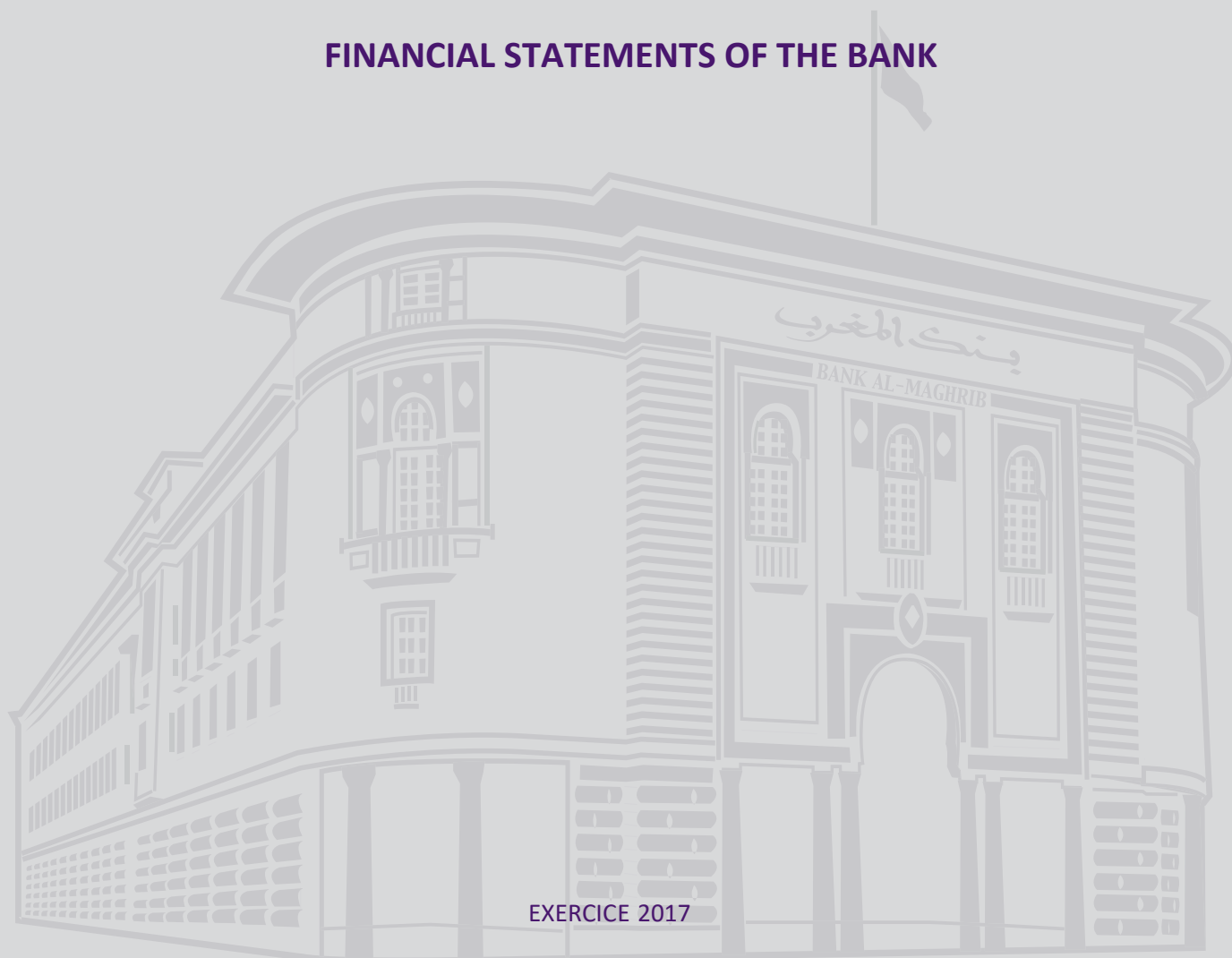




FINANCIAL STATEMENTS OF THE BANK



EXERCICE 2017

3.1 Overview of the financial position of fiscal 2017⁽¹⁾

3.1.1 Balance sheet

Table 3.1.1: Key figures

In thousand dirhams	2017	2016	Change (%)
Total balance sheet	295,374,535	284,346,407	4
Use of capital ratio	56%	59%	-5
Total revenues	5,538,620	5,340,854	4
Total expenses (Including corporate tax)	4,495,714	4,283,261	5
Net income	1,042,906	1,057,593	-1
Average outstanding amount of BAM's interventions	42,271,439	15,607,727	>100
Operating ratio	50%	60%	-16

Assets-liabilities

Total balance sheet of the Bank rose to 295,374,535 KDH on December 31, 2017, up by 4 percent compared to 2016.

Currency circulation grew 7 percent to 231,783,652 KDH.

Foreign transactions declined by 4 percent to 219,310,119 KDH, as a result of the lower foreign exchange reserves.

Transactions with the State ended the year down 27 percent compared to the previous year to 2,307,338 KDH, mainly due to the decrease in the current account assets held by the Treasury (-32 percent).

On the other hand, net position of credit institutions shows a balance of -18,428,107 KDH instead of 6,250,570 KDH the year before, as Bank Al-Maghrib enhanced its advances to banks. Conversely, banks' deposits with the Central Bank dropped by 6 percent to reach 23,781,564 KDH.

Asset operations increased by 7 percent to reach 2,432,864 KDH, due to the rise in the cumulative value of depreciation which resulted in lower net fixed assets.

¹ Changes in the balance sheet and profit and loss account items are addressed in more details in the comments section of the financial statements. For purposes of analysis, the balance sheet and profit and loss account items were adjusted in this part of the report.

Table 3.1.2: Balance sheet by transaction

In thousand dirhams	2017	2016	Change (%)
(of which)			
Currency in circulation	231,783,652	215,746,812	7
Transactions with foreign countries	-219,310,119	-229,359,725	-4
Transactions with the State	2,307,338	3,161,581	-27
Net position of credit institutions	-18,428,107	6,250,570	<-100
Assets transactions	2,432,864	2,265,249	7

Chart 3.1.1: Change in holdings and investments in foreign currencies, in MDH (including FB)

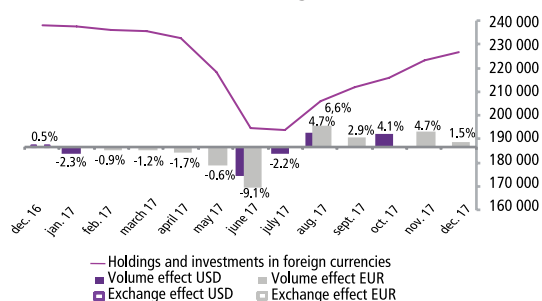
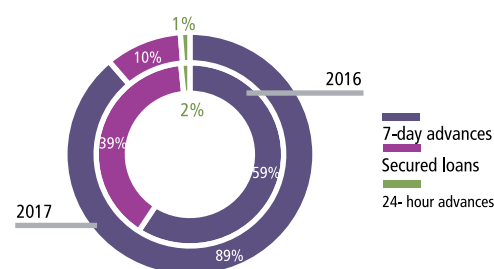


Chart 3.1.2: Average outstanding amount of claims on banks



3.1.2 Result

At the end of 2017, the net income of the Bank fell by 1 percent compared to 2016, to stand at 1,042,906 KDH. This change is generally due to the combined effect of the lower noncurrent income, reflecting a base effect, as a result of the extraordinary profit made in 2016, which reached 618,874 KDH and the improved result of the Bank, driven by the strong growth in revenues resulting from the monetary policy conduct.

Income of foreign exchange reserve management transactions shrunk by 16 percent to 1,426,049 KDH, mainly due to the lower exchange reserves and the still negative yield rates in the Euro area.

Monetary policy operations generated a profit of 918,284 KDH, up 563,019 KDH from 2016, in connection with the substantial increase in liquidities injected by the Bank.

As for the other operations, their result reached 916,170 KDH, up 28 percent, mainly due to the 33 percent rise in foreign exchange commissions.

General operating expenses stood at 1,641,333 KDH, down by 2 percent from 2016.

Table 3.1.3: Net income of the fiscal year

In thousand dirhams	2017	2016	Change (%)
Income from foreign exchange reserves management transactions	1,426,049	1,704,791	-16
Income of monetary policy transactions	918,284	355,265	>100
Income of other transactions	916,170	714,934	28
Income of activities	3,260,503	2,774,989	17
General operating expenses	-1,641,333	-1,667,779	-2
Gross operating income	1,619,170	1,107,211	46
Noncurrent income	72,786	634,132	-89
Income tax	-649,049	-683,750	-5
Net income	1,042,906	1,057,593	-1

Chart 3.1.3: Structure of revenues and expenses

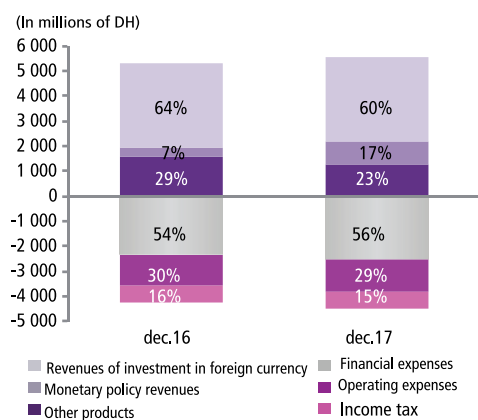
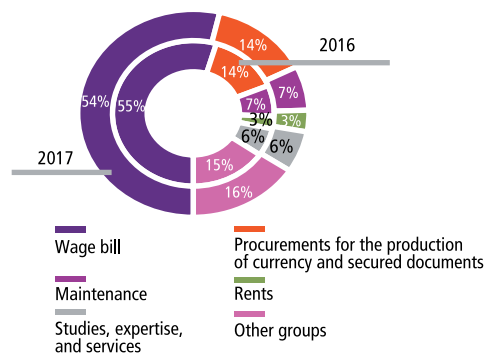


Chart 3.1.4: Structure of budget implementation by group of expenses



3.2 Balance, off-balance, and profit and loss account

Balance sheet (assets)

Table 3.2.1: Assets as at December 31, 2017

In thousand dirhams	Notes	2017	2016
Assets and investments in gold	1	8,596,562	8,314,084
Assets and investments in foreign currency	2	226,510,350	238,033,323
Holdings and investments held in foreign banks		44,722,540	12,103,752
Foreign Treasury bills and similar securities		178,239,660	219,909,914
Other holdings in foreign currency		3,548,150	6,019,656
Assets with international financial institutions	3	9,846,591	10,104,122
IMF subscription-Reserve tranche		2,152,611	2,195,742
Special Drawings Rights holdings		7,317,075	7,549,635
Subscription to the Arab Monetary Fund		376,905	358,744
Lending to the Government		-	-
Conventional advances		-	-
Overdraft facilities advances		-	-
Other facilities		-	-
Claims on Moroccan credit institutions and similar ones	4	42,209,670	19,158,436
Securities received under repurchase agreements		-	-
Advances to banks		42,152,864	19,102,446
Other claims		56,806	55,990
Treasury bills - open market operations		-	-
Other assets	5	5,114,561	5,470,646
Fixed assets	6	3,096,800	3,265,796
Total assets		295,374,535	284,346,407

Balance sheet (liabilities)

Table 3.2.2: Liabilities as at December 31, 2017

In thousand dirhams	Notes	2017	2016
Banknotes and coins in circulation	7	231,783,652	215,746,812
Banknotes in circulation		228,591,884	212,678,862
Coins in circulation		3,191,768	3,067,949
Liabilities in gold and foreign currency	8	8,476,715	10,049,885
Liabilities in gold		-	-
Liabilities in foreign currency		8,476,715	10,049,885
Liabilities in convertible dirhams	9	230,932	213,277
Liabilities to international financial institutions		222,578	206,858
Other liabilities		8,354	6,419
Deposits and liabilities in dirhams	10	30,619,347	33,779,848
Current account of the Treasury		1,888,850	2,782,845
Deposits and liabilities in dirhams to Moroccan banks		23,781,564	25,409,006
Current accounts		23,781,564	25,409,006
Liquidity-withdrawal accounts		-	-
Deposit facility accounts		-	-
Deposits of general government and public institutions		1,921,892	2,097,777
Other accounts		3,027,042	3,490,221
Other liabilities	11	10,232,029	10,348,126
Special Drawing Rights allocations	3	7,459,290	7,619,820
Equity capital and the like	12	5,529,664	5,531,046
Capital		500,000	500,000
Reserves		5,001,340	5,001,340
Retained earnings		26,140	25,547
Other equity capital		2,184	4,158
Net income of the fiscal year		1,042,906	1,057,593
Total liabilities		295,374,535	284,346,407

Off-balance sheet¹

Table 3.2.3 : Off-balance sheet as at December 31, 2017

In thousand dirhams	Notes	2017	2016
Spot foreign exchange transactions			
Spot delivery of currencies		-	-
Spot purchase of dirhams		-	-
Forward foreign exchange transactions			
Foreign currencies receivable		-	-
Foreign currencies deliverable		-	-
Foreign exchange transactions- currency deposits	13	1,679,310	1,064,500
Foreign exchange transactions-arbitrage operations	13		
Foreign currencies receivable		505,629	1,677,200
Foreign currencies deliverable		504,553	1,668,994
Off-balance currency adjustment		-	-
Liabilities on derivatives		-	-
Liabilities on securities	14		
Securities received on advances granted		41,128,646	18,647,940
Securities received on advances to be granted		13,462,900	12,159,100
Other guarantees received on advances granted		3,656,100	1,584,898
Advances to be granted		12,789,755	-
Foreign securities receivable		363,851	716,804
Foreign securities deliverable		-	202,467
Other liabilities	15		
Received market guarantees		47,989	66,173
Guarantees liabilities received for staff loans		825,609	934,239
Financing liabilities granted to the staff		35,300	36,569
Other granted liabilities		1,000	1,000

¹ The Bank keeps record of off-balance sheet liabilities, detailing both given and received commitments. The accounts on the off-balance sheet are registered to debit when the liabilities materialize on maturity or in case of realization by a debit on the balance sheet, and to credit side in the opposite case. The state of the off-balance sheet includes liabilities in foreign currency, liabilities on securities and other liabilities.

Profit and loss account

Table 3.2.4: Profit and loss account as at December 31, 2017

In thousand dirhams	Notes	2017	2016
Profit		5,538,620	5,340,854
Interests earned on holdings and investments in gold and in foreign currency	16	2,917,861	2,935,852
Interests earned on claims on credit institutions and similar bodies	17	956,308	361,654
Other interests earned	18	12,958	10,813
Commissions earned	19	844,960	1,272,479
Other financial revenues	20	120,499	153,418
Sales of produced goods and services	21	271,242	228,188
Miscellaneous revenues	22	27,477	26,195
Reversal of depreciation		-	-
Reversal of provisions	23	316,721	335,105
Noncurrent revenues	24	70,595	17,150
Expenses		4,495,714	4,283,261
Interests paid on liabilities in gold and in foreign currency	25	77,778	19,428
Interests paid on deposits and liabilities in dirhams	26	271,095	207,998
Commissions paid	27	16,609	18,800
Other financial expenses	28	1,645,436	1,340,239
Staff expenses	29	739,420	727,835
Purchases of materials and supplies	30	250,114	233,182
Other external expenses	31	321,385	307,197
Depreciations and provisions	32	522,696	738,480
Noncurrent expenses	33	2,132	6,352
Income tax	34	649,049	683,750
Net income		1,042,906	1,057,593

3.3 Review of the main accounting rules and evaluation methods and the financial risk management system

3.3.1 Main accounting rules and evaluation methods

3.3.1.1 Legal framework

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

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

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

3.3.1.2 Evaluation methods

Foreign exchange operations

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

Assets and liabilities in gold and foreign currency

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

Profits and losses resulting from this operation are entered in the exchange reserves' revaluation account as liabilities on the Bank's balance sheet, in accordance with the agreement governing this account, concluded between Bank Al-Maghrib and the Government on December 29, 2006.

By virtue of this agreement, the "foreign exchange reserve evaluation account" shall maintain a minimum credit balance equal to 2.5 percent of Bank Al-Maghrib's net foreign assets. In the

event that a foreign exchange loss causes to bring the balance of the "foreign exchange reserve evaluation account" to a level below the required minimum threshold, the amount of the deficit will be deducted from the income statement of Bank Al-Maghrib of the relevant fiscal year, without exceeding 10 percent of the net profit of the relevant financial year, and placed in a "foreign exchange loss reserve" account.

If the said deficit exceeds 10 percent of the net profit of the Bank, the "reserve for foreign exchange loss" account may be replenished over several years.

The balance of the "foreign exchange loss reserve" account is returned to the Treasury if the balance of the "foreign exchange reserve revaluation account" exceeds the required minimum threshold.

This reevaluation mechanism has no tax impact.

Securities

The securities acquired as part of the management of exchange reserves are classified according to the purpose for which they are held, in portfolio of transaction, of securities held for sale, or of investment.

Transaction portfolio consists of securities purchased with the intention, right from the start, to resell them within a short deadline. They are recorded at their purchase price, including costs and, if need be, accrued coupons. Gains and losses resulting from the daily evaluation of these securities at the market price are entered in the corresponding income accounts.

Investment portfolio consists of securities acquired with the intention of being held until maturity. They are entered according to the rules below:

- They are recorded at their purchase price, excluding costs and, if need be, accrued coupons;
- Gains on these securities are not recorded;
- Losses on these securities are recorded only when the Bank judges that the security, which suffers a loss, will be probably sold in the following fiscal year and in the case where there is a probable issuer's default risk;
- The differences (discounts or premiums) between securities' prices of purchase and redemption are amortized on a straight-line basis over the remaining life of the securities.

As at December 31, 2017, no provision is recorded for this portfolio.

Portfolio of securities held for sale consists of securities other than those classified as transaction or investment securities. Their recording comes as follows:

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

It is worth reminding that as of October 2008, the Bank came up with a sub-category in its securities held-for-sale to include discount securities. These securities are recorded at their market value. Discount securities are spread over the life of the securities and entered in the revenue or expense accounts on a daily basis.

Other foreign assets

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

These securities are initially recorded at their purchase price. The gains or losses are entered in the appropriate profit and loss accounts, on the basis of the market values duly audited and reported by authorized agents and controlled by the Bank's staff.

Tangible and intangible fixed assets

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

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

The depreciation deadlines retained according to the nature of each fixed asset are as follows:

Table 3.3.1: Fixed assets depreciation periods

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

Financial fixed assets

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

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

Inventories

Inventories are composed of:

- Consumable materials and supplies ;
- raw material for the manufacturing of banknotes and coins (paper, ink, and blanks);
- finished goods and in-process inventory (secured documents and foreign banknotes);
- and commemorative coins.

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

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

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

3.3.2 Financial risk management system

For the financial risk management system, see part II concerning the achievement of the Bank's missions.

3.4 Explanatory notes

Note 1: Assets and investments in gold

This item contains the dirham equivalent of gold assets deposited in Morocco and with foreign depositors, as well as investments in gold made with foreign counterparties. Since the end of 2006, these assets are evaluated at market prices. Gains and losses resulting from this operation are allocated to the reevaluation account of foreign exchange reserves, in accordance with the agreement governing this account concluded in 2006 between Bank Al-Maghrib and the State.

Table 3.4.1: Assets and investments in gold

	2017	2016
Gold price per ounce in dirhams ⁽¹⁾	12,096	11,702
Quantity of gold ounces	710,712	710,467
Market value ⁽²⁾	8,596,562	8,314,084
Gold stock (in tonnes)	22.11	22.10

(1) Price of Gold/USD/MAD

(2) In thousand dirhams

The value of assets and investments in gold grew by 3 percent at the end of 2017, as the price of gold rose by 12 percent to reach USD 1,296.5 per ounce at the end of December 2017. However, the effect of such increase was offset by the 8 percent decline in the price of the Dollar to 9.33 DH on the same date. The stock of gold held by the Bank remained virtually stable at 710,712 ounces (an equivalent of 22 tons). Foreign gold investments abroad moved from 100,000 to 680,000 ounces, from one year-end to the next.

Note 2: Assets and investments in foreign currency

Under Article 8 of its Statute, Bank Al-Maghrib holds and manages the foreign exchange reserves, which consist of assets in gold, SDRs and foreign currencies. This item presents the equivalent in dirhams of assets in convertible foreign currencies, held in the form of sight deposits, time deposits and foreign securities.

Table 3.4.2: Breakdown by type of investment

In thousand dirhams	2017	Share in %	2016	Share in %
Demand deposits	16,997,789,	8	554,835	1
Time deposits	23,527,587,	10	10,095,667	4
Securities held for sale ⁽¹⁾	31,476,987,	14	58,652,034	25
Investment securities	144,570,491,	64	161,257,880	67
Transaction securities	2,192,182,	1	-	-
Other ⁽²⁾	7,745,313,	3	7,472,906	3
Total	226,510,350,	100	238,033,323	100

⁽¹⁾ Taking into account provisions for depreciation.

⁽²⁾ Including accrued interests, management authorizations, and foreign banknotes.

After four years of consecutive rises, assets and investments in foreign currency ended the year 2017 with a 5-percent decrease to 226,510,350 KDH, reflecting a fall in the foreign exchange reserves. The share of this item in the balance sheet thus fell from 84 percent to 77 percent from one year to the next.

Table 3.4.3: Breakdown by remaining maturity ^(*)

	2017	2016
≤ 1year	48%	16%
> 1year	52%	84%
Total	100%	100%

^(*) Internally managed portfolios.

In terms of distribution, bond investments remain dominant, accounting for nearly 79 percent of these assets instead of 92 percent in 2016. Within this category, portfolio of securities held for sale decreased by 46 percent to 31,476,987 KDH, mainly due to the sale of securities to finance the decline, observed during the first half of 2017, in foreign exchange reserves, and the investment portfolio declined by 10 percent to 144,570,491 KDH, further to the suspension of investments in excess reserves, as part of the strategy deployed and the reallocation of the losses to the benefit of the precautionary reserves.

The share of money market investments, which reached 23,527,587 KDH, rose from 4 percent to 10 percent from one year to the next, following the increase in the size of precautionary reserves.

Note 3: Assets with international financial institutions

This item, reflecting positions with the IMF and AMF, fell by 3 percent to 9,846,591 KDH, primarily due to the decrease observed in SDR equivalent of assets as a result of the lower exchange rate of the US dollar (-8 percent).

Position with the IMF

This includes on the assets side:

- IMF subscription - Reserve tranche, which composes the fraction (18.1 percent) subscribed by Bank Al-Maghrib as Morocco's quota in the capital of the IMF. It is composed of:
 - The available tranche: 147.02 million SDRs (1,953,372 KDH), representing Bank Al-Maghrib's contribution to the IMF in foreign currency. This tranche, which could be used by our country when needed, is included in the foreign exchange reserves of our Institute. It should be reminded that the Bank had paid, in February 2016, an amount of 76.55 million SDRs, equivalent to its share (25 percent) in the increase of Morocco's quota in the IMF capital under the 14th General Quota Review of the IMF.

Table 3.4.4: Position with the IMF

In thousand dirhams	2017	2016	Change (%)
Assets			
IMF subscription-Reserve tranche	2,152,611	2,195,742	-2%
SDR holdings	7,317,075	7,549,635	-3%
Total	9,469,687	9,745,378	-3%
Liabilities			
SDR allocations	7,459,290	7,619,820	-2%
Accounts No.1 and 2	199,280	200,553	-1%
Total	7,658,569	7,820,372	-2%

- The mobilized tranche: 14.69 million SDR (199,240 KDH) equal to Bank Al-Maghrib's subscription in national currency, deposited in the IMF "Account No.1" open in the books of our Institute.
- SDR holdings record the equivalent of Bank Al-Maghrib's assets with the IMF. This account records, in the debit side, SDR purchase transactions by the Bank and the remunerations paid by the IMF, while in the credit side, it records payments of commissions on SDR allocations on a quarterly basis and reimbursement of Morocco's borrowings. These assets strengthened substantially in 2014, as the Bank purchased 320 million SDRs to restore a neutral position vis-à-vis the IMF. At end-2017, their equivalent in Dirham fell by 3 percent to reach 7,317,075 KDH. The bank settled, during this year, a commitment fee on the IMF Precautionary and Liquidity Line (PLL) of 5,969,160 SDRs (equivalent to 79,800 KDH).

The SDR allocations item is registered in the liabilities side. It corresponds to the value, in dirhams, of SDR allocations granted by the IMF to Morocco as a member country. In 2009, this account was credited with 5.7 billion dirhams, representing Morocco's share in the general allocation and special allocation (475.8 million SDR) granted by the IMF to member countries. Quarterly commissions are paid by the Bank to the IMF on these allocations, which were kept unchanged compared to last year, at 561.42 million SDR, while their value in Dirhams dropped by 2 percent, due to the depreciation of the US dollar exchange rate .

AMF subscription

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

Morocco's participation in this institution amounts to 39.95 million Arab dinars, divided between Bank Al-Maghrib and the Treasury as follows:

- 200,000 Arab Dinars paid in national currency and deposited in the AMF account open in Bank Al-Maghrib books. The share paid by BAM amounts to 150,000 Arab dinars (6,108 KDH);
- 20.31 million Arab Dinars, subscribed in foreign currency, of which 9.46 million Arab dinars subscribed by the Bank (376,905 KDH), compared to 8.81 million Arab dinars, further to the settlement, in April 2017, of the fourth tranche (0.65 million Arab dinars) under its contribution to the AMF capital increase, whose release by member countries is scheduled over the five-year period 2014-2018;
- 19.44 million Arab dinars, of which 9.11 million are attributable to Bank Al-Maghrib for the AMF capital increase by incorporation of reserves, which took place in 2005 (5.88 million Arab dinars) and in 2013 (3.23 million Arab dinars).

Note 4: Claims on Moroccan credit institutions and similar ones

This item covers refinancing operations of credit institutions made as part of the monetary policy conduct, in conformity with Article 6 of the Bank's Statute.

In 2017, the situation of the banking liquidity went through three phases, thus leading the Bank to adjust the volumes of its interventions in the money market:

- In the first quarter, liquidity deficit continued its easing observed in Q4-2016 to average 15.7 billion dirhams, mainly due to the decrease in currency circulation. In this context, the Bank maintained its pace of liquidity injection, observed since the beginning of 2017, which equalled 18,502,884 KDH at the end of the quarter.

- In the second quarter, the money market experienced a pressure on liquidity, as the deficit increased sharply to 34.9 billion dirhams on average, mainly due to the sharp decline in foreign exchange reserves. Under these conditions, Bank Al-Maghrif gradually increased the amount of claims on banks, which reached 68,483,441 KDH at the end of the quarter;
- In the second half of the year, and after its peak of 68.7 billion dirhams on average in August, mainly as a result of the seasonal increase of currency circulation (summer season, the start of the school year and Eid Al Adha festivities), the deficit has been gradually reduced and ended the year at 40.9 billion dirhams, thanks to the renewed increase in foreign exchange reserves, as of August. Consequently, refinancing fell to 42,152,864 KDH at the end of the year, divided as follows:
 - 39,002,864 KDH through 7-day advances at auction granted at the key rate; and
 - 3,150,000 KDH corresponding to four operations of one-year secured loans. These operations are part of the program of supporting the financing of VSME, set up in December 2013.

Table 3.4.5: Structure of claims on banks

In thousand dirhams	2017	2016	Change (%)
Repurchase agreements	39,002,864	15,002,446	>100
7-day advances	39,002,864	11,001,599	>100
24-hour advances	-	4,000,847	-
Repurchase agreements	-	-	-
Secured loans	3,150,000	4,100,000	-23
Total	42,152,864	19,102,446	>100

Note 5: Other assets

This item includes, inter alia, cash accounts and equalization accounts, which are mainly composed of expenses to be spread out over many fiscal years, prepaid expenses, and revenues due, and any other debtor amount pending equalization. This item decreased by 7 percent between 2016 and 2017 to stand at 5,114,561 KDH.

Note 6: Fixed assets

Table 3.4.6: Fixed assets

In thousand dirhams	2017	2016	Change (%)
Fixed loans	732,977	727,061	1
Equity securities and the like	439,685	439,755	-0.02
Tangible and intangible fixed assets	6,414,906	6,286,208	2
Gross fixed assets	7,587,569	7,453,023	2
Depreciation and provisions	-4,490,769	-4,187,227	7
Net fixed assets	3,096,800	3,265,796	-5

Net fixed assets of the Bank stood at 3,096,800 KDH, i.e. 5 percent less compared to the previous fiscal year, as depreciations of 2017 equalled 310,776 KDH.

Equity securities and the like

Table 3.4.7: Equity securities and the like

In thousand dirhams	2017 Gross book value	2016 Gross book value	Change (%)
Securities held in Moroccan institutions and the like (including)	198 373	198 373	-
Dar Ad-Damane	1,265	1,265	-
Maroclear	4,000	4,000	-
Casablanca Finance City Authority	50,000	50,000	-
Société marocaine de gestion des fonds de garantie des dépôts bancaires (Moroccan Company for the Management of Deposit Insurance Funds)	59	59	-
Receivables attached to equity	141,549	141,549	-
Securities held in foreign financial institutions	241,313	241,382	-0.03
Ubac Curaçao	23,228	23,228	-
Swift	519	519	-
Arab Monetary Fund	6,108	6,177	-1
Arab Trade Financing Program	16,856	16,856	-
Africa50-Project Finance	175,142	175,142	-
Africa50-Project Development	19,460	19,460	-
Gross total of equity securities and the like	439,685	439,755	-0.02

At the end of 2017, the gross value of Bank Al-Maghrib's equity securities portfolio remained virtually stable at 439,685 KDH after its significant increase in 2016 following the Bank's participation in the capital of the Africa50 Fund and the advances granted to the associate's current account to the CFCA.

Tangible and intangible fixed assets

Table 3.4.8: Tangible and intangible fixed assets

In thousand dirhams	2016 Gross amount	Increase	Decrease	2017 Gross amount
Operating properties	1,798,706	25,126	-	1,823,831
Operating furniture and equipment	2,331,758	43,911	13,855	2,361,813
Other operating tangible fixed assets	743,792	41,015	855	783,951
Non-operating tangible fixed assets	783,024	3,596	2,016	784,604
Intangible fixed assets	628,929	63,720	31,943	660,707
Total	6,286,208	177,367	48,669	6,414,906

At the end of 2017, the Bank's gross outstanding amount of investments in tangible and intangible fixed assets grew by 145,425 KDH to stand at 6,414,906 KDH, mainly divided as follows:

- 22 percent in investments made as part of the infrastructure and the information system project. They concern chiefly the purchase of computer software, the upgrade of BACETE further to the setup of the new exchange regime system and the update of the Centre de Personnalisation des Documents Identitaires -CPDI- (Identity Documents Customization Center).
- 17 percent corresponding to real estate investments related, on the one hand, to operating projects, particularly the development of the Bank's headquarters in Rabat and the branch of Tangier, the extension of Dar As-Sikkah buildings, as well as to other social projects, namely the construction of the Cabo Negro holiday center.
- 32 percent dedicated to the purchase of recurrent furniture and equipment, particularly the renewal of the IT equipment, the purchase of furniture and office supplies, and escort vehicles, and the modernization of cash and secured documents production and processing machines;
- 21 percent mainly dedicated to the reinforcement and upgrade of safety installations, upgrading electrical facilities, network wiring, carpentry, painting, and fixtures in various sites of the Bank.

Decreases amounting to 16,727 KDH mainly concern sales of scrap furniture and equipment in different branches of the Bank and in its holiday centres and summer camps.

Note 7: Banknotes and coins in circulation

In accordance with Article 5 of its Statute, Bank Al-Maghrib shall issue banknotes and coins. The amount of this item covers the difference between banknotes and coins issued by the Bank and those deposited with the Bank.

Currency in circulation, which remains the main component of liabilities with a share of 78 percent, was up 7 percent, to 231,783,652 KDH at the end of 2017.

Note 8: Liabilities in gold and foreign currency

These liabilities mainly comprise currency deposits of foreign banks and non-residents. They reached 8,476,715 KDH, recording an yearly decrease of 16 percent.

Note 9: Liabilities in convertible dirhams

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

Account No.1 of the IMF represents the major component of this entry. Its assets, as well as those of "Account No.2" of the IMF, which are readjusted annually to take into consideration the parity of the dirham against SDR, amounted to 199,280 KDH at end-2017.

Table 3.4.9: Liabilities in convertible dirhams

In thousand dirhams	2017	2016	Change (%)
Liabilities to international financial institutions	222,578	206,858	8
Liabilities to foreign banks	18,982	2,764	>100
Ordinary accounts of international financial institutions	203,596	204,094	-0.2
Other liabilities	8,354	6,419	30
Total	230,932	213,277	8

Note 10: Deposits and liabilities in dirhams

This item mainly includes:

- The current account of the Treasury, held by Bank Al-Maghrib by virtue of Article 12 of its Statute. It is remunerated according to the requirements below, in accordance with the agreement signed between the Ministry of Economy and Finance and Bank Al-Maghrib on July 28, 2009:
 - The tranche lower or equal to 2 billion dirhams is remunerated at the rate of 7-day advances minus fifty basis points.
 - The tranche above 2 billion dirhams up to 3 billion dirhams is remunerated at the rate of 7-day advances minus one-hundred basis points.
 - The tranche higher than 3 billion dirhams is not remunerated.
- Current accounts of Moroccan banks, held mainly to honour their commitments regarding the required reserve, established by virtue of Article 25 of the above-mentioned Statute. The minimum amount required under this reserve equals 4 percent of banks' liabilities, as decided

by the Bank board during its meeting held in June 2016 and shall be respected on average over the period of observation;

- Deposits of general government and public institutions, including the account of Hassan II Fund for Economic and Social Development.

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

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

Deposits and liabilities in dirhams dropped by 9 percent to 30,619,347 KDH, mainly due to the 1,627,442 KDH lower holdings of Moroccan banks.

Table 3-4-10: Deposits and liabilities in dirhams

In thousand dirhams	2017	2016	Change (%)
Public Treasury current account	1,888,850	2,782,845	-32
Moroccan banks' current account	23,781,564	25,409,006	-6
Liquidity withdrawals	-	-	-
Deposit facilities	-	-	-
Deposits of general government and public institutions	1,921,892	2,097,777	-8
Other accounts	3,027,042	3,490,221	-13
Total	30,619,347	33,779,848	-9

Note 11: Other liabilities

Table 3-4-11: Other liabilities

In thousand dirhams	2017	2016	Change (%)
Other securities transactions	361	361	-
Miscellaneous creditors	382,953	598,022	-36
Equalization accounts	178,281	209,654	-15
Amounts claimable after receipt of payment	6,213	142,834	-96
Provisions for risks and expenses	187,773	188,434	-0.4
Revaluation account of foreign exchange reserves	9,476,448	9,208,822	3
Total	10,232,029	10,348,126	-1

This entry includes in particular:

- Miscellaneous creditors, primarily consisting of tax and fiscal withholdings, other sums payable to the State and third parties, and pending contributions to provident funds and institutions for social security. At the end of 2017, they recorded a balance of 382,953 KDH.
- the equalization accounts, mainly composed of transactions between branches, expenses to be paid and revenues recognized in advance and any other debtor amount pending settlement;
- amounts claimable after receipt of payment, including accounts making up the counterpart of securities presented for payment;
- provisions for risks and expenses allowing to note the existing losses and expenses related to operations executed during the fiscal year and that are most likely realized. At end-2017, this item reached a level close to last year and recorded 187,773 KDH. It mainly covers 150,000 KDH, representing the provision constituted in 2014 to 2016 to cover pension liabilities.
- the foreign exchange reserves re-evaluation account, which includes the exchange variations resulting from the assessment of assets and liabilities in gold and in foreign currency, based on the year-end average exchange rates, in accordance with the provisions of the agreement signed between Bank Al-Maghrib and the Ministry of Economy and Finance.

This agreement sets the rules for implementing Article 24 of the Bank's Statute relating to the periodic evaluation of assets in gold and foreign currencies. This agreement also stipulates that in case of an insufficiency vis-à-vis the required minimum, a reserve for foreign exchange losses deducted from the net profit is constituted. The credit balance of this account can neither be posted in the revenues of the financial year, nor distributed or allocated to any other usage.

Note 12: Equity capital and the like

Under Article 2 of the Bank's Statute, the capital is set at 500,000 KDH, totally held by the State. It can be increased by decision of the Bank Board, after consulting the government representative, subject to approval by regulation.

The general reserve fund was established in accordance with Article 56 of the Statute of Bank Al-Maghrib, by deducing 10 percent from the net profit until it reaches the amount of the capital. Special reserve funds, which make the most part of equity capital, stood at 4,501,340 KDH at end-2017.

Table 3-4-12: Equity capital

In thousand dirhams	2017	2016
Capital	500,000	500,000
Reserves	5,001,340	5,001,340
General reserve funds	500,000	500,000
Special reserve funds	4,501,340	4,501,340
Other equity capital	2,184	4,158
Retained earnings	26,140	25,547
Total	5,529,664	5,531,046

Note 13 : Foreign exchange operations

Table 3-4-13: Foreign exchange operations

In thousand dirhams	2017	2016
Foreign exchange transactions- currency deposits	1,679,310	1,064,500
Foreign exchange transactions-arbitrage operations		
Foreign currencies receivable	505,629	1,677,200
Foreign currencies deliverable	504,553	1,668,994

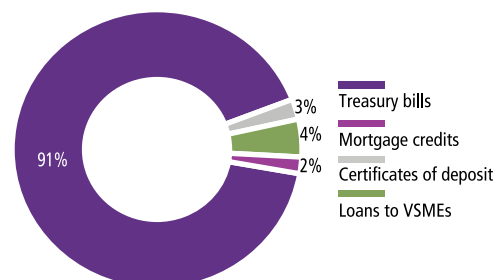
Note 14: Liabilities on securities

This heading records mainly securities pledged to Bank Al-Maghrib to secure various advances to banks.

Table 3.4.1.4: Liabilities on securities

In thousand dirhams	2017	2016
Securities received on advances granted	41,128,646	18,647,940
Securities received on advances to be granted	13,462,900	12,159,100
Other guarantees received on advances granted	3,656,100	1,584,898
Advances to be granted	12,789,755	-
Foreign securities receivable	363,851	716,804
Foreign securities deliverable	-	202,467

Chart 3.4.1: Structure of liabilities on securities received (*)



(*) Collateral received on the advances granted by the Bank as part of the monetary policy implementation.

Note 15: Other liabilities

Table 3-4-15: Other liabilities

In thousand dirhams	2017	2016
Received market guarantees	47,989	66,173
Guarantees liabilities received for staff loans	825,609	934,239
Financing liabilities granted to the staff	35,300	36,569
Other granted liabilities	1,000	1,000

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

It includes interests from the following transactions of investments in gold, SDR and foreign currency, made by the Bank as part of its mission of foreign exchange reserves management, conferred by its Statute:

- Bond market investments (investment portfolio and portfolio of securities held for sale);
- investments in the international money market and in other Moroccan commercial banks (Treasury portfolio);
- SDR holdings reserve tranche available with the IMF;
- foreign securities and gold lending;

Table 3-4-16: Interests earned on holdings in gold and in foreign currency

In thousand dirhams	2017	2016	Change (%)
Investments in gold	9,168	18,556	-51
Bond investments	2,770,302	2,862,171	-3
Money market investments	79,155	39,025	>100
Claims on the IMF	46,366	7,451	>100
Other interests*	12,870	8,649	49
Total	2,917,861	2,935,852	-1

(*) Include interests on foreign securities loans and holdings.

After its strong increase in the last two years (56 percent and 48 percent respectively), interests generated from foreign currency investment operations recorded a slight decrease by 1 percent to 2,917,861 KDH. This change has resulted from the combined effect of lower outstanding investments and higher rates of investments in US Dollar and of SDR remunerations.

Interests from bond investments fell by 3 percent to 2,770,302 KDH. This decrease includes a 29 percent drop in interests on investment securities to 462,319 KDH and 4 percent higher interests on investment portfolios to 2,307,984 KDH.

On the contrary, interests from money market investments increased by 40,129 KDH to 79,155 KDH. This rise reflects the improved conditions of investment in the dollar compartment, which largely offset the loss in Euro investments, as well as the implementation by the Bank, in the first four months of 2017, of some deposit operations with Moroccan commercial banks in 2016 at rates higher than those offered by foreign banks.

Interests received on SDR loans rose from 7,451 KDH to 46,366 KDH, due to the 44 bps increase in the average SDR rate (0.52 percent).

Interest in gold loans fell from 18,556 KDH to 9,168 KDH, therefore recording an annual cut of 51 percent due to lower investments' outstanding amounts and rates.

Note 17: Interests earned on claims on credit institutions and similar bodies

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

These interests recorded a substantial increase of 594,655 KDH, rising from 361,654 KDH to 956,308 KDH, thus breaking with their downward trend observed in the last three years. This change occurred as the Bank rose the volume of its interventions in the money market to satisfy the banks' sharper need in liquidity.

By main instrument:

- 7-day advances, whose outstanding amount was brought from 9,237,247 KDH to 37,536,643 KDH, generated interests of 844,574 KDH, up by 634,208 KDH.
- Secured loans transactions, whose outstanding amount fell by 31 percent to 4,215,417 KDH, resulting in a fall of related interests to 94,836 KDH (-34 percent).

Table 3.4.17 : Interests received on claims on credit institutions

In thousand dirhams	2017	2016	Change (%)
including:			
7-day advances	844,574	210,366	>100
Repurchase agreements	-	-	-
24-hour advances	16,880	8,022	>100
Secured loans	94,836	143,074	-34
Total	956,308	361,654	>100

Note 18: Other interests earned

This item covers mainly interests due to the Bank under loans granted to its staff. At the closing date, these interests reached 12,958 KDH, up 20 percent compared to 2016.

Note 19: Commissions earned

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

The 34 percent drop of this item to 844,960 KDH has resulted from the exceptional profit recorded in 2016, which has reached 618,874 KDH further to the adjustment of the intermediation margin on foreign exchange transactions for the period of June 2012 - December 2014.

Table 3-4-18: Commissions earned

In thousand dirhams	2017	2016	Change (%)
Foreign exchange commission	775,072	1,201,612	-35
Management of Treasury bills	53,863	52,413	3
Other commissions	16,025	18,455	-13
Total	844,960	1,272,479	-34

The amount of foreign exchange commissions increased to 775,072 KDH in 2017, owing to the rise of the volume processed in foreign exchange transactions, particularly with authorized intermediaries.

Commissions deducted by the Bank for the centralization of the Treasury's auction operations increased slightly by 3 percent to 53,863 KDH.

Note 20: Other financial revenues

The "other financial revenues" item mainly cover gains generated from foreign currency transactions and deferral of discounts on investment securities.

Table 3-4-19: Other financial revenues

In thousand dirhams	2017	2016	Change (%)
Gains from investment securities sales	40,159	28,921	39
Deferral of discounts on foreign securities	63,691	61,168	4
Gains in management authorizations	-	43,254	-
Gains from securities available for sale	13,774	-	-
Other revenues	2,874	20,074	-86
Total	120,499	153,418	-21

At end-2017, they reached 120,499 KDH, i.e. 21 percent less compared to their 2016 level, which observed a net gain of 23,286 KDH under the management mandate, as against a loss of 30,353 KDH this year mainly due to the depreciation of the US dollar rate (see table 3.4.21 of Note 28).

Note 21: Sales of produced goods

This item includes revenues from sales of various goods produced by the Bank, which cover, for the main part, secured documents including the biometric passport, and export-oriented foreign banknotes. The selling price of these documents is fixed on the basis of data from the analytical system established by the Bank. This item also consists of changes in inventories of finished products, in-process production and commemorative coins.

At end-2017, sales reached 271,242 KDH, up by 43,054 KDH compared to end-2016. This change has resulted, on the one hand, from the sale of secured documents and foreign banknotes which stood respectively at 186,687 KDH (+2 percent) and 56,955 KDH (+9 percent), and on the other hand, from the positive stock variations of 26,709 KDH, instead of the negative variations recorded at end-2016, which reached -8,653 KDH.

Note 22: Miscellaneous revenues

Miscellaneous revenues include, inter alia, the contribution of banks to the invoicing system of the Moroccan Gross Settlement System and the recovery of costs paid by Bank Al-Maghrib. This item rose by 1,282 KDH to reach 27,477 KDH, mainly due to the increase in banks' contribution to the SRBM, as participatory banks paid their fees of access to the system.

Note 23: Reversal of provisions

Provisions transferred in 2017 totalled 316,721 KDH, of which an amount of 293,145 KDH representing the reversals of the provisions constituted for the depreciation of foreign securities held for sale (see Table 3-4-26 of Note 32).

Note 24: Noncurrent revenues

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

Noncurrent revenues rose from 17,150 KDH to 70,595 KDH, from one year to the next, further to the compensatory payment received by the Bank after a dispute with third parties was settled in its favour.

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

These interests reached 77,778 KDH, thus recording an annual increase of 58,351 KDH, including:

- 32,905 KDH covering the commissions paid by the Bank for SDR allocations which reached 39,267 KDH, due to the increase of the SDR rate.
- 25,446 KDH covering interests paid by the Bank on money deposits in Euro, which reached 38,512 KDH, further to the rise in the volume of investments in Euro at more negative rates than in 2016.

Note 26: Interests paid on deposits and liabilities in dirhams

This item covers particularly interests paid by the Bank, mainly on deposits at the account of Hassan II Fund for Economic and Social Development and the Treasury current account (for payment conditions, see Note 10 of the balance sheet). It also included the required reserve, whose remuneration was introduced by decision of the Bank Board in June 2016.

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

Table 3-4-20: Interests on liabilities in dirhams

In thousand dirhams	2017	2016	Change (%)
of which:			
Monetary reserves accounts	38,007	6,197	>100
Other accounts (including)	221,223	182,848	21
Treasury account	43,471	45,415	-4
Total	271,095	207,998	30

The remuneration for the monetary reserve stood at 38,007 KDH at end-2017, as against 6,197 KDH the year before. It was calculated based on a rate of 0.75 percent applied to the additional monetary reserve of banks (exceeding 2 percent of the ratio) whose growth in outstanding loans to nonfinancial enterprises is higher than the average for the whole market, in accordance with the provisions laid down by the Bank.

On the other hand, interest paid on the assets of the Treasury current account decreased by 4 percent to 43,471 KDH, mainly due to the decrease, by 3 percent, of the interest-bearing average outstanding amount.

Note 27: Commissions paid

These are commissions paid in exchange for financial services provided to the Bank. They stood at 16,609 KDH, down 12 percent compared to 2016, as a result of the 11 percent drop of foreign securities custody fees to 11,996 KDH, due to the decrease in the volume of the bond portfolio.

Note 28: Other financial expenses

This item covers losses on foreign currency transactions, including losses on the sales of investment securities (taking into account the nature of securities comprising the portfolio) and deferral of premiums on investment securities.

Table 3-4-21: Other financial expenses

In thousand dirhams	2017	2016	Change (%)
Losses in investment securities sales	523,467	369,123	42
Deferral of premiums on foreign securities	1,080,060	945,980	14
Capital losses in management mandates	30,353	19,969	52
Other expenses	11,556	5,167	>100
Total	1,645,436	1,340,239	23

In 2017, these expenses rose to 1,645.436 KDH, thus recording an annual increase of 305,198 KDH. This change has resulted from the rise of the losses generated by the high sales of foreign securities (+154,344 KDH) and the deferral of premiums on investment securities (+134,080 KDH), mainly due to the appreciation of the euro exchange rate during this year.

Note 29: Staff expenses

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

Staff expenses rose by 2 percent from 2016 to stand at 739,420 KDH, mainly due to the controlled increase in the wagebill.

Table 3-4-22: Staff expenses

In thousand dirhams	2017	2016	Change (%)
Staff salaries and social security contributions	715,380	707,085	1
Training expenses	7,529	6,838	10
Other expenses	16,510	13,912	19
Total	739,420	727,835	2

Note 30: Purchases of materials and supplies

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

The 7 percent increase in this item to 250,114 KDH, is mainly attributed to:

- the combined effect of higher purchase costs, particularly currency blanks and electronic covers for the biometric passport, and lower spending on ink and paper;
- the completion in 2017 of new services of studies and expertise, including the strategic diagnosis of the information system used by the Management in charge of banking supervision and the reform of IFRS 9 standard; and
- a rise in the change in inventories of materials and supplies to 14,352 KDH, as against 6,838 KDH in 2016.

Table 3-4-23: Purchases of materials and supplies

In thousand dirhams	2017	2016	Change (%)
Purchase of raw materials	175,906	168,555	4
Purchase of consumable materials and supplies	34,255	29,105	18
Other purchases	39,953	35,522	12
Total	250,114	233,182	7

Note 31: Other external expenses

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

These expenses totalled 321,385 KDH, thus recording a yearly rise of 5 percent, resulting mainly from the increase of costs relative to computer programs renting, subscription to information services and contributions to various organizations.

Table 3-4-24: Other external expenses

In thousand dirhams	2017	2016	Change (%)
Maintenance and repair of fixed assets	82,191	82,405	-0,3
Rents	43,707	35,772	22
Water, electricity and fuel purchases	28,772	26,554	8
Postal and telecommunication costs	29,746	27,142	10
Taxes and duties	18,954	16,901	12
Other expenses	118,015	118,424	-0,3
Total	321,385	307,197	5

Note32: Depreciations and provisions

Depreciations

Table 3-4-25: Depreciations

In thousand dirhams	2017	2016	Change (%)
Depreciations of tangible and intangible fixed assets	310,776	334,658	-7
Properties ⁽¹⁾	91,044	110,828	-18
Furniture and equipment	167,501	171,810	-3
Other tangible fixed assets	13	13	-
Intangible fixed assets	52,218	52,008	0,4
Depreciations of other costs to be spread out over many fiscal years	4,386	5,742	-24
Depreciations of previous fiscal years	5,216	3,874	35
Total	320,379,⁽²⁾	344,275	-7

⁽¹⁾ Including fixtures, fittings and facilities

Provisions

Table 3-4-26: Provisions

In thousand dirhams	Outstanding amount 31/12/2016	Expenses	Reversals	Other changes	Outstanding amount 31/12/2017
Provisions for depreciation					
Foreign Treasury bills and similar securities	428,966	170,356	293,145	-42	306,135
Miscellaneous stocks and values	6,333	12,238	6,333		12,238
Moroccan equity securities	8,300	3,900		4,400	8,300
Foreign equity securities	1,180	6,995			8,175
Other provisions	3,125	47			3,172
Provisions for risks and expenses posted under liabilities					
Provisions for risks and expenses (including)	188,045	12,682	13,343		187,384
- Provisions for pension liabilities	150,000,				150,000
Other provisions	389				389
Total		202,317⁽¹⁾	316,721		

(1) Totalling 522,696 KDH, corresponding to the amount of the PLA heading "depreciations and provisions".

For the terms governing provisions constitution and reversal, see Section "Assessment Methods" and Note 11.

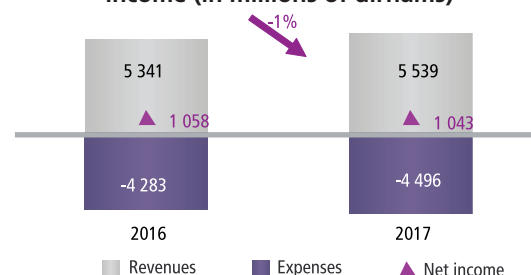
Note 33: Noncurrent expenses

Noncurrent expenses decreased from 6,352 KDH in 2016 to 2,132 KDH. This change has mainly resulted from lower expenses related to the reimbursement of demonetized notes and from the regularization of VAT following the change in the rate of the deductible proportion.

Note 34: Income tax

The tax rate is fixed at 37 percent under Article 19 of the General Tax Code, which is the taxation level applied to credit institutions under common law. Income tax fell, between 2016 and 2017, from 683,750 KDH to 649,049 KDH.

Chart 3.4.2: Change in revenues, expenses and net income (in millions of dirhams)



3.5 Statutory Audit Report

BANK AL-MAGHRIB STATUTORY AUDITOR'S REPORT FISCAL YEAR ENDED DECEMBER 31ST, 2017

In accordance with our engagement as statutory auditors by the Bank's Board, we have audited the accompanying financial statements of Bank Al-Maghrib, for the year ended December 31st, 2017. Which include the balance sheet, the profit and loss account, and the attached disclosures. These statements present a net equity amounting to 5 529 664 thousands of Moroccan Dirhams, and a net profit of 1 042 906 thousands of Moroccan Dirhams.

Management's Responsibility

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment as well as the assessment of the risk that financial statements may include material misstatements. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion on the financial statements

We certify that the financial statements mentioned in the first paragraph show, in all material respects, a fair view of the results of the operations for the year ended as well as of the financial situation and assets of Bank Al-Maghrib on December 31st, 2017 in accordance with generally accepted accounting principles in Morocco.

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

Specific verifications and information

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

Casablanca, March 23th 2018

Mazars Audit et Conseil

Abdou SOULEYE DIOP
Managing Partner

MAZARS AUDIT ET CONSEIL
101, Bd. Abdelmoumen
20 360 CASABLANCA
Tél. : 05 22 423 423 (L.G)
Fax : 05 22 423 400

3-6 Approval by the Bank Board

Pursuant to Article 55 of Law No. 76-03 bearing Statutes of Bank Al-Maghrib, the financial statements are hereby submitted by the Governor for approval by the Board.

At its meeting of March 20, 2018, after having taken cognizance of the statutory auditor's opinion on the sincerity of the financial statements and their conformity with the information provided in the Bank's management report, the Board approved the financial statements and net income distribution for the fiscal year 2017.

Bank Al-Maghrib
Finance and Strategy Department
