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BANK AL-MAGHRIB

ANNUAL REPORT

ON THE CONTROL, ACTIVITIES, AND RESULTS OF CREDIT INSTITUTIONS

2011

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A WORD FROM THE GOVERNOR

Global economic activity deteriorated in 2011, particularly in the Euro area which is considered as Morocco's major partners, impacting and amplifying, therefore, the financial markets' instability due to the sovereign debt crisis.

Despite this difficult environment, the Moroccan economy posted a GDP growth of 5 percent, boosted by strong domestic demand. However, this did not prevent the rise of difficulties for some sectors which heavily depend on foreign markets.

Bank Al-Maghrib pursued its accommodating policy of supplying banks with the needed liquidity to finance the economy, while introducing 3-months repo transactions and extending eligible collateral to other instruments.

In this context, the national banking system, based on a universal bank model, managed to preserve its financial soundness, displaying good activity and profitability indicators.

In fact, bank credit increased by approximately 11 percent, a rate higher than that of 2010. This development mostly reflects the significant rise in cash facilities to businesses (+17 percent). Loans to households, for home acquisition or consumption needs, continued to grow steadily, up 8.4 percent.

At the same time, non-performing loans increased by an annual rate of 10 percent, reflecting in particular the deteriorating financial situation of businesses in sectors that have been hit by the global economic crisis. On the other hand, household non-performing loans decreased by 1.4 percent, mainly due to the improved financial information on borrowers' solvency made available to credit institutions by the Credit bureau. On the whole, the average ratio of non-performing loans to total outstanding loans stood at 4.8 percent, reversing the successive declines since 2005.

Banks' profit margins showed satisfactory levels, benefiting from the strong revenues generated by intermediation activities, in spite of higher risk costs. Banks reported a cumulative net profit of more than 10 billion dirhams, up 3.5 percent, for their business activity in Morocco. On the basis of consolidated figures, the net income-group share of the eight banking groups, whose total balance sheet increased by 10.5 percent, was up 5 percent.

Banks have maintained a good level of overall solvency, as measured by the Tier 1 ratio, a key indicator to assess their soundness. On a consolidated basis, this ratio stood at 9.8 percent, while the total solvency ratio reached 12.4 percent.

As part of its proactive policy to strengthen the resilience of the banking sector and to prepare it for the challenges of the Basel III reform, Bank Al-Maghrib decided, in April 2012, to raise the minimum level of Tier 1 to 9 percent and that of solvency ratio to 12 percent, while noting additional requirements relating to the rules of the division of risks.

To cope with the new challenges facing credit institutions, because of uncertainties related to the economic conditions, Bank Al-Maghrib has strengthened its own approach for the monitoring of bank risks as well as for their management methods.

Given the continued tightening in bank liquidity, Bank Al-Maghrib monitored the implementation of the refinancing programs adopted by several banks so as to support the growth of loans through stable and better asset-backed resources.

The Bank paid special attention to the management of concentration risks and loans which are sensitive to changes in the economic environment held by banks on major groups. In this respect, it asked the institutions that are concerned by settling provisions to proceed with covering risks not yet proven.

It is the development of several banks at the international level that has led Bank Al-Maghrib, in the course of its inspections, to require that this external growth be accompanied by the strengthening of the risk monitoring.

Faced with the amplification of operational risk, credit institutions were asked to put in place new resources and tools to better manage this risk and minimize potential losses they may incur.

Bank Al-Maghrib continued to support banks in the process of deploying advanced approaches of Basel II, conducting regular exchanges on this process. It also provided them with technical notes to help to facilitate their preparation which is still at the accreditation stage of their internal risk assessment system.

With regard to financial stability, significant progress was made in the establishment of mechanisms for crisis prevention and the coordinating responses thereto. The reforms underway, particularly those relating to the statute of Bank Al-Maghrib and the Banking Act, provide for new institutional arrangements allowing extended and close cooperation among financial system regulators for systemic risk control and crisis resolution. By the same token, Bank Al-Maghrib embarked on developing its analysis and stress test tools designed to identify and quantify contagion risks, and assess the banking system’s resilience to specific or macroeconomic shocks.

These legal, regulatory and operational provisions would consolidate the implementation process of the Basel III reforms, relating in particular to equity and to macro-prudential dimension.

In terms of financial inclusion, the central bank continued to ensure the effective implementation of the rules it had set up to establish sound and balanced bank-customer relationship by performing numerous controls that led to sanctions for the banks which are in breach with respect to rules.

It also controlled the processing of customer complaints, which were the subject of several recommendations aimed at redressing the flaws and inadequacies identified. This work was supported by the enactment of a directive laying down the rules of good practices that should be observed by credit institutions in this regard.

Similarly, the Bank organized with other partners, early 2012, the finance week for youth aged 8 to 17 years. This action is the starting point of a reflection underway for the development of a national strategy for financial education, which will pool the efforts made separately by various actors. The objective is to promote financial inclusion practices, while helping to build a foundation for developing, among all segments of the society, financial and entrepreneurial capacity.

The soundness of the banking system and the promotion of financial inclusion are two pillars which should be mutually reinforced in order to foster the 3rd pillar of our strategy for financial sector development by 2020, namely the emergence of Morocco as a regional financial hub.

HIGHLIGHTS OF THE YEAR 2011

February 2 : Coordinating Committee of Financial Sector Supervisory Bodies convenes.

March 20 : Governor of Bank Al-Maghrib and the Board of the Moroccan Bankers Association hold their semi-annual meeting.

April 18 : Bank Al-Maghrib takes part in a workshop, in the Hague on "Analysis of bilateral remittance corridors by emigrant workers", organized by the World Bank in collaboration with the Ministry of Foreign Affairs of the Netherlands.

April 27 : Bank Al-Maghrib, in collaboration with Moroccan Bankers Association, organizes a press conference in Casablanca on the measures taken for the development of financial services.

April 30 : Bank Al-Maghrib participates in the 13th plenary meeting of the Middle East and North Africa Financial Action Task Force (MENAFATF), held in Kuwait.

May 19 : The national awareness-raising campaign on SME financing gets underway, in cooperation with the National Agency for SME Development (ANPME), the Moroccan Bankers Association, the Central Guarantee Fund (CCG) and the General Confederation of Moroccan Enterprises (CGEM).

May 20 : The Singapore Cooperation Enterprise and the Moroccan Financial Board sign a memorandum of sealing a partnership.

June 1 : Bank Al-Maghrib participates in a workshop on "Strengthening Financial Regulations in the MENA Region", organized in Abu Dhabi by the Arab Monetary Fund jointly with the World Bank.

June 7 : Bank Al-Maghrib takes part in the 8th Annual Conference on "Microfinance in the Arab region: past challenges and future opportunities", organized in Amman by SANABEL (Microfinance Network of Arab Countries).

June 21 : Bank Al-Maghrib organizes a roundtable on "Banking Ethics", with the participation of the banking sector.

June 30 : Closing in Casablanca, the national campaign to raise awareness about financing for SMEs, in collaboration with ANPME, the Moroccan Bankers Association, the GCC and the CGEM.

July 18 : Bank Al-Maghrib participates in an International Symposium on Microfinance in Paris.

September 12 : Bank Al-Maghrib and the Bank of Central African States (BEAC) sign a cooperation agreement.

September 12 : Held in Amsterdam, the international meeting of financial regulators to the financial education of children and youth, organized by the organization Child and Youth Finance International (CYFI), with the participation of Bank Al-Maghrib.

September 27 : Bank Al-Maghrib participates in the third Global Policy Forum organized by the Alliance for Financial Inclusion (AFI) in Mexico.

October 12 : Bank Al-Maghrib takes part in the meeting of the Francophone Banking Supervisors Group (GSBF), held in Paris.

October 17 : Bank Al-Maghrib participates in the 10th Annual Conference of the International Association of Deposit Insurers, hosted by Poland's Bank Guarantee Fund in Warsaw.

October 26 : Governor of Bank Al-Maghrib and the Board of the Moroccan Bankers Association hold their semi-annual meeting.

October 31 : Bank Al-Maghrib and the Islamic Financial Services Board (IFSB) co-organize workshop on Islamic finance in Casablanca.

November 23 : Bank Al-Maghrib participates in the presentation seminar for the study entitled "Financial Access and Stability: A roadmap for the Middle East and North Africa", organized in Beirut by the World Bank, the Bank of Lebanon, the Arab Monetary Fund and the Union of Arab Banks.

November 27 : Bank Al-Maghrib participates in the 14th plenary meeting of the Middle East and North Africa Financial Action Task Force (MENAFATF), held in Algiers.

December 8 : Coordinating Committee of Financial Sector Supervisory Bodies convenes.

December 8 : The Governor of Bank Al-Maghrib meets with members of the National Federation of Micro-Credit Associations.

December 11 : Bank Al-Maghrib participates in the 21st meeting of Arab Banking Control Commission, held in Abu Dhabi.

KEY FIGURES OF THE BANKING SYSTEM

1 - Structure of the banking system

- Number of credit institutions and similar bodies : 85

- Banks : 19
- Finance companies : 35
- Offshore banks : 6
- Microcredit associations : 13
- Funds transfer companies : 10
- Other Institutions : 2

- Network:

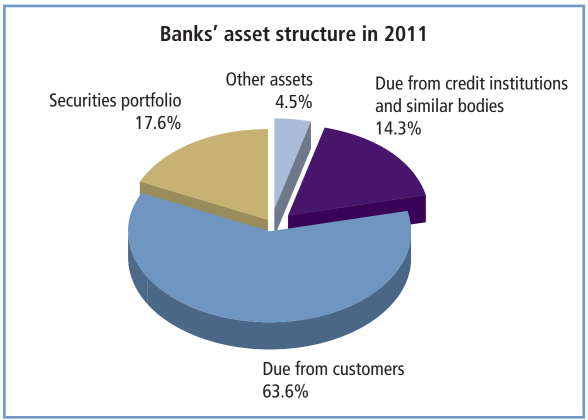
- In Morocco: 5 113 branches, i.e. 6.300 inhabitants per branch.
  5 024 automated teller machines
- Abroad: 20 subsidiaries, 10 branches and 58 representative offices.

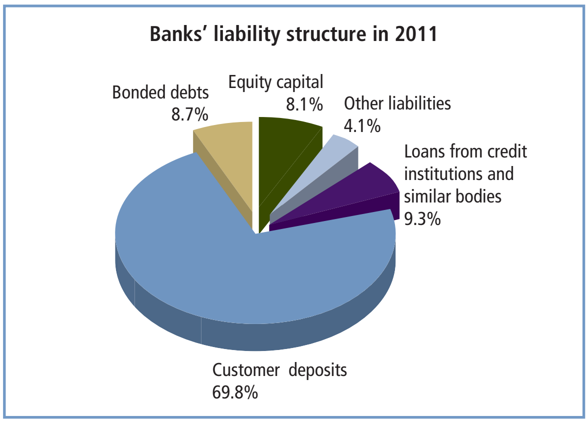
- Staff of credit institutions and similar bodies: approximately 46.900.

2. Banks' activity and profitability indicators

(in billion dirhams)

	2009	2010	2011
Balance sheet total	855	886	971
Cash loans (net of provisions)	552	601	668
Customer deposits	627	648	677
Shareholders' equity (excluding financial profit for the year)	64	74	78
Net banking income	30	32,8	35,9
Gross operating income	16,5	17,9	18,7
Net income	9,2	9,7	10,1
Average yield of assets	5,18%	5,18%	5,22%
Average cost of liabilities	2,05%	1,93%	1,93%
Average operating ratio	47,5%	46,4%	47,9%
Return on assets (ROA)	1,2%	1,2%	1,1%
Return on equity (ROE)	15,2%	14,2%	13,4%
Non-performing loans Rate (NPL)	5,5%	4,8%	4,8%
NPL coverage ratio	74,1%	70,1%	69,0%

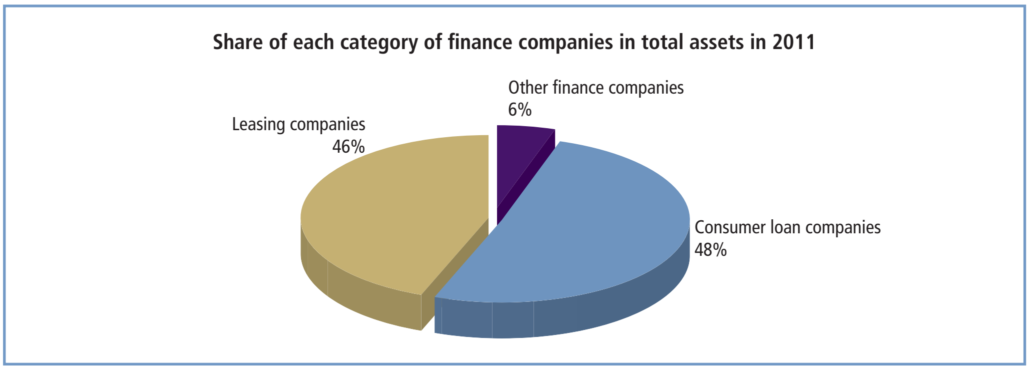




3 - Finance companies' activity and profitability indicators

(in billion dirhams)

	2009	2010	2011
Balance sheet total	81,2	84,6	90,3
Cash loans (net of provisions)	73,9	78,6	84,4
Net banking income	4,4	4,6	4,9
Gross operating income	2,8	2,9	3,1
Net income	1,3	1,1	1,3
Non-performing loans Rate (NPL)	9,5%	10,1%	9,8%
ROA	1,6%	1,4%	1,5%
ROE	18,4%	14,0%	16,4%



4 - Microcredit associations' activity and profitability indicators

(in billion dirhams)

	2009	2010	2011
Balance sheet total	6,2	5,7	5,6
Outstanding loans	4,8	4,7	4,6
Non-performing loans Rate (NPL)	6,4%	6,2%	4,3%
Net income	-0,12	0,03	0,11

5 - Activity and profitability indicators of the eight banking groups, on a consolidated basis

(in billion dirhams)

	2009	2010	2011
Balance sheet total	878	930	1 027
Cash loans (Nets of provisions)	568	625	708
Customer deposits	621	652	691
Equity capital - group share	69	80	86
Net banking income	38	43	45
Gross operating income	20	22	23
Net income - group share	9,3	10,5	11
Average operating ratio	47,6%	47,7%	49,1%
ROA	1,1%	1,1%	1,1%
ROE	13,6%	13,1%	12,7%

PART 1

Legal and regulatory environment and banking supervision activities

I. LEGAL AND REGULATORY ENVIRONMENT

In a changing regulatory environment at the international level, Bank Al-Maghrib continues its actions aiming at the adaptation of the legal and regulatory framework applicable to credit institutions, and its convergence toward the best standards. For this purpose, several reforms were carried out or undertaken in 2011 and early 2012.

Thus, Bank Al-Maghrib enhanced the prudential requirements applicable to various categories of credit institutions and similar bodies, which concerned capital ratios and risk division rules. Moreover, it provided banks with technical notes to facilitate their preparation for the accreditation of their internal risk assessment system and to assist them in stress-testing. With a view to adopting the best standards relating to supervisory financial disclosure, new IFRS and prudential standards, called respectively FINREP and COREP, were established.

Further to the measures taken in recent years to establish sound credit institution-customer' relationship, new directives were adopted to improve the processing of customer complaints and set up a price index for banking services.

To preserve financial stability, several reforms are underway, relating particularly to the amendment of Bank Al-Maghrib statutes and the Banking Act as well as the establishment of a macro-prudential framework.

1 - NEW PRUDENTIAL REQUIREMENTS

1.1 - Increasing capital ratios

As part of its proactive prudential monitoring, Bank Al-Maghrib decided to raise the minimum level of Tier 1 capital to 9 percent and the capital adequacy ratio to 12 percent. This measure, which should be implemented gradually until the end of June 2013, aims at reinforcing the resilience of the banking system and consolidating its position in the prospect of implementing one of the most critical components of the Basel III reform on equity.

1.2 - Amending the circular on the maximum risk division ratio

In order to bring the risk division regulation in line with recent standards of the European Union, Bank Al-Maghrib amended Circular No. 3/G/2001. Through this new text, which will come into effect in 2013, the Bank drew on the lessons from the international financial crisis, particularly with regard to the interbank contagion risk.

The provisions of the new Circular relate to the points below:

- Bank Al-Maghrib may, for prudential reasons, bring the maximum risk division ratio, set at 20 percent, to lower levels for some or all counterparties of an institution;

- extend the concept of "group of connected clients" to persons who, in the absence of a control relationship, have relations in such a way that it is likely that if one of them faced financial difficulties, particularly financing or repayment problems, the other or all the others would experience financing or repayment difficulties;
- increase some weighted risks. Indeed, weighted risks for credit institutions was increased from 20 percent to 100 percent, except for risks whose maturity does not exceed one day, assigned a 0 percent weight. Weighted risks assigned to documentary credits, at the behest of banks and customers, guaranteed by the corresponding goods, were raised from 4 percent to 50 percent and from 20 percent to 50 percent, respectively;
- exempt risks on residential home loans secured by a mortgage and risks on professional or commercial real estate loans to a maximum 50 percent of the property value;
- provide a specific treatment for the entities of a banking group. Subject to the agreement of Bank Al Maghrib, the risks taken by an institution of the group on its parent company, the subsidiary companies thereof and its own subsidiaries, when these entities are subject to consolidated control, are not taken into consideration;
- may choose, in the case of a subsidiary credit institution, not to observe the maximum risk division ratio when this ratio is fulfilled on a consolidated basis, under conditions entitling namely to the respect of the internal control environment.

1.3 - Raising the minimum capital of consumer loan companies

In order to reinforce the financial base of consumer loan companies, the amount of the minimum capital required to undertake this activity was raised to 50 million dirhams, up from 20 million dirhams.

1.4 - Strengthening the legal requirements applicable to funds transfer companies

The emergence of weaknesses in some funds transfer companies has led Bank Al-Maghrib to reinforce the legal requirements applicable to these companies. Hence, it has raised the minimum capital amount from 3 to 6 million dirhams, improved the conditions for exercising their transfer activity, and set rules to better organize their relations with their representatives.

Similarly, it defined the scope of activities likely to be performed by these companies. The latter can perform, besides their major activity, only transactions of a financial nature, in accordance with the relevant legal and regulatory provisions, such as manual exchange, collection of fees on behalf of third parties and intermediation in transactions conducted by credit institutions.

1.5 - Technical note on the implementation of Basel II advanced approaches

To support banks in the application of Basel II advanced approaches, Bank Al-Maghrib, after having set the relating circular late 2010, provided them with a technical note laying down the practical methods of these approaches and helping to facilitate their preparation for the accreditation of their internal pattern.

Besides, it informed banks about the procedure to be respected within the framework of such accreditation. This procedure purpose is to attune the relevant information to be communicated, by banks, and to ensure the conduct of accreditation missions under optimal conditions.

1.6 - Technical note on stress testing

To assist banks in implementing the provisions of the directive on stress testing practices, Bank Al-Maghrib laid down a technical note to clarify certain provisions of this directive (program of stress tests, required procedures, methods of reporting stress test results, etc …).

The technical note also defined for credit, concentration, liquidity, market, and country risks, a standardized framework for sensitivity stress tests and multiple-shock stress tests. For each type of risk, two shock scenarios were: one moderate and the other extreme; established according to expert opinion, and on the basis of available historical data.

1.7 - Reviewing the circular on due-diligence required of credit institutions

Bank Al-Maghrib reviewed the Circular No. 41/G/2007 on due-diligence required of credit institutions so as to bring it in line with the provisions of Law No. 43-05 relating to the fight against money laundering, as amended and supplemented.

The new text introduces the following main changes:

- Obligation to put in place a framework for the prevention of risks inherent to the use of new technologies for the purpose of money laundering or terrorism financing;
- Compliance with the terms of information exchange required by the authorities in charge of the fight against money laundering and terrorism financing;
- Expanding missions of the independent unit responsible for the management of the internal vigilance system;
- Obligation to collect all the information to identify and verify the identity of principals and beneficial owners;
- Prohibition of keeping anonymous accounts or accounts in fictitious names;
- Obligation to ensure the reputation of foreign banking correspondents and to subject the business relations relating them to the approval of the governing body;
- Obligation to ensure a particular monitoring for the transactions initiated by non-resident individuals or on their behalf.

2 - FINREP/COREP REPORTING

With a view to aligning accounting and prudential regulation with the best international standards, Bank Al-Maghrib has set up two new types of reporting:

- COREP (COmmon REPorting), which recovers prudential information that banks should address to Bank Al-Maghrib under Basel II framework
- and FINREP (FINancial REPorting), which relates to the financial information established according to IFRS standards that the banks are held to report to Bank Al-Maghrib.

The adoption of FINREP reporting required the amendment of Circular No. 14/G/2000 of November 16, 2000 relating to the methods of reporting financial statements and supplementary documents to Bank Al-Maghrib.

Setting up COREP and FINREP reporting required, at the technical level, the adoption of a new format for information exchange called XBRL (eXtensible Business Reporting Language), based on XML language (eXtensible Markup Language), which has become an international reference as regards financial disclosure.

This mode of reporting should help to attune with the best practices of financial information exchange, to optimize the use of such information, and facilitate the management of future needs as regards legal reporting. Its generalized use by the financial sector would allow pooling reporting platforms with other regulators.

3 - REFORM OF THE BANKING ACT

In the light of the banking supervision feedback in recent years, the lesson drawn from the international financial crisis, the development of the national legal environment and the need to align the prudential framework with the community repository, the Banking Act, promulgated on February 14, 2006, were the subject of an amendment.

Through this draft law, new institutional mechanisms and arrangements are proposed in order to allow extended and close cooperation between financial sector regulators for the control of systemic risk and shock response coordination. By the same token, the deposit insurance system would have new governance inspired by the best practices.

The amendment of the Banking Act should also provide for new regulations relating to banking governance, to due diligence, and to the institutional mechanisms for monitoring competition practices.

The reform also aims to better supervise microfinance and investment activities, and to establish provisions on alternative finance and electronic payments.

4 - PRUDENTIAL AND ACCOUNTING REFORMS AT THE INTERNATIONAL LEVEL

Bank Al-Maghrib closely followed the reforms conducted internationally to remedy the defects revealed by the financial crisis. These reforms particularly include Basel III reform, the establishment of a specific regulation to international banks of systemic importance and the reinforcement of crisis resolution.

In the Basel III framework introduced in December 2010, the Basel Committee gave a stricter definition of equity and set new liquidity standards so as to address the weaknesses revealed by the financial crisis and bolster the banking system's resilience at the international level. Certain Basel III provisions constitute an in-depth revision of the current standards on equity, while others are entirely new and relate to aspects which were not covered previously, particularly the introduction of liquidity ratios and to the implementation of counter-cyclical instruments.

Box 1: Basel III reform

- **Equity**: the new Basel III framework significantly increases the quantity and quality of equity, which now consist of the following elements:
  - The core equity: primarily composed of common shares forming the share capital and reserves, with a minimum ratio of 4.5 percent;
  - The conservation buffer (c.f. infra): it should be made up of 2.5 percent of equity, for characteristics of the core equity, bringing the minimum ratio thereon to 7%;
  - Tier 1: composed, in addition to core equity, of preferred shares and other loss absorbing equity instruments satisfying some eligibility criteria, with a minimum ratio of 8.5 percent,
  - Supplementary capital or Tier 2: composed of loss absorbing debt instruments in the event of bank default, provided they meet certain eligibility criteria, bringing the global minimum solvency ratio to 10.5 percent.

- **Leverage ratio**: this ratio aims at containing the leverage in the banking sector and supplementing other macro-prudential measures intended to reduce systemic risk. It corresponds to a minimum ratio of 3 percent between core equity and the non-weighted balance sheet and off-balance sheet items.

- **Liquidity**: Basel III suggested, for the first time, an internationally harmonized global liquidity framework, based on two minimal regulatory standards: the ratio of short-term liquidity (Liquidity Coverage Ratio (LCR)) and the ratio of structural liquidity in the long term to one year (Net Stable Funding Ratio (NSFR)) which have complementary objectives. The purpose of the LCR is to ensure that banks have sufficient liquid assets quality to cope with a plausible scenario of crisis horizon of one month. It corresponds to the minimum ratio of 100 percent between liquid assets of high quality, free of any commitment, and net cash outflows. The NSFR aims to strengthen banks' capacity to resist a liquidity crisis lasting for one year. It corresponds to the minimum ratio of 100 percent between the bank's amount available stable funding and the required stable amount of funding.

- **Macro-prudential instruments**
  * Conservation buffers: In order to reduce procyclicality within the banking system, Basel III encourages the accumulation of capital in the form of conservation buffers, which should be made up of 2.5 percent of core equity. These buffers are designed to absorb loss during financial and economic crisis. Once used, the banks would have to ensure their restoration particularly through the retention of benefit.
  * Countercyclical capital buffers: On the basis of the fact that a phase of excessive expansion of credit often involves heavy losses for lending institutions, Basel III also introduced countercyclical buffers, set between 0 and 2.5 percent of core equity. The Basel Committee proposes, in this regard, the credit/GDP ratio as reference for the respect of this requirement. Regulators would impose these buffers if they estimated that credit expansion could create a strong accumulation of risks. These buffers could actually be used after the regulatory authorities' approval to absorb the losses which would constitute a threat to financial stability.

Box 1: Basel III reform

- **Specific regulation of systemically important financial institutions (SIFI):** the Financial Stability Board published recommendations that systemically important financial institutions should have additional capacity to absorb losses, reflecting the higher risks they pose to the financial system on an international scale.

  These recommendations require the prior definition of more rigorous and coordinated resolution procedures, in order to reduce the consequences of their bankruptcy. Basel Committee, in turn, published an assessment methodology for international systemically important banks by developing particularly 5 quantitative and qualitative criteria to define them: size, interdependence, substitutability, complexity and cross-border activity.

  A methodology specific to systemically domestic important banks in emerging countries will be proposed by the Basel Committee, like the one recommended for major international systemically important banks.

- **Resolution of banking bankruptcies**: Basel Committee and Financial Stability Board jointly published recommendations aiming at reinforcing resolution frameworks for banking bankruptcies and their trans-border coordination. These recommendations particularly cover the emergency procedures to be adopted by the financial supervision authorities in both countries of origin and destination. .

With regard to financial information, the International Accounting Board Standards (IASB) in 2011 continued its work to reform the International Financial Reporting Standards (IFRS), particularly those relating to financial instruments and the consolidation of accounts.

Box 2: IFRS 9 and 10 standards

- **IFRS 9 "Financial instruments"**: International Accounting Standards Board and Financial Accounting Standards Board published, during 2011, a call for comments on the supplement of the Exposure Draft "Financial Instruments: Amortized Cost and Impairment". The original document proposed taking account of the losses expected on loans in the calculation of interest earnings of financial assets, by spreading them out over the term of these assets. This supplement proposes dissociating the calculation of the net interest income from the accounting of expected losses.

In December 2011, the IASB decided to defer the effective date of IFRS 9 "Financial Instruments" from January 1, 2013 to January 1, 2015.

- **IFRS 10 standards "Consolidated financial statements**". This standard, which was published in May 2011 and will come into effect on January 1, 2013, amended IAS 27 "Consolidated and individual financial statements". It presents a single consolidation model which specifies the control as being the basis for the consolidation of all kinds of entities. Three elements define the concept of control: power over the other entity, exposure, or rights, to variable returns of such entity and the ability to use its power to affect the amount of its returns.

5 - RECOMMENDATION ON THE PROCESSING OF CUSTOMER CREDIT INSTITUTIONS' COMPLAINTS

Further to the various measures taken in order to build the relationship credit institutions/customers on sound foundations and to remedy the dysfunctions and weaknesses identified in the processing of complaints, Bank Al-Maghrib enacted a Recommendation setting the rules of good practices to be observed by these institutions. Thus, the latter are held:

- To develop a central entity, an information system, and a suitable procedure for an efficient and transparent treatment of such complaints;
- To regularly inform customers on the internal devices (interlocutors and reception channels) and external (Bank Al-Maghrib and banking mediation) arrangements for processing complaints, as well as the course of this treatment through acknowledgments of receipt and response letters, in conformity with the deadlines set by the Recommendation;
- To set up a "customer relations" committee, in charge of ensuring the efficiency and improvement of this framework. The latter should be subjected to permanent and periodic evaluation, at least annual, by the Audit Committee;
- To ensure that their personnel, directly or indirectly concerned with the processing of complaints, benefit from an adequate training on the tools and procedures required for this purpose;
- To include in the internal control report, which they are held to address to Bank Al-Maghrib, a chapter devoted to the description of their framework for processing complaints and control activities carried out in this regard.

6 - PRICE INDEX OF BANKING SERVICES

As part of the measures taken to improve the transparency of banking practices, Bank Al-Maghrib has prepared, in consultation with the banking profession, a price index of banking services (PIBS). This index outlines the relative trend in prices of major banking services used by private individuals for a certain period. It is calculated according to an annual frequency, considering 2010 as the reference year. It is based on "Laspeyres" methodology, the same as the one adopted for the calculation of the real estate asset prices.

II. BANKING SUPERVISION AND FINANCIAL STABILITY ACTIVITIES

Amid a difficult macro-economic situation, imposing new constraints on banking supervision, Bank Al-Maghrib reinforced its prudential control of credit institutions, while striving to establish a macro-prudential framework.

At the micro-prudential level, emphasis was laid on the assessment of the quality of credit institutions' assets and their appropriate provisioning, in a context of increased credit risk, as well as on the close monitoring of banks' liquidity profile.

Bank Al-Maghrib was also particularly vigilant as to the development of risk contagion channels induced by an uncertain international economic environment, financial turmoil and the rise of sovereign risk in the euro area, as well as socio-political disturbances at the regional level.

At the macro-prudential level, significant progress was made to establish a framework for the prevention of systemic risks that can weigh on financial stability, and to reinforce the coordination mechanisms for the resolution of financial crises.

1 - BANKING SUPERVISION ACTIVITY

By virtue of its banking supervision mission, Bank Al-Maghrib is responsible for ensuring the soundness of credit institutions and protecting customers' interests.

Within this framework, it delivers licenses and authorizations necessary for the practice of banking activity, enacts prudential and accounting regulations applicable to institutions subject to its control, ensures their on-site and off-site control, penelazises non-compliant institutions, and deals with banking difficulties.

The prudential control of risks is carried out under a regulatory framework in line with international standards, and is based on close coordination mechanisms with national and foreign financial regulators.

Under its mission of customer protection, the central bank works to build sound and balanced relationship between credit institutions and their customers, while contributing to the development of financial services in consultation with the banking industry.

1.1 - Licenses and authorizations

In 2011, the central bank granted 3 licenses for the merger of two finance companies and the practice of the money transfer activity by two new companies. It also granted its preliminary approval for the creation, by a bank, of a subsidiary company in Dubaï International Financial Center (DIFC).

Moreover, the Bank examined 27 applications files for the approval of appointment of statutory auditors within 7 banks, 12 finance companies, an offshore bank, 2 funds transfer intermediaries, and 5 microcredit associations. It also approved the appointment of 25 board members and managers of 13 credit institutions.

1.2 - Control activities

Bank Al-Maghrib carries out both on-site inspections and the scrutiny of documents. Its control is based on a risk-based approach that focuses on areas of vulnerabilities of the banking system.

The off-site control, conducted permanently, ensures the compliance of credit institutions and similar bodies with the legal and regulatory provisions, and conducts their rating, according to Bank Al-Maghrib internal rating system after a thorough assessment process of their financial and prudential position.

This control is based on the accounting and prudential information submitted by credit institutions and their statutory auditors' reports, supplemented by the data collected during the regular discussions and meetings with the managers of these institutions and these auditors.

Such work makes it possible to highlight signs of distress, identify risks and guide the on-site inspection for better targeting of its objectives.

On-site inspection or the scrutiny of documents aims at assessing management aspects that cannot be subjected to distance evaluation, ensuring the reliability of information submitted to Bank Al-Maghrib and conducting an in-depth analysis of risks incurred

In 2011, the actions of permanent and on-site control were intensified and adapted to more closely monitor new vulnerabilities induced by an unstable international economic and financial environment.

Taking account of the new priorities, the control methodologies were adjusted and the legal reporting requirements were reinforced. Hence, the internal control report that credit institutions should submit annually to Bank Al-Maghrib was reviewed so as to include supplementary information on risk management. Similarly, a new reporting on the refinancing of banks was put in place.

In the heart of the process control and risk assessment, the Credit Institutions' Rating Support System (SANEC), which was gradually extended to finance companies, now covers most credit institutions. The risk criteria taken into account in this rating were supplemented by new components aiming at assessing the quality of credit institutions' financial communication and their customer relations.

Taking account of a risk-based approach, the planning of on-site control for the year 2011 focused on the following:

- Areas of weaknesses within the banking sector, identified by the off-site control;
- Time limits beyond which institutions must be subjected to on-site inspection;
- New regulatory standards requiring on-site inspection to ensure their correct implementation.

Thematic missions, which address a particular aspect of banking activity and cover several institutions at the same time, prevailed in 2011. Thus, ten missions were conducted at 20 institutions, including 9 banks, 3 consumer loan companies, 3 funds transfer companies, and 5 microcredit associations. Moreover, two general inspections were carried out in two banks.

The effort of banking supervision particularly related to the examination of assets quality, concentration risk management, sensitive debt monitoring, as well as to the system of declaring and consulting Credit Bureau data.

Following the investigations carried out since the outbreak of the financial crisis, at major banks and finance companies, several inquiries examined the development of sectoral risks and assessed the position of the major debtors of the banking system. In this respect, Bank Al-Maghrib required the banks to strengthen their credit policy and their arrangements for the monitoring of restructured loans and to develop stress testing practices. In addition to the legal provisions, it invited banks to constitute general provisions to cover unrealized risks incurred on counterparties belonging to industry sectors sensitive to the economic conditions.

Amid the increasing financial turmoil in the euro area and the downgrading of several international banks, increased vigilance was attached to the risk that these vulnerabilities feed through to the Moroccan banking sector. Bank Al-Maghrib conducted regular assessment of this contagion risk by using, in particular, the information reported by its foreign counterparts and by taking part in the colleges of supervisors[1].

At the same time, Bank Al-Maghrib required the banks operating internationally to reinforce the monitoring frameworks of their subsidiaries and branches abroad and to constitute, if need be, provisions to cover country-risk.

In 2011, the Bank also conducted several monitoring missions to assess banks' anti-money laundering policies. In addition, it invited some institutions to upgrade their procedures to protect themselves against this risk.

As for the increasing operational risks, investigations were carried out within several credit institutions to assess the management frameworks of such risks. Some of them were asked to spread new means and tools in order to better manage these risks and minimize the losses they may suffer in this regard.

Owing to the persistently bank liquidity squeeze, the monitoring of liquidity risk to which banks are exposed was among the priorities of the control. Indicators reflecting banks' exposure to such risk as well as their market

1 Colleges of supervisors consist of home and host supervisors for a collective and permanent effective supervision of cross-border banking groups, particularly through the exchange of information and data on the risk profile of these groups.

position came under increased scrutiny, supplemented by analysis of stress tests of their capacity to cope with strong pressure scenarios. On-site inspection missions were conducted to check the implementation of the previous recommendations as regards asset-liability management. Bank Al-Maghrib reminded, in fact, some banks to maintain a level of liquid assets sufficient, diversify their financing sources, and to establish liquidity stress plans. Within this framework, it monitored the refinancing schemes implemented by certain banks, with a view to supporting credit growth by stable and better asset-backed resources.

The resilience of banks requires, beside adequate liquid assets, a sufficient quantity and quality of capital to absorb the losses which can be generated by shocks. Also, Bank Al-Maghrib continued to ensure that banks reinforce their equity, particularly the component constituted by capital and non-distributable reserves, taking account of the announced increase in the relevant regulatory requirements.

In view of the transition to the advanced Basel II approaches, the information missions continued in 2011 within several banks in order to enquire as to the progress they made in their preparation for these approaches and to examine the difficulties they encountered.

The control missions within the microcredit sector aimed at checking the measures taken by the associations concerned to strengthen their internal control framework and better secure their transactions.

In 2011, Bank Al-Maghrib controls were extended to some funds transfer companies, following which several weaknesses in their governance were identified. This drove the central bank to raise the regulatory requirements applicable to this sector.

The improvement of the credit institution-customer relationship has gained increasing importance in the control programs conducted by Bank Al-Maghrib. Several investigations were carried out, in 2011, at several institutions to check the effective implementation of certain rules laid down in recent years. These controls were extended to the handling of customer complaints, which led to several recommendations aiming at rectifying the dysfunctions noted. This work was supported by enacting a directive setting the rules of good practices that credit institutions should observe to this effect.

Bank Al-Maghrib notified the conclusions of its controls to the board of directors and the executive committee of the institutions concerned. They led to action plans to redress the weaknesses identified.

Letters of injunction and warning were sent to certain institutions, and pecuniary penalties were imposed on others as they failed to comply with the relevant regulations.

2 - INTERNATIONAL COOPERATION

Bank Al-Maghrib extended its framework of cooperation with foreign regulators by the signature of an agreement with the Bank of Central African States (Banque des Etats de l'Afrique Centrale: BEAC) in 2011. This agreement will allow, inter alia, reinforcing the monitoring of Moroccan banks established in the countries within the scope of supervision of that authority.

In a context of increased risks, the Bank intensified exchange with foreign counterparts to monitor the position of banking groups having subsidiaries in Morocco as well as the establishments of Moroccan banking groups abroad.

Some of these exchanges concerned the examination of the impact of post-crisis toughening of regulatory requirements in some host countries on the subsidiary companies of Moroccan banks.

Bank Al-Maghrib took part, for the second consecutive year, in the supervisory college of a foreign banking group operating in Morocco and was invited to participate in the college of another group in the year 2012.

The goal of the college is to facilitate the exchange among participants for the purpose of developing a common understanding of the risk assessments of various regulators. Within this framework, the supervisory authority of the home country announces its evaluation of the group's risk profile, on a consolidated basis, and the counterparts of the host countries, in turn, present their assessment of the risk factors for the activities for which they are responsible.

The central bank participated in several regional and international conferences and workshops focused on regulatory reforms, banking supervision, macro-prudential monitoring and crisis management. The participants, including Bank Al-Maghrib representatives, were invited to give presentations and share their experience.

Bank Al-Maghrib received the delegations of three central banks as part of study visits to inquire its experience in the supervision of the microcredit sector, IFRS regulation, financial stability and financial inclusion. Concurrently, the Bank was requested by certain countries to contribute with its expertise in certain fields of banking supervision, particularly the deposit insurance system.

Like the previous years, the Bank received many delegations and missions of international financial institutions, rating agencies and foreign banks for talks and discussions on issues relating to the banking sector as well as to regulation and supervision.

In partnership with the Islamic Financial Services Board (IFSB), Bank Al-Maghrib organized a workshop on Islamic finance, with the participation of the representatives of the Ministry of Finance, the banking sector, the Transferable Securities Board, the Supreme Council of Religious Scholars as well as international experts and journalists. This workshop mainly focused on risk management of Islamic products, capital adequacy and banking supervision.

3 - CONCERTED DIALOGUE WITH PROFESSIONAL ASSOCIATIONS

The central bank held, in 2011, several meetings with professional banking associations to examine the implementation of the roadmaps adopted as part of its approach of dialogue and exchange on the reforms and issues directly or indirectly relating to the banking sector.

The topics discussed with the Moroccan Bankers Association (GPBM) this year continued to relate to financial inclusion, access of SMEs and VSEs to bank financing, bank-customer relations, alternative finance and financial education. The "Casablanca Finance City" project was a recurrent point of discussion, as well as payment systems and Central credit information. Discussions with this Association also included the legal and regulatory reforms concerning the banking sector, particularly the law on consumer protection and the one on the protection of individuals with regard to the processing of personal data, on banking taxation as well as on the improvement of the regulatory environment.

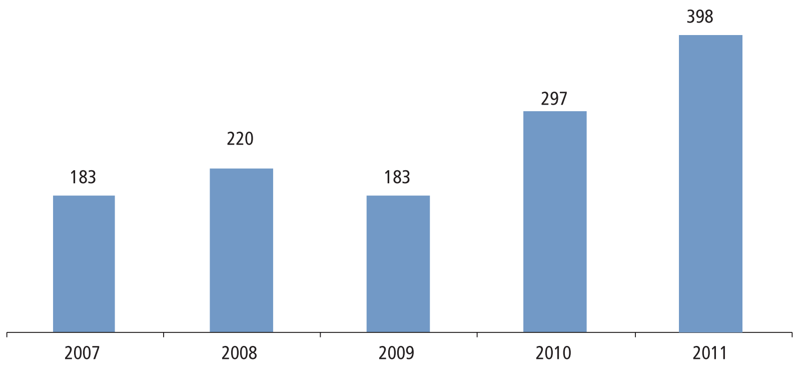
Dialogue with the Professional Association of Finance Companies (APSF) focused on the enhancement of regulatory requirements, taxation issues, competition conditions, banking mediation, and the sale of insurance products to customers.

The issues examined with the National Federation of Microcredit Associations (FNAM) mainly related to the establishment of a solidarity microfinance network pooling eight associations, as part of the restructuring process taking place in this sector, the feeding and consultation of the Credit Bureau, and interest rate practices.

4 - PROCESSING CUSTOMER COMPLAINTS

The number of complaints and inquiries, particularly those submitted by credit institutions' customers that the Banking Supervision Department processed in 2011, posted an increase from 457 in 2010 to 577. Out of this total, the number of complaints reached 398, as against 297 in 2010.

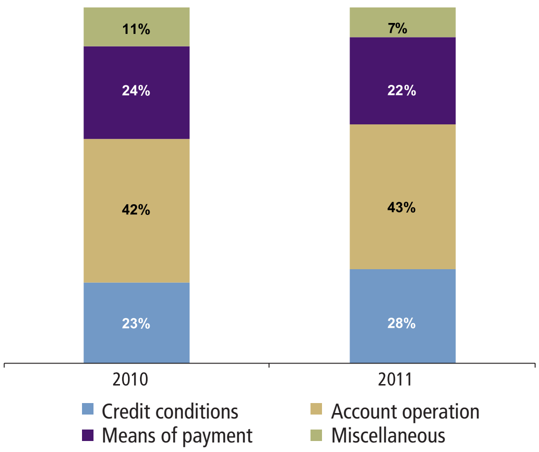
Chart 1: Change in the number of complaints



The breakdown by type shows that the complaints related to the opening and operation of bank accounts increased from 124 to 172, from one year to another. The complaints relating to the bank conditions, particularly as regards credit, rank second, as their number settled at 110, as against 68 in 2010.

With regard to the complaints covering the means of payment, their number also increased from 70 to 86.

Chart 2: Breakdown of complaints by type



The rate of customer complaints which were resolved in 2011 reached 73 percent, as against 63 percent in 2010.

In addition, the Banking Supervision Department handled 181 requests for information on bank accounts as well as 164 requests from the Prosecution, including 110 requests for information on bank accounts and 44 relating to assets freeze measures.

5 - FINANCIAL EDUCATION

The international financial crisis revealed the paramount importance of financial education, showing that the consumers of financial products lacked information on the manner of optimizing the services they use, especially on the assessment of their underlying risks.

Box 3: Definition of financial education and the conditions for its promotion

Financial education is defined by the OECD as the process by which financial consumers/investors:

- Improve their understanding of financial products, concepts and risks;
- Develop, through information, instruction and/or objective advice, the skills and confidence necessary to become more aware of (financial) risks and opportunities;
- Make rational choices, know where to go for help, and take other effective actions to improve their financial well-being.

Promoting financial education should be based on a national strategy for the development of inclusive financial services and involve all stakeholders. It also requires the development of life-long training programs, with special focus on children and young people.

Aware of these challenges, Bank Al-Maghrib organized, in collaboration with the different stakeholders, awareness-raising campaigns to familiarize the general public with basic financial concepts.

A first action of financial education, carried out in March 2012, targeted young people aged between 8 and 17 years. It constitutes the starting point of a reflection in progress on developing a national strategy for financial education, which would pool the individual efforts already made by various actors. It will aim at promoting financial inclusion practices, and contributing to laying the foundations for the development of financial and entrepreneurial capacities among all members of society.

6 - FINANCIAL STABILITY ACTIVITIES

The international financial crisis highlighted the need for an increased role of central banks and supervisory bodies to ensure the stability of the entire financial system. In 2011, the Bank invested more energy to set up a macro-prudential monitoring framework. It also played a proactive role in the reinforcement of crisis resolution coordination mechanisms.

6.1 - Establishing a macro-prudential framework

The regulation of systemic risks rests on an institutional framework and on an operational framework.

Institutionally, significant headway was made to set up mechanisms for crisis prevention and response coordination thereto. From this point of view, the reforms underway, particularly those relating to the new statutes of Bank Al-Maghrib and the Banking Act, provide for new institutional arrangements allowing extended and close cooperation between financial system regulators for the control of systemic risk and crisis resolution.

Similarly, Bank Al-Maghrib set up an in-house financial stability committee responsible for assessing risks to financial stability and examining measures to curb them.

With the ongoing reform of the Banking Act, the Coordinating Committee of Financial Sector Supervisory Bodies, set up under the Banking Act of 2006, should be extended to representatives of the Finance Ministry and play a significant role in the regulation of systemic risks.

In 2011, this Commission examined the progress of legal reforms targeting the various financial sector segments. Setting up a macro-prudential and crisis management framework was also one of the major issues which the Commission reviewed.

At the operational level, Bank Al-Maghrib worked to develop a framework based on two major components:

- An overall risk mapping as a tool aiming to identify and score risks to financial system stability;
- A stress testing framework aiming at quantifying these risks if they happened to materialize.

Like the risk mapping developed in recent years by many central banks, financial regulators and, in the area of global financial stability, the IMF, risk indicators were selected and pooled by pillar in order to structure the analytical framework.

This mapping is designed to develop an integrated approach for risk indicators monitoring and scoring, which would highlight and identify major trends, financial system vulnerabilities and potential contagion channels.

In addition to the risk mapping and scores, stress tests allow for quantifying more precisely the impact of risks identified as significant for financial system stability. To this end, stress testing arrangements revolved around three approaches: stress tests of balance sheet sensitivity, stress tests of interbank contagion, and macro stress tests.

Regarding Balance sheet sensitivity stress testing, they are conducted on an individual basis and sector-wide and aim to measure the impact of a credit, liquidity, of interest rate or of exchange rate shock on banks' balance sheet equilibrium, on capital adequacy or on liquidity position. The choice of scenarios and their calibration are performed by an expert, considering the analysis of historical data on previous shock events, the results of systemic risks assessments based on risk mapping, ratings, and the expected development of such risks.

Concerning interbank contagion stress tests, they aim to assess the risk of contagion of a bank's failure to other banks through their bilateral commitments on unsecured and collateralized interbank markets.

As for macro-stress tests, they are designed to provide elements for the forecasting of some banking activity aggregates compared to the development of the macro-economic, monetary and financial environment, and to evaluate the capacity of banks to absorb macro-economic shocks.

The results of the various stress tests are used to implement some actions in order to reduce the impact of shocks if they happened to materialize.

Box 4: Financial soundness indicators for banks - consolidated basis (%)

	2009	2010	2011
Capital adequacy			
Solvency ratio	11,8	12,3	11,7
Core equity capital/ total risk-weighted assets	9,2	9,7	9,6
Non-performing loans net of provisions/capital	12,7	12,2	12,9
Assets' quality			
Non-performing loans/total gross loans	5,5	4,8	4,8
Sectoral distribution of loans			
Loans to the primary sector	6,0	6,1	5,8
Loans to the building and public-work sector	14,1	13,3	13,9
Loans to the processing industry	15,8	16,4	16,8
Loans to the general government and local communes	4,3	5,0	4,8
Loans to the trade sector	7,0	6,7	6,6
Loans to the tourist sector	3,2	2,9	2,8
Households	27,6	28,1	27,6
Loans to other sectors	22,0	21,5	21,7
Earnings and profitability			
Return on assets (ROA)	1,2	1,2	1,1
Return on equity (ROE)	15,2	14,2	13,4
Interest margin/net banking income (NBI)	76,7	76,3	75,8
General operating expenses/NBI	47,5	46,4	47,9
Liquidity			
Liquid assets / total assets	17,3	12,0	11,4
Liquid assets /short-term liabilities	23,0	16,0	16,1
Foreign exchange net open positions / capital	**13,5**	**10,3**	**7,3**

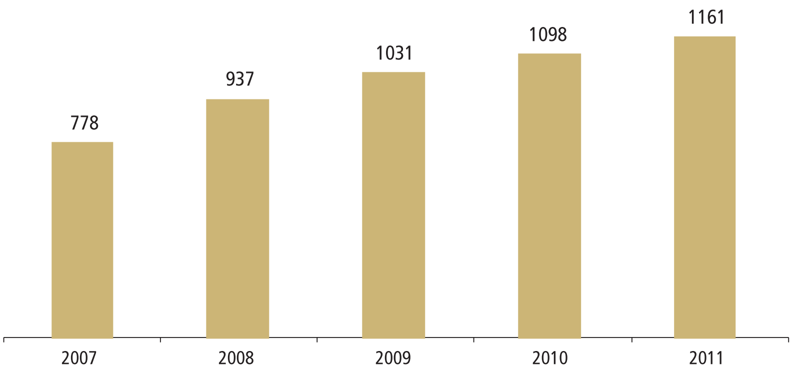
6.2 - Deposit insurance system

As a crucial element of the banking sector's safety net and essential framework for depositors' protection, deposit insurance systems in several countries had their mission consolidated and extended. Thus, these systems increasingly integrate aspects relating to banking crisis prevention and resolution as well as to financial inclusion issues.

In view of these developments, the amendment of the Banking Act provisions on the Fonds Collectif de Garantie des Dépôts (Collective Deposit Insurance Fund) seeks to bring it in line with the best international practices and the core principles of the Basel Committee and the International Association of Deposit Insurers (IADI). The reform will, among others, change the status of the Fund, currently internally managed by Bank Al-Maghrib, by creating an independent body responsible for its management, with the aim being to achieve a better governance and distribution of powers.

At the end of December 2011, the cumulated financial resources of the Collective Deposit Insurance Fund totaled 11.5 billion dirhams, up 14.6 percent. The contributions of subjected credit institutions accounted for 83 percent of these resources, while the remainder consists of reserves. More than four fifths of these resources are invested in Treasury bonds.

Chart 3: Change in the annual contributions of credit institutions (in million dirhams)



The ratio of the Fund's resources to total eligible deposits reached 2 percent at end December 2011, up 20 basis points compared to last year.

For the year 2011, the Collective Deposit Insurance Fund posted an after-tax profit of 296 million dirhams, as against 260 million in 2010.

6.3 - Bank Al-Maghrib membership in MENA regional group backed by the Financial Stability Board

In 2011, the Financial Stability Board (FSB) established six regional consultative groups to exchange views between FSB members and non-members countries on regional and international financial stability, and to involve emerging countries in the development and negotiation of financial reforms, with a view of taking account of the specificities of these countries, and harmonizing the implementation of reforms internationally.

These regional groups aim also to provide a forum for member countries for the purpose of coordinating their actions and confronting the vulnerabilities that could affect the financial systems in the region.

Box 5: Financial Stability Board

The Financial Stability Board is a body set up at the initiative of the G20 to coordinate, internationally, the work of national financial authorities and international standard setting bodies. It brings together national authorities responsible for financial stability, international financial institutions, regulators and supervisors, as well as central banks' expert committees.

The FSB is mainly responsible for:

- assessing vulnerabilities affecting the financial system and identifying and reviewing the actions needed to address them;
- managing cross-border systemic crisis;
- monitoring and advising on market developments and their implications for regulatory policy;
- making recommendations and monitoring best practice in meeting regulatory standards;
- setting guidelines for the establishment of supervisory colleges;
- collaborating with the International Monetary Fund (IMF) to conduct early warning exercises.

The Ministry of Finance and Bank Al-Maghrib joined the MENA regional group which gathers 13 countries. In January 2012, they participated in the first meeting of this group, which reviewed the major financial reforms undertaken at the international level and the priorities for countries in the MENA region. It also discussed the vulnerabilities threatening the stability of the global financial system, the problems of financial stability in the group countries, and the operational framework specific to this group.

7 - MEANS AND RESOURCES OF BANKING SUPERVISION

At the end of December 2011, the staff of the Banking Supervision Department totaled 85 members.

Like the previous years, the development of supervisors' skills constituted a priority for Bank Al-Maghrib. They continued to benefit from a local training program and seminars abroad.

Locally, 15 training sessions were offered to the department's staff members on topics defined on the basis of the priorities and needs expressed by supervisors. They mainly focused on banking supervision issues, including advanced Basel II approaches, asset-liability management, securitization and the fight against money laundering. Supervisors also benefited from other training programs relating in particular to the management of quality and ethics.

The seminars held abroad, totaling 22, primarily dealt with financial regulation, banking supervision and macro-prudential monitoring, including Basel III reform and stress testing.

Staff members of the Banking Supervision Department also took part in conferences, workshops and meetings organized by financial institutions, financial sector regulators, central banks, and standard-setting organizations at the international and national levels, which helped them exchange views and share experiences. The major topics related to the new Basel III framework, the role of deposit insurance in financial crisis resolution, financial stability, microfinance, and Islamic finance.

Under Bank Al-Maghrib policy of support to young students, the Banking Supervision Department hosted 35 trainees in 2011, an increase of almost 60 percent from the previous year. Most internship sessions related to end-of-study projects or dissertations over quite long periods, requiring closer supervision and support for these students.

PART 2

Structure, activity and results of the banking system

I. STRUCTURE OF THE BANKING SYSTEM

Despite less favorable economic conditions, the Moroccan banking system continued during 2011, the development of its network at the national and international levels, as well as the diversification of its activities and services for the purpose of attracting new customers.

1 - NEW LICENSES WERE GRANTED FOR SPECIFIC ACTIVITIES

At the end of 2011, the banking sector consisted of 85 institutions, including 19 banks, 35 finance companies, 6 offshore banks, 13 micro-credit associations , 10 funds transfer companies, Caisse de Dépôt et de Gestion (Deposit and Management Fund), and Caisse Centrale de Garantie (Central Guarantee Fund).

It was reinforced by two institutions in 2011. While the number of banks has hardly changed since 2009, that of finance companies dropped due to a merger by takeover between two consumer loan companies, belonging to the same banking group. Conversely, the micro-credit sector was reinforced with a new entity and that of the funds transfer companies saw the approval of two new entities, thereby increasing their number to 10 companies.

Change in the number of credit institutions and similar bodies

	2007	2008	2009	2010	2011
Banks	**16**	**18**	**19**	**19**	**19**
Including:					
Majority foreign-owned banks	5	7	7	7	7
Majority public-owned banks	5	5	6	6	5
Finance companies	**37**	**37**	**36**	**36**	**35**
Consumer loans companies	20	20	19	19	18
Leasing companies	7	7	6	6	6
Real-estate loans companies	2	2	2	2	2
Surety companies	2	2	2	2	2
Factoring companies	2	2	2	2	2
Payment-means management companies	3	3	3	2	2
Other companies	1	1	2	3	3
Total number of credit Institutions	**53**	**55**	**55**	**55**	**54**
Offshore banks	**6**	**6**	**6**	**6**	**6**
Microcredit associations	**14**	**13**	**12**	**12**	**13**
Funds transfer companies		**7**	**9**	**8**	**10**
Other institutions	**3**	**3**	**2**	**2**	**2**
Total	**76**	**84**	**84**	**83**	**85**

As shown by the table above, the Moroccan banking system is characterized by great diversity. It includes banks and other institutions operating in specialized fields. Banks, in particular, include regional as well as medium-size and small institutions. They comprise both universal banks and banks engaged in market activities or targeting particular customers.

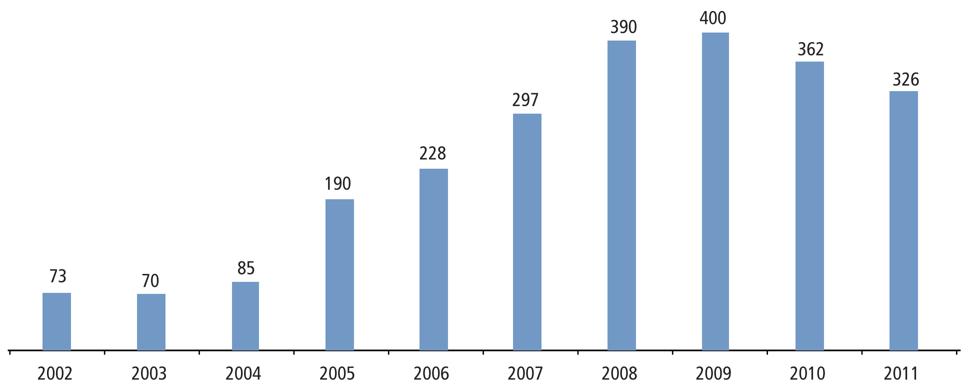
Shareholding of the banking system also shows diversity, with a downward trend of the share held by the public sector in the capital of certain banking institutions, and the notable presence of foreign interests in the capital of several institutions. Thus, at the end of 2011, public shareholding held majority interests in 5 banks and 5 finance companies. At this same period of time, 7 banks and 10 finance companies were majority owned by foreign financial institutions.

The banking sector continues to serve as the chief contributor to market capitalization, with a share of 32 percent. At the end of 2011, fourteen credit institutions, including six banks, were listed in the stock exchange, unchanged from previous years.

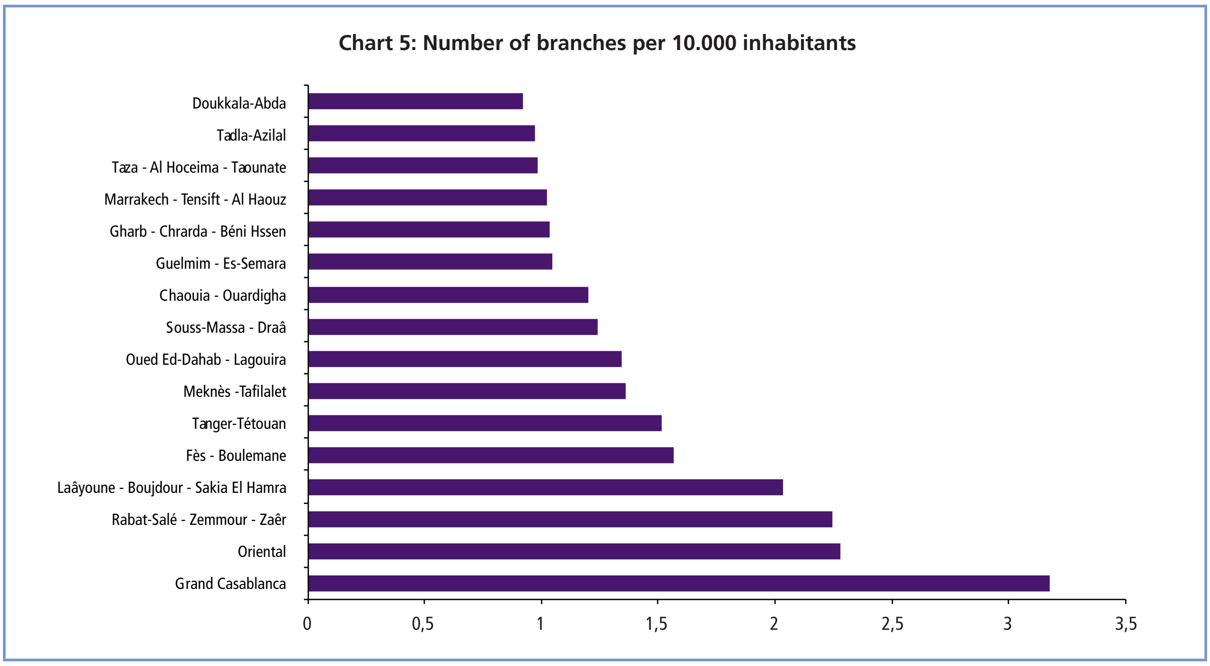
2 - BANKS CONTINUED THE DEVELOPMENT OF THEIR BANKING NETWORK

During 2011, banks opened 326 new branches, as against 362 in 2010, bringing their network to 5.113 annual units.

Chart 4: Number of branches opened annually by banks

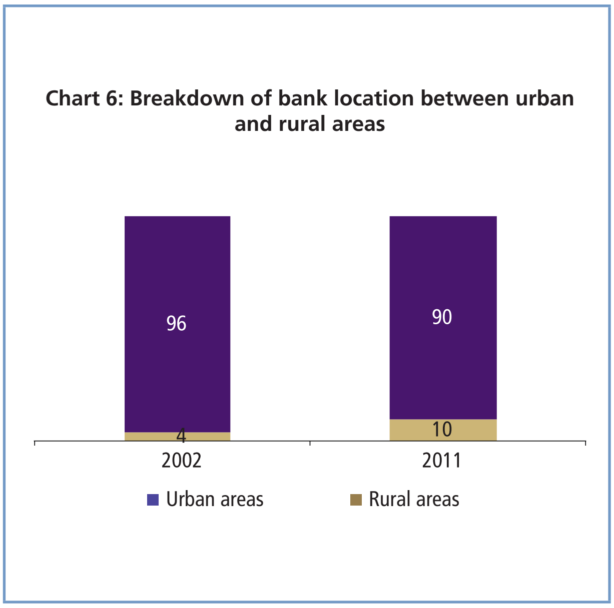


The analysis of the regional distribution of banks, operating nationwide shows that the regions enjoying a crucial economic activity, or having a sizeable Moroccan community living abroad continue to experience a significant density.



Banking density, measured by the number of branches per 10.000 inhabitants, stood on average at 1.6 branch, as against only 0.6 in 2002. As by Chart No. 5 above, this average rate covers disparate situations between regions.

Although the expansion of the banks' network covered the entire set of regions, banking density remained marked by a concentration in the major urban areas, as rural areas accommodate only 10 percent of this network, as against 4 percent ten years ago.

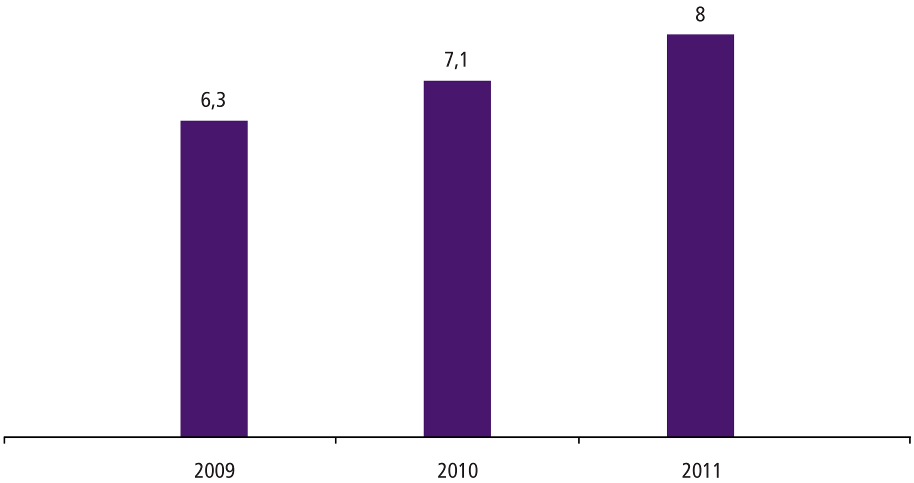


Concurrently, banking institutions continued their policy aimed at serving new segments of the population, while modernizing the services offered.

Thus, the banking rate, calculated by dividing the total number of accounts opened with banks by the total population, improved by 4 points from one year to the next, to stand at more than 54 percent, reflecting the effort made to achieve the goal of providing access to banking services for two thirds of the population in the 2 or 3 years to come.

The set of automated teller machines (ATM), which has quintupled since 2002, has strengthened further, in 2011, by 480 new ATMs, actually bringing their total number to 5.024 units.

Chart 7: Change in the number of bank cards in circulation (in million)



In parallel, the number of issued bank cards reached 8 million at the end of 2011, up 13.6 percent. They are still used mainly as a cash withdrawal tool. Indeed, the number of cash withdrawal transactions reached approximately 162 million, up 17 percent, following that of 16 percent in 2010. They covered a total of 138 billion dirhams, instead of 118 billion in the previous year.

On the other hand, the card payments concerned 12.4 million transactions only for a total value of 7.6 billion, instead of 10 million transactions and a value amounting to 6.3 billion dirhams in 2010.

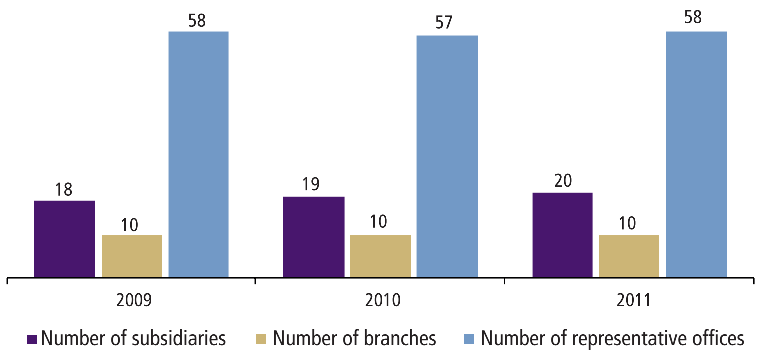
Following up its upward trend, the number of e-commerce transactions stood at nearly 654.000, up 130 percent. These transactions involved a total amount of 486 million, instead of 277 million dirhams in the previous year.

3 - THE PRESENCE OF MOROCCAN BANKS ABROAD FURTHER EXPANDED

Driven by the ambition to achieve economies of scale and to find new growth relays, and in order to support Moroccan operators in their development internationally, particularly in Africa, a market segment with strong potential for growth, Moroccan banks continued their expansion abroad. Their subsidiary network, based mostly in Sub-Saharan Africa, was reinforced by a new entity based in Cameroon; their representative offices, most of which are concentrated in European countries, increased by one unit, whereas the number of branches remained unchanged.

At the end of December 2011, banks have a total of 20 subsidiaries, 10 branches and 58 representative offices. These subsidiaries and branches have more than 900 outlets.

Chart 8: Change in the number of banks based abroad

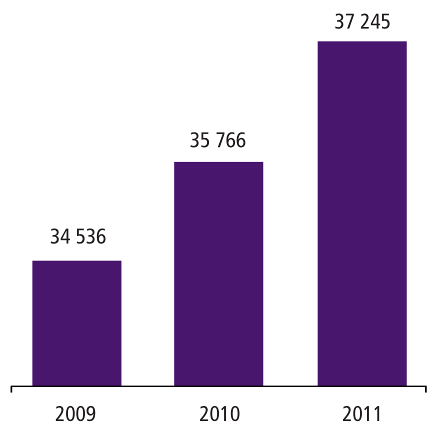


4 - BANKING SECTOR PERSONNEL CONTINUED TO INCREASE

At the end of 2011, the personnel of credit institutions and similar bodies increased of 3.4 percent, totaling nearly 46.900 agents.

In order to support the development of their activities, banks increased their staff by 4 percent to stand at 37.245 employees, a higher growth compared to the previous year, which was 3.5 percent.

Chart 9: Change in the number of banks' personnel



Finance companies' number of employees rose by 2.4 percent to stand at 3.380, 57 percent of which are employed by consumer loan companies and 11 percent by leasing companies.

Chart 10: Change in the number of finance companies' personnel

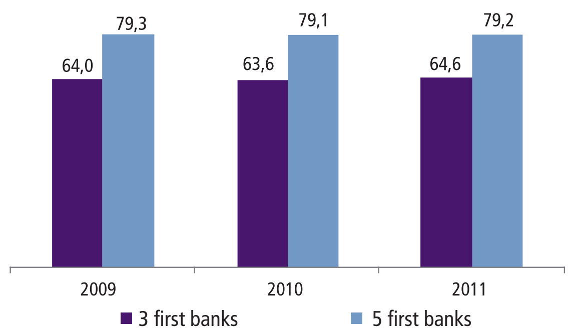
5 - MARKET SHARES OF BANKS REMAINED OVERALL STABLE

The level of banking concentration is entered through the share of assets and that of deposits and loans held by the three and the five first banks.

5.1 - Concentration of banks' activity on an individual basis

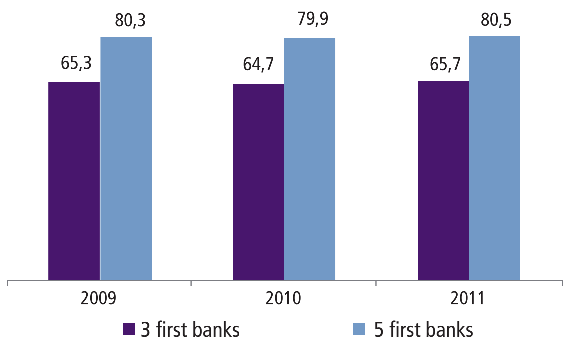
The share of the first three banks in total assets rose by one point to 64.6 percent from one year to the next. That of the first five banks remained unchanged at 79.2 percent.

Chart 11: Total assets concentration (in %)



The concentration of the deposits recorded a rise by one point to stand at 65.7 percent for the first three banks, and by 0.6 point to 80.5 percent for the first five banks.

Chart 12: Deposits' concentration (in %)



With regard to loans, the first three banks were behind 64.1 percent of the outstanding amount distributed, up 1.4 point and the first five generated 80.6 percent, up 0.9 point.

Chart 13: Credits' concentration (in %)

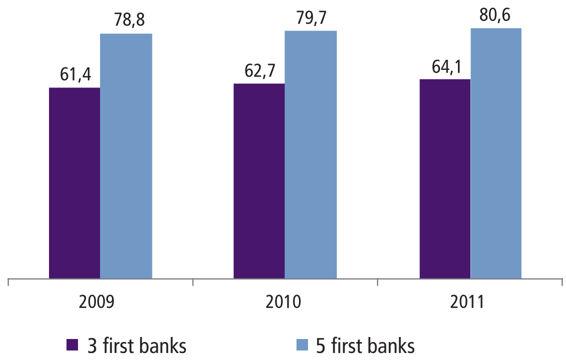
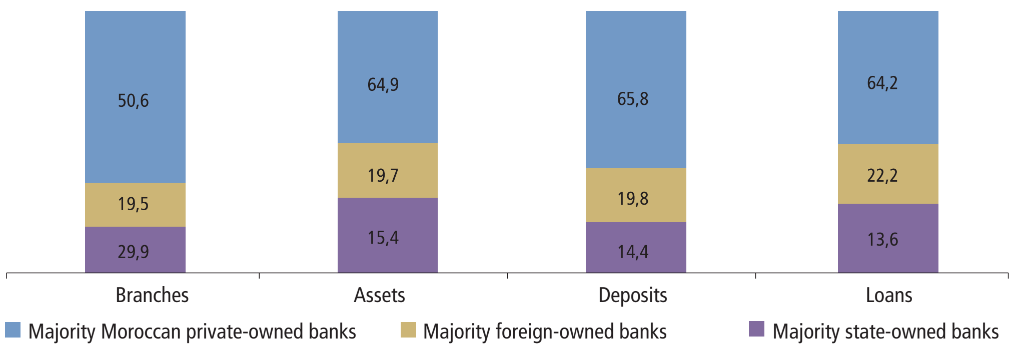


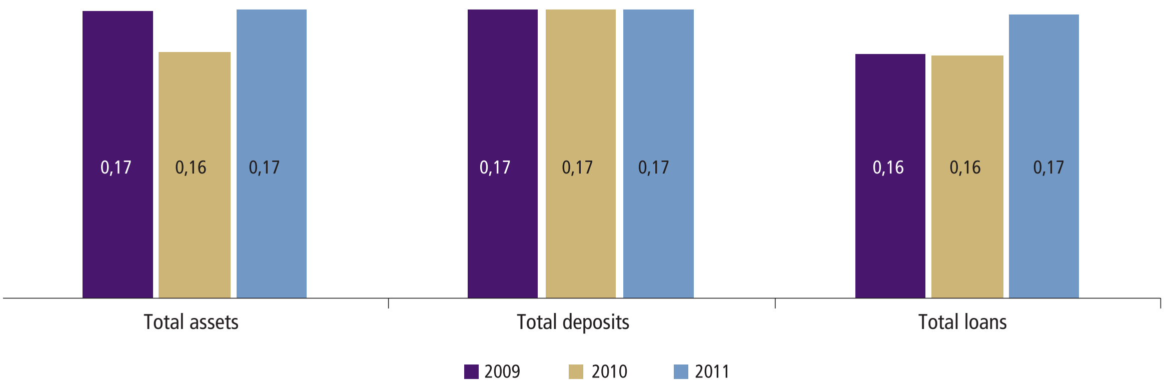
Chart 14: Ownership's concentration (in %)



The analysis of concentration on the basis of shareholding indicates that at the end of 2011, the majority Moroccan private-owned banks, benefiting from their extended network, boasted 50.6 percent of branches, 64.9 percent of total-credit, 65.8 percent of deposits and 64.2 percent of loans. The majority foreign-owned banks held

19.5 percent of branches, 19.7 percent of total-assets, 19.8 percent of deposits and 22.2 percent of loans. The majority state-owned banks, in turn, concentrated 29.9 percent of banks branches, 15.4 percent of total-assets, 14.4 percent of deposits and 13.6 percent of loans.

Chart 15: Banking concentration based on the Herfindahl-Hirshman Index



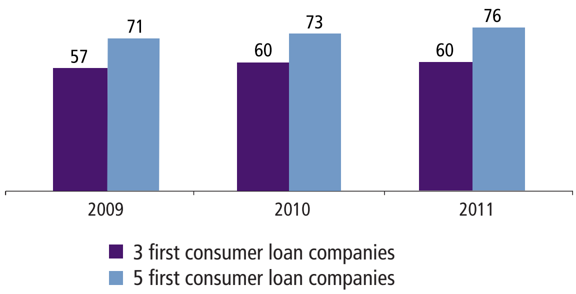
The results of Herfindahl-Hirshman Index1 showed that the level of concentration of the Moroccan banking market is moderated in term of assets, loans and deposits alike.

5.2 - Concentration of finance companies' activities

The share of the three major consumer loan companies, in the sector's total assets, remained unchanged at 60 percent, while that of the first five grew by 3 points to 76 percent, due to the merger by takeover operation which witnessed the sector.

Consumer loan companies affiliated to financial institutions, 11 in number, saw their part re-releasing in 97 percent of the total - assets.

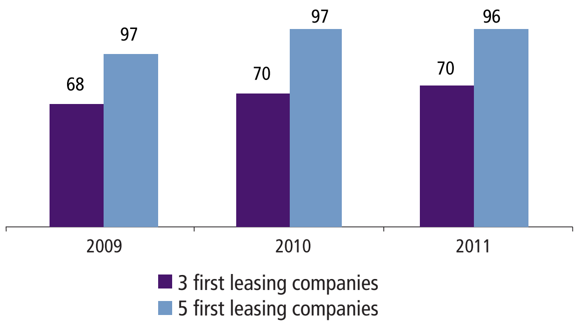
Chart 16: Total assets concentration of consumer loan companies (in %)



1 This indicator, defined as the sum of the squares of the market shares, ranges between 0 and 1. An index below 0.10 indicates little concentrated market, a market moderately concentrated, if it ranges between 0.10 and 0.18, and a strongly concentrated market for a value higher than 0.18.

Concerning leasing companies, the position of the 3 major companies stood at 70 percent and that of the five first ones at 96 percent.

Chart 17: Total assets concentration of leasing companies (in %)



5.3 - Concentration of credit activity on an aggregate level

On an aggregate basis, the concentration level increased compared to 2010. Indeed, the share of the 3 major banking groups in total loans grew by 2 points to 64 percent. On the other hand, that of the 5 major groups was maintained at 81 percent.

Change in loans' concentration on an aggregate basis (in %)

	Cash facilities and equipment loans to businesses			Real-estate loans			Consumer loans			Total of loans		
	2009	2010	2011	2009	2010	2011	2009	2010	2011	2009	2010	2011
The 3 first banks	57	62	63	64	64	64	63	65	66	59	62	64
The 5 first banks	77	81	82	82	81	82	83	84	84	78	81	81

The analysis of the concentration by type of credit showed that the first three banking groups distributed 63 percent of cash facilities and equipment loans, 64 percent of real estate credit and 66 percent of consumer loans. The share of the five major groups rose to 82% for the first two categories of credit and to 84 percent for the third.

II. BANKING ACTIVITY AND RESULTS

In an international context marked by a significant slowdown of activity in the major partner countries of Morocco, the year 2011 was characterized by a weak growth of foreign demand, which resulted in a deceleration of export-related activities. On the other hand, the strength of domestic demand boosted growth in the other sectors, particularly the building and public-works.

In spite of this context, the banking system managed to maintain its resilience, posting good indicators of activity and profitability, confirming thereby the good performances achieved in the previous years.

1 - BANKS ACTIVITY GREW MORE SIGNIFICANTLY THAN IN 2010

With regard to assets, the development of banking business was driven by the momentum in credit activity and the rise of securities portfolio. The growth of liabilities was due both to the increase of deposits as well as to that of market resources.

1.1 - Banks' assets developed as a result of the good performance of credit and securities activities

At the end of 2011, banking activity posted a new rise more significant than in 2010. The cumulative total balance sheet increased by 9.6 percent, after 3.6 percent one year earlier, to stand at 971 billion dirhams1. While loans to credit institutions and similar bodies dropped, loans to customers and securities portfolio positively contributed to this growth.

Banks total balance sheet accounted for 121 percent of GDP, up 5 points compared to 2010.

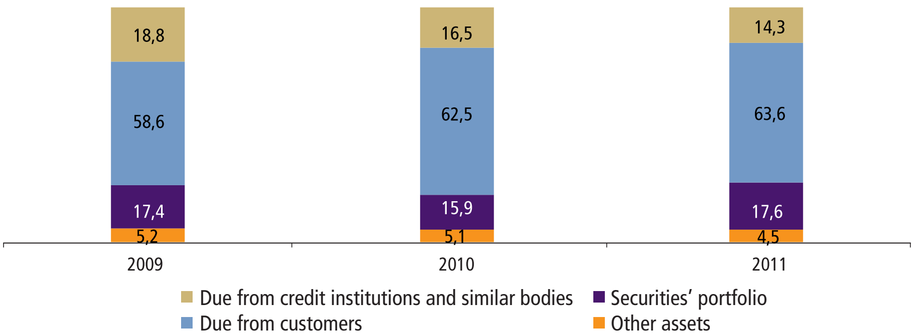
Change in banks' assets (Activity in Morocco) (In million dirhams)

	2009	2010	2011	Change 2010/2011 (In %)
Due from credit institutions and similar bodies	**161 608**	**146 057**	**139 271**	**-4,6**
Due from customers	**500 394**	**553 432**	**617 391**	**11,6**
Securities' portfolio	**148 357**	**140 539**	**171 098**	**21,7**
Including Treasury bills	80 705	69 290	86 288	24,5
Fixed assets	**16 981**	**18 431**	**19 776**	**7,3**
Other assets	**27 184**	**27 157**	**23 399**	**-13,8**
Total	**854 524**	**885 616**	**970 935**	**9,6**

1 The data of 2009 and 2010 differ slightly from those published in the 2009 and 2010 reports, due to taking into account the data of Al-Barid Bank for the first time.

Banks activity remained concentrated on the domestic market, banks' foreign currency assets with nonresident counterparties represented less than 2 percent of their total balance-sheet at end 2011.

Chart 18: Banks' assets structure (in %)



Banks' assets structure was marked by a strengthening in loans to customers, as their share increased by 1.1 point to 63.6 percent. The securities portfolio, driven by the positive trend of Treasury bond acquisitions, has increased its share by 1.7 point to 17.6 percent. Conversely, the share of loans to credit institutions and similar bodies dropped by 2.2 points to 14.3 percent.

1.1.1. Loans to credit institutions and similar bodies dropped, in response to the drop in deposits with the Central bank

With an outstanding amount of 139.3 billion dirhams, loans to credit institutions and similar bodies dropped by 4.6 percent from one year to the next, due to the decrease of deposits with the Central bank and, to a lesser extent, interbank loans on the local market, despite the rise of investments with banks based abroad and the recovery of loans to finance companies.

Out of this total, foreign currency loans amounted to 29.6 billion, posting a new drop of almost 3 percent, after that of 20 percent in 2010.

To meet the challenges of the tightening bank liquidity and after the successive drops, in the previous years, of the monetary reserve ratio, Bank Al-Maghrib, in April 2011, excluded from the basis for calculating this reserve, passbook accounts in order to reduce the pressures on the interbank market. Under such conditions, banks' deposits with the central bank contracted by 15.7 percent to 25.3 billion dirhams.

Loans denominated in dirhams and foreign currency to local banks contracted by 1.8 percent to 18.4 billion dirhams, as a result of the fall of financial loans by 24.5 percent to 4.3 billion and repurchase agreements by 11.5 percent to 3 billion, whereas cash facilities rose by 14.9 percent to 11 billion dirhams.

Accounting for hardly 8 percent of the total loans to credit institutions and similar bodies, investments with banks based abroad rose by 23.7 percent to 11 billion dirhams, as against a drop of 44.3 percent the previous year.

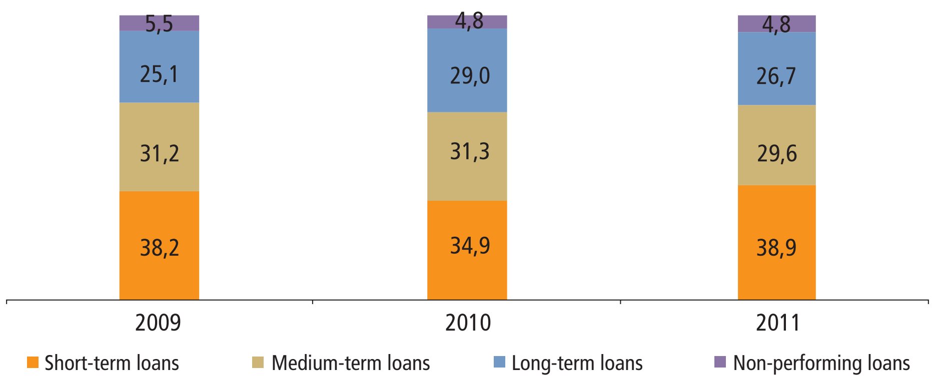
After the drop of 7.8 percent recorded in 2010, loans to finance companies rebounded by 6.2 percent to 50.8 billion dirhams, including 36.4 billion in the form of financial loans and 14.4 billion in cash facilities.

Loans to other credit institutions, in turn, fell by 15 percent to 32.7 billion dirhams, as a result of the 10.6 percent drop of loans to offshore banks.

1.1.2. Loans to customers recorded a more significant growth

The growth of loans was stronger compared to 2010, owing to the increase of liquidity facilities to businesses and loans to households. Hence, their outstanding amount totaling 685.5 billion dirhams[1] at end 2011, rising by 11.2 percent, as against 8.5 percent in 2010. However, a significant part of this growth was achieved in the last month of the year under review, as shown by the average monthly development of loans, which stood at 8 percent. Compared to GDP, the outstanding amount of loans amounted to 86 percent, up from 81 percent a year earlier.

Chart 19: Disbursement loans by term (in %)



Driven by a faster rise of cash facilities, the outstanding amount of short-term loans increased by 24 percent to 267 billion dirhams, as against a slight drop in 2010, their share rising from 35 percent to 39 percent. On the other hand, medium and long term loans, after increasing by 16 percent a year earlier, saw their rate of progress slowing down in 3,8 %. Their outstanding amount stood at 385.8 billion, representing a share of 56.3 percent, down from 60.3 percent in the previous year.

After the successive falls recorded since 2005, banks' non-performing loans increased by 10 percent to an outstanding amount of 32.7 billion dirhams, in response to the deterioration of the credit quality of certain sectors

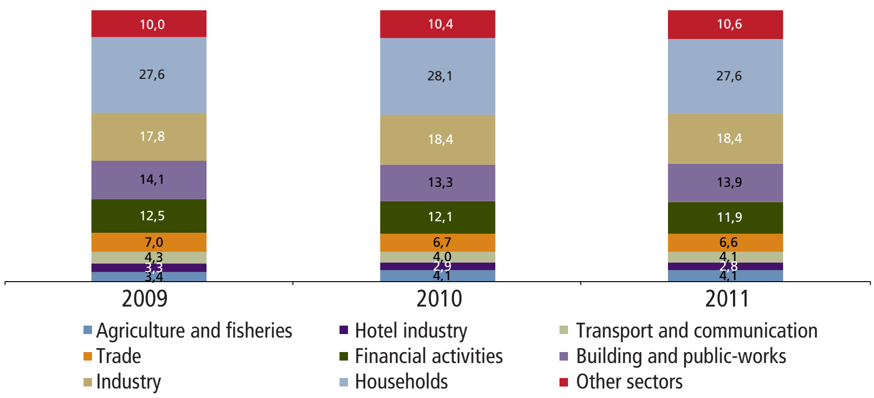
1 The data on loans are calculated from a prudential point of view. They are different from those adopted within the framework of monetary statistics.

having suffered the by-effects of the international economic crisis affecting the partner economies of Morocco. The rise of risks concerned the sectors of building and public-works, sea transport and tourism. However, the average ratio of non-performing loans stood at around 4.8 percent.

Non-performing loans were covered by provisions up to 69 percent, as against 70 percent in 2010.

Sectoral breakdown of disbursement loans shows that most sectors of the economy have maintained their shares unchanged, except for households whose weight dropped slightly to the benefit of the construction and public-works sector.

Chart 20: Sectoral breakdown of disbursement loans (in %)



After a limited rise to 2.2 percent the previous year, loans to the building and public-works' sector rose by 16.2 percent to 95 billion, nearly 71 percent were allocated to real estate developers. This sector's share in total loans increased by 0.7 point to approximately 14 percent.

The sector of industries' loan outstanding amount disposed of 126.3 billion, up 11.2 percent, as against 12.4 percent recorded a year earlier. Its share in total loans posted 18.4 percent, similar to that of 2010. This development benefited the activities relating to the water and energy sector as well as to the manufacturing industries.

Thus, the outstanding amount of loans to the energy and water sector increased by 28.8 percent to 31.2 billion, in response to the rise of the working capital requirements of oil companies. The outstanding amount of loans to the manufacturing industries sector, in turn, rose by 8.6 percent to 83.8 billion, as against 10.2 percent in 2010. On the other hand, the growth of loans allocated to the mining sector contributed negatively to the development of loans to the secondary sector.

In response to the recovery of loans to finance companies, the outstanding amount of loans to the financial activities sector stood at 81.6 billion dirhams, up 9.7 percent, a rate higher than the 5 percent recorded in 2010. However, the share of this sector in total loans was maintained at nearly 12 percent.

Accounting for 6.6 percent of the total, the loans granted to the trade sector rose by 9 percent to 45 billion, up from 4 percent a year earlier, particularly due to the increase of loans granted to cereal traders and large-scale retailers.

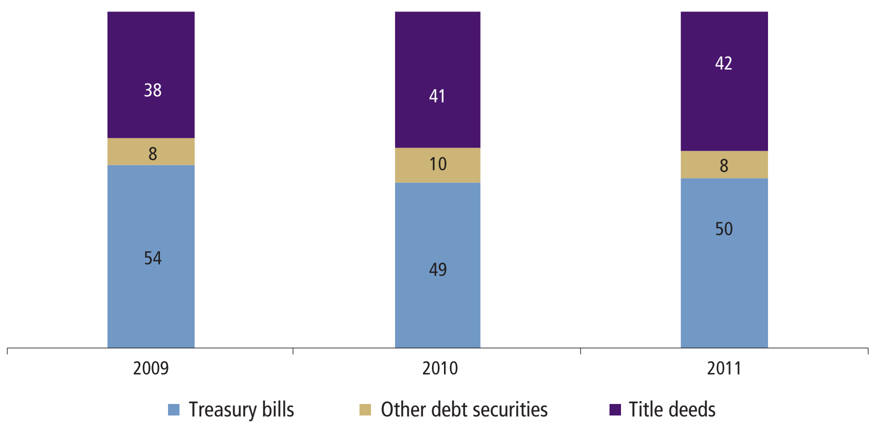
Loans to the hotel industry, accounting for 2.8 percent of the total, recovered by 8 percent to 19 billion dirhams, after a 4.9 percent decline in 2010, a year marked by the writing-off of non-performing loans.

Accounting for 27.6 percent of the total, loans to households, whose outstanding amount stood at almost 189 billion dirhams, grew by 9.2 percent, down from 10.4 percent in 2010. Nearly 72 percent of these loans financed the acquisition of housing units.

1.1.3. Securities portfolio rose owing to the significant increase in Treasury bills acquisitions

After a drop of 5.2 percent in 2010, the overall securities portfolio held by banks, at a gross amount of 172.4 billion dirhams, increased by 21.3 percent. The structure of this portfolio underwent changes compared with the previous year, with a slight increase of the share of Treasury bills and that of Title deeds, together accounting for 92 percent of the total, and a drop in the share of debt securities to 8 percent.

Chart 21: Structure of securities portfolio

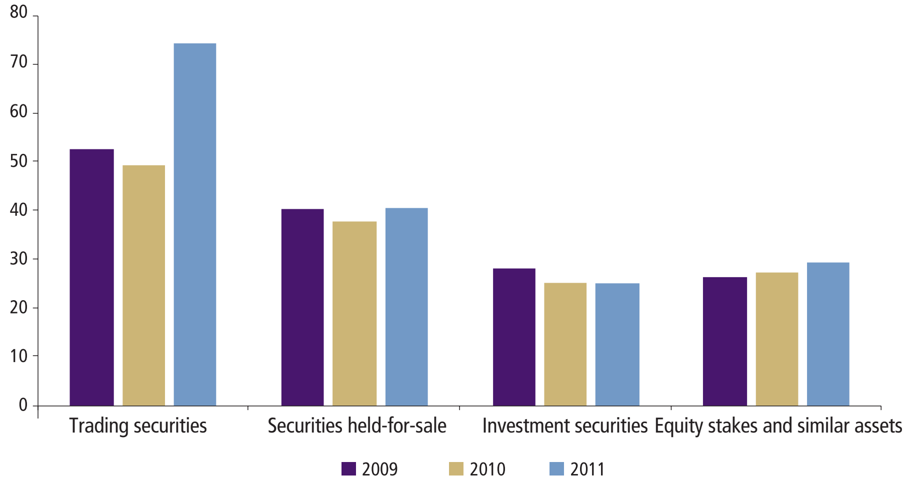


To meet its financing needs, the Treasury had to resort to the debt market, particularly long-term bonds. Also, the portfolio of banks' Treasury bills, amounting to 86.3 billion, or nearly 9 percent of assets, up from 7.8 percent one year earlier, rose by 24.5 percent, as against a drop of 14.1 percent the previous year.

Concurrently, title deeds, accounting for 42 percent of total portfolio, increased by 24.6 percent to 72.2 billion, a trend induced mainly by the acquisition of UCITS shares. Conversely, the other debt securities dropped from 5.2 percent to 13.8 billion dirhams.

The analysis of securities portfolio according to the rules of purposive accounting shows that the trading securities accounted for 44 percent of the total, followed by securities held-for-sale at 24 percent and equity and investment securities at 17 and 15 percent respectively.

Chart 22: Change in securities' portfolio classified according to purposive accounting (in billion dirhams)

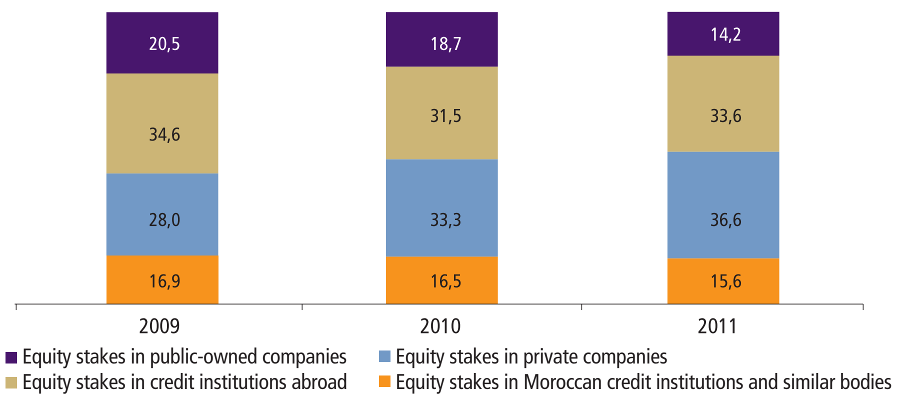


In order to improve their position in terms of liquid assets, banks had to reinforce their trading portfolio which can be easily mobilized, though conducting new acquisitions of Treasury bills or resorting to security borrowing transactions. Composed of 48 percent of Treasury bills, 49 percent of title deeds and 3 percent of other debt securities, the trading portfolio rose from 52 percent to 75.7 billion dirhams.

Concurrently, the portfolio held-for-sale, standing at 41.2 billion, rose by 5.8 percent and the outstanding amount of investment portfolio, exclusively composed of debt securities, stagnated at 25.5 billion dirhams.

The reinforcement of banks' investment in the capital of credit institutions abroad and companies based in Morocco triggered the rise of the equity portfolio by 8 percent, up from 4 percent the previous year. The outstanding amount of these securities reached 30 billion, including nearly 72 percent in the form of shareholdings in affiliated companies.

Chart 23: Breakdown of equity stakes' portfolio by type of counterparty (in %)



The total amount of shareholdings in the capital of credit institutions based abroad amounted to 10.7 billion, up 19.6 percent, following a 30.5 percent rise in 2010. This outstanding amount accounted for 37 percent of equity securities portfolio and nearly 14 percent of banks' equity capital.

The provisions for the depreciation of securities portfolio fell by 3 percent to 1.3 billion dirhams, 88 percent of which were allocated to covering equity securities and similar assets.

1.2 - Accelerated recourse of banks to market funding

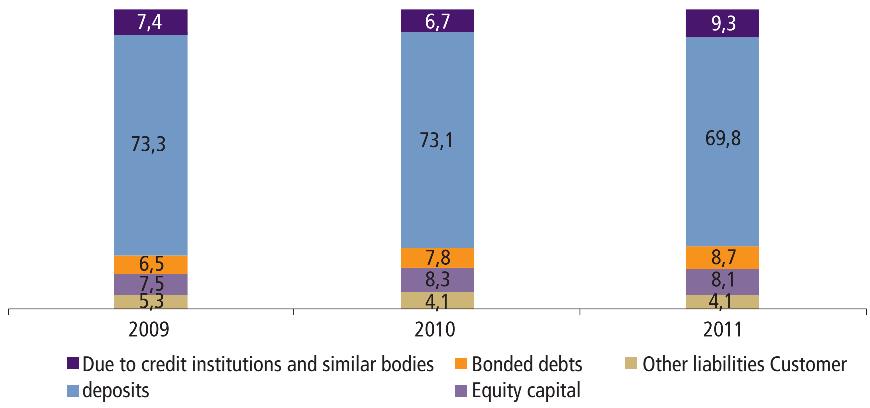
Taking into account the persistence of tight liquidity, banks have been forced to diversify their liabilities and adapt their asset-liability management. Along these lines, they endeavored to rebalance their balance sheet by extending the maturity of liabilities, particularly resorting to the private debt market.

Change in banks' liabilities (Business in Morocco) (in million dirhams)

	2009	2010	2011	Change 2010/2011 (in %)
Due to credit institutions and similar bodies	**62 742**	**59 226**	**90 151**	**52,2**
Customer deposits	**626 628**	**647 852**	**677 248**	**4,5**
Bonded debts	**55 830**	**68 546**	**84 318**	**23,0**
- Issued debt securities	36 476	48 472	62 708	29,4
- Subordinated debts	19 354	20 074	21 610	7,7
Capital	**64 033**	**73 707**	**78 434**	**6,4**
Net income	**9 218**	**9 728**	**10 060**	**3,4**
Other liabilities	**36 072**	**26 557**	**30 724**	**15,7**
Total	**854 523**	**885 616**	**970 935**	**9,6**

Hence, the structure of liabilities underwent changes compared to 2010. Thus, the proportion of deposits collected from customers dropped by 3.3 points to 69.8 percent, whereas the share of the debts due to credit institutions and similar bodies rose by 2.6 points to 9.3 percent and that of bonded debts rose 0.9 point to 8.7 percent. Regarding to equities, their share was overall maintained at 8.1 percent.

Chart 24: Structure of banks' liabilities (in %)



Like assets, foreign currency liabilities of banks held by non-residents accounted for less than 2 percent of banks' total liabilities.

1.2.1. Refinancing with the Central Bank increased

Due to the increasing recourse of banks to the Central Bank money, their debts to credit institutions and similar bodies increased by 52.2 percent, as against a drop of 5.6 percent a year earlier, to reach an outstanding amount of 90.2 billion dirhams. This trend resulted from an increase in dirham-denominated debts by 55 percent to 58.6 billion and currency-denominated debts by 45.3 percent to 31.6 billion dirhams.

The outstanding debts of banks to the central bank rose year-on-year from 11 to 34 billion dirhams.

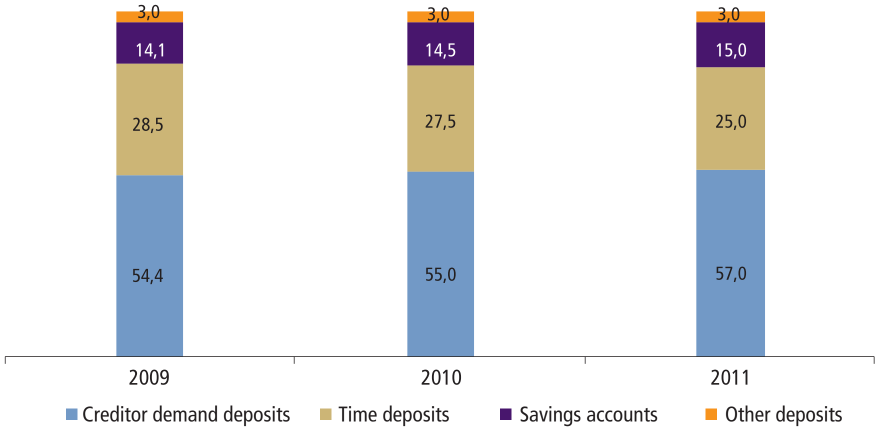
Banks' dues to local banks, after rising 33 percent last year dropped by 6.6 percent to 23 billion, including 11 billion in cash facilities, 3 billion in financial loans and 8.8 billion in repurchase agreements. Debts due to credit institutions abroad almost doubled to 16.5 billion, accounting for 18 percent of the total debts due to credit institutions and similar bodies.

1.2.2. Growth of deposits continued owing to the trend of non-interest bearing demand deposits

After an increase of 3.3 percent the previous year, deposits collected from customers, whose trend was characterized by stagnation during the first half of the year under review, totaled more than 677 billion dirhams, at the end of December 2011, up 4.5 percent. This trend is attributed to the good performance of demand deposits, as time deposits posted a more significant drop compared to the previous year. Deposits accounted for 84 percent of GDP, down one point compared to 2010.

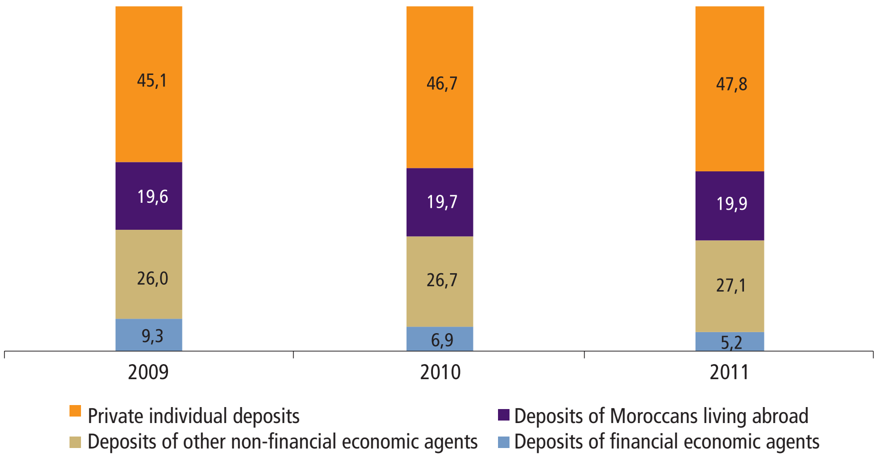
Thus, demand deposits rose by 8.3 percent to 386 billion dirhams, as against 4.3 percent the previous year and savings accounts, amounting to 102.2 billion, increased by 9 percent, up from 6 percent. On the other hand, time deposits showed a fall of 5.2 percent to 169 billion dirhams, a trend which reflects the impact of the arbitrations of wholesale depositors to the benefit of alternative investments.

Chart 25: Change in the share of different deposits categories (in %)



The analysis of deposits by economic unit showed that the deposits of resident private individuals, standing at 322.5 billion, rose by 7.4 percent, from 7.1 percent in 2010, while the deposits of Moroccans living abroad, amounting to 134,2 billion, increased by 5.7 percent, up from 4.5 percent.

Chart 26: Structure of deposits by economic unit (in %)

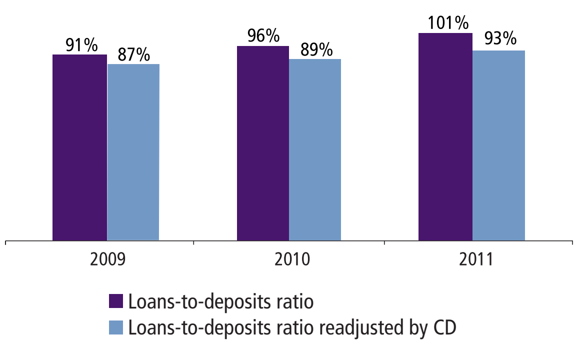


Deposits of other non-financial economic agents reached 183 billion, up 6.3 percent, as against 6.5 percent the previous year. Accounting for 5.2 percent of total deposits, the resources collected from financial economic agents1, which are of a volatile character, posted a new drop of 22 percent, following the decrease of 23 percent recorded in 2010.

Foreign currency deposits amounted to 8.4 billion dirhams, up 22 percent and deposits denominated in convertible dirhams increased by 4.6 percent to 14 billion. They together accounted for 3 percent of total deposits.

Taking account of these developments, the loans-to-deposits ratio, once again increased to 101 percent, up 5 points. If the outstanding amount of certificates of deposits issued by banks is taken into account, this ratio stood at 93 percent.

Chart 27: Banks' loans-to-deposits ratio (ratio between credits and deposits)

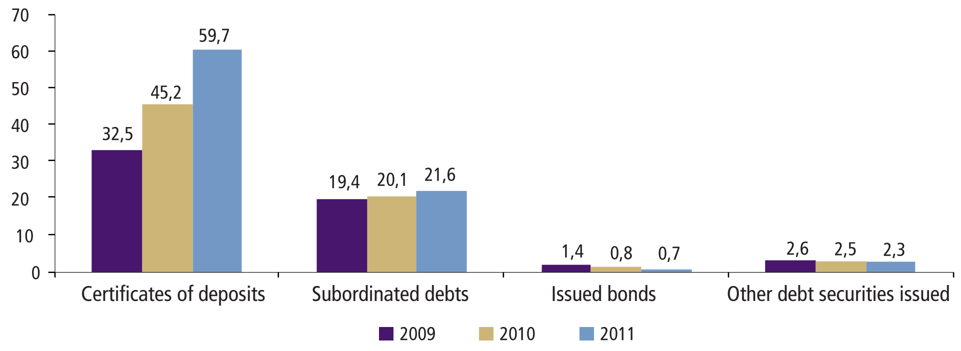


1.2.3. Banks continued the development of their stable liabilities

Concurrently with the development of their deposits, banks continued to diversify their liabilities, through recourse to the private debt market. At end December 2011, the outstanding amount of bonded debts, amounting to 84.3 billion, grew at the same pace as in 2010, or 23 percent; a trend mainly driven by the rise of certificates of deposits.

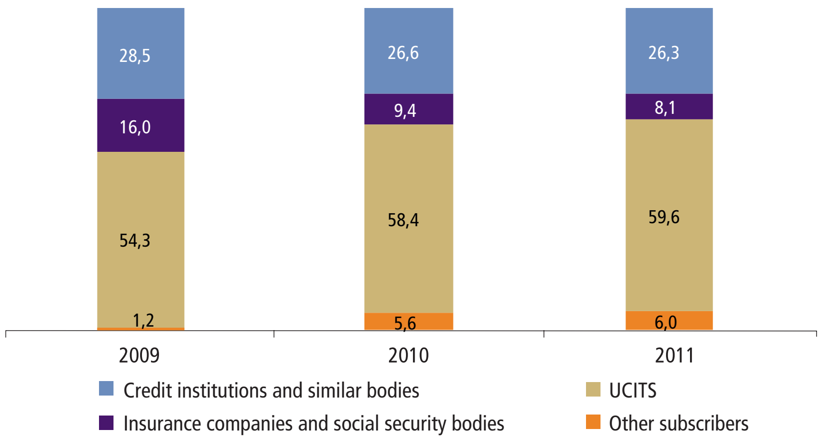
1 Other than credit institutions and similar bodies

Chart 28: Change in bonded debts (in billion dirhams)



Accounting for 71 percent of total bonded debts, certificates of deposits, amounting to 59.7 billion dirhams, increased by 32 percent, slightly shrinking as compared to the 39 percent growth recorded in 2010.

Chart 29: Breakdown of the outstanding amount of certificates of deposit by type of subscribers (in %)



The analysis of issued certificates of deposits by initial subscribers indicates that the contribution of UCITS increased by 1.2 point to 59.6 percent, to the detriment of the share of credit institutions and similar bodies, which dropped by 0.3 point to 26.3 percent and that of insurance companies and social security bodies, which dropped by 1.3 point to 8.1 percent.

Bonds and other issued debt securities, accounting for less than 5 percent of the total, once again decreased by 17 percent and 7.5 percent respectively.

For their part, subordinated debts, with an outstanding amount of 21.6 billion dirhams, rose by 7.7 percent, up from 3.7 percent in 2010.

1.2.4. Banks' equity capital strengthened

Banks' equity capital was reinforced thanks to new capital increase operations and, to a lesser extent, to the transfer of part of their profits to reserves. They amounted to 78.4 billion, up 6.4 percent, from 15.1 percent in 2010. Their share in total liabilities stood at 8.1 percent, as against 8.3 percent a year earlier.

1.3 - Off-balance operations increased at a strong pace

Banks' off-balance sheet items consist of given or received financing and guarantee commitments as well as of commitments in foreign currencies and derivatives.

Commitments given by banks amounted to 185 billion dirhams, up 6.8 percent, due to the growth of guarantee commitments by 15 percent to 111 billion, whereas financing commitments, especially in the form of confirmed credit lines, decreased by 4 percent to 74 billion dirhams.

Financing and guarantee commitments given to customers, accounting for 78 percent of the total commitments given, increased by 4 percent to 145.5 billion. Concurrently, commitments given to credit institutions and similar bodies rose by 18 percent to 39.5 billion dirhams.

Commitments received from credit institutions and similar bodies, amounting to 52.4 billion, increased by 3 percent. They consist of financing commitments with an outstanding amount of 3.3 billion, up 3.7 percent, and guarantee commitments mainly to cover risks exceeding the regulatory requirements, amounting to 49.1 billion, up 3 percent.

After an increase of 2.2 percent a year earlier, currency commitments rose by 53.8 percent to 129.4 billion. While foreign cash transactions dropped by 27 percent to 10.1 billion, forward transactions increased by 69.7 percent to 119.3 billion. Such trend reflects the increased recourse of operators to the hedging mechanisms against the exchange rate risk.

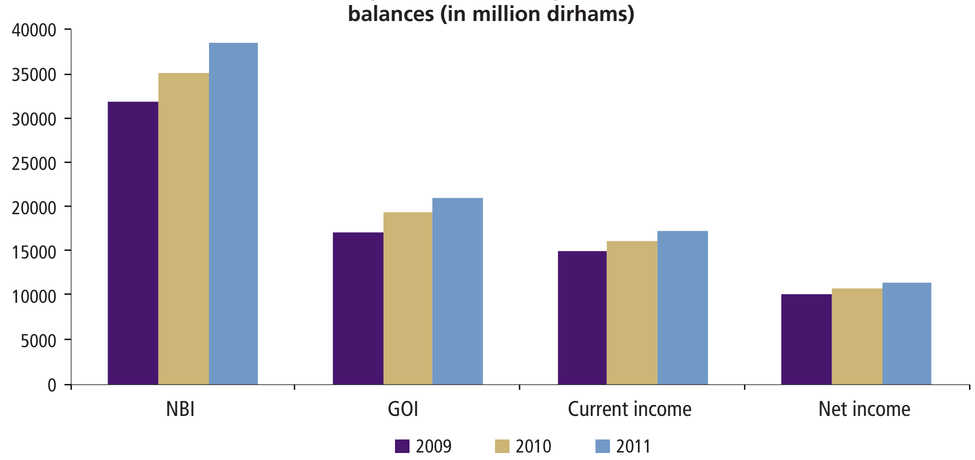
Concurrently, commitments on derivatives, after a growth of 30.3 percent in 2010, rose by 33 percent to stand at 33.6 billion. Operations on interest rate instruments represented the major activity, with 43 percent of this outstanding, followed by those related to exchange rate instruments, which accounted for 34 percent.

2 - IN SPITE OF RATHER SLACK ECONOMIC ACTIVITY, BANKS GENERATED SATISFACTORY PROFIT MARGINS

Despite difficult economic conditions, banks overall ended the year 2011 reporting a growing positive net income. This growth hinged on the strong revenues generated by intermediation activities and a controlled increase of overheads. The cost of risk increased, but at a slower pace compared to the previous year.

These changes are examined below through the analysis of the major management intermediate balances.

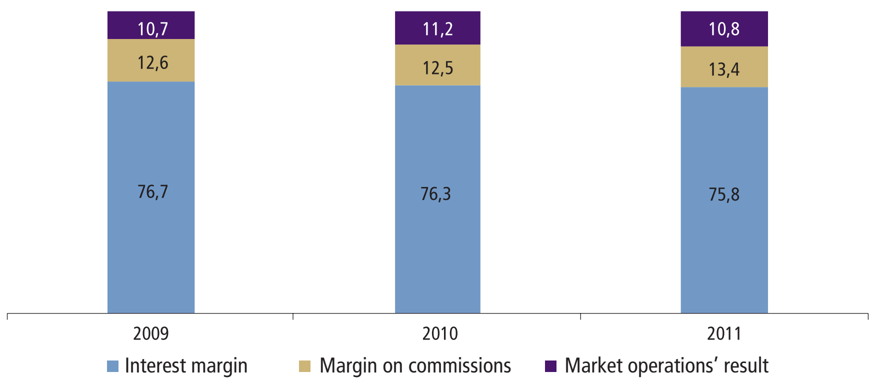
Chart 30: Change in banks' management intermediate balances (in million dirhams)



2.1 - Net banking income declined slightly compared to last year

The net banking income (NBI), one of the relevant elements in measuring profitability, stood at 36 billion, up 9.3 percent, a slight drop from the 9.7 growth recorded in 2010. This trend is due to the deceleration of interest margin and the result of market operations, while the margin on commissions recorded a more significant rise.

Chart 31: Composition of Net Banking Income (in %)



Interest margin stood at 26.8 billion dirhams, up 7.8 percent, down from 10.4 percent recorded in 2010. This trend occurred in a context marked by a general stabilization of the costs of funds and lending rates.

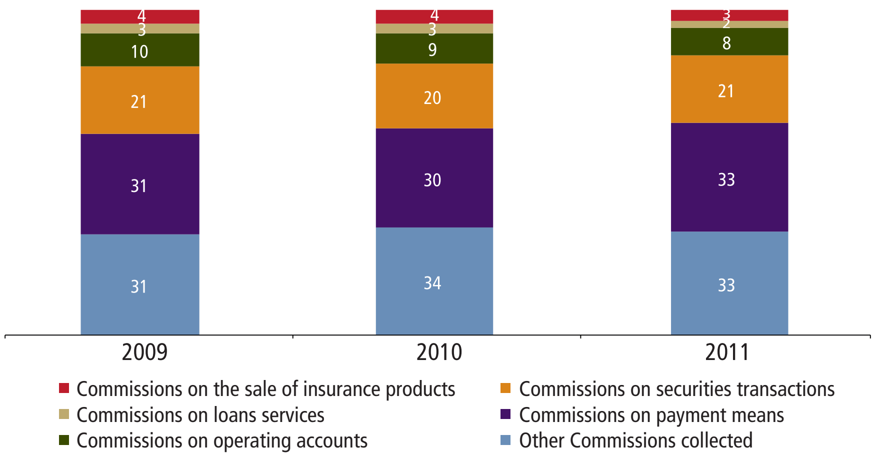
Accounting for 6 percent of the total, the net income from interest rates on operations with credit institutions and similar bodies increased by 75 percent to 1.8 billion dirhams, due to a more marked rise of interest on interbank loans (+28.5 percent) than interests paid on borrowings (+3.3 percent).

For its part, the net income from interest rates on operations with customers increased on average by 10 percent to 24.4 billion, reflecting a rise of interest rates on loans by 8.2 percent to 33.8 billion, which largely offset the increase of interest paid on deposits; that is 4 percent, standing at 9.5 billion dirhams.

With regard to debt securities, they generated a drop in net interest income by 7.6 percent to 2.5 billion dirhams, due to the combined rise of interest income received by 11.5 percent to 5.6 billion, and expenses paid by 33 percent to 3.2 billion dirhams; such trend is due to the rise of the outstanding amount of issued debt securities.

The margin on commissions, accounting for 13.4 percent, up from 12.5 percent a year earlier, amounted to 4.8 billion, up16.6 percent, as against 8.6 percent in 2010.

Chart 32: Sructure of commissions on services



Commissions on loans services amounted to 4.9 billion, up 16.7 percent, as against 9.9 percent. This acceleration covers varied trends.

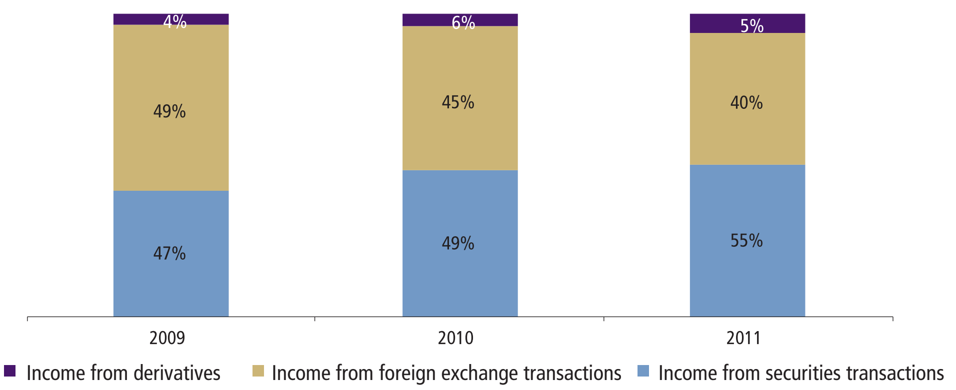
With regard to the increase in opening new accounts for customers and cashless instruments, commissions on means of payment and operating accounts, together accounting for 54 percent of the total commissions perceived, improved by 28 percent to 1.6 billion and by 22 percent to 1 billion dirhams respectively.

Unchanged last year, Commissions perceived on loans services rose by 3.5 percent to 402 dirhams million, a change occurring in a context marked by a slight improvement in credit demand.

Conversely, the low volume of activities on the stock market contributed to the fall of commissions for operations on securities by 18.8 percent to 102 million dirhams. The commissions perceived on sales of insurance products remained at the same level of the previous year; that is 170 million dirhams.

Income from market activities, amounting to 3.9 billion, showed a new deceleration in its growth rate; that is 5.7 percent, down from 14.4 percent. Its share in the net banking income (NBI) dropped by 0.4 point to 10.8 percent.

Chart 33: Change in the elements of market transactions' income



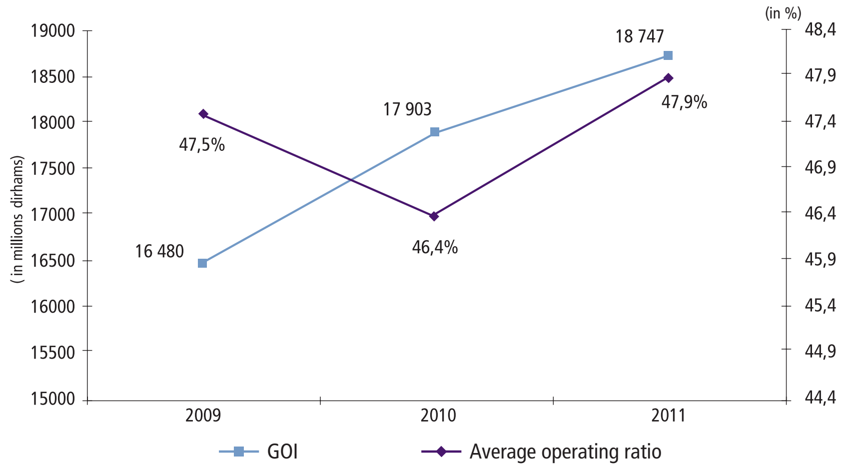
The change in the income of market activities involves diverging situations. It shows a drop in the income from foreign exchange operations by 5.3 percent to 1.6 billion and a drop in the income from derivatives of 13.9 percent to 191 million. Conversely, the income from securities transactions rose by 18 percent to more than 2 billion, 82 percent of which were generated on the trading portfolio.

2.2 - Gross operating income posted a slower growth due to the quasi-absence of non-recurring earnings

Banks' general operating expenses increased by 13.3 percent to 17.2 billion dirhams, particularly due to the pay rises granted in 2011, generating an average operating ratio of 47.9 percent, as against 46.4 percent in 2010. This trend also resulted from the integration of Al-Barid Bank data, for the first time. Excluding this institution, the general operating expenses increased at a pace similar to that of the previous year; that is 7 percent, posting an average operating ratio of 46.8 percent, slightly increasing by 0.5 point compared to 2010.

The change of overheads involves a rise by 13.6 percent in personnel expenses, which accounted for 49 percent of the total, and a 13 percent growth of the other general operating expenses. Such trend shows that taxes and duties increased by 30.8 percent, external expenses by 13 percent, while depreciation allocations and provisions for intangible and tangible fixed assets rose by 10 percent.

Chart 34: Change in banks' GOI and average operating ratio

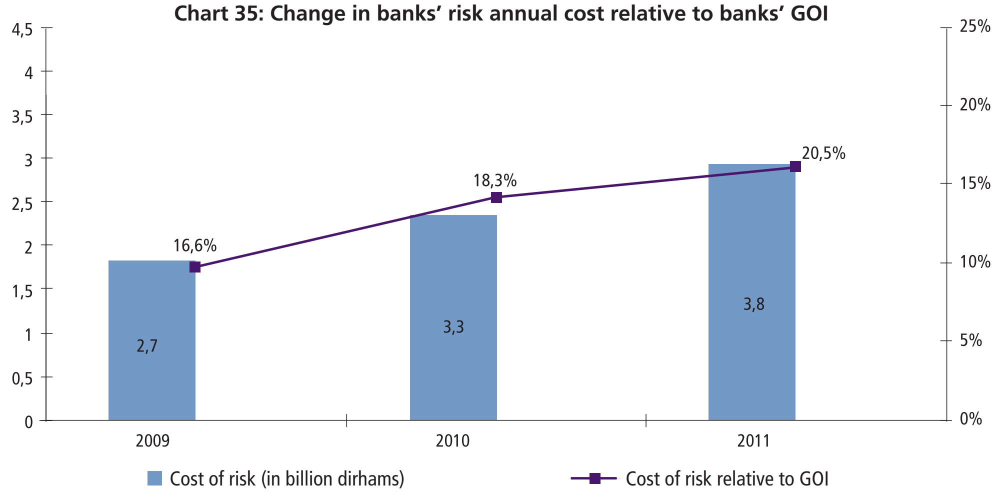


Taking account of the trend of the general operating expenses and Net Banking Income (NBI), and in the absence of non-recurring earnings, the gross operating income (GOI), amounting to 18.7 billion, increased by 4.7 percent, as against 8.6 percent in 2010.

2.3 - Banks achieved satisfactory profits overall

The cost of risk (allocations net of reversals of provisions) stood at 3.8 billion dirhams, up 17.2 percent, as against 19.5 percent, absorbing 20.5 percent of GOI, as against 18.3 percent a year earlier. This trend is mainly due to the significant rise of provisions made by banks to cover potential credit risks.

Chart 35: Change in banks' risk annual cost relative to banks' GOI



On the whole, banks' net income amounted to 10 billion dirhams, up 3.5 percent, as against 5.4 percent a year earlier. The return on equity (ROE) stood at 13.4 percent and return on assets (ROA) at 1.1 percent.

Chart 36: Change in banks' ROA (in %)

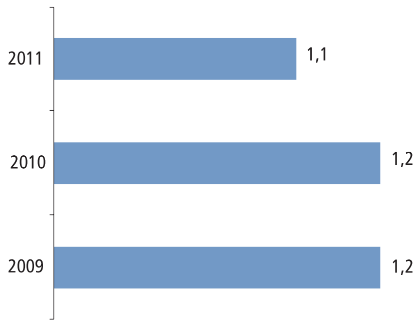
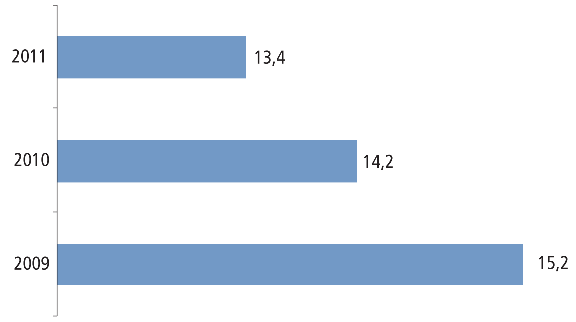


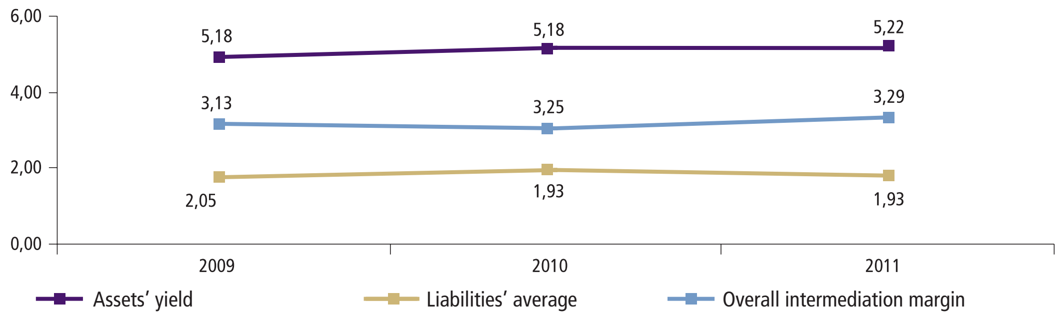
Chart 37: Change in banks' ROE (in %)



2.4 - Banks' overall intermediation margin recovered slightly

The analysis of banks' income in 2011 showed a slight rise in the overall intermediation margin by 4 basis points to 3.29 percent. This recovery reflects a 5.18 percent rise of the return on assets to stand at 5.22 percent, while the cost of liabilities maintained its level of the previous year, standing at 1.93 percent.

Chart 38: Change in banks' overall intermediation margin (in %)



The margin on operations with customers increased again by 3 basis points to 4.23 percent, in line with the rise recorded in 2010. This trend resulted from the fall of the return on loans by 4 basis points to 5.68 percent and of the average costs of deposits by 7 basis points to 1.45 percent.

Chart 39: Change in the intermediation margins on transactions with customers (in %)

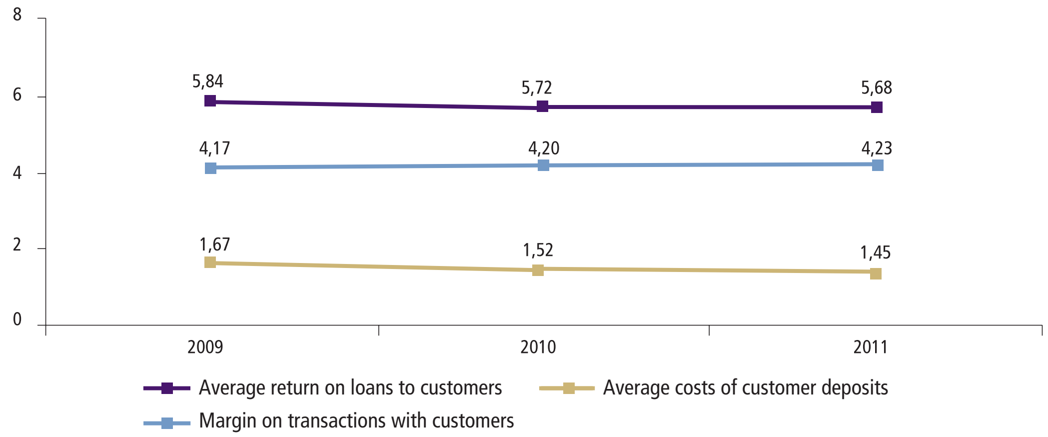
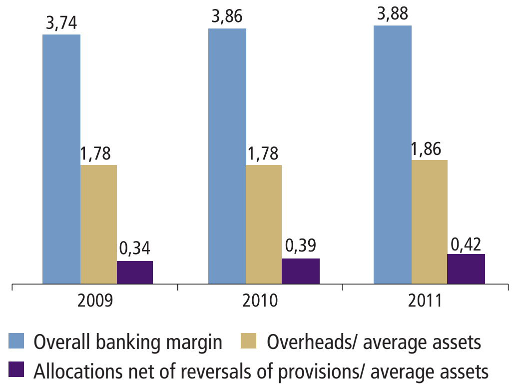


Chart 40: Change in overall banking margin, overheads and risk cost (in %)



The overall banking margin (NBI/average assets ratio) amounted to 3.88 percent. It was absorbed by overheads at 1.86 percent and the cost of risk at 0.42 percent.

III. FINANCE COMPANIES' ACTIVITY AND RESULTS

1 - FINANCE COMPANIES' BUSINESS INCREASED AT A FASTER PACE THAN IN 2010

At the end of 2011, indicators of activity and profitability of finance companies improved, reaching higher levels than those posted in the previous year, owing to the rising demand from both households and businesses.

1.1 - The growth of finance companies' business was steady

At the end of December 2011, finance companies' total assets stood at 90.3 billion dirhams, up 6.7 percent, as against 4 percent in the previous year. Benefiting from the recovery of consumer loans and leasing, these companies posted an outstanding amount of loans of 91.5 billion dirhams, up 7.3 percent, compared with 6.7 percent in 2010.

Taking account of the persistent risks inherent in the economic environment, credit institutions' outstanding amount of non-performing loans, amounting to 9 billion, once again increased, though at slower pace, by 3.7 percent, as against 13.2 percent in 2010. Their share in total loans, however, decreased by 0.3 point to 9.8 percent. These non-performing loans were covered by provisions up to 79 percent, compared to 77 percent a year earlier.

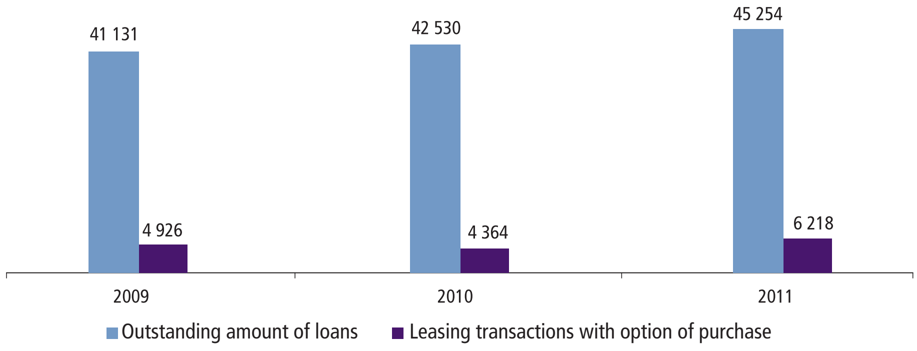
Consumer loan companies' total assets stood at 43.3 billion dirhams, up 6.2 percent, as against a drop by 1.2 percent in the previous year.

Change in consumer loans companies' assets (in million dirhams)

	2009	2010	2011	Change 2010/2011 (in %)
Due from credit institutions and similar bodies	**1 708**	**534**	**436**	**-18,4**
Due from customers	**37 253**	**38 309**	**40 426**	**5,5**
Including lease with purchase option	4 926	4 364	6 218	42,5
Securities' portfolio	**210**	**47**	**30**	**-36,2**
Fixed assets	**638**	**760**	**806**	**6,1**
Other assets	**1 453**	**1 104**	**1 592**	**44,2**
Total	**41 262**	**40 754**	**43 290**	**6,2**

The expansion of leasing operations with option of purchase had a positive impact on the growth of these companies' loans, whose outstanding amount rose by 6.4 percent to 45.3 billion, compared to 3.4 percent recorded the previous year.

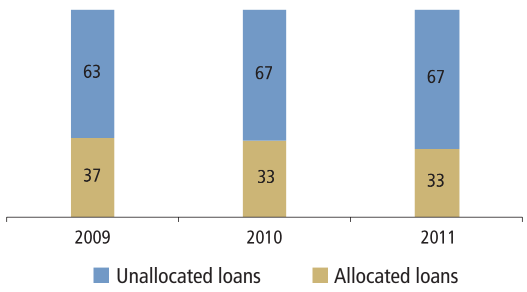
Chart 41: Gross outstanding amounts of loans and leasing transactions with option of purchase of consumer loan companies (in million dirhams)



Due to the recovery in sales of vehicles, the outstanding amount of leasing transactions, standing at 6.2 billion, increased by 42.5 percent, breaking with the downward trend recorded since 2008.

Representing nearly two thirds of consumer loans, unallocated loans are made up to 98 percent of personal loans. 96 percent of allocated loans are intended for financing vehicles[1].

Chart 42: Breakdown of allocated and unallocated loans granted by consumer loans companies (in %)



1 Professional Association of Finance Companies (APSF) Data

Leasing companies' total assets stood at 41.6 billion dirhams, up 7.4 percent, almost the same rate posted in 2010, which was 7.6 percent. Their gross outstanding loans reached 42 billion dirhams, up 7.8 percent, a similar rate to that of the previous year.

Change in leasing companies' assets (in million dirhams)

	2009	2010	2011	Change 2010/2011 (in %)
Leasing fixed assets	34 450	37 340	40 463	8,4
Other customers loans	84	59	51	-13,6
Securities' portfolio	31	30	30	0,0
Other assets	1 416	1 293	1 039	-19,6
Total	**35 981**	**38 722**	**41 583**	**7,4**

Equipment leasing transactions, accounting for 70 percent of the total, rose by 7 percent, down from 8.2 percent recorded in 2010. Property leasing transactions rose by 11.7 percent, as against 8.8 percent.

Chart 43: Trend of the outstanding amount of equipment and property leasing transactions (in million dirhams)

In 2011, leasing companies granted nearly 15 billion-worth of loans[1]. Accounting for 81 percent of this amount, equipment leasing financed the acquisition of machinery and industrial equipment at a total value of 35 percent and private cars at 34 percent.

1 Professional Association of Finance Companies (APSF) Data

Chart 44: Breakdown of equipment leasing production by type of equipment

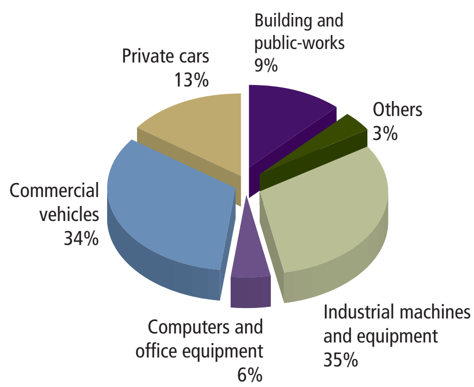
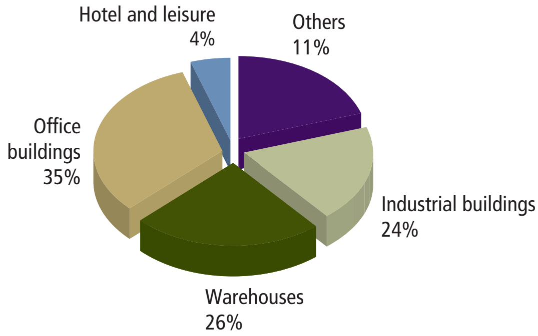


Chart 45: Breakdown of property leasing production by type of fixed assets

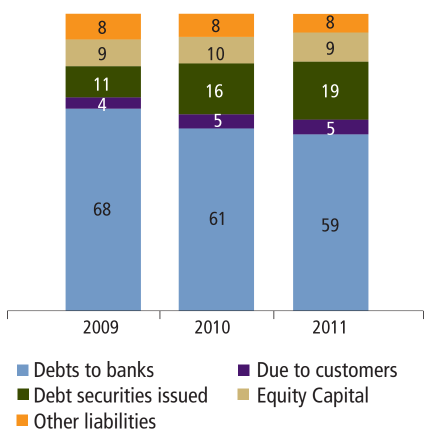


Property leasing was mainly intended for financing office buildings (35 percent), warehouses (26 percent) and industrial buildings (24 percent).

1.2 - The share of bond debts in total liabilities increased once again

The structure of liabilities of finance companies remains dominated by the weight of debts to banks (59 percent), although their share tends to drop to the benefit of private debt, whose share rose from 16 to 19 percent.

Chart 46: Change in the structure of finance companies' liabilities (in %)

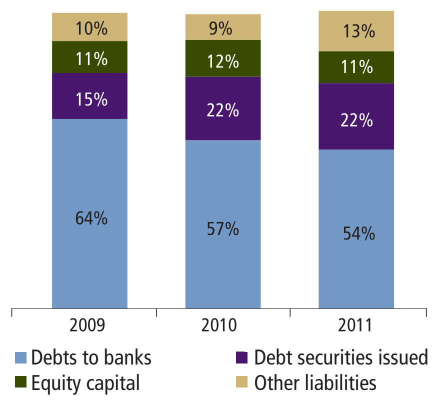


Change in liabilities of consumer loans companies (in million dirhams)

	2009	2010	2011	Change 2010/2011 (in %)
Due to credit institutions and similar bodies	26 340	23 113	23 199	0,4
Due to customers	370	833	2 409	189,2
Debt securities issued	6 100	8 770	9 625	9,7
Equity Capital	4 421	4 747	4 609	-2,9
Net income	829	591	733	24,0
Other liabilities	3 202	2 700	2 715	0,6
Total	**41 262**	**40 754**	**43 290**	**6,2**

Bank refinancing, which is the traditional source of consumer loan companies, continued its downward trend, as its share in the total decreased by 3 points to 54 percent. The share of equity capital shrank by one point to stand at 11 percent.

Chart 47: Change in the structure of consumer loans companies' liabilities (in %)

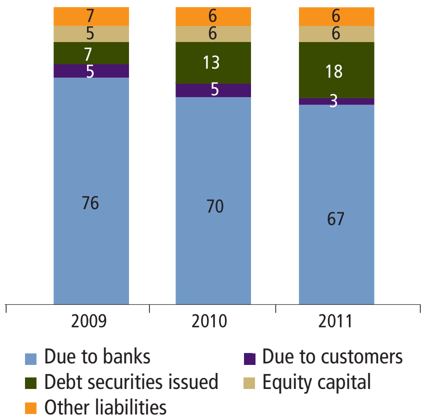


Change in liabilities of leasing companies (in million dirhams)

	2009	2010	2011	Variation 2010/2011 (en%)
Due to credit institutions and similar bodies	27 519	27 094	28 017	3,4
Due to customers	1 681	1 958	1 075	-45,1
Debt securities issued	2 625	5 124	7 625	48,8
Equity capital	1 949	2 143	2 322	8,4
Net income	365	361	383	6,1
Other liabilities	1 842	2 042	2 161	5,8
Total	**35 981**	**38 722**	**41 583**	**7,4**

Leasing companies' debts to bank stood at 67 percent, down 3 points, to the benefit of debt securities issued, whose share edged up by 5 points to 18 percent. The equity capital maintained their share unchanged at 6 percent.

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



2 - FINANCE COMPANIES' MAJOR MANAGEMENT BALANCES IMPROVED

At the end of 2011, finance companies posted a cumulative net profit of 1.3 billion dirhams, up 17.6 percent, compared to a drop by 14.3 last year. This performance is due to the rise in net banking income, combined with the control of the cost of risk.

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

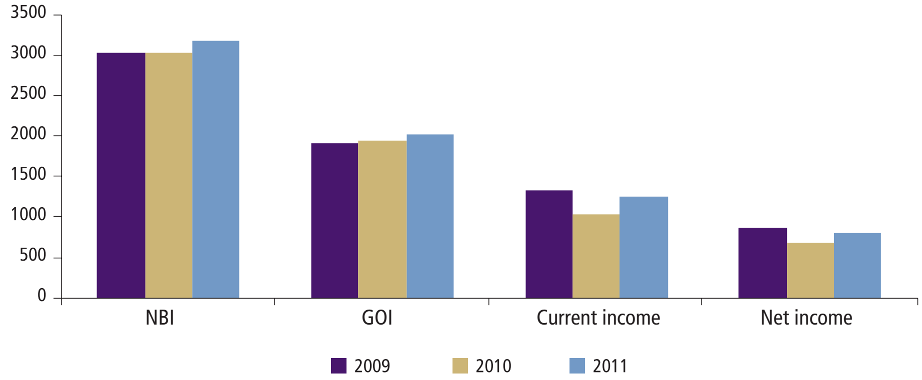
Their NBI, amounting to 4.9 billion dirhams, increased by 6.8 percent, compared to 4 percent a year earlier, reflecting a 3 percent improvement of interest margin against 6 percent, an increase in the margin on commissions by 15.2 percent as against 5.2 percent, and a rise in leasing transactions income of 6.2 percent as against 3.3 percent.

The general operating expenses grew by 6.8 percent to 1.9 billion dirhams, generating an average operating ratio of 38 percent; a steady rate compared to the previous year. Standing at 3.1 billion dirhams, the gross operating income increased by 6 percent, as against 5.5 percent, a year earlier.

The cost of risk, measured by allocations net of reversals of provisions, improved as it moved from one billion to 983 million dirhams. It absorbed 32 percent of GOI, compared to 35 percent in the previous year.

Consequently, finance companies' return on assets (ROA) was maintained, from one year to another, at 1.5 percent and the return on equity (ROE) edged up from 14 percent to 16.4 percent.

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



Benefiting from the increase registered in their business activity, **consumer loan companies** generated a net banking income of 3.1 billion dirhams, up 4 percent, compared to 2.5 percent posted in 2010. This improvement is due to the rise of the margin on commissions by 29 percent, which offset the decline in interest margin. The latter posted a growth rate of 2.6 percent, as against 8.8 percent a year earlier.

On the other hand, income from transactions of leasing with purchase option, standing at 351.5 million dirhams, continued its downward trend, but at a slower pace than in 2010; that is 4.7 percent compared to the 20 percent drop recorded a year earlier.

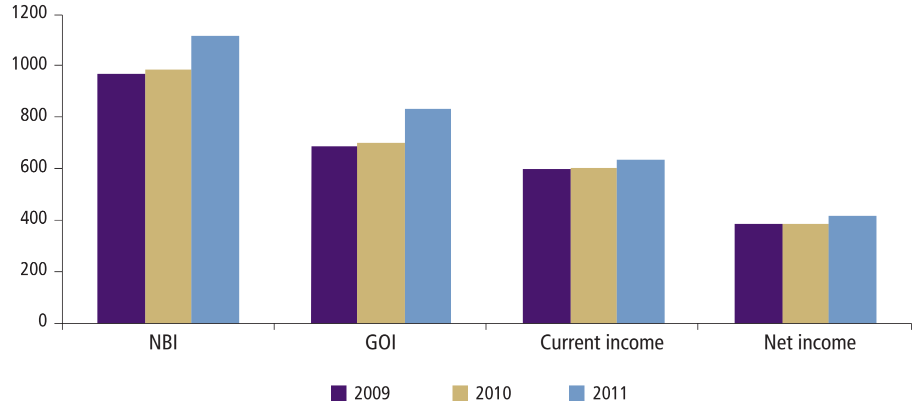
After the 2 percent decline recorded in 2010, the general operating expenses increased by 6 percent to 1.2 billion dirhams, posting an average operating ratio of 39 percent, up one point from the previous year.

Hence, the GOI stood at 1.9 billion, marking a less significant increase; that is 2 percent instead of 5 percent.

The cost of risk shrank from 932 to 771 million dirhams, absorbing 40 percent of GOI, instead of 49 percent the previous year.

Overall, consumer loan companies' cumulative net profit edged up by 24 percent to 733 million, generating a return on assets (ROA) of 1.7 percent and a return on equity (ROE) of 16 percent, compared, respectively, to 1.5 percent and 12.5 percent in 2010.

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



Leasing companies posted a net banking income (NBI) of 1.1 billion, up 11.6 percent, compared to 4 percent in the previous year, owing to the rise of interest margin[1] of 11.4 percent, as against 4.1 percent, to 1.1 billion dirhams. The margin on commissions, although negative, declined again by 13.4 percent to 4.5 million dirhams.

The general operating expenses, amounting to 278 million dirhams, edged up by 2.5 percent, instead of 1.4 percent in the previous year. This rise, weaker than that of NBI, made the average operating ratio decline by 2 points to 26 percent, and the GOI increase by 15 percent to 809 million dirhams.

For their part, the allocations net of reversals of provisions, due to the increase in non-performing loans, stood at 194 million, as against 125 million dirhams, absorbing 24 percent of GOI, compared to 18 percent in 2010.

On the whole, the net income generated by leasing companies amounted to 383 million dirhams, up 6 percent, as against the decline of 1 percent recorded the previous year, as the return on assets (ROA) was maintained at nearly 1 percent and the return on equity (ROE) posted a slight drop to stand at 16.5 percent.

1 Including income from leasing transactions

IV - OFFSHORE BANKS' ACTIVITY AND RESULTS

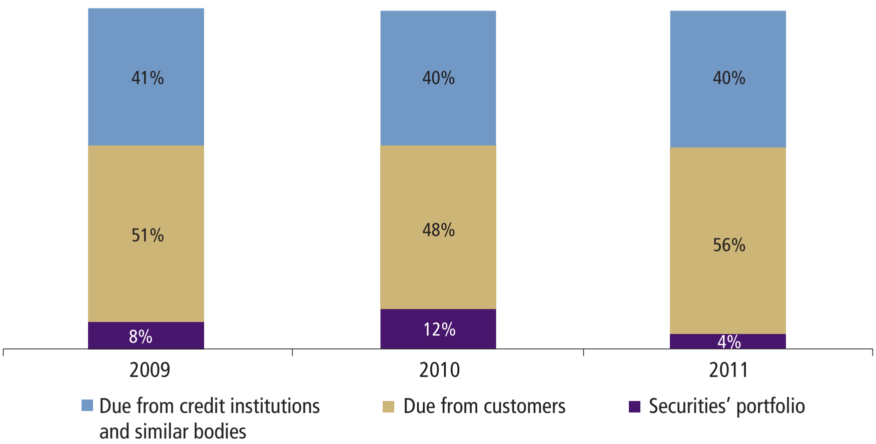
At the end of December 2011, offshore banks' activity generated 36.5 billion dirhams, up 12.9 percent from last year, against 13.3 percent in 2010. This trend was stimulated, in large part, by the growing number of transactions conducted for the benefit of the local customers of the said offshore banks parent companies.

Change in offshore banks' assets (in million dirhams)

	2009	2010	2011	Change 2010/2011 (in %)
Due from credit institutions and similar bodies	11 663	12 934	14 794	14,4
Due from customers	14 635	15 505	20 318	31,0
Securities' portfolio	2 130	3 769	1 115	-70,4
Other assets	124	142	306	115,5
Total	**28 552**	**32 350**	**36 533**	**12,9**

As Chart 52 below shows, the share of the loans due from customers was clearly reinforced to the detriment of that of securities portfolio.

Chart 52: Structure of offshore banks' assets



Accounting for nearly 40 percent of assets, claims on credit institutions and similar bodies saw their outstanding increase by 14.4 percent to 14.8 billion dirhams, as against 11 percent in the previous year.

Amounting to 20.3 billion dirhams, the outstanding amount of cash loans granted to customers increased by 31 percent, as against 6 percent a year earlier. Nearly 68 percent of the loans were intended for financing operating needs and 17 percent for company equipment.

Securities portfolio dropped by 70 percent to 1.1 billion, induced by the decline of debt securities by 74 percent to 685 million dirhams.

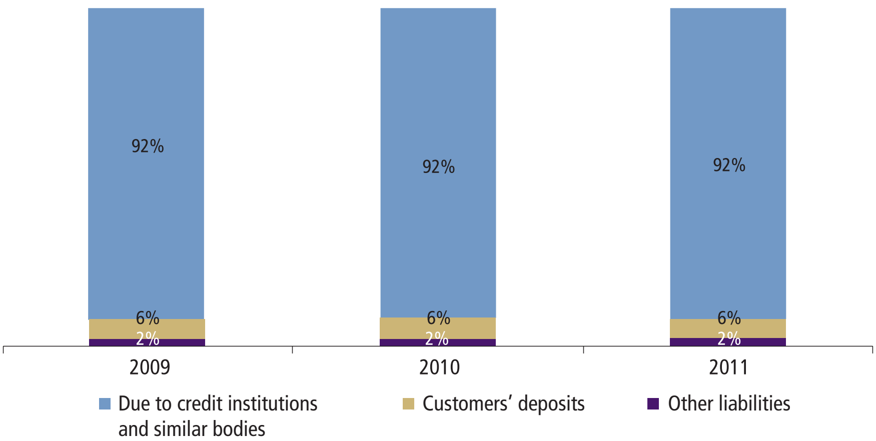
With an outstanding amount of 41 million dirhams, non-performing loans posted a new drop of 33 percent, compared to 36 percent a year earlier. Their share in total loans, remaining weak, dropped from 0.4 percent to 0.2 percent.

Change in offshore banks' liabilities (in million dirhams)

	2009	2010	2011	Change 2010/2011 (in %)
Due to credit institutions and similar bodies	26 341	29 665	33 618	13,3
Customers' deposits	1 659	2 093	2 096	0,1
Equity capital	322	364	399	9,6
Other liabilities	230	228	420	84,2
Total	**28 552**	**32 350**	**36 533**	**12,9**

Representing the major component of offshore banks' liabilities, with a share of 92 percent, the outstanding amount of indebtedness increased by 13.3 percent to 33.6 billion dirhams, most of which is generated with their parent company. Customers' deposits, accounting for 6 percent, amounted to 2.1 billion, have remained unchanged compared to the previous year.

Chart 53: Structure of offshore banks' liabilities



The equity capital of these banks, representing less than 1% of liabilities, totaled nearly 400 million dirhams, and the risks to which they incurred are borne by their parent company.

The off-balance sheet commitments given by offshore banks, made up of 95 percent of guarantee commitments, amounted to 685 million dirhams, registering a decrease of 2 percent. However, the commitments received increased by 39 percent to nearly 17 billion, including 96 percent in the form of guarantee commitments received from credit institutions and similar bodies.

Offshore banks improved their cumulative net profit by 10 percent, compared to the decline of 15.6 percent the previous year, to stand at 151 million dirhams. This trend is attributed to the good performance of their net banking income (NBI), in spite of the rise in the cost of risk and overheads.

Indeed, their NBI stood at 236 million, up 17.3 percent, as against a drop of 7 percent because of the notable improvement in interest margin from 31 percent to 166 million. Concurrently, their general operating expenses increased from 20 to 25 million, accounting for 11 percent of NBI, as against 10 percent in 2010. Consequently, their GOI increased by 16.6 percent to 212 million dirhams. It was absorbed by the cost of risk at 13 percent, compared to 9 percent last year.

V. MICROCREDIT ASSOCIATIONS' ACTIVITY AND RESULTS

While being in an upgrading phase, the micro-credit sector continued to adopt a prudent policy in granting loans, through fighting cross indebtedness and refocusing its financing services on income-generating activities.

The decline in activities recorded since 2009 continued for several associations. Thus, the outstanding amount of loans, standing at 4,6 billion dirhams, decreased by 3 percent, along with a drop of 19 percent in low-cost housing loans and a stagnation of micro-enterprise loans, whose share in the total portfolio increased from 82 percent to 86 percent. The number of active customers stood at less than 800.000 recipients, down 3 percent.

After dropping by 29 percent to slightly more than 200 million dirhams, the outstanding amount of non-performing loans accounted for 4.3 percent of total loans, as against 6.2 percent in 2010 and their provisioning improved by 4 points to 79 percent.

The outstanding amount of cash accounts and operations on securities shrank by 6 percent to nearly 900 million dirhams, accounting for 16 percent of total assets, compared to 17 percent a year earlier.

Their indebtedness, 82 percent of which is financed by local banks, decreased by 6 percent to nearly 4 billion dirhams; that is almost three times the amount of capital equity and 70 percent of total liabilities.

Finally, the sector of micro-credit associations ended the year 2011 with a cumulative net profit of 108 million dirhams, as against 25 million in 2010.

VI - BANKS' ACTIVITY AND RESULTS ON A CONSOLIDATED BASIS

The consolidated activity and profitability can be analyzed through the financial statements, based on IFRS, by the eight banking groups. This analysis makes it possible to integrate banks' activity and results achieved by the companies which they control both in Morocco and abroad.

As in the preceding years, these banking groups posted satisfactory results owing to the good performance of intermediation activity and the growing contribution of activities abroad.

1 - THE ACTIVITY OF BANKING GROUPS DEVELOPED OWING TO THE INCREASE OF OPERATIONS WITH CUSTOMERS

At the end of 2011, total assets of the eight banking groups stood at 1.027 billion dirhams, posting a more significant rise than in the previous year; that is 10.5 percent compared to 5.8 percent. On the assets side, the drop in loans to credit institutions and similar bodies as well as in held-to-maturity investments was largely offset by the rise in loans and claims on customers. As to liabilities, the main components posted more or less significant increases.

Chart 54: Structure of banks' assets on a consolidated basis

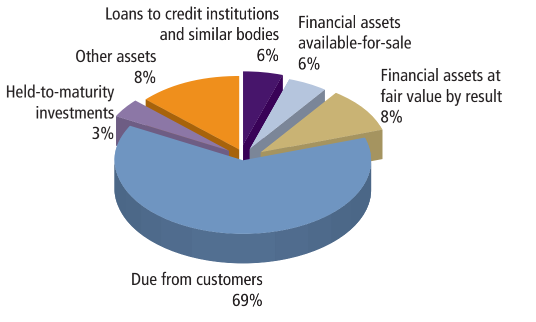
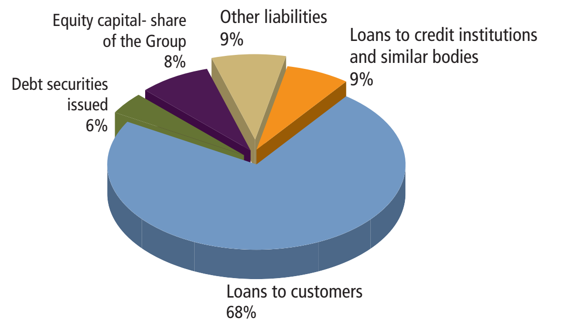
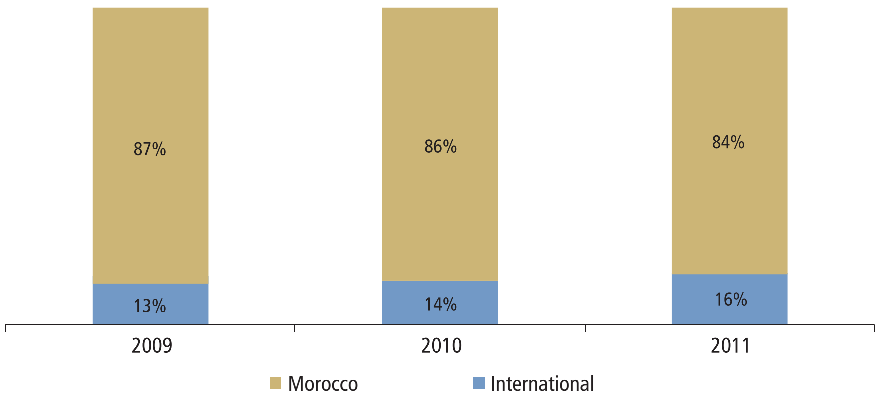


Chart 55: Structure of banks' liabilities on a consolidated basis



Banking activity on a consolidated basis, as well as the one established on an individual basis, remains concentrated on banking intermediation operations. Thus, the share of the loans and claims on this category stood at 69 percent of assets. The same holds for liabilities, which are dominated at nearly 68 percent by loans to customers.

Chart 56: Evolution of the weight of international activity in the total assets of the 3 major banking groups



While most activity of major banking groups is conducted in the domestic market, the weight of international business activity continued its upward trend year-on-year. Hence, the three internationally most active groups conducted 16 percent of their activity abroad, compared to 14 percent in 2010.

1.1 - Loans to customers continue to significantly contribute to the growth of assets

Change in banks' assets on a consolidated basis (in million dirhams)

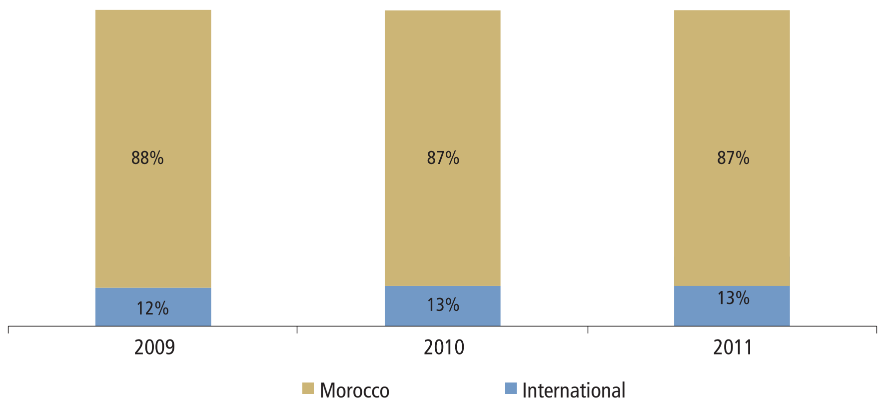
	2009	2010	2011	Change 2010/2011 (in %)
Financial assets at fair value by result	50 282	58 398	79 817	36,7
Financial assets available-for-sale	52 859	55 442	59 399	7,1
Loans and due from credit institutions and similar bodies	80 798	68 907	58 497	-15,1
Due from customers	567 803	624 904	707 636	13,2
Held-to-maturity investments	27 986	27 432	26 848	-2,1
Other assets	98 692	94 712	94 872	0,2
Total assets	**878 420**	**929 795**	**1 027 069**	**10,5**

The trend of the major consolidated balance-sheet items indicates that certain elements, such as financial assets at fair value by result, show great volatility, due to their assessment method, which is more sensitive to market fluctuations.

Compared to the 16 percent rise recorded the previous year, financial assets at fair value by result, amounting to nearly 80 billion dirhams, increased at a faster pace by 36.7 percent. Concurrently, financial assets available-for-sale rose by 7 percent, as against 4.9 percent in 2010, to stand at 59.4 billion. Conversely, held-to-maturity investments declined, for the second consecutive year, by 2 percent to 26.8 billion dirhams.

Standing at 707.6 billion dirhams, loans and claims on customers, net of provisions, rose at a stronger pace compared to the previous year, by 13 percent compared to 10 percent in 2010. Nearly 13 percent of the loans recorded by the three internationally most active banking groups were conducted by their subsidiary companies abroad.

Chart 57: Change in the weight of international activity in total loans to customers of the 3 major banking groups



Taking account of the situation of under-liquidity prevailing on the local market, loans to credit institutions and similar bodies showed a new drop of 15 percent, as against 14.7 percent recorded in 2010. Their outstanding amount reached 58.5 billion dirhams, accounting for 6 percent of assets, down one point, from one year to another.

1.2 - Liabilities strengthened once again, owing to the good performance of their main components

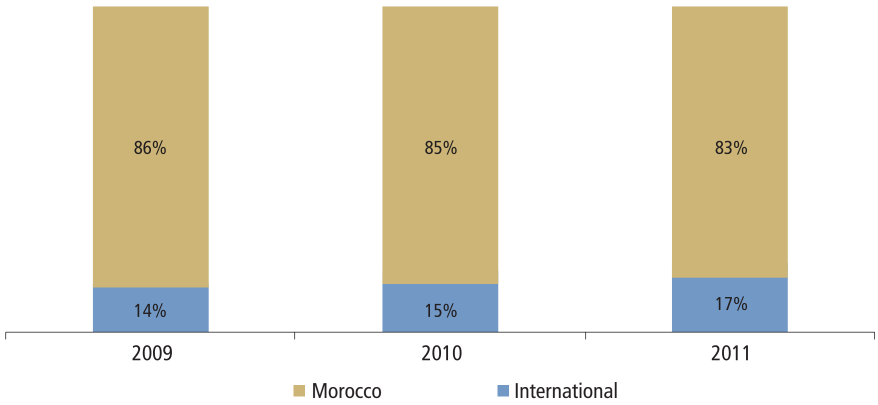
Change in banks' liabilities on a consolidated basis (in million dirhams)

	2009	2010	2011	Change 2010/2011 (in %)
Financial liabilities at fair value by result	2 182	3 447	2 728	-20,9
Loans to credit institutions and similar bodies	65 735	55 763	92 974	66,7
Customers deposits	621 014	652 095	691 293	6,0
Debt securities issued	40 448	53 775	65 178	21,2
Equity capital - share of the group	68 544	79 793	86 366	8,2
Including net income	9 333	10 452	10 980	5,1
Other liabilities	80 497	84 922	88 530	4,2
Total liability	**878 420**	**929 795**	**1 027 069**	**10,5**

Unlike financial liabilities at fair value by result, which represent only a small share in liabilities, other liability components sometimes posted significant rises. Indeed, loans to credit institutions and similar bodies, taking account of the greater recourse by banks to the central bank refinancing, recorded a rise of 66.7 percent to 93 billion dirhams, and their share in liabilities increased by 3 points to 9 percent.

Deposits collected from customers, amounting to 691 billion dirhams, rose by 6 percent, a higher rate than that posted on an individual basis, reflecting the momentum collection of liabilities, especially by the most internationally active groups. Thus, the deposits collected through their based-abroad subsidiary companies accounted for 17 percent of the total, up two points compared to 2010.

Chart 58: Change in the importance of international activity in total customers' deposits of the three major banking groups



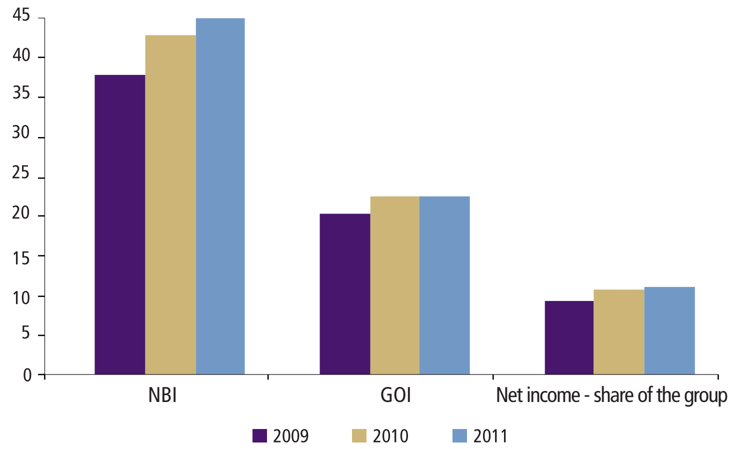
The recourse to private debt market by the major banking groups continued in 2011. The outstanding amount of debt securities issued, amounting to 65.2 billion dirhams, rose by 21 percent, compared to 33 percent a year earlier.

The consolidated financial structure was reinforced again, since the equity capital - share of the group, including the income of the year, increased by 8.2 percent to 86.4 billion, as against 16.4 percent in the previous year. This growth resulted from the rise in capital and reserves for 6.3 billion and the net income of the financial year for 528 million, whereas latent or differed gains or losses contributed negatively to this trend (- 298 million).

2 - RESULTS WERE OVERALL FAVORABLE, BENEFITING FROM A DECLINE IN THE COST OF RISK

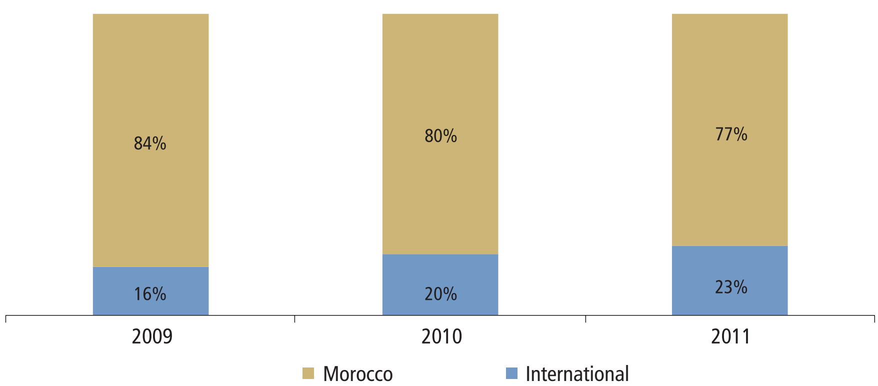
The net income of the eight banking groups increased due to the drop in the cost of risk and, to a lesser extent, to the growth of net banking income (NBI).

Chart 59: Change in banking groups' major management intermediate balances – consolidated basis (in billion dirhams)



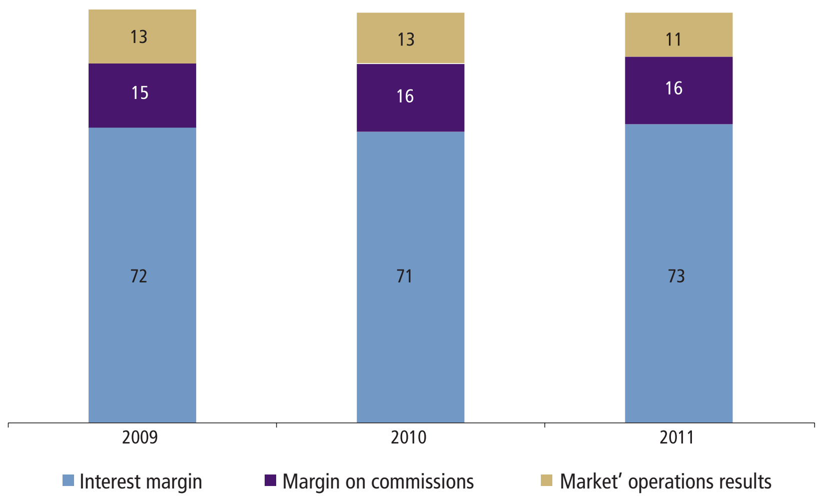
The deceleration in interest margin and margin on commissions, combined with the drop in market activities result, weighed on the trend of the net banking income (NBI). The latter stood at 45 billion dirhams, posting a slower growth than in 2010; that is 5 percent as against 12 percent the previous year.

Chart 60: Change in the importance of international activity in the net banking income of the three largest banking groups



The improvement of the net banking income (NBI) of the three major banking groups most active abroad reflects a significant contribution of banks' subsidiaries abroad, standing at 23 percent, at the end of 2011, as against 20 percent in 2010.

Chart 61: Change in the NBI' structure on a consolidated basis



As the major source of revenues, the interest margin increased by 6 percent, as against 13.4 percent to stand at 31.3 billion, a trend occurring in a context marked by the stabilization of interest rates. Meanwhile, margin on commissions, which stood at 7.4 billion, recorded a stronger deceleration; rising by 4.2 percent, instead of 19.3 percent a year earlier.

The market' operations results, two thirds of which are made up of gains or losses on the financial assets at fair value by result, posted a decline of 10 percent, compared to the rise of 6 percent recorded in 2010.

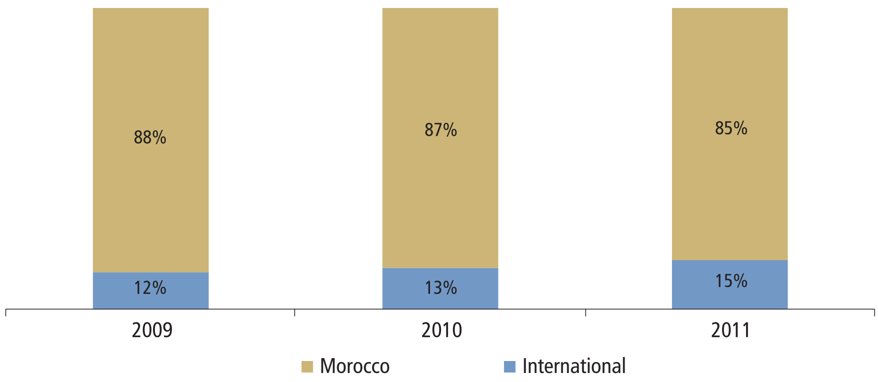
The growth in the general operating expenses of the banking groups decelerated compared to the previous year. These expenses stood at 22 billion dirhams, up 8 percent, as against 12.3 percent in 2010. Posting a rise higher than that of NBI, the trend of the general operating expenses showed a slight decline of the average operating ratio of one point to 49 percent. Consequently, the gross operating income, which had increased by 11.5 percent in the last year, edged up by only 2 percent to 22.8 billion dirhams.

The cost of risk (Allocations net of reversals of provisions for the depreciation of held-to-maturity financial investments, assets available for sale and loans and debts as well as losses on bad debts, recovery of receivables and discounts noted during the restructuring of debts) stood at 3.7 billion dirhams, down 19 percent, as against a rise of 7 percent the previous year. It accounted for 16 percent of GOI, compared to 21 percent in 2010.

Finally, the eight banking groups posted a net income-share of the group of 11 billion dirhams, up 5 percent, a rate lower than the 12 percent recorded the previous year.

Nearly 15 percent of the net income of the three most internationally active banking groups were achieved by their subsidiary companies based abroad.

Chart 62: Change in the weight of international activity in the net income of the three largest banking groups



Return on assets (ROA) was maintained at 1.1 percent while return on equity (ROE) shrank by 0.4 point to 12.7 percent.

PART 3

Trend in banking risks

بنك المغرب

In an economic context characterized by increasingly significant uncertainties, Bank Al Maghrib continued to ensure a close monitoring of the risks facing credit institutions with both households and businesses. In addition to accounting and prudential reporting as well as regular controls, this monitoring is conducted through surveys of credit institutions to collect more accurate data on risks.

Box 6: Surveys conducted by Bank Al-Maghrib to monitor credit risk

1. **Survey on lending conditions:** This survey conducted since 2006, aims at evaluating the contribution of banks to financing the economy, understanding better the role of credit in the transmission mechanism of monetary policy impulses and following, through qualitative information, the course of credit cycle. In 2011, it covered 8 banks holding a market share amounting to 86 percent in terms of credit.

2. **Survey on housing loans:** In order to better determine the risks related to financing the sector of housing, Bank Al-Maghrib completed, for the seventh consecutive year, its survey on housing loans with 8 banks holding a market share of 94 percent in terms of housing loans.

3. **Survey on consumer loans:** To monitor the development of risks related to consumer loans, Bank Al-Maghrib carried out its seventh annual survey with consumer loan companies to understand debtors' profile. The results of the 2011 survey related to 11 companies holding a market share of 86 percent, whose credit files amounted to 1,193,006 files.

I. TREND OF BANKS' RISKS FROM A PRUDENTIAL POINT OF VIEW

The analysis of the trend of banks' risks and solvency is outlined hereafter, on the basis of data collected from banks' prudential statements, prepared on an individual basis according to Basel II standards.

In 2011, net weighted risks, including credit, market and operational risks, preserved their dynamic growth, while equity increased moderately. As a result, this generated a declining average solvency ratio, compared to the previous year, which remained higher than the regulatory minimum.

Box 7: Definition of net weighted risks taken into account in the calculation of solvency ratio

- **Credit risk:** refers to the risk that a counterparty will be unable to honor its commitments towards a credit institution. It is taken into account net of risk mitigation instruments (RMI) and calculated by multiplying on and off-balance sheet items by weighted ratios established according to the counterparty.

- **Market risk:** is defined as losses risk stemming from unfavorable trends in market prices. It covers the risks related to the instruments included in the trading portfolio, as well as to foreign exchange risk and commodities risk facing the entire on- and off- balance sheet elements, other than those included in such portfolio.

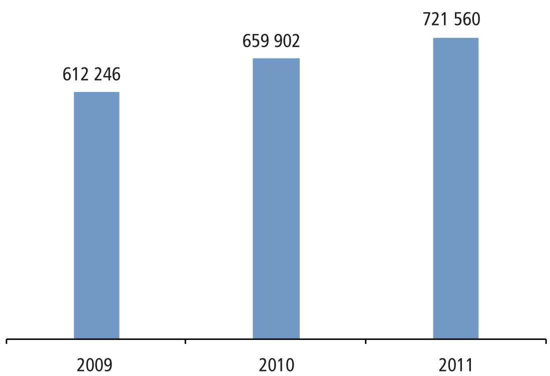
- **Operational Risk:** is the risk of loss resulting from weaknesses or failures that are inherent to procedures, staff and internal systems or to external events. This definition includes legal risk, but excludes strategic and reputation risks.

1 - TREND OF WEIGHTED RISKS

Net weighted risks borne by banks stood at 721.6 billion dirhams, up 9.3 percent, a rate higher than the one recorded in 2010. They are made up of credit risk (86 percent), operational risk (8 percent) and market risk (6 percent).

Banks' capital requirements, under these three risk categories, amounted to 72.2 billion, compared to 66 billion dirhams one year earlier.

Chart 63: Trend of the total net weighted risks (in million dirhams)

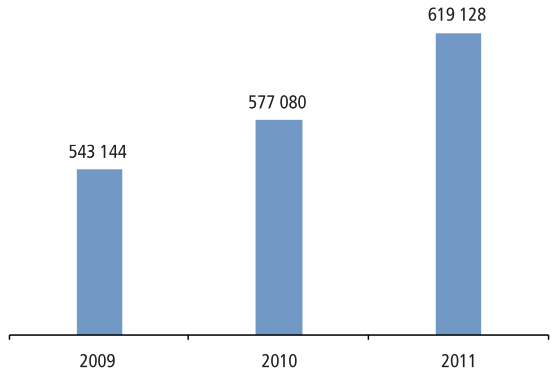


1.1- Credit risk

Weighted exposures, under credit risk, posted a rise of 7.3 percent to 619 billion dirhams, compared to a moderate growth of 6.2 percent in 2010. This trend resulted from the overall good performance of credit activity.

Banks' capital requirements, under this risk category, edged up to 62 billion, up 7.3 percent compared to the previous year.

Chart 64: Change of credit risk (in million dirhams)

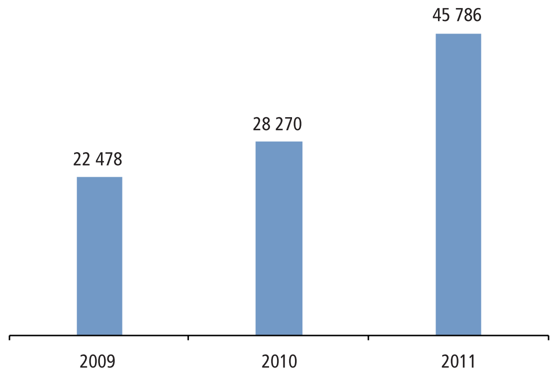


1.2 - Market risk

Market risk amounted to 45.8 billion dirhams, up 62 percent, as against 25.8 percent recorded last year, a trend particularly related to the changes occurring in setting the weightings of assets held by the UCITS of some banks. Though it recorded a more marked growth rate, the market risk preserved a limited share in total risks, or 6 percent.

The corresponding capital requirements under this risk, rose from 2.8, one year to another to 4.6 billion dirhams.

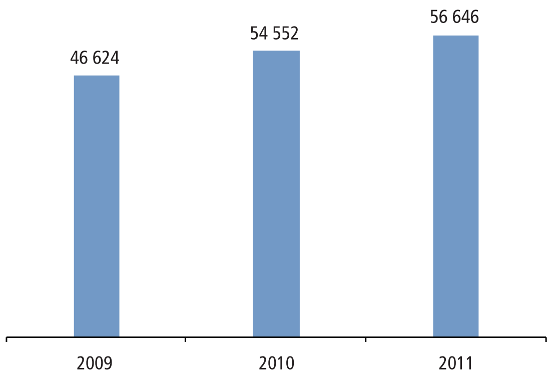
Chart 65: Trend in market risk (in million dirhams)



1.3 - Operational risk

After an increase of 17 percent in the previous year, operational risk, calculated by most banks according to the basis indicator approach[1], recorded a new rise but at a slower pace; that is 3.8 percent. It amounted to 56.6 billion, corresponding to capital requirements amounting to 5.6 billion in comparison with 5.4 billion dirhams in 2010.

Chart 66: Trend in operational risks (in million dirhams)

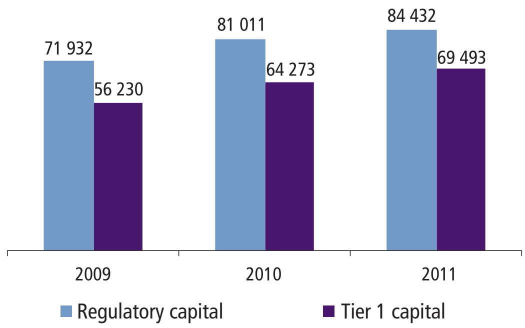


2 - TREND OF REGULATORY CAPITAL

At the end of 2011, regulatory capital amounted to 84.4 billion, up 4.2 percent. Tier 1 capital, made up of capital and reserves, increased at a higher rate (8.1 percent) to 69.5 billion dirhams, accounting for 82 percent of equity.

With regard to subordinate debts, they increased faster than in 2010; that is 7.7 percent as against 3.7 percent.

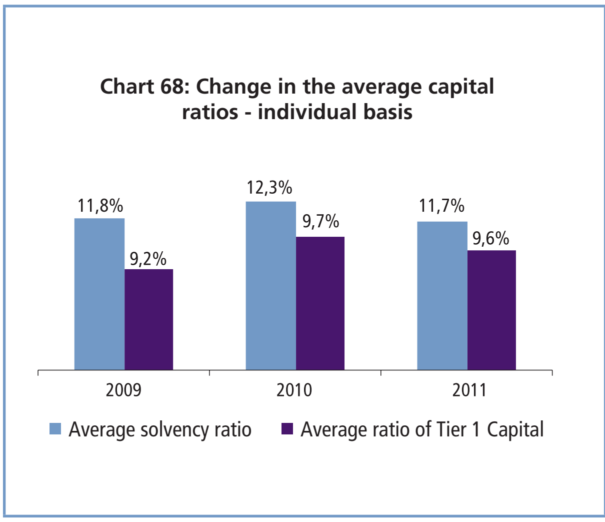
Chart 67: Trend of regulatory capital (in million dirhams)

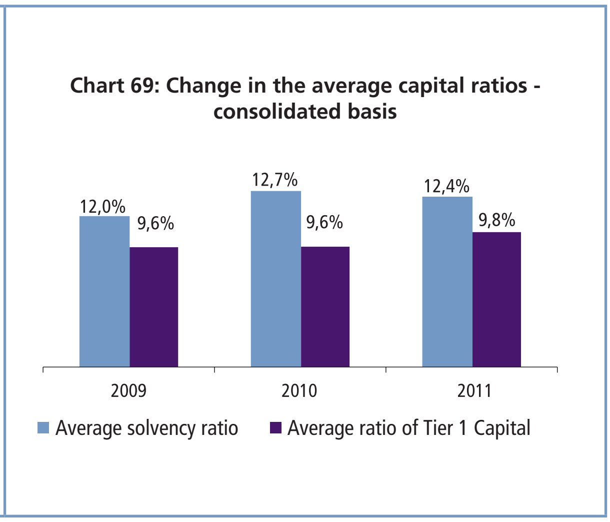


The continuous and progressive reinforcement of regulatory capital of the banks allows them to be better prepared to face the new Basel III challenges, providing for the reinforcement of equity at the quantitative and qualitative levels.

Considering a rise of risks more marked than that of equity, the total average solvency ratio of banks reached 11.7 percent, down 0.6 point compared to 2010 and Tier 1 ratio 9.6 percent, as against 9.7 percent.

1 According to this approach, capital requirement is equal to 15 percent of the average of Net Banking Income (NBI), calculated over 3 years.



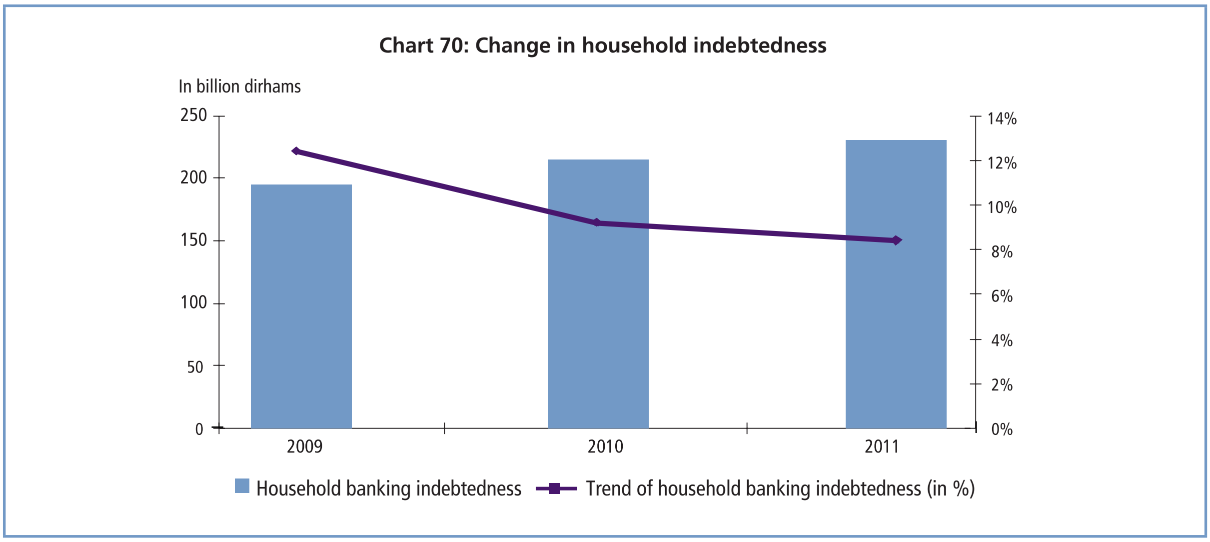


Calculated on a consolidated basis, the average solvency ratio stood at 12.4 percent, as against 12.7 percent in 2010 and Tier 1 capital ratio improved by 0.2 point to 9.8 percent.

II. HOUSEHOLD BANKING INDEBTEDNESS

1 - Household banking indebtedness is under control, though steadily increasing

As in previous years, household banking indebtedness increased steadily in 2011. While this growth reflects one of the factors of resilience of the economy and banking system, it constitutes a source of potential risk.



At the end of December 2011, loans granted to households totaled an outstanding amount of 234 billion dirhams, up 8.4 percent, recording a slight decline compared to 9.2 percent posted at the end of December 2010. They accounted for 32 percent of loans granted by credit institutions, compared to 33 percent in 2010. Household banking debt outstanding amount stood at 29 percent of GDP, up one point compared to the previous year.

This trend occurred in a context generally marked by the stability of the conditions of granting loans to households. Indeed, the results of Survey No.1 outlined in Box 6 showed that for housing loans, these conditions remained unchanged in most banks holding more than 70 percent of market shares. As to consumer loans, the banks with 55 percent of market shares did not revise such conditions, whereas others adopted a conservative attitude for high-risk loans. The risks related to over-indebtedness, the low refund capacity of borrowers and forecasts concerning the economic activity weighed on this behavior.

Chart 71: Structure of household banking indebtedness

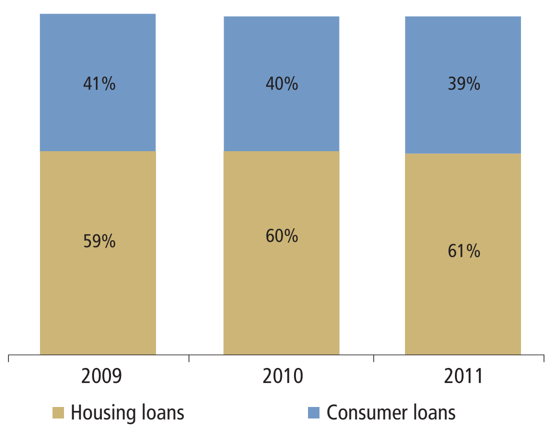
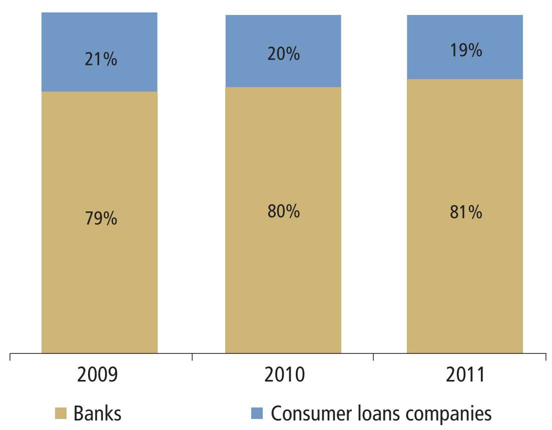


Chart 72: Share of banks and consumer loans companies in household banking indebtedness



As shown in Chart 71 above, housing loans continue to constitute the main component of households banking indebtedness; that is 61 percent.

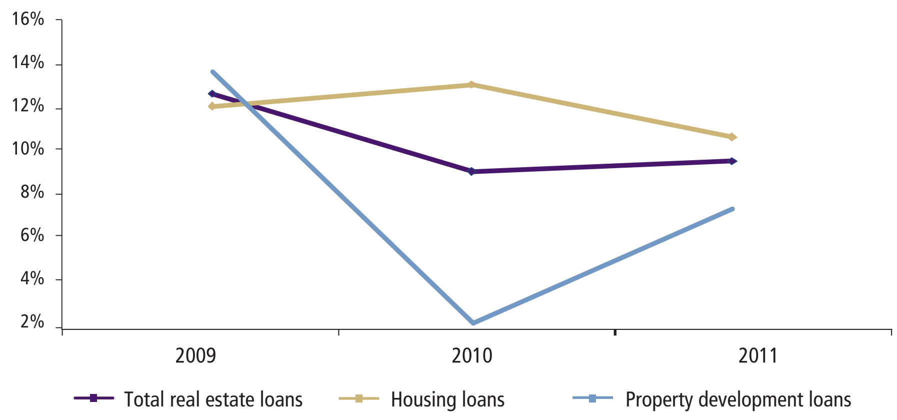
2 - THE GROWTH OF HOUSING LOANS REMAINED SUSTAINED

Following the new tax measures introduced by the public authorities in 2010 to promote low-cost housing, the production of low-cost housing units witnessed an unprecedented momentum in 2011, contributing to the rise in housing loans.

2.1 - Despite its decline compared to the previous year, the growth rate of housing loans remained steady

On the basis of banks' reporting, the healthy outstanding amount of real estate loans, accounting for nearly two thirds of housing loans, edged up by 9.6 percent, from 9.2 percent one year earlier, amounting to 206 billion dirhams. The ratio of real estate loans to GDP amounted to 26 percent, up one point compared to 2010.

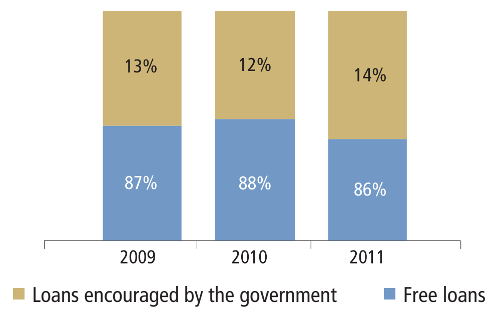
Chart 73: Change in the growth rate of real estate loans



Constituting a traditional business activity for banks, housing loans, with a sound outstanding amount of 137.3 billion dirhams, once again recorded a steady rise of 10.8 percent, compared with 13.2 percent in 2010. Its ratio to GDP stood at 17 percent, up one point compared to the previous year. For their part, property development loans recorded a rise more marked compared to last year, or 7.4 percent as against 2.2 percent. Their sound outstanding amount reached 68.9 billion dirhams.

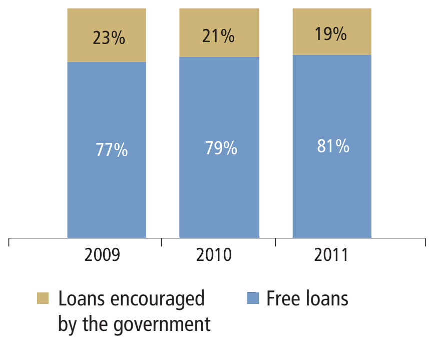
With a global amount of 26.5 billion dirhams, the new flows of housing loans in 2011 increased by 1.2 percent, the same rate as the previous year. The distribution of these loans performed differently, depending on whether free loans or loans encouraged by the government. They recorded a fall of 1 percent for the first category and a more significant rise of 21 percent for the second. In this respect, loans encouraged by the government accounted for 14 percent of these flows, from 12 percent a year earlier.

Chart 74: Breakdown of the housing loans' production into free loans and loans encouraged by the government



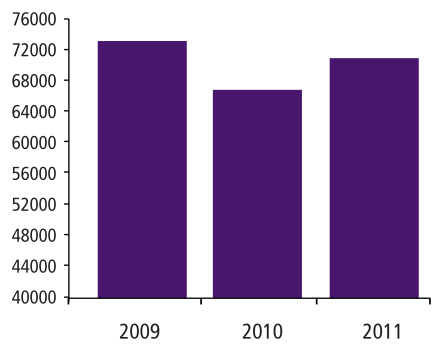
In terms of outstanding amount, the loans supported by the government[1], amounting to 24.5 billion dirhams, slightly edged up by 1 percent, as their share in total housing loans dropped by 2 points to 19 percent. This is distributed among the outstanding loans of FOGALOGE and FOGALEF for 11.5 billion, as against 5.6 billion under low-cost housing and 7.4 billion under FOGARIM.

Chart 75: Breakdown of the housing loans' outstanding into free loans and loans encouraged by the government



Despite the lower number of real estate loan' transactions, but at slower pace than in 2010, the number of new beneficiaries of housing loans increased by 6 percent to 71,302 customers, compared to a drop of 4 percent the previous year. This growth stood at 14 percent for loans supported by the government and nearly 4 percent for free loans.

Chart 76: Number of housing loan beneficiaries

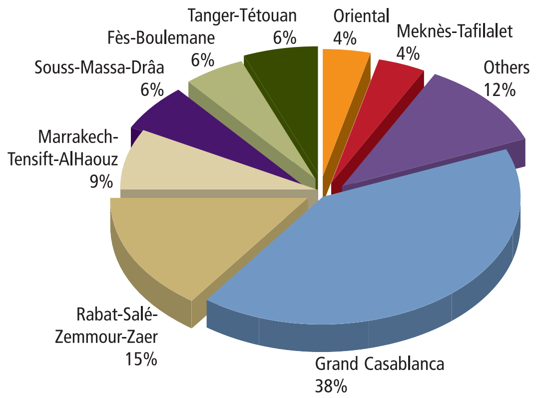


The average amount of loans declined by 19,000 dirhams to stand at 371,000 dirhams. This development covers uneven trends. The average amount rose from 11,000 dirhams to 198,000 dirhams for loans supported by the government and declined by 23,000 to reach 433,000 dirhams for free loans.

1 Loans supported by the government include loans benefiting from the guarantee funds (FOGARIM, FOGALOGE and FOGALEF), as well as those granted under the Habitat Bon Marché (Low Cost Housing).

Confirming the trends noted in recent years, the share of large regions such as Casablanca and Rabat-Salé-Zemmour-Zaër continued their downward trend to stand at 38 percent and 15 percent respectively, from 48 percent and 16 percent 5 years ago respectively.

Chart 77: Geographical distribution of housing loans

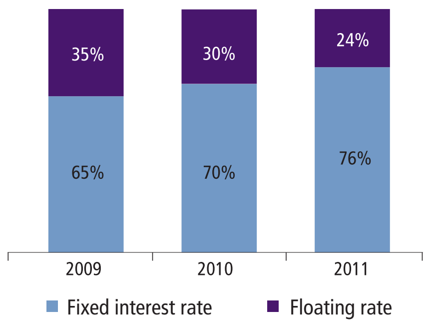


2.2 - The share of fixed-rate home loans increased again

The banks, which had moderately toughened the criteria of granting housing loans in 2010, maintained them roughly unchanged in 2011, as confirmed by margins generated, which shrank slightly.

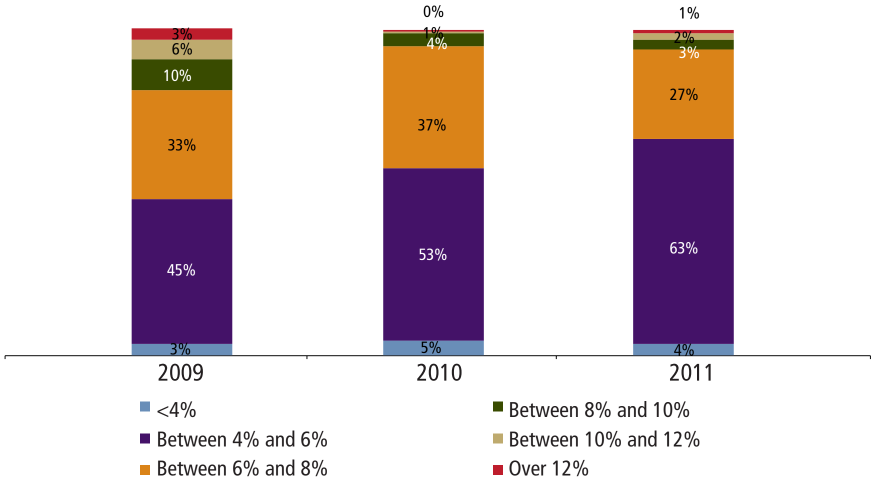
Uncertainties on the trend of the prospects for banking conditions once again promoted the attractiveness of fixed-rate financing. Thus, nearly 91 percent of the new loans were granted at fixed rates, in comparison with 84 percent one year earlier. In terms of their outstanding amounts, their share increased to 76 percent against 70 percent.

Chart 78: Breakdown of housing loans by type of rate



The share of loans whose interest rate ranges between 4 percent and 6 percent stood at 63 percent, as against 53 percent in 2010, while that of the loans with a rate ranging between 6 percent and 8 percent declined by 10 points to 27 percent.

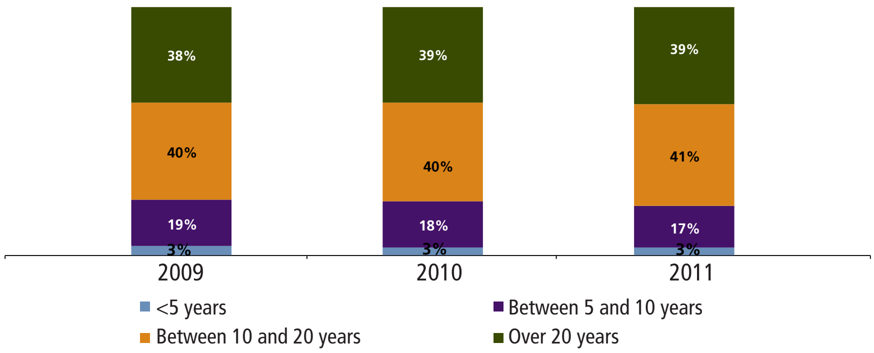
Chart 79: Change in housing loan interest rates



In a context of tightening bank liquidity, the weighted average rate applied by banks to housing loans declined by 12 basis points to 5.56 percent, from one year to another, despite the rise recorded in the last quarter of the year under review.

The average maturity of housing loans was slightly extended from 17 to 17.3 years. The share of housing loans, whose maturity ranges between 10 and 20 years, increased by one point to 41 percent, to the detriment of that of loans whose maturity ranges between 5 and 10 years, which shrank to 17 percent. However, the share of loans whose maturity is higher than 20 years remained steady at 39 percent.

Chart 80: Breakdown of housing loans by initial maturity



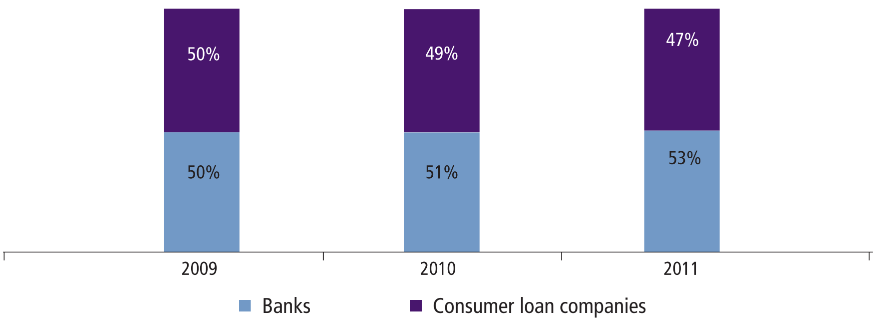
3 - CONSUMER LOANS GREW AT A HIGHER RATE THAN THE PREVIOUS YEAR

In 2011, consumer loans recorded a faster growth, contributing to the development of household consumption. Indeed, in Morocco, nearly 14 percent of such consumption is financed by banking indebtedness.

3.1 - Banks actively contributed to the growth of consumer loans

On the basis of the accounting documents reported by banks and finance companies, the sound outstanding amount of consumer loans, accounting for 12 percent of the total amounts granted by these institutions, increased by 7 percent to 82.2 billion dirhams[1], from 4.5 percent one year earlier. The outstanding amount of consumer loans reached 10 percent of GDP, similar to the ratio of 2010.

Chart 81: Weight of every category of credit institution in consumer loan' distribution



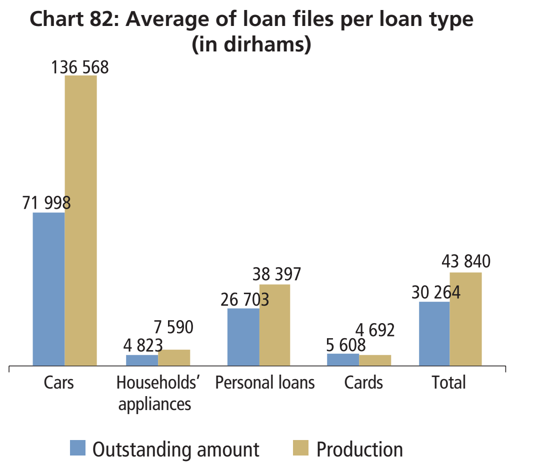
Not very active in the field of consumer loans for a long time, banks have been increasingly attracted to this activity in recent years, as their share stood at 53 percent of the total outstanding amount, compared to 50 percent two years earlier.

3.2 - Main characteristics of the profile of consumer loan' beneficiaries

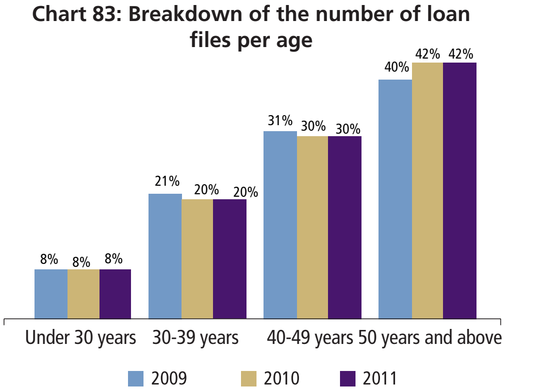
The data of Survey No.3 in Box No.6 outline the profile of consumer loan beneficiaries according to several criteria: age, income, socio-professional category and place of residence. They showed that this profile did not undergo any significant changes compared to the previous year.

1 Including account overdrafts granted to private individuals.

In 2011, the consumer loan companies granted fewer loans, amounting to nearly 14 billion of new loans[1], down 5.5 percent. This result in an average outstanding amount per loan file at almost 30,300 dirhams, compared to 27,700 a year earlier.



The breakdown of the number of consumer loan' files according to age shows stability for all age categories. Thus, the share of 40-49 age category was maintained at 30 percent and that of over-50 age category at 42 percent.

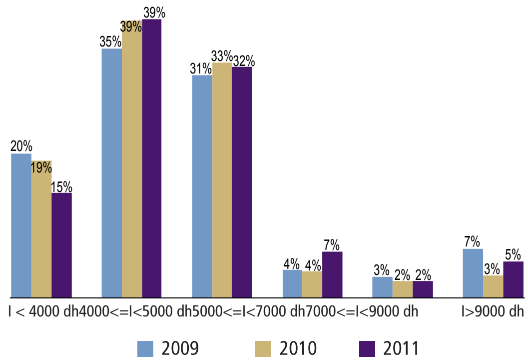


The breakdown of outstanding amounts, according to the same criteria, reveals that the category of over-50 age has the largest share of 37 percent, down one point compared to 2010. The proportion of under-30 age' category declined by 3 points to 11 percent.

1 Data of Professional Association of Finance Companies

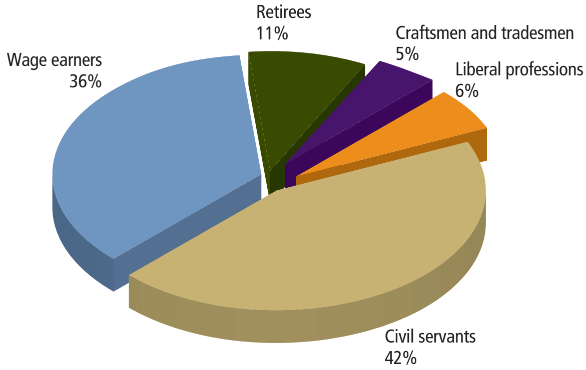
The breakdown of the number of loan' files, based on income, shows that people earning an income lower than 4,000 dirhams held a share of 54 percent, down 4 points compared to 2010, as against 32 percent for people with an income ranging between 4,000 and 10,000 dirhams, and 14 percent for those earning an income higher than 10,000 dirhams.

Chart 84: Breakdown of the number of loans' files per income

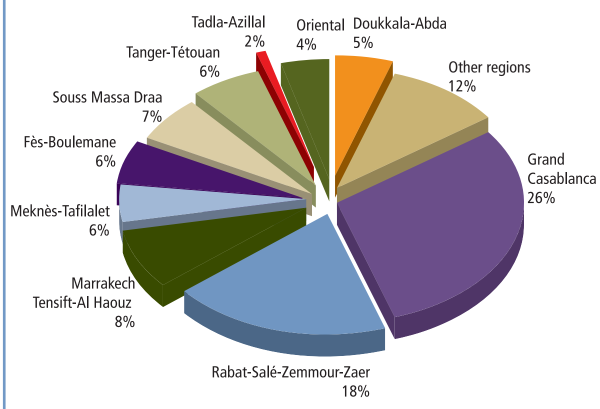


The breakdown of the number of loan' files based on socio-professional category shows that wage earners and civil servants remain the most indebted population, with shares of 36 percent and 42 percent respectively.

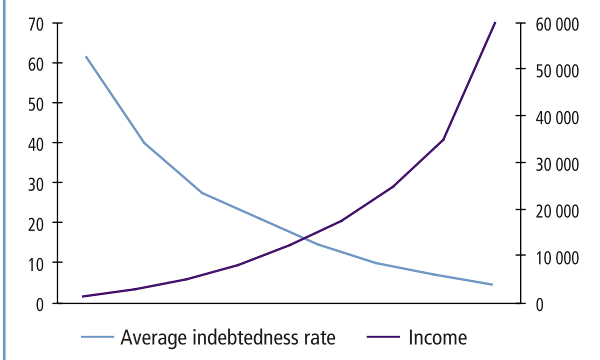
Chart 85: Breakdown of the number of loans' files per socio-professional category



The breakdown of loan beneficiaries according to the place of residence indicates that the regions of Casablanca and Rabat concentrate nearly 44 percent of loan files.



The indebtedness ratio, which corresponds to the ratio of loans taken out by customers to their incomes declared to the lending institution, stood in average 32 percent, up 2 points compared to the previous year.

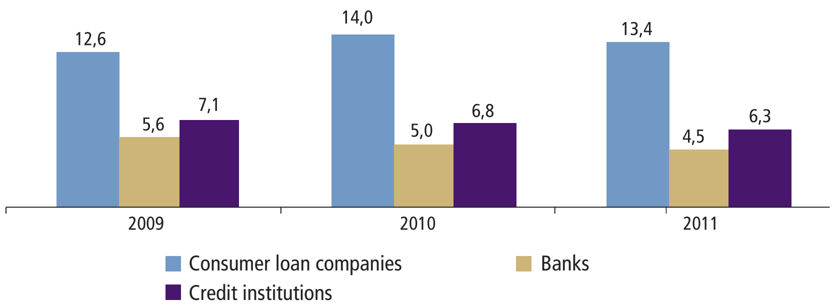


4 - THE LEVEL OF HOUSEHOLD NON-PERFORMING LOANS WAS KEPT UNDER CONTROL

The improvement of the financial information on borrowers' solvency made available to credit institutions by the Credit bureau, operational since October 2009, helped to control the trend of the rate of risk on households in 2011. This framework allows, in fact, share and globalize information on credit, promoting a better dissemination of such information so as to make it possible for credit institutions to better grasp the risk profile of their counterparties.

At the end of 2011, the outstanding amount of households' non-performing loans recorded by the banks and consumer loan companies, stood at 14.6 billion, accounting for 6.3 percent of the total banks households' indebtedness, in comparison with 6.8 percent the previous year. While the banks outstanding amount of non-performing loans decreased by 1.4 percent to 8.6 billion dirhams, accounting for 4.5 percent of their total loans granted to households, as against 5 percent in 2010, that of the finance companies increased by 1.3 percent to 6 billion, generating a risk rate of 13.4 percent, down from 14 percent recorded in 2010. These non-performing loans were covered by provisions up to 71 percent.

Chart 88: Change in the rate of household' non-performing loans



The results of Survey No.3 mentioned above provide more refined information on the households segments presenting a high-risk profile. Thus, the rate of non-performing loans is more significant regarding the 30-39 age category and people whose income is lower or equal to 2,000 dirhams.

The risk continued to be better controlled in the group of civil servants, because of withholding and the share of non-assignable income, while it remained higher in the other categories of debtors.

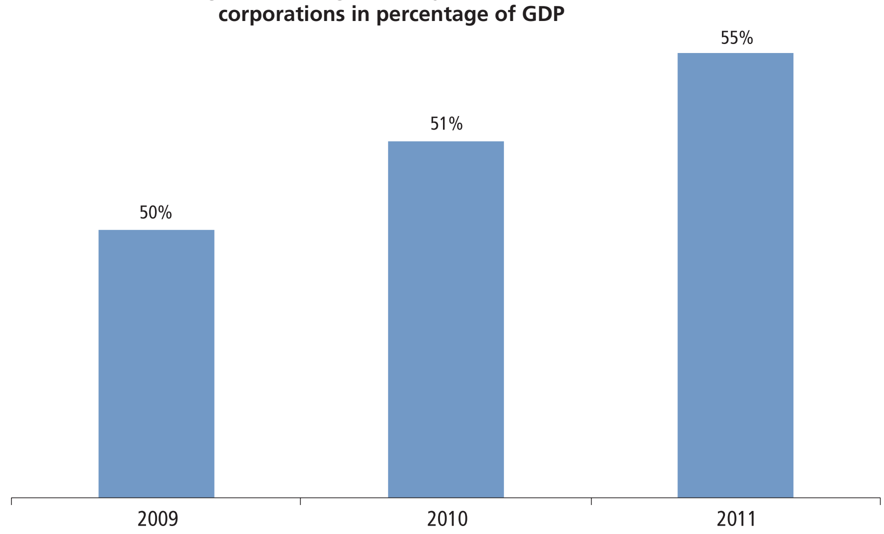
The rate consumer loan companies' non-performing loans on households should drop in the years to come, following the entry into force of the decision of the General Directorate of Taxes, authorizing finance companies to proceed to writing off old non-performing loans at the same as banks.

III. TREND OF NON-FINANCIAL CORPORATIONS' BANKING INDEBTEDNESS

1 - LOANS TO NON-FINANCIAL CORPORATIONS RECORDED A MORE MARKED GROWTH TO FINANCE THEIR WORKING CAPITAL REQUIREMENTS

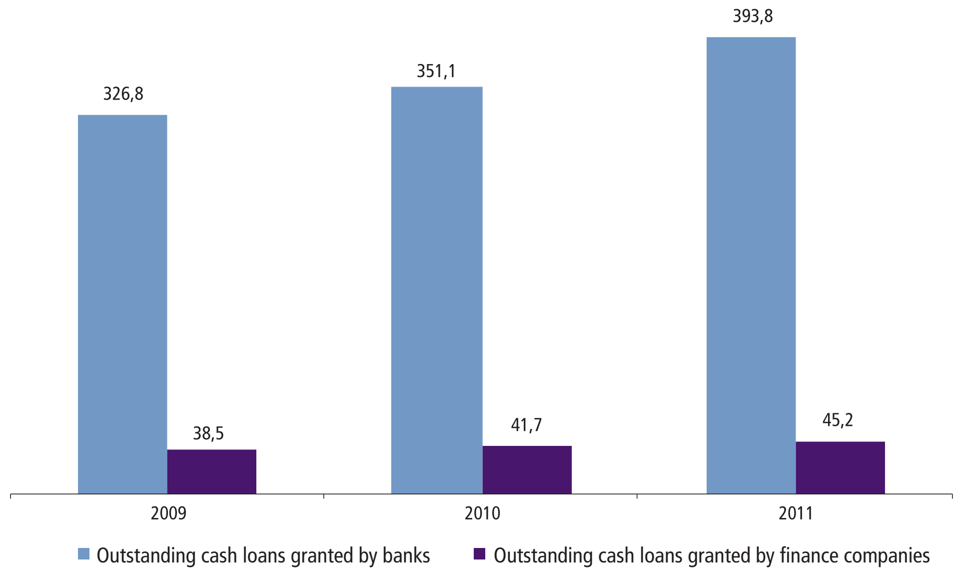
Non-financial corporations (public and private) benefited from an outstanding amount of cash loans of 439 billion dirhams, standing at 11.8 percent, against 7.5 percent recorded the previous year; that is 60 percent of total loans granted by banks and finance companies and 55 percent of the national GDP.

Chart 89: Outstanding cash loans granted by credit institutions to non-financial corporations in percentage of GDP



Banks, accounting for 90 percent of non-financial corporations' banking indebtedness saw their outstanding amount increased by 12.2 percent to 393.8 billion dirhams, compared to 7.4 percent the previous year. Finance companies posted an outstanding amount of loans of 45.2 billion for such corporations, up 8.3 percent, a rate similar to that of the previous year.

Chart 90: Outstanding cash loans granted by credit institutions to non-financial corporations (in billion dirhams)



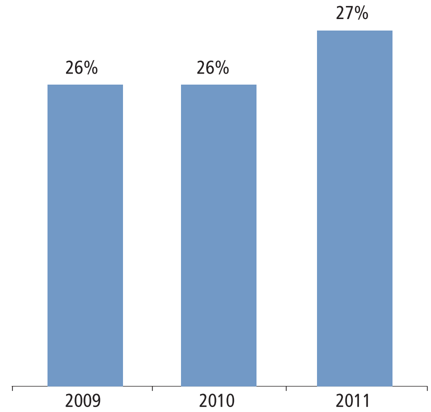
The survey No.1 abovementioned indicates that the conditions for financing corporations remained unchanged in 2011 for the banks accounting for 55 percent of market shares and were restricted for the others banks.

The deterioration of the general economic outlook and the risks related to quality of financial information were the major factors behind such tightening. It mainly resulted in the increase of margin on the riskiest loans as well as in the reduction of the amount and maturity of loans. Nevertheless, interbank competition exerted a reverse effect on the behavior of banks.

Meanwhile, the demand for credit from companies continued its upward trend induced particularly by the requirements of stock financing. However, issuing capital or debt securities exerted a negative effect on companies' demand of financing.

The breakdown of bank loans by type of companies did not change significantly. Thus, credit institutions' reporting indicates that SME and VSE together benefited from 27 percent of the total loans granted by banks and the leasing companies.

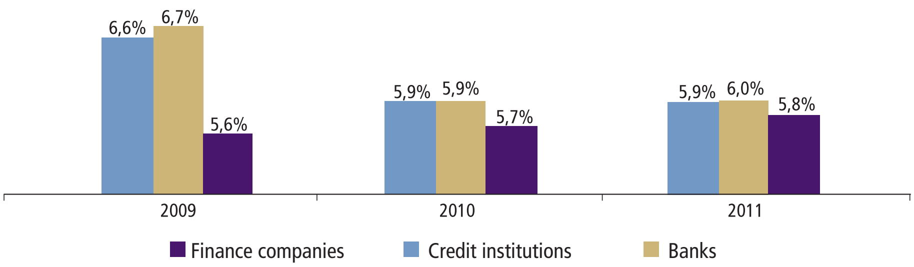
Chart 91: Share of loans to SME and VSE in total loans to non-financial corporations



2 - NON-PERFORMING LOANS INCREASED IN A LESS FAVORABLE SITUATION

As at end 2011, the outstanding amount of non-performing loans held by banks and finance companies on non-financial corporations stood at 26 billion dirhams, up 12.2 percent, compared to a drop of 3.6 percent the previous year; that is an average rate of the non-performing loans of 5.9 percent. These loans were covered by provisions up to 71 percent.

Chart 92: Change in NPL rate of banks and finance companies on non-financial corporations



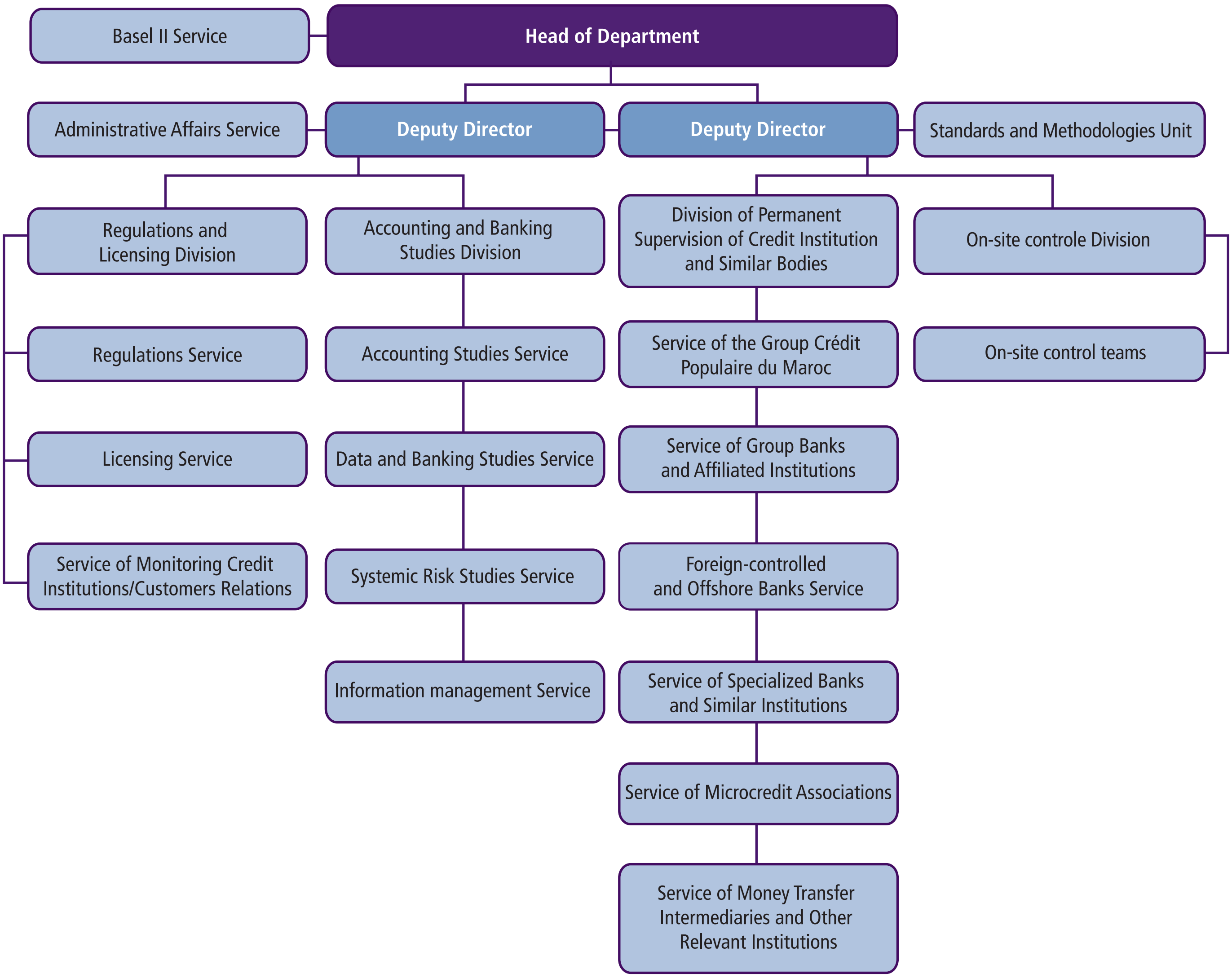
Non-performing loans held by the banks on non-financial corporations saw their outstanding amount increased by 12.4 percent, to 23.4 billion dirhams, after a fall of 5 percent; that is an average rate of non-performing loans of 6 percent. They were covered by provisions up to 71 percent.

As for the non-performing loans held by finance companies, they recorded a rise of 10.2 percent to 2.6 billion dirhams, and their share in total loans granted to this category stood at 5.8 percent. They were covered by provisions up to 68 percent.

APPENDICES

Appendix 1

Organization chart of the Banking Supervision Department



Appendix 2

List of credit institutions

Banks

Name	Head office adress
AL BARID BANK	798, Angle Bd Ghandi et Bd Brahim Roudani - Casablanca
ARAB BANK PLC	174, Boulevard Mohamed V - Casablanca
ATTIJARIWAFA BANK	2, Boulevard Moulay Youssef - Casablanca
BANK AL-AMAL	288, Boulevard Mohamed Zerktouni - Casablanca
BANQUE CENTRALE POPULAIRE « B.C.P »	101, Boulevard Mohamed Zerktouni - Casablanca
BANQUE MAROCAINE DU COMMERCE EXTERIEUR « BMCE BANK »	140, Avenue Hassan II - 20000 - Casablanca
BANQUE MAROCAINE POUR LE COMMERCE ET L'INDUSTRIE « B.M.C.I »	26, Place des Nations Unies - Casablanca
BANQUE POPULAIRE DU CENTRE SUD	Avenue Hassan II - Agadir
BANQUE POPULAIRE D'EL JADIDA-SAFI	Boulevard Jamia Al Arabia - El Jadida
BANQUE POPULAIRE DE FES-TAZA	Angle Rue Allal Loudyi et Rue Abdelali Benchekroun - Fès
BANQUE POPULAIRE DE LAAYOUNE	9, Boulevard Mohamed V - Laâyoune
BANQUE POPULAIRE DE MARRAKECH - BENI MELLAL	Avenue Abdelkrim Khattabi - Marrakech
BANQUE POPULAIRE DE MEKNES	4, Rue d'Alexandrie - Meknès
BANQUE POPULAIRE DE NADOR-Al HOCEIMA	113, Boulevard Al Massira - Nador
BANQUE POPULAIRE D'OUJDA	Boulevard Derfoufi - Oujda
BANQUE POPULAIRE DE RABAT	3, Avenue de Tripoli - Rabat
BANQUE POPULAIRE DE TANGER-TETOUAN	76, Avenue Mohamed V - Tanger
CDG CAPITAL	Place Moulay El Hassan - Immeuble Mamounia. - Rabat
CREDIT AGRICOLE DU MAROC	2, Avenue d'Alger - Rabat
CASABLANCA FINANCE MARKETS	5-7, Rue Ibnou Toufail - Casablanca
CITIBANK MAGHREB	Lotissement Attaoufik- Imm. I – Ensemble immobilier Zenith Millénium -Sidi Maârouf - Casablanca
CREDIT IMMOBILIER ET HOTELIER « C.I.H »	187, Avenue Hassan II - Casablanca
CREDIT DU MAROC	48-58, Boulevard Mohamed V - Casablanca
FONDS D'EQUIPEMENT COMMUNAL « F.E.C »	1, Rue Oued Baht Agdal - Rabat
MEDIAFINANCE	3, Rue Bab Mansour- Espace Porte d'Anfa. Casablanca
SOCIETE GENERALE	55, Boulevard Abdelmoumen - Casablanca
UNION MAROCAINE DE BANQUES « U.M.B »	36, Rue Tahar Sebti - Casablanca
BANCOSABADELL	Twin center, Tour ouest, 12ème étage angle Bds Zerktouni et Al Massira-20100 Casablanca
CAJA DE AHORROS Y PENSIONES DE BARCELONA « LA CAIXA »	11, Rue Aziz BELLAL Zerktouni, 5éme étage n° 5 - Maarif - Casablanca

Consumer loan companies

Name	Head office adress
VIVALIS SALAF	3, Rue d'Avignon - Casablanca
BMCI CREDIT CONSO	30, Av. des FAR - Casablanca
DAR SALAF S.A	207, Boulevard Zerktouni - Casablanca
DIAC SALAF	32, Boulevard de la Résistance - Casablanca
OMNIUM FINANCIER POUR L'ACHAT A CREDIT « FINACRED »	18, Rue de Rocroy, Belvédère - Casablanca
RCI FINANCE MAROC S.A	Place Bandoeng BP 13700 - Casablanca
SALAFIN	Zenith Millenium, Immeuble 8, Sidi Maarouf - Casablanca
SALAF AL MOUSTAKBAL S.A.	20, Boulevard de La Mecque - Laâyoune
SOCIETE DE CREDIT A LA CONSOMMATION « TASLIF »	29, Boulevard Moulay youssef - Casablanca
SOCIETE DE FINANCEMENT D'ACHATS A CREDIT « SOFAC-CREDIT »	161, Avenue Hassan II - Casablanca
SOCIETE DE FINANCEMENT NOUVEAU A CREDIT « FNAC »	Sahat Rabia Al Adaouia, Résidence Kays Agdal - Rabat
EQDOM	127, Angle Bd Zerktouni et rue Ibnou Bouraîd - 20100 Casablanca
SOCIETE NORDAFRICAINE DE CREDIT « SONAC »	29, Boulevard Mohamed V - Fès
AXA CREDIT	79, Avenue Moulay Hassan 1er - Casablanca
SOCIETE REGIONALE DE CREDIT A LA CONSOMMATION « SOREC-CREDIT »	256, Bd Zerktouni - Casablanca
ASSALAF AL AKHDAR	1, Place Bandoeng - Casablanca
SOGEFINANCEMENT	127, Boulevard Zerktouni - Casablanca
WAFASALAF	Angle rue Jenner et Boulevard Abdelmoumen - Casablanca

Real estate loan companies

Name	Head office adress
ATTIJARI IMMOBILIER	2, Boulevard Moulay Youssef - Casablanca
WAFA IMMOBILIER	140, Boulevard Zerktouni - Casablanca

Factoring companies

Name	Head office adress
ATTIJARI FACTORING	2, Boulevard Moulay Youssef - Casablanca
MAROC FACTORING	243, Boulevard Mohamed V - Casablanca

Leasing companies

Name	Head office adress
BMCI - LEASING	Angle Rue Normandie et Rue Ibnou Fariss - Casablanca
COMPAGNIE MAROCAINE DE LOCATION D'EQUIPEMENT « MAROC- LEASING »	57, Angle Rue Pinel et Boulevard Abdelmoumen Casablanca
CREDIT DU MAROC LEASING « CDML »	201, Bd Zerktouni - Casablanca
SOCIETE GENERALE DE LEASING DU MAROC « SOGELEASE MAROC »	55, Boulevard Abdelmoumen - Casablanca
SOCIETE MAGHREBINE DE CREDIT-BAIL (LEASING) « MAGHREBAIL »	45, Boulevard Moulay Youssef - Casablanca
WAFABAIL	1, Avenue Hassan II - Casablanca

Surety companies

Name	Head office adress
CAISSE MAROCAINE DES MARCHES « CMM »	12, Place des Alaouites - Rabat
DAR AD-DAMANE	288, Boulevard Zerktouni - Casablanca

Payment means management companies

Name	Head office adress
CENTRE MONETIQUE INTERBANCAIRE	Espace porte d'Anfa, 8, Angle Bd d'Anfa et Avenue Moulay Rachid - 20050 Casablanca
WAFA CASH	15, Rue Driss Lahrizi - Casablanca

Other companies

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

Appendix 3

List of offshore banks

Name	Head office adress
ATTIJARI INTERNATIONAL BANK BANQUE OFFSHORE	58, Boulevard Pasteur - Tanger
BANQUE INTERNATIONALE DE TANGER -BANQUE OFFSHORE	Angle Avenue Mohamed V et Rue Moussa Bnou Noussair - Tanger
BMCI - BANQUE OFFSHORE- GROUPE BNP	Boulevard Youssef Ben Tachfine et Angle Boulevard Madrid - Tanger
SOCIETE GENERALE TANGER OFFSHORE (SG.TANGER OFFSHORE)	58, Avenue Mohamed V - Tanger
BMCE BANK - BANQUE OFFSHORE	Zone Franche, Port de Tanger, BP 513 - Tanger
CHAABI INTERNATIONAL BANK OFFSHORE (CIB BANQUE OFFSHORE)	Rue Cellini, Sidi Boukhari - Tanger

Appendix 4

List of microcredit associations

Name	Head office adress
Association AL Amana pour la Promotion des Microentreprises (AL AMANA)	40,Rue Al Fadila, quartier industriel, Q.Y.M, RABAT 10 000
Association Al Karama pour le Micro-Crédit (AL KARAMA)	38, Bd Abdelmounen Appt 23, 4ème étage Hassan RABAT
Association Ismailia pour le Micro-Crédit (AIMC)	115, Boulevard Lahboul-BP 2070 MEKNES
Association Marocaine de Solidarité Sans Frontière (AMSSF)	1, Rue Abi Dar El Ghoufari-Quartier Prince Héritier-1er étage FES
Association Marocaine Oued Serou pour le Micro-Crédit (AMOS)	Rue oued Sbou, Hay Ettakadoum-El Kbab KHENIFRA
Association Tétouanaise des Initiatives Sociaux-Professionnelles (ATIL)	Avenue Hassan II N° 70-Résidence Paloma Blanca-1er Etage N°1 TETOUAN
Fondation Banque Populaire pour le Micro-Crédit (FBPMC)	3, Rue Docteur Veyre-Résidence Patio CASABLANCA
Fondation « ARDI »	Avenue hassan 2 , Hay Ibn sina, rue Iran-Témara Centre
Fondation Micro Crédits du Nord	N° 6, Rue Rachid Réda, Résidence Hayat 2 entresol, appa. N° 34 TANGER
Fondation pour le Développement Local et le Partenariat (FONDEP)	Im. Saraya angle Br Riad et Av. Alarz Hay Riad Rabat 10100
TAWADA	N° 119, avenue de la Résistance, appartement 27 RABAT
BAB RIZK JAMEEL	Rue Moulay Smail n°196, Roches noires, Casablanca
Institution Marocaine d'Appui à la Micro-Entreprise (INMAA)	Angle Rue Maamora et Rue Reine Elizabeth II, Immeuble A, 2ème etage apprt 2 Kenitra

Appendix 5

List of funds transfer intermediaries

Name	Head office adress
CASH ONE	345, Avenue 10 Mars - Mabrouka-Casablanca
DAMANE CASH	97, Nakhla Bande Kelaa Sraghna-Marrakech
EUROSOL	Avenue Hassan II - Résidence Ahssan Dar Immeuble B, n° 3 et 4 - Rabat
QUICK MONEY	16/18 Lotissement Aattaoufik Espace Jet Business Class - Sidi Maarouf - Casablanca
MEA Finance Service	Résidence Hadi n°27, Rue Salim Cherkaoui 6ème étage - Casablanca
RAMAPAR	1, Rue des Pléiades - Quartier des Hopitaux-Casablanca
TRANSFERT EXPRESS	282, Boulevard de la Résistance et Angle Rue de Strasbourg - Casablanca
MONEYON MAROC	Espace Erreda, Bd Zerktouni n° 52, Bureau 16 Casablanca
UAE Exchange Morocco	Espace Porte d'Anfa, 3 rue Bab Mansour Casablanca
Maroc Traitement de Transactions "M2T"	Technopark route de Nouaceur, BP 16430 Casablanca

Appendix 6

Banks' aggregate balance sheet – Morocco business at December 31, 2011

(in thousand dirhams)

ASSETS	31/12/10	31/12/11
Cash values, Central banks, Public Treasury and Postal checks service	**36 512 815**	**33 708 279**
Loans to credit institutions and similar bodies	**115 857 497**	**113 760 595**
. Demand	20 888 068	17 636 935
. Time	94 969 429	96 123 660
Due from customers	**552 558 446**	**613 938 781**
. Overdraft facilities and consumer loans	185 174 038	212 321 983
. Equipment loans	149 944 774	159 754 189
. Real-estate loans	188 257 666	205 281 714
. Other loans	29 181 968	36 580 895
Factoring loans	**1 063 361**	**3 452 269**
Trading and available-for-sale securities	**88 779 547**	**116 733 605**
. Treasury bills and the like	45 725 696	62 385 299
. Other debt securities	12 772 338	12 206 319
. Title deeds	30 281 513	42 141 987
Other assets	**18 973 740**	**13 846 021**
Investment securities	**25 476 379**	**25 471 409**
. Treasury bills and the like	23 887 666	23 902 861
. Other debt securities	1 588 713	1 568 548
Equity securities and the like	**26 606 760**	**28 893 065**
Subordinated loans	**1 356 960**	**1 355 559**
Fixed assets for leasing and rental	**550 404**	**695 773**
Intangible fixed assets	**3 889 230**	**4 326 904**
Tangible fixed assets	**13 990 867**	**14 753 028**
Total assets	**885 616 006**	**970 935 288**

(in thousand dirhams)

LIABILITIES	31/12/10	31/12/11
Central banks, Public Treasury, Postal checks service	**123**	**1 196**
Due to credit institutions and similar bodies	**59 226 107**	**90 150 892**
. Demand	12 689 974	11 652 675
. Time	46 536 133	78 498 217
Customers' deposits	**647 852 426**	**677 248 089**
. Creditor demand deposits	356 566 360	386 081 769
. Savings accounts	93 746 503	102 150 083
. Time deposits	178 233 959	169 005 246
. Other creditor accounts	19 305 604	20 010 991
Debt securities issued	**48 472 045**	**62 707 656**
. Negotiable debt securities	45 168 375	59 733 867
. Bond loans	838 686	692 934
. Other debt securities issued	2 464 984	2 280 855
Other liabilities	**23 410 197**	**26 363 515**
Provisions for risks and expenses	**3 129 422**	**4 357 717**
Regulated provisions		
Subsidies, allocated public funds and special guarantee funds	**4 174 459**	**3 050 396**
Subordinated debts	**20 073 869**	**21 610 419**
Reevaluation gaps	**420**	**420**
Reserves and premiums related to capital	**48 225 200**	**51 732 289**
Capital	**20 147 729**	**21 531 246**
Shareholders. Unpaid capital (-)	**-77 000**	**-48 000**
Retained earnings (+/-)	**1 267 325**	**2 172 907**
Net income before appropriation (+/-)	**-5 290**	**-3 595**
Net income for the year (+/-)	**9 718 984**	**10 060 141**
Total liabilities	**885 616 006**	**970 935 288**

(in thousand dirhams)

OFF-BALANCE SHEET	31/12/10	31/12/11
COMMITMENTS GIVEN	**173 762 481**	**185 569 667**
Financing commitments to credit institutions and similar bodies	4 914 046	4 533 870
Financing commitments to customers	72 174 221	69 458 801
Guarantee commitments to credit institutions and similar bodies	28 586 028	34 971 388
Guarantee commitments to customers	67 659 361	75 988 986
Securities bought under repurchase agreements		
Other securities to deliver	428 825	616 622
COMMITMENTS RECEIVED	**54 652 962**	**56 652 916**
Financing commitments received from credit institutions and similar bodies	3 211 219	3 328 608
Guarantee commitments received from credit institutions and similar bodies	47 700 945	49 093 196
Guarantee commitments received from the government and sundry guarantee Institutions	3 488 119	4 155 241
Securities sold under repurchase agreements		
Other securities to receive	252 679	75 871

Appendix 7

Banks' aggregate management balance statement – Morocco business
From January 1 to December 31, 2011

(in thousand dirhams)

	31/12/10	31/12/11
+ Interest and related income	38 942 009	42 276 356
- Interest and related expenses	14 111 210	15 496 387
INTEREST INCOME	**24 830 799**	**26 779 969**
+ Gains on fixed asset leasing and rentals	117 466	146 489
- Expenses on fixed asset leasing and rentals	99 373	135 508
Income from leasing and rental transactions	**18 093**	**10 981**
+ Commissions received	4 494 861	5 162 042
- Commissions paid	386 421	369 974
Margin on commissions	**4 108 440**	**4 792 068**
± Gains on trading security transactions	1 322 037	1 728 477
± Gains on investment security transactions	470 269	389 221
± Gains from foreign exchange transactions	1 654 857	1 567 935
± Gains on derivatives transactions	221 906	191 139
Income from market operations	**3 669 069**	**3 876 772**
+ Other banking income	1 807 637	2 022 689
- Other banking expenses	1 587 219	1 594 002
NET BANKING INCOME	**32 846 819**	**35 888 477**
± Gains on financial fixed asset transactions	36 619	-277 170
+ Other non-banking operating income	320 801	440 205
- Other non-banking operating expenses	75 908	105 332
- General operating expenses	15 225 013	17 199 397
GROSS OPERATING INCOME	**17 903 318**	**18 746 783**
± Net allocations to provisions for non-performing loans and commitments by signature	-3 623 502	-3 338 355
± Other net allocations to provisions	347 411	-499 861
CURRENT INCOME	**14 627 227**	**14 908 567**
EXTRAORDINARY INCOME	**-483 871**	**-84 908**
- Income tax	4 424 372	4 763 519
NET INCOME FOR THE YEAR	**9 718 984**	**10 060 140**

Appendix 8

Aggregate balance sheet of consumer loan companies at December 31, 2011

(in thousand dirhams)

ASSETS	31/12/10	31/12/11
Cash values, Central banks, Public Treasury and Postal checks service	**47 793**	**176 628**
Loans to credit institutions and similar bodies	**534 446**	**436 150**
. Demand	503 612	407 926
. Time	30 834	28 224
Due from customers	**33 874 881**	**34 118 072**
. Overdraft facilities and consumer loans	32 042 779	32 688 485
. Equipment loans	159 829	131 708
. Real-estate loans	37 041	35 205
. Other loans	1 635 232	1 262 674
Factoring loans	**71 492**	**90 081**
Trading and available-for-sale securities	**7 667**	**10 488**
. Treasury bills and the like	6 176	9 011
. Other debt securities		
. Title deeds	1 491	1 477
Other assets	**1 053 993**	**1 415 545**
Investment securities	**26**	**26**
. Treasury bills and the like		
. Other debt securities	26	26
Equity securities and the like	**39 590**	**18 798**
Subordinated loans		
Fixed assets for leasing and rental	**4 363 880**	**6 217 765**
Intangible fixed assets	**397 262**	**395 333**
Tangible fixed assets	**363 202**	**410 792**
Total assets	**40 754 232**	**43 289 678**

(in thousand dirhams)

LIABILITIES	31/12/10	31/12/11
Central banks, Public Treasury, Postal checks service	**230**	**0**
Due to credit institutions and similar bodies	**23 112 820**	**23 198 685**
. Demand	2 578 574	3 658 350
. Time	20 534 246	19 540 335
Customers' deposits	**832 562**	**2 409 378**
. Creditor demand deposits		
. Savings accounts		
. Time deposits		
. Other creditor accounts	832 562	2 409 378
Debt securities issued	**8 769 645**	**9 625 073**
. Negotiable debt securities	**8 617 684**	**9 041 035**
. Bond loans	**151 961**	**101 278**
. Other debt securities issued		482 760
Other liabilities	**2 442 712**	**2 291 481**
Provisions for risks and expenses	**211 843**	**302 058**
Regulated provisions	**24 980**	**21 500**
Subsidies, allocated public funds and special guarantee funds		
Subordinated debts	**100 014**	**100 014**
Reevaluation gaps		**16 957**
Reserves and premiums related to capital	**2 495 115**	**2 494 178**
Capital	**1 709 960**	**1 867 504**
Shareholders. Unpaid capital (-)	**-6 000**	**-5 629**
Retained earnings (+/-)	**470 180**	**235 367**
Net income before appropriation (+/-)	**-335**	**0**
Net income for the year (+/-)	**590 506**	**733 112**
Total liabilities	**40 754 232**	**43 289 678**

Appendix 9

Aggregate management balance statement of consumer loan companies
From January 1 to December 31, 2011

(in thousand dirhams)

	31/12/10	31/12/11
+ Interest and related income	3 759 552	3 871 081
- Interest and related expenses	1 431 507	1 483 289
INTEREST INCOME	**2 328 045**	**2 387 792**
+ Gains on fixed asset leasing and rentals	**3 093 881**	**2 477 192**
- Expenses on fixed asset leasing and rentals	**2 724 890**	**2 125 656**
Income from leasing and rental transactions	**368 991**	**351 536**
+ Commissions received	308 165	382 663
- Commissions paid	74 552	81 836
Margin on commissions	**233 613**	**300 827**
± Gains on trading security transactions	1 075	247
± Gains on investment security transactions	55	120
± Gains from foreign exchange transactions	70	-30
± Gains on derivatives transactions	0	0
Income from market operations	**1 200**	**337**
+ Other banking income	47 893	54 823
- Other banking expenses	2 685	2 114
NET BANKING INCOME	**2 977 057**	**3 093 201**
± Gains on financial fixed asset transactions	-22 279	-13
+ Other non-banking operating income	84 649	50 686
- Other non-banking operating expenses	429	154
- General operating expenses	1 127 152	1 196 303
GROSS OPERATING INCOME	**1 911 846**	**1 947 417**
± Net allocations to provisions for non-performing loans and commitments by signature	-871 814	-717 998
± Other net allocations to provisions	-59 927	-51 481
CURRENT INCOME	**980 105**	**1 177 938**
EXTRAORDINARY INCOME	**72 797**	**19 537**
- Income tax	**462 396**	**464 363**
NET INCOME FOR THE YEAR	**590 506**	**733 112**

Appendix 10

Aggregate balance sheet of leasing companies
at December 31, 2011

(in thousand dirhams)

ASSETS	31/12/10	31/12/11
Cash values, Central banks, Public Treasury and Postal checks service	**547**	**109**
Loans to credit institutions and similar bodies	**116 768**	**26 333**
. Demand	93 944	11 117
. Time	22 824	15 216
Due from customers	**58 679**	**51 152**
. Overdraft facilities and consumer loans	7 020	6 048
. Equipment loans		
. Real-estate loans	30 490	27 659
. Other loans	21 169	17 445
Factoring loans		
Trading and available-for-sale securities	**454**	**454**
. Treasury bills and the like		
. Other debt securities	454	454
. Title deeds		
Other assets	**1 011 132**	**842 747**
Investment securities	**27**	**27**
. Treasury bills and the like	27	27
. Other debt securities		
Equity securities and the like	**29 723**	**29 723**
Subordinated loans		
Fixed assets for leasing and rental	**37 340 252**	**40 463 390**
Intangible fixed assets	**139 924**	**143 505**
Tangible fixed assets	**24 847**	**25 748**
Total assets	**38 722 353**	**41 583 188**

(in thousand dirhams)

LIABILITIES	31/12/10	31/12/11
Central banks, Public Treasury, Postal checks service		
Due to credit institutions and the like	**27 094 941**	**28 017 200**
. Demand	2 626 481	3 099 509
. Time	24 468 460	24 917 691
Customers' deposits	**1 957 495**	**1 074 727**
. Creditor demand deposits	4 309	4 432
. Savings accounts		
. Time deposits	1 869 932	943 319
. Other creditor accounts	83 254	126 976
Debt securities issued	**5 124 239**	**7 624 785**
. Negotiable debt securities	5 100 312	7 579 256
. Bond loans		
. Other debt securities issued	23 927	45 529
Other liabilities	**1 881 292**	**1 995 008**
Provisions for risks and expenses	**102 768**	**107 121**
Regulated provisions	**1 831**	**1 602**
Subsidies, allocated public funds and special guarantee funds		
Subordinated debts	**55 628**	**58 091**
Reevaluation gaps		
Reserves and premiums related to capital	**1 036 709**	**1 100 748**
Capital	**777 709**	**805 209**
Shareholders. Unpaid capital (-)		
Retained earnings (+/-)	**328 325**	**415 682**
Net income before appropriation (+/-)		
Net income for the year (+/-)	**361 416**	**383 015**
Total liabilities	**38 722 353**	**41 583 188**

Appendix 11

Aggregate management balance statement of leasing companies
From January 1 to December 31, 2011

(in thousand dirhams)

	31/12/10	31/12/11
+ Interest and related income	7 825	10 209
- Interest and related expenses	1 549 213	1 635 578
INTEREST INCOME	**-1 541 388**	**-1 625 369**
+ Gains on fixed asset leasing and rentals	13 230 918	14 049 751
- Expenses on fixed asset leasing and rentals	10 709 520	11 333 036
Income from leasing and rent transactions	**2 521 398**	**2 716 715**
+ Commissions received	3 003	5 669
- Commissions paid	8 190	10 160
Margin on commissions	**-5 187**	**-4 491**
± Gains on trading security transactions		
± Gains on investment security transactions		
± Gains from foreign exchange transactions	-48	-47
± Gains on derivatives transactions		
Income from market activities	**-48**	**-47**
+ Other banking income	1 006	1 614
- Other banking expenses	1 628	1 092
NET BANKING INCOME	**974 153**	**1 087 330**
± Gains on financial fixed asset transactions	30	
+ Other non-banking operating income	9 314	7 283
- Other non-banking operating expenses	9 586	8 073
- General operating expenses	271 070	277 928
GROSS OPERATING INCOME	**702 841**	**808 612**
± Net allocations to provisions for non-performing loans and commitments by signature	-153 354	-188 581
± Other net allocations to provisions	27 919	-5 833
CURRENT INCOME	**577 406**	**614 198**
EXTRAORDINARY INCOME	**-5 442**	**2 802**
- Income tax	**210 548**	**233 985**
NET INCOME FOR THE YEAR	**361 416**	**383 015**

Appendix 12

Consolidated balance sheet of the eight banking groups at December 31, 2011

(in thousand dirhams)

ASSETS	31/12/10	31/12/11
Cash values, Central banks, Public Treasury and Postal checks service	40 152 970	38 052 620
Financial assets at fair value by result	58 397 729	79 816 936
Hedging derivatives	0	0
Financial assets available-for-sale	55 442 457	59 399 330
Loans and due from credit institutions and similar bodies	68 907 038	58 497 224
Loans and due from customers	624 903 622	707 636 079
Asset revaluation gaps on interest hedged portfolios	0	0
Held-to-maturity investments	27 431 531	26 847 710
Current tax assets	1 970 135	2 123 775
Differed tax assets	2 427 825	1 526 451
Adjustment accounts and other assets	14 556 613	16 606 906
Non-recurrent assets held for sale	0	150 209
Participations in businesses -equity method	869 036	1 393 480
Investment property	2 351 746	2 244 247
Tangible fixed assets	21 867 764	21 348 511
Intangible fixed assets	3 005 223	3 011 016
Goodwill	7 511 028	8 414 837
Total assets	**929 794 717**	**1 027 069 330**

(in thousand dirhams)

LIABILITIES	31/12/10	31/12/11
Central banks, Public Treasury and Postal checks service	**170 463**	**231 971**
Financial liabilities at fair value by result	**3 447 023**	**2 728 196**
Hedging derivatives	**0**	**0**
Due to credit institutions and similar bodies	**55 763 062**	**92 974 145**
Due to customers	**652 094 542**	**691 293 336**
Issued debt securities	**53 774 988**	**65 177 665**
Liability reevaluation gaps on hedged interest portfolios	**0**	**0**
Current tax liabilities	**2 228 882**	**2 803 308**
Differed tax liabilities	**5 221 055**	**3 976 674**
Adjustment accounts and other liabilities	**23 410 270**	**25 123 151**
Liabilities linked to non-recurrent assets held for sale	**0**	**0**
Technical provisions of insurance contracts	**17 769 828**	**18 804 327**
Provisions	**3 563 171**	**3 864 813**
Subsidies and similar funds	**4 373 000**	**3 230 274**
Subordinated debts and special guarantee funds	**18 793 599**	**20 587 837**
Equity capital	**89 184 834**	**96 273 633**
Equity capital - Share of the Group	**79 792 963**	**86 365 999**
Capital and related reserves	38 848 598	46 182 684
Consolidated reserves	29 239 945	28 248 416
Unrealized or deferred gains or losses	1 252 436	954 599
Income of the year	10 451 984	10 980 301
Minority shareholdings	**9 391 871**	**9 907 634**
Total liabilities	**929 794 717**	**1 027 069 330**

Appendix 13

Consolidated income statement of the eight banking groups
From January 1 to December 31, 2011

(in thousand dirhams)

	31/12/10	31/12/11
+ Interest and related income	48 409 805	48 991 845
- Interest and related expenses	18 899 098	17 711 950
INTEREST INCOME	**29 510 707**	**31 279 895**
+ Commissions received	7 753 536	8 317 909
- Commissions paid	690 384	958 069
MARGIN ON COMMISSIONS	**7 063 152**	**7 359 840**
± Net gains or losses on Financial instruments at fair value by result	3 483 371	3 235 876
± Net gains or losses on financial assets available for sale	1 880 192	1 592 703
+ Income and other activities	5 951 862	7 197 010
- Expenses and other activities	5 120 787	5 800 535
NET BANKING INCOME	**42 768 497**	**44 864 795**
- General operating expenses	18 347 944	19 748 760
- Amortization and Depreciation allocations of tangible and intangible fixed assets	2 073 515	2 292 623
GROSS OPERATING INCOME	**22 347 038**	**22 823 413**
- Risk cost	-4 594 747	-3 709 451
OPERATING INCOME	**17 752 291**	**19 113 961**
± Share of the net income of equity-consolidated companies	111 862	153 815
± Net gains or losses on other assets	155 622	122 708
± Value change of goodwill	19	-416
INCOME BEFORE TAX	**18 019 794**	**19 390 067**
- Income tax	6 039 642	6 686 761
± Net income of discontinued activities or activities being discontinued	0	0
NET INCOME	**11 980 152**	**12 703 308**
Minority shareholdings	1 528 168	1 723 006
NET INCOME - SHARE OF THE GROUP	**10 451 984**	**10 980 301**

Appendix 14

**Balance sheet of the Deposit Insurance Fund
at December 31, 2011**

ASSETS	Amounts in DH	LIABILITIES	Amounts in DH
INVESTMENT SECURITIES	10 853 120 428,91	CONTRIBUTIONS OF CREDIT INSTITUTIONS	9 481 875 415,26
INVESTMENT SECURITIES GUARANTEED BY THE STATE	73 930 000,00	RESERVES	1 707 282 777,92
SECURITIES BOUGHT UNDER REPURCHASE AGREEMENTS	279 999 996,04	NET INCOME FOR THE YEAR	296 173 979,00
CURRENT ACCOUNT WITH BANK AL-MAGHRIB	3 617 392,74	LIABILITY ADJUSTMENT ACCOUNTS	17 315 068,04
GOVERNMENT - CORPORATE TAX SURPLUS	9 032 632,88		
RECOVERABLE VAT	140 686,25		
GOVERNMENT - VAT CREDIT	2 126 963,14		
ASSET ADJUSTMENT ACCOUNT	280 679 140,26		
TOTAL ASSETS	11 502 647 240,22	TOTAL LIABILITIES	11 502 647 240,22

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