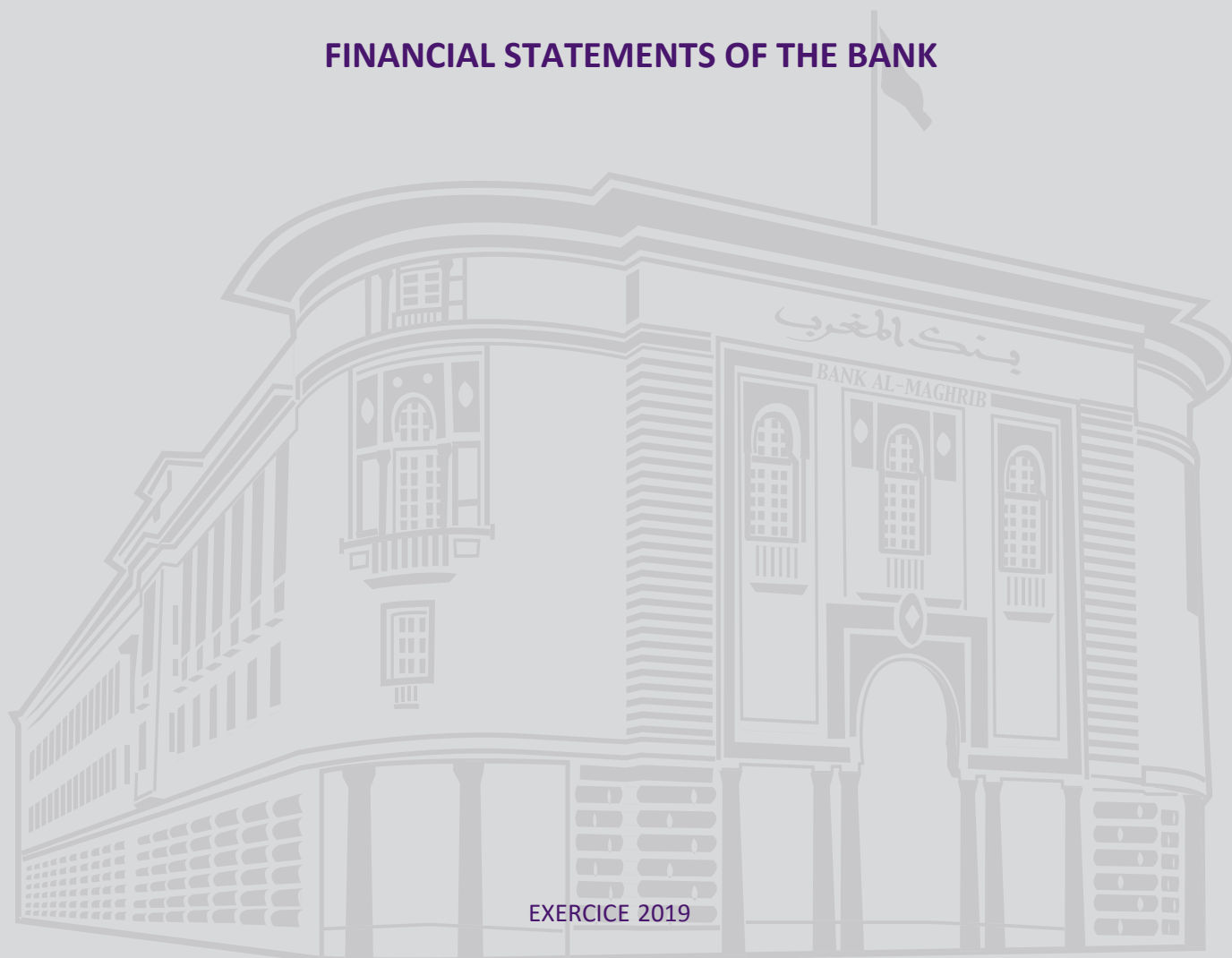




## FINANCIAL STATEMENTS OF THE BANK





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



## 3.1 Overview of the financial position of the 2019 fiscal year<sup>(1)</sup>

### 3.1.1 Balance sheet

The Bank's total balance sheet increased by 6 percent to 331,187,580 KDH as at December 31, 2019 compared to 312,725,033 KDH one year earlier.

**Table 3.1.1: Balance sheet by transaction**

in thousand dirhams	2019	2018	Change (%)
(of which)			
Currency in circulation	266 771 075	248 477 842	7
Transactions with foreign countries	-228 115 295	-209 796 689	9
Transactions with the State	2 075 568	1 576 337	32
Net position of credit institutions	-45 666 922	-43 857 909	-4
Patrimonial transactions	2 404 801	2 442 930	-2

Liabilities -Assets

By main operation, currency circulation was up 7 percent to 266,771,075 KDH. Transactions with foreign countries increased by 9 percent to 228,115,295 KDH after two years of decline (-4 percent on average). As for operations with the State, their balance increased by 32 percent to 2,075,568 KDH, mainly due to higher holdings in the Treasury's current account (+841,017 KDH). The credit institutions' net position fell from -43,857,909 KDH to -45,666,922 KDH, as a consequence of the reduction of the monetary reserve ratio from 4 percent to 2 percent<sup>2</sup> on both bank refinancing and Moroccan banks' current account assets.

### 3.1.2 Income

At the end of the 2019 fiscal year, the Bank's net income stood at 1,668,127 KDH, as against 985,287 KDH a year earlier, up 69 percent, mainly due to the improved income of the Bank's activities.

<sup>1</sup> 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 first part of the report.

<sup>2</sup> Decided by the Bank Board in its quarterly meeting of september 2019.

**Table 3.1.2: Net income of the fiscal year**

In thousand dirhams	2019	2018	Change (%)
Income from foreign exchange reserves management operations	2 310 854	1 682 268	37
Income of monetary policy operations	1 758 933	1 389 378	27
Income of other operations	489 402	548 165	-11
<b>Income of activities</b>	<b>4 559 188</b>	<b>3 619 811</b>	<b>26</b>
General operating expenses	-1 776 210	-1 802 101	-1
<b>Gross operating income</b>	<b>2 782 979</b>	<b>1 817 711</b>	<b>53</b>
Noncurrent income	-28 874	-252 332	-89
Income tax	-1 085 978	-580 092	87
<b>Net income</b>	<b>1 668 127</b>	<b>985 287</b>	<b>69</b>

Income of foreign exchange reserves management operations increased by 37 percent to 2,310,854 KDH including 2,116,713 KDH corresponding to the net income generated by bond investments which increased by 42 percent as compared to 2018. This change is essentially related to a higher realized capital gains (+324,652, KDH) on the sales of investment securities in dollars amidst a downward trend in rates and bond yields (+182,012 KDH), consecutive to the increase in the size of the investment portfolio in dollars. As for the result of monetary policy operations, the pace of its progression slowed down to 27 percent to reach 1,758,933 KDH, in connection with the easing of bank liquidity deficit during the last quarter of the year, mainly due to the monetary reserve ratio cut. Conversely, the result of other operations fell by 11 percent to 489,402 KDH, particularly due to the lower sales of banknotes intended for export (-58,015 KDH).

## 3.2 Summary statements and related notes

### 3.2.1 Balance sheet (assets)

Table 3.2.1: Assets as at December 31, 2019

In thousand dirhams	Notes	2019	2018
<b>Assets and investments in gold</b>	<b>1</b>	<b>10 386 758</b>	<b>8 731 475</b>
<b>Assets and investments in foreign currency</b>	<b>2</b>	<b>233 532 384</b>	<b>216 223 579</b>
- Holdings and investments held in foreign banks		38 555 629	52 394 684
- Foreign Treasury bills and similar securities		191 386 500	160 298 056
- Other holdings in foreign currency		3 590 255	3 530 840
<b>Assets with international financial institutions</b>	<b>3</b>	<b>9 785 191</b>	<b>9 863 989</b>
- IMF subscription-Reserve tranche		2 146 798	2 152 196
- Special Drawings Rights holdings		7 236 397	7 308 650
- Subscription to the Arab Monetary Fund		401 997	403 143
<b>Lending to the Government</b>		<b>-</b>	<b>-</b>
<b>Claims on Moroccan credit institutions and similar bodies</b>	<b>4</b>	<b>67 383 292</b>	<b>69 367 897</b>
- Securities received under repurchase agreements		-	-
- Advances to banks		67 303 319	69 302 257
- Other facilities		79 973	65 640
<b>Treasury bills - Open market operations</b>		<b>-</b>	<b>-</b>
<b>Other assets</b>	<b>5</b>	<b>6 976 082</b>	<b>5 452 636</b>
<b>Fixed assets</b>	<b>6</b>	<b>3 123 873</b>	<b>3 085 457</b>
<b>Total assets</b>		<b>331 187 580</b>	<b>312 725 033</b>

### 3.2.2 Balance sheet (liabilities)

Table 3.2.2: Liabilities as at December 31, 2019

In thousand dirhams	Notes	2019	2018
<b>Banknotes and coins in circulation</b>	<b>7</b>	<b>266 771 075</b>	<b>248 477 842</b>
Banknotes in circulation		263 254 622	245 135 550
Coins in circulation		3 516 453	3 342 291
<b>Commitments in gold and foreign currency</b>	<b>8</b>	<b>9 340 911</b>	<b>8 492 088</b>
Commitments in gold		-	-
Commitments in foreign currency		9 340 911	8 492 088
<b>Commitments in convertible dirhams</b>	<b>9</b>	<b>210 500</b>	<b>223 686</b>
Commitments to international financial institutions		201 537	213 543
Other liabilities		8 963	10 143
<b>Deposits and commitments in dirhams</b>	<b>10</b>	<b>29 789 757</b>	<b>31 659 471</b>
- Current account of the Treasury		2 057 416	1 216 398
- Deposits and commitments in dirhams to Moroccan banks		21 716 369	25 509 987
- Current accounts		21 716 369	25 509 987
- Liquidity-withdrawal accounts		-	-
- Deposit facility accounts		-	-
- Deposits of general government and public institutions		1 159 281	1 598 074
- Other accounts		4 856 691	3 335 011
<b>Other liabilities</b>	<b>11</b>	<b>10 430 843</b>	<b>9 889 337</b>
<b>Special Drawing Rights allocations</b>	<b>3</b>	<b>7 447 693</b>	<b>7 468 935</b>
<b>Equity capital and the like</b>	<b>12</b>	<b>5 528 673</b>	<b>5 528 387</b>
- Capital		500 000	500 000
- Reserves		5 001 340	5 001 340
- Retained earnings		27 333	27 046
- Other equity capital		0	0
<b>Net income of the fiscal year</b>		<b>1 668 127</b>	<b>985 287</b>
<b>Total liabilities</b>		<b>331 187 580</b>	<b>312 725 033</b>

### 3.2.3 Off-balance sheet

Table 3.2.3: Off-balance sheet as at December 31, 2019

In thousand dirhams	Notes	2019	2018
<b>Spot foreign exchange transactions</b>			
- Spot delivery of currencies			
- Spot purchase of dirhams			
<b>Forward foreign exchange transactions</b>			
	<b>13</b>		
- Foreign currencies receivable		8 525 178	
- Foreign currencies deliverable		8 568 575	
<b>Foreign exchange transactions- currency deposits</b>			
	<b>13</b>		<b>6 428 495</b>
<b>Foreign exchange transactions-arbitrage operations</b>			
	<b>13</b>		
Foreign currencies receivable		158 563	-
Foreign currencies deliverable		158 583	-
<b>Off-balance currency adjustment</b>			
			-
<b>Commitments on derivatives</b>			
			-
<b>Commitments on securities</b>			
	<b>14</b>		
Securities received on advances granted		68 533 178	70 599 743
Securities received on advances to be granted		12 918 700	10 025 700
Other guarantees received on advances granted		2 556 954	2 753 697
Advances to be granted		13 172 765	9 524 415
Foreign securities receivable		1 662 271	5 458 712
Foreign securities deliverable		549 571	2 102 925
<b>Other liabilities</b>			
	<b>15</b>		
Received market guarantees		105 237	58 583
Guarantees commitments received for staff loans		871 976	846 161
Financing commitments granted to the staff		18 439	32 165
Other granted commitments		1 000	1 000



### 3.2.4 Profit and loss account

Table 3.2.4: Profit and loss account as at December 31, 2019

In thousand dirhams	Notes	2019	2018
<b>Profit</b>		<b>6 138 883</b>	<b>5 431 819</b>
Interests earned on holdings and investments in gold and in foreign currency	16	2 785 084	2 681 949
Interests earned on claims on credit institutions and similar bodies	17	1 744 558	1 422 337
Other interests earned	18	12 591	13 374
Commissions earned	19	664 105	608 351
Other financial revenues	20	535 274	156 006
Sales of produced goods and services	21	131 409	225 852
Miscellaneous revenues	22	19 045	17 826
Reversal of depreciation		-	-
Reversal of provisions	23	243 576	297 623
Noncurrent revenues	24	3 243	8 501
<b>Expenses</b>		<b>4 470 756</b>	<b>4 446 532</b>
Interests paid on commitments in gold and in foreign currency	25	179 768	184 384
Interests paid on deposits and commitments in dirhams	26	340 159	326 354
Commissions paid	27	16 386	32 471
Other financial expenses	28	986 330	1 063 238
Staff expenses	29	863 391	988 860
Purchases of materials and supplies	30	236 625	243 702
Other external expenses	31	356 045	352 911
Depreciation and provision endowments	32	364 132	419 450
Noncurrent expenses	33	41 941	255 072
Income tax	34	1 085 978	580 092
<b>Net income</b>		<b>1 668 127</b>	<b>985 287</b>

### 3.2.5 Cash flow statement

Tableau 3.2.5 : Cash flow as at December 31, 2019

In thousand dirhams	2019	2018
<b>Cash and foreign currency deposits at the beginning of the year</b>	<b>55 055 218</b>	<b>47 279 501</b>
<b>Cash flow from operating activities</b>	<b>-40 294 787</b>	<b>-42 560 778</b>
Interests received	4 568 820	4 225 973
Commissions on banking transactions received	664 105	608 351
Other products received	213 565	432 574
Dividends received	471	312
Interests and commissions paid	-556 180	-548 570
Dividends paid	-985 000	-642 000
Staff expenses paid	-844 120	-955 021
Taxes paid	-570 780	-605 818
Other expenses paid	-603 638	-732 146
+/- Change in Treasury deposits in Dirhams	841 017	-672 452
+/- Change in deposits with Moroccan banks in Dirhams	-3 777 272	1 728 424
+/- Change in other customer deposits in Dirhams and in foreign currencies	2 079 362	-166 471
+/- Change in foreign-currency-denominated investment securities	-42 027 300	-19 667 231
+/- Change in foreign currency trading securities	-66 292	2 164 911
+/- Change in advances to banks	1 998 938	-27 149 393
+/- Change in other liabilities	268 054	11 325
+/- Change in other assets	-1 498 537	-593 547
<b>Cash flow from investment activities</b>	<b>8 747 087</b>	<b>33 722 659</b>
+/- Change in foreign investment securities in foreign currencies	9 046 827	34 024 745
+/- Change in IMF subscription-Reserve branch	-178	2 857
+/- Change in SDR holdings	51 089	17 914
+/- Change in gold assets and investments	-	-3 916
+/- Change in deposits with the IMF	-	-
+/- Change in FMA subscription	-	-25 893
+/- Change in SDR allocations	72	0
Acquisition of fixed assets	-353 622	-299 255
Proceeds from sale of fixed assets	2 897	6 206
<b>Cash flows from financing activities</b>	<b>18 293 233</b>	<b>16 694 190</b>
+/- change in banknotes and currency in circulation	18 293 233	16 694 190
<b>Revaluation of cash and foreign currency deposits</b>	<b>-496 852</b>	<b>-80 354</b>
<b>Cash and foreign currency deposits at end of year</b>	<b>41 303 899</b>	<b>55 055 218</b>

### 3.2.6 Statement of change in shareholders' equity

Table 3.2.6 : Change in shareholders' equity at December 31, 2019

In thousands of Dirhams	2018 opening balance	Appropriation of 2018 income	Distribution of dividends	2019 Income	Capital transactions (+incr. / -decr.)	2019 closing balance
Equity	500 000					500 000
Carry forward	27 046	287				27 333
Reserves	5 001 340	985 000	-985 000			5 001 340
Income for the year				1 668 127		1 668 127
Income pending allocation	985 287	-985 287				0
<b>Total</b>	<b>6 513 673</b>	<b>0</b>	<b>-985 000</b>	<b>1 668 127</b>	<b>0</b>	<b>7 196 801</b>

## 3.2.7 Main accounting rules and evaluation methods

### 3.2.7.1 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 fixed and other assets and applies particular provisions for the evaluation of its financial transactions.

The summary statements, as cited under Article 47 of Law No.40-17 bearing Statutes of Bank Al-Maghrib, include the balance sheet, the profit and loss account (PLA) and additional information statement (AIS).

Concurrently, the Bank prepares an annual off-balance sheet statement, and as of fiscal 2019 it has integrated into its financial statements the cash-flow statement and the statement of changes in shareholders' equity.

### 3.2.7.2 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 commitments in gold and foreign currency

Assets and commitments 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 annual balance of the "foreign exchange reserves valuation account" should be kept positive at a minimum threshold of 2.5 percent of Bank Al-Maghrib's net foreign assets. In the event that a foreign exchange loss causes to bring this balance below this threshold, the amount of the deficit is deducted from the income 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, either in portfolio of transaction, of securities held for sale, or of investment.

**Transaction portfolio** consists of securities purchased with the intention, from the outset, 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 considers 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, 2019, 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 redemption price. 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 periods retained according to the nature of each fixed asset are as follows:

**Table 3.2.7: 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);
- commemorative coins.

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

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

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

## **3.2.8 Financial risk management system**

### **Definition of financial risks**

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

- The **credit risk**, defined as:
  - On the one hand, the payment default risk (counterparty risk) which corresponds to the inability of a counterparty to fulfil its obligations;
  - On the other hand, the credit rating reduction risk, relating to the risk of lowering credit rating by one or more rating agencies.
- The **market risk**, which is the risk of loss arising from adverse changes in market factors. It concerns, inter alia, risks related to movements in interest or foreign exchange rates;
- The **liquidity risk**, which represents the possibility of not being able to meet commitments, even by mobilizing assets or at least with a significant capital loss.

## Governance framework

As part of its mission relating to foreign exchange reserve management, the Bank has set up a financial risk management system. This system identifies, monitors, and mitigates the risks inherent in the investment of the foreign reserves, namely credit, market, and liquidity risks. It is based on a clear, top-down governance framework that addresses safety, liquidity and return.

The **Bank Board** validates the foreign exchange reserve investment policy and risk tolerances. It also approves the investment sphere and the strategic asset allocation. The **Monetary and Financial Committee (MFC)** supervises implementation of the strategic allocation, validates the management strategy and approves counterparty limits. It also examines changes in reserve management financial risk indicators. Finally, the **Audit Committee** examines the annual changes in the Bank's financial and operational risks.

In addition, the strategic allocation decided by the Bank's Board sets the objectives for holding and managing reserves, the investment principles, the investment scope, the limits per asset class, the rules on the eligibility and concentration of issuers and counterparties as well as the authorised investment terms.

From an operational point of view, all the Bank's foreign currency exposures are controlled and monitored on a daily basis to ensure compliance with strategic allocation guidelines.

In this context, reports are prepared to continuously capture the Bank's exposures in international financial markets.

All deviations to the rules are reported to the Monetary and Financial Committee at each of its meetings.

## Financial risk management

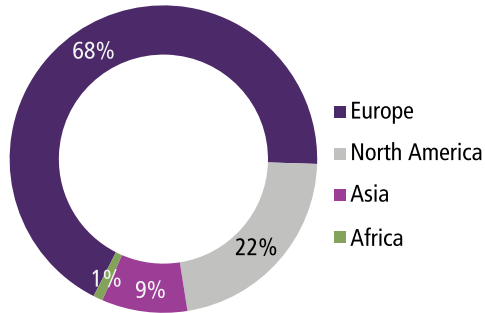
### Credit risk

Bank Al-Maghrib ensures that investments made as part of the foreign exchange reserve management comply with its two main objectives, namely security and liquidity. Thus, in addition to the eligibility criteria for issuers and counterparties, the Bank uses more specific tools for credit risk management. These are exposure limits helping to avoid excessive risk taking and concentration. The different categories of limits applied and monitored are credit rating, asset category, country risk, issuer risk and counterparty risk

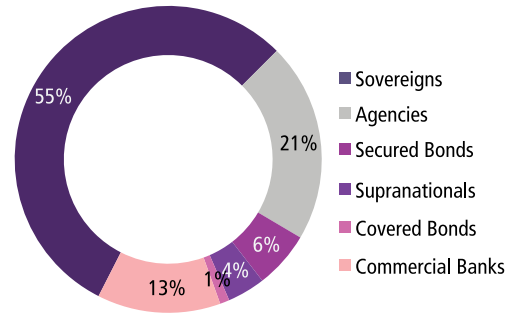
In addition to this arrangement, the Bank calculates an average rating with a view to ensuring a better assessment of overall exposure to credit risk.



**Chart 3.2.1 : Breakdown of portfolio exposures by region**



**Chart 3.2.2 : Breakdown of portfolio exposures by asset class**



At end-2019, assets under management amounted to \$25.1 billion with an average rating of "AA-" indicating very good credit quality of the assets held.

**Market risk**

The market risk associated with foreign exchange reserves management mainly arises from interest rate risk and foreign exchange risk.

**- Interest rate risk**

The Bank manages interest rate risk through the strategic allocation exercise, which defines benchmark portfolios reflecting the tolerated risk level. Also, management of this risk consists in ensuring that the relative exposures of the management portfolios, compared to the benchmarks, remain within the authorized range in terms of duration.

In addition, exposure to market risk is measured through the maximum potential loss (VaR).

At 31 December 2019, the overall duration of the foreign exchange reserves managed by the Bank amounted to 1.5 years.

**- Foreign exchange risk**

The foreign exchange risk is generated by the impact of fluctuations in the exchange rate of foreign currencies against the Moroccan dirham. This risk is measured by the deviation between the composition of foreign exchange reserves and the weighting of the Moroccan dirham basket, which is 60 percent euro and 40 percent dollar. Such exposure is managed through a maximum deviation limit.

Besides, as foreign exchange reserves are mainly composed of euros and US dollars, exposure arising from holding other currencies is very low.

**Liquidity risk:**

Managing the liquidity risk of foreign exchange reserves aims to meet the financing needs of the country's balance of payments and to maintain liquidity reserves at a level sufficient to absorb shocks in times of crisis or restricted access to external financing.

The Bank manages liquidity risk through the strategic allocation that defines the minimum sizes of the reserve's liquid tranches:

- **precautionary reserves**: this tranche is intended to finance needs estimated in the balance of payments over a one-year horizon. At the end of 2019, the level of precautionary reserves reached 64.4 billion DH;

- **excess reserve portfolios recorded at market value**: made up of liquid assets that can be mobilised in the event of exhaustion of the "precautionary reserves" tranche following an extreme shock to foreign exchange reserves. The value of these portfolios reached 59.4 billion DH at end-2019.

**3.2.9 Comments on the balance sheet items****Note 1: Assets and investments in gold**

By virtue of article 12 of its Statutes, Bank Al-Maghrib holds and manages foreign exchange reserves which consist of gold, foreign currency and SDRs assets. 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<sup>1</sup> of foreign exchange reserves<sup>1</sup>, in accordance with the agreement governing this account concluded in 2006 between Bank Al-Maghrib and the State.

As at December 31, 2019, the value of gold assets amounted to 10,386,758 KDH, posting an increase of 19 percent (+2 percent on average for the last two years), due to the rising gold price per ounce which reached 14,608 DH at the end of the year, its highest level for several years. The quantity of gold ounces remained stable at 711,032 ounces (equal to 22 tons). Furthermore, it should be noted that the Bank carried no gold lending operations in 2019, given the negative investment rates prevailing on the market.

<sup>1</sup> The credit balance in this account may not be credited to the income for the year nor distributed or used for any purpose.

**Table 3.2.8: Assets and investments in gold**

	2019	2018
Gold price per ounce in dirhams <sup>(1)</sup>	14 608	12 280
Quantity of gold ounces	711 032	711 032
<b>Market value <sup>(2)</sup></b>	<b>10 386 758</b>	<b>8 731 475</b>
<b>Gold stock (in tonnes)</b>	<b>22,12</b>	<b>22,12</b>

<sup>(1)</sup> Price of Gold/MAD<sup>(2)</sup> In thousand dirhams

## Note 2: Assets and investments in foreign currency

Under the aforementioned article of the Bank's Statutes, this item presents the equivalent in dirhams of convertible assets in foreign currencies, held in the form of money deposits (time and demand deposits) and foreign bond securities. After two consecutive years of decline, foreign currency assets and investments increased by 8 percent to 233,532,384 KDH against 216,223,579 KDH, along with the consolidated foreign exchange reserves. Its weight in the total assets thus increased from 69 percent to 71 percent.

**Table 3.2.9: Breakdown by type of investment**

In thousand dirhams	2019	Share	2018	Share
Demand deposits	9 926 287	4%	17 190 648	8%
Time deposits	21 627 617	9%	31 018 797	14%
Securities held for sale <sup>(1)</sup>	93 492 604	40%	51 287 243	24%
Investment securities	97 893 896	42%	109 010 813	50%
Other <sup>(2)</sup>	10 591 980	5%	7 716 078	4%
<b>Total</b>	<b>233 532 384</b>	<b>100%</b>	<b>216 223 579</b>	<b>100%</b>

<sup>(1)</sup> Taking into account provisions for depreciation. The market price valuation of investment securities at 31 December 2019 amounts to 94 264 411 KDH.<sup>(2)</sup> Including accrued interests, management authorizations and foreign banknotes.

82 percent (as against 74 percent in 2018) of these assets are invested in bonds. In this portfolio, securities held for sale increased by 82 percent while investment securities decreased by 10 percent as against 25 percent at the end of 2018, reflecting strengthened investments in dollars.

As for deposits and investments on the monetary segment, they increased from 48,209,445 KDH to 31,553,904 KDH, representing 14 percent of foreign currency assets and investments against 22 percent one year earlier.

Tableau 3.2.10 : Breakdown by currency

In thousand dirhams	2019	2018	change (%)
EUR	146 058 650	130 198 846	12
USD	86 157 241	84 815 369	2
Other currencies	1 316 493	1 209 365	9
<b>Total</b>	<b>233 532 384</b>	<b>216 223 579</b>	<b>8</b>

Tableau 3.2.11 : Breakdown by remaining maturity<sup>(\*)</sup>

	2019	2018
≤ 1an	40%	38%
> 1an	60%	62%
<b>Total</b>	<b>100%</b>	<b>100%</b>

(\*) Securities held in internally-managed portfolios, including certificates of deposit.

### Note 3: Assets with international financial institutions

This item, reflecting positions with the IMF and the AMF, fell by 1 percent to 9,785,191 KDH, mainly as a result of lower SDR holdings.

#### Position with the IMF

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:** 147.35 million SDRs (1,954,737 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 the Bank. It should be reminded that the Bank had paid, in 2016, an amount of 76.55 million SDRs, equivalent to its share (25 percent) in Morocco's quota in the IMF capital under the 14th General Quota Review of the IMF.

Table 3.2.12: Position with the IMF

In thousand dirhams	2019	2018	Change (%)
<b>ASSETS</b>			
MF subscription - Reserve tranche	2 146 798	2 152 196	-0,3
SDR holdings	7 236 397	7 308 650	-1
<b>Total</b>	<b>9 383 195</b>	<b>9 460 846</b>	<b>-1</b>
<b>LIABILITIES</b>			
SDR allocations	7 447 693	7 468 935	-0,3
Accounts n°1 et 2	193 060	192 942	0,1
<b>Total</b>	<b>7 640 753</b>	<b>7 661 878</b>	<b>-0,3</b>

- **The mobilized tranche:** 14.36 million SDR (192,061 KDH) equal to Bank Al-Maghrib's subscription in national currency, deposited in the IMF "Account No.1" open in the books of the Bank.

- SDR holdings represent 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 covers 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 the end of 2019, the equivalent value of SDR holdings declined to 7,236,397 KDH, thus recording a yearly drop of 72,253 KDH. This change mainly reflects the settlement of the commitment fee relating to the IMF precautionary and liquidity line (PLL) for an amount of 4,909,560 SDRs (65,260 KDH) against 2,209,140 SDRs (29,394 KDH) one year earlier.

**The liabilities side** include the « SDR allocations» item, which 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 SDRs) granted by the IMF to member countries. In 2019, the value of these allocations in dirhams fell to 7,447,693 KDH, down by 21,243 KDH, as a result of the 0.3 percent depreciation in the SDRs value to 13.27 DH.

### 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 41.33 million Arab dinars, divided between Bank Al-Maghrib and the Treasury as follows:

- 200,000 Arab dinars paid in national currency and deposited in the AMF account open in Bank Al-Maghrib books. The share paid by BAM amounts to 150,000 Arab dinars (5,987KDH);
- 21.69 million Arab dinars, subscribed in foreign currency, of which 10.10 million Arab dinars subscribed by the Bank (401,997 KDH), similar to 2018, following the Bank's settlement of the last tranche of the Bank's participation in the AMF capital increase. Release by member countries is scheduled over the five-year period 2014-2018;
- 19.44 million Arab dinars, of which 9.10 million are attributable to Bank Al-Maghrib under the AMF capital increase by incorporation of reserves, which took place in 2005 (5.88 million Arab dinars) and in 2013 (3.23 million Arab dinars).

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

This item covers refinancing operations of credit institutions made as part of the monetary policy conduct, in conformity with Article 7 of the Bank's Statutes.

In 2019, the Bank's intervention in the money market reached high levels before declining in the last quarter. This evolution reflects the change in the bank liquidity deficit, which was characterised by the following two phases in the course of the year:

- an increase during the first eight months, recording a historical peak of 95.5 billion dirhams, on weekly average, at end-August 2019, following the growth of currency in circulation and, to a lesser extent, the decline in foreign exchange reserves.
- A decrease as from the last quarter, ending the year at 64,1 billion dirhams on a weekly average, as a result of the monetary reserve ratio cut which led to an 11-billion-dirham injection in the money market and to an increase in the foreign exchange reserves. Hence, the Bank gradually reduced its liquidity injections which, by the end of 2019, amounted to 67,303,319 KDH, distributed as follows:
  - 65,003,319 KDH through 7-day advances at auction granted at the key rate (2.25 percent since March 2016);
  - 2,300,000 KDH corresponding to three operations of one-year secured loans, granted at the average key rate of the period under study. These operations are part of the program of supporting the financing of VSMEs, set up in December 2013.

Table 3.2.13: Structure of claims on banks

In thousand dirhams	2019	2018	Change (%)
<b>Repurchase agreements</b>	<b>65 003 319</b>	<b>67 002 257</b>	<b>-3</b>
7-day advances	65 003 319	67 002 257	-3
24-hour advances	-	-	-
<b>Secured loans</b>	<b>2 300 000</b>	<b>2 300 000</b>	<b>-</b>
<b>Total</b>	<b>67 303 319</b>	<b>69 302 257</b>	<b>-3</b>

#### 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 accrued revenues, and any other debtor amount pending equalization. This item increased, from one year to the next, from 5,452,636 KDH to 6,976,082 KDH.

## Note 6: Fixed assets

Net fixed assets of the Bank reached 3,123,873 KDH, up 38,416 KDH, covering an increase by 322,388 KDH in the gross fixed assets and 283,972 KDH in depreciation and provisions.

Table 3.2.14: Fixed assets

In thousand dirhams	2019	2018	Change (%)
(including)			
Fixed loans	768 867	747 806	3
Equity securities and the like	439 564	439 557	0.002
Tangible and intangible fixed assets	6 986 886	6 685 630	5
<b>Gross fixed assets</b>	<b>8 195 380</b>	<b>7 872 992</b>	<b>4</b>
Depreciation and provision endowments	-5 071 508	-4 787 536	6
<b>Net fixed assets</b>	<b>3 123 873</b>	<b>3 085 457</b>	<b>1</b>

## Equity securities and the like

The gross value of Bank Al-Maghrib's equity securities portfolio remained virtually stable, from one year to the next, standing at 439,564 KDH.

Table 3.2.15: Equity securities and the like

In thousand dirhams	Type of activity	2019				Quote-part (%)	2018 Gross book value	change (%) <sup>(3)</sup>
		Net book value <sup>(1)</sup>	Gross book value <sup>(2)</sup>	Net situation				
<b>Securities held in Moroccan institutions and the like (including)</b>		<b>198 373</b>	<b>195 608</b>			<b>198 373</b>	<b>-</b>	
Dar Ad-Damane	Financial	1 265	0	152 232	1.69	1 265	-	
Maroclear	Financial	4 000	4 000	303 530	20.00	4 000	-	
Casablanca Finance City Authority	Financial	50 000	50 000	505 969	10.00	50 000	-	
The Moroccan Deposit Insurance corporation (SGFG)	Financial	59	59	3 515	5.92	59	-	
Receivables attached to equity		141 549	141 549			141 549	-	
<b>Securities held in foreign financial institutions</b>		<b>241 192</b>	<b>229 617</b>			<b>241 184</b>	<b>0.003</b>	
Ubac Curaçao	Financial	23 228	23 228	86 629 USD	6.85	23 228	-	
Swift	Financial	519	519	407 529 EUR	0.02	519	-	
Arab Monetary Fund	Financial	5 987	5 987	1 313 080 DA <sup>(4)</sup>	0.02	5 979	0.1	
Arab Trade Financing Program	Financial	16 856	16 856	1 158 629 USD	0.28	16 856	-	
Africa50-Project Finance	Financial	175 142	167 162	205 421 USD	8.48	175 142	-	
Africa50-Project Development	Financial	19 460	15 865	20 229 USD	8.18	19 460	-	
<b>Gross total of equity securities and the like</b>		<b>439 564</b>	<b>425 225</b>			<b>439 557</b>	<b>0.002</b>	

(1) Minus of provisions made for the impairment of the Bank's holdings

(2) Net position of the organizations in which the Bank holds investments, based on the financial statements of 2018.

(3) Change in the gross accounting value between 2018 et 2019.

(4) Arab Dinars.

## Tangible and intangible fixed assets

**Table 3.2.16: Tangible and intangible fixed assets**

In thousand dirhams	2018 Gross amount	Increase	Decrease	2019 Gross amount
Operating real estate properties	1 860 647	162 187	53 191	1 969 643
Operating furniture and equipment	2 486 034	93 968	17 103	2 562 899
Other operating tangible fixed assets	835 778	85 079	980	919 878
Non-operating tangible fixed assets	785 007	2 044		787 051
Intangible fixed assets	718 163	62 509	33 257	747 416
<b>Total</b>	<b>6 685 630</b>	<b>405 788</b>	<b>104 532</b>	<b>6 986 886</b>

At end-2019, the gross value of tangible and intangible fixed assets reached 6,986,886 KDH, up 301,256 KDH compared to 2018. Investments made this year are broken down as follows:

- 40 percent in real estate investments for the redevelopment and extension projects at the operating sites, particularly concerning the upgrade of the central administration, the extension of Dar As-Sikkah, with the construction of a building dedicated to the production of secure identity cards and the completion of the Tangier agency's refurbishment;
- 24 percent for upgrading the production machinery of Dar As-Sikkah, acquiring recurrent furniture and equipment, reinforcing the computer security infrastructure and renewing the computer equipment (computers, servers, etc.);
- 19 percent mainly for reinforcement and upgrading of electrical and physical security facilities, network cabling, carpentry, air-conditioning, painting and fixtures and fittings at the Bank's various sites (operational and social);
- 15 percent relating to investments for the acquisition of IT and physical security solutions as part of the Bank's project to modernise its security systems. It also involves upgrading the information systems such as the various modules of the INDIMAJ integrated system and the data retrieval system.

Decreases mostly concerned sales and donations of transport and computing equipment.

### Note 7: Banknotes and coins in circulation

In accordance with Article 5 of its Statutes, 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.

In 2019, currency circulation continued its growth and reached 266,771,075 KDH, i.e. 7 percent more than in 2018, thus representing 81 percent of the balance sheet total instead of 79 percent



one year earlier. In line with its seasonal profile, circulation peaked during the months of July and August, which experienced a concentration of cash-consuming events (summer period, celebration of Eid Al-Adha and preparation for the beginning of the school year).

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

These liabilities mainly comprise currency deposits of foreign banks and non-residents. They stood at 9,340,911 KDH, up by 10 percent compared to the previous year.

### Note 9: Commitments in convertible dirhams

This item includes the Bank's commitments 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 SDRS, amounted to 193,060 KDH at end-2019.

The annual decrease, amounting to 13,186 KDH, in the Bank's commitments in dirhams, mainly reflects lower commitments towards foreign banks (-12,591 KDH).

**Table 3.2.17: Commitments in convertible dirhams**

In thousand dirhams	2019	2018	Change (%)
<b>Commitments to international financial institutions</b>	<b>201 537</b>	<b>213 543</b>	<b>-6</b>
Commitments to foreign banks	7 620	20 211	-62
Current accounts of international financial institutions	193 917	193 332	0,3
<b>Other commitments</b>	<b>8 963</b>	<b>10 143</b>	<b>-12</b>
<b>Total</b>	<b>210 500</b>	<b>223 686</b>	<b>-6</b>

### 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 16 of its Statutes. 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 than or equal to 2 billion dirhams is remunerated at the rate of 7-day advances minus fifty basis points, or 1.75 percent;

- 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, or 1.25 percent;
- The tranche higher than 3 billion dirhams is not remunerated.

**Table 3.2.18: Deposits and liabilities in dirhams**

In thousand dirhams	2019	2018	Change (%)
Public Treasury current account	2 057 416	1 216 398	69
Moroccan banks' current account	21 716 369	25 509 987	-15
Liquidity withdrawals	-	-	-
Deposit facilities	-	-	-
Deposits of general government and public institutions	1 159 281	1 598 074	-27
Other accounts	4 856 691	3 335 011	46
<b>Total</b>	<b>29 789 757</b>	<b>31 659 471</b>	<b>-6</b>

- Accounts of Moroccan banks, held mainly to meet their commitments regarding the reserve requirement, established by virtue of Articles 25 and 66 of the above-mentioned Statutes. The minimum amount required under this reserve, as decided by the Bank board during its meeting held in September 24, 2019, equals 2 percent of the banks' liabilities (as against 4 percent before), and shall be respected on average over the period under study. The remuneration of this reserve, calculated on the basis of an additional reserve rate of 0.75 percent (in excess of 2 percent) for banks whose growth in outstanding loans to non-financial companies is higher than the average for the financial market as a whole, has been suspended as of September 26, 2019;
- Deposits of general government and public institutions, including the account of Hassan II Fund for Economic and Social Development.

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

- 7-day liquidity withdrawals as unsecured deposits by tenders, remunerated at the key rate minus fifty basis points, or 1.75 percent;
- 24-hour deposit facilities allowing banks to place, on their own initiative, a cash surplus. The remuneration applied to these deposits equals the key rate minus one-hundred basis points, or 1.25 percent.

At the end of the 2019 financial year, this item amounted to 29,789,757 KDH, down by 1,869,714 KDH from 2018, mainly due to the 3,793,618 KDH decrease in current account assets of Moroccan banks, following the monetary reserve rate cut.

## Note 11: Other liabilities

Other liabilities particularly include:

- 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.

They presented, at the end of 2019, a balance of 1,201,319 KDH of which 344,160 KDH as debts to suppliers. The breakdown of these debts by due date, pursuant to the provisions of Law No.32-10 relating to payment deadlines which came into force in 2013, is presented at December 31, 2019 as follows:

**Table 3.2.19: Breakdown by maturity of suppliers' debt balance**

In thousand of dirhams	Amount of suppliers' debt at the end of the FY	Amount of unmatured debts	Amount of debts due			
			Less than 30 days	Between 31 and 60 days	between 61 and 90 days	More than 90 days
<b>Closing dates</b>						
Fiscal Year 2018	309 968	308 580	664	-	536	188
Fiscal Year 2019	344 160	343 297	69	158	-	636

<sup>(\*)</sup> Based on the regulatory deadline.

- 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; At the end of the year, they reached 322,104 KDH against 200,007 KDH one year earlier.
- Amounts claimable after receipt of payment, whose accounts make up the counterpart of securities presented for payment, fell from 22,218 KDH in 2018 to 197,494 KDH in 2019;
- Provisions for risks and expenses allowing to note the existing losses and expenses related to operations executed during the fiscal year and that are most likely realized. They particularly include an amount of 60,000 KDH representing the balance of the provision set aside (150,000 KDH) to cover the pension commitment. The latter was partially reversed in 2018 and 2019 for 70,000 KDH and 20,000 KDH respectively as part of the implementation, in 2018, of the financing plan for the gradual transition to the TV 88-90 mortality table. They also include the provision for penalty relating to payments from suppliers exceeding the regulatory deadline, in accordance with the aforementioned law No. 32-10 for an amount of 133 KDH (see Table 3.2.33, note 32 of the profit and loss account);

- 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 governing this account concluded between Bank Al-Maghrib and the Ministry of Economy and Finance (See Section 3-2-7 relating to the main accounting rules and evaluation methods). This agreement 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.

**Table 3.2.20: Other liabilities**

In thousand dirhams	2019	2018	Change (%)
Other securities transactions	361	361	-
Miscellaneous creditors	1 201 319	719 838	67
Equalization accounts	322 104	200 007	61
Amounts claimable after receipt of payment	197 494	22 218	>100
Provisions for risks and expenses	119 631	109 270	9
Revaluation account of foreign exchange reserves	8 589 934	8 837 645	-3
<b>Total</b>	<b>10 430 843</b>	<b>9 889 337</b>	<b>6</b>

## Note 12: Equity capital and the like

Under Article 2 of the Bank's Statutes, the capital is set at 500,000 KDH, totally released and held by the State. It can be increased by decision of the Bank Board, after consulting the government representative, subject to the conditions set out in that article.

The general reserve fund was established in accordance with Article 48 of the above-mentioned Statutes, by deducing 10 percent from the net profit until it reaches the amount of the capital

Special reserve funds were constituted, pursuant to Article 48 above, by allocating part of the profits. They stood at 4,501,340 KDH since 2004 and make the most part of equity capital.

**Table 3.2.21: Equity capital and the like**

In thousand dirhams	2019	2018	Change (%)
<b>Equity</b>	<b>500 000</b>	<b>500 000</b>	-
<b>Reserves</b>	<b>5 001 340</b>	<b>5 001 340</b>	-
General reserve funds	500 000	500 000	-
Special reserve funds	4 501 340	4 501 340	-
<b>Retained earnings</b>	<b>27 333</b>	<b>27 046</b>	<b>1</b>
<b>Total</b>	<b>5 528 673</b>	<b>5 528 387</b>	<b>0,01</b>

### 3.2.10 Comments on off-balance sheet items

The Bank keeps record of off-balance sheet commitments, both given and received. 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.

They include commitments in foreign currency, commitments on securities and other liabilities.

#### Note 13 : Foreign exchange transactions

This item records foreign exchange swap transactions in foreign currencies carried out, in particular, in the context of monetary regulation, as well as currency transitional arbitrage operations initiated on the first day pending their unwinding on d+2.

Table 3.2.22: Foreign exchange transactions

In thousand dirhams	2019	2018
<b>Forward foreign exchange transactions</b>		
Forward currencies receivable	8 525 178	
Forward currencies to be delivered	8 568 575	
<b>Foreign exchange transactions- currency deposits</b>		<b>6 428 495</b>
<b>Foreign exchange transactions-arbitrage operations</b>		
Foreign currencies receivable	158 563	-
Foreign currencies deliverable	158 583	-

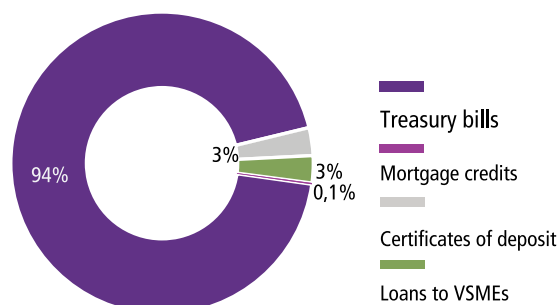
#### Note 14: Commitments on securities

This heading records mainly securities pledged to Bank Al-Maghrib to secure various advances to banks (debt securities issued or guaranteed by the State, negotiable debt securities, private claims, etc.) and advance facilities<sup>1</sup>.

Table 3.2.23: Commitments on securities

In thousand dirhams	2019	2018
Securities received on advances granted	68 533 178	70 599 743
Securities received on advances to be granted	12 918 700	10 025 700
Other guarantees received on advances granted	2 556 954	2 753 697
Advances to be granted	13 172 765	9 524 415
Foreign securities receivable	1 662 271	5 458 712
Foreign securities deliverable	549 571	2 102 925

<sup>1</sup> Possible advances to the participants in the Moroccan Gross Settlement System (SRBM) to avoid systemic bottlenecks.

Chart 3.2.2: Structure of commitments on securities<sup>(\*)</sup>

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

## Note 15: Other commitments

Table 3.2.24: Other commitments

In thousand dirhams	2019	2018
Received market guarantees	105 237	58 583
Guarantees liabilities received for staff loans	871 976	846 161
Financing liabilities granted to the staff	18 439	32 165
Other granted liabilities	1 000	1 000

### 3.2.11 Comments on profit and loss account items

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

This item is highly correlated with levels of foreign exchange reserves and interest rates. It includes interests from the transactions of investments in gold, SDRs and foreign currency, made by the Bank as part of its statutory mission of foreign exchange reserves management:

- 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 and the reserve tranche available with the IMF;
- Foreign securities lending;
- Gold loans.

**Table 3.2.25: Interests earned on holdings in gold and in foreign currency**

In thousand dirhams	2019	2018	Change (%)
Investments in gold	100	6 228	-98
Bond investments	2 533 467	2 351 455	8
Money market investments	156 365	229 316	-32
Claims on the IMF	87 434	82 007	7
Other interests*	7 717	12 943	-40
<b>Total</b>	<b>2 785 084</b>	<b>2 681 949</b>	<b>4</b>

(\*) Mainly include interests on foreign securities loans and holdings.

These interests increased by 4 percent to 2,785,084 KDH, against a 5 percent decrease on average over the last two fiscal years, reflecting higher outstandings in foreign currency investments. The main part of this evolution comes from bond interests which reached 2,533,467 KDH, i.e. +182,012 KDH compared to the previous financial year. Within this segment, interests of the investment portfolio more than doubled (+101 percent) to 948,060 KDH, following the enhancement of investments in dollars. On the contrary, those generated by the investment portfolio decreased by 16 percent to 1,585,407 KDH, mainly due to the maturity of euro securities acquired at positive rates and which were not reinvested on this tranche considering the negative rates.

The interests of monetary investments were down from 229,316 KDH in 2018 to 156,365 KDH, mainly due to the decline of the outstanding treasury portfolio in dollar coupled with a drop of interest rates. Moreover, revenues from investments in dollars totally offset the negative interests from monetary investments in euros (105,925 KDH).

Interest on gold investments fell sharply (-98 percent), due to the absence of gold lending operations in 2019 in view of negative deposit rates. The 100 KDH proceeds raised corresponded to two operations that matured at the beginning of this year.

Interest earned on SDR-denominated receivables increased from 82,007 KDH to KDH 87,434 KDH from one year-end to the next, reflecting the 6 basis points increase to 0.99 percent in the average interest rate on SDRs in 2019.

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

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

These interests continued their upward trend observed since 2017, reaching 1 744 558 KDH at the end of 2019, albeit with a slower progression to 23 percent against +107 percent for the last two fiscal years, owing to the decrease in banks' liquidity needs from the last quarter of this year, itself linked to the cut in the monetary reserve rate and the increase in foreign exchange reserves.

By main instrument:

- 7-day advances, whose outstanding average amount stood at 74,804,862 KDH, generated interests of 1,683,109 KDH, up 329,935 KDH;
- Secured loans transactions, whose outstanding amount was 2,479,722 KDH, generated interests of 55,794 KDH, down 10,091 KDH

**Table 3.2.26: Interests received on claims on credit institutions**

In thousand dirhams	2019	2018	Change (%)
(Including)			
Secured loans	55 794	65 884	-15
7-day advances	1 683 109	1 353 175	24
24-hour advances	4 603	3 063	50
<b>Total</b>	<b>1 744 558</b>	<b>1 422 337</b>	<b>23</b>

### Note 18: Other interests earned

This item covers mainly interests due to the Bank under loans granted to its staff for the purchase and construction of housing. These interests reached 12,591 KDH at the end of this fiscal year, down 6 percent compared to 2018.

### 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.

In 2019, the amount of these commissions increased by 9 percent, mainly due to the 14 percent increase in foreign exchange commissions to 593,765 KDH. The decline of the intermediation margin to 1,919 KDH is mainly due to the fact that the Bank did not intervene on the foreign exchange market in 2019. In addition, the auction centralization commission decreased by 9 percent to 51,885 KDH, due to a less sustained presence of the Treasury on the primary market.



**Table 3.2.27: Commissions earned**

In thousand dirhams	2019	2018	Change (%)
Foreign exchange commissions	593 765	523 051	14
Intermediation margin	1 919	11 409	-83
Management of Treasury bonds	51 885	57 263	-9
Other commissions	16 535	16 628	-1
<b>Total</b>	<b>664 105</b>	<b>608 351</b>	<b>9</b>

**Note 20: Other financial revenues**

This item mainly covers gains generated from foreign currency transactions, deferral of discounts on investment securities and gains from foreign exchange swap operations.

At the end of this year, these revenues rose substantially by 379,268 KDH, mainly due to the strong increase by 324,652 KDH of capital gains which were mostly realized from the sale of foreign investment securities, against a background of falling yield rates of assets in dollars.

Foreign exchange swap operations with Moroccan banks, resumed as of the last quarter of 2019 within the framework of the monetary policy, generated gains of 27,787 KDH.

Meanwhile, and in order to improve the yield of monetary investments in dollars, the Bank initiated in 2019 foreign exchange swap operations with foreign counterparties, whose gains at the end of the year amounted to 37,111 KDH.

**Table 3.2.28: Other financial revenues**

In thousand dirhams	2019	2018	Change (%)
Capital gains on sales of marketable securities	335 679	11 028	>100
Spreading of discounts on foreign securities	37 466	49 140	-24
Capital gains on management mandates	92 166	57 069	61
Capital gains on trading securities	1 152	31 246	-96
Gains on foreign exchange swap transactions (monetary policy)	27 787	-	-
Gains on foreign exchange swap transactions (premium/discount)	37 111	-	-
Other revenues	3 912	7 522	-48
<b>Total</b>	<b>535 274</b>	<b>156 006</b>	<b>&gt;100</b>

**Note 21: Sales of produced goods**

This item includes revenues from sales of various goods produced by the Bank, which mainly cover secured documents including the biometric passport, and export-oriented foreign banknotes. Their sale price is particularly set on the basis of the costs derived from the Bank's analytical system.

This item also consists of changes in inventories of finished products, in-process production and commemorative coins.

At end-2019, the sales of produced goods dropped to 131,409 KDH, down 94,443 KDH compared to their 2018 level. This evolution covers a decrease by 58,015 KDH in sales of products intended for export, an increase by 14,362 KDH in sales of secured documents including the biometric passport and the new documents<sup>1</sup> produced this year as well as a decline in inventories, leading to a negative variation of -63,481 KDH.

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

Miscellaneous revenues include the contribution of banks to the invoicing system of the Moroccan Gross Settlement System (SRBM) and the recovery of costs paid by Bank Al-Maghrib. This item rose to 19,045 KDH, up 1,219 KDH, particularly due to the VAT settlement income of 1,077 KDH in 2019, following the increase in the deductible rate.

### **Note 23: Reversal of provisions**

At the end of this year, this item amounted to 243,576 KDH covering, in particular, the reversal of provisions set up for the depreciation of foreign investment securities, for an amount of 201,528 KDH and those covering the retirement commitment for 20,000 KDH (70,000 KDH in 2018), in conformity with the financing plan of the gradual transition to the TV 88-90 mortality table (see Table 3-2-35 of Note 32 of the profit and loss account).

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

This item includes exceptional noncurrent revenues. At December 31, 2019; it stood at 3,243 KDH, as against 8,501 KDH in 2018, when 6,000 KDH was collected for the sale of a land owned by the Bank.

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

These interests fell to 179,768 KDH, down 4,615 KDH, as a result of the combined effect of:

- The 8,868 KDH lower negative interests on euro monetary deposits which amounted to 105,925 KDH at end-2019, due to the reduction of the size of the treasury portfolio in euro. These interests were fully offset by the income from deposits in dollar (see Note 16 of the profit and loss account);

<sup>1</sup> Gold and silver medals, baccalaureate diplomas, transcripts, and weapons and hunting licences.

- and the 4,253 KDH increase in commissions on SDR allocations granted by the IMF to Morocco as a member country, which stood at 73,843 KDH, as a result of the higher SDR rate.

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

This item includes interests paid by the Bank, mainly for cash in the Treasury's current account and for remuneration of the monetary reserve (for conditions of remuneration of the above-mentioned accounts, see Note 10 of the balance sheet). It can also include, in a context of excess liquidity, interests paid by the Bank under 7-day liquidity withdrawals, overnight deposits facilities and swap of dirhams against currencies

In 2019, monetary reserve remuneration declined from 32,744 KDH at end-2018 to 12,360 KDH in 2019. It was suspended as of September 26 this year, further to the monetary reserve cut to 2 percent. Interests paid to the Treasury on its current account rose by 3 percent to 43,655 KDH, due to the increase in the interest-bearing average outstanding amount (+1 percent).

Table 3.2.29: Interests on commitments in dirhams

In thousand dirhams	2019	2018	Change (%)
(of which)			
Monetary reserve accounts	12 360	32 744	-62
Other accounts (including)	316 691	280 455	13
Treasury account	43 655	42 254	3
<b>Total</b>	<b>340 159</b>	<b>326 354</b>	<b>4</b>

### Note 27: Commissions paid

These are commissions paid in exchange for financial services provided to the Bank as well as negative intermediation margins on foreign exchange transactions carried out with authorised intermediaries. At end-2019, these commissions fell by half to 16,386 KDH, as this margin decreased from 21,746 KDH to 3,939 KDH between 2018 and 2019.

### Note 28: Other financial expenses

This item covers losses on foreign currency transactions, including losses on the sales of investment securities and deferral of premiums on investment securities

These expenses fell to 986,330 KDH in 2019, representing an annual decline of 76,908 KDH, mainly due to the decrease in the deferral of premiums on investment securities

(-141,023 KDH), and by the increase in negative interests on euro denominated investment securities (+74,102 KDH), along with the strengthened size of the investment portfolio in euro.

**Table 3.2.30: Other financial expenses**

In thousand dirhams	2019	2018	Change (%)
Losses in investment securities held for sale (*)	228 713	239 009	-4
Deferral of premiums on foreign securities	648 079	789 101	-18
Negative interest rates paid on investment securities	102 323	28 221	>100
Other expenses	7 216	6 906	4
<b>Total</b>	<b>986 330</b>	<b>1 063 238</b>	<b>-7</b>

\* Result of the difference between the book value and the market value.

### Note 29: Staff expenses

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

These expenses amounted to 863,391 KDH in 2019, down 13 percent compared to 2018, mainly due to the difference observed between 2018 and 2019 in the amount of the employer's special contribution paid by the Bank to the CRP (60,000 KDH against 210,000 KDH).

**Table 3.2.31: Staff expenses**

In thousand dirhams	2019	2018	Change (%)
Staff salaries	644 351	621 624	4
Social expenses	191 060	335 326	-43
Training expenses	10 991	9 376	17
Other expenses	16 988	22 534	-25
<b>Total</b>	<b>863 391</b>	<b>988 860</b>	<b>-13</b>

### 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.

These purchases decreased by 3 percent in 2019 to 236,625 KDH, under the combined effect of:

- higher purchases of supplies for the manufacturing of banknotes and secured documents and electronic covers for the biometric passport, coin blanks, and inks;
- Higher stocks of raw materials and supplies, causing changes of -43,773KDH at end-2019 as against 7,198 KDH at end-2018.

**Table 3.2.32: Purchases of materials and supplies**

In thousand dirhams	2019	2018	Change (%)
Purchase of raw materials	168 012	168 378	-0,2
Purchase of consumable materials and supplies	31 122	33 221	-6
Other purchases	37 491	42 102	-11
<b>Total</b>	<b>236 625</b>	<b>243 702</b>	<b>-3</b>

### Note 31: Other external expenses

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

In 2019, these expenses amounted to 356,045 KDH, up 3,134 KDH compared to 2018. This evolution mainly stems from higher expenses related to software and IT equipment maintenance contracts, as some contracts were extended, and new contracts were signed in 2019, the rental of IT software and the organization of events to celebrate the 60th anniversary of the Bank.

**Table 3.2.33: Other external expenses**

In thousand dirhams	2019	2018	Change (%)
Maintenance and repair of fixed assets	113 888	110 030	4
Rents	45 338	41 854	8
Water, electricity and fuel costs	26 694	26 617	0,3
Transportation, travel, mission and reception expenses	23 947	17 469	37
Postal and telecommunication costs	32 116	29 840	8
Taxes and duties	18 775	18 700	0.4
Other expenses	95 286	108 400	-12
<b>Total</b>	<b>356 045</b>	<b>352 911</b>	<b>1</b>

## Note 32: Depreciation and provision endowments

### Depreciations

Table 3.2.34: Depreciations

In thousand dirhams	2019	2018	Change (%)
<b>Depreciations of tangible and intangible fixed assets</b>	<b>293 235</b>	<b>300 414</b>	<b>-2</b>
Properties <sup>(1)</sup>	82 192	82 280	-0.1
Furniture and equipment	174 967	171 868	2
Other tangible fixed assets	13	13	-
Intangible fixed assets	36 063	46 253	-22
<b>Depreciations of other costs to be spread out over many fiscal years</b>	<b>3 787</b>	<b>3 335</b>	<b>14</b>
<b>Depreciations of previous fiscal years</b>	<b>4 359</b>	<b>3 820</b>	<b>14</b>
<b>Total</b>	<b>301 381<sup>(2)</sup></b>	<b>307 569</b>	<b>-2</b>

<sup>(1)</sup> Including fixtures, fittings and facilities.

### Provisions

Table 3.2.35: Provisions

In thousand dirhams	Outstanding amount 31/12/2018	Expenses	Reversals	Other changes	Outstanding amount 31/12/2019
<b>Provisions for depreciation</b>					
Foreign T-bonds and similar securities	204 290	9 159	201 528	-38	11 883
Miscellaneous stocks and values	8 050	5 654	8 050		5 654
Moroccan equity securities	3 565		800		2 765
Foreign equity securities	8 175	3 400			11 575
Other provisions <sup>(3)</sup>	2 794	2 135	1 157		3 773
<b>Provisions for risks and expenses posted under liabilities</b>					
Provisions for risks and expenses (including)	108 881	42 402	32 041		119 242
Pension commitment	80 000		20 000		60 000
Provisions for risks	17 981	30 066	401		47 646
Late penalty fees	54	133	54		133
Other provisions	389				389
<b>Total</b>		<b>62 751<sup>(2)</sup></b>	<b>243 576<sup>(4)</sup></b>		

<sup>(2)</sup> Totalling 364,132 KDH equivalent to the amount of the heading "depreciation and provisions" of the PLA.

<sup>(3)</sup> Includes, in particular, provisions for receivables from customers presenting a high default risk.

<sup>(4)</sup> Corresponds to the amount of the PLA item "reversals of provisions".

For the terms governing provisions constitution and reversal, see Section 3-2-7-2 "Evaluation methods" and Note 11 of the balance sheet.

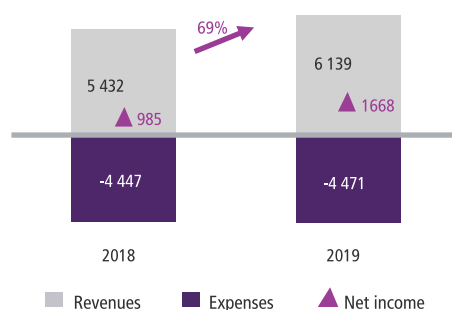
### Note 33: Non-current expenses

Non-current expenses totalled 41,941 KDH, of which 39,440 KDH corresponded to the social solidarity contribution on the profits of the 2018 financial year, established by the draft finance law No. 80-18 for the 2019 financial year.

### 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 rose, between 2018 and 2019, from 580,092 KDH to 1,085,978 KDH.

Chart 3.2.4: Change in revenues, expenses and net income (in millions of dirhams)



## 3.3 Commitments to social funds

The Bank's staff is covered by an internal pension scheme named "Caisse de Retraite du Personnel de Bank Al-Maghrib- CRP-BAM (Bank Al-Maghrib's staff pension fund)" and a medical insurance scheme called the "Fonds Mutuel-FM (Mutual Fund)".

The CRP-BAM provides the staff members of the Bank or their dependants with a retirement pension, an invalidity pension, a dependants' pension and a mixed capital-pension allowance. The FM reimburses medical and pharmaceutical expenses for the benefit of Bank staff and eligible members of their families.

These two schemes have individual accounts but do not have legal personality.

Table 3.2.36 : Social funds' commitments and financing

En milliers de dirhams	Pension Fund of BAM staff		Mutual Fund	
	2019	2018	2019	2018
Gross Commitment	3 267 833	3 091 864	541 463	485 219
Hedging assets	3 320 742	2 970 002	440 663	409 866
Net Commitment	52 909	-121 862	-100 800	-75 353

Pension and health commitments are calculated in accordance with actuarial standards, using the projected unit credit method, which considers changes in salaries, pension revaluations and the benefit entitlement.

The data and assumptions used in the actuarial valuations as well as the pension and health liabilities are validated by the independent actuary.

Social funds' assets are managed within the framework of a strategic allocation, defining an optimal allocation by asset class, considering the objectives of the pension and medical coverage schemes, in terms of return and risk.



## 3.4 Statutory Audit Report

BANK AL-MAGHRIB  
STATUTORY AUDITOR'S REPORT  
FISCAL YEAR ENDED DECEMBER 31<sup>st</sup>, 2019

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 31<sup>st</sup>, 2019. Which include the balance sheet, the profit and loss account, and the attached disclosures. These statements present a net equity amounting to 5 528 673 thousands of Moroccan Dirhams, and a net profit of 1 668 127 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 31<sup>st</sup>, 2018 in accordance with generally accepted accounting principles in Morocco.

### 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 18<sup>th</sup> 2020



Abdou SOULEYE DIOP  
Managing Partner

## **3.5 Approval by the Bank Board**

Pursuant to Article 47 of Law No. 40-17 bearing Statutes of Bank Al-Maghrib, the management report and the financial statements are hereby submitted by the Governor to the Board for approval.

At its meeting of March 17, 2020, 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 2019.



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

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