

# Financial statements of the Bank

Exercice  
**2021**



# SUMMARY

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*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.*

# 1 Overview of the financial situation for fiscal year 2021<sup>(1)</sup>

## 1.1 Balance sheet

As at December 31, 2021, the Bank's total balance sheet stood at 432,144,052 KDH, up 5 percent from the previous year. This change reflects the sharp rise in foreign assets and in SDR allocations following the IMF's general allocation of SDRs for its member countries, the increase in currency in circulation as well as the lower commitments in convertible dirhams owing to the partial reimbursement of the PLL<sup>2</sup>.

In 2021, **currency in circulation** resumed its pre-crisis level, posting a 6 percent rise to 337,710,576 KDH after a strong increase by 20 percent in 2020. **Foreign currency transactions** posted an annual increase of 5 percent to 284,505,249 KDH, due to the consolidation of foreign currency assets, related in particular to the purchase of foreign currencies from Moroccan banks initiated as of September 2021 to regulate the foreign exchange market, for a total amount of 15 billion dirhams. On the other hand, the balance of **transactions with the State** contracted by 13 percent to 5,265,450 KDH, due to the drop in the Treasury's current account. The **net position of credit institutions** went from -59,537,133 KDH to -62,875,251 KDH, reflecting the higher loans to banks at the end of the year. The balance of **patrimonial transactions** increased by 34 percent to 924,042 KDH, following the strengthening of the Bank's equity capital further to the constitution in 2021 of a provision for foreign exchange losses.

Table 1: Balance sheet by transaction

In thousand dirhams	2021	2020	Change (%)
(of which)			
Currency in circulation	337 710 576	319 282 169	6
Transactions with foreign countries	-284 505 249	-270 000 683	5
Transactions with the State	5 265 450	6 022 680	-13
Net position of credit institutions	-62 875 251	-59 537 133	-6
Patrimonial transactions	924 042	688 718	34

Liabilities -Assets

<sup>1</sup> The changes in balance sheet and profit and loss items are discussed in more detail in the remarks on the summary statements. For analytical purposes, the balance sheet items and the profit and loss account have been grouped together in this first part of the report.

<sup>2</sup> Drawdown, on April 7, 2020, on the IMF's Precautionary and Liquidity Line (PLL) amounting to 3 billion USD (the equivalent of 28.7 billion dirhams).

## 1.2 Income

The **net income** of the Bank stood at 937,033 KDH at end-2021, down 44 percent from the previous year, mainly due to the following evolutions:

- a 34 percent drop in **income from foreign exchange reserves management operations** to 1,583,059 KDH, mainly related to the net bond income at 1,644,730 KDH (-32 percent), which was severely hit this year by the evolution of provisions for depreciation of investment securities, against a background of generalized rise in sovereign bond rates, which increased at the end of the year;
- a 27 percent drop in **income from monetary policy operations** to 1,262,510 KDH, resulting from the decline in the average outstanding loans to banks, following the easing of the liquidity deficit and the full-year impact of the key rate cut<sup>1</sup>;
- a 31 percent increase in **income from other operations** to 849,462 KDH, mainly driven by sales of secured papers (+54 percent) and by net exchange commissions (+6 percent).

**General operating expenses** increased slightly by 2 percent to 1,928,359 KDH, due to the higher operating expenses (+2 percent).

**Non-current income** fell by 79 percent to -115,815 KDH, covering 106,939 KDH in social solidarity contribution on profits in 2021 against 73,393 KDH a year earlier.

**Table 2: Net income of the fiscal year**

In thousand dirhams	2021	2020	Change (%)
Income from foreign exchange reserves management operations	1 583 059	2 393 510	-34
Income from monetary policy operations	1 262 510	1 726 349	-27
Income from other operations	849 462	650 350	31
<b>Income of activities</b>	<b>3 695 032</b>	<b>4 770 209</b>	<b>-23</b>
General operating expenses	-1 928 359	-1 890 677	2
<b>Gross operating income</b>	<b>1 766 673</b>	<b>2 879 532</b>	<b>-39</b>
Noncurrent income	-115 815	-64 862	-79
Income tax	-713 824	-1 130 502	-37
<b>Net income</b>	<b>937 033</b>	<b>1 684 169</b>	<b>-44</b>

<sup>1</sup> 75 bps cut in key rate to 1.50 percent (decided by the Bank Board in March and June 2020).



## 2 Summary statements and related notes

### 2.1 Balance sheet (assets)

Table 3: Assets as at December 31, 2021

In thousand dirhams	Notes	2021	2020
<b>Assets and investments in gold</b>	<b>1</b>	<b>12 008 623</b>	<b>11 989 425</b>
<b>Assets and investments in foreign currency</b>	<b>2</b>	<b>298 416 554</b>	<b>297 853 278</b>
Holdings and investments held in foreign banks		50 752 727	88 485 179
Foreign Treasury bills and similar securities		239 508 275	205 947 284
Other holdings in foreign currency		8 155 552	3 420 815
<b>Assets with international financial institutions</b>	<b>3</b>	<b>21 596 724</b>	<b>9 188 280</b>
IMF subscription-Reserve tranche		2 097 811	2 084 098
Special Drawings Rights holdings		19 105 311	6 715 532
Subscription to the Arab Monetary Fund		393 602	388 650
<b>Lending to the Government</b>		<b>-</b>	<b>243 839</b>
<b>Claims on Moroccan credit institutions and similar bodies</b>	<b>4</b>	<b>91 359 926</b>	<b>84 356 146</b>
Securities received under repurchase agreements		22 749 736	15 280 279
Advances to banks		68 474 368	68 955 288
Other facilities		135 822	120 579
<b>Treasury bills - Open market operations</b>		<b>-</b>	<b>-</b>
<b>Other assets</b>	<b>5</b>	<b>3 988 298</b>	<b>4 329 415</b>
<b>Fixed assets</b>	<b>6</b>	<b>4 773 927</b>	<b>4 840 082</b>
<b>Total assets</b>		<b>432 144 052</b>	<b>412 800 465</b>

## 2.2 Balance sheet (liabilities)

**Table 4: Liabilities as at December 31, 2021**

In thousand dirhams	Notes	2021	2020
<b>Banknotes and coins in circulation</b>	<b>7</b>	<b>337 710 576</b>	<b>319 282 169</b>
Banknotes in circulation		333 902 150	315 640 803
Coins in circulation		3 808 426	3 641 365
<b>Commitments in gold and foreign currency</b>	<b>8</b>	<b>5 102 421</b>	<b>8 387 871</b>
Commitments in gold		-	-
Commitments in foreign currency		5 102 421	8 387 871
<b>Commitments in convertible dirhams</b>	<b>9</b>	<b>19 566 060</b>	<b>29 434 460</b>
Commitments to international financial institutions		19 554 414	29 421 299
Other liabilities		11 646	13 161
<b>Deposits and commitments in dirhams</b>	<b>10</b>	<b>38 967 531</b>	<b>35 974 495</b>
Current account of the Treasury		5 258 034	6 242 051
Deposits and commitments in dirhams to Moroccan banks		28 484 675	24 819 013
Current accounts		28 484 675	24 819 013
Liquidity-withdrawal accounts		-	-
Deposit facility accounts		-	-
Deposits of general government and public institutions		1 176 044	973 357
Other accounts		4 048 778	3 940 073
<b>Other liabilities</b>	<b>11</b>	<b>5 735 780</b>	<b>5 308 085</b>
<b>Special Drawing Rights allocations</b>	<b>3</b>	<b>18 426 682</b>	<b>7 200 415</b>
<b>Equity capital and the like</b>	<b>12</b>	<b>5 697 969</b>	<b>5 528 801</b>
Capital		500 000	500 000
Reserves <sup>1</sup>		5 169 757	5 001 340
Retained earnings		28 212	27 460
Other equity capital		-	-
<b>Net income of the fiscal year</b>		<b>937 033</b>	<b>1 684 169</b>
<b>Total liabilities</b>		<b>432 144 052</b>	<b>412 800 465</b>

<sup>1</sup> Including the foreign exchange loss reserve.

## 2.3 Off-balance sheet

Table 5: Off-balance sheet as at December 31, 2021

In thousand dirhams	Notes	2021	2020
<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		3 747 394	28 749 736
Foreign currencies deliverable		3 745 375	28 856 663
<b>Foreign exchange transactions- currency deposits</b>	<b>13</b>	<b>5 142 569</b>	<b>2 137 152</b>
<b>Foreign exchange transactions-arbitrage operations</b>			
	<b>13</b>		
Foreign currencies receivable		-	1 529 663
Foreign currencies deliverable		-	1 530 914
<b>Off-balance currency adjustment</b>		-	-
<b>Commitments on derivatives</b>		-	-
<b>Commitments on securities</b>			
	<b>14</b>		
Securities received on advances granted		73 832 432	63 257 199
Securities received on advances to be granted		10 324 200	6 792 000
Other guarantees received on advances granted		25 520 307	29 740 812
Advances to be granted		9 807 990	6 452 400
Foreign securities receivable		1 177 569	3 549 354
Foreign securities deliverable		1 162 318	1 414 877
<b>Other liabilities</b>			
	<b>15</b>		
Received market guarantees		92 470	120 463
Guarantees commitments received for staff loans		906 678	879 661
Financing commitments granted to the staff		9 159	21 480
Other granted commitments		1 000	1 000

## 2.4 Profit and Loss Account (PLA)

**Table 6: Profit and loss account as at December 31, 2021**

In thousand dirhams	Notes	2021	2020
<b>Profit</b>		<b>5 282 811</b>	<b>5 961 582</b>
Interests earned on holdings and investments in gold and in foreign currency	16	2 418 155	2 623 873
Interests earned on claims on credit institutions and similar bodies	17	1 244 143	1 627 045
Other interests earned	18	12 610	13 384
Commissions earned	19	651 047	611 277
Other financial revenues	20	569 062	813 906
Sales of produced goods and services	21	310 627	204 829
Miscellaneous revenues	22	16 011	15 786
Reversal of depreciation		-	-
Reversal of provisions	23	60 699	50 359
Noncurrent revenues	24	458	1 123
<b>Expenses</b>		<b>4 345 777</b>	<b>4 277 414</b>
Interests paid on commitments in gold and in foreign currency	25	108 708	132 119
Interests paid on deposits and commitments in dirhams	26	153 540	174 404
Commissions paid	27	28 856	15 667
Other financial expenses	28	769 534	754 764
Staff expenses	29	880 452	878 935
Purchases of materials and supplies	30	313 924	285 073
Other external expenses	31	357 299	354 619
Depreciation and provision endowments	32	896 435	474 870
Noncurrent expenses	33	123 205	76 461
Income tax	34	713 824	1 130 502
<b>Net income</b>		<b>937 033</b>	<b>1 684 169</b>

## 2.5 Cash flow statement

Tableau 7: Cash flow as at December 31, 2021

In thousand dirhams	2021	2020
<b>Cash and foreign currency deposits at the beginning of the year</b>	<b>91 108 812</b>	<b>41 303 899</b>
<b>Cash flow from operating activities</b>	<b>-11 499 848</b>	<b>29 699 757</b>
Interests received	3 646 418	4 320 361
Commissions on banking transactions received	651 047	611 277
Other products received	384 042	369 390
Interests and commissions paid	-291 136	-336 390
Staff expenses paid	-883 911	-874 254
Taxes paid	-1 331 431	-1 717 512
Other expenses paid	-588 725	-658 894
+/- Change in Treasury deposits in Dirhams	-984 017	4 184 636
+/- Change in deposits with Moroccan banks in Dirhams	3 665 661	3 086 294
+/- Change in other customer deposits in Dirhams and in foreign currencies	-11 434 621	28 370 305
+/- Change in foreign-currency-denominated investment securities	1 820 767	10 019 846
+/- Change in foreign currency trading securities	1 101 606	-1 167 133
+/- Change in advances to banks	-6 988 536	-16 932 249
+/- Change in other liabilities	-829 865	-1 597 733
+/- Change in other assets	562 852	2 021 815
<b>Cash flow from investment activities</b>	<b>-38 594 011</b>	<b>-31 160 396</b>
+/- Change in foreign investment securities in foreign currencies	-37 175 788	-29 554 643
+/- Change in IMF subscription-Reserve branch	-	-
+/- Change in SDR holdings	-12 082 320	291 779
+/- Change in gold assets and investments	-	-
+/- Change in deposits with the IMF	-	-
+/- Change in FMA subscription	-	-
+/- Change in SDR allocations	10 937 793	-
Acquisition of fixed assets	-273 710	-1 897 944
Proceeds from sale of fixed assets	14	412
<b>Cash flows from financing activities</b>	<b>18 428 407</b>	<b>52 511 094</b>
+/- change in banknotes and currency in circulation	18 428 407	52 511 094
<b>Revaluation of cash and foreign currency deposits</b>	<b>-1 334 685</b>	<b>-1 245 543</b>
<b>Cash and foreign currency deposits at end of year</b>	<b>58 108 674</b>	<b>91 108 812</b>

## 2.6 Statement of change in shareholders' equity

Table 8: Change in shareholders' equity at December 31, 2021

In thousands of Dirhams	2021 opening balance	Appropriation of 2020 income <sup>(1)</sup>	Distribution of dividends <sup>(2)</sup>	2021 Income	Capital transactions (+incr. / -decr.)	2021 closing balance
Equity	500 000					500 000
Carry forward	27 460	752				28 212
Reserves	5 001 340	1 683 417	-1 515 000			5 169 757
Income for the year				937 033		937 033
Income pending allocation	1 684 169	-1 684 169				0
<b>Total</b>	<b>7 212 969</b>	<b>0</b>	<b>-1 515 000</b>	<b>937 033</b>	<b>0</b>	<b>6 635 002</b>

<sup>(1)</sup> Taking into account the foreign exchange loss reserve established in 2021 for the year 2020.

<sup>(2)</sup> In accordance with regulatory provisions

## 2.7 Main accounting rules and evaluation methods

### 2.7.1 Legal framework

The financial statements are developed and presented in conformity with BAM's 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 financial operations.

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

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

### 2.7.2 Evaluation methods

#### Assets and commitments in gold and foreign currency

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

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

By virtue of this agreement, the "foreign exchange reserve evaluation account" must be kept positive at 2.5 percent minimum of the Bank's net foreign assets. In case a currency loss causes the balance of this account to fall below this threshold, the difference shall be deducted from the Bank's profit and loss account for the year in question, up to a limit of 10 percent of the net profit for that year, and entered in a "foreign exchange loss reserve" account. If this difference exceeds 10 percent of the net profit of the Bank, the "reserve for foreign exchange loss" account may be replenished over several years.

In case the balance of the “foreign exchange reserve revaluation account” exceeds the required minimum threshold, the balance of the “foreign exchange loss reserve” account is returned to the Treasury.

This re-evaluation mechanism has no tax impact.

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 or delivery date.

## Securities

The securities acquired as part of the exchange reserves management are sorted on the basis of the purpose for which they are held, either in the portfolio of transaction, of investment, or of securities held for sale.

**Transaction portfolio** consists of securities purchased with the initial intention of reselling them in the short term. They are recorded at their purchase price, including costs and, if need be, accrued coupons. Gains and losses resulting from the daily evaluation of such 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, where necessary, accrued coupons;
- Unrealized gains on these securities are not recorded;
- Unrealized losses on these securities are recorded only when the Bank judges that the security showing an unrealised loss is likely to be resold in the following year and where there is a probable risk of default by the issuer;
- The differences (discounts or premiums) between securities’ prices of purchase and redemption are amortized using an actuarial method over the remaining life of the securities.

As of January 1, 2020, in order to comply with international best practices, the Bank switched from the straight-line method to the actuarial method for spreading discounts/surcharges on investment securities. This method, just like the linear method, is accepted by the accounting plan of Bank Al-Maghrib as approved by the national accounting board.

As at December 31, 2021, no provision was recorded for this portfolio.



**Portfolio of securities held for sale** consists of securities other than those recorded 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 the 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. Conversely, unrealized gains are not taken into account.

Discount securities are entered at their redemption price. The discount interests are spread over the life of the securities and recorded in the profit or loss 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 entered at their purchase price. The gains or losses are entered in the appropriate profit and loss accounts, based on the net asset values reported by the managing agent.

**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 probable useful life of the asset, by applying the current amortization rates.

Below are the amortization periods that have been adopted for each type of fixed assets:

**Table 9: Amortization periods of fixed assets**

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 at their net book value representing their acquisition cost minus the possible provisions set up at the closing date. Meanwhile, the value of foreign holdings is converted into dirhams at the historical rate of the currency.

Securities that were not fully paid up are recorded as assets at their total value, including the remaining amount to be paid up. The share not yet paid up is recorded as a counterpart to a debt account on the liabilities side of the balance sheet.

The potential 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 materials needed for manufacturing banknotes, coins, and secured documents and secure identity cards (paper, ink, blanks, chips, cards, etc.);
- finished goods and in-process inventory (secured documents, export-oriented banknotes, and miscellaneous);
- commemorative coins.

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

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.

## 2.8 Financial risk management system

### Definition of financial risks

Financial risks facing the Bank in the management of foreign exchange reserves are:

- **Credit risk**, defined as:
  - On the one hand, the payment default risk (counterparty risk) which refers to the inability of a counterparty to fulfil its obligations;
  - On the other, the risk of lowering the credit rating of a counterparty by one or more rating agencies.
- **Market risk**, referring to 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.
- **Liquidity risk**, which refers the inability of meeting immediate commitments of the country, by selling assets, without significantly impacting their price.

## Breakdown of foreign exchange reserves

Foreign exchange reserves include the following items:

- foreign currency investments: composed mainly of deposits and securities;
- gold assets;
- IMF reserve position;
- SDR holdings;
- foreign banknotes.

## Breakdown of foreign currency investments (Tranching)

Foreign currency investments are broken down into two tranches: precautionary reserves and excess reserves.

Precautionary Reserves aim at meeting the Bank's short-term needs. They consist of two portfolios recorded at market value (Cash and Liquidity) and invested over a relatively short period of time while complying with security and liquidity criteria.

Excess reserves are mainly intended to finance the Bank's medium- and long-term liquidity needs. They consist of a portfolio carried at market value (MTM) and an investment portfolio carried at historical value (HTM).

## Strategic Allocation process

Strategic Allocation is the process whereby the Bank determines the minimum size of the reserve tranches (Tranching) and allocates the portfolios across the various asset classes and currencies while taking into account the Bank's commitments and respecting the fundamental principles of foreign exchange reserve management, namely by priority: security, liquidity and return.

As part of this process, Bank Al-Maghrib also consults strategists and portfolio managers from international financial institutions, such as the World Bank and major investment banks. This consultation helps determine the interest rate evolution scenarios used in the optimization exercise for the selection of the benchmark indices of the different portfolios composing the reserve tranches, in consistency with the management objectives and constraints.

Results of this strategic allocation are presented and discussed annually at a dedicated Monetary and Financial Committee (MFC). The subsequent decisions made are then submitted to the Bank's Board for final approval, during its December meeting.

## Governance framework

As part of its mission relating to foreign exchange reserve management, the Bank has set up a financial risk management system, which identifies, monitors, and mitigates the risks inherent in the investment of the foreign reserves, namely credit, market, and liquidity risks.

To achieve this goal, the risk management function at Bank Al-Maghrib is based on a clear and well-structured governance framework.

Each year, 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)** oversees the operational implementation of the strategic allocation and validates the management strategy. It also examines the evolution of the reserve management financial risk indicators. Finally, the **Audit Committee** studies the annual change of the Bank's financial and operational risks.

Reserves holding and management purposes, investment principles, asset class limits, and issuer and counterparty eligibility and concentration rules are all set out in an investment directive, while portfolio benchmarks and management are defined under the strategic allocation approved by the Bank's Board.

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, these exposures are analysed in detail in regular reports and communicated to the different governance bodies of the Bank.

All deviations to the rules are reported in detail to the Monetary and Financial Committee, for approval.

**Financial risks’ management**

**Credit risk**

The Bank manages credit risk by setting eligibility criteria for both issuers and counterparties, while keeping investments in line with security and liquidity principles.

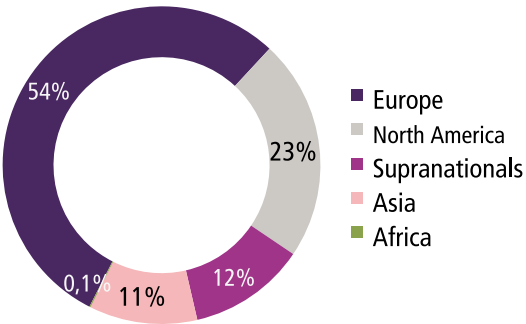
The minimum criteria are set based on the credit risk incurred by the different instruments. They are higher for transactions with direct credit risk, such as unsecured deposits, than for transactions processed in a delivery-versus-payment system. At present, the minimum average credit rating is "A-" for money market investments with bank counterparties, and "BBB-" for bond investments.

In addition to the eligibility criteria, the Bank sets limits to avoid excessive risk-taking and concentration. These include limits on exposures by issuer, counterparty, asset class, country and credit rating.

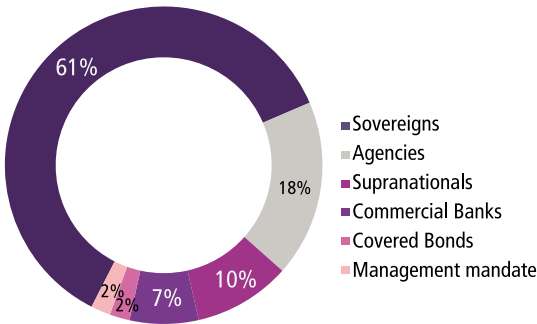
In order to ensure that the overall credit risk exposure is assessed, the Bank daily calculates and monitors the average credit rating of the portfolios under management as well as the 99 percent Credit VaR, which assesses the potential losses over a one-year horizon associated with a credit event (a rating downgrade or a default).

On December 31, 2021, assets under management amounted to 31.1 billion USD with an average rating of "AA-" thus indicating a very good credit quality of these assets.

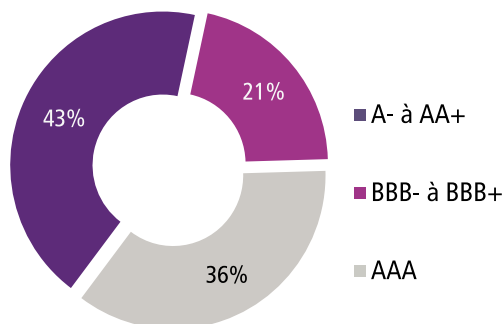
**Chart 1: Breakdown of portfolio exposures by region**



**Chart 2: Breakdown of portfolio exposures by asset class**



**Chart 3: Breakdown of bond portfolios by rating**



### Market risk

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

#### - Interest rate risk

The Bank manages interest rate risks through benchmark indices for all portfolios and duration spreads allowed within the strategic allocation against these indices.

Exposure to interest rate risk is measured through various indicators, namely maximum potential loss (VaR), duration and volatility of performance against the benchmark indices (Tracking Error).

At December 31, 2021, the overall duration of the foreign exchange reserves trended upward to 2.43 years as against 1.89 year at end-2020.

#### - 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 stems from the gap between the currency composition of foreign exchange reserves and the weighting of the dirham basket, which is 60 percent for the euro and 40 percent for the US dollar (defined through a maximum deviation limit of 5 percent set by the strategic allocation). The risk also arises from the variation in the gap between the reference rate and the central rate of the basket.

### Liquidity risk

The Bank manages the liquidity risk by building up liquid portfolios within the foreign exchange reserves:

- **Precautionary reserves:** composed of available and liquid assets allowing to finance short-term needs of the Bank. As at December 31, 2021, precautionary reserves reached 70.1 billion dirhams;
- **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. The value of these portfolios reached 50.2 billion dirhams as at December 31, 2021.

Liquidity risk is also addressed, with regard to the above-mentioned liquid portfolios, through minimum size and maximum control ratio rules for bond issues.

## 2.9 Comments on the balance sheet items

### Assets

By virtue of Article 12 of its Statutes, Bank Al-Maghrib holds and manages foreign exchange reserves, which consist of gold, foreign currencies and SDRs.

#### 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 inscribed in the re-evaluation account of foreign exchange reserves<sup>1</sup>, in accordance with the agreement governing this account signed in 2006 between Bank Al-Maghrib and the State.

After an average increase of 17 percent in 2019 and 2020, the counter value of gold assets remained almost unchanged in 2021 at 12,008,623 KDH, due to a slight increase of 0.2 percent in the price of an ounce of gold against the dirham, which reached 16,889 KDH on 31 December 2021.

**Table 10: Assets and investments in gold**

	2021	2020
Gold price per ounce in dirhams <sup>(1)</sup>	16 889	16 862
Quantity of gold ounces	711 032	711 032
<b>Market value <sup>(2)</sup></b>	<b>12 008 623</b>	<b>11 989 425</b>
<b>Gold stock (in tons)</b>	<b>22.12</b>	<b>22.12</b>

<sup>(1)</sup> Price of Gold/MAD

<sup>(2)</sup> In thousand of dirhams

The quantity of gold ounces remained stable, from one year to the next, at 711,032 ounces (equal to 22 tons).

<sup>1</sup> The credit balance in this account may not be credited to current income, nor distributed or allocated for any particular use.

## Note 2: Assets and investments in foreign currency

This item includes the equivalent in dirhams of assets in convertible foreign currencies, held in the form of money deposits (time and demand deposits) and foreign bond securities.

At the end of fiscal year 2021, foreign currency assets and investments amounted to 298,416,554 KDH, slightly up by 0.2 percent, as against 28 percent in 2020, the year when the drawdown on the PLL was carried out.

In fact, after a downward movement observed during the first half of the year 2021, due to the partial repayment of 8.8 billion dirhams from the PLL drawdown in January, foreign currency assets and investments resumed their rise as from the last quarter. This evolution was mainly linked to the foreign currency purchase operations that the Bank initiated in September with Moroccan banks and which covered a total amount of 15 billion dirhams.

**Table 11: Breakdown by type of investment**

In thousand dirhams	2021	share	2020	share
Current accounts	12 860 589	4%	21 283 856	7%
Term accounts	21 406 349	7%	40 400 865	14%
Securities held for sale <sup>(1)</sup>	79 297 421	27%	81 404 380	27%
Investment securities	160 210 855	54%	123 419 518	41%
Transaction securities	-	-	1 123 387	0,4%
Other <sup>(2)</sup>	24 641 341	8%	30 221 273	10%
<b>Total</b>	<b>298 416 554</b>	<b>100%</b>	<b>297 853 278</b>	<b>100%</b>

<sup>(1)</sup> Taking into account provisions for depreciation. The market price valuation of securities held for sale at December 31, 2021 amounts to 79 591 006 KDH.

<sup>(2)</sup> Including accrued interests, management mandates and foreign banknotes.

Foreign currency assets, which represent 69 percent (72 percent in 2020) of the Bank's assets, are invested for 80 percent (69 percent in 2020) in bonds. Within this category, the investment portfolio grew by 30 percent to 160,210,855 KDH, further to the enhanced investments in the excess reserves tranche. Conversely, deposits and monetary investments decreased by 44 percent to 34,266,938 KDH.

**Table 12: Breakdown by currency**

In thousand dirhams	2021	2020	change (%)
EUR	166 880 329	189 171 557	-12
USD	127 459 177	105 251 512	21
Other currencies	4 077 049	3 430 210	19
<b>Total</b>	<b>298 416 554</b>	<b>297 853 278</b>	<b>0,2</b>

**Table 13: Breakdown by remaining maturity<sup>(\*)</sup>**

	2021	2020
≤ 1year	17%	24%
> 1year	83%	76%
<b>Total</b>	<b>100%</b>	<b>100%</b>

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



### Note 3: Assets with international financial institutions

This item, which includes positions with the IMF and the AMF, has more than doubled to reach 21,596,724 KDH, following the substantial increase in SDR assets.

#### Position with the IMF

##### On the assets side:

- IMF subscription - Reserve tranche, which constitutes the fraction (18.1 percent) covered 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 (1,913,919 KDH), representing Bank Al-Maghrib's contribution to the IMF in foreign currency. This tranche, available for our country to draw when needed, is included in the foreign exchange reserves of the Bank. In 2016, the latter subscribed 76.55 million SDRs, equivalent to its share (25 percent) in Morocco's quota in the IMF capital increase, according to the 14<sup>th</sup> General Quota Review of the IMF;

**Table 14: Position with the IMF**

In thousand dirhams	2021	2020	Change (%)
<b>ASSETS</b>			
IMF subscription - Reserve tranche	2 097 811	2 084 098	1
SDR holdings	19 105 311	6 715 532	>100
<b>Total</b>	<b>21 203 122</b>	<b>8 799 630</b>	<b>&gt;100</b>
<b>LIABILITIES</b>			
SDR allocations	18 426 682	7 200 415	>100
Accounts NO. 1 and 2 <sup>(*)</sup>	19 496 197	29 401 935	-34
<b>Total</b>	<b>37 922 879</b>	<b>36 602 350</b>	<b>4</b>

<sup>(\*)</sup>Holds the PLL drawdown made in 2020, partially refunded in 2021.

- **The mobilized tranche:** 14.36 million SDR (183,892 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. Revaluation of IMF assets for the year ended on April 30, 2021 resulted in an adjustment of -10 370 KDH.
- SDR holdings: represent the equivalent of Bank Al-Maghrib's assets with the IMF. This account records, in the debit side, SDRs purchased by the Bank and the remunerations paid by the IMF, while in the credit side, it records quarterly payments of commissions on SDR allocations. These assets strengthened in 2014, as the Bank bought 320 million SDRs to restore a neutral position towards the IMF.

In 2021, their strong increase to 19 105 311 KDH, that is 12,389,779 KDH more compared to 2020 (+947 million SDRs) reflects the IMF allocation to Morocco of 857 million SDRs (equivalent to 10,937,793 KDH), representing its share in the general allocation<sup>1</sup> of SDRs issued in August 2021 to member countries.

<sup>1</sup> See the box below.

The financial costs of the PLL, deducted from the SDR assets as per the IMF schedule, totalled 244,676 KDH at the end of 2021 against 243,839 KDH in 2020.

### Box 1 : IMF allocation of SDRs to member countries

On August 23, 2021, the IMF issued to its 190 member countries a general allocation of 456 billion SDRs, equivalent to 650 billion USD, proportional to their respective current quotas.

This allocation is intended to meet long-term global reserve needs, boost confidence and strengthen the resilience and stability of the global economy. It would particularly support the most vulnerable member countries in overcoming the effects of the COVID-19 crisis.

The 857.2 million SDRs allocated to Morocco (equivalent to 1.2 billion USD or 10.9 billion dirhams) impacted the Bank's SDR holdings on the assets side and SDR allocations on the liabilities side of the balance sheet.

The cumulative amount of SDR assets thus rose from 515.8 million SDRs to 1,463.1 million SDRs while SDR allocations rose from 561.4 million SDRs to 1,418.7 million SDRs from one year-end to the next.

The **liabilities side** include the "SDR allocations item", which corresponds to the equivalent 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)<sup>1</sup> granted by the IMF to member countries. In 2021, it peaked to 18,426,682 KDH, as a result of the general SDR allocation issued by the IMF.

### AMF subscription

This account represents the share 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 (5,771 KDH);
- 21.69 million Arab dinars, subscribed in foreign currency, of which 10.10 million Arab dinars subscribed by the Bank (393,602 KDH) remained unchanged since 2018, when the Bank settled the last tranche of the Bank's participation in the AMF capital increase, scheduled for member countries over the five-year period 2014-2018, was completed;
- 19.44 million Arab dinars, of which 9.10 million were paid by 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).

<sup>1</sup> Of which 436 million SDRs under the general allocation corresponding to 74.13 percent of Morocco's quota in 2009 (588.2 million SDRs) and 39.7 million SDRs relating to the special allocation granted in accordance with the IMF's fourth amendment.

#### 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.

The Bank reduced the volume of its liquidity injections amidst a narrowing of the banking liquidity deficit, bringing it down to nearly 83 billion dirhams, on weekly average, against 96 billion dirhams in 2020.

On December 31, 2021, the bank refinancing totalled 91, 224,104 KDH including:

- 47,273,368 KDH through 7-day advances at auction granted at the key rate (1.50 percent since June 2020);
- 22,749,736 KDH corresponding to repurchase agreements (1 and 3 months), initiated since march 2020 and granted at the average key rate during the period under review;
- 21,201,000 KDH corresponding to secured loans notably granted within the framework of the programme designed in 2013 to support VSME financing, approved at the average of the key rate during the period under consideration and, since February 2020, under the integrated programme of business support and financing (PIAFE) over 1 year at a preferential rate of 1.25 percent.

**Table 15: Structure of claims on banks**

In thousand dirhams	2021	2020	Change (%)
<b>Repo type operations</b>	<b>70 023 104</b>	<b>59 953 567</b>	<b>17</b>
7-day advances	47 273 368	44 673 288	6
Repurchase agreements	22 749 736	15 280 279	49
<b>Secured loans<sup>(*)</sup></b>	<b>21 201 000</b>	<b>24 282 000</b>	<b>-13</b>
<b>Total</b>	<b>91 224 104</b>	<b>84 235 567</b>	<b>8</b>

<sup>(\*)</sup> 1 month, 3 months and 1 year.

#### 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.

Other assets fell by 8 percent, from one year to the next, from 4,329,415 KDH to 3,988,298 KDH.

#### Note 6: Net fixed assets

This item recorded a slight drop by 1 percent to 4,773,927 KDH, reflecting a higher increase of depreciation and provisions (+304,493 KDH) compared to fixed assets.

**Table 16: Net fixed assets**

In thousand dirhams	2021	2020	Change (%)
(including)			
Fixed loans	787 976	768 945	2
Equity securities and the like	2 107 218	2 107 417	-0,01
Tangible and intangible fixed assets	7 574 594	7 355 197	3
<b>Gross fixed assets</b>	<b>10 470 029</b>	<b>10 231 690</b>	<b>2</b>
Depreciation and provision endowments	-5 696 102	-5 391 608	6
<b>Net fixed assets</b>	<b>4 773 927</b>	<b>4 840 082</b>	<b>-1</b>

## Equity securities and the like

**Table 17: Equity securities and the like**

In thousand dirhams	Type of activity	2021				Quote-part (%)	2020 Gross book value	change (%) <sup>(3)</sup>
		Net book value	Gross book value <sup>(1)</sup>	Accounting net situation <sup>(2)</sup>				
<b>Securities held in Moroccan institutions and the like (including)</b>		<b>221 709</b>	<b>218 574</b>			<b>221 709</b>	<b>-</b>	
Dar Ad-Damane	Financial	1 265	0	150 748	1,69	1 265	-	
Maroclear	Financial	4 000	4 000	306 695	20,00	4 000	-	
Casablanca Finance City Authority	Financial	50 000	49 630	496 337	10,00	50 000	-	
The Moroccan Deposit Insurance corporation (SGFG)	Financial	59	59	6 175 <sup>(4)</sup>	5,94 <sup>(4)</sup>	59	-	
Receivables attached to equity		164 885	164 885			164 885	-	
<b>Securities held in foreign financial institutions</b>		<b>1 885 510</b>	<b>1 867 053</b>			<b>1 885 708</b>	<b>-0,01</b>	
Ubac Curaçao	Financial	23 228	23 228	88 505 USD	6,85	23 228	-	
Swift	Financial	519	519	487 076 EUR	0,02	519	-	
Arab Monetary Fund	Financial	5 771	5 771	1 407 274 DA <sup>(5)</sup>	0,02	5 970	-3	
Arab Trade Financing Program	Financial	16 856	16 856	1 171 672 USD	0,28	16 856	-	
Africa50-Project Finance	Financial	175 142	166 105	380 329 USD	4,71	175 142	-	
Africa50-Project Development	Financial	19 460	10 040	22 856 USD	4,73	19 460	-	
Bank for International Settlements	Financial	1 644 533	1 644 533	22 823 000 SDR <sup>(6)</sup>	0,53	1 644 533	-	
<b>Gross total of equity securities and the like</b>		<b>2 107 218</b>	<b>2 085 627</b>			<b>2 107 417</b>	<b>-0,01</b>	

<sup>(1)</sup> Minus of provisions made for the impairment of the Bank's holdings

<sup>(2)</sup> Net position of the organizations in which the Bank holds investments, based on the financial statements of 2020.

<sup>(3)</sup> Change in the gross accounting value between 2020 et 2021.

<sup>(4)</sup> Increase of the share capital by 2.380 KDH raising to 3.380 KDH by incorporation of the retained earnings, by decision of its general assembly of June 30, 2020.

<sup>(5)</sup> Arab Dinars.

<sup>(6)</sup> SDR: Special Drawing Rights.

## Tangible and intangible fixed assets

**Table 18: Tangible and intangible fixed assets**

In thousand dirhams	2020 Gross amount	Increase	Decrease	2021 Gross amount
Operating real estate properties	2 077 457	320 920	275 636	2 122 741
Operating furniture and equipment	2 721 612	123 675	498	2 844 789
Other operating tangible fixed assets	1 005 854	53 293	1 228	1 057 919
Non-operating tangible fixed assets	790 106	2 132	23 188	769 050
Intangible fixed assets	760 167	22 279	2 350	780 095
<b>Total</b>	<b>7 355 197</b>	<b>522 298</b>	<b>302 901</b>	<b>7 574 594</b>

At end-2021, the gross value of tangible and intangible fixed assets posted an annual growth of 219, 397 KDH to reach 7, 574, 594 KDH. Investments made this year are broken down as follows:

- 59 percent for the acquisition of furniture and operating and production equipment for Dar-As-Sikkah and the upgrading of the Bank's IT infrastructure and software;
- 22 percent pertaining mainly to the upgrading, renewal and modernisation of the various facilities and to the development of the Bank's areas;
- 18 percent related to real estate investments associated with the completion of the refurbishment of the Central Administration and the construction of the building dedicated to the production of secure identity cards.

The decreases mainly cover the write-off, from the Bank's assets, of the fees related to the indoor swimming pool located at the Tangier holiday centre<sup>1</sup>.

## Liabilities

### 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 corresponds to the difference between the banknotes and coins issued and those held in the Bank's vaults.

After a strong increase of 20 percent in 2020, fiduciary money increased by 6 percent to reach 337,710,576 KDH, thereby representing 78 percent of the Bank's balance sheet.

<sup>1</sup> Gratuitous transfer by the Bank to the Moroccan Society for Tourism Engineering (Société Marocaine d'Ingénierie Touristique - SMIT) of the public interest indoor swimming pool.

## Note 8: Commitments in gold and foreign currency

These liabilities mainly include currency deposits of foreign banks and non-residents. They decreased by 39 percent from the previous year to reach 5,102,421 KDH.

## 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 item. Its assets, as well as those of "Account No.2" of the IMF, are readjusted each year to take into consideration the parity of the dirham against SDRs. These commitments dropped by 34 percent to 19,566,060 KDH, primarily due to the partial repayment of the PLL<sup>1</sup> (8.8 billion dirhams) in January 2021. The 2021 revaluation of the IMF's dirham assets resulted in an adjustment amounting to -1.1 billion dirhams.

**Table 19: Commitments in convertible dirhams**

In thousand dirhams	2021	2020	Change (%)
<b>Commitments to international financial institutions</b>	<b>19 554 414</b>	<b>29 421 299</b>	<b>-34</b>
Commitments to foreign banks	57 655	17 867	>100
Current accounts of international financial institutions	19 496 759	29 403 432	-34
<b>Other commitments</b>	<b>11 646</b>	<b>13 161</b>	<b>-12</b>
<b>Total</b>	<b>19 566 060</b>	<b>29 434 460</b>	<b>-34</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 1.00 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 0.50 percent;
  - The tranche exceeding 3 billion dirhams is not remunerated.
- 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, were totally released to the banks by decision of the Bank's Board on June 16, 2020;

<sup>1</sup> The counter value of the PLL income was recorded in 2020, on the assets side of the balance sheet as foreign currency assets and on the liabilities side in the IMF Account NO.1 (28,764,740 KDH).

- 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 1.00 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 0.50 percent

in 2021, this item grew by 2,993,036 KDH to 38,967,531 KDH, mainly reflecting the 3,665,662 KDH increase in assets of Moroccan banks and the 984,017 KDH drop in the funds in the Treasury's current account.

**Table 20: Deposits and liabilities in dirhams**

In thousand dirhams	2021	2020	Change (%)
Public Treasury current account	5 258 034	6 242 051	-16
Moroccan banks' current account	28 484 675	24 819 013	15
Liquidity withdrawals	-	-	-
Deposit facilities	-	-	-
Deposits of general government and public institutions	1 176 044	973 357	21
Other accounts	4 048 778	3 940 073	3
<b>Total</b>	<b>38 967 531</b>	<b>35 974 495</b>	<b>8</b>

### Note 11: Other liabilities

Other liabilities particularly include:

- Miscellaneous creditors, primarily consisting of tax and fiscal withholdings, other sums payable to the State and to third parties, and pending contributions to provident funds and institutions for social security.

Their balance at end-2021 stood at 592, 808 KDH, of which 411, 251 KDH as debts to suppliers. At December 31, 2021, 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, comes as follows:

**Table 21: Breakdown by maturity of suppliers' debt balance**

In thousand of dirhams	Amount of suppliers' debt at the end of the fiscal year	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 2020	393 463	393 013	57	9	236	147
Fiscal Year 2021	411 251	411 190	7	-	-	54

- The equalization accounts, mainly composed of intersystem transactions, accruals, deferred income and any other debtor amount pending settlement. At the end of the year, these accounts grew from 294, 335 KDH one year earlier to 465, 831 KDH at the end of the year.
- Amounts claimable after receipt of payment, whose accounts make up the counterpart of securities presented for payment, fell from 170,603 KDH in 2020 to 52,267 KDH in 2021.
- 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 rose from 160,202 KDH in 2020 to 203,023 KDH at end 2021, after a provision of 60,000 KDH was made up to cover a part of the net commitment of social funds. The provision for penalties relating to payments to suppliers exceeding the regulatory time limit, set up in accordance with the aforementioned Law n°32-10, amounted to 164 KDH (see Table 3.2.35 of Note 32 of the of the PLA).
- 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 exchange rates, in accordance with the provisions of the agreement governing this account, as concluded between Bank Al-Maghrib and the Ministry of Economy and Finance.

This agreement stipulates that in the event of a deficit below the required minimum, a reserve for exchange rate losses is set aside from the net profit. 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 (See the section relating to the main accounting rules and evaluation methods).

En 2021, the revaluation account of foreign exchange reserves posted a credit balance of 4 421 489 KDH, i.e. +10 percent compared to 2020. After a sharp decline during the first half of this year, marked mainly by the appreciation of the dirham, the balance of the foreign exchange reserves revaluation account improved during the second half of the year. This change mainly reflected the depreciation of the dirham and the impact of the re-evaluation by the IMF of the dirham assets (+ 1.1 billion dirhams).



**Table 22: Other liabilities**

In thousand dirhams	2021	2020	Change (%)
Other securities transactions	361	361	-
Miscellaneous creditors	592 808	675 030	-12
Equalization accounts	465 831	294 335	58
Amounts claimable after receipt of payment	52 267	170 603	-69
Provisions for risks and expenses	203 023	160 202	27
Revaluation account of foreign exchange reserves	4 421 489	4 007 554	10
<b>Total</b>	<b>5 735 780</b>	<b>5 308 085</b>	<b>8</b>

**Note 12: Equity capital and the like**

Under Article 2 of the Bank's Statutes, the capital is set at 500,000 KDH, fully paid-up and held by the State. The capital may be increased by incorporation of reserves by decision of the Bank board, after consulting the government commissioner, up to a maximum of fifty percent of the capital.

The special reserve funds have been set up by allocating part of the profits, pursuant to reference to the aforementioned article 48. They amount to 4,501,340 KDH since 2006, representing the bulk of the equity capital.

For the first time in 2021, a reserve for foreign exchange losses has been set up by allocating 10 percent of the 2020 profit, i.e. 168,417 thousand of dirhams, in accordance with the statutory provisions and those of the convention governing the foreign exchange reserve valuation account.

**Table 23: Equity capital and the like**

In thousand dirhams	2021	2020	Change (%)
<b>Equity</b>	<b>500 000</b>	<b>500 000</b>	<b>-</b>
<b>Reserves</b>	<b>5 169 757</b>	<b>5 001 340</b>	<b>3</b>
General reserve funds	500 000	500 000	-
Special reserve funds	4 501 340	4 501 340	-
Foreign exchange loss reserve	168 417	-	-
<b>Retained earnings</b>	<b>28 212</b>	<b>27 460</b>	<b>3</b>
<b>Total</b>	<b>5 697 969</b>	<b>5 528 801</b>	<b>3</b>

## 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 of currency transitional arbitrage operations initiated on the first day pending their unwinding on D+2.

**Table 24: Foreign exchange transactions**

In thousand dirhams	2021	2020
<b>Forward foreign exchange transactions</b>		
Forward currencies receivable	3 747 394	28 749 736
Forward currencies to be delivered	3 745 375	28 856 663
<b>Foreign exchange transactions- currency deposits</b>	<b>5 142 569</b>	<b>2 137 152</b>
<b>Foreign exchange transactions-arbitrage operations</b>		
Foreign currencies receivable		1 529 663
Foreign currencies deliverable		1 530 914

### Note 14: Commitments on securities

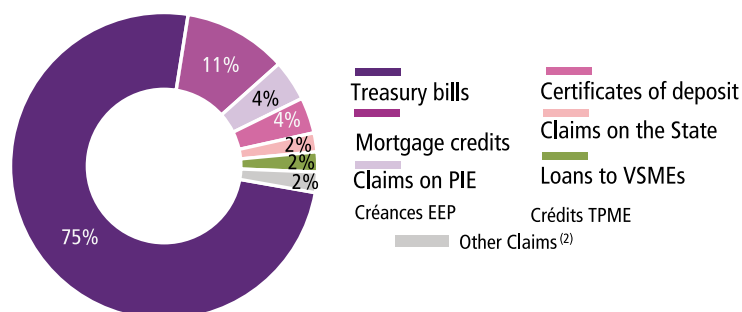
This heading mainly covers securities pledged to Bank Al-Maghrib to secure various refinancing operations to banks as well as options to advance funds<sup>1</sup>. As part of the easing measures introduced in 2020 in response to the Covid-19 crisis, the Bank expanded the list of assets eligible as collateral to include banks' refinancing operations.

**Table 25: Commitments on securities**

In thousand dirhams	2021	2020
Securities received on advances granted	73 832 432	63 257 199
Securities received on advances to be granted	10 324 200	6 792 000
Other guarantees received on advances granted	25 520 307	29 740 812
Advances to be granted	9 807 990	6 452 400
Foreign securities receivable	1 177 569	3 549 354
Foreign securities deliverable	1 162 318	1 414 877

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

**Chart 4: Structure of commitments on securities<sup>(1)</sup>**



<sup>(1)</sup> Collateral received on the advances granted by the Bank as part of the monetary policy implementation.

<sup>(2)</sup> WAKALA BIL ISTITMAR and receivables for the benefit of VSME and microcredit associations.

## Note 15: Other commitments

**Table 26: Other commitments**

In thousand dirhams	2021	2020
Received market guarantees	92 470	120 463
Guarantees liabilities received for staff loans	906 678	879 661
Financing liabilities granted to the staff	9 159	21 480
Other granted liabilities	1 000	1 000

## 2.11 Comments on profit and loss account

### 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 interest earned on the following gold, SDR and foreign currency investment operations carried out by the Bank as part of its foreign reserve management mandate under its Statutes:

- Bond market investments (investment portfolio, portfolio of securities held for sale and transaction portfolio);
- 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 27: Interests earned on holdings in gold and in foreign currency**

In thousand dirhams	2021	2020	Change (%)
Investments in gold	-	-	-
Bond investments	2 356 292	2 551 938	-8
Money market investments	32 649	43 343	-25
Claims on the IMF	7 164	17 291	-59
Other interests <sup>(*)</sup>	22 050	11 301	95
<b>Total</b>	<b>2 418 155</b>	<b>2 623 873</b>	<b>-8</b>

<sup>(\*)</sup> Mainly include interests on foreign securities loans.

Interests from foreign currency investment operations amounted to 2,418,155 KDH, showing a further decrease of 8 percent this year. This change mainly reflects the impact of the decrease in yield rates on bond and money market investments.

The 8 percent drop in bond interests to 2,356,292 KDH was attributable to the 35 percent contraction of the investment portfolio interests, which was partially mitigated by the 6 percent improvement in investment securities interests.

Investments in the money market segment generated an income of 32,649 KDH, i.e. -25 percent compared to 2020, mainly because of the lower outstanding amounts and investment rates in the dollar segment.

Meanwhile, interest on SDR receivables fell by more than half to 7,164 KDH, despite the sharp rise in their outstanding amounts after Morocco collected its share (857 million SDRs, i.e. 10,937,793 KDH) of the general SDR allocation that the IMF issued on August 23, 2021 to its member countries. This decline is exclusively attributable to the 15 bps depreciation to 0.05 percent of the average rate of SDR remuneration (0.20 percent in 2020 and 0.79 percent 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 recorded an annual decrease of 24 percent to 1,244,143 KDH, alongside the Bank's reduction of injections amidst an improved banking liquidity. They are composed of:

- 513,311 KDH from 7-day advances. The 35 percent decline of the latter reflects the 21 percent contraction of the average outstanding amount of this instrument to 34,220,742 KDH and the full-year effect of the key rate cut in 2020;

- 322,162 KDH from long-term repurchase agreements initiated since March 2020, which decreased by 37 percent due to the 28 percent reduction of the average outstanding amount to 21,477,457 KDH;

- 407,529 KDH relating to secured loan operations (1 month, 3 months and 1 year) whose outstanding amount grew by 34 percent to 27,238,672 KDH, leading to the increase of such interests.

**Table 28: Interests received on claims on credit institutions**

In thousand dirhams	2021	2020	Change (%)
(Including)			
7-day advances	513 311	793 567	-35
24-hour advances	880	1 556	-43
Repurchase agreements	322 162	508 430	-37
Secured loans	407 529	323 051	26
<b>Total</b>	<b>1 244 143</b>	<b>1 627 045</b>	<b>-24</b>

#### Note 18: Other interests earned

This item mainly covers interests due to the Bank under loans granted to its staff for housing purchase and construction. These interests totalled 12,610 KDH at the end of this fiscal year, as against 13,384 KDH one year earlier.

#### Note 19: Commissions earned

The Bank collects commissions for the banking operations it carries out on behalf of its customers, and which mostly cover foreign exchange operations and the centralization of the Treasury's auction operations.

The amount of these commissions increased by 7 percent in 2021, mainly due to the 4 percent increase in the exchange commissions, which reflected the higher volume of the foreign banknotes transferred to Bank Al-Maghrib. Meanwhile, the commission of auction operations' centralization has slightly decreased by 1 percent, due to the fall in the Treasury's gross collections between 2020 and 2021.

**Table 29: Commissions earned**

In thousand dirhams	2021	2020	Change (%)
Foreign exchange commissions	540 804	521 661	4
Intermediation margin	23 161	1 822	>100
Management of Treasury bonds	70 104	71 018	-1
Other commissions	16 978	16 776	1
<b>Total</b>	<b>651 047</b>	<b>611 277</b>	<b>7</b>

## Note 20: Other financial revenues

The other financial revenues item mainly covers gains generated from foreign currency transactions, deferral of discounts on investment securities and profits from foreign currency swaps.

At the end of 2021, this income amounted to 569,062 KDH, down by 244,844 KDH compared to 2020, mainly due to the drop in capital gains realized on the sale of US investment securities, within a context marked by the higher rate of return on dollar-denominated assets.

**Table 30: Other financial revenues**

In thousand dirhams	2021	2020	Change (%)
Capital gains on sales of marketable securities	424 110	602 294	-30
Spreading of discounts on foreign securities	66 297	52 838	25
Capital gains on management mandates	18 634	28 302	-34
Gains on foreign exchange swap transactions (monetary policy)	18 629	99 745	-81
Gains on foreign exchange swap transactions (premium/discount)	17 884	24 593	-27
Dividends on equity securities	20 100	557	>100
Other revenues	3 408	5 578	-39
<b>Total</b>	<b>569 062</b>	<b>813 906</b>	<b>-30</b>

Gains from foreign exchange swap operations with Moroccan banks fell by 81 percent in 2021, as banks reduced their use of this instrument.

In 2021, the Bank received a dividend of 19,856 KDH (2.2 million USD) for its participation in the BIS capital in 2020, considering a global unit dividend of 520 SDR, decided by its Board of Directors on June 29, 2021.

## 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 secure identity cards. 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-2021, these sales posted an annual increase of 105,798 KDH to reach 310,627 KDH. This evolution mainly results from the rise in revenues from the sales of secured documents to 306,929 KDH, of which 188,919 KDH from biometric passports (+66 percent) and 102,913 KDH from secured identity cards (+42 percent), which the production was started in 2020.

## **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 settled by Bank Al-Maghrib. These revenues stood at 16,011 KDH, of which 13,764 KDH were revenues from the SRBM billing system.

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

At end-2021, these reversals amounted to 60,699 KDH. They particularly covered reversals of provisions set aside: (i) the depreciation of foreign investment securities up to 11,952 KDH (11,881 KDH in 2020); (ii) the pension commitment as part of implementing the plan to finance the gradual transition to the TV 88-90 mortality table by 20,000 KDH; and (iii) the impairment of equity investments of 8,662 KDH (see Table 3.2.35 of note 32 of the PLA).

## **Note 24: Noncurrent revenues**

This item, which includes exceptional and non-recurring revenues, amounted to 458 KDH at-end 2021, as against 1,123 KDH in 2020.

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

These interests fell by 18 percent to 108,708 KDH, mainly due to the drop by 60 percent to 6,013 KDH in the commissions on SDR allocations (0.05 percent in 2021 after 0.20 percent in 2020), and by 12 percent in interests on monetary deposits to 102,695 KDH.

## **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 liquidity excess, interests paid by the Bank under 7-day liquidity withdrawals, overnight deposits facilities and swap of dirhams against currencies.

In 2021, this interest fell by 12 percent to 153,540 KDH, following the decrease in the remuneration of customers' accounts of Bank Al-Maghrib.

**Table 31: Interests on commitments in dirhams**

In thousand dirhams	2021	2020	Change (%)
(of which)			
Monetary reserve accounts	-	-	-
Other accounts (including)	152 458	172 691	-12
Treasury account	24 255	31 805	-24
<b>Total</b>	<b>153 540</b>	<b>174 404</b>	<b>-12</b>

### Note 27: Commissions paid

This item includes commissions paid in exchange for financial services provided to the Bank as well as the negative intermediation margin<sup>1</sup> on foreign exchange transactions carried out with authorised intermediaries.

From one year-end to the next, these commissions rose from 15,667 KDH to 28,856 KDH, up by 13,190 KDH, including a negative intermediation margin of +9,462 KDH on foreign exchange transactions.

### Note 28: Other financial expenses

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

The 2 percent increase in this item to 769,534 KDH is due in particular to the increased capital losses arising from the sale of foreign securities, particularly in EUR, mitigated by the 5 percent decrease in the deferral of premiums on investment securities.

**Table 32: Other financial expenses**

In thousand dirhams	2021	2020	Change (%)
Losses in investment securities held for sale <sup>(*)</sup>	39 846	10 084	>100
Deferral of premiums on foreign securities	548 384	574 735	-5
Negative interest rates paid on investment securities	163 521	163 098	0,3
Losses on foreign exchange swap transactions	14 032	-	-
Losses on foreign exchange swap transactions (premium/ discount)	1 134	2 481	-54
Other expenses	2 616	4 365	-40
<b>Total</b>	<b>769 534</b>	<b>754 764</b>	<b>2</b>

<sup>(\*)</sup> The difference between the book value and the sale price.

<sup>1</sup> The negative intermediation margin corresponds to the commission charged by the Bank on foreign exchange transfer operations carried out with Moroccan banks where a loss is incurred (difference between the negotiated exchange rate and the reference rate).



## Note 29: Staff expenses

This item mainly includes 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.

This item recorded a slight increase in its balance of 0.2 percent to 880,452 KDH, mainly due to a small increase in some personnel expenses combined with the negative evolution of remunerations.

**Table 33: Staff expenses**

In thousand dirhams	2021	2020	Change (%)
Staff salaries	671 461	672 012	-0,1
Social expenses	192 532	191 761	0,4
Training expenses	2 419	2 337	4
Other expenses	14 040	12 827	9
<b>Total</b>	<b>880 452</b>	<b>878 935</b>	<b>0,2</b>

## Note 30: Purchases of materials and supplies

This entry includes fees of raw materials (paper, ink, coin blanks, electronic chips and cards 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 10 percent increase in this item to 313,924 KDH covers:

- item in purchases of banknote paper and money market blanks, due to the higher production volume;
- a decrease in the purchase of materials and supplies, covering a reduction in those relating to electronic covers and the manufacture of identity documents considering the available stocks;
- changes in inventories of +27,420 KDH at the end of 2021 against -56,643 KDH in 2020.

**Table 34: Purchases of materials and supplies**

In thousand dirhams	2021	2020	Change (%)
Purchase of raw materials	197 374	188 097	5
Purchase of consumable materials and supplies	73 143	59 667	23
Other purchases	43 407	37 309	16
<b>Total</b>	<b>313 924</b>	<b>285 073</b>	<b>10</b>

### Note 31: Other external expenses

This item includes 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.

Other external expenses increased from 354,619 KDH to 357,299 KDH, from one year to the next, recording a slight movement of +1 percent.

**Table 35: Other external expenses**

In thousand dirhams	2021	2020	Change (%)
Maintenance and repair of fixed assets	126 565	125 730	1
Rents	38 855	43 477	-11
Water, electricity and fuel costs	26 699	25 233	6
Transportation, travel, mission and reception expenses	7 729	8 859	-13
Postal and telecommunication costs	39 990	31 631	26
Taxes and duties	21 172	20 464	3
Other expenses	96 288	99 225	-3
<b>Total</b>	<b>357 299</b>	<b>354 619</b>	<b>1</b>

### Note 32: Depreciation and provision endowments

#### Depreciation charges

**Table 36: Depreciations**

In thousand dirhams	2021	2020	Change (%)
<b>Depreciations of tangible and intangible fixed assets</b>	<b>308 369</b>	<b>309 269</b>	<b>-0,3</b>
Properties <sup>(1)</sup>	111 696	101 576	10
Furniture and equipment	164 247	171 171	-4
Other tangible fixed assets	-	4	-
Intangible fixed assets	32 426	36 518	-11
<b>Depreciations of other costs to be spread out over many fiscal years</b>	<b>5 035</b>	<b>5 380</b>	<b>-6</b>
<b>Depreciations of previous fiscal years</b>	<b>11 693</b>	<b>6 375</b>	<b>83</b>
<b>Total</b>	<b>325 097<sup>(2)</sup></b>	<b>321 024</b>	<b>1</b>

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

## Allocations to provisions

**Table 37: Provisions**

In thousand dirhams	Outstanding amount December 31, 2020	Expenses	Reversals	Other changes	Outstanding amount December 31, 2021
<b>Provisions for depreciation</b>					
Foreign treasury bonds and similar securities	59 193	484 089	11 952	48	531 378
Miscellaneous stocks and values	6 536	7 822	6 536		7 822
Moroccan equity securities	2 765	370			3 135
Foreign equity securities	25 289	1 830	8 662		18 457
Other provisions <sup>(3)</sup>	4 821	939	83		5 677
<b>Provisions for risks and expenses posted under liabilities</b>					
Provisions for risks and expenses (including)	159 814	76 288	33 467		202 635
Pension commitment	100 000	60 000	20 000		140 000
Provisions for risks	50 284	4 288	3 937		50 635
Late penalty fees	164	262	164		262
Other provisions	389				389
<b>Total</b>		<b>571 338 <sup>(2)</sup></b>	<b>60 699 <sup>(4)</sup></b>		

<sup>(2)</sup> Totalling 896 435 KDH equivalent to the amount of the heading "Depreciation and provision endowments" 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 the "Evaluation methods" section and Note 11 of the balance sheet.

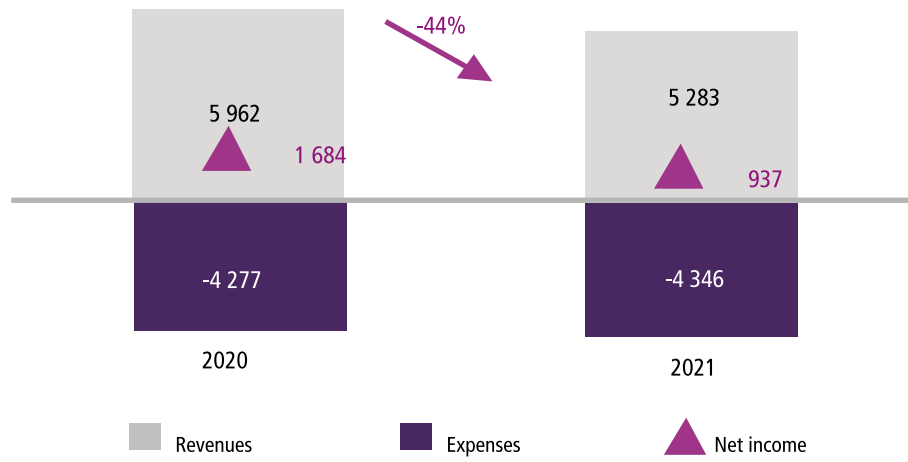
### Note 33: Non-current expenses

Non-current expenses climbed by 61 percent to 123,205 KDH of which 106,939 KDH are related to the social solidarity contribution on profits, calculated on the basis of 3.5 percent of the net income of the past year, compared to 73,393 KDH in 2020 calculated at a rate of 2.5 percent of the 2019 net income.

### Note 34: Income tax

According to article 19 of the General Tax Code, the tax rate is fixed at 37 percent, which is the taxation level applied to credit institutions under common Law. The income tax fell from 1,130,502 KDH in 2020 to 713,824 KDH at-end 2021. .

Chart 5: Change of revenues, expenses and net income (in MDH)



### 3 Commitments to social funds

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

The CRP-BAM provides the Bank's staff members or their dependants with a retirement pension, an invalidity pension, a dependants' pension and a mixed capital-pension allowance. Meanwhile, the FM ensures reimbursement of medical and prescription expenses for the Bank staff and eligible family members.

These two schemes have a separate accounting system but do not have legal personality.

**Table 38 : Social funds' commitments and financing**

In thousand dirhams	Pension Fund of BAM staff		Mutual Fund	
	2021	2020	2021	2020
Gross commitment	3 723 465	3 409 224	614 659	567 424
hedging assets	3 601 092	3 393 290	481 715	463 158
Net commitment <sup>(*)</sup>	- 122 372	-15 934	- 132 944	-104 266

(\*) Net liability of social funds partially provisioned at end 2021 for an amount of 120,000 KDH (see Note 11 of the balance sheet).

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

An independent actuary approves the data and assumptions used in the actuarial valuations, as well as the pension and health liabilities.

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

Pursuant to the Charter for the Management of Social Security Funds, an annual report is drafted to present, on the one hand, the conclusions of the internal actuarial balance sheet duly approved and certified by the independent actuary and, on the other hand, the achievements of the hedging assets' financial management. This report is submitted to the Social Funds Steering Committee for review and approval, and the ensuing decisions are submitted to the Bank's Board of Directors for approval.

## 4 Statutory Audit Report

### STATUTORY AUDITOR'S REPORT YEAR ENDED DECEMBER 31, 2021

#### AUDIT OF STATUTORY FINANCIAL STATEMENTS

##### Opinion

In accordance with the terms of our appointment by the Bank's Board, we have audited the accompanying financial statements of BANK AL MAGHRIB including the balance sheet as of December 31<sup>st</sup>, 2021, the profit and loss statement and the additional disclosures (ETIC). These financial statements show a net equity of 6 635 002 KMAD including a net profit of 937 033 KMAD.

These financial statements have been approved by the Bank's Board on March 22<sup>nd</sup>, 2022 based on the information available at that date in an evolving context of the Covid-19 crisis.

We certify that the financial statements referred to in the first paragraph above are regular, sincere and give, in all material aspects, a true and fair view of the result of operations of the past fiscal year as well as the financial situation and the assets of BANK AL MAGHRIB on December 31<sup>st</sup>, 2021, in accordance with the accounting principles generally accepted in Morocco.

##### Basis for opinion

We conducted our audit in accordance with Moroccan auditing standards. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in Morocco, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

##### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Moroccan accounting standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Moroccan auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Moroccan auditing standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### **Specific verifications and information**

We ensured that the information contained in the Management board's report is consistent with the Bank's financial statements.

Casablanca, March 23<sup>rd</sup>, 2022

**The Statutory Auditor**

**Deloitte Audit**

**Sakina Bensouda Korachi**  
**Partner**





## 5 Approval by the Bank Board

Pursuant to Article 47 of the Law No. 40-17, bearing Statutes of Bank Al-Maghrib, the Governor of the Bank submits the financial statements to the Bank Board for approval.

At its March 22<sup>nd</sup>, 2022 meeting, after reviewing the auditor's opinion on their sincerity and on their consistency with the information given in the Bank's management report, the Board approved the financial statement and the net income allocation for the year 2021.

