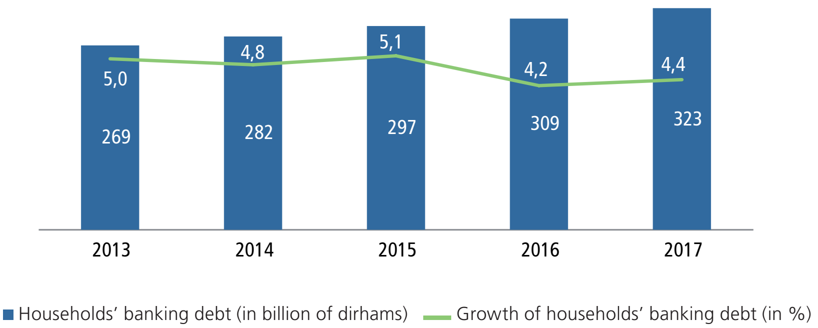
In terms of financial base, banks' equity rose thanks to the results generated and the issue of subordinated debt.

The following elaborations relate to changes in banks' solvency and liquidity. They also deal with credit risk, from different perspectives: the indebtedness of households and businesses, large risks as well as non-performing loans.

1 - Change in household banking debt

To monitor household debt with credit institutions, in terms of housing and consumer loans, Bank Al-Maghrib relies on periodic surveys it conducts with these institutions, in addition to regular reporting. In 2017, the Bank conducted its 13th annual survey with banks and consumer loan companies. This survey covered a sample of 8 banks and 13 consumer loan companies, representing market shares of nearly 94 percent in terms of home loans and 100 percent in terms of consumer loans. This survey helps to understand the profile of the beneficiaries of these loans according to various criteria.

Chart 65: Change in the households' banking debt



At end-December 2017, the outstanding household bank debt amounted to 323 billion dirhams, up 4.4 percent from 4.2 percent in 2016. It accounted for nearly 36 percent of loans distributed by credit institutions. Banks hold nearly 85 percent of this debt, unchanged from the previous year. Measured as a ratio to GDP, the outstanding household debt represented 30 percent, unchanged from 2016.

At the end of December 2017, the average debt level per household stood at 41,000 dirhams, from 40,200 a year earlier.

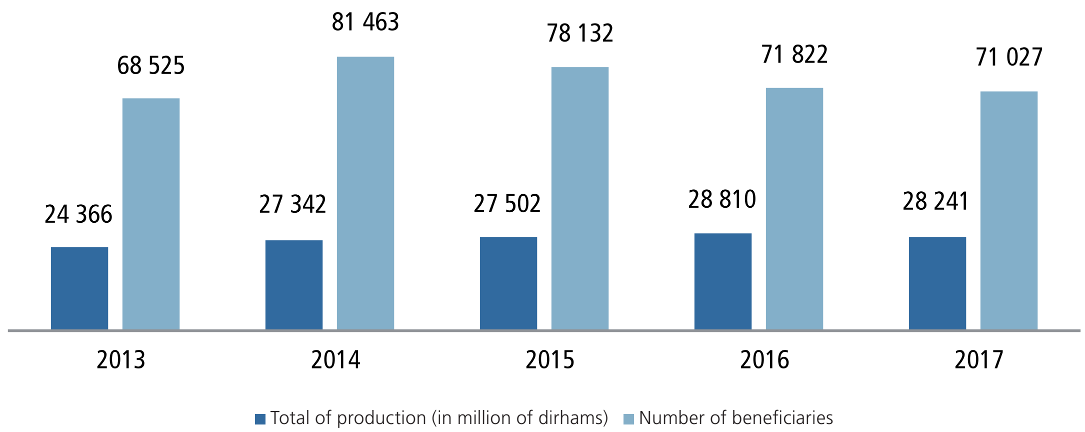
Household loans continue to be allocated mainly to the needs of housing financing, with a stable share of 64 percent of the total.

1.1- Housing loans

1.1.1- Change in housing loan characteristics

In line with the decline in the number of transactions in the real estate market in 2017, the housing loan production fell by 2 percent to 28.2 billion dirhams. This drop affected government-supported loans (-10.4 percent). Free loans showed stagnation.

Chart 66: Change in the housing loan production and number of beneficiaries

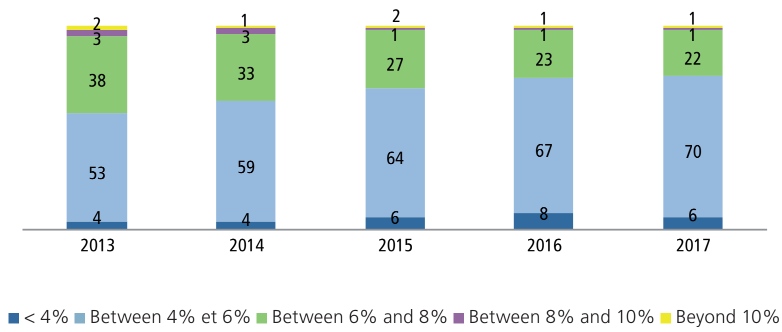


Similarly, the number of beneficiaries fell by 1 percent to nearly 71,000 customers. This decline stood at 5 percent for government-supported loans, while the number of free loans increased by 1 percent. This trend resulted in an average amount of loans of 398,000 dirhams granted in 2017, down 3,000 dirhams compared to 2016.

Thus, the gross outstanding amount of housing loans stood at 207.5 billion dirhams, up 4.1 percent, as against 4.8 percent a year earlier. Of this total, outstanding free loans, with a share of 81 percent, rose by 4.7 percent, as opposed to 4.9 percent. The outstanding amount of government-supported loans grew by nearly 1.8 percent, after an increase of 4.2 percent. They thus amounted to 39 billion dirhams, of which nearly 20.2 billion under FOGALEF[9] and FOGALOGE[10], 15.5 billion under FOGARIM[11] and 3.2 billion under low cost housing (Habitat Bon Marché).

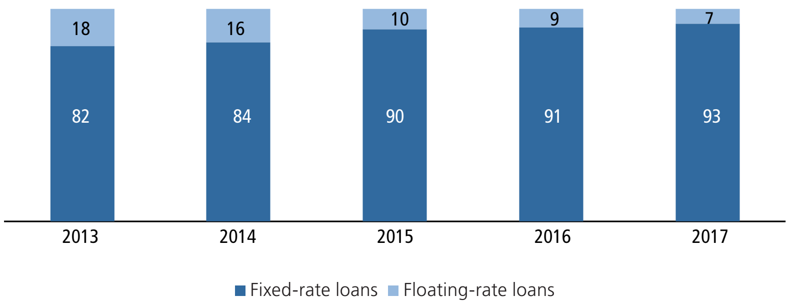
9 Guarantee fund for housing loans to members of the Mohammed VI Foundation for the Promotion of Social Works for Education Training staff.
10 Guarantee fund for housing loans to public sector personnel.
11 Guarantee fund for households with irregular and small-incomes

Chart 67: Change in outstanding amount of housing loans based on the applied rate range (in %)



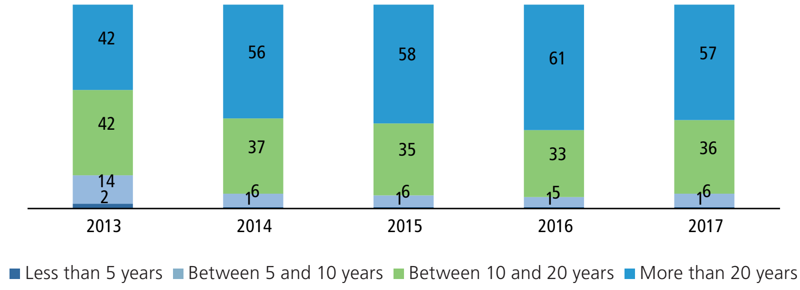
The average interest rate on housing loans dropped by almost 15 basis points to 4.81 percent. Also, almost 70 percent of loans are at a rate of 4 percent to 6 percent, as against 67 percent at the end of 2016.

Chart 68: Breakdown of the outstanding amount of housing loans into fixed rate and floating rate (in %)



The share of fixed-rate housing loan production remained at 97 percent. In terms of outstanding amounts, this share stands at 93 percent, from 91 percent. This situation is conducive to the protection of borrowers in the event of a rise in interest rates.

Chart 69: Change in outstanding amount of housing loans based on the initial term (in %)



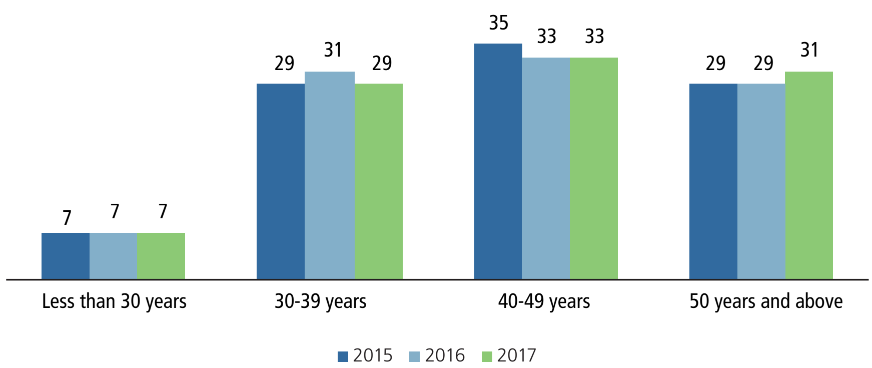
The initial term of housing loans narrowed on average to 20 years from 20.7 years in 2016. Thus, the share of loans with an initial term of more than 20 years decreased by 4 percentage points to 57 percent in favor of those whose term is between 10 and 20 years.

1.1.2- Profile and features of housing loans' beneficiaries

The profile of the beneficiaries of housing loans is analyzed based on the criteria of age, income, socio-professional category and place of residence.

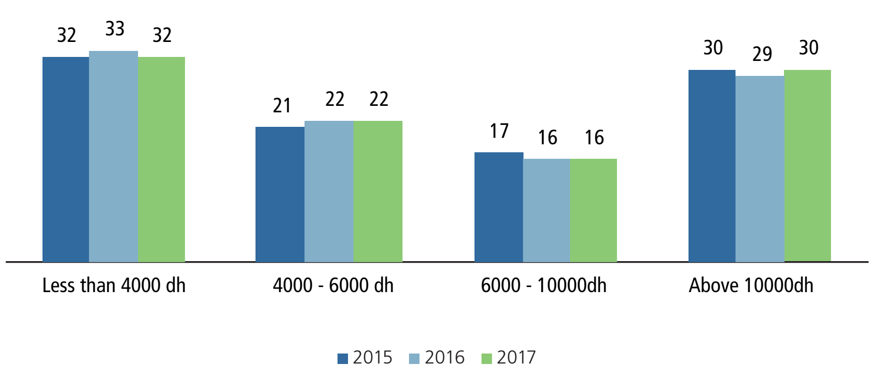
According to the age criterion, people aged over 40 had almost 64 percent of the total number of credit files, as against 29 percent for those aged between 30 and 40 years. People under 30 years represent 7 percent of housing loan files.

Chart 70: Breakdown of the number of housing loans' files by age (in %)



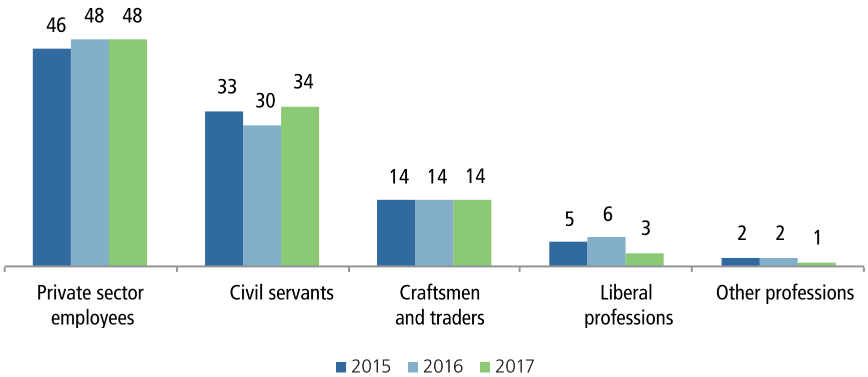
In terms of income, people making less than 4,000 dirhams accounted for 32 percent of credit files, down one point from 2016. As for the people making over 10,000 dirhams, their share increased by one point to 30 percent.

Chart 71: Breakdown of the number of housing loan files by income (in %)



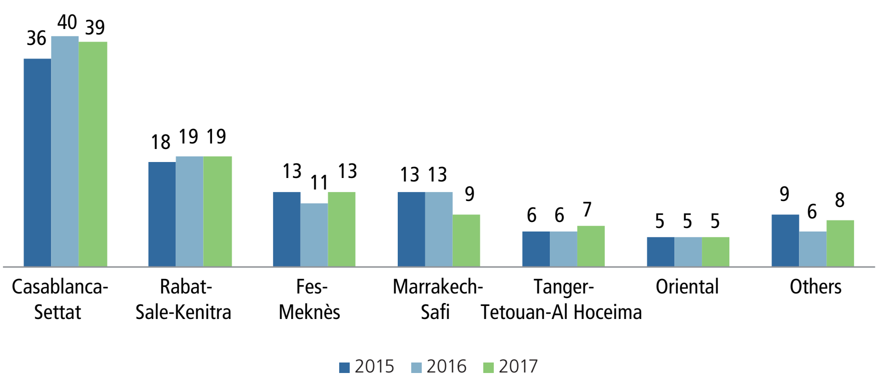
By socio-professional category, private and public sector employees continue to constitute the categories who benefit the most from housing loans, with respective shares of 48 percent (48 percent in 2016) and 34 percent (from 30 percent in the previous year).

Chart 72: Breakdown of the number of housing loans' files by socio-professional category (in %)



In terms of geographical distribution, the level of concentration of debtors stands at 39 percent for the Casablanca region and at 19 percent for Rabat, compared with 40 percent and 19 percent, respectively, in 2016.

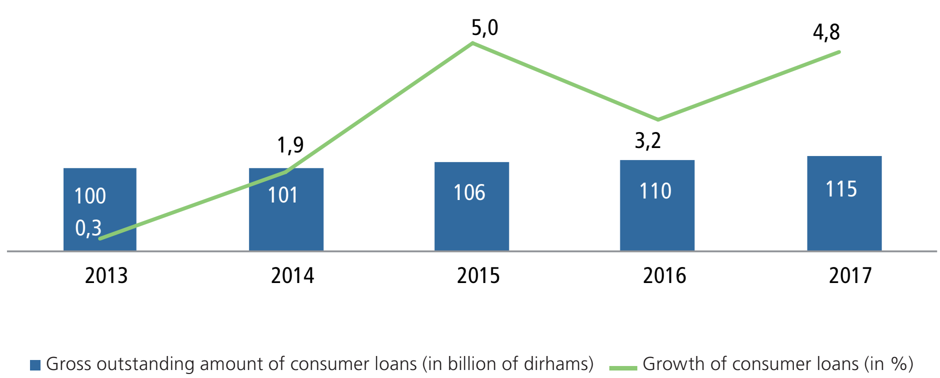
Chart 73: Geographic breakdown of the number of housing loans' files (in %)



1.2- Consumer loans

1.2.1- Change in outstanding consumer loans

Chart 74: Change in the gross outstanding amount of consumer loans



The gross outstanding consumer loans rose by 4.8 percent, from 3.2 percent in 2016, to stand at 115 billion dirhams. This increase involved both banks and consumer loan companies.

Analysis of consumer loans based on their maturity shows that the share of loans with maturities greater than 5 years expanded by 5 points to 72 percent, to the detriment of loans with maturity of less than 5 years. At the same time, average loans amounted to 53,000 dirhams, up 6,000 dirhams from one year to the next.

Chart 75: Change in outstanding consumer loans based on initial term (in%)

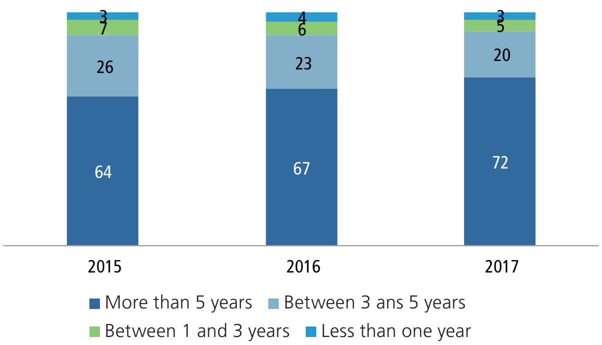
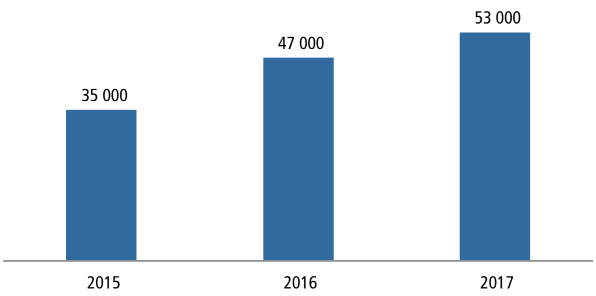


Chart 76: Change in average amount of consumer loan files (in dirhams)



These changes reflect a longer maturity of consumer loans and a higher cost of debt for households. This situation may expose credit institutions to increased loan risk.

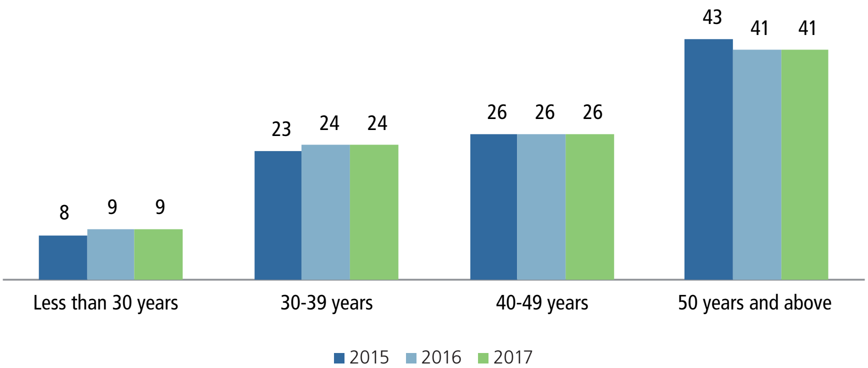
1.2.2- Profile and features of beneficiaries of consumer loans[12]

Like housing loans, the profile of the beneficiaries of consumer loans is assessed on the basis of age, income, socio-professional category and place of residence.

By age, people aged over 40 accounted for 67 percent of all consumer credit files in 2017. This level remains limited for beneficiaries aged under 30, or 9 percent.

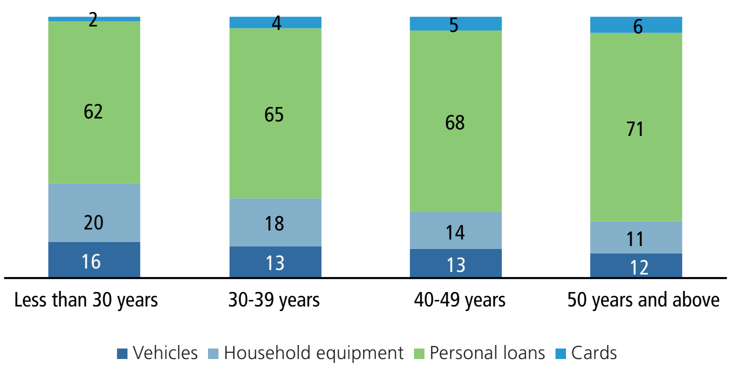
12 Updated data of 2015/2016.

Chart 77: Breakdown of the number of consumer loans' files by age (in %)



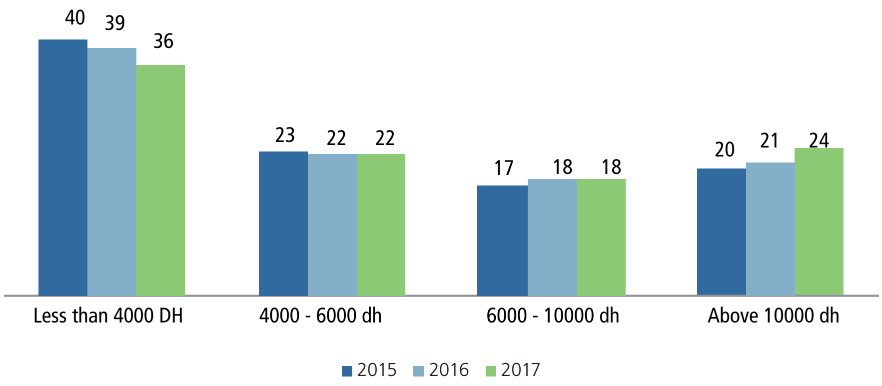
Personal loans are the most used type of credit among all age groups. Conversely, revolving cards represent 6 percent of loans contracted by those aged over 50 and only 2 percent by persons under 30. The latter category makes greater use of loans for vehicles and household equipment.

Chart 78: Breakdown of the number of consumer loans' files by age and loan type (in %)



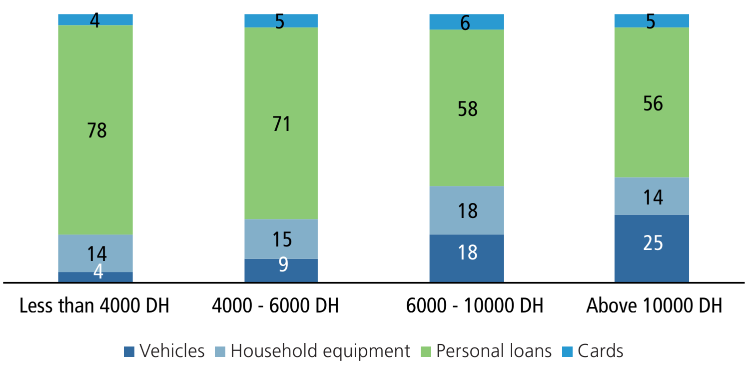
In terms of income, the survey showed that nearly 36 percent of credit files benefited people with making less than 4,000 dirhams, from 39 percent in 2016. Conversely, the share of people with an income over 10,000 dirhams rose by 3 points to 24 percent over the same period.

Chart 79: Breakdown of the number of consumer loans' files by income (in %)



Personal loans are again the most used type of credit in all income brackets. Nevertheless, their share is larger among lower-income earners. On the other hand, vehicle-purchasing loans account for a significant share among higher income earners.

Chart 80: Breakdown of the number of consumer loans' files by income and loan category (in %)



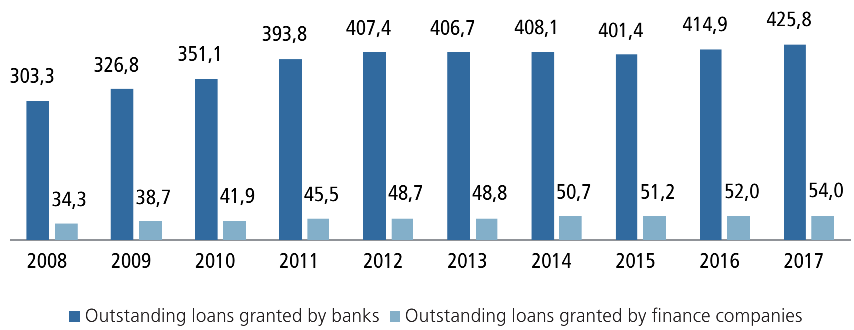
In 2017, private and public sector employees had respective shares of 46 percent and 36 percent, unchanged from the previous year.

By geographical location, consumer loan beneficiaries remain concentrated in the urban areas of Casablanca (30 percent) and Rabat (20 percent).

2 - Change in non-financial companies' banking indebtedness

With an outstanding amount of nearly 480 billion dirhams, loans by disbursement granted by credit institutions to non-financial enterprises rose by 2.8 percent, as against 3.1 percent a year earlier, accounting for 54 percent of all loans.

Chart 81: Outstanding loans by disbursement granted to non-financial corporations (in billion of dirhams)



Outstanding debts with banks, representing a share of 89 percent of the total, slowed down to 2.6 percent to 425.8 billion dirhams, after a rise of 3.4 percent in the previous year. This deceleration of bank loans affected state-owned enterprises, whose outstanding amount increased by 5.3 percent to 49.3 billion dirhams, compared to 19.6 percent in the previous year, while the outstanding loans to private companies recovered slowly to 2.3 percent, from 1.6 percent a year earlier, due to a still-low demand for loans.

Outstanding loans granted by finance companies to corporations increased by nearly 4 percent to 54 billion dirhams, as against a rise of only 1.5 percent a year earlier, a change recorded particularly by leasing companies.

Data collected from banks and finance companies show that the loans granted to the VSMEs[13] grew by almost 5 percent in 2017. Measured as a ratio of bank loans to businesses, these loans represent 34 percent of the total in 2017.

13 Defined on the basis of a turnover of less than 175 million dirhams.

3 - Change in banks' large credit exposures

At the end of December 2017, banks' commitments to large exposures[14] remained at 355 billion dirhams and represented 2.9 times the banks' equity, unchanged from 2016. Of this total, balance sheet commitments, 91 percent of which consist of loans and debt securities, totaled nearly 265 billion dirhams, up 1.3 percent compared to 2016, while off-balance sheet exposures, consisting mainly of financing and guarantee commitments, contracted by 1.8 percent to 87 billion dirhams.

Chart 82: Change in banks' large credit exposures - on individual basis

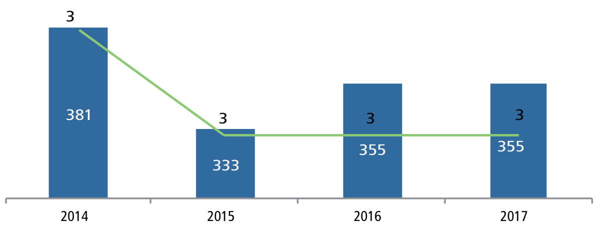
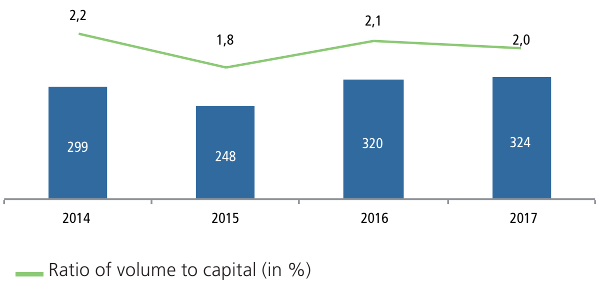


Chart 83: Change in banks' large credit exposures - on consolidated basis



Large credit exposures represented 2.9 times the banks' equity as against 3.4 times in 2014 and 3.8 times a decade ago. This trend shows that the concentration of portfolios fell sharply over the past decade.

The sectoral distribution of large exposures shows that non-banking financial groups received 19 percent, followed by beneficiaries operating in the manufacturing sector (16 percent), property development (14 percent), mining industry (11 percent) and construction (11 percent).

4 - Change in non-performing loans

In 2017, outstanding non-performing loans (NPLs) of banks on an individual basis continued to decelerate, registering an increase of 2.3 percent to nearly 63 billion, as against 6.8 percent and 9 percent recorded respectively in 2016 and 2015. As a result, the loss ratio stood at 7.5 percent, slightly down, after successive increases since 2012.

14 Loan beneficiary or group of loan beneficiaries whose outstanding amount is greater than or equal to 5 percent of a bank's equity.

Chart 84: Change in banks' non-performing loans - on individual basis

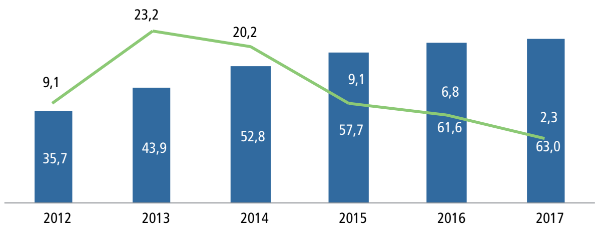
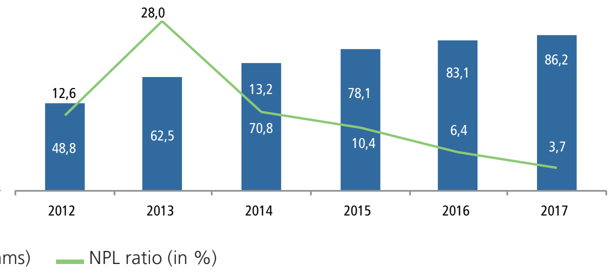
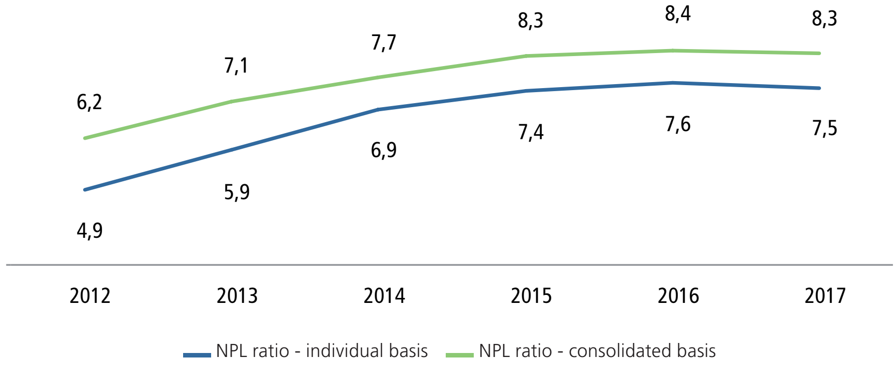


Chart 85: Change in banks' non-performing loans - on consolidated basis



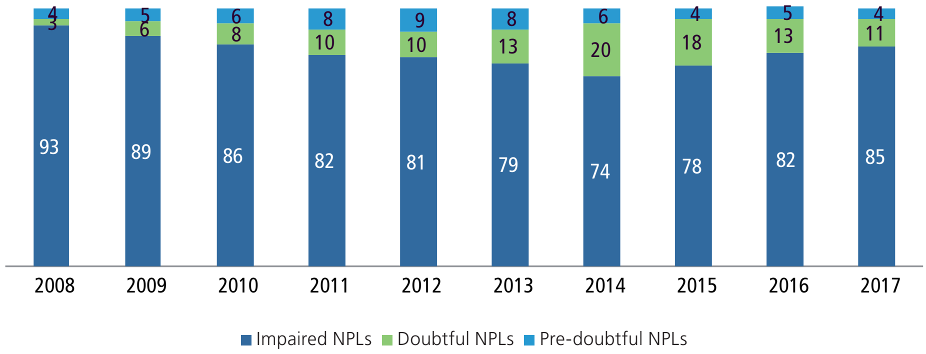
Following the same trend, the outstanding NPLs, calculated on a consolidated basis, rose by 3.7 percent to 86.2 billion dirhams, with a risk ratio of 8.3 percent, compared to 8.4 percent in 2016.

Chart 86: Change in NPL ratio (in %)



On an individual basis, pre-doubtful loans fell by 4 percent to 2.7 billion dirhams and doubtful loans fell by 13.8 percent to 6.8 billion. Outstanding impaired loans rose by 5.2 percent to 53.5 billion. These developments led to a decline in the share of doubtful loans by two points to 11 percent, while that of compromised loans moved up to 85 percent. The share of pre-doubtful loans dropped to 4 percent between 2016 and 2017.

Chart 87: Change in the structure of banks' NPLs by category - individual basis (in %)



Provisions for NPLs rose by 4.7 percent, as against 9.1 percent a year earlier. These provisions are determined after taking into account the eligible collateral, namely mortgage guarantees subject to discounts and financial collateral. As a result, the NPL coverage ratio stood at 2 points to 71 percent at the end of 2017. This ratio stood at 76 percent for the category of impaired loans, 57 percent for doubtful debts and 12 percent for pre-doubtful debts.

Chart 88: NPL coverage ratio held by banks - on individual basis

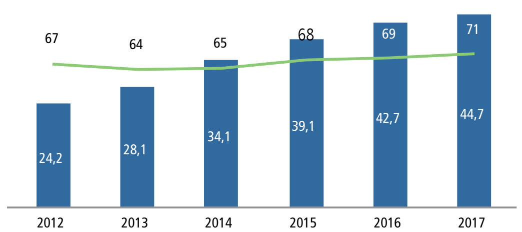
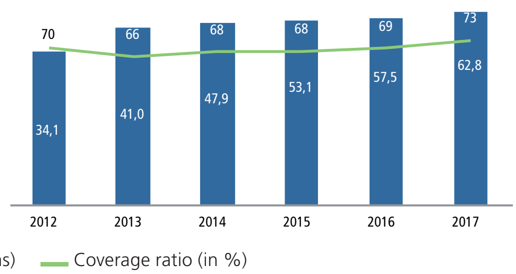


Chart 89: NPL coverage ratio held by banks - on consolidated basis



On a consolidated basis, banking groups' provisions reached 62.8 billion dirhams, up 9.2 percent. This results in a coverage ratio of 73 percent, or 4 points higher than in 2016.

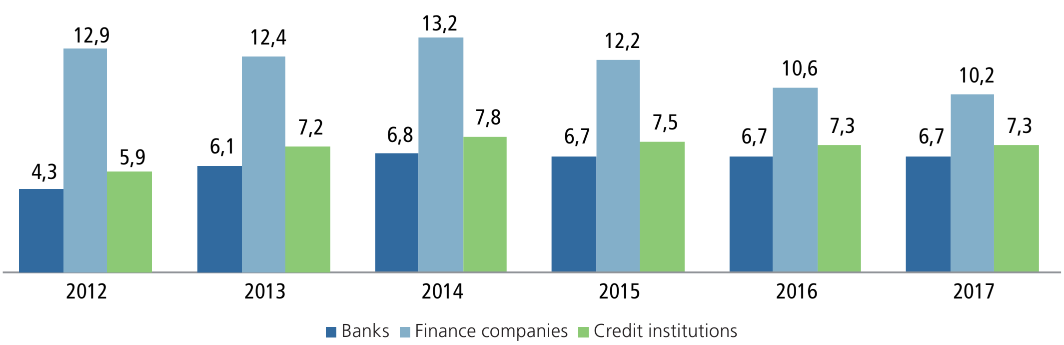
In addition to the specific provisions, banks continued to increase the volume of general provisions to cover sensitive risks to economic conditions, to bring it to 8.4 billion dirhams.

On the other hand, NPLs held by finance companies rose 5.9 percent in 2017 to 10 billion dirhams, representing a risk ratio of 9.4 percent, unchanged from last year. These non-performing loans are covered by provisions at 74 percent, unchanged from the previous year.

4.1- Non-performing loans held on households

In 2017, outstanding NPLs of banks and consumer loan companies held on households grew by 4.8 percent to 23.5 billion from 0.8 percent a year ago. The risk ratio reached 7.3 percent, unchanged from the previous year. This ratio stabilized at 7.2 percent for resident households and fell to 7.6 percent versus 7.8 percent for non-resident households. The rate of cover of these receivables for banks and consumer loan companies remained at 69 percent.

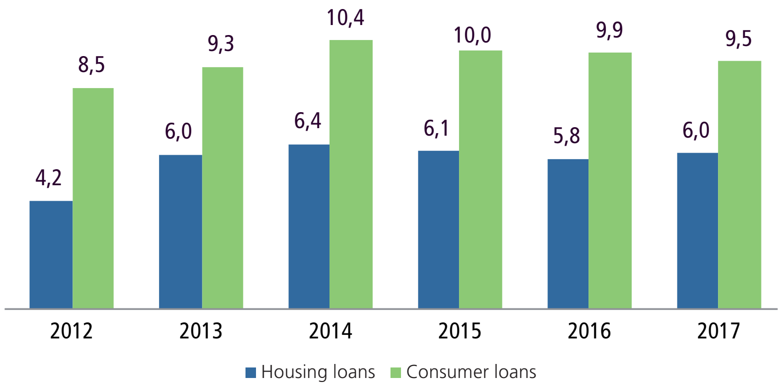
Chart 90: Change in NPL ratio on households - individual basis (in %)



Outstanding NPLs held by the banks on households rose by 5.5 percent to 18.4 billion, after an increase of 3.9 percent a year earlier, with a risk ratio of 6.7 percent, unchanged from 2016. This outstanding amount is covered by provisions up to 66 percent, which is the same rate as in 2016.

For consumer loan companies, their NPLs were up 2.3 percent to 5 billion dirhams, after a decline of 8.7 percent one year ago. The risk ratio moved down from 10.6 percent to 10.2 percent in 2017. The rate of NPL cover recorded by these companies stabilized at 80 percent.

Chart 91: Change in NPL ratio of banks and consumer loan companies on households by loan category - individual basis (in %)

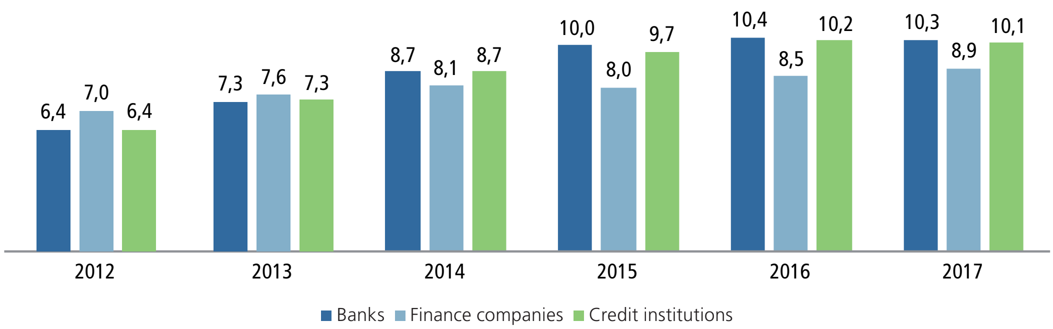


The risk ratio stood at 6 percent for home loans, from 5.8 percent a year earlier and 9.5 percent for consumer loans, as against 9.9 percent in 2016.

4.2- NPLs held on nonfinancial corporations

After increasing by 8 percent in 2016, NPLs held on nonfinancial corporations decelerated in 2017. They increased by only 1.8 percent to 48.5 billion dirhams. The NPL ratio fell for the first time in seven years to 10.1 percent from 10.2 percent a year earlier. These loans were covered by provisions at 72 percent, which is two points higher than in 2016.

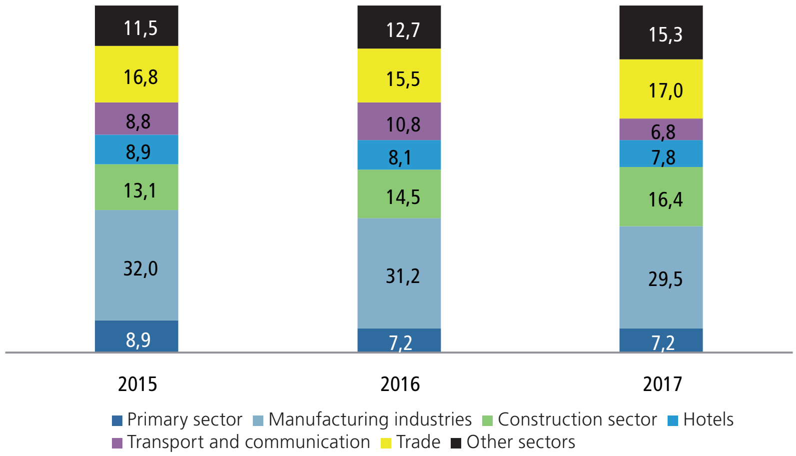
Chart 92: Change in NPL ratio on nonfinancial corporatoins - individual basis (in %)



NPLs held by banks on nonfinancial enterprises increased by 1 percent to 43.7 billion, representing a risk ratio of 10.3 percent, as against 10.4 percent in 2016. These receivables are covered by provisions at 73 percent, up 2 points.

Their sectoral distribution shows that NPLs registered on the primary sector increased by 3 percent and represented 10 percent of loans benefiting this sector, from 9.4 percent a year earlier. Those held by companies operating in the industrial sector fell by 4.5 percent, leading to a sector's risk ratio of 9.3 percent compared to 9.7 percent in 2016. NPLs held on the construction sector, which includes property development, grew by 15.6 percent, bringing the sector's loss ratio to 7.6 percent from 6.8 percent in 2016.

Chart 93: Sectoral breakdown of banks' NPLs on non-financial corporatoins - individual basis (%)



Outstanding NPLs of the trade sector increased by 11.6 percent, after a 1.8 percent decline a year earlier, resulting in an increase in the sector's loss ratio to 13.1 percent, from 12.8 percent in 2016.

After a decline of 3.5 percent recorded in 2016, outstanding NPLs of the hotel sector decreased by 2.5 percent in 2017. Its loss ratio stabilized at 22.1 percent.

NPLs of the transport and communication sector posted a significant decrease of 35.5 percent, after a rise of 30.1 percent a year earlier. Its risk ratio stands at 7.9 percent, as against 13.9 percent. This decline is due to an increase in loans to this sector (+ 14 percent in 2017), combined with write-offs and settlement of NPLs.

Chart 94: Change in banks' NPLs ratio on companies by sector of activity - individual basis (in billion of dirhams)

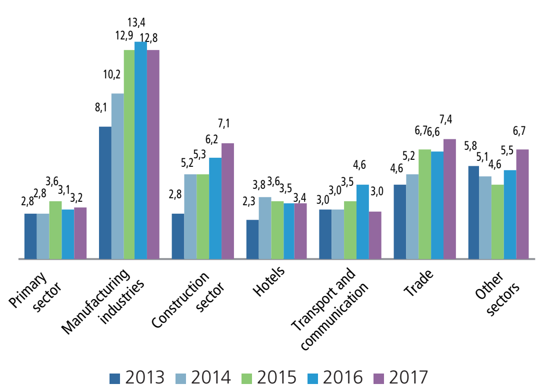
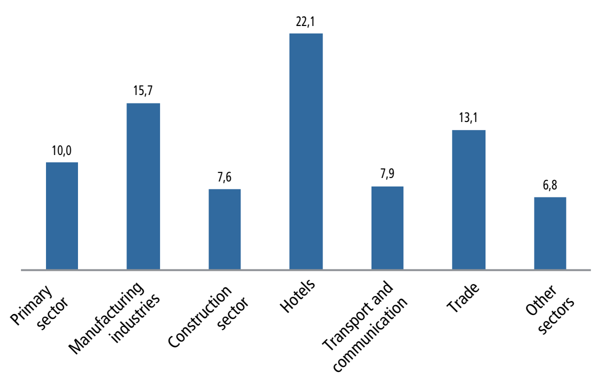


Chart 95: NPL ratio registered by banks on nonfinancial companies by sector of activity - individual basis 2017 (in %)



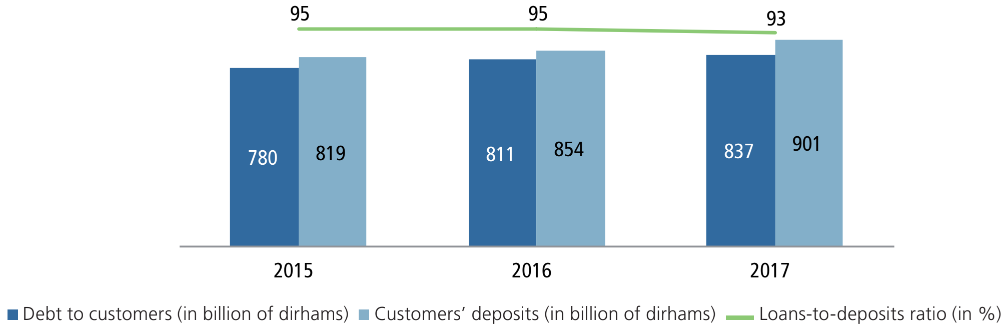
Financing companies recorded outstanding NPLs of 4.8 billion, up 8.7 percent. These receivables represented 8.9 percent of the total loans granted to this segment, from 8.5 percent in 2016. They are covered by provisions at 69 percent.

5 - Change in banks' liquidity

Liquidity risk, inherent in the banking business, is defined as the risk that a banking institution cannot fulfill, under normal conditions, its commitments as they fall due. The management of this risk implies that banks should have sufficient liquid assets to cope with a possible tension on their liquidity and to ensure that the maturity of their liabilities is better backed by that of their assets.

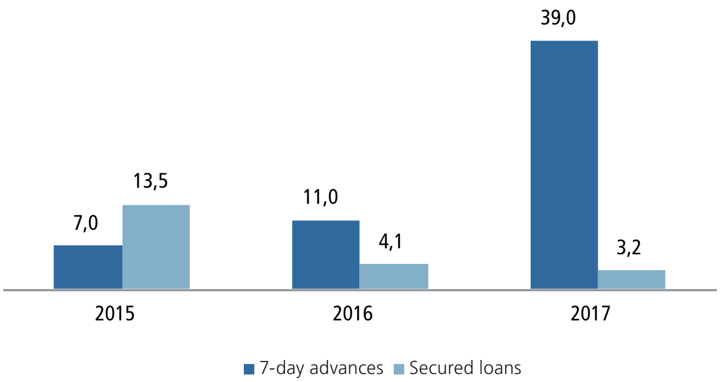
In 2017, banks' need for liquidity in dirhams grew compared to the previous year, particularly as a result of the increase in their foreign currency holdings. On the other hand, banks continued to benefit from the uptrend of deposits collected, which rose by 5.5 percent, while the growth of loans stood at 3.2 percent. The ratio of loans to deposits thus continued to decline to nearly 93 percent. Adjusted by certificates of deposit, this ratio stood at 88 percent, down 2 points from 2016.

Chart 96: Change in deposits, loans and loans-to-deposits ratio



Against this backdrop, banks increasingly used refinancing with Bank Al-Maghrib, particularly under 7-day advances, the volume of which rose from 11 to 39 billion in 2017. The outstanding loans from Bank Al-Maghrib under the VSME refinancing program decreased from 4.1 to 3.2 billion dirhams.

Chart 97: Outstanding 7-day advances and secured loans of Bank Al-Maghrib (in billion of dirhams)



Banks' net position in the repos market, excluding operations with Bank Al-Maghrib, generated a net positive balance[15] of 3.3 billion dirhams, compared with 10 billion in 2016, due to the combined effect of a drop of 3.1 billion in repurchase agreements and a rise of 3.7 billion in reverse repurchase agreements.

Bonded debt, representing nearly 8 percent of liabilities, grew by 14.2 percent, from 9 percent in 2016. The breakdown of these liabilities by maturity shows a decrease in medium term outstanding debt securities issued by banks. The share of securities with a maturity of more than 2 years fell by 5 points to 52 percent of the total, while securities with a maturity of less than 2 years expanded from 43 percent to 48 percent.

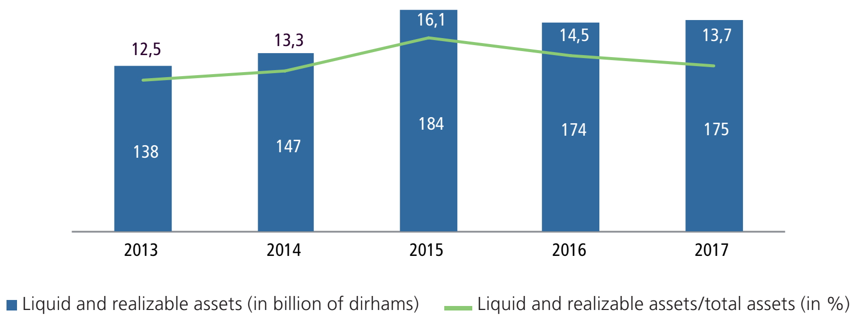
Subordinated debt, with a long-term maturity, recorded a further increase of 20.6 percent, as against 13.7 percent observed in 2016 to reach 41.5 billion dirhams.

Despite the measures taken to strengthen their asset-liability management, banks are still faced with the challenge of mobilizing diversified liabilities better backed by their assets, for which an extension of maturities are observed. The latter account for nearly 45 percent of short-term assets and 55 percent of medium and long-term ones, compared to 47 percent and 53 percent in 2016, while 59 percent of their liabilities are without maturity, 20 percent are short-term liabilities and 21 percent are medium and long-term liabilities, unchanged from 2016.

Banks' liquid and realizable assets, consisting mainly of cash, deposits with Bank Al-Maghrib, interbank loans, free Treasury Bills and certificates of deposit, totaled, at the end of 2017, an amount of 175 billion dirhams, almost at the same level as in 2016. Thus, the share of these holdings in total assets stood at 13.7 percent, compared to 14.5 percent a year earlier.

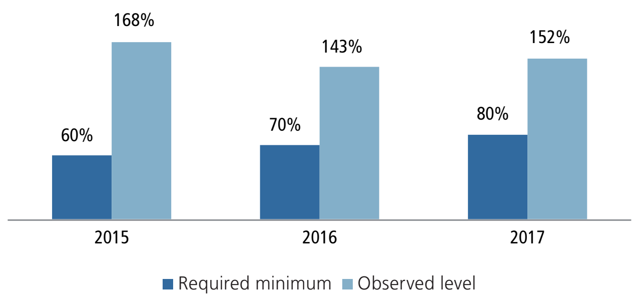
15 Positive gap between repurchase agreements and reverse repurchase agreements.

Chart 98: Change in banks' liquid and realizable assets



The short-term liquidity ratio (LCR) generated by banks averaged 152 percent, from 143 percent in 2016, with a minimum of 80 percent in 2017, reflecting a situation of excess liquidity for banks, due to the moderate change in bank loans. This ratio measures the amount of liquid and high-quality assets available to banks to hedge, in the event of a crisis, cash outflows over a one-month period.

Chart 99: Change in banks' short-term liquidity ratio (LCR)



6 - Change in banks' solvency

In 2017, banks' equity strengthened, while the weighted net risks, consisting of credit, market and operational risks, evolved at a moderate pace.

The change in banking risks is analyzed below on the basis of data from banks' prudential statements prepared in accordance with Basel II standards. Equity and solvency are determined according to Basel III standards.

6.1- Change in net weighted risks

At the end of 2017, the net weighted risks of the banking sector amounted to 909 billion dirhams on an individual basis, registering an increase of 6 percent compared to 5.2 percent at the end of 2016. They are broken down as follows: 84 percent for credit risk, 9 percent for operational risk and 7 percent for market risks.

Chart 100: Change in banks' total net weighted risks (in billion of dirhams) - individual basis

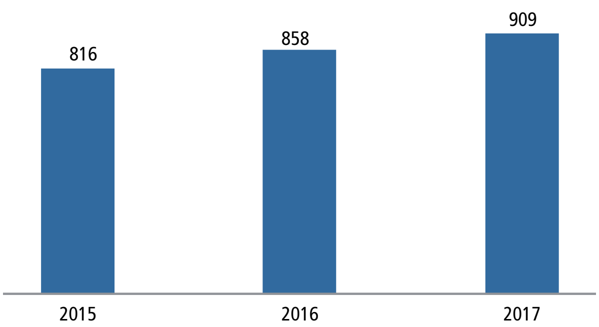
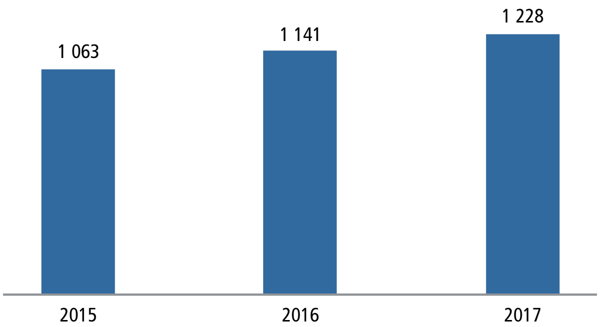


Chart 101: Change in banks' total net weighted risks (in billion of dirhams) - consolidated basis



On a consolidated basis, these risks amounted to 1,228 billion dirhams, including 85 percent, 10 percent and 5 percent for credit, operational and market risks, respectively.

6.1.1- Credit risk

The credit risk-weighted exposures reached 763 billion dirhams on an individual basis, up 5.7 percent, as against 4.3 percent in 2016. These risks, calculated using standard approaches, corresponding to credit risk-weighted exposures - balance sheet and off-balance sheet - determined after the application of risk mitigation techniques.

Chart 102: Change in banks' credit risk-weighted exposures (in billion of dirhams) - on individual basis

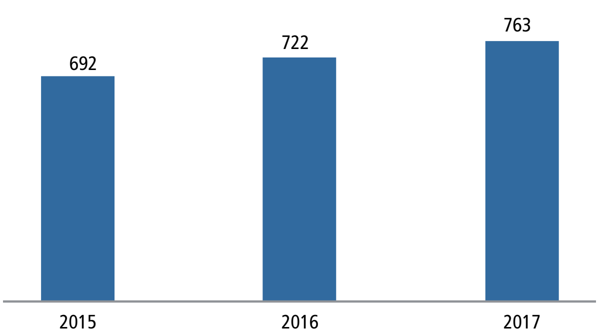
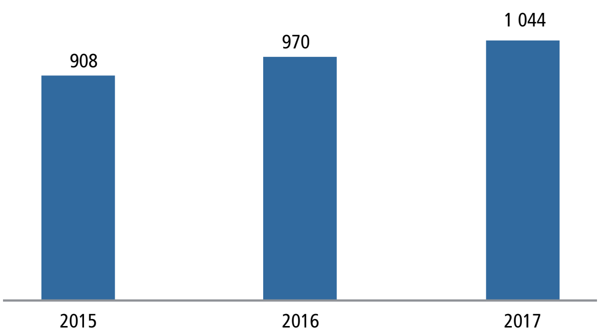


Chart 103: Change in banks' credit risk-weighted exposures (in billion of dirhams) - on consolidated basis



On a consolidated basis, these assets reached the equivalent of 1,044 billion dirhams, up 7.5 percent.

6.1.2- Market risks

Market risks are defined as risks of losses due to unfavorable changes in market prices. They cover risks relating to the instruments included in the trading portfolio as well as the foreign exchange risk and commodity risk incurred for all balance sheet and off-balance sheet items, other than those included in this portfolio.

Market risk-net weighted assets totaled nearly 63 billion dirhams at end-December 2017 on an individual basis, registering a 15 percent increase, as opposed to 23 percent recorded a year earlier. They mainly consist of interest rate risks.

Chart 104: Change in market risk-weighted exposures (in billion of dirhams) - on individual basis

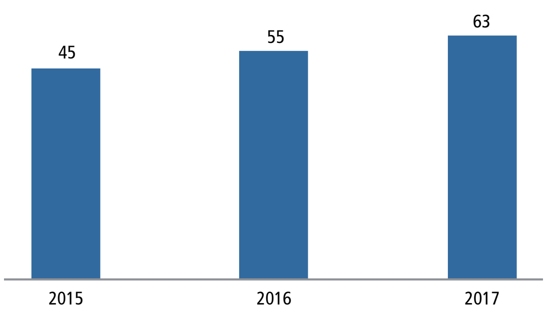
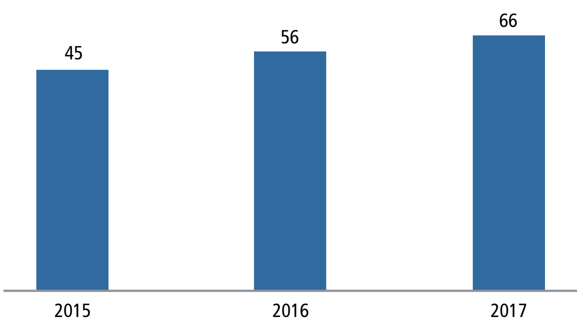


Chart 105: Change in market risk-weighted exposures (in billion of dirhams) - on consolidated basis



On a consolidated basis, these exposures reached 66 billion dirhams, up 17.3 percent.

6.1.3- Operational risk

Operational risk is defined as the risk of loss resulting from deficiencies or failures inherent in internal procedures, staff and systems or external events. This definition includes legal risk, but excludes strategic and reputational risks.

Operational risk exposures are calculated by most banks using the basic indicator approach, whereby operational risk is estimated based on the level of banks' overall NBI. At the end of 2017, they totaled nearly 83 billion on an individual basis, marking a rise of 2 percent, after that of 3.1 percent in 2016.

Chart 106: Change in operational risk-weighted exposures (in billion of dirhams) - on individual basis

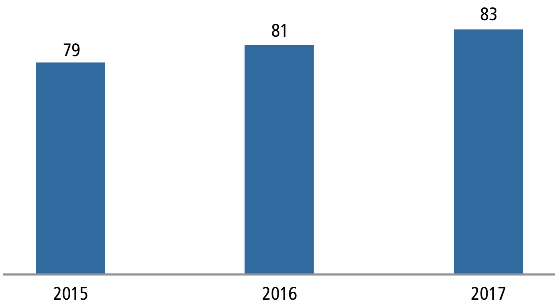
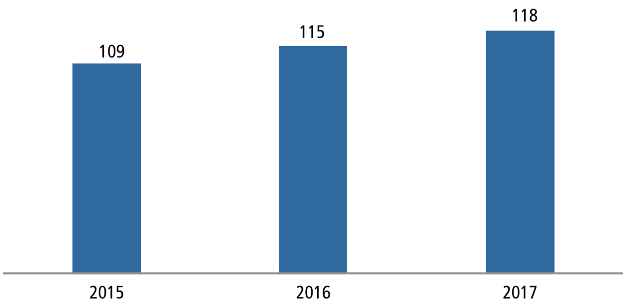


Chart 107: Change in operational risk-weighted exposures (in billion of dirhams) - on consolidated basis



On a consolidated basis, these exposures reached 118 billion dirhams, up 3 percent.

6.2- Change in banks' prudential equity

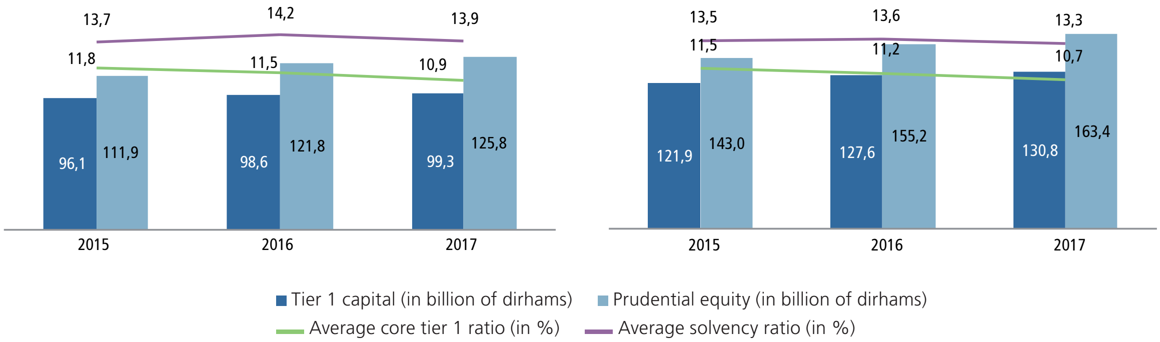
At the end of 2017, the banks' prudential equity increased to nearly 126 billion dirhams, up 4 billion compared to 2016. They are divided into Tier 1 capital and Tier 2 capital. The first category[16], made up of 97 percent of core capital, increased by 730 million from one year to the next to stand at 99.3 billion, owing to a partially offset effect between the incorporation of retained earnings and the acquisition of shareholdings in banks' equity abroad. The second category rose by more than 3 billion to 26 billion dirhams, following the issuance of subordinated debt.

The average solvency ratio, measured as the ratio of the volume of equity to the sum of the net weighted assets, reached 13.9 percent, above the minimum threshold of 12 percent set by the prudential regulation in force. This ratio is down by around 40 basis points compared to the end of 2016, in connection with the gradual waiver of the transitional provisions granted by Bank Al-Maghrib for the full application of the Basel III capital regime set for the end of 2018 as well as the increase in bank holdings deducted from equity.

16 Tier 1 capital consists of common equity and additional capital. The first category comprises common shares or the share premium issued by the institution, reserves, earnings and some equity instruments of mutual groups. The second category is composed of perpetual instruments, which may be callable at the exclusive initiative of the borrower and exercisable under certain conditions.

Chart 108: Change in banks' capital and solvency ratio - on individual basis

Chart 109: Change in banks' capital and solvency ratio - on consolidated basis



Tier 1 capital averaged 11 percent for a minimum regulatory level of 9 percent. The average core tier 1 ratio, the numerator of which only includes capital serving to absorb losses on a going-concern basis, stood at 10.6 percent for a minimum of 8 percent.

On a consolidated basis, banks' prudential equity and tier 1 capital rose respectively by 5.3 percent to 163 billion dirhams and 2.5 percent to 131 billion. As a result, the average solvency ratio stood at 13.3 percent and the average tier 1 capital ratio reached 10.7 percent.

CHAPTER III

LEGAL AND REGULATORY FRAMEWORK OF CREDIT INSTITUTIONS

بنك المغرب

In 2017, Bank Al-Maghrib continued to enhance its regulatory and supervisory framework, in line with international standards. In accordance with the Banking Law promulgated in 2014, the institutional framework was completed by the promulgation of the decrees on the Credit Institutions Committee and the Coordinating Systemic Risk Monitoring Committee. Four new circulars were adopted by the Credit Institutions Committee in 2017 and covered the areas relating to the internal crisis recovery plan, duty of care and statutory audit of credit institutions.

At the same time, Bank Al-Maghrib has been working this year to assist banks in adopting in their consolidated accounts the IFRS 9 accounting standard for financial instruments, as soon as it comes into force at the international level as of January 1, 2018. It also continued to prepare the reform of the loan classification rules, on an individual basis, in line with international standards.

In 2017, the activity of the participatory banks started, following the publication in the Official Gazette of the approvals of 5 participatory banks and 3 windows and Bank Al-Maghrib's circulars, validated by the Higher Council of Ulemas «CSO» relating to financing products, investment deposits and conditions for the operation of participatory windows. The year's work focused on the adoption of the accounting framework and is continuing for the preparation of the prudential framework. The Bank also assisted the profession in development and CSO's approval of standard contracts for participative products with customers.

In accordance with the provisions of the Banking Law, the Bank initiated work to supervise financial conglomerates, in coordination with the other financial system regulators.

1 - Institutional framework of credit institutions

In 2017, the decrees governing the Credit Institutions Committee and the Coordinating Systemic Risk Monitoring Committee were published pursuant to the provisions of the Banking Law.

1.1- Credit Institutions Committee

The Credit Institutions Committee is governed by Articles 25 and 26 of the Banking Law. These provide that its operating procedures shall be fixed by decree. Thus, on November 16, 2017, Decree No. 2-17-30 was adopted and repealed that bearing No. 2-06-223 of July 3, 2007, pursuant to the Banking Law No. 34-03.

According to the new decree, the composition and mandate of the Committee have been broadened. Chaired by Bank Al-Maghrib's Governor, this committee includes, when it is called upon to examine the questions concerning the activity of credit institutions and of general nature, particularly the texts implementing Law 103-12 mentioned above, a representative of the Central Bank, two representatives of the Ministry of Finance, two representatives of the Moroccan

Bankers Association, a representative of the Professional Association of Finance Companies, a representative of the Professional Association of Payment Institutions and a representative of the National Federation of Microfinance institutions (MFI).

When dealing with individual questions, the composition of this Committee is restricted to representatives of Bank Al-Maghrib and the Ministry of Finance. Its mandate has been extended to provide advice on granting and withdrawing approvals from Microfinance institutions (MFI), payment institutions, offshore banks and participatory banks.

1.2- Coordinating Systemic Risk Monitoring Committee

The Coordinating Systemic Risk Monitoring Committee is established pursuant to the provisions of Article 108 of the Banking Law, replacing the Coordinating Commission of the Financial Sector Supervisory Bodies. It provides a framework within which the regulatory and supervisory authorities of the financial sector coordinate particularly their supervisory activities and exchange experiences and information on the institutions under their respective controls. It also serves as a forum for consultation and coordination of the actions of these authorities relating to the financial system stability.

The composition and functioning of this committee are set by decree and by its internal regulations. In this context and on November 16, 2017, Decree No. 2-17-32 was adopted and repealed the one bearing number 2-06-225 of July 3, 2007.

Under the presidency of Bank Al-Maghrib's Governor, the Committee is composed of a representative of the Central Bank, two representatives of the Moroccan Capital Market Authority and two representatives of the Supervisory Insurance and Social Security Authority. Its composition is extended to the representatives of the Ministry of the Economy and Finance, including the Director of the Treasury and External Finance, when it has to deal with the issues listed in paragraphs 2, 3, 4 and 5 of Article 108 mentioned above.

Box 5: Missions of the Coordinating Systemic Risk Monitoring Committee

Pursuant to the provisions of Article 108 of the Banking Law, the Coordinating Systemic Risk Monitoring Committee is responsible for ensuring macro-prudential supervision of the financial sector. It is mandated to:

1- coordinate the actions of its members in supervising the institutions under their control;
2- coordinate the supervision of the bodies that control the entities constituting a financial conglomerate as well as the common regulations applicable to these institutions;
3- determine the financial institutions that pose a systemic risk and coordinate the common regulations applicable to these institutions and their supervision;
4- analyze the financial sector situation and assess systemic risks;
5- ensure the implementation of all measures to prevent systemic risks and mitigate their effects;
6- coordinate crisis resolution actions affecting institutions under their control and posing systemic risk;
7- coordinate the cooperation and the exchange of information with the authorities charged with similar missions abroad.

The Minister of Finance may refer to the Coordinating Systemic Risk Monitoring Committee any matter of common interest.

The Coordinating Systemic Risk Monitoring Committee meets at least once every six months and as many times as necessary, when convened by its chairman, either on his own initiative or at the request of one of its members. Its secretariat is ensured by Bank Al-Maghrib.

2 - Prudential Framework

2.1- Adopted text: Internal crisis recovery plan

The provisions of Article 79 of the Banking Law provide that Bank Al-Maghrib's Governor may require a credit institution with a particular risk profile or of systemic importance, to comply with more binding prudential rules and to present an internal crisis recovery plan.

In accordance with these provisions, Bank Al-Maghrib adopted a circular requiring banks, particularly those of systemic importance, to prepare an internal crisis recovery plan aimed at defining, in the event of default, the solutions they intend to implement to return to a healthier situation so as to limit the impact on the financial system.

This circular lays down the provisions governing the development of this plan as well as how it should be presented. It is in line with international standards on crisis management, notably those issued by the Financial Stability Board, and is part of the implementation of a framework to ensure the treatment of insolvencies of credit institutions.

An internal crisis recovery plan is defined by the said circular as a management mechanism designed to determine the options that a supervised institution intends to implement in order to return to a healthier situation, in response to possible extreme shocks, so as to limit the impact on the financial system and without generating additional costs for the State and the taxpayer. The constituent elements of the said plan are as follows:

- a description of the governance framework related to the process of developing, approving and updating the plan;
- a description of the institution, mainly its core activities and critical functions;
- an identification of crisis scenarios likely to threaten the viability of the institution;
- a definition of the conditions for triggering the plan as well as the monitoring mechanisms put in place to detect the emergence of tensions;
- a presentation of the strategies and corrective measures envisaged;
- a description of the preparatory actions helping to facilitate the implementation of the recovery measures identified;
- a presentation of the communication and information strategy;
- an identification of information to be provided by the credit institution to Bank Al-Maghrib for the preparatory work for a possible resolution.

The governing body, as the body responsible for approving the plan, is required to ensure that the management body establishes a structure to assist in the development, update and implementation of the plan, when appropriate.

Credit institutions are required to draw up this plan no later than May 31 of each year. Exceptionally, the first plan must be submitted on September 30, 2018 for banks of systemic importance and on May 31, 2020 for the other institutions to be notified by Bank Al-Maghrib.

2.2- Draft texts

2.2.1- Loan classification reform

Following the recommendations of the Moroccan financial assessment mission conducted jointly by the International Monetary Fund and the World Bank in 2015, on the extension of the definition of default, Bank Al-Maghrib launched, in the fourth quarter of 2015, a project for reforming loan classification, which resulted in the elaboration of a first draft circular submitted to the profession.

The circular on the loan classification reform introduced a new class of intermediate risk, deemed as a sensitive risk, and broadened the definition of default.

The new class of sensitive receivables concerns counterparties whose claims meet one or more risk indicators. About ten criteria have been identified to consider the eligibility of a claim for inclusion in a watch list.

Regarding the definition of the default, the draft provided for additional criteria, which mainly concern the persistent noncompliance with the authorizations granted on the operating lines and the overdrafts, while the receivables undergo more than two restructurings or projects presenting certain indicators of proven difficulties.

Taking into account the banks' feedback on this reform, a second version of the draft circular was drawn up and led to a second improved impact study, which highlighted differentiated impacts according to the banks. These impacts come mainly from the new default criterion relating to persistent noncompliance with the authorized lines followed by multiple credit restructurings. Regarding sensitive receivables, the impacts come mainly from the criteria relating to the deterioration of financial indicators of counterparties and the absence of summary statements from debtor companies.

Bank Al-Maghrib invited the banks to carry out a program of actions to prepare the entry into force of the reform, particularly through the implementation of plans for the correction of persistent overdraft noncompliance with authorized lines.

Given the impact of the reform and the preparatory actions to be carried out by the banks, Bank Al-Maghrib undertook a study to set the deadline for its entry into force.

2.2.2- Prudential framework of similar entities governed by the Banking Law

Bank Al-Maghrib carried out work to consolidate the prudential framework applicable to the similar entities. In this context, a draft circular on the adaptation of the solvency framework of the Deposit and Management Fund (CDG) to its activity and risk profile was finalized, in consultation with this institution. It will be adopted in 2018.

In particular, the CDG is exposed to an investment risk that requires the implementation of an approach to measure this risk as well as an approach to its coverage by capital requirements.

Given these elements, the CDG new solvency framework will now be divided into two components:

- The Group's financial activities will continue to be subject to the Basel prudential framework, like credit institutions, on the basis of exposure to credit, market and operational risks;
- The Group's nonfinancial activities will be subject to capital requirements to hedge the investment risk, based on a multi-year looking-forward approach.

The new solvency framework also takes into account the specificities of the CDG's role as a long-term investor, particularly regarding the determination of prudential capital.

In addition, two draft circulars laying down the specific conditions applicable to Microfinance institutions (MFI) and offshore banks are being drafted, in accordance with the provisions of the Banking Law.

2.2.3- Regulatory framework relating to the collective deposit guarantee fund

The 2014 Banking Law set up a deposit guarantee funds managing company. This company can also carry out preventive interventions with a view to handling difficulties facing credit institutions.

In accordance with the provisions of Article 132 of the above-mentioned law, the Bank elaborated in 2017 draft specifications of the deposit guarantee funds managing company. The purpose of this draft is to specify the obligations relating to the operation of the managing company, in connection with its prerogatives of funds management and contribution to handling difficulties facing credit institutions.

This draft also provides the ethical rules governing this company as well as the terms of exchange of information with Bank Al-Maghrib.

Also, Bank Al-Maghrib drew up a draft circular on the conditions for payment of contributions to the deposit guarantee fund by the credit institutions concerned in order to introduce a system of differentiation based on the risk profile.

These texts will be adopted in 2018, after the phase of consultation with stakeholders. .

2.2.4- Regulatory watch on international prudential developments

As part of its regulatory watch activities, Bank Al-Maghrib monitors the work carried out by the Basel Committee. On December 7, 2017, this Committee published the revised Basel III framework, for an application planned from January 2022. This review aims particularly to simplify the overall framework, restore confidence in the calculation of risk-weighted assets, particularly on the basis of internal banking models, and to improve the comparability of capital ratios between banks.

This revised agreement is the culmination of an unprecedented regulatory effort that has been largely positive for financial stability. The main revisions to this agreement focus on enhancing the robustness and risk sensitivity of standardized approaches to determining capital requirements as well as on restricting the use of internal models approaches. Global systemically important banks «SIB» will be subject to an additional requirement for the leverage effect to reduce the negative externalities that may result from their default[17].

This agreement covers the revision of the credit, operational and market risk requirements as well as the introduction of an output floor. It also sets the implementation deadlines for the G20 member countries.

17 Beyond the capital surcharge to be created by the global systemically important banks (G-SIBs) introduced by the initial Basel III framework reforms, the Committee planned a specific leverage requirement to be created by these banks, in addition to the standard requirement prevailing up to now. This requirement was set at 50 percent of the capital surcharge applicable to a global systemically important bank.

Box 6: Basel III transposition process in Morocco

As early as 2010, Bank Al-Maghrib worked to transpose the Basel III framework, while taking into account the specificities of the national economic and financial context and promoting a gradual and prioritized implementation of international standards.

Capital regime: the transposition of the capital regime concerned the following:

- Implementing the eligibility criteria for capital instruments;
- Setting capital requirements levels higher than those recommended by the Basel Committee (8 percent, 9 percent and 12 percent for core equity, Tier 1 and solvency ratios, respectively);
- Introducing, for macro-prudential purposes, the counter-cyclical capital buffer which stands between 0 percent and 2.5 percent of weighted risks.

Treatment of systemically important banks «SIB»: The 2014 Banking Law introduced the principle of applying more binding prudential rules for systemically important banks «SIB». In this respect, the methodology for determining these institutions was defined and their list was agreed upon and approved by the Coordinating Systemic Risk Monitoring Committee. Work is in progress to calibrate the capital surcharge to be applied as well as the implementation schedule.

Short-term liquidity ratio "LCR": the circular on the short-term liquidity ratio "LCR" was published in 2013. This ratio entered into force in July 2015, after a period of observation of 18 months, after which adjustments were made. At this date, the minimum ratio to be respected by the banks was set at 60 percent and then gradually raised by 10 percent per year to reach 100 percent on July 1, 2019.

Net Stable Funding Ratio (NFSR): This liquidity ratio is determined in the long term. It restricts banks' long-term financing to the long-term liabilities they have. Bank Al-Maghrib scheduled a review of this reform in 2019.

Leverage Ratio: Reflections on the adoption of this standard at the national level led to the conduct of an impact study, whose findings showed that Moroccan banks used this technique moderately. The Bank included this reform in its regulatory program for 2019.

Revised requirements for credit, market and operational risks: Bank Al-Maghrib planned to review the transferability of the new revisions made by the Basel Committee in December 2017 and to define, on this basis, a regulatory roadmap.

3 - Accounting and financial transparency framework

3.1 - Assistance to credit institutions in adopting the international standard "IFRS 9"

Published in July 2014, the international standard IFRS 9 "financial instruments" replaces the accounting principles and financial reporting of the financial assets and liabilities set out by the IAS 39, which was much criticized during the financial crisis, particularly in terms of credit risk anticipation.

This new standard introduces a new impairment model based on expected credit losses, whereby banks are required to depreciate their loans as soon as credit is granted and throughout their life cycle based on their risk profile.

Box 7 : IFRS 9

In response to the global financial crisis, the International Accounting Standards Board (IASB) replaced the standard "IAS 39 - Financial Instruments: Recognition and Measurement" with "IFRS 9 - Financial Instruments".

This standard covers the following 3 components: classification and measurement, impairment and hedge accounting.

The adjustments made by IFRS 9 to improve investor information include:

- a unified approach to the classification and measurement of financial assets that reflects the economic model in which they are managed as well as their contractual cash flows;
- a single model of impairment for all financial instruments. This model is forward-looking and based on "expected losses";
- a substantially reformed approach to hedge accounting.

In Morocco, since 2008, credit institutions were required to apply IFRS standards to prepare and report their consolidated accounts in accordance with the provisions of the banking chart of accounts (PCEC). These institutions were asked to apply the IFRS 9 accounting standard when it enters into force internationally on January 1, 2018.

To this end, Bank Al-Maghrib supported in 2017 banks in adopting this standard, mainly through the organization of workshops on the main topics of the standard and the challenges facing its implementation.

An impact study was conducted in this regard with the credit institutions concerned by consolidating the accounts in order to adopt transitional measures. Following this study, Bank Al-Maghrib decided, after consultations with these banks and their auditors:

- to integrate, when amending the banking chart of accounts, the exemption until 2021 of the application of IFRS 9 to the insurance activities of a banking group;
- to grant an additional period of 2 months for the publication of the consolidated accounts for the first quarter of 2018. Meanwhile, Bank Al-Maghrib requested that the first application of the standard be certified by statutory auditors prior to any publication.

On the regulatory side, the Bank finalized the amendment to the banking chart of accounts in accordance with the new standard and prepared a circular of adoption which was submitted in early 2018 to the Credit Institutions Committee, prior to its transmission to the National Accounting Council (CNC).

In order to mitigate the impact of the accounting reform on prudential capital, Bank Al-Maghrib is examining the implementation of transitional provisions that will allow a gradual absorption of the impacts of the first application of this standard.

3.2- Revision of the circular relating to the function of statutory auditors in credit institutions

Bank Al-Maghrib revised Circular No. 21/G/2006 on the procedures for approving credit institutions' statutory auditors, by replacing it with Circular 6/W/2017 of July 24, 2017 on the same subject.

The main inputs of this revision are:

- **Rotation of statutory auditors**: the new circular provides for the possibility of discharging a third mandate for professional accounting firms provided that the partner responsible for conducting the statutory audit mission is rotated instead of two consecutive mandates provided for in the repealed circular.
- **Deadline for processing applications for approval**: To enable Bank Al-Maghrib to process these applications appropriately, the related deadline is raised to 30 days instead of 21 working days from the date of receipt of all documents and information required.

Bank Al-Maghrib also adopted the circular concerning the procedures for discharging the mission of statutory auditors of credit institutions, pursuant to the provisions of Article 100 of Law 103-12 on credit institutions and similar entities.

Pursuant to this circular, the diligence that the statutory auditors must observe when carrying out their duties includes:

- Assessing the quality of the internal control system, assessing the general organization and the means implemented to ensure its proper functioning, taking into account the size of the institution, the nature of its activities and the risks involved;
- checking that the institution's annual accounts are drawn up in accordance with the accounting principles and the prescribed evaluation methods and that they are presented in accordance with the relevant rules;
- bringing to the attention of the management body, the audit committee and the board of directors or supervisory board, significant gaps in internal control systems, significant anomalies and deficiencies found in terms of accounting, conclusions found following observations and rectifications on the summary financial statements or the financial statements items and any facts that appear to have been misleading in the performance of their duties;
- ensuring that the institutions comply with the Banking Law provisions relating to compliance with prudential rules and including in their report the adjustments which, in their opinion, must be made to the prudential ratios;
- transmitting to Bank Al-Maghrib the report on the summary financial statements, the report of opinion on the consolidated financial statements, the special report on regulated agreements and the internal control evaluation report within the deadlines set by Bank Al-Maghrib.

4 - Financial integrity framework

In line with its efforts to align the banking regulatory system with the international standards of the Financial Action Task Force «FATF» and the Basel Committee, Bank Al-Maghrib overhauled Circular No. 2/G/2012 on duty of care of credit institutions.

The new text entrenched the implementation of the risk-based approach to the fight against money laundering and terrorist financing. In this context, credit institutions must analyze and assess the money laundering and terrorist financing risks related to the categories of customers, countries or geographical areas and products, services, operations or distribution channels. Enhanced diligence measures are required for high risks.

It explicitly defined the concepts of the beneficial owner of a banking transaction, business relations and occasional customers, in line with those adopted by the FATF.

Box 8: Definition of the beneficial owner, occasional customer and business relations

For the purposes of the new circular, the following definitions apply:

Beneficial owner: Any natural person who ultimately exercises control over the customer and/or any natural person on whose behalf a transaction is performed or an activity is carried out.

Occasional customer: The one who:

- carries out a specific operation with a credit institution, whether this operation is carried out in a single operation or in several operations appearing to be related to each other;
- does not use the services offered by the credit institution on a regular basis.

Business relations: They are tied when the institution enters into a professional or commercial relation which is supposed, at the moment when the contact is established, to stand the test of time. They can be governed by a contract or be tied without a contract.

The new circular introduced several requirements related to:

- the identification and knowledge of business relations and beneficial owners;
- the identification of customers for opening accounts from abroad;
- information on instructing parties and beneficiaries that should accompany bank transfers and transfers of national or cross-border funds, issued and received;
- the recognition of the obligation to check if customers, instructing parties or beneficial owners of the to-be-executed or executed operations appear in the sanctions lists of the authorized international bodies;
- the conditions to be observed by the institutions regarding the recourse of third parties to identify customers and beneficial owners;
- the assumption of risks related to products, practices and technologies that do not imply a physical presence of the customer or that may encourage anonymity;
- the entry into relation between Moroccan banks and foreign banking correspondents.
- the vigilance measures to be adopted within a banking group, particularly with regard to the establishment of a mapping of money laundering and terrorist financing risks-group, convergence of group-wide schemes and procedures for the exchange of information about common customers.

Lighter identification vigilance measures were introduced for payment institutions for small payment accounts, with the aim of promoting financial inclusion. Measures to ease identification diligence were expected for Moroccan organizations supervised by the Moroccan Capital Market Authority and the Supervisory Insurance and Social Security Authority, as well as public bodies.

5 - Support for participatory banks to start activity

5.1- Historical retrospective

Since 2004, Bank Al-Maghrib has embarked on a progressive preparatory process aimed at introducing participative financing products on the Moroccan market. It began training its staff on the principles of participative finance and in 2007 joined the Islamic Financial Services Board (IFSB) as an observer member. In the same year, it issued a recommendation on the supply of alternative products (Ijara, Moucharaka and Murabaha). In 2010, it approved the first financing company specializing in the marketing of these products.

Although the alternative products have not had the expected success, this experience has been rewarding since it helped, among other things, to realize that the genesis and development of a new Sharia-compliant banking activity require several prerequisites, including the establishment of a suitable institutional, regulatory and fiscal framework as well as the emergence of a complete ecosystem.

Institutionally, this ecosystem requires a national authority, the only reference of the financial system in terms of Sharia compliance as well as governance within credit institutions, guaranteeing the proper application of the principles enacted concerning the targeted banking products and operations.

In 2013, Bank Al-Maghrib became a full member of the IFSB and created, within the Banking Supervision Department, a Participatory Finance Regulation Division. Subsequently, in 2014, it joined the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), headquartered in Bahrain.

Legally and institutionally, Law No. 103-12 on credit institutions and similar entities, which devotes Title III to participatory banks, was published in 2014 and the Dahir reorganizing the Higher Council of Ulemas, (CSO), which created within this institution the Sharia Committee for Participatory Finance, was published in 2015.

This committee is mandated to issue opinions on whether banking, insurance and capital market products are Sharia-compliant.

5.2- Support for the start-up of participatory banks in 2017

In 2017, Bank Al-Maghrib engaged in ensuring that the activities of participatory banks and windows started under the best possible conditions.

5.2.1- Adaptation of the accounting framework to the specificities of participatory finance

The accounting and financial reporting framework was adapted to the specificities of this new activity. The amendments to the banking chart of accounts were approved by the National Accounting Council (CNC) on July 11, 2017. They are about:

- **accounting and evaluation rules:** specific rules on participative products: Murabaha, Ijara, Moucharaka, Moudaraba, Salam and investment deposits were adopted as well as the related accounting schemes;
- **the chart of accounts:** the eight classes of the chart of accounts were revised to include the accounts specific to the participative finance operations. The operation and content of the said accounts were defined;
- **the summary financial statements:** they were reviewed in order to keep track of the participative finance activities. However, the basic structure of these statements was maintained to serve as a common model for participatory banks and conventional banks, which may or may not have a participatory window.

5-2.2- Support for the development of participative banking contracts

Dahir No. 1.15.02 reorganizing the CSO provides that the standard contracts relating to participative banking products be approved by this institution. Bank Al-Maghrib worked in 2017 to support the participatory banks in drawing up these contracts. The initiative launched is a market-based approach pursued within the Moroccan Bankers Association.

After review, the Sharia Committee for Participatory Finance formulated in July 2017 an assent on the participatory demand account agreement and Murabaha contract for real-estate financing. Other contracts were prepared and will be submitted, for opinion, to the CSO at the beginning of 2018. They concern the contracts Murabaha and Murabaha for the instructing party for financing movable property and automobile. Working sessions were held to review Ijara contracts and card-bearing contracts which were commented by the above-mentioned committee.

5.2.3- Support for the adaptation of the framework governing the Group for a Moroccan Interbank Teleclearing System (GSIMT)

During this year, Bank Al-Maghrib supported the GSIMT to be adapted to the start of banks and participatory windows' activity. In this context, work was carried out to identify the institutional, conventional and operational impacts.

Hearing sessions were organized by the Higher Council of Ulemas «CSO», in the presence of Bank Al-Maghrib and the GSIMT, in order to present the institutional framework, the operating procedures for the clearing and financial safety mechanism as well as proposals for adaptation of the latter to the specificities of the participatory activity.

The CSO issued an assent on these procedures on October 17, 2017, in which it sets the conditions for direct or indirect membership of participatory banking institutions to the GSIMT. It also fixes the terms relating to the establishment of a permanent guarantee fund specific to participatory banking institutions, to cover their potential default in terms of clearing, constituted from their contributions and invested in Sharia-compliant instruments.

5.2.4- Other support actions

The Bank continued to work alongside the parties concerned to establish the other prerequisites necessary for the development of a complete participatory finance ecosystem, particularly in terms of taxation, emission of Sukuk certificates, Takaful insurance and development of a guarantee offer for participatory financing via the Central Guarantee Fund (CCG).

In terms of taxation, Bank Al-Maghrib coordinated with the General Tax Department to define tax provisions for Murabaha, Ijara and Moucharaka financing products aimed at guaranteeing fiscal neutrality with conventional financing products. These provisions concern:

- the tax treatment of rates on investment deposits expected as part of the participative finance.
- With respect to the value added tax:
  - the tax base of operations "Ijara Mountahiya Bitamlik";
  - the conditions relating to the transfer of the right of deduction on goods acquired under "Mourabaha", to the taxable purchasers;
- The regime applicable, in terms of registration fees, to the transfer of property as part of the operations: "Mourabaha", "Ijara Mountahia bitamlik" or "Moucharaka Moutanakissa".

In terms of liquidity and refinancing, Bank Al-Maghrib contributed to the work of the Inter-Authority Steering Committee, set up to prepare the emission of sovereign Sukuk certificates, and the commission on the draft decision of the Minister of Economy and Finance fixing the technical features and terms of issue of Sukuk Al-Ijara. The instruments mentioned above are intended to provide participatory finance institutions with liquidity assets as well as Sharia-compliant refinancing mechanisms.

In the same vein, Bank Al-Maghrib contributed, through the steering committee, comprising the Ministry of Economy and Finance and the Central Guarantee Fund, to the development of guarantee instruments adapted to the participative banking activity.

5.2.5- Participatory prudential framework

The work to finalize the prudential framework for the participatory banks continued in 2017. In this context, Bank Al-Maghrib co-organized a regional seminar, with the Islamic Financial Services Board (IFSB), on the prudential regulation applied to participatory banks. The experiences of several countries with Sharia- compliant finance were reviewed.

Draft circulars on equity, solvency ratio and liquidity ratio were drawn up in order to take into account the specificities of the participative banking business, particularly in terms of products and the resulting risks. They will be submitted for opinion to the profession in 2018.

6 - Preparations for the launch of the payment accounts backed service offering

The regulatory framework governing the activity of payment institutions were finalized and published in the Official Gazette at the end of the first quarter of 2017. This framework sets the minimum capital rules and the conditions for these institutions to exercise their activities as well as the terms and conditions for the delivery of payment services. Its implementation will help introduce electronic payment services backed by payment accounts, foster the development of innovative services, such as mobile payment, and thereby promote the financial inclusion of the population.

In 2017, the work carried out focused on the preparation of a draft agreement for segregated accounts that payment institutions will have to open with an authorized bank. Also, standard files for notifying agents by payment institutions were developed. The circular relating to the bank's statement of identity was also revised to cover the payment accounts.

7 - Preparation for the establishment of a regulatory framework for financial conglomerates

The 2014 Banking Law defined the concept of financial conglomerates and set out the requirements to be observed by these entities in terms of accounting, prudential and financial disclosure. These requirements will be broken down by a joint circular of the financial sector supervisory authorities, namely Bank Al-Maghrib, the Supervisory Insurance and Social Welfare Authority and the Moroccan Capital Market Authority. The law also entrusted the Coordinating Systemic Risk Monitoring Committee with the responsibility of coordinating the oversight of the bodies that control these entities.

Box 9: Definition of financial conglomerate

For the purposes of Article 21 of Law 103-12 on credit institutions and similar entities, a financial conglomerate is defined as any group fulfilling the following three conditions:

- be placed under the sole control or significant influence of an entity of the group with its headquarters or main activity in Morocco;
- at least two members of the group should be members of the banking and/or insurance sector and/or the capital market sector;
- the financial activities of the group are significant.

In 2017, Bank Al-Maghrib carried out internal preparatory work to examine the experiences of countries that have adopted regulations in this area. The bank also looked into the requirements of the Joint Forum's Principles for the Supervision of Financial Conglomerates. On this basis, it drew up a preliminary draft circular.

Box 10: Joint Forum

The Joint Forum brings together the Basel Committee on Banking Supervision, the International Organization of Securities Commissions and the International Association of Insurance Supervisors. These organizations published a report on the principles for the supervision of financial conglomerates.

This report updates and complements the principles enacted in 1999 on the supervision of financial conglomerates. These principles cover five areas: supervisory powers and authority, supervisory responsibility, corporate governance, capital adequacy and liquidity, and risk management.

To set the regulatory and supervisory framework for these entities, a working group comprising the representatives of the financial sector supervisory authorities was set up to coordinate the identification of financial conglomerates and to draw up a joint circular concerning the regulatory requirements that will be applied to them.

8 - Consultation on legal reforms of the financial system

In 2017, Bank Al-Maghrib contributed to the consultations on draft laws relating to crowdfunding and derivative financial instruments.

8.1- Draft law on crowdfunding

Bank Al-Maghrib was consulted on the draft law on crowdfunding, prepared by the Ministry of Economy and Finance.

Box 11: Definition and main forms of crowdfunding

Crowdfunding is a technique for financing projects using the internet as a channel for linking project entrepreneurs and people wishing to invest in these projects. This technique allows entrepreneurs particularly regarding the creation of start-ups and cultural, artistic or associative projects to raise funds through a specialized Internet platform, with a large audience of Internet users, physical or moral persons, without geographical limitation.

Intermediation platforms based on the principle of crowdfunding support different forms of transactions. The most important are:

Donation crowdfunding: it consists of giving, free of charge, funds for a project, often with an associative nature. This model is especially supported by charities to reach a wider range of donors.

Debt crowdfunding: the loan to entrepreneurs allows individuals to provide financing in return for remuneration in the form of interest. It can take the form of an unpaid loan.

Equity Crowdfunding: it allows shareholding as shares in financed corporations and financial gain via dividends and realized potential capital gains. These platforms provide access to investment in unlisted SMEs.

This bill is part of the government's overall strategy for financial inclusion and is aimed specifically at facilitating young entrepreneurs' access to finance. It defines how crowdfunding works and sets its basic principles.

The bill introduced specific provisions aimed at:

- defining the basic principles of the regulation of crowdfunding business, mainly obligations regarding information and transparency, management of financial flows, protection of investors/ lenders/donors and vigilance;
- Establishing an accreditation and control framework for crowdfunding players.

8.2- Bill on the revision of the financial futures market law

Following consultation with the Ministry of Economy and Finance, the Bank reviewed and announced its proposals on the draft revision of Law No. 42-12 on the financial futures market. This draft aims to put in place a specific legal framework for the financial futures traded over the counter, which until now have been governed by ordinary law.

CHAPTER IV

BANKING SUPERVISION

1 - Banking supervision activity

Bank Al-Maghrib is responsible for the supervision of all credit institutions and similar entities. In this respect, it issues the approvals and authorizations necessary for performing banking activities, prescribes prudential and accounting rules, controls supervised institutions, penalizes breaches of legal and regulatory provisions and handles banking difficulties.

Following the approval of 5 new players in the field of participatory finance, Bank Al-Maghrib's scope of control widened in 2017 to cover 86 credit institutions and similar entities, including 19 conventional banks, of which 3 with a participatory window, 5 participatory banks, 32 finance companies, 6 offshore banks, 13 Microfinance institutions (MFI), 9 payment institutions specializing in funds transfer, the Deposit and Management Fund (Caisse de Depôt et de Gestion) and the Central Guarantee Fund (Caisse Centrale de Garantie).

1.1 - Licenses and approvals

Following the Credit Institutions Committee's opinion, Bank Al-Maghrib proceeded in 2017 with:

- authorizing a financing company specializing in auto financing to extend its activities to cover other vehicle brands as well as used vehicles;
- giving a prior approval to a Moroccan bank to acquire all the capital of a bank in Egypt.

During this year, decisions were also issued to withdraw licenses from:

- a finance company operating in the consumer credit business in a situation of noncompliance with the requirements of the minimum capital;
- a money transfer company, as part of the final phase of dealing with its difficulties.

The Bank also examined 24 files relating to the appointment of auditors to perform activities in 7 banks, 15 finance companies, one funds transfer company and one microcredit association.

It also approved the appointment of 55 directors and managers in 12 banks, 10 finance companies, 2 funds transfer companies and one offshore bank.

1.2 - Off-site and on-site control activities

Oversight of supervised institutions is based on on-site and off-site inspections, following a risk-based approach focusing on the areas of vulnerability in these institutions. These two types of control are complemented by integrated analyzes of the banking sector, carried out by dedicated teams, for a cross-cutting vision of risks.

Off-site control is based on an examination of the accounting and prudential reports sent by the institutions as well as on their annual internal control reports and those issued by the statutory auditors. In addition, meetings are regularly held with the representatives of the institutions and their statutory auditors.

These meetings are held with the directors and heads of the institutions' key functions, including the financial, risk management and control functions as well as periodic, permanent and compliance control functions.

The supervised institutions' risk profile assessment elements are reflected as a rating summarizing their financial and prudential position.

In an environment that is still marked by modest credit growth and still high credit risk, the Bank closely monitored banks' asset quality and exposure to concentration and interest rate risks. It also monitored the change in these institutions' risk profiles, governance, internal control and risk management systems as well as financial and prudential soundness.

During this year, particular attention was paid to the monitoring of money laundering and terrorist financing risks, as well as cybercrime-related risks. It initiated a reflection on emerging risks related to climate change and transition to a low carbon economy. Also, the Bank remained attentive to the international development of Moroccan banking groups.

Some of the above-mentioned areas were controlled on the spot in order to verify, on the ground, the adequacy and efficiency of the arrangements put in place in terms of governance, organization, procedures and human and technical resources. This year, the Bank conducted 27 on-site inspections, including five general missions. The thematic missions focused on the credit granting process, the quality of regulatory and prudential reporting, the anti-money laundering and counter-terrorist financing systems, the legal risk management system, as well as information security systems with a focus on intrusion tests, the IT backup plan and the operational management of the Business Continuity Plan.

In preparation for a greater flexibility of the exchange rate regime, the Bank also conducted audits of foreign exchange, interest rate and foreign currency liquidity risk management systems. These audits were carried out with banks active in foreign exchange and currency transactions.

In addition, the Bank took actions to monitor the initiatives undertaken by banks to develop the digital services offering in order to foster dialogue on the potential implications concerning risk management, regulation and control plans.

1.2.1- Governance and overall risk management

Bank Al-Maghrib continued to monitor the credit institutions' implementation of the provisions of the internal control circular and the governance directive adopted in 2014, as well as the provisions of the circular relating to independent directors or members of the governing body enacted in 2016.

In this context, Bank Al-Maghrib's supervisors focused on analyzing the involvement of the governing bodies and their specialized committees in determining the credit institutions' strategic guidance and degree of risk aversion. The analysis also focused on the linkages of risk management and internal control systems within the credit institution's governance system. Similarly, in 2017, special emphasis was placed on the issue of multiple terms of directors in these institutions.

A focus was also put on the dimensioning and effectiveness of control functions (permanent, periodic, compliance, risk control).

Also, the internal capital adequacy and assessment process (ICAAP) and the practices regarding stress tests were discussed in several meetings held with the big banks.

1.2.2- Implementation of Basel III capital and liquidity standards

Bank Al-Maghrib continued to monitor banks' compliance with the Basel III capital regime adopted in 2013. As such, it ensured that credit institutions comply with the transitional provisions set for the 2014-2018 period. Some institutions were asked to strengthen their equity.

Bank Al-Maghrib also ensured the banks' compliance with the Basel III short-term liquidity ratio (LCR), whose minimum level is 80% for 2017.

1.2.3- Financial risks

On the eve of the transition to a more flexible exchange rate regime, the Bank paid particular attention to the monitoring of foreign exchange, interest rate and particularly foreign currency liquidity risks. In addition to on-spot checks carried out to assess banks' readiness for this transition, closer exchanges took place with the managers in charge of market risk supervision and the asset-liability management functions within banks active on market operations. These exchanges focused on:

- the quality of the data reported by banks to Bank Al-Maghrib on foreign exchange activities;
- the asset-liability management and cash management mechanisms and separation between banking and trading activities;
- the quality of the internal control, risk management and governance mechanisms;
- the adequacy of human resources in terms of quality and quantity;
- the quality of information systems supporting market activities.

Meanwhile, the Bank began a review of its approach to internal rating of market risks incurred by banks, according to an approach aiming to take into account the interactions between these risks and other forms of risk (credit, concentration, liquidity).

In order to strengthen its market risk monitoring tools, it also drew up new regulatory reporting to be received from banks taking track of the portfolios held, the positions and measurements of related risks.

The supervisors also analyzed the banks' interest rate risk profile and invited them to strengthen their measurement and management of this risk.

1.2.4- Money laundering and terrorist financing risks

Bank Al-Maghrib checks whether entities under its control comply with the obligations of law No. 43-05 relating to money laundering and terrorist financing as well as the provisions of the circular on duty of care required of credit institutions.

In 2017, it focused on supervised institutions' strengthening of their internal compliance control and risk management systems, in a context marked by the gradual digitization of financial services and the sophistication of the techniques used for money laundering and terrorist financing.

The actions carried out by the supervisors were based on the analysis of the responses to the questionnaire on the duty of care and internal control reports, which are provided annually by credit institutions. This analysis was supplemented by the interviews conducted with the heads of the compliance function of controlled institutions.

In addition to the assessment of the individual risk profile of each institution, integrated studies were conducted to provide a global and comparative view of credit institutions and to map risks across the banking sector.

The recommendations made by the Bank to credit institutions, following the controls, focused on the application of the risk-based approach, enhancement of the systems for identifying and knowing business relations and occasional customers, filtering procedures for customer databases and transaction flows, as well as the mechanism for reporting suspicions to the Financial Intelligence Processing Unit (UTRF), including in terms of deadlines.

Particular attention was paid to the review of the group coverage of the systems put in place in subsidiaries both in Morocco and abroad.

In addition, several meetings were held in 2017 with conventional, participatory and offshore banks, finance companies and payment institutions concerning mainly action plans of compliance with the new provisions of Circular 5/W/2017 on duty of care. Exchange workshops were also organized on the preliminary results of the national assessment of money laundering and terrorist financing risk and its impact on the banking sector.

Box 12: National assessment of money laundering and terrorist financing risks

At the initiative of the Financial Intelligence Processing Unit, a National Risk Assessment was initiated with the support of the World Bank. This assessment is in line with the new recommendations of the Financial Action Task Force «FATF», inviting countries to identify, assess and understand money laundering and terrorist financing risks and threats to which they are exposed and to take steps to prevent and mitigate them, depending on their severity.

In this context, Bank Al-Maghrib was responsible for leading the working group on financial sector vulnerabilities and financial inclusion risks.

Awareness-raising actions were organized this year, jointly with the UTRF, to discuss the suspicion reporting process and related typologies as well as avenues for improvement.

On the other hand, Bank Al-Maghrib's internal control framework for money laundering and terrorist financing risks was revised to reflect the new requirements of the circular on duty of care. In this context, the Bank updated its rating tool for the money laundering and terrorist financing risk assessment component and its on-site control methodology in this area. It also revised the anti-money laundering and counter-terrorist financing questionnaire, which is filled out annually by credit institutions.

The year 2017 was also characterized by the preparatory work for the mutual evaluation of the national anti-money laundering and counter-terrorist financing schemes led by the MENA Financial Action Task Force (MENAFATF), scheduled for the first quarter of 2018. In this context, the Bank was asked during the second half of 2017 to provide the evaluators with the necessary documents and to fill out self-assessment questionnaires on the recommendations of the FATF.

Box 13: Framework on mutual evaluation of the national mechanism for anti-money laundering and counter-terrorist financing conducted by MENAFATF

As part of the 2nd round of mutual evaluations of national anti-money laundering and counter-terrorist financing schemes of the Middle East and North Africa countries, MENAFATF adopts complementary approaches to assess technical compliance with the 40 FATF Recommendations and to determine whether national anti-money laundering and counter-terrorist financing schemes are effective.

The adopted methodology focuses on two areas:

- **The technical compliance assessment covers** the requirements of the 40 FATF Recommendations that address the country's legal and institutional framework, as well as the competent authorities' powers and procedures.
- **The effectiveness evaluation** is about the quality of implementation of these recommendations and aims to assess how the legal and institutional framework produces the expected results.

1.2.5- Cybercrime-related risks

Digital development is a real opportunity for banks to improve customer relations and services by making them more accessible and faster. Nevertheless, this trend, which involves an increasing use of Web and mobile platforms, leads to high risk of cyber-attacks and requires greater vigilance from banking players.

In this context, Bank Al-Maghrib examined the first annual reports on intrusion tests that credit institutions should develop, in accordance with the directive adopted in this regard in 2016. Action plans were asked from some of them to correct the shortcomings identified. On-site monitoring missions were also conducted to evaluate the arrangements set up by some banks for the management of cyber risks and computer security in a more general manner.

At the same time, pursuant to Decree No. 2-15-712, which sets out the mechanism for protecting sensitive information systems of Infrastructures of Vital Importance, the Bank agreed on the list of banks designated as such, in coordination with the National Defense Administration's Department of Security of Information Systems (DGSSI). These banks were called upon, in accordance with the aforementioned decree, to identify their sensitive information systems in order to subject them to enhanced security measures. Similarly, with the support of Bank Al-Maghrib, the exchange of information on computer incidents and alerts was intensified between the banking sector and the Moroccan Computer Emergency Response Team (ma-CERT) of the DGSSI.

1.2.6- Supervision of cross-border banking activities

With the development abroad of the three largest Moroccan banking groups, particularly in Africa, Bank Al-Maghrib continued to pay close attention to the supervision of cross-border banking activities. Three new conventions on banking supervision, information exchange and general cooperation were concluded this year with the Central Banks of Tanzania, Rwanda and Jordan bringing the number of these conventions to 12 covering 24 countries out of 33 host countries. Other conventions are being discussed, particularly with the Central Banks of Egypt and Mauritania.

For the fourth year in a row, the colleges of supervisors of the three banking groups mentioned above were required to examine the financial and prudential position of these groups, their strategies and the management of their risks, particularly in light of the new regulatory requirements in Morocco and in other host countries. On the other hand, Bank Al-Maghrib participated in the colleges of supervisors of two French banking groups with subsidiaries in Morocco and took part, for the first time, in the college of supervisors of a Jordanian bank with a branch in Morocco.

Similarly, the Bank continued to monitor the harmonization of risk management, internal control, and anti-money laundering and counter-terrorist financing mechanisms, across the network of subsidiaries of Moroccan banking groups in Africa. In particular, the credit risk management system must particularly cover the deployment of standards relating to the organization, delegated scheme, oversight and reporting, as well as the implementation of stress testing and concentration limits.

In 2017, the Bank contributed to 2 joint control missions with the Banking Commission of the West African Monetary Union (WAMU) at 2 Moroccan bank subsidiaries in Côte d'Ivoire.

At the same time, exchanges intensified with the host countries' supervisory authorities, notably through the holding of regular telephone conferences with Banking Commission of the West African Monetary Union, the Banking Commission of Central Africa and French Prudential Supervision and Resolution Authority.

1.2.7- Following up on Bank Al-Maghrib's control

After the on-site and off-site checks, corrective action plans were implemented by the institutions, taking into account the Bank's recommendations. These action plans are regularly monitored by permanent supervisors.

Sanctions were imposed by the Bank for breaches of legal or regulatory provisions. They include:

- 3 disciplinary sanctions imposed on a bank, a finance company and a payment institution specializing in money transfers;
- 7 pecuniary sanctions against 4 banks and 3 payment institutions specializing in money transfer.

2- Handling difficulties of credit institutions

As a continuation of the work carried out to strengthen the difficulty handling system of credit institutions, a technical assistance mission was launched with the support of the World Bank, with a view to supporting the Bank and the Ministry of Economy and Finance in setting up a legal framework for bank resolution.

Box 14: International framework for banking resolution

The banking resolution is defined by the Financial Stability Board (FSB) as a set of legal rules entrusting an independent authority, called the resolution authority, with the power to take action with respect to a proven and foreseeable default by a bank in order to avoid any impact on the financial stability and limit the use of public financing, through appropriate legal instruments and financial means.

The FSB agreed on the list of attributes essential to the establishment of an effective resolution system, which should be transposed into the legislation in force in each jurisdiction.

In this context, the Bank continued to work with the various stakeholders to examine the prerequisites necessary for setting up a resolution framework that meets the FSB international standards. A study was conducted to examine the compatibility of international principles in this area with the principles of Moroccan law. The project continued with studies carried out on the legal, institutional and operational models of countries with such a system.

3 - Protecting customers of credit institutions

In 2017, Bank Al-Maghrib ensured that credit institutions complied with the provisions of the consumer protection law relating to real estate and consumer loans. On-spot inspections carried out in this regard also covered the examination of credit institutions' systems for handling claims from customers and the verification of the implementation of Article 503 of the Commercial Code governing account closure and application of the interest rate variability clause.

At the same time, the Bank continued to handle claims it receives from customers of credit institutions and initiated a project to optimize the operational framework of this activity.

It also monitored the activity of the Moroccan Banking Mediation Center.

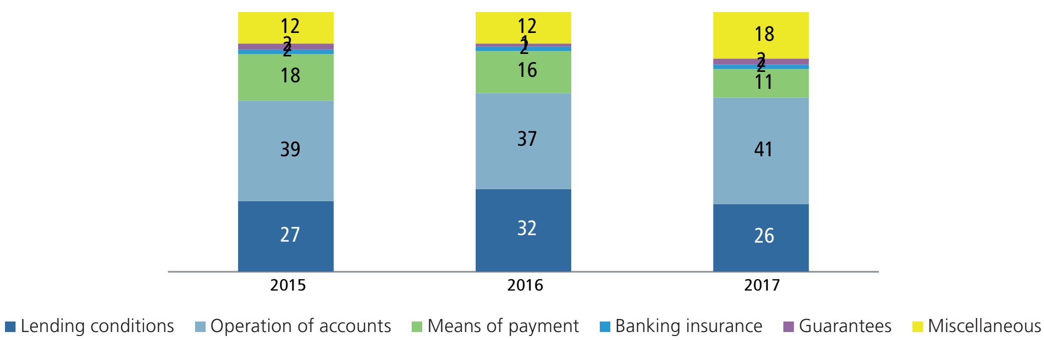
3.1- Handling complaints from customers of credit institutions

In 2017, the Banking Supervision Department handled 1,356 third-party requests, compared to 1,235 in 2016. These requests are divided into:

- 590 complaints from customers of credit institutions, as against 540 at the end of 2016;
- 331 account lookup requests from the heirs of deceased persons, compared with 321;
- 435 account disclosure requests from the judicial authorities, as opposed to 367 in 2016.

The analysis of the typology of claims shows that the complaints concerning the operation of accounts represented nearly 41 percent of the total, of which more than half on account closure. Complaints about lending conditions accounted for 26 percent of the claims received. Complaints about means of payment, including the use of checks, accounted for 11 percent of the claims received.

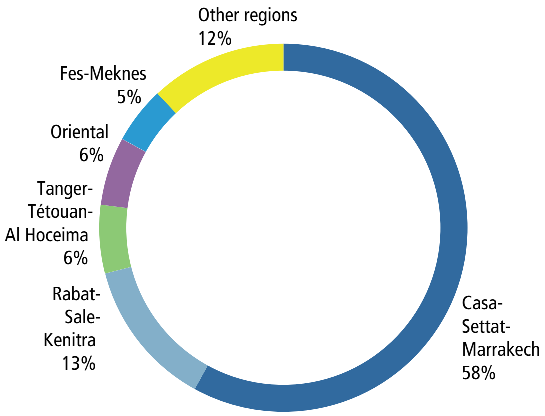
Chart 110: Breakdown by type of complaints filed by customers of credit institutions with Bank Al-Maghrib



More than 98 percent of the claims came from individual customers.

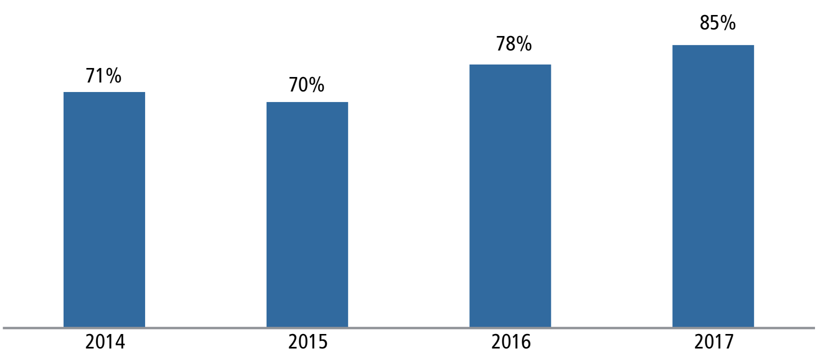
As in previous years, the regional distribution of claims shows that the majority of complaints come from complainants living in Casablanca.

Chart 111: Regional breakdown of complaints filed by customers of credit institutions with Bank Al-Maghrib - Year 2017



Nearly 85 percent of the claims were settled in favor of complainants, from 78 percent in 2016.

Chart 112: Rate of claims settled in favor of complainants and received by Bank Al-Maghrib from customers of credit institutions



3.2- Banking mediation activity

The Moroccan Banking Mediation Center is established as a non-profit association. Its founding members are Bank Al-Maghrib, The National Agency for the Promotion of Small and Medium Enterprises, The Moroccan Bankers Association, The Professional Association of Finance Companies and National Federation of Microfinance institutions (MFI).

It manages two compartments: a compartment called "institutional", which is voluntary and free of charge, for disputes involving an amount equal to or less than 1,000,000 dirhams and a so-called "conventional" compartment, which is a paid service and covers disputes of an amount exceeding 1,000,000 dirhams.

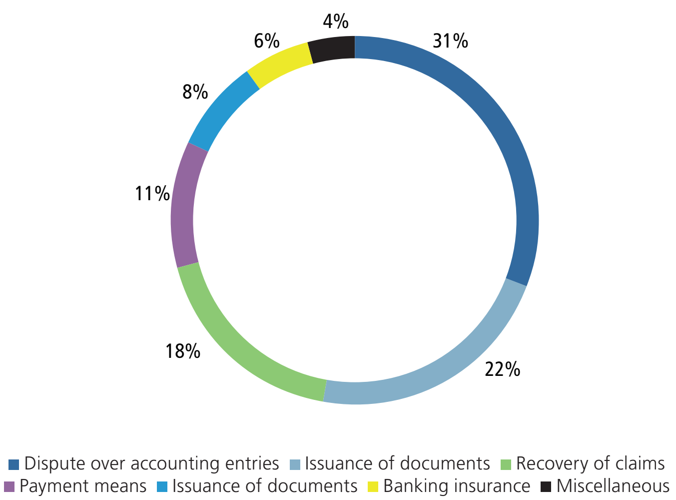
It is mandated to:

- settle amicably the disputes that may arise between banks, finance companies and Microfinance institutions (MFI) on the one hand, and their customers on the other;
- organize events to raise awareness and promote mediation;
- conclude any partnership with public or private, national or international organizations in order to develop this mode of dispute settlement.

In 2017, the Moroccan Banking Mediation Center received 412 complete cases, within the framework of institutional mediation, for litigation amounts corresponding to nearly 21 million dirhams. Of this total, 228 cases were successfully resolved, 101 cases did not result in mediation and 83 cases are being handled.

The type of the disputes received mainly concerns the challenges of accounting entries (31 percent), account closure (22 percent) and recovery of debts (18 percent), followed by means of payment (11 percent) and the issuance of documents (8 percent).

Chart 113: Type of cases submitted to banking mediation - 2017



Bank mediation requests are mainly submitted by individual customers (90 percent) and 80 percent of these requests concern transactions with banks, while 20 percent are related to transactions with finance companies.

Nearly 52 percent of the cases received by the Center are concentrated in the Casablanca region.

Under the so-called "conventional" mediation, the Centre received two cases in 2017. The proposed mediation was not accepted by the credit institutions concerned.

3.3 - Diligence relating to illegal fundraising activities from the public

In 2017, the Bank remained attentive to the proliferation and actions of certain so-called pyramid selling companies, which raise funds from the public, outside any regulatory framework, through the offer of exceptional returns from the investment of these funds. It investigated the cases of companies declared by banks and called the latter for increased vigilance against companies with the same profile.

3.4 - Risks associated with the use of crypto-assets

In 2017, the Bank warned the public, together with the Ministry of Economy and Finance and the Moroccan Capital Market Authority, about the risks associated with the use of Bitcoin as a means of payment for the purchase of products and services.

To this end, the 3 authorities jointly issued a statement highlighting the risks associated with the use of virtual currencies. These risks relate particularly to:

- the lack of consumer protection;
- the volatility of the exchange rate of these assets against a legal currency;
- their potential use for illicit or criminal purposes, including for money laundering and terrorist financing.

Box 15: Concept of "digital currencies"

The Financial Stability Board defines "digital currencies" as digital representations of value, issued by private developers and generally denominated in their own unit of account. They have no paper counterpart and only exist electronically. They have support neither from a government nor a bank.

Decentralized "digital currency" regimes are not operated by any specific institution and are often referred to as crypto currencies because of the use of cryptographic techniques. "Digital currencies" are supported only by the trust of users in these instruments and the expectation that others will be willing to exchange them for sovereign currency or goods and services.

4 - Support for starting up the VSME Observatory

The Moroccan Observatory for Very Small, Small and Medium Enterprises (OMTPME) aims to centralize data and information on the national and regional environment of VSMEs and to establish quantitative and qualitative indicators on the conditions of their access to bank financing and to support mechanisms. The aim of the observatory is to address the lack of reliable and regular data on VSMEs in Morocco and to improve access to various services and information.

Box 16: Founding members of the OMTPME

The OMTPME is established as a non-profit association. Its founding members are:

- Bank Al-Maghrib ;
- High Commissioner for Planning;
- Ministry of Economy and Finance;
- Ministry of Industry and Trade;
- Ministry of General Affairs and Governance;
- National Social Security Fund;
- National Agency for the Promotion of SMEs;
- Moroccan Bankers Association;
- Moroccan Office of Industrial and Commercial Property;
- Central Guarantee Fund (CCG);
- General Confederation of Enterprises of Morocco.

In 2017, the Bank continued to work with its partners to allow this institution to start. This year, the Observatory set up a data exchange framework with the main data providers, notably the General Tax Department, Moroccan Office of Intellectual and Commercial Property, Bank Al-Maghrib and National Social Security Fund. The signing of these agreements enabled the Observatory to effectively receive the first data flows and launch the construction of a consolidated corporate database.

At the same time, the Observatory began work to implement the Master Plan for its information system and a call for tenders for the drafting of specifications was launched in this direction.

The Observatory also participated in the actions of the SME Finance Working Group of the Alliance for Financial Inclusion (AFI) which brings together some forty emerging and developing countries, with a view to implementing policies that facilitate the access of VSMEs to financial services.

5 - Promotion of sustainable finance

The financial sector set for itself a roadmap on the sidelines of the COP22 held in Marrakesh under the Moroccan presidency, aimed at aligning it with the Sustainable Development Goals. In this context, this subject has been regularly on the agenda during the biannual meetings held between the Bank Al-Maghrib's Governor and the Board of the Moroccan Bankers Association (GPBM). The goal was to give an update on the initiatives taken as part of the aforementioned roadmap.

Box 17: Roadmap for aligning the financial sector with sustainable development challenges

The roadmap for aligning the financial sector with sustainable development challenges was coordinated by Bank Al-Maghrib within the framework of a working group bringing together Moroccan financial regulators and operators.

Nationally, this roadmap is based on 5 strategic focus areas covering the mobilization of resources and the supply of sustainable products and services, governance of risks related to environmental and social factors, promotion of financial inclusion as a vector for sustainable development, capacity building in the field of sustainable finance and transparency and market discipline.

At the African level, in line with Morocco's reaffirmed commitment to promote South-South regional cooperation, this roadmap aims to promote the emergence of green finance on a continental scale by capitalizing on the strong presence of the Moroccan financial sector in Africa as well as on the Moroccan Casablanca Finance City.

In this context, banks were encouraged to broaden their risk mapping to cover the social and environmental dimension. Some of them enhanced their financing offers with products designed to reduce energy consumption of both businesses and households.

In terms of mobilizing green resources, initiatives were observed concerning the issuance of green bonds, establishment of funds dedicated to energy efficiency and recourse to international green funds, mainly the Green Climate Fund, set up by the United Nations.

Banks made disclosure efforts on their actions in the area of corporate and environmental responsibility, as an enterprise and as financial intermediaries.

At the same time, Bank Al-Maghrib monitored the guidelines of international bodies in the field, particularly those issued by the Financial Stability Board concerning disclosure.

Box 18: Guidelines of the Financial Stability Board on sustainable financial disclosures

The Financial Stability Board (FSB) launched, on the occasion of COP21, a Task Force on Climate-related Financial Disclosures (TFCD), composed of 32 members, in charge of proposing climate-related risk reporting guidelines by identifying good practices to improve their consistency, accessibility, clarity and relevance.

The purpose of this informative and voluntary framework is to enable investors, lenders, insurers and hedging organizations to make informed decisions and to regulators, to understand and better capture the climate-related financial risks.

The FSB final report on climate-related financial disclosures was published in June 2017. In this report, this FSB highlighted the opportunities that these climate change produce for economic operators, particularly in terms of energy efficiency, the development of new products and services and emergence of new markets. At the same time, this report focuses on climate-related risks:

- the climate change-related physical risk;
- the risk of transition to a more low-carbon economy that would lead to a downgrading of carbon-intensive financial assets.

The report recommends that climate-related financial disclosure be included in organizations' annual publications. This disclosure covers 4 areas related to governance, strategy, risk management and indicators in the field.

Also, Bank Al-Maghrib participated in several international discussion forums with supervisory authorities and central banks to discuss these topics. There are two main risks that deserve attention: physical risks and transition risks

Box 19: Financial risks related to climate change

The climate change-related financial risks are materialized either by damage directly caused by weather phenomena or natural disasters, called "physical" risks, or by readjustments of the valuation of assets held in the portfolios of economic operators caused by the transition to a low-carbon economy, called "transition" risks.

Physical risks: climatic hazards can affect the banking sector via various transmission channels. Beyond the direct damage that banks may suffer and which correspond to an operational risk, the impacts may be caused by damage to their counterparties (businesses and households) and take the form of more traditional risks to which banks are exposed, i.e. credit risk, market risk or liquidity risk. The final risk intensity for banks is related to the availability or not of insurance coverage.

Transition risks: these risks result from adjustments made for a transition to an economy generating less greenhouse gas, particularly when these adjustments are badly anticipated or occur abruptly. The financial sustainability of sectors, companies and investment projects that would not comply with the agreed environmental guidelines could be compromised in the medium and long term. Depreciation of related financial assets could impact banks' balance sheets and affect financial stability. To reduce this risk, banks are required to consider environmental and social factors in order to base their investment or financing decisions and support their clients in a gradual and controlled transition process towards a low-carbon economy.

Bank Al-Maghrib also initiated an internal capacity building program in this area and conducted benchmark studies on finance development levers for sustainable growth.

In 2017, it paid a study visit on sustainable finance to the Central Bank of the Netherlands to inquire about its experience in this field.

Bank Al-Maghrib will continue to closely monitor international debates on the prudential treatment of financial assets that are considered "green" or "brown" depending on their impact on the environment.

6 - Consultation with professional associations

In 2017, the Central Bank organized meetings with professional associations in order to take stock of the implementation of the roadmaps drawn up as part of its process of consultation and exchange on reforms and issues of direct or indirect interest to stakeholders.

With the Moroccan Bankers Association (GPBM), the topics addressed are particularly related the issues on the preparations for shifting towards a more flexible exchange rate regime and the progress of the main regulatory reforms. Also, the change in the financing conditions of the economy, especially those of the VSMEs, subjects relating to the protection of banking service consumers, financial inclusion and payment systems were also examined. Exchanges with the profession now include the dimension relating to the digital transformation challenges and promotion of sustainable finance.

With the Professional Association of Finance Companies, exchanges focused on the activity and the situation of the sector, competition, prudential regulation and customer protection.

With the National Federation of Microfinance institutions (MFI), the topics addressed covered the trends in activities and risks of the microcredit sector, the legal and regulatory reforms and the future prospects of the sector. An update was provided on the progress of the Solidarity-based Microfinance Network bringing together 8 associations and membership of the associations to the Credit Bureau.

7 - International cooperation

In 2017, the Bank strengthened its cooperation with other central banks and international financial institutions through the organization, jointly with these partners, of events and seminars in Morocco and through its participation in events abroad.

In this context, the Bank and the Islamic Financial Services Board (IFSB), with the support of the Islamic Development Bank (IDB), co-organized, from February 28 to March 3, 2017, a regional workshop on prudential regulations applied to participatory banks. This event was attended by representatives of the Ministry of Economy and Finance and General Secretariat of the Government, Islamic Development Bank, African Development Bank, African and Middle East regulatory and control authorities, Sharia Committee for Participatory Finance and participatory banks and windows.

It also hosted a seminar in Casablanca on digital transformation and financial stability in the Euro-Mediterranean zone, co-organized with the French central bank "Banque de France" and the World Bank. The seminar brought together banking supervisors from Mediterranean countries and representatives of international institutions, including the World Bank, OECD and Consultative Group to Assist the Poor (CGAP).

In terms of participatory finance, the Banking Supervision Department participated in October this year in the summit and pre-summit of the IFSB in Abu Dhabi. It also took part in the meeting of the Global Islamic Finance and Investment Group in London and presented its experience at a conference at the Arab World Institute in Madrid on Islamic financial institutions in Arab transitions: possible avenues for financial development. It also participated in the 2nd edition of the General Council for Islamic Banks and Financial Institutions (CIBAFI)[18] Global Forum, organized in Jordan in May under the theme "Essential Renovation of Banking Practices Towards Resilience and Shared Prosperity" and took part in the meeting of central banks and monetary authorities of the member countries of the Organization of Islamic Cooperation (OIC), organized in Turkey.

Regarding the fight against money laundering and terrorist financing, the Banking Supervision Department participated at the 25th General Assembly of the MENA Financial Action Task Force «FATF»as well as the meetings of its working groups, which took place in Kuwait from April 22 to 27.

In addition, Bank Al-Maghrib continued to participate in various committees and working groups backed by the Arab Monetary Fund on issues related to banking supervision.

As part of the exchange of experiences, Bank Al-Maghrib received, during this year, a delegation of the Central Bank of Congo, who came to inquire about the Moroccan experience in the establishment of a deposit guarantee fund. Meanwhile, two executives from the Banking Supervision Department facilitated training actions for the supervisors of the Banking Commission of the West African Monetary Union on Basel III regulations and risk-based supervision.

8 - Human and technical resources of the banking supervision

At end-December 2017, the workforce of the Banking Supervision Department (BSD) totaled 99 staff members, up 8 percent compared to 2016. Nearly two-thirds of this workforce are in charge of controlling activities of credit institutions and similar entities, 24 percent are responsible for regulatory work and studies and 10 percent are assigned to support functions.

18 General Council for Islamic Banks and Financial Institutions is an international institution established at the initiative of the Islamic Development Bank in order to support and protect the Islamic financial services industry. This institution aims to reinforce the capacities of human resources in the Islamic finance industry, standardize training and provide an international licensing service.

Almost 79 percent of this workforce is under 45 years, 68 percent are with a seniority of over 5 years and half are women. 75 percent of the BSD's staff hold a diploma higher than or equal to Bac + 5 (years after the high school diploma).

The BSD grants the utmost importance to the in-service training of its staff, in a context marked by a permanent evolution of national and international banking regulations and supervisory practices as well as the emergence of new trends and forms of risks.

The training effort was sustained throughout 2017, with a view to strengthening the capacity of supervisors. Nearly 88 percent of the BSD's staff received at least one training session for a total of 544 days/man of training in Morocco and 93 days/man abroad.

The training plan this year covered 79 actions, particularly in areas related to IFRS 9 on financial instruments, interest rate, market and cyber security risks and prudential regulation. A particular focus was also put on the areas of the fight against money laundering and terrorist financing, participatory finance, bank resolution and the handling of institutional difficulties as well as sustainable finance.

The BSD also contributed to the training of students, hosting 36 trainees in 2017, including 8 students for end-of-study internships.

In terms of supervision tools, the BSD has computer applications supporting the processes of permanent surveillance and on-site control.

Box 20: Computer banking supervision applications

BASFIM: a tool allowing supervisors to receive, store and retrieve the regulatory reporting of credit institutions. Theses reporting sheets include accounting and prudential data.

SANEC rating system: a tool for managing a credit institution rating file.

GMC tool: a system for managing on-site control missions at credit institutions and similar entities and monitoring the implementation of the various related recommendations.

In 2017, the Bank embarked on a mission to examine the diagnostic of the information system with a view to upgrading it. In this context, meetings were held with internal users, with a sample of supervised institutions as well as with its partners, to collect their expectations.

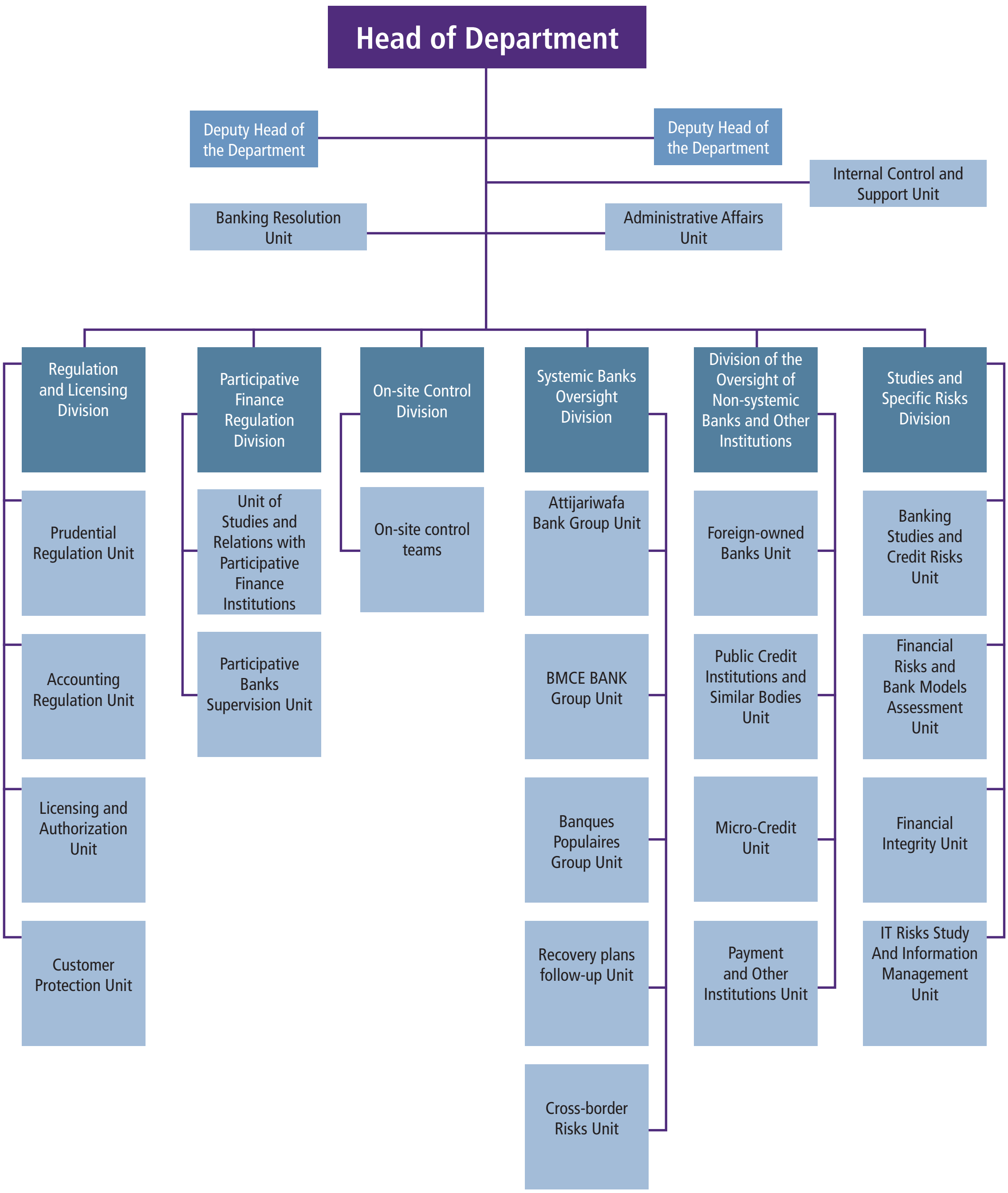
On the basis of this diagnosis, a target system will be agreed upon during 2018 and will be broken down into lots of IT projects that will be implemented.

APPENDICES

بنك المغرب

Appendix 1

Organizational chart of the Banking Supervision Department



Appendix 1

List of approved credit institutions - December 2017

Banks

Name	Head office address
AL BARID BANK	798, Angle Boulevard Ghandi et Boulevard Brahim Roudani - Casablanca
ARAB BANK PLC	174, Boulevard Mohamed V - Casablanca
ATTIJARIWAFA BANK	2, Boulevard Moulay Youssef - Casablanca
BANK AL-AMAL	288, Boulevard Mohamed Zerktouni - Casablanca
BANQUE CENTRALE POPULAIRE « B.C.P »	101, Boulevard Mohamed Zerktouni - Casablanca
BANQUE MAROCAINE DU COMMERCE EXTERIEUR « BMCE BANK »	140, Avenue Hassan II - 20000 - Casablanca
BANQUE MAROCAINE POUR LE COMMERCE ET L'INDUSTRIE « B.M.C.I »	26, Place des Nations Unies - Casablanca
BANQUE POPULAIRE DU CENTRE SUD	Avenue Hassan II - Agadir
BANQUE POPULAIRE DE FES-TAZA	Angle Rue Allal Loudyi et Rue Abdelali Benchekroun - Fes
BANQUE POPULAIRE DE LAAYOUNE	9, Boulevard Mohamed V - Laâyoune
BANQUE POPULAIRE DE MARRAKECH - BENI MELLAL	Avenue Abdelkrim Khattabi - Marrakech
BANQUE POPULAIRE DE MEKNES	4, Rue d'Alexandrie - Meknes
BANQUE POPULAIRE DE NADOR-Al HOCEIMA	113, Boulevard Al Massira - Nador
BANQUE POPULAIRE D'OUJDA	Boulevard Derfoufi - Oujda
BANQUE POPULAIRE DE RABAT - KENITRA	3, Avenue de Tripoli - Rabat
BANQUE POPULAIRE DE TANGER-TETOUAN	76, Avenue Mohamed V - Tanger
CDG CAPITAL	Place Moulay El Hassan - Immeuble Mamounia. - Rabat
CREDIT AGRICOLE DU MAROC « CAM »	2, Avenue d'Alger - Rabat
CFG BANK	5-7, Rue Ibnou Toufail - Casablanca
CITIBANK MAGHREB	Lotissement Attaoufik- Imm. I - Ensemble immobilier Zenith Millenium -Sidi Maârouf - Casablanca
CREDIT IMMOBILIER ET HOTELIER « C.I.H »	187, Avenue Hassan II - Casablanca
CREDIT DU MAROC	48-58, Boulevard Mohamed V - Casablanca
FONDS D'EQUIPEMENT COMMUNAL « F.E.C »	Angle Avenue Ben Barka et Avenue Annakhil - Hay Ryad Rabat
MEDIAFINANCE	27, Boulevard Moulay Youssef, 20060
SOCIETE GENERALE MAROCAINE DE Banques « SGMB »	55, Boulevard Abdelmoumen - Casablanca
UNION MAROCAINE DE BANQUES « U.M.B »	36, Rue Tahar Sebti - Casablanca
BANCOSABADELL	Twin Center, Tour Ouest, 12eme etage - Casablanca
CAJA DE AHORROS Y PENSIONES DE BARCELONA « CAIXA BANK S.A »	179, Boulevard d'Anfa - Casablanca

Participatory banks and windows

Name	Head office address
UMNIA BANK	397, Route El Jamia - Casablanca
BANK AL YOUSR	162, angle Boulevard Anfa et rue Moliere
BANK ASSAFA	4, rue Sanaa - Casablanca
AL AKHDAR BANK	Angle Avenue Alger et rue d'Oran, Hassan - Rabat
BANK AL-TAMWEEL WA AL-INMA	157, Avenue Hassan II - Casablanca
ARREDA	48-58, Boulevard Mohamed V - Casablanca
NAJMAH	26, Place des Nations Unies - Casablanca
DAR AL-AMANE	55, Boulevard Abdelmoumen - Casablanca

Consumer loan companies

Name	Head office address
VIVALIS SALAF	369, Boulevard Zerktouni - Casablanca
DAR SALAF S.A	207, Boulevard Zerktouni -Casablanca
RCI FINANCE MAROC S.A	44, Bd Khaled Bnou Loualid - Aïn Sebaa - Casablanca
SALAFIN	Zenith Millenium, Immeuble 8, Sidi Maarouf-Casablanca
SALAF AL MOUSTAKBAL S.A.	20, Boulevard de La Mecque - Laâyoune
SOCIETE DE CREDIT A LA CONSOMMATION « TASLIF »	29, Boulevard Moulay youssef - Casablanca
SOCIETE DE FINANCEMENT D'ACHATS A CREDIT « SOFAC-CREDIT »	57, Boulevard Abdelmoumen - Casablanca
SOCIETE DE FINANCEMENT NOUVEAU A CREDIT « FNAC »	Sahat Rabia Al Adaouia, Residence Kays Agdal - Rabat
SOCIETE D'EQUIPEMENT DOMESTIQUE ET MENAGER « CREDIT EQDOM »	127, Angle Bd Zerktouni et rue Ibnou Bouraîd - 20100 Casablanca
SOCIETE NORDAFRICAINE DE CREDIT « SONAC »	29, Boulevard Mohamed V - Fes
AXA CREDIT	122, Avenue Moulay Hassan 1er - Casablanca
SOCIETE REGIONALE DE CREDIT A LA CONSOMMATION « SOREC-CREDIT »	256, Bd Zerktouni - Casablanca
ASSALAF AL AKHDAR	1, Place Bandoeng - Casablanca
WAFASALAF	72, Angle rue Ram Allah et Boulevard Abdelmoumen - Casablanca

Real-estate loan companies

Name	Head office address
ATTIJARI IMMOBILIER	2, Boulevard Moulay Youssef - Casablanca
WAFA IMMOBILIER	112, Angle boulevard Abdelmoumen et rue Rembrandt - Casablanca

Factoring companies

Name	Head office address
ATTIJARI FACTORING	2, Boulevard Moulay Youssef - Casablanca
MAROC FACTORING	63, Boulevard Moulay Youssef - Residence Adriana 1er etage - CP. 20060 Casablanca

Leasing companies

Name	Head office address
BMCI- LEASING	Lotissement La Colline II , Lot N°3, Route de Nouaceur - Sidi Maarouf - Casablanca
COMPAGNIE MAROCAINE DE LOCATION D'EQUIPEMENT « MAROC- LEASING »	57, Angle Rue Pinel et Boulevard Abdelmoumen - Casablanca
CREDIT DU MAROC LEASING ET FACTORING	48 - 58 Boulevard Zerktouni - Casablanca
SOCIETE GENERALE DE LEASING DU MAROC « SOGELEASE MAROC »	55, Boulevard Abdelmoumen - Casablanca
SOCIETE MAGHREBINE DE CREDIT -BAIL (LEASING) « MAGHREBAIL »	45, Boulevard Moulay Youssef-Casablanca
WAFABAIL	39-41, Angle boulevard Moulay Youssef & rue Abdelkader El Mazini, 20100 Casablanca

Surety companies

Name	Head office address
FINEA	101, Boulevard Abdelmoumen - Casablanca
DAR AD-DAMANE	288, Boulevard Zerktouni - Casablanca

Payment means management companies

Name	Head office address
CENTRE MONETIQUE INTERBANCAIRE	Espace porte d'Anfa, 8, Angle Bd d'Anfa et Avenue Moulay Rachid -20050 Casablanca
M2M SPS	20, Rue Moussa Bnou Noussair - Casablanca
WAFA CASH	15, Rue Driss Lahrizi - Casablanca

Other financing companies

Name	Head office address
SOCIETE DE FINANCEMENT POUR LE DEVELOPPEMENT AGRICOLE « S.F.D.A »	28, Rue Abou Faris Al Marini, BP 49 - Rabat
DAR ASSAFAA LITAMWIL	4, rue Sanaa, Casablanca
JAIDA	Place Moulay Hassan, Imm. Dalil - Rabat

Appendix 3

List of offshore banks

Name	Head office address
ATTIJARI INTERNATIONAL BANK (ATTIJARI I.B B.O.S)	58, Boulevard Pasteur - Tanger
BANQUE INTERNATIONALE DE TANGER - BANQUE OFFSHORE (B.I.T B.O.S)	Angle Avenue Mohamed V et Rue Moussa Bnou Noussair - Tanger
BMCI - BANQUE OFFSHORE- GROUPE BNP (BMCI B.O.S)	Zone franche de Tanger, Route de Rabat - Tanger
SOCIETE GENERALE BANQUE OFFSHORE	58, Avenue Mohamed V - Tanger
SUCCURSALE OFFSHORE DE LA BMCE (SUCCURSALE O.S BMCE)	Zone Franche, Port de Tanger, BP 513 - Tanger
CHAABI INTERNATIONAL BANK OFFSHORE (CIB BANQUE OFFSHORE)	Lot 45 D Zone franche d’exportation, Route de Rabat - Tanger

Appendix 4

List of microcredit associations

Name	Head office address
AL AMANA MICROFINANCE	40,Rue Al Fadila, quartier industriel, Q.Y.M, RABAT 10 000
Association Al Karama pour le Micro-Credit (AL KARAMA)	38 Boulevard Abdelmounen, Appt 23, 4^{eme} etage Hassan RABAT
Association Ismailia pour le Micro-Credit (AIMC)	115, Boulevard Lahboul-BP 2070 MEKNES
ATTADAMOUNE « Association Marocaine de Solidarite Sans Frontieres »	1,Rue Abi Dar El Ghoufari-Quartier Prince Heritier-1^{er} etage FES
Association Marocaine Oued Serou pour le Micro-Credit (AMOS)	Rue oued Sbou, Hay Ettakadoum-El Kbab KHENIFRA
Association Tetouanaise des Initiatives Sociaux- Professionnelles (ATIL)	Avenue Hassan II N° 70-Residence Paloma Blanca-1^{er} Etage N° 1 TETOUAN
ATTAWFIK MICRO FINANCE	3, Rue Docteur Veyre-Residence Patio CASABLANCA
Fondation « ARDI » micro-credit	Avenue Hassan 2, Hay Ibn sina, rue Iran-Temara Centre
Fondation Micro Credits du Nord	N° 6, Rue Rachid Reda, Residence Hayat 2 entresol, appa. N° 34 TANGER
Fondation pour le Developpement Local et le Partenariat (FONDEP)	Im. Saraya angle Br Riad et Av. Alarz Hay Riad Rabat 10100
TAWADA	N° 119, avenue de la Resistance, appartement 27 RABAT
BAB RIZK JAMEEL	82, Rue Soumaya, Angle Boulevard Abdelmoumen, CASABLANCA
Institution Marocaine d'Appui à la Micro-Entreprise (INMAA)	Angle Rue Maamora et Rue Reine Elizabeth II, Immeuble A 2^{eme} etage apprt 2 - Kenitra

Appendix 5

List of payment institutions specializing in fund transfer intermediation

Name	Adresse
DAMANE CASH	212, Avenue Mohamed V - Residence Elite. Bureau 211 - Gueliz - Marrakech
EUROSOL	Residence Ahssan Dar, Appart 3 et 4 ; Av Hassan II Rabat
MEA Finance Service	Residence Hadi n°27, Rue Salim Cherkaoui. 6eme etage - Casablanca
CASH PLUS	1, Rue des Pleiades - Quartier des Hopitaux- Casablanca
TRANSFERT EXPRESS	282, Boulevard de la Resistance et Angle Rue de Strasbourg - Casablanca
MONEYON MAROC	52, Boulevard Zerktouni Espace Erreada - Casablanca
Barid Cash	202, Boulevard Roudani Casablanca
UAE Exchange Morocco	36, Boulevard El Massira Khadra, 2eme etage - Casablanca
Maroc Traitement de Transactions "M2T"	Technopark, route de Nouaceur, BP 16430 - Casablanca

Other Institutions

Name	Adresse
CAISSE DE DEPOT ET DE GESTION	Place Moulay el Hassan - Rabat
CAISSE CENTRALE DE GARANTIE	Boulevard Ar Ryad, Hay Ryad - Rabat

Appendix 6

Banks' aggregate balance sheet - Activity in Morocco
As at December 31, 2017

(Thousands of dirhams)

Assets	31/12/2016	31/12/2017
Cash, Central banks, Public Treasury, Postal Checks Service	**38 732 560**	**38 067 956**
Receivables from credit institutions and similar entities	**145 824 047**	**157 534 549**
. Demand	21 396 193	33 423 120
. Time	124 427 854	124 111 429
Receivables from customers	**712 632 562**	**740 407 872**
. Overdraft facilities and consumer loans	222 079 987	219 855 112
. Equipment loans	177 077 996	197 128 042
. Real estate loans	246 182 643	256 722 413
. Other loans	67 291 936	66 702 305
Factoring loans	**3 811 370**	**4 170 298**
Trading and held-for-sale securities	**180 874 442**	**200 792 905**
. Treasury bills and the like	92 477 388	112 324 476
. Other debt securities	15 358 293	17 440 073
. Ownership securities	73 038 761	71 028 356
Other assets	**20 231 443**	**20 730 643**
Investment securities	**27 326 364**	**28 334 108**
. Treasury bills and the like	25 865 539	26 878 208
. Other debt securities	1 460 825	1 455 900
Equity securities and the like	**37 321 050**	**45 059 665**
Subordinated loans	**799 812**	**648 591**
Fixed assets for leasing and rental	**833 305**	**1 452 498**
Intangible fixed assets	**5 393 924**	**5 366 412**
Tangible fixed assets	**24 978 150**	**28 558 035**
Total assets	**1 198 759 029**	**1 271 123 531**

(Thousands of dirhams)

LIABILITIES	31/12/2016	31/12/2017
Central banks, Public Treasury, Postal Checks Service	**17**	**8 442**
Due to credit institutions and similar entities	**93 687 199**	**100 190 294**
. Demand	25 054 751	18 765 127
. Time	68 632 448	81 425 167
Customers' deposits	**854 080 506**	**901 442 364**
. Creditor demand deposits	511 025 522	553 292 783
. Savings accounts	145 552 515	153 427 890
. Time deposits	172 066 035	168 197 535
. Other creditor accounts	25 436 434	26 524 156
Debt securities issued	**52 645 615**	**57 874 794**
. Negotiable debt securities	43 521 329	48 021 003
. Bond loans	7 416 238	8 963 488
. Other debt securities issued	1 708 048	890 303
Other liabilities	**31 595 321**	**31 149 307**
Provisions for risks and expenses	**11 311 640**	**12 721 355**
Regulated provisions		
Subsidies, allocated public funds and special guarantee funds	**3 213 980**	**3 650 801**
Subordinated debts	**34 388 647**	**41 478 790**
Reevaluation gaps	**421**	**420**
Reserves and premiums related to capital	**73 715 910**	**80 493 778**
Capital	**25 956 933**	**25 864 789**
Shareholders. Unpaid capital (-)	**-48 000**	**-48 000**
Retained earnings (+/-)	**5 907 963**	**5 746 793**
Net income before appropriation (+/-)	**45 265**	**-280 434**
Net income for the year (+/-)	**12 257 612**	**10 830 037**
Total liabilities	**1 198 759 029**	**1 271 123 531**

(Thousands of dirhams)

OFF-BALANCE SHEET	31/12/2016	31/12/2017
COMMITMENTS GIVEN	**236 141 431**	**270 470 799**
Financing commitments to credit institutions and similar entities	3 019 250	7 314 916
Financing commitments to customers	96 783 044	114 817 620
Guarantee commitments to credit institutions and similar entities	47 252 580	54 698 757
Guarantee commitments to customers	88 947 732	91 681 468
Securities bought under repurchase agreements	78 357	78 357
Other securities to deliver	60 468	1 879 681
COMMITMENTS RECEIVED	**78 316 188**	**85 000 220**
Financing commitments from credit institutions and similar entities	5 296 486	2 765 537
Guarantee commitments from credit institutions and similar entities	63 378 357	71 884 614
Guarantee commitments from the government and sundry guarantee institutions	9 639 797	10 322 216
Securities sold under repurchase agreements		
Other securities to receive	1 548	27 853

Appendix 7

Banks' aggregate loss and profit- Activity in Morocco
From January 1 to December 31, 2017

(Thousands of dirhams)

	31/12/2016	31/12/2017
+ Interest and related income	44 640 842	45 506 833
- Interest and related expenses	14 907 757	14 639 554
Interest income	**29 733 085**	**30 867 279**
+ Income from fixed assets in leasing and rentals	439 894	262 799
- Expenses on fixed assets in leasing and rentals	395 163	331 650
Income from leasing and rental transactions	**44 731**	**-68 851**
+ Commissions received	6 970 190	7 563 719
- Commissions paid	671 645	671 764
Margin on commissions	**6 298 545**	**6 891 955**
± Income from transactions on trading securities	4 364 813	3 839 078
± Income from transactions on held-for-sale securities	1 700 457	795 194
± Income from foreign exchange transactions	1 773 423	2 053 116
± Income from derivatives transactions	16 409	171 086
Trading income	**7 855 102**	**6 858 474**
+ Other sundry banking income	6 354 843	3 771 486
- Other sundry banking expenses	2 181 854	2 353 684
NET BANKING INCOME	**48 104 452**	**45 966 659**
± Income from transactions on financial fixed assets	297 247	327 054
+ Other non-banking operating income	510 784	991 798
- Other non-banking operating expenses	364 054	525 086
- General operating expenses	22 220 763	23 252 718
GROSS OPERATING INCOME	**26 327 666**	**23 507 707**
± Allocations net of provision reversals for non-performing loans and commitments by signature	-7 501 605	-5 127 163
± Other allocations net of provisions reversals	-1 247 363	-1 627 114
CURRENT INCOME	**17 578 698**	**16 753 430**
EXTRAORDINARY INCOME	**-479 923**	**-829 660**
- Income tax	4 841 164	5 093 734
NET INCOME FOR THE YEAR	**12 257 611**	**10 830 036**

Appendix 8

Aggregate balance sheet of finance companies
As at December 31, 2017

(Thousands of dirhams)

ASSETS	31/12/2016	31/12/2017
Cash, Central banks, Public Treasury, Postal Checks Service	**166 946**	**161 081**
Receivables from credit institutions and similar entities	**4 864 071**	**6 223 877**
. Demand	1 308 831	1 787 200
. Time	3 555 240	4 436 677
Receivables from customers	**31 717 470**	**32 742 799**
. Cash advances and consumer loans	27 888 591	28 510 209
. Equipment loans	924 710	1 094 628
. Real estate loans	1 800 093	1 987 446
. Other loans	1 104 076	1 150 516
Factoring loans	**4 921 187**	**4 075 979**
Trading and held-for-sale securities	**1 033 537**	**1 330 213**
. Treasury bills and the like	207	
. Other debt securities	211	250 234
. Ownership securities	1 033 119	1 079 979
Other assets	**3 867 393**	**4 397 554**
Investment securities	**219 127**	**220 906**
. Treasury bills and the like	219 127	220 906
. Autres titres de creance		
Equity securities and the like	**143 671**	**147 828**
Subordinated loans		
Fixed assets for leasing and rental	**57 637 077**	**62 183 207**
Intangible fixed assets	**790 080**	**772 301**
Tangible fixed assets	**637 845**	**611 555**
Total assets	**105 998 404**	**112 867 300**

(Thousands of dirhams)

LIABILITIES	31/12/2016	31/12/2017
Central banks, Public Treasury, Postal Checks Service	**12**	
Due to credit institutions and similar entities	**63 800 149**	**62 656 075**
. Demand	6 232 264	5 972 568
. Time	57 567 885	56 683 507
Customers' deposits	**9 421 202**	**10 957 929**
. Creditor demand deposits	1 122 810	928 336
. Savings accounts		
. Time deposits	222 573	184 848
. Other creditor accounts	8 075 819	9 844 745
Debt securities issued	**11 942 089**	**17 335 599**
. Negotiable debt securities	11 708 300	15 986 089
. Bond loans	208 436	1 327 668
. Other debt securities issued	25 353	21 842
Other liabilities	**7 198 249**	**7 476 080**
Provisions for risks and expenses	**442 106**	**522 791**
Regulated provisions	**12 473**	**13 201**
Subsidies, allocated public funds and special guarantee funds	**173 028**	**162 887**
Subordinated debts	**962 151**	**1 364 537**
Reevaluation gaps	**16 957**	
Reserves and premiums related to capital	**4 543 715**	**4 721 289**
Capital	**3 944 106**	**3 965 523**
Shareholders. Unpaid capital (-)	**-1**	**-1**
Retained earnings (+/-)	**1 899 109**	**2 026 168**
Net income before appropriation (+/-)		**-744**
Net income for the year (+/-)	**1 643 059**	**1 665 966**
Total liabilities	**105 998 404**	**112 867 300**

Appendix 9

Aggregate loss and profit statement of finance companies
From January 1 to December 31, 2017

(Thousands of dirhams)

	31/12/2016	31/12/2017
+ Interest and related income	3 817 554	3 741 504
- Interest and related expenses	2 925 925	2 832 765
Interest income	**891 629**	**908 739**
+ Income from fixed assets in leasing and rentals	18 529 204	19 638 502
- Expenses on fixed assets in leasing and rentals	15 281 348	16 341 055
Income from leasing and rental transactions	**3 247 856**	**3 297 447**
+ Commissions received	2 228 417	2 472 924
- Commissions paid	681 527	834 990
Margin on commissions	**1 546 890**	**1 637 934**
± Income from transactions on trading securities	9 854	8 417
± Income from transactions on held-for-sale securities	18 674	12 748
± Income from foreign exchange transactions	12 358	-10 405
± Income from derivatives transactions		
Trading income	**40 886**	**10 760**
+ Other sundry banking income	129 716	129 728
- Other sundry banking expenses	11 063	3 089
NET BANKING INCOME	**5 845 914**	**5 981 519**
± Income from transactions on financial fixed assets	13	13
+ Other non-banking operating income	93 816	112 461
- Other non-banking operating expenses	26 034	21 492
- General operating expenses	2 315 102	2 376 454
GROSS OPERATING INCOME	**3 598 607**	**3 696 047**
± Allocations net of provision reversals for non-performing loans and commitments by signature	-883 666	-985 918
± Other allocations net of provisions reversals	-39 500	-53 051
CURRENT INCOME	**2 675 441**	**2 657 078**
EXTRAORDINARY INCOME	**-38 064**	**5 885**
- Income tax	994 318	996 657
NET INCOME FOR THE YEAR	**1 643 059**	**1 666 306**

Appendix 10

Aggregate balance sheet of consumer loan companies
As at December 31, 2017

(Thousands of dirhams)

ASSETS	31/12/2016	31/12/2017
Cash, Central banks, Public Treasury, Postal Checks Service	**74 621**	**77 448**
Receivables from credit institutions and similar entities	**702 854**	**616 115**
. Demand	655 562	566 436
. Time	47 292	49 679
Receivables from customers	**28 944 508**	**29 704 388**
. Cash advances and consumer loans	27 593 408	28 141 894
. Equipment loans	451 640	630 384
. Real estate loans	25 982	18 891
. Other loans	873 478	913 219
Factoring loans	**389 743**	**218 226**
Trading and held-for-sale securities	**181 323**	**875**
. Treasury bills and the like	207	
. Other debt securities		
. Ownership securities	181 116	875
Other assets	**2 850 457**	**3 241 361**
Investment securities		
. Treasury bills and the like		
. Other debt securities		
Equity securities and the like	**16 104**	**16 104**
Subordinated loans		
Fixed assets for leasing and rental	**13 496 073**	**15 803 629**
Intangible fixed assets	**340 455**	**318 938**
Tangible fixed assets	**372 348**	**356 053**
Total assets	**47 368 486**	**50 353 137**

(Thousands of dirhams)

LIABILITIES	31/12/2016	31/12/2017
Central banks, Public Treasury, Postal Checks Service	**12**	
Due to credit institutions and similar entities	**21 317 573**	**19 073 141**
. Demand	979 267	932 456
. Time	20 338 306	18 140 685
Customers' deposits	**6 944 276**	**8 579 852**
. Creditor demand deposits		
. Savings accounts		
. Time deposits		
. Other creditor accounts	6 944 276	8 579 852
Debt securities issued	**8 020 002**	**11 117 344**
. Negotiable debt securities	8 020 002	11 117 344
. Bond loans		
. Other debt securities issued		
Other liabilities	**3 727 690**	**3 753 112**
Provisions for risks and expenses	**136 821**	**140 007**
Regulated provisions	**12 015**	**12 972**
Subsidies, allocated public funds and special guarantee funds		
Subordinated debts	**634 011**	**871 285**
Reevaluation gaps	**16 957**	
Reserves and premiums related to capital	**2 980 236**	**3 190 492**
Capital	**1 947 734**	**1 969 150**
Shareholders. Unpaid capital (-)		
Retained earnings (+/-)	**756 286**	**723 106**
Net income before appropriation (+/-)		**-744**
Net income for the year (+/-)	**874 873**	**923 420**
Total liabilities	**47 368 486**	**50 353 137**

Appendix 11

Aggregate profit and loss statement of consumer loan companies
From January 1 to December 31, 2017

(Thousands of dirhams)

	31/12/2016	31/12/2017
+ Interest and related income	3 225 370	3 193 018
- Interest and related expenses	1 172 196	1 139 332
Interest income	**2 053 174**	**2 053 686**
+ Income from fixed assets in leasing and rentals	3 973 735	4 693 594
- Expenses on fixed assets in leasing and rentals	3 572 828	4 312 970
Income from leasing and rental transactions	**400 907**	**380 624**
+ Commissions received	733 556	802 054
- Commissions paid	53 149	73 999
Margin on commissions	**680 407**	**728 055**
± Income from transactions on trading securities	1 908	443
± Income from transactions on held-for-sale securities		
± Income from foreign exchange transactions	17	34
± Income from derivatives transactions		
Trading income	**1 925**	**477**
+ Other sundry banking income	115 668	121 883
- Other sundry banking expenses	9 142	2 409
NET BANKING INCOME	**3 242 939**	**3 282 316**
± Income from transactions on financial fixed assets		
+ Other non-banking operating income	25 377	31 223
- Other non-banking operating expenses	9 753	1 455
- General operating expenses	1 299 352	1 313 419
GROSS OPERATING INCOME	**1 959 211**	**1 998 665**
± Allocations net of provision reversals for non-performing loans and commitments by signature	-521 410	-526 342
± Other allocations net of provisions reversals	14 354	-4 340
CURRENT INCOME	**1 452 155**	**1 467 983**
EXTRAORDINARY INCOME	**-99 859**	**-9 932**
- Income tax	477 423	534 632
NET INCOME FOR THE YEAR	**874 873**	**923 419**

Appendix 12

Aggregate balance sheet of leasing companies
As at December 31, 2017

(Thousands of dirhams)

ACTIF	31/12/2016	31/12/2017
Cash values, Central Banks, Public Treasury and Postal Checks Service	**44**	**47**
Due from credit institutions and similar entities	**1 530**	**14 515**
. Demand	1 530	14 515
. Time		
Due from customers	**43 930**	**36 562**
. Overdraft facilities and consumer loans	7 060	6 512
. Equipment loans		
. Real-estate loans	14 651	12 149
. Other loans	22 219	17 901
Factoring loans	**152 578**	**186 174**
Trading and held-for-sale securities	**211**	**250 234**
. Treasury bills and the like		
. Other debt securities	211	250 234
. Title deeds		
Other assets	**740 349**	**773 721**
Investment securities		
. Treasury bills and the like		
. Other debt securities		
Equity securities and the like	**18 223**	**18 223**
Subordinated loans		
Fixed assets for leasing and rental	**44 141 004**	**46 379 578**
Intangible fixed assets	**157 519**	**156 094**
Tangible fixed assets	**134 488**	**129 356**
Total assets	**45 389 876**	**47 944 504**

(Thousands of dirhams)

Liabilities	31/12/2016	31/12/2017
Central Banks, Public Treasury, Postal Checks Service		
Debt to credit institutions and similar entities	**35 050 951**	**35 161 358**
. Demand	3 811 557	3 073 274
. Time	31 239 394	32 088 084
Customers' deposits	**518 307**	**522 370**
. Creditor demand deposits	77 645	73 568
. Savings accounts		
. Time deposits	222 573	184 848
. Other creditor accounts	218 089	263 954
Debt securities issued	**3 714 701**	**5 709 757**
. Negotiable debt securities	3 688 298	4 868 745
. Bonded loans	1 050	819 170
. Other debt securities issued	25 353	21 842
Other liabilities	**2 445 995**	**2 649 169**
Provisions for risks and expenses	**169 661**	**198 752**
Regulated provisions	**458**	**229**
Subsidies, allocated public funds and special guarantee funds		
Subordinated debts	**70 552**	**142 472**
Reevaluation gaps		
Reserves and premiums related to capital	**1 388 560**	**1 397 440**
Capital	**910 095**	**910 095**
Shareholders. Unpaid capital (-)		
Retained earnings (+/-)	**778 116**	**868 622**
Net income before appropriation (+/-)		
Net income for the year (+/-)	**342 479**	**384 240**
Total liabilities	**45 389 876**	**47 944 504**

Appendix 13

Aggregate profit and loss statement of leasing companies
From January 1 to December 31, 2017

(Thousands of dirhams)

	31/12/2016	31/12/2017
+ Interest and related income	6 646	9 631
- Interest and related expenses	1 530 431	1 512 783
Interest margin	**-1 523 785**	**-1 503 152**
+ Gains on fixed assets leasing and rentals	14 554 200	14 941 306
- Expenses on fixed assets leasing and rentals	11 708 520	12 028 085
Income from leasing and rental transactions	**2 845 680**	**2 913 221**
+ Commissions received	5 956	1 793
- Commissions paid	7 065	8 768
Margin on commissions	**-1 109**	**-6 975**
± Gains on trading securities transactions		
± Gains on investment securities transactions		
± Gains on foreign exchange transactions	43	-822
± Gains on derivatives transactions		
Income from market operations	**43**	**-822**
+ Other banking income	3 773	3 708
- Other banking expenses	205	231
NET BANKING INCOME	**1 324 397**	**1 405 749**
± Gains on financial fixed assets transactions		
+ Other non-banking operating income	3 700	5 358
- Other non-banking operating expenses	2 131	2 466
- General operating expenses	360 353	367 492
GROSS OPERATING INCOME	**965 613**	**1 041 149**
± Allocations net of reversals of provisions for non-performing loans and commitments by signaturee	-324 989	-379 780
± Other allocations net of reversals of provisions	-42 921	-41 137
CURRENT INCOME	**597 703**	**620 232**
EXTRAORDINARY INCOME	**-3 909**	**-13 008**
- Income tax	251 315	222 985
NET INCOME FOR THE YEAR	**342 479**	**384 239**

Appendix 14

Consolidated balance sheet of the 9 banking groups
As at December 31, 2017

(Thousands of dirhams)

ACTIF	31/12/2016	31/12/2017
Cash values, Central Banks, Treasury and Postal Checks Service	53 678 953	56 685 558
Financial assets at fair value by result	139 906 100	150 555 294
Hedging derivatives	2 938	
Financial assets held-for-sale	108 345 085	129 241 200
Due from credit institutions and similar entities	65 185 171	83 034 415
Due from customers	923 864 382	969 201 990
Asset revaluation gap on interest hedged portfolios		
Held-to-maturity investments	50 881 786	47 352 372
Current tax assets	2 736 497	3 329 622
Differed tax assets	3 290 831	4 701 143
Adjustment accounts and other assets	25 881 232	29 441 646
Non-recurrent assets held for sale	153 761	175 402
Participations in businesses-equity method	1 860 468	1 794 057
Investment property	8 703 072	8 619 279
Tangible fixed assets	33 562 124	37 650 432
Intangible fixed assets	4 584 804	5 381 880
Goodwill	9 562 831	13 240 819
Total assets	1 432 200 035	1 540 405 110

(Thousands of dirhams)

Liabilities	31/12/2016	31/12/2017
Central Banks, Treasury, Postal Checks Service	**699 729**	**950 970**
Financial liabilities at fair value by result	**3 229 375**	**2 559 683**
Hedging derivatives		**6 008**
Due to credit institutions and similar entities	**134 850 799**	**146 524 417**
Due to customers	**972 610 584**	**1 038 059 267**
Debt securities issued	**50 590 498**	**59 072 189**
Liability reevaluation gaps on hedged interest portfolios		
Current tax liabilities	**4 157 536**	**4 558 666**
Differed tax liabilities	**5 827 735**	**6 722 313**
Adjustment accounts and other liabilities	**38 882 441**	**40 444 601**
Liabilities linked to non-current assets held for sale	**18 519**	**4 414**
Technical provisions of insurance contracts	**29 326 380**	**33 720 302**
Provisions	**7 111 949**	**7 830 383**
Subsidies and similar funds	**3 402 252**	**3 797 968**
Subordinated debts and special guarantee funds	**35 330 488**	**42 346 708**
Equity capital	**146 161 750**	**153 807 220**
Equity - Share of the Group	**124 233 013**	**129 757 684**
Capital and related reserves	69 684 795	71 775 353
Consolidated reserves	39 927 720	42 324 699
Unrealized or deferred gains or losses	2 453 103	2 372 110
Income of the year	12 167 395	13 285 521
Minority shareholdings	**21 928 737**	**24 049 536**
Total liabilities	**1 432 200 035**	**1 540 405 110**

Appendix 15

Consolidated income statement of the 9 banking groups
From January 1 to December 31, 2017

(Thousands of dirhams)

	31/12/2016	31/12/2017
+ Interest and related income	62 722 248	65 886 478
- Interest and related expenses	20 104 063	21 222 374
INTEREST MARGIN	**42 618 185**	**44 664 103**
+ Commissions received	12 782 987	13 795 776
- Commissions paid	1 617 167	1 530 188
MARGIN ON COMMISSIONS	**11 165 820**	**12 265 588**
+/- Net gains or losses on Financial instruments at fair value by result	6 259 805	6 150 112
+/- Net gains or losses on financial assets available for sale	2 209 125	2 236 745
+ Income from other activities	12 860 300	15 668 338
- Expenses on other activities	11 524 901	13 959 071
NET BANKING INCOME	**63 588 334**	**67 025 816**
- General operating expenses	28 953 549	30 954 666
- Amortization and depreciation allocations of tangible and intangible fixed assets	3 323 646	3 579 702
GROSS OPERATING INCOME	**31 311 139**	**32 491 448**
- Cost of risk	9 940 338	-9 648 371
OPERATING INCOME	**21 370 801**	**22 843 077**
+/- Share of the net income of equity-consolidated companies	207 543	115 388
+/- Net gains or losses on other assets	-46 171	39 022
+/- Value change of goodwill	-31 741	-96 174
INCOME BEFORE TAX	**21 500 432**	**22 901 313**
- Income tax	7 178 700	7 045 538
+/- Net income of discontinued activities or activities being discontinued	-29 874	110
NET INCOME	**14 291 858**	**15 855 885**
- Minority shareholdings	**2 124 463**	**2 570 364**
NET INCOME - SHARE OF THE GROUP	**12 167 395**	**13 285 521**

Appendix 16

Core financial soundness indicators - individual basis

	2015	2016	2017
Capital adequacy			
Solvency ratio	13,7	14,2	13,9
Core equity / total weighted risks	11,4	11,5	10,9
Non-performing loans net of provisions (as a part of capital)	17,8	17,3	15,8
Quality of assets			
Non-performing loans rate (Non-performing loans/total loans)	**7,4**	**7,6**	**7,5**
Sectoral distribution of loans			
Loans to the primary sector	5,4	5,7	5,6
Loans to the building and public-work sector	10,7	11,2	11,3
Loans to the processing industry	16,6	16,2	15,3
Loans to the general government and local communes	4,5	4,7	4,9
Loans to the trade sector	6,4	6,4	6,7
Loans to the tourist sector	1,9	1,9	1,8
Households	32,3	32,4	32,6
Loans to other sectors	20,9	21,5	21,8
Income and profitability			
Return on assets (ROA)	0,8	0,8	0,9
Return on equity (ROE)	9,1	8,6	9,5
Interest margin / net banking income (NBI)	72,0	68,6	70,1
General operating expenses / NBI	49,1	49,3	50,6
Liquidity			
Liquid assets / total assets	**16,1**	**14,5**	**13,7**
Liquid assets/short term liabilities	**21,2**	**18,6**	**17,3**
Foreign exchange net open positions / capital	**7,4**	**4,1**	**7,0**

CONTENTS

APPENDICES

LIST OF BOXES

LIST OF TABLES

LIST OF CHARTS

Depôt legal: 2018 MO
ISBN: 978-9954
ISSN: 2509-0615